

Fortnightly Foodgrain Outlook

Issue No. 8

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HIGHLIGHTS

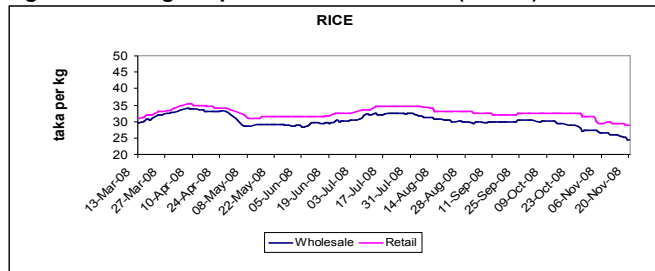
- ❖ Over the past fortnight, wholesale rice prices fell by 8.1% but retailers have been moderately responsive, with a mere 1.7% decrease registered in retail prices. Conversely, both Atta wholesale and retail prices decreased sharply, by 12% and 16.7%, respectively, indicating further narrowing of Atta retail margins.
- ❖ The decline in rice prices is expected to continue in view of good prospects for Aman harvest.
- ❖ Despite fluctuations since the end of October, the declining trend in international wheat prices is expected to continue, due to strong export supplies. Likewise, current rice supply prospects are overall expected to keep downward pressures on world rice prices. Meanwhile, there are concerns over the possible negative impacts of the financial crisis on rice import demand and trade.
- ❖ Total rice imports increased by 1.13% in the last fortnight amounting to 410 thousand MT, 90% of which consisted of public commercial imports from India. 474.6 thousand MT out of the 500 thousand MT expected as part of the bilateral agreement with India have so far reached the government godowns.
- ❖ Wheat imports increased by 25% in the fortnight ending November 20th, totaling 532 thousand MT, but remain significantly below their level at the same time last year.
- ❖ The boro procurement was officially over as of November 10th. Total boro procurement was 84% of the target as of November 20th, compared to 59% on the same date in 2007. The total quantity procured (1168 thousand MT) is 65% higher than what was procured last year.
- ❖ Aman procurement is scheduled to take place from November 25th to 28 February 2009. The Government has set a target of 200 thousand MT (75 thousand MT of paddy and 150 thousand MT of rice). Procurement prices have been set at Tk16/Kg for paddy and Tk26/Kg for rice.
- ❖ Total foodgrain distribution so far has been 21% of the yearly target against 17% last year at the same time. The quantity distributed so far is 73% higher than last year at the same time.

*Food Planning and Monitoring Unit (FPMU), 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/>

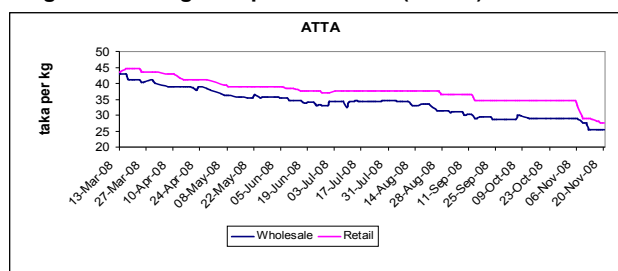
1. Domestic prices: coarse rice and atta

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



Source: DAM

Figure 2. Changes in prices of Atta (Dhaka)



Source: DAM

Table 1. Price change over the past two weeks

	Price on 06/11/08 Tk/kg	Price on 20/11/08 Tk/kg	% change
RICE			
retail	29.50	29.00	-1.7
wholesale	26.53	24.39	-8.1
ATTA			
retail	33.00	27.50	-16.7
wholesale	28.95	25.48	-12.0

Source: DAM

- Over the last two weeks, the wholesale price of rice declined sharply by 8.1%, from Tk26.53 to Tk24.39 but retailers have been moderately responsive, with only a 1.7% decrease recorded in retail prices, from Tk29.50 to Tk29.00 per kg.
- In contrast, both wholesale and retail prices of Atta in the Dhaka city declined sharply over the last two weeks. Wholesale prices fell by 12% from Tk28.96 to Tk25.48 while the retail prices slumped by 16.7%, indicating substantial narrowing of Atta retail margins.
- The decline in rice prices is expected to continue in view of good prospects for Aman harvest.

2. International prices

Table 2. Week on week changes in international prices (wheat and rice)

Week ending	WHEAT				RICE					
	US No-2 HRW, US Gulf Port* (USD/MT)	Change	US No-2 SRW, US Gulf Port* (USD/MT)	Change	Week ending	Thai 100% Parboiled** (USD/MT)	Change	Week ending	Thai 5% Parboiled* ** (USD/MT)	Change
22.08.08	357	5.6%	266	6.8%	20.08.08	799	-3.3%	18.08.08	685	-12.5%
29.08.08	349	-2.2%	256	-3.8%	27.08.08	783	-2.0%	25.08.08	690	0.7%
05.09.08	326	-6.6%	232	-9.4%	03.09.08	792	1.1%	01.09.08	715	3.6%
12.09.08	309	-5.2%	222	-4.3%	10.09.08	788	-0.5%	08.09.08	728	1.8%
19.09.08	297	-3.9%	212	-4.4%	17.09.08	776	-1.5%	15.09.08	724	-0.5%
26.09.08	317	6.7%	233	9.6%	24.09.08	749	-3.5%	22.09.08	729	0.7%
03.10.08	293	-7.6%	208.52	-10.3%	01.10.08	734	-2.0%	29.09.09	694	-4.8%
10.10.08	264	-9.9%	187.67	-10.0%	08.10.08	691	-5.9%	06.10.08	668	-3.7%
17.10.08	258	-2.3%	182.98	-2.5%	15.10.08	670	-3.0%	20.10.08	619	-7.3%
24.10.08	249	-3.5%	186.07	1.7%	22.10.08	648	-3.3%	27.10.08	560	-9.5%
31.10.08	238	-4.4%	175.63	-5.6%	29.10.09	609	-6.0%	07.11.08	540	-3.6%
07.11.08	259	8.8%	194.74	10.9%	05.11.08	580	-4.8%	10.11.08	559	3.5%
14.11.08	245	-5.4%	175.72	-9.8%	12.11.08	576	-0.7%	17.11.08	578	3.4%
21.11.08	242	-1.2%	178.11	1.4%	19.11.08	592	2.8%			

* Average fob price; Source: 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

- After a 8.8% jump in the first week of November, the price of the USHRW N² fell again during the last fortnight. The price of the benchmark USSRW experienced a similar up-and-down move in the first two weeks of November, ending with a modest increase by 1.4% in the third week. The overall declining trend in wheat prices is however likely to continue, as a result of large export supplies, while the world economic slowdown may also depress demand (FAO, Nov, 2008).
- The dip in international rice prices has been so far mitigated by the export restrictions imposed by some major exporting countries as well as the domestic procurement program in Thailand. While current rice supply prospects are expected to keep downward pressures on world rice prices, especially within the context of falling prices of other cereals, there are also concerns over the possible negative impacts of the financial crisis on rice import demand and trade (FAO, Nov, 2008)
- After a notable decline from July up to the end of October, Thai rice export prices started increasing, due to flooding during harvest and temporary tight export supplies. The prices of the Thai 5% parboiled notably posted a 7% increase in the first two weeks of November. Price increases are however expected to level off in the coming weeks, along with the finalization of the Thai Government interventions stocks tender of 3 million MT launched on 5 November (Gain Report, 18 Nov, 2008).

Box 1. International production and market prospects 2008/09**World rice and wheat production and stocks (million MT) forecast**

PRODUCTION	2006/07	2007 estimate	2008 forecast	Change 2008 over 2007 in %
Rice (milled)	428.7	432.6	448.8	2.1
Wheat	597.0	609.4	677.1	11.1

STOCKS (end of marketing season)	2006/07	2007/08 estimate	2008/09 forecast	Change 2008/09 over 2007/08 in %
Rice	104.6	109.2	114.4	4.8
main exporters*	23.1	25.8	28.7	11.1
Wheat	160.1	154.9	183.5	18.4
main exporters*	36.6	26.9	42.7	58.9

* India, Pakistan, USA, Thailand and Vietnam; Source: FAO Crop Prospects October 2008

Wheat futures prices as of 21 Nov. 2008 (USD/MT)

	Dec-08	Mar-09	May-09	Jul-09	Sep-09
Chicago BOT SRW	183.3	190.3	195.4	200.5	208.6
Kansas City BOT HRW	196.0	201.5	209.3	208.7	212.8

Weekly changes in future prices (USD/MT)

Contract month	Week	CBOT SRW	KBOT HRW
December 08	07.11.08 - 14.11.08	12.2	9.3
	14.11.08 - 21.11.08	-20.3	-22.0
March 09	07.11.08 - 14.11.08	11.9	8.5
	14.11.08 - 21.11.08	-20.8	-21.7
May 09	07.11.08 - 14.11.08	12.1	8.6
	14.11.08 - 21.11.08	-21.0	-21.6
July 09	07.11.08 - 14.11.08	12.1	9.4
	14.11.08 - 21.11.08	-21.0	-22.4
September 09	07.11.08 - 14.11.08	12.4	9.5
	14.11.08 - 21.11.08	-21.6	-22.7

Source: U.S. Wheat Associates Weekly Price Report
Conversion rates: 1 USD/bu = 36.743 USD/MT

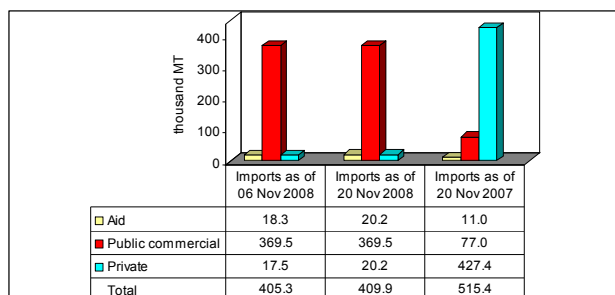
❖ A significant improvement in the global supply and demand balance for cereals in the 2008/09 season is expected with substantial increases in world cereal stocks. The bulk of the increase is expected in the wheat stocks of major exporting countries, while a notable growth in rice stocks is also forecast for the second year in succession (FAO, Oct. 2008).

RICE

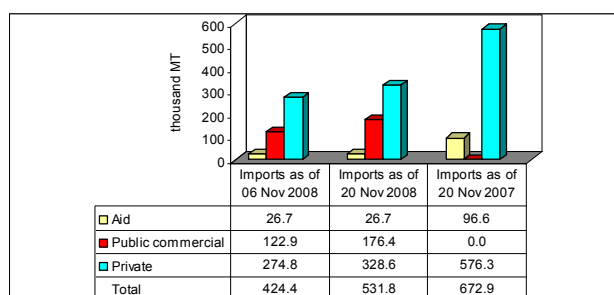
- ❖ Global milled rice output is now forecast at a 449 million MT in 2008, 2% above the already excellent results achieved in 2007. Asian countries are likely to account for much of the global expansion (FAO, Oct. 2008).
- ❖ IRRI predicts an increase in global demand for rice in the coming months as the economic slowdown is forcing poor people to eat more rice in place of meat (Oryza, 29 Oct.).
- ❖ Thailand's exporters are facing intense competition from much-lower-priced rice from Vietnam and Pakistan (FAO, 2008).
- ❖ Unfettered by government intervention or an export ban, Pakistan rice exports have surged positioning Pakistan to overtake the USA as the world's third largest exporter of rice (Oryza, 7 Nov.).
- ❖ The Government of Myanmar has lifted a ban on rice exports imposed after Cyclone Nargis (Oryza, 7 Nov.).
- ❖ Vietnam is expected to export 4.5 million MT of rice this year and has recently signed a contract to export 100 000 MT to Malaysia (Oryza, 19 Nov.).

WHEAT

- ❖ Global output in 2008 is forecast at 677 million MT, a very substantial (11 %) increase from the previous year and well above the average of the past five years (FAO, Oct. 2008).
- ❖ Wheat futures traded higher in the second week of November but declined sharply in the second week, amid spillover pressures from the corn market and rally in the dollar (Wheat Associates, 11 and 21 Nov.).

3. Imports**Figure 3. Rice imports**

Source: MIS DG Food

Figure 4. Wheat imports

Source: MIS DG Food

Table 3. LC situation (in '000 MT)

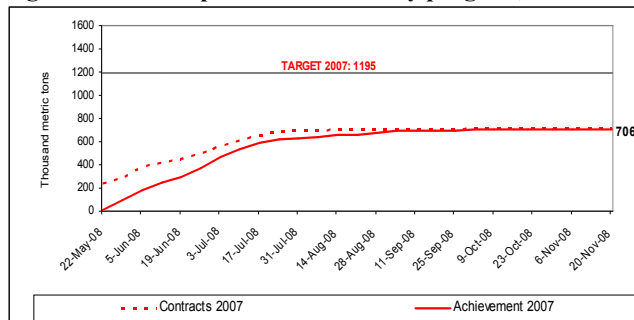
Period	L.C. opened ('000 Mt)		LC settled ('000 Mt)	
	Rice	Wheat	Rice	Wheat
1-14 Nov	16.0	75.0	22.0	140.0
Cumulative month as of 14 October	16.0	75.0	22.0	140.0
Cumulative year as of 14 Nov	20.0	806.0	355.0	322.0

Source: Bangladesh Bank

- Total rice imports increased marginally by 1.13% in the last fortnight (as of November 20th), amounting to 410 thousand MT, 90% of which consisted of public commercial imports from India. 474.6 thousand MT out of the 500 thousand MT expected, following the bilateral agreement signed with India have so far reached the government godowns, while the remaining part is expected to reach the godowns by the end of this month.
- Private imports of rice remain sluggish reaching a mere 20.2 thousand MT as of November 20th reflecting the fact that the country's stocks are high.
- Wheat imports have been resuming, with a 25% increase recorded in the fortnight ending November 20th, totaling 532 thousand MT. However, imports remain significantly below their level (673 thousand MT) at the same time last year.

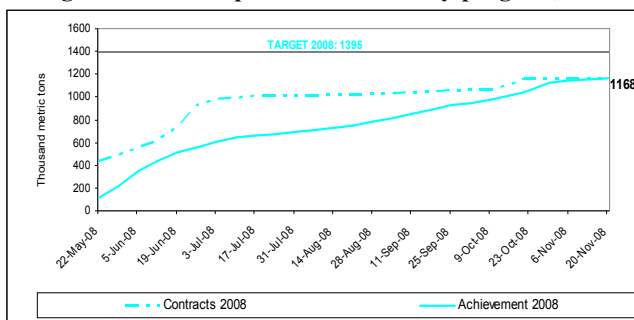
4. Public procurement and distribution

Figure 5. Internal procurement weekly progress, 2007



Source: DG Food

Figure 6. Internal procurement weekly progress, 2008



Source: DG Food

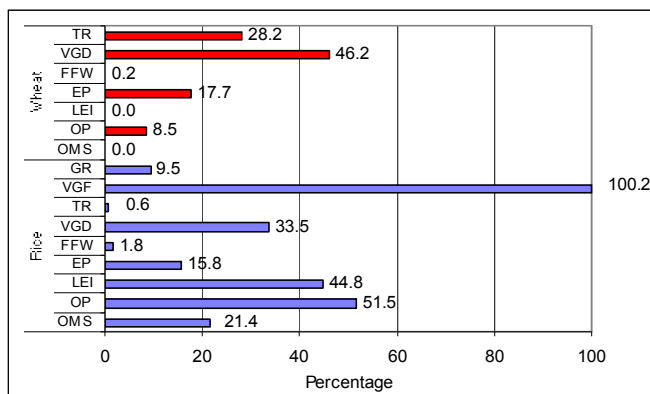
Table 4. Weekly increase in procured quantity

Week	% increase
06-20 Nov	1.7
30 Oct-06 Nov	2.2
21-30 Oct	7.6
16-21 Oct	3.5
9-16 Oct	3.8
2-9 Oct	2.8
25 Sep- 2 Oct	1.6
18-25 Sep	4.5
11-18 Sep	4.6
4-11 Sep	4.6
28 Aug - 4 Sep	3.8
21-28 Aug	5.3
14-21 Aug	1.9
7-14 Aug	2.8
31 July - 7 Aug	3.2
24-31 July	2.4
17-24 July	1.6
10-17 July	3.5
3-10 July	5.0
26 June-3 July	9.9
19-26 June	7.7
12-19 June	17.0
5-12 June	26.8
29 May- 5 June	56.5
22-29 May	87.9

PROCUREMENT

- The boro procurement cycle was officially over as of November 10th. The realization of contracts resulted in a 1.7% increase in the quantity procured during the last fortnight. As of November 20th, the total amount of Boro procured was just above 1168 thousand MT (84% of the target) compared to the 706 thousand MT (59% of the target) procured last year. The quantity of boro procured is 65% higher than in 2007.
- Aman procurement is scheduled to take place from November 25th to February 28th, 2009. The Government has set a target of 200 thousand MT (75 thousand MT of paddy and 150 thousand MT of rice). Procurement prices have been set at Tk16/Kg for paddy and Tk26/Kg for rice. It may be noted that the procurement price for rice is significantly above the current wholesale price.

Figure 7. Rice and wheat cumulative public distribution as % of yearly target (as of 13 November)



Source: DG Food and FPMU

DISTRIBUTION

- Total distribution planned for this year is 2.97 million MT against 2.20 last year.
- Total foodgrain distribution so far totaled 0.55 million tons, that is 21% of the yearly target (against 17% last year at the same time). The quantity distributed so far is 57.4% higher than last year at the same time.
- 27% of the yearly distribution target for rice has been achieved against 9% for wheat.
- Distribution through VGF so far slightly exceeds the 225 thousand MT targeted for the year.
- Following the sharp reduction in rice prices, the government scaled down the OMS programme in early November, restricting it to six city corporation areas, while the OMS selling price was reduced by two Taka to Tk26.