



National Food Policy Capacity Strengthening Program



An update on the rice situation

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Annual Rice Availability: 2007-8

❖ despite flood and cyclone, positive annual balance is expected, if record Boro harvest is confirmed

SUPPLY excluding stocks (in <i>Thousand tons</i>)	29,996
<u>Production</u>	27,458
Aus	1,506
Amon	9,662
Boro (<i>DAE estimates is 17,500, FSCAM under way</i>)	16,290
<u>Total imports</u> , including food aid and 0.5Mt from India	2,538
UTILIZATION	29,996
<u>Annual Food Use</u>	24,696
<i>per capita apparent daily consumption (grams)</i>	464
<i>population (thousands)</i>	145,930
<u>Other uses</u> (12% of production)	3,295
<u>Stock increase</u> , <i>expected as of June 30, 2008</i>	2,005

Balance sheet for 2007-08, **NFPCSP estimates based on BBS data**

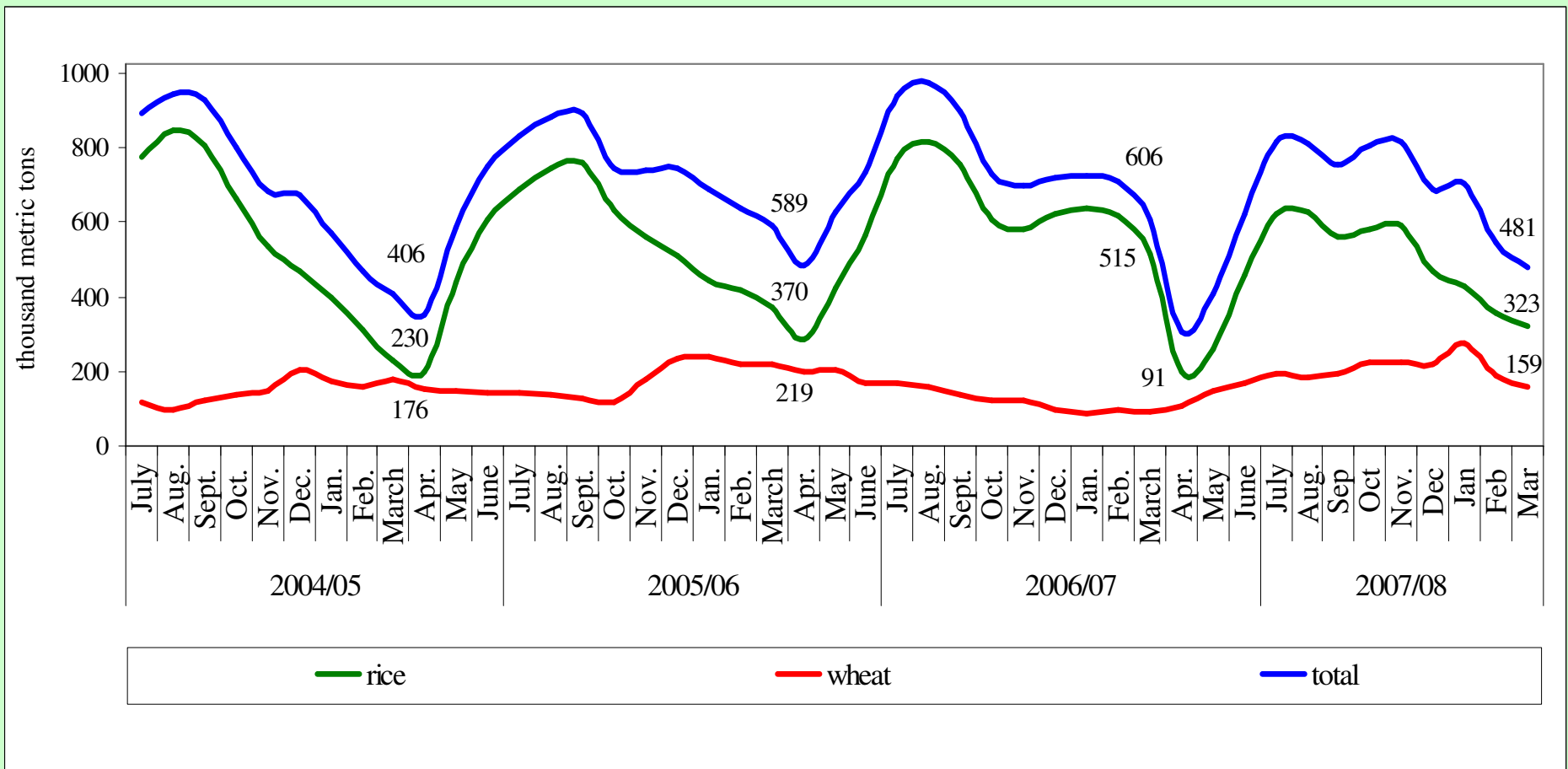
Seasonal Rice Availability

❖ seasonality was reinforced by floods and cyclone

FOOD BALANCE SHEET	Nov 07 - Apr 08	May 07- Oct 07
TOTAL SUPPLY	13,777	17,098
<u>Domestic Availability</u>	12,410	16,406
Opening Stock	2,748	0
Production	9,662	16,406
<i>Aus</i>		1,506
<i>Amon</i>	9,662	
<i>Boro</i>		14,900
<u>Total imports</u>	1,367	692
TOTAL UTILIZATION	13,777	17,098
<u>Domestic Utilization</u>	13,777	17,098
Food Use	12,261	12,381
<i>per capita apparent daily consumption in gr.</i>	464	464
<i>population in thousands</i>	146098	145126
Other uses (12%)	1,159	1,969
Closing stock	356	2,748
<u>Exports</u>	0	0
PRIVATE IMPORTS	1,179	614

Rice & wheat: closing *public* stock

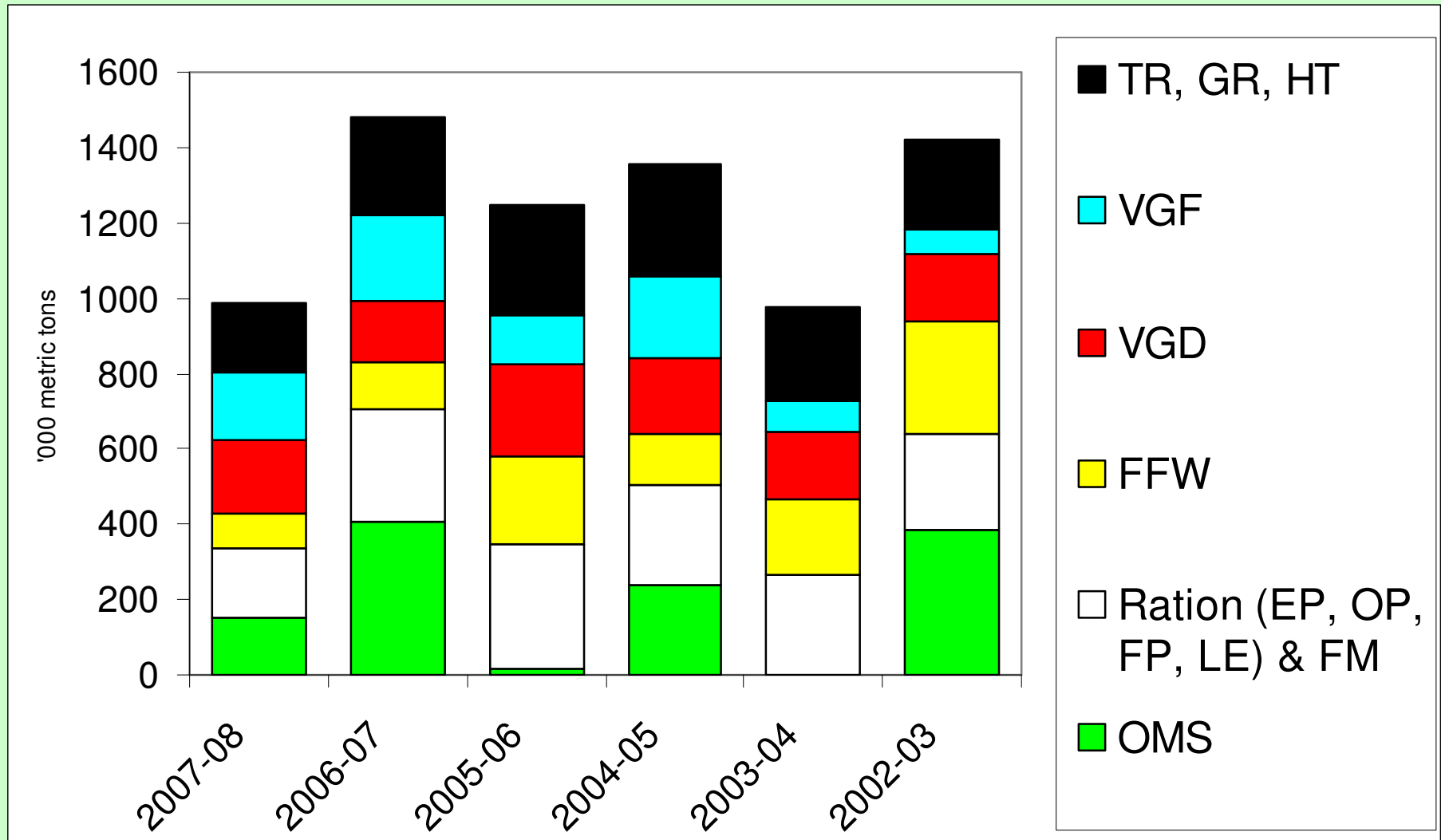
- ❖ limited public procurement (especially Aman) resulted in
 - ❖ low public stocks
 - ❖ limited operation of the PFDS



source: FPMU

PFDS operation (OMS and safety nets)

(2007-08, up to March)



Summing up on availability

❖ **Total availability preserved by strong imports**

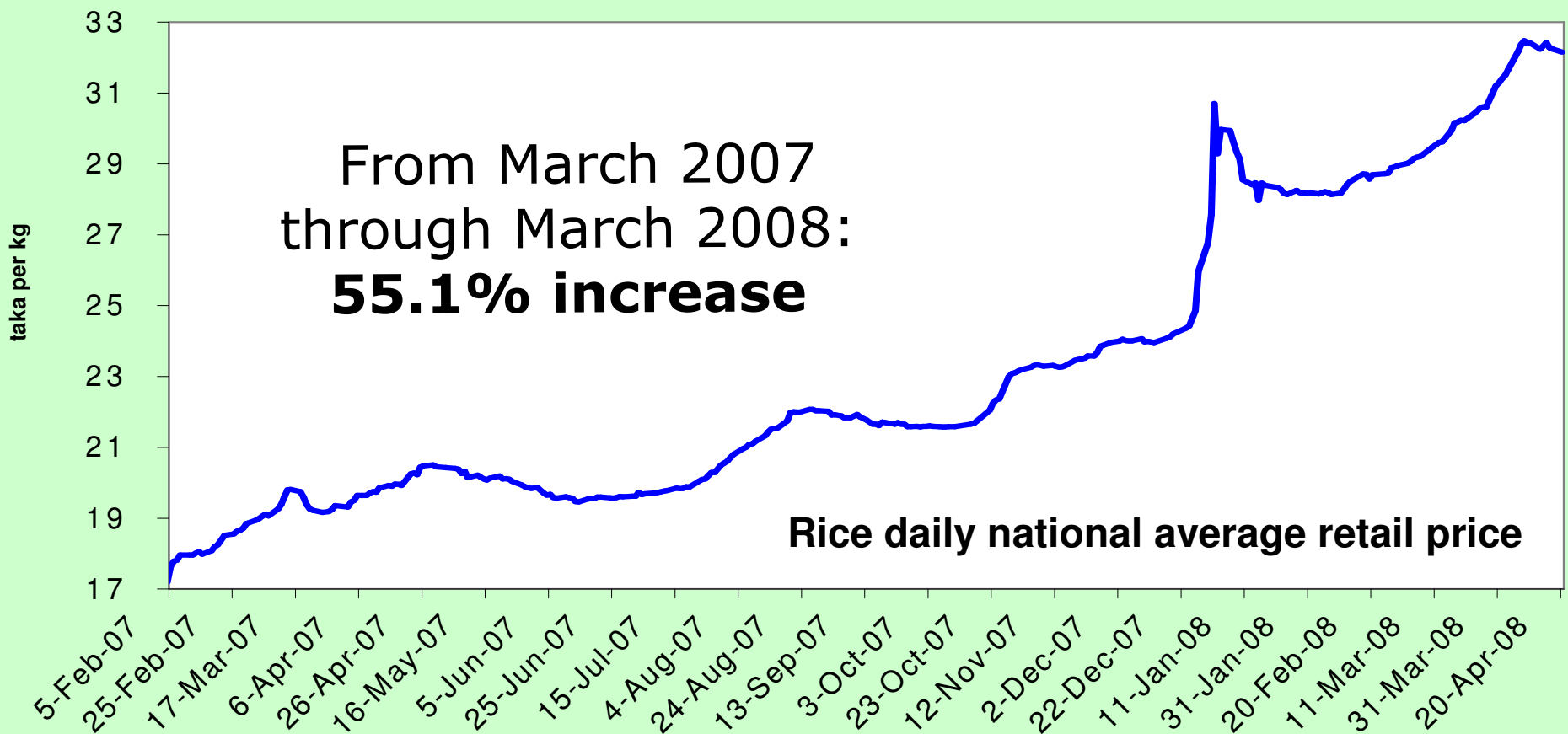
- ❖ crucial role of the private sector: import and stocking
- ❖ strong seasonality reinforced by floods and cyclone
- ❖ future: Boro production and incentives to farmers

❖ **Inadequate availability for PFDS interventions**

- ❖ Low procurement during Amon
- ❖ Limited public capacity to import
- ❖ Reduced safety net operations despite calamities
- ❖ Reduced OMS despite high and variable prices
- ❖ Higher stocks could have reduced price variability

RICE PRICE

- ❖ **Prices** have reached record levels, but
- ❖ **Good news** from Boro harvest



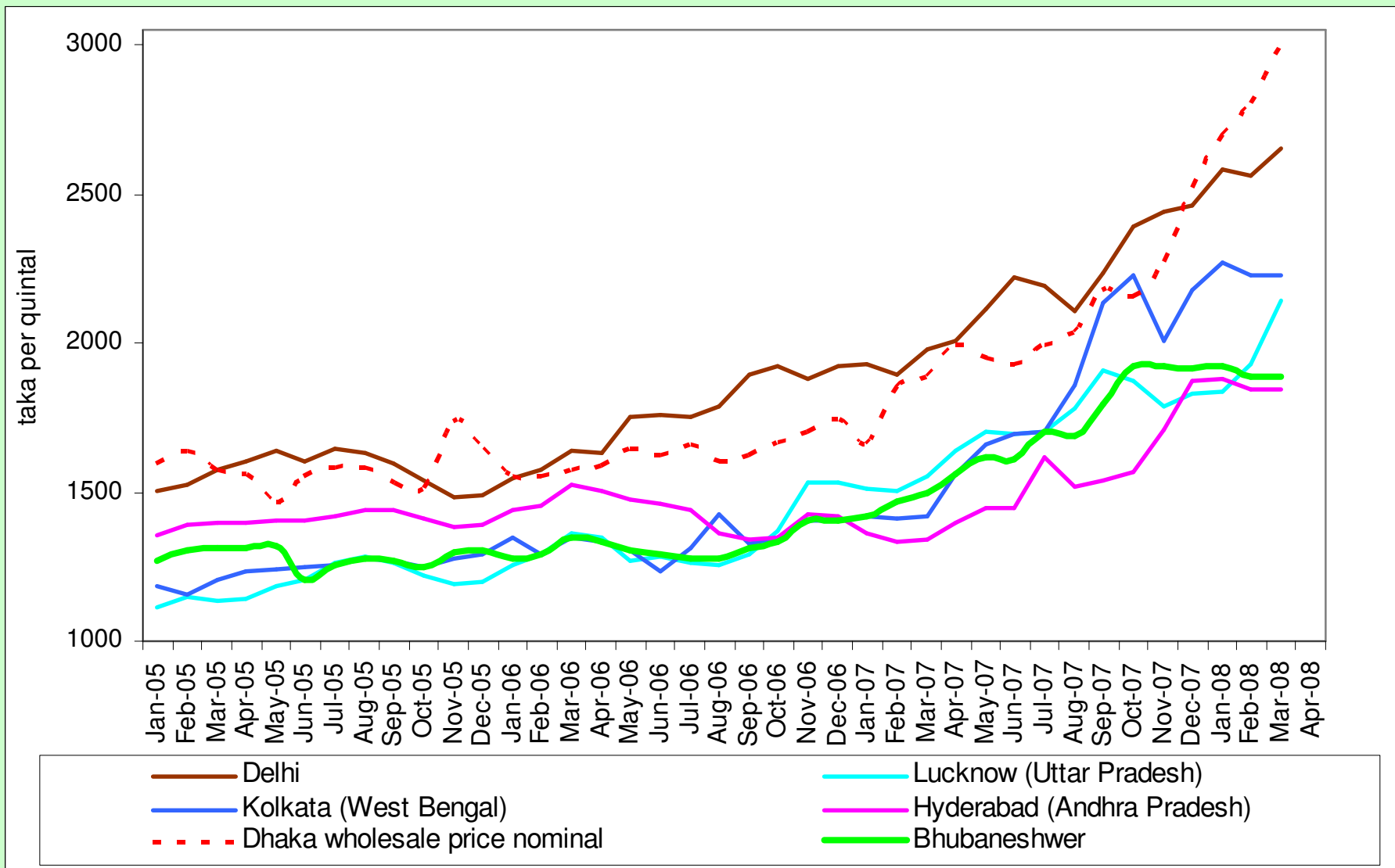
Source: MISM

Bangladesh vs neighbours

- ❖ Domestic price in line with international trend thanks to very dynamic private imports

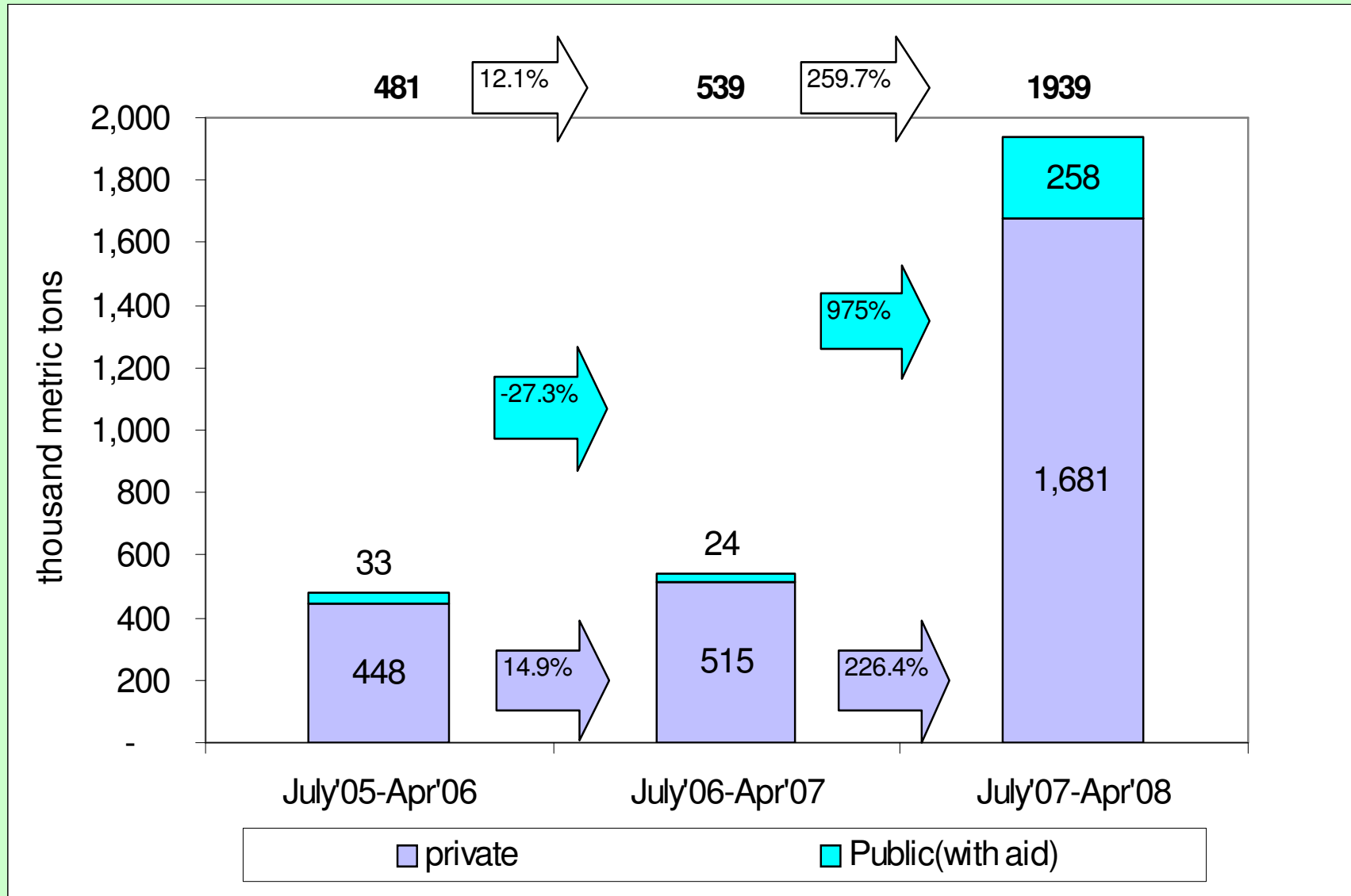
Average Wholesale Price Change (taka/kg)			
	Jan-Mar 2008 on Jan-Mar 2007	2007 on 2006	Apr 2007-Mar 2008 on Apr 06 -Mar 07
Bangladesh	61.8%	21.6%	35.5%
FAO (index)	45.7%	17.1%	N/A
Kolkata	58.4%	32.5%	45.6%
Lucknow	29.2%	27.6%	30.4%
Bhubaneswar	29.8%	26.9%	31.3%
Thailand	55.8%	13.3%	24.8%

Rice wholesale prices in India and Dhaka



Source: Indian Ministry of Consumer Affairs, Food and Public Distribution, Department of Consumer Affairs

Public and private rice imports



Source: DG Food; import data up to 20-April-08

Why are prices increasing?

↑ Oil prices

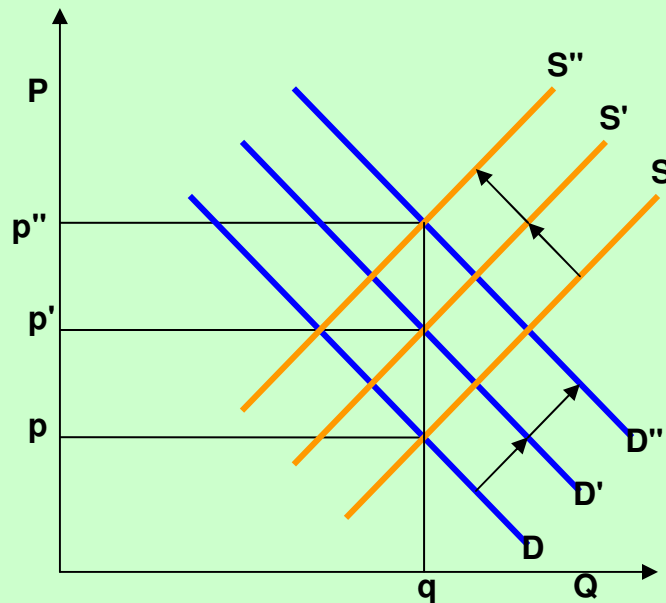
Global warming: increased climatic instability and calamities

Financial factor: Devaluation of the US\$, speculation on commodities

Domestic and trade policies of main producing countries

DEMAND:

- ↑ **income** (e.g., China, India):
 - ↑ **consumption** of cereals and use for animal feed
- Rebuilding **stocks**
- **Speculative demand**



SUPPLY:

- ↑ **production costs**
 - fertilizers, irrigation, transportation
- ↑ **bio-fuels**: profitability & policies
- harvests' **failure**
- export restrictions:
 - a new **protectionism**?

Domestic outlook

- Production of Boro: at least 16.3 M mt compared to 14.9 in 2007 (9.4% increase!!!)
- Bangladesh can reach self sufficiency
- Domestic price is declining and can show high variability especially in absence of exports
- Need to adjust policies

Rice policy in the short run

- ❖ Boro **procurement price** at **28 tk/kg**
 - ❖ High enough to procure for PFDS?
 - ❖ Low enough to avoid further pressures on prices ?
 - ❖ Floor price to preserve farmers' incentives in case of significant price decline and encourage plantation
 - ❖ Share of price appropriated by farmers
- ❖ **Public procurement and stock**: which level?
 - ❖ Procurement target quantity at **1.5 M tons**
 - ❖ Reserves for stabilization, safety nets and disasters
 - ❖ To be linked to total consumption not only to PFDS needs
- ❖ Review agricultural **price and subsidy policy**
 - ❖ Shift resources from production to consumption support
 - ❖ **Diesel subsidy transformed in lump sum payment to small farmers**
 - ❖ Discussion on fertilizer reform started

THANKS !!