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National Food Policy Capacity Strengthening Program

An update on

RICE production & price

presentation by

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prepared with the support of

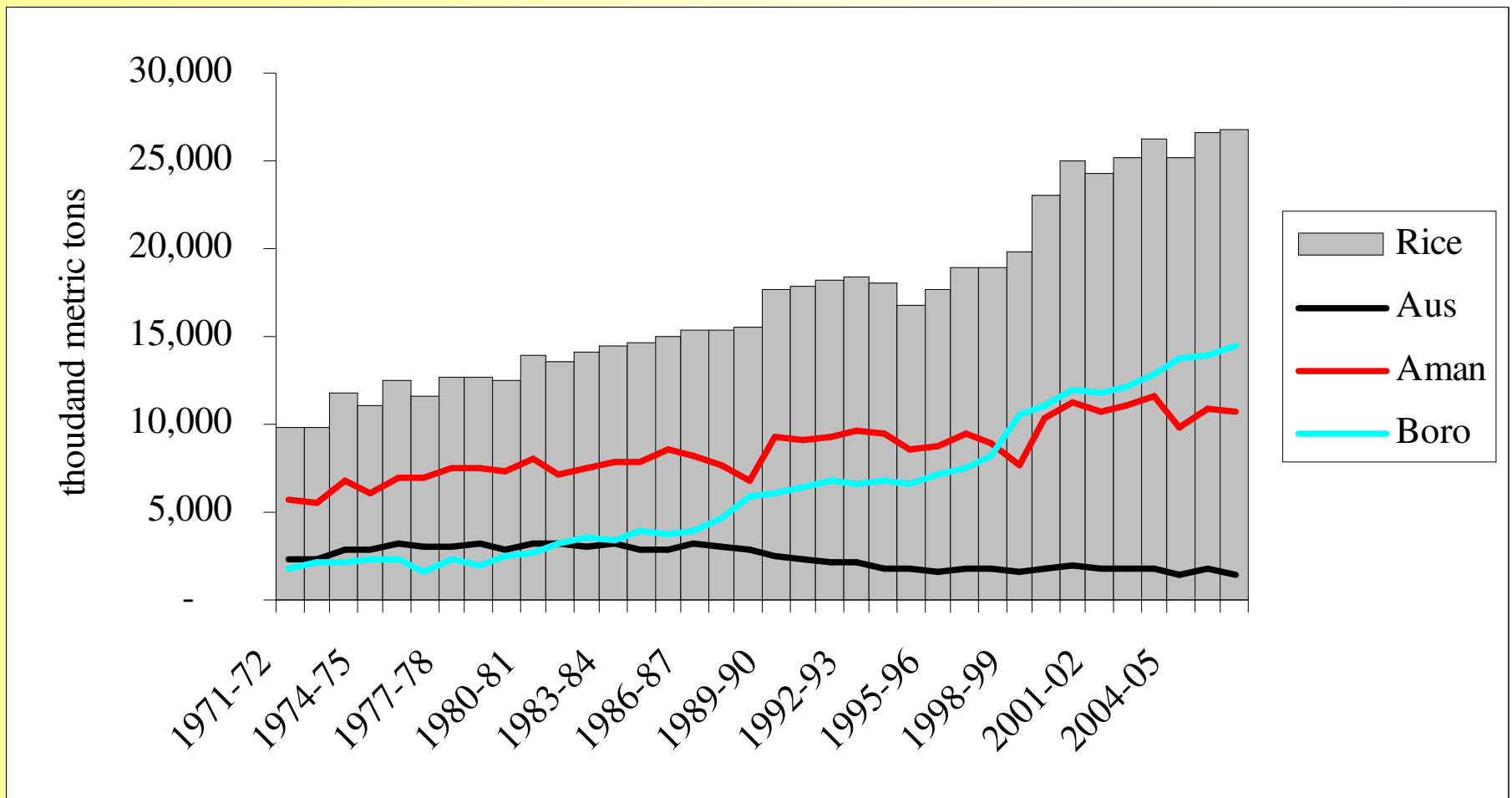
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members of the NFPCSP Technical Assistance Team

Production update

Crop	2004-05	2005-06		2006-07		% change in achieved/projected 2005/06- 2006/07
	Achieved (lakh mt)	Target (lakh mt)	Achieved (lakh mt)	Target (lakh mt)	Achieved/Projected (lakh mt)	
<i>Aus</i>	15.00	21.75	17.45	22.22	15.12	-13.35
<i>Aman</i>	98.20	129.40	108.10	131.80	108.00	-0.09
<i>Boro</i>	138.37	141.50	139.75	167.40	145.50	4.11
Total Rice	251.57	292.65	265.30	321.42	268.62	1.25
Wheat	9.76	13.50	7.38	8.34	6.50	-11.92
Total foodgrain	261.33	306.15	272.68	329.76	275.12	0.89

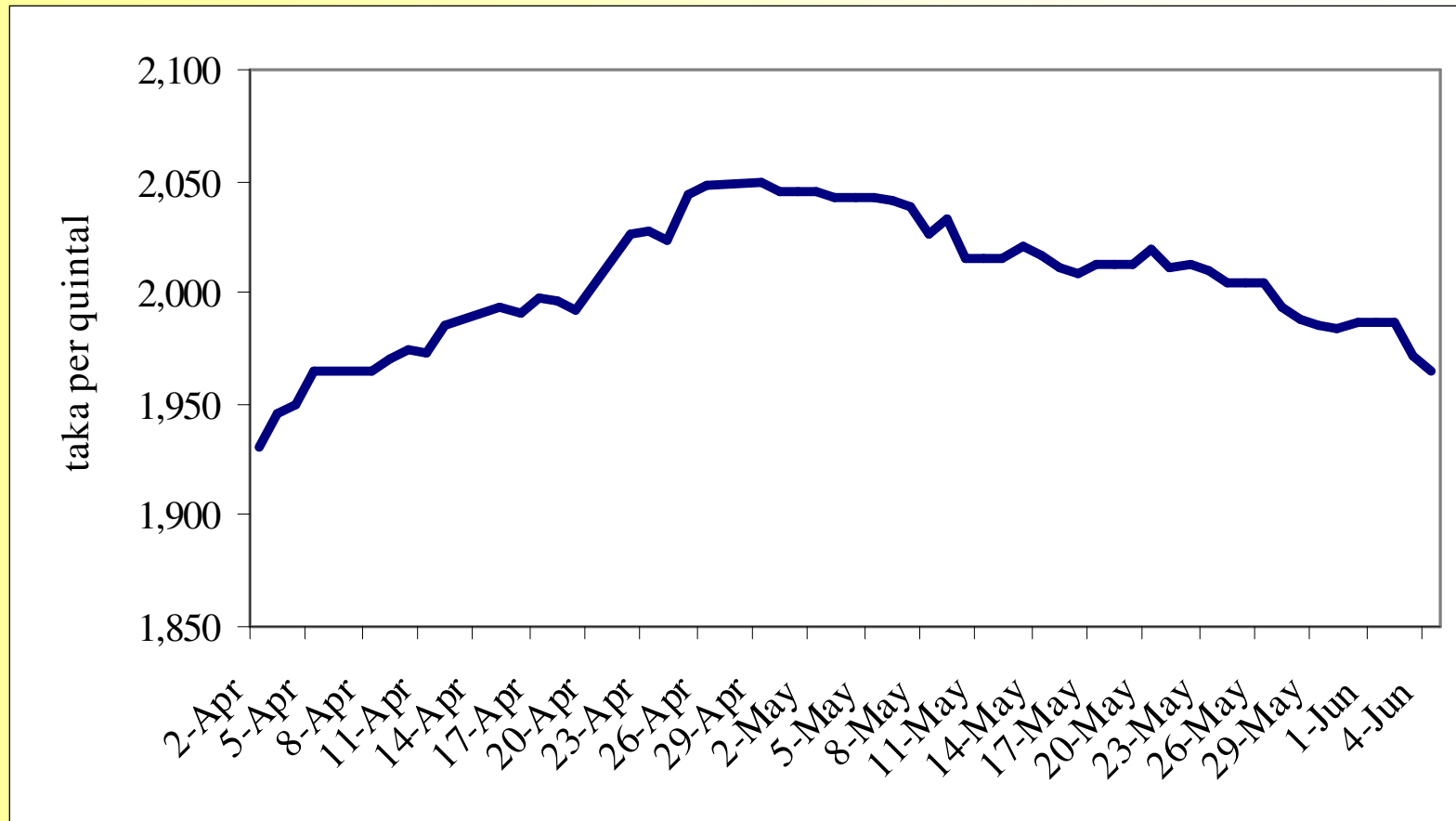
Production Long Term Trends



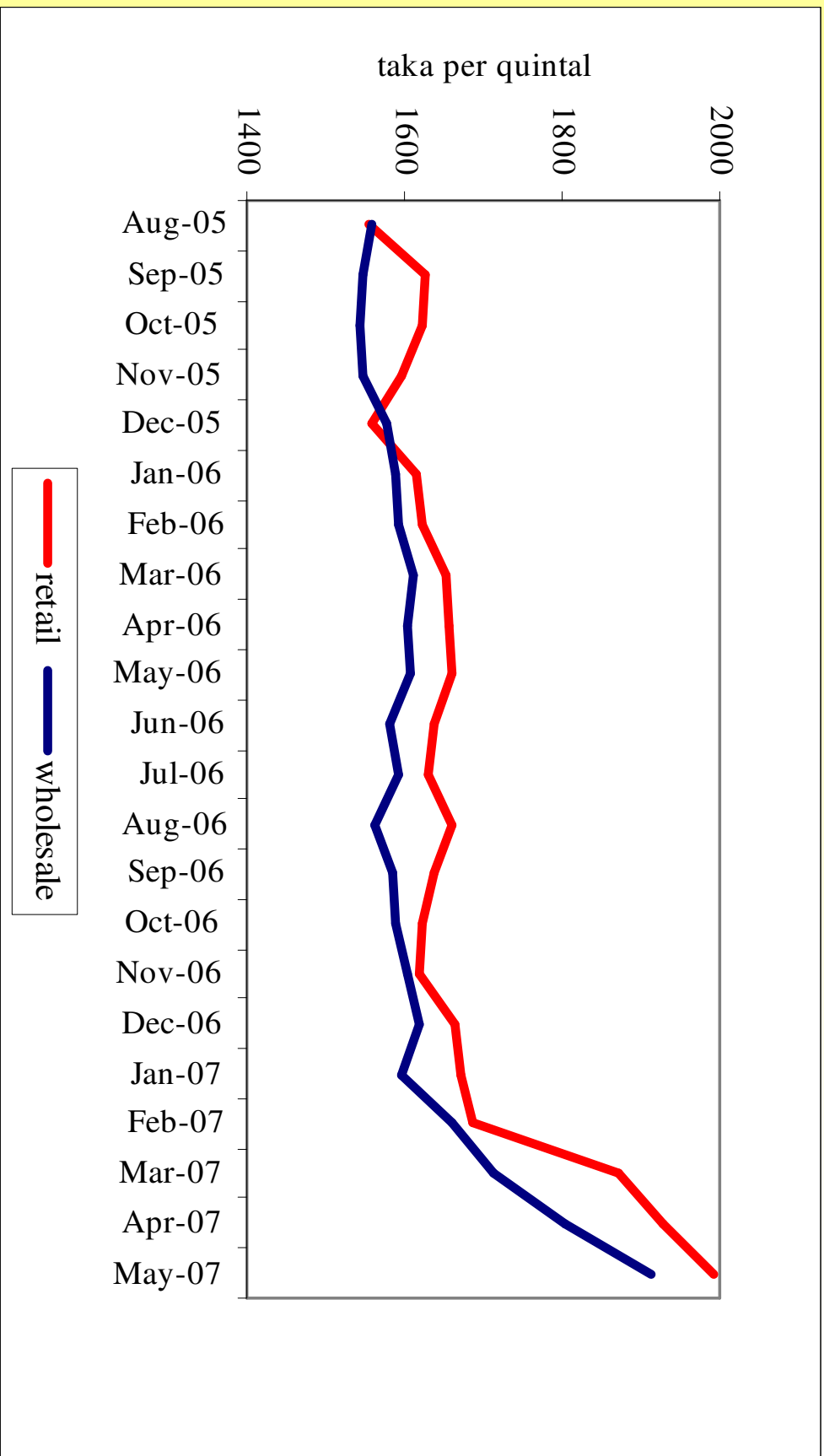
Rice Production

- **Boro**: quite good (+4.1% on 2006)
but, below very high targets
- **Total rice** 2006/7: +1.25% **new record**,
but, below population growth
- **Trends confirmed**:
 - Boro increases
 - Aus decreases
 - Aman stagnant
 - Overall: seems to have reached a ceiling requiring new technological breakthrough (investments)

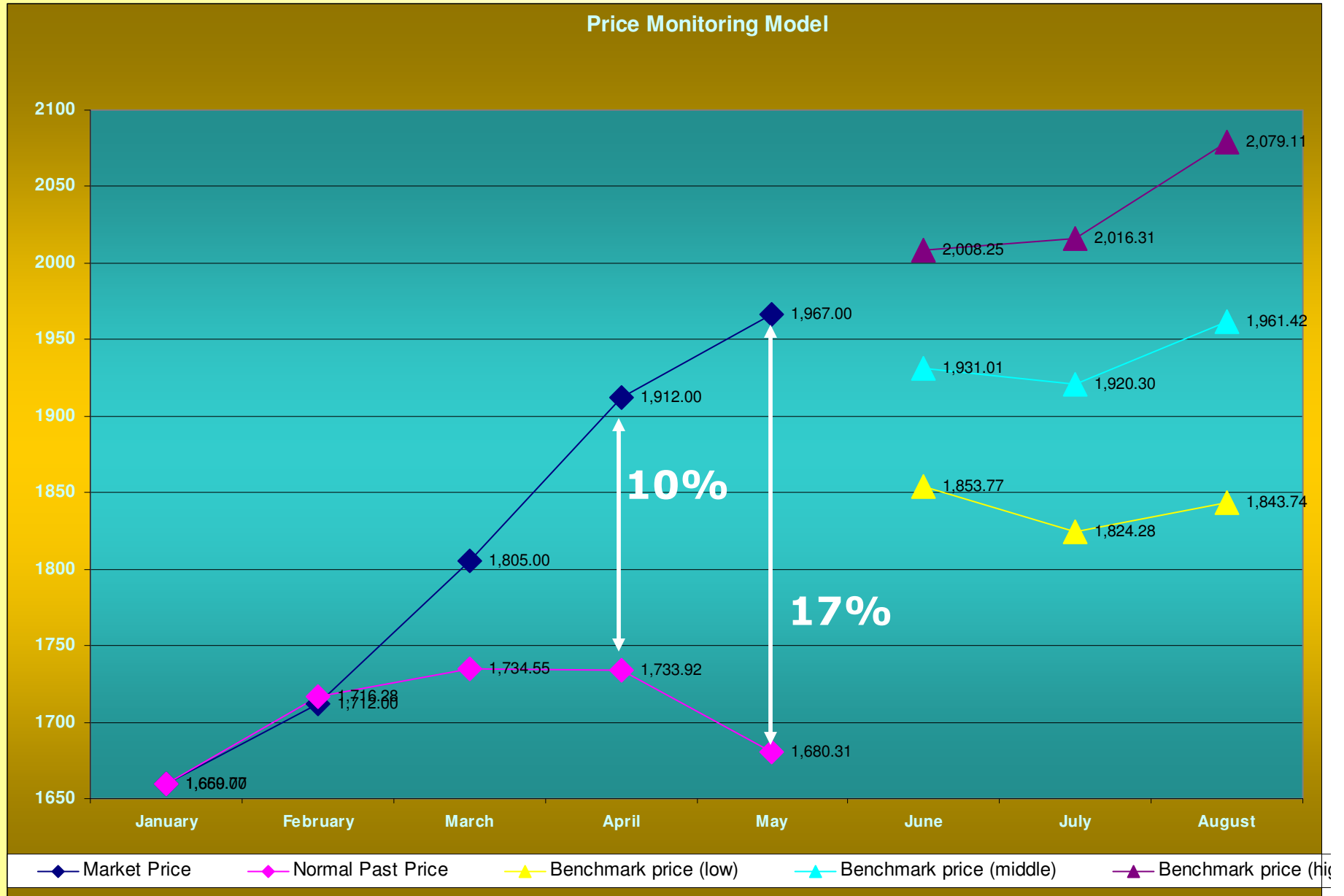
Daily retail prices April-June (national average)



monthly retail and wholesale prices (national average)



Divergence from "normal" trend



Domestic vs. int'l prices

Domestic Price

	2007	2006	% CNG
JAN	16.6	15.94	4.1
FEB	17.12	16.11	6.3
MAR	18.05	16.05	12.5
APR	19.12	16.07	19.0
MAY	19.67	15.82	24.3

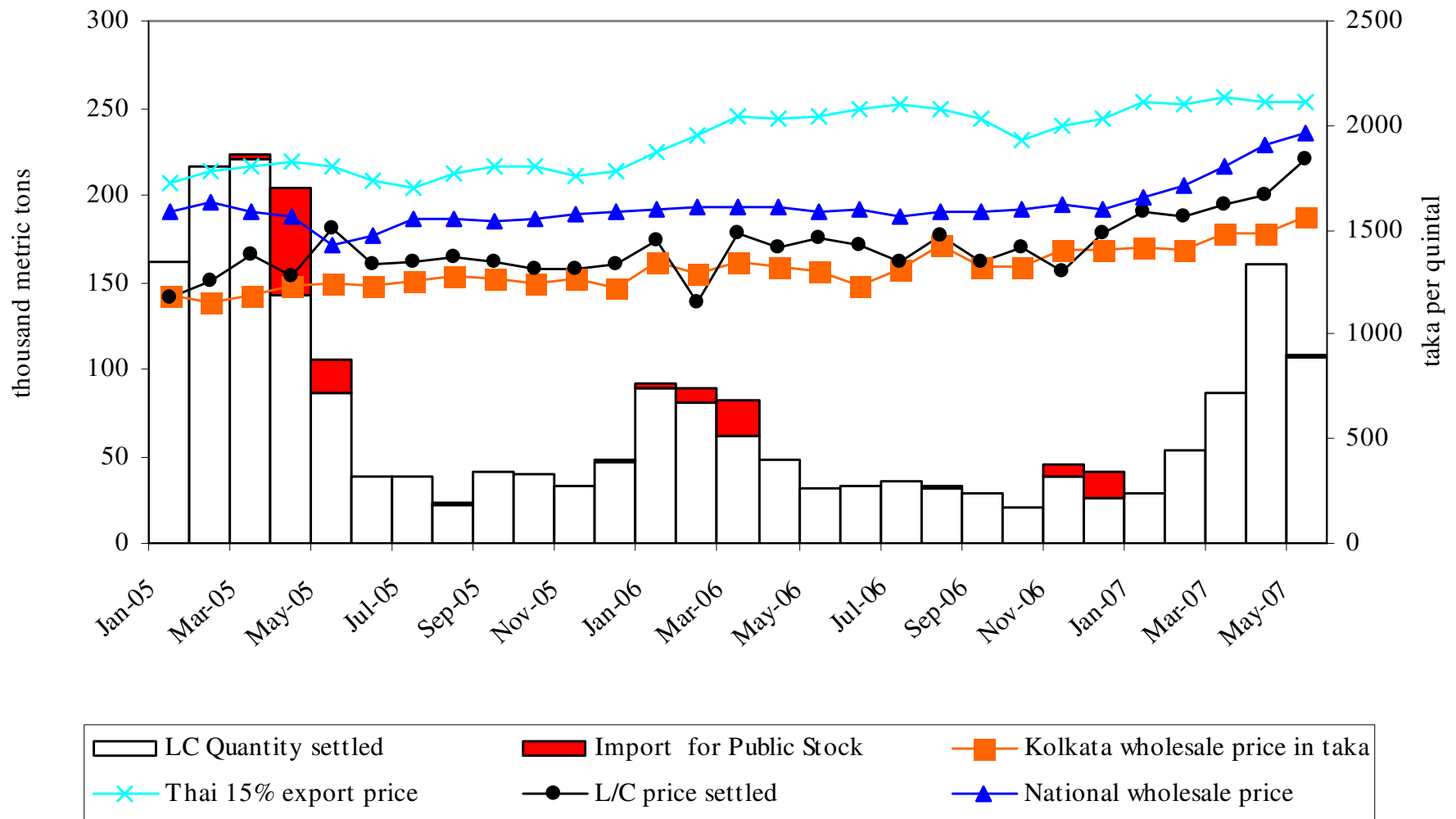
average nominal change Jan-May 2007 on 2006

- Domestic wholesale price increase: **+13.2%**
- World All rice price index (FAO): **+12%**

Domestic factors

- **Food inflation above non-food:**
 - constant feature of the last few years
- **Increased costs of production (fuel and fertilizers):**
 - global trends sterilized for fertilizer
- **Inefficiencies of domestic market:**
 - mainly millers (CPD)
 - insistence on cartels not documented (ERG)
- **Disruption of the market:**
 - supply shortfall related to political transition (ERG)
- **Procurement price increased:**
 - from Tk 15.5 to 18.00
- **Expectations of further price increases**

Imports and Prices



International factors

- **Overall trends**

primary commodities: increases led by oil

food: structural changes - bio-fuels

- **Global outlook for rice: tight**

will continue despite record production

- **Increased average import cost for BGD:**

change in traditional import sources?

- **Indian economic trends and trade policy:**

increasing food price and reduced exports

export ban would badly effect

Policy consideration (1)

- To stabilize (reduce) rice prices:
 - in presence of increasing prices, larger PFDS operation (e.g. OMS) cannot be based on competitive domestic procurement (increases domestic price)
 - Need to be based on import.
 - if target price is below parity, imports should be adequate to cover the entire production gap
 - OMS by direct distribution is ineffective, non-targeted and costly
- Additional targeted distribution requires additional imports (reveals demand not expressed on the market)

Policy consideration (2)

- Avoid increasing procurement prices and input subsidies: **increasing price can be occasion to reduce subsidies** (preserving farmers' revenues)
- Need to closely **monitor and disseminate** price information
- **Structural** (long term) **measures needed** for
 - a) enhance market efficiency and
 - b) increase domestic production (investments in research, extension, infrastructure, etc.)

THANK YOU!