

Fortnightly Foodgrain Outlook

Issue No. 60

07 December 2010

HIGHLIGHTS

RICE PRICE

The hike experienced in the last fortnight in wholesale rice prices on Dhaka city market accentuated in the fortnight ending December 2nd, with a 5.1% increase, bringing the wholesale price up to 32.2 Tk/kg. Retail prices reacted with an even larger hike, +6.3% up to 34 Tk/kg.

ATTA PRICE

In the same period, atta prices in the Dhaka wholesale market decreased slightly, by 0.7%, down to 26.8 Tk/kg, while retail prices remained at their end of October 29 Tk/kg level.

INTERNATIONAL RICE PRICE

After continuously rising since end of October, Thai 100% and 5% parboiled rice prices experienced a slight decline, by 0.18% and 0.55%, down to 557 USD/MT and 542 USD/MT, respectively in the fortnight ending December 3rd. The Dhaka price stood at 456 USD/MT on the same date. The latest available price in Kolkata is 359 USD/MT on November 12th.

INTERNATIONAL WHEAT PRICES

Following sharp drops in the fortnight ending November 19th, both US No-2 HRW and US No-2 SRW prices rose by 5.45% and 4.80% in the fortnight ending December 3rd, up to 290 USD/MT and 277 USD/MT, respectively. On 3rd December, the Dhaka city wholesale price of wheat stood at 351 USD/MT.

RICE IMPORTS

As of December 2nd, 513 thousand MT of rice had been imported, of which 62% by the Government with 46.5 thousand MT -all government imports- imported over the last fortnight. Private imports have been on the decline since the end of summer.

WHEAT IMPORTS

On the same date, 1566.3 thousand MT of wheat had been imported, mostly by the private sector (86%). Over the last fortnight, the private sector actively proceeded with its imports, for a total of 293.7 thousand MT.

PFDS

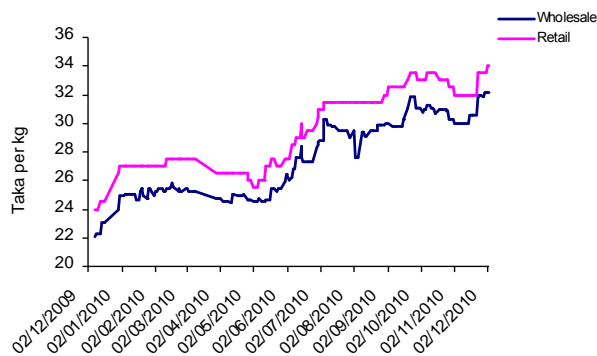
As of November 30th, 559.4 thousand MT of foodgrain had been distributed which amounts to 20.9% of the annual target. Over the fortnight ending November 30th, distribution mainly took place through the EP channel with 20.2 thousand MT of foodgrain distributed and 15.7 thousand MT of rice distributed through OMS. 10.7 thousand MT of foodgrain were also distributed through VGD.

Food Planning and Monitoring Unit (FPMU), Food Division, Ministry of Food and Disaster Management, in collaboration with FAO National Food Policy Capacity Strengthening Programme (NFPCSP)

<http://www.mofdm.gov.bd/> & <http://www.nfpcsp.org/>

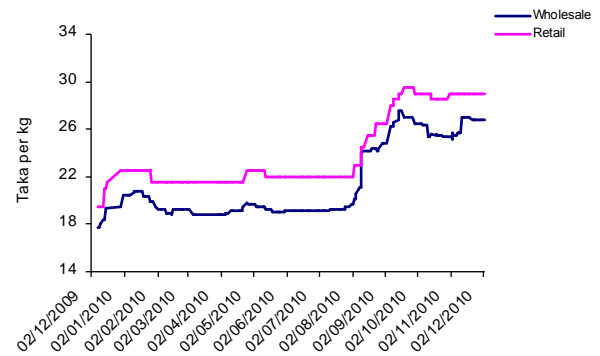
1. Domestic prices: coarse rice and atta

Figure 1. Change in prices of Coarse Rice (Dhaka)



Source: Department of Agricultural Marketing

Figure 2. Change in prices of Atta (Dhaka)



Source: Department of Agricultural Marketing

Table 1. Rice and atta price changes (Dhaka city)

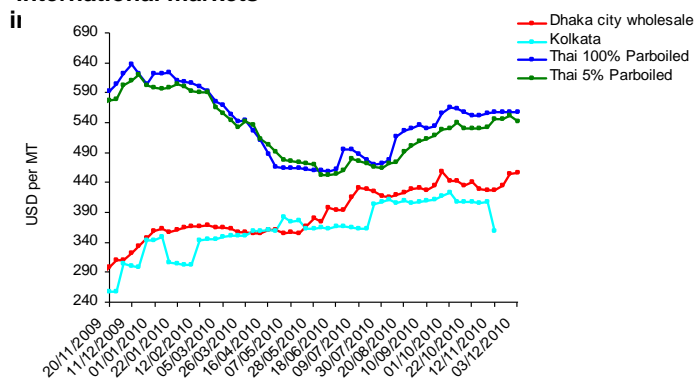
	Price on 2/12/10 Tk/kg	change in %		
		over last fortnight	over last month	over last year
RICE				
retail	34.00	▲ 6.3	▲ 6.3	▲ 44.5
wholesale	32.16	▲ 5.1	▲ 7.2	▲ 52.0
ATTA				
retail	29.00	▶ 0.0	▶ 0.0	▲ 48.7
wholesale	26.80	▶ -0.7	▲ 6.8	▲ 54.1

Source: DAM; Arrows indicate the direction of price change: red if more than 5% rise for annual changes and 1% for monthly/fortnightly changes, green if more than 5% decrease for annual changes and 1% for monthly/fortnightly changes, yellow otherwise. The yearly change is calculated fortnight to fortnight.

- The hike experienced in the last fortnight in wholesale rice prices on Dhaka city market accentuated in the fortnight ending December 2nd, with a 5.1% increase, bringing the wholesale price up to 32.2 Tk/kg. Retail prices reacted with an even larger hike, +6.3% up to 34 Tk/kg. Both prices continue to be a hefty 52% and 45% higher than prices a year ago, respectively, when the prices were close to their minimum level, following the price crisis of 2007-08.
- In the same period, atta prices in the Dhaka wholesale market decreased slightly, by 0.7%, down to 26.8 Tk/kg, while retail prices remained at their end of October 29 Tk/kg level.

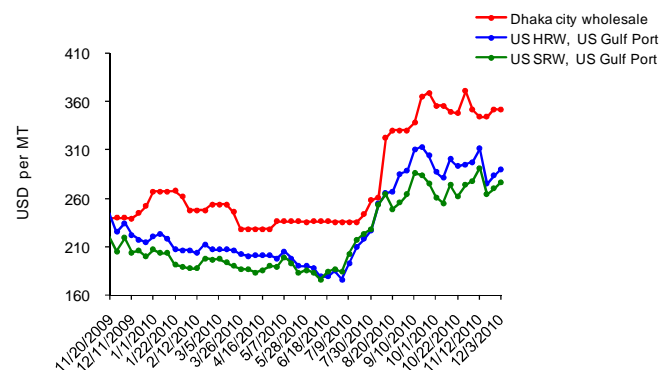
2. International prices

Figure 3. Rice wholesale price in Dhaka and relevant international markets



Source: Average fob price; FAO, International Commodity Prices, Weekly data; Thai Rice Exporters Association, Parboiled rice quotes; Thailand Grain and Feed Weekly Rice Price Update; USDA, GAIN Report; indicative fob prices based on averaged exporter observations; Government of India, Ministry Of Consumer Affairs Food and Public Distribution, Department Of Consumer Affairs, Price Monitoring Cell

Figure 4. Wheat wholesale price in Dhaka and relevant international markets



- After continuously rising since end of October, Thai 100% and 5% parboiled rice prices experienced a slight decline, by 0.18% and 0.55%, bringing them down to 557 USD/MT and 542 USD/MT, respectively in the fortnight ending December 3rd. The Dhaka price stood at 456 USD/MT on the same date. The latest available price in Kolkata is 359 USD/MT on November 12th.
- Export prices of Thai rice declined due to a slowdown in enquiries from key importers, particularly for parboiled rice. In addition, the government released additional stocks of 450 thousand MT. Even a more favorable exchange rate was unable to spur demand (USDA, 30 Nov.).
- Following sharp drops in the fortnight ending November 19th, both US No-2 HRW and US No-2 SRW prices rose by 5.45% and 4.80% in the fortnight ending December 3rd, up to 290 USD/MT and 277 USD/MT, respectively. On 3rd December, the Dhaka city wholesale price of wheat stood at 351 USD/MT.

Box 1. International production and market prospects 2010/11**RICE AND WHEAT PRODUCTION & STOCKS (in million MT)**

	2008/09	2009/10 estim.	2010/11 forecast		% change 2010/11 over 2009/10
			end Sept.	Nov.	
Wheat					
Production	685	683	650	648	-5.1%
Ending stocks	180	201	188	181	-9.9%
Rice					
Production	458	456	467		2.4%
Ending stocks	124	126	133		5.6%

Source: FAO Food Outlook, Nov. 2010

Data refer to calendar year of the first year shown and include rice in milled terms.

- ❖ A further cut in the forecast for 2010 world wheat production puts this year's wheat production at 648 million MT, down 5% from 2009 but still the 3rd highest on record. This revision reflects cuts in the estimate of this year's harvest in the Russian Federation which more than offsets higher forecasts for crops in other countries including the USA and China (FAO, Nov. 10).
- ❖ Assuming utilization of wheat in 2011/12 remains close to the 10-year trend, an increase of at least 3.5% in world production in 2011 would be required in order to prevent a further drawdown of global reserves in 2012. It should be noted however that wheat utilization has exceeded the ten-year trend for two consecutive seasons (FAO, Nov. 10).
- ❖ As a result of a cut in world wheat production but a rise in utilization, the forecast for 2011 world wheat ending stocks was lowered to 181 million MT, down 9% from their 8-year high opening level (FAO, Nov. 10).
- ❖ Global rice production in 2010 has also been revised downward to 467 million MT. Much of the revision is the consequence of lowering of the forecast for crops about to be harvested in flood-affected Pakistan, but also in China, Egypt, India, Laos and the Philippines. Despite the adjustment, the new production estimate would still translate in a 2.4% increase of world output from 2009, a historical record (FAO, Nov. 10).
- ❖ Global supplies (production plus opening stocks) are foreseen to be much more ample than in the last 3 years. So, although prospects for world rice consumption and stocks in 2011 were negatively affected by the downward revision in world output, they are still foreseen to increase compared to the 2009 estimates (FAO, Nov. 10).

WHEAT

- ❖ Adverse weather conditions in the U.S. and Australia pushed wheat prices up significantly in the week ending December 3rd. Dry conditions prevailed in the Great Plains, while excessive rainfall persists in eastern Australia. Strong export demand and a weaker dollar also supported prices (US Wheat Associates, 3 Dec.).
- ❖ The CBOT December contract gained 34 USD/MT, closing at 271 USD/MT while KBOT gained 37 USD/MT, closing at 298 USD/MT. (US Wheat Associates, 3 Dec.).

RICE

- ❖ India's summer rice output in Andhra Pradesh, one of the country's top producers, is likely to fall 10%-15% below the state government's target of 9.07 million MT, while Tamil Nadu's output could be about 200,000 MT lower than the usual 7 million-7.2 million MT (Oryza, 1 Dec.).
- ❖ India is not likely to lift curbs on export of wheat, rice and other grains in short term. According to government officials, existing grain stocks might just be enough to meet domestic demand as the Indian government proposes to enact a universal food security law (Oryza, 2 Dec.).
- ❖ US rice futures rallied as grain groups in India, the world's second largest rice producer after China, warned of crop losses due to heavy rains.
- ❖ Indonesia has bought 230,000 MT of 5% broken premium Thai rice for shipment until February 2011 and is in the process of negotiating pricing for another 20,000 MT (Oryza, 6 Dec.).
- ❖ Vietnam has raised the export floor price for 5% broken rice by 13.7% to \$540/MT mainly due to increasing demand. Vietnam has also increased the minimum export price for 25% for broken rice to 480 USD/MT, FOB from 445 USD/MT in place since November last year (Oryza, 6 Dec.).
- ❖ South Korea's rice production has fallen to the lowest level in 30 years due to bad weather conditions and a steady decrease in the size of rice paddies. The country may import 330 thousand MT this year, up from 292 thousand MT last year (Oryza, 1 Dec.).
- ❖ Thailand is reported to be working on different rice strategies for the year 2011, focusing on the quality standard of Thai rice instead of price competition, amid forecast that Thailand's volume of rice exports will reach 8.5-9.5 million MT next year (Oryza, 26 Nov.).

Chicago Board of Trade SRW Futures (USD/MT)

Closing price	Dec-10	Mar-11	May-11	Jul-11	Sep-11
19-Nov	237	251	260	265	272
03-Dec	271	286	291	289	292
change	14.5%	13.9%	11.6%	9.2%	7.6%

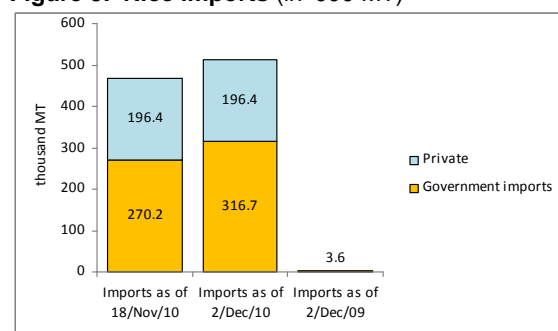
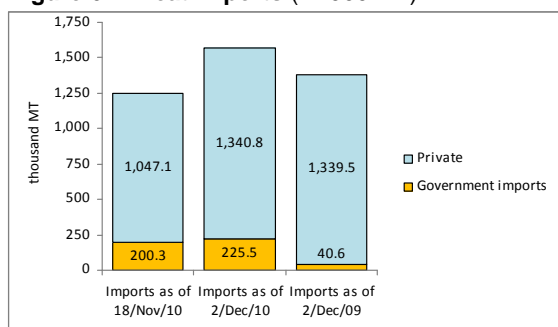
Kansas Board of Trade HRW Futures (USD/MT)

Closing price	Dec-10	Mar-11	May-11	Jul-11	Sep-11
19-Nov	261	266	270	272	275
03-Dec	298	302	305	302	305
change	14.4%	13.3%	12.8%	11.1%	10.7%

Source: U.S. Wheat Associates Weekly Price Report

Conversion rates: 1USD/bu = 36.743 USD/MT

- ❖ Russia plans to reopen flour exports from January 1. In the meantime, it is getting ready to import grains from Ukraine and Kazakhstan and to release grain from its 9.6 million MT intervention stocks to curtail rising prices in the first quarter of 2011, so that grain could reach regions worst hit by the drought by March (APK-Infom Agency, 6 Dec.).
- ❖ Ukraine has prolonged quotas on grain exports to March 31, 2011 and increased them by 0.5 million MT for wheat (Interfax-Ukraine News Agency, 8 Dec.).

3. Imports**Figure 5. Rice imports (in '000 MT)****Figure 6. Wheat imports (in '000 MT)**

- As of December 2nd, 513 thousand MT of rice had been imported, of which 62% by the Government with 46.5 thousand MT -all government imports- imported over the last fortnight. Private imports have been on the decline since the end of summer. At the same time last year, total imports of rice amounted to a mere 3.6 thousand MT, all by the government.
- As of December 2nd, 1566.3 thousand MT of wheat had been imported, mostly by the private sector (86%). Over the last fortnight, the private sector actively proceeded with its imports, for a total of 293.7 thousand MT. At the same time last year, 1380.1 thousand MT had been imported, 97% privately.

Table 2. LC situation (in '000 MT)

Period	L.C. opened ('000 Mt)		LC settled ('000 Mt)	
	Rice	Wheat	Rice	Wheat
12-25 Nov	30	152	0	68
Cumulative month as of 25 Nov	30	254	43	332
Cumulative year as of 25 Nov	560	2051	519	1083

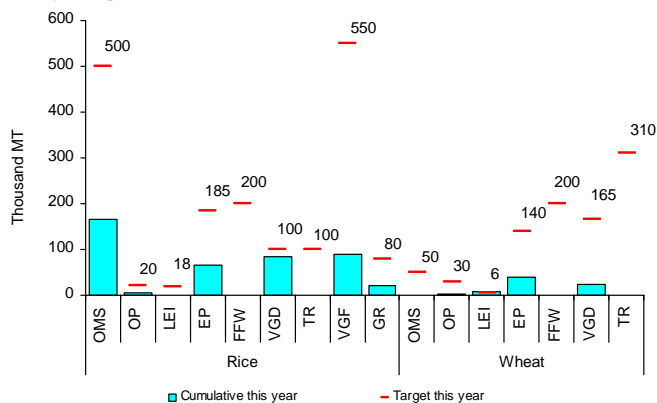
Source: MIS DG Food; Aid, if any, is included in Government imports

4. Rice procurement

- The government's Food Planning and Monitoring Committee (FPMC) held on November 22nd decided, for the first time, to drop the plan to procure rice during the current Aman season in consideration of the fact that current market prices are adequate to preserve profitability for farmers, and to prevent any inflationist pressure on the already high market price. Rather, it was decided to sustain supply for the Public Food Distribution System through imports.

5. Public distribution

Figure 7. Rice and wheat distributed through PFDS and yearly target as of November 30th, in thousand MT



Source: Directorate General of Food and FPMU
 OMS: Open Market Sale; OP: Other Priorities; LEI: Large Employers; EP: Essential Priorities; FFW: Food for Work; VGD: Vulnerable Group Development; TR: Test Relief; VGF: Vulnerable Group Feeding; GR: Gratuitous Relief

- Total distribution planned for 2010/11 is 2.65 million MT against 2.68 last year, of which 1.89 million was effectively distributed.
- As of November 30th, 559.4 thousand MT of foodgrain had been distributed which amounts to 20.9% of the annual target: 26.7% for rice and 9.0% for wheat. Last year at the same time, 498.7 thousand MT or 21.8% of the annual target had been met.
- This marketing year, as of November 30th, the distribution channels that have most been used are OMS with 165 thousand MT distributed (30% of its annual target), VGD with 108 thousand MT (32% of its annual target), EP with 105 thousand MT distributed (32% of its annual target), and VGF with 91 thousand MT distributed (16% of its annual target).
- Over the fortnight ending November 30th, distribution mainly took place through the EP channel with 20.2 thousand MT of foodgrain distributed and 15.7 thousand MT of rice distributed through OMS. 10.7 thousand MT of foodgrain were also distributed through VGD.
- OMS was relaunched on 23rd September in Dhaka city and 6th October in the rest of the country, with rice being sold at 24 Tk/kg. Under this programme, every dealer can sell up to 5 kgs of rice to each customer, five days a week. 81 thousand MT have been distributed since the OMS resumed.
- The GoB has decided to pursue its OMS drive at this time of the year, in order to bring some relief to the poor from the current high prices.
- The government resumed selling rice to 11,18,000 ultra-poor fair price card holders in the capital city at 24 Tk/kg from November 1st. Each card holder is able to buy 20 kg of rice per month.