

Fortnightly Foodgrain Outlook

Issue No. 9

15 December 2008

HIGHLIGHTS

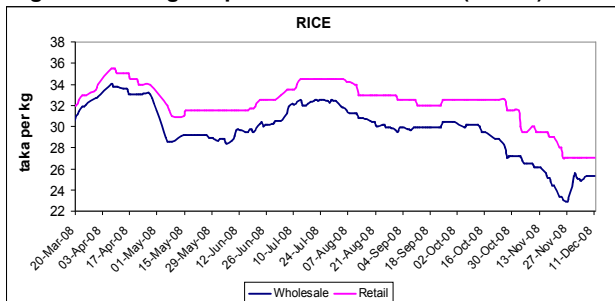
- ❖ Over the fortnight ending December 11th, the wholesale price of rice increased sharply by 10.5% while retail prices remained unchanged. This has resulted in a narrowing of retail margins. The increasing trend in rice prices is rather unexpected at this time of the year, when the Aman harvest is about to enter the market.
- ❖ In contrast, both wholesale and retail prices of Atta in Dhaka city declined sharply over the same time period.
- ❖ In the last two weeks, the price of both HRW and SRW pursued the overall declining trend observed since March 2008. In the same time, the fluctuations of the Thai 100% have been less than $\pm 1\%$, while the Thai 5% parboiled price decreased by 5.3% in the week ending 5th December.
- ❖ While current rice supply prospects are expected to keep downward pressures on world rice prices, there are also concerns over the possible negative impacts of the financial crisis on rice import demand and trade. The pace and the extent of the sharp price declines observed after the price peak of the beginning of the year were also influenced by the crisis in global financial markets and falling crude oil prices. These developments have added much uncertainty to the future of price levels.
- ❖ Total rice imports increased by 7.9% in the last fortnight, 89% of which consisted of public commercial imports from India. The entire 500 thousand MT from the bilateral agreement signed with India following cyclone SIDR have now been received. Private imports of rice remain sluggish reflecting the fact that the country's stocks are high.
- ❖ Wheat imports increased by 26% in the last two weeks totaling 703 thousand MT on December 11th, which is significantly lower than what was recorded at the same time last year.
- ❖ Aman procurement was scheduled to begin on November 25th. The Government has set a target of 200 thousand MT in terms of rice. Procurement prices have been set at Tk16/Kg for paddy and Tk26/Kg for rice. The procurement price for rice is significantly above the current wholesale price in incentive growing areas.
- ❖ The total distribution planned for this year is 2.12 million MT against 2.20 last year. This figure has been revised down from 2.97 million MT. As of 29th November, 33% of the yearly target (against 20% last year at the same time) had been achieved.

*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/>

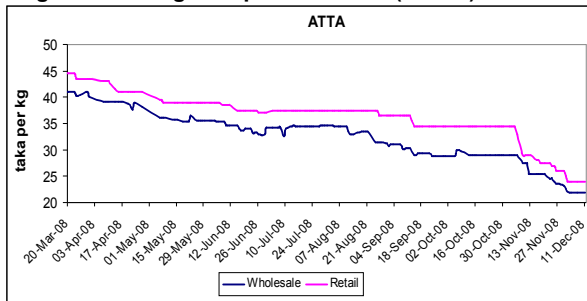
1. Domestic prices: coarse rice and atta

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 27/11/08 Tk/kg	Price on 11/12/08 Tk/kg	% change
RICE			
retail	27.00	27.00	0.0
wholesale	22.91	25.32	10.5
ATTA			
retail	26.00	24.00	-7.7
wholesale	23.60	21.84	-7.5

Source: DAM

- Over the last two weeks, the wholesale price of rice increased sharply (+10.5%), from Tk22.9 to Tk25.3 per kg but retail prices remained unchanged at Tk27.0 per kg. This has resulted in a narrowing of retail margins.
- The increasing trend in rice prices is rather unexpected at this time of the year when the Aman harvest is about to enter the market.
- In contrast, both wholesale and retail prices of Atta in Dhaka city declined sharply over the same time period: wholesale prices by 7.5% from Tk23.6 to Tk21.8 per kg and retail prices by 7.7% from Tk26.0 to Tk24.0 per kg.

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
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%	25.11.08	576	-0.3%
28.11.08	243	0.4%	180.59	1.4%	26.11.08	586	-1.0%	02.12.08	567	-1.6%
05.12.08	235	-3.3%	171.59	-5.0%	03.12.08	585	-0.2%	09.12.08	537	-5.3%
12.12.08	220	-6.4%	161.12	-6.1%	11.12.08	589	0.7%			

* 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

- The price of both HRW and SRW pursued the overall declining trend observed since March 2008 with a fall of over 6% both varieties in the week ending 12th December.
- The substantial decline of Thai rice export prices witnessed from July up to the end of October slowed down and even reverted in certain weeks due to flooding at the time of harvest and temporary tight export supplies. In the last two weeks, the fluctuations of the Thai 100% have been less than $\pm 1\%$ while the Thai 5% parboiled price decreased by 5.3% in the week ending 5th December.
- 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, there are also concerns over the possible negative impacts of the financial crisis on rice import demand and trade (FAO, Nov. 2008).
- The pace and the extent of the sharp price declines observed after the price peak of the beginning of the year were also influenced by the crisis in global financial markets and falling crude oil prices. These developments have added much uncertainty to the future of price levels and raised the worrying possibility that plantings for the next season may be negatively affected. Farmers already burdened by the high cost of inputs may be less willing to expand or even keep up with production next year (FAO, Nov. 2008).

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

PRODUCTION	2007/08		2008/09	Change 2008/09 over 2007/08 in %
	2006/07	estimate	forecast	
Rice (milled)	428.7	439.5	450.2	2.4
Wheat	596.6	610.5	677.0	10.9

STOCKS (end of marketing season)	2007/08		2008/09	Change 2008/09 over 2007/08 in %
	2006/07	estimate	forecast	
Rice (milled)	104.6	109.3	115.4	5.5
Wheat	159.9	155.1	186.6	20.3

Source: FAO Food Outlook November 2008

Wheat futures prices as of 12 Dec. 2008 (USD/MT)

	Dec-08	Mar-09	May-09	Jul-09	Sep-09
Chicago BOT SRW	186.2	188.5	193.3	198.0	205.9
Kansas City BOT HRW	194.8	197.8	201.5	205.1	209.0

Weekly changes in future prices (USD/MT)

Contract month	Week	CBOT SRW	KBOT HRW
December 08	21.11.08 - 05.12.08	-15.2	-16.1
	05.12.08 - 12.12.08	18.0	14.9
March 09	21.11.08 - 05.12.08	-15.6	-16.6
	05.12.08 - 12.12.08	13.8	12.9
May 09	21.11.08 - 05.12.08	-15.9	-17.1
	05.12.08 - 12.12.08	13.8	13.0
July 09	21.11.08 - 05.12.08	-16.3	-17.7
	05.12.08 - 12.12.08	13.7	14.1
September 09	21.11.08 - 05.12.08	-16.0	-17.9
	05.12.08 - 12.12.08	13.2	14.1

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

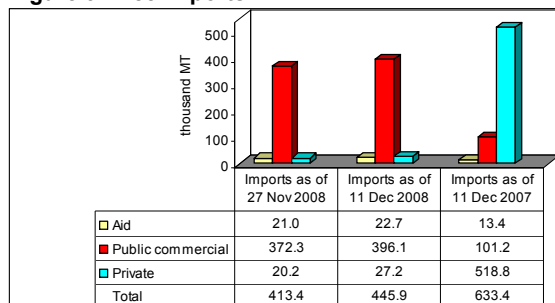
- ❖ World cereal production is expected to hit a new record in 2008 as high prices boosted plantings and weather conditions were generally favorable (FAO, Nov. 2008).
- ❖ This should be large enough to meet the anticipated utilization and also allow for some replenishment of the much depleted global reserves (FAO, Nov. 2008).
- ❖ However, if prices were to remain depressed in 2008/09 and plantings for next year are affected, a similar, if not more pronounced, price surge may be witnessed in 2009/10, unleashing even more severe food crises than those experienced in the current season (FAO, Nov. 2008).

RICE

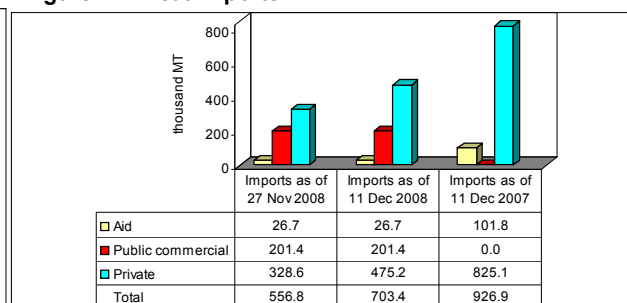
- ❖ Global milled rice output is now forecast at a 450 million MT in 2008/09, 2.4% above the already excellent results achieved in 2007 (FAO, Nov. 2008).
- ❖ Although less expensive rice on world markets should have boosted import demand in 2009, the uncertainty arising from the financial crisis has marred expectations for trade next year (FAO, Nov. 2008).
- ❖ The expansion in production and decline in world prices should ease the situation that faced consumers earlier this year and sustain an increase in average per caput consumption in 2009 (FAO, Nov. 2008).
- ❖ The increased output should also allow for a rise in global rice inventories to their highest level since 2004 (FAO, Nov. 2008).

WHEAT

- ❖ In sharp contrast to the previous season, the 2008/09 marketing season is marked with ample export supplies, a significant recovery in world inventories and falling international prices (FAO, Nov. 2008).
- ❖ Futures prices firmed this week supported mostly by outside markets: in the last week, wheat futures prices at the CBOT were up 18USD/MT and 15 at the KCBT (Wheat Associates, Nov. 2008).

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)

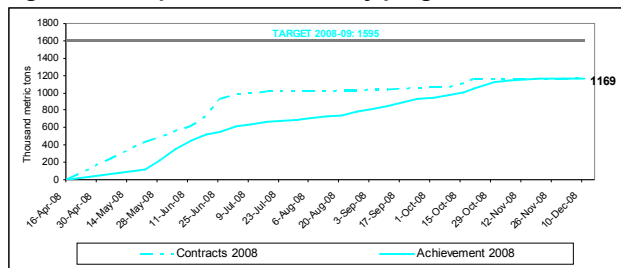
Period	L.C. opened ('000 Mt)		LC settled ('000 Mt)	
	Rice	Wheat	Rice	Wheat
16-30 Nov	9.0	95.0	39.0	149.0
Cumulative month as of 30 Nov	25.0	170.0	61.0	289.0
Cumulative year as of 30 Nov	29.5	942.0	294.0	471.0

Source: Bangladesh Bank

- Total rice imports increased by 7.9% in the last fortnight (as of 11 December), amounting to 446 thousand MT, 89% of which consisted of public commercial imports from India. The entire 500 thousand MT from the bilateral agreement signed with India following cyclone SIDR have now been received.
- Private imports of rice remain sluggish reaching a mere 27.2 thousand MT as of 11th December reflecting the fact that the country's stocks are high.
- Wheat imports increased by 26% in the fortnight ending 11th December, totaling 703 thousand MT. This is significantly lower than what was recorded at the same time last year: 927 thousand MT due to private imports being close to half of what they were last year.

4. Public procurement and distribution

Figure 5. Rice procurement weekly progress, 2008/09



Source: DG Food

Note: No Aman procurement took place in 2007

Figure 6. Rice procurement weekly progress, 2007/08

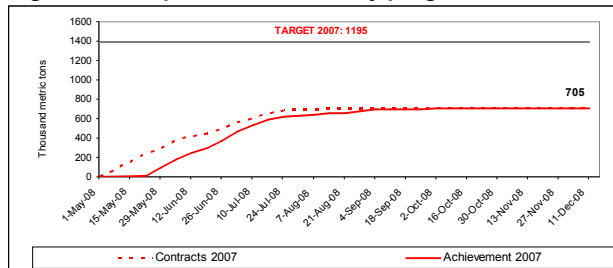


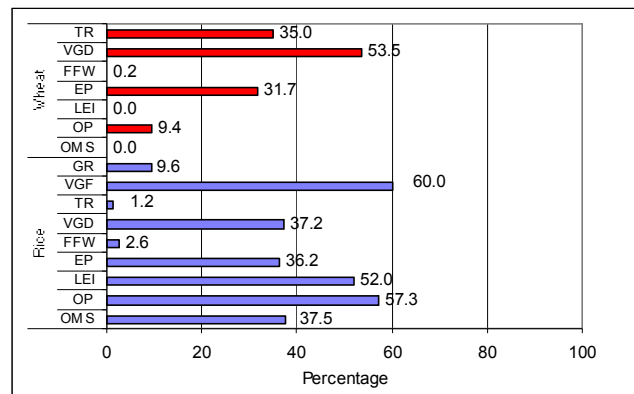
Table 4. Weekly increase in Aman procured quantity

Week	% increase
04-11 Dec	15.8
01-04 Dec	

PROCUREMENT

- Aman procurement was scheduled to begin on November 25th. No procurement took place until December 1st however.
- The Government has set a target of 200 thousand MT in terms of rice (75 thousand MT of paddy and 150 thousand MT of rice) which is the same as last year. An insufficiently high procurement price however prevented any procurement from effectively taking place in 2007.
- 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 in incentive growing areas.

Figure 7. Rice and wheat cumulative public distribution as % of yearly target (as of 29 November)



Source: DG Food and FPMU

DISTRIBUTION

- Total distribution planned for this year is 2.12 million MT against 2.20 last year. This figure has been revised down from 2.97.
- Total foodgrain distribution as of 29th November totaled 0.69 million tons, that is 33% of the yearly target (against 20% last year at the same time). The quantity distributed so far is 56% higher than last year at the same time.
- 35% of the yearly distribution target for rice has been achieved against 23% for wheat.
- 240 thousand MT of rice have been distributed through VGF which is 60% of the revised target of now 400 thousand MT.
- 37% of the 500 thousand MT of rice to be distributed through OMS has been sold so far, but only five thousand MT in the last fortnight.