

# Rice marketing scenario in bangladesh assignment

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Marketing Scenario of Rice in Bangladesh Md. Reza Ahmed Khan,  
Department of Agricultural Marketing Rice is the staple food of around 162. 2 million people of Bangladesh and with the green revolution, subsequent liberalization policies, and introduction of HYV or MV rice has turned a dependent nation into almost self dependent in respect of food grain production. The country produces around 27-28 million tons of rice annually, against the requirement of around 30 million tons of rice. An insignificant amount of Aromatic rice is also exported.

The country requires around 5 million tons of wheat against the production of around 2. 5 million to 3 million tons. In a nut shell to meet the local demand of food grain Bangladesh need to import 2-3 million tons of rice and 2-2. 5 million tons of wheat yearly. In overall, agricultural production planning has turned to market oriented or market driven approach with little exception to the rice production for obvious reason of local food security particularly in turn of the global crises in the food grain market during the 2008-2010 period.

Unlike the previous crises, the recent one showed that even money is not always enough to buy a particular produce from the world markets if the crises is too pervasive. Even the exporting country might need to restrict export for won security. In respect of open and free market economy, (from global to regional to local level) performance of the marketing system of any agricultural produce whether public or private will denote the market stability and consumer satisfaction completing and helping to continue the economic production cycle of any commodity.

Particularly in the developing countries public food procurement and distribution systems are common as tools of providing market stability and meeting emergency. The General Picture of Rice Marketing The scenario should trace from the supply side up to the market clearance meeting the local demand and emergency need through both of the public and private marketing system in Bangladesh.

Production Scenario   Year   Paddy (All Major Varieties )   Wheat     Land (000' Acre)   Production ( ' 000 MT)   Land 000' Acre)   Production ( ' 000 MT)
2000-01   26429   24150   1810   1590
2001-02   26344   24299   1833   1606     2002-03   26615   25188   1746
1507     2003-04   26746   26190   1586   1253     2004-05   25621   25157
1380   976     2005-06   26018   26530   1184   735     2006-07   26142
27318   988   767     2007-08   26129   28931   958   844     2008-09   28657
33300   1100   958     2009-10   29146   34200   1010   102

Source: BBS [pic] Yet there is seasonal vulnerability as analyzed below- Ignoring the insignificant spatial variation in seasonal patterns (due to low coverage of varied geographic area under Bangladesh) following seasonal production cycle of paddy, the main food item, is prominent in Bangladesh. This seasonal production pattern directly influences the supply of food grains in the market. The following table shows role of major type of paddy grown in Bangladesh and their timing, so it shows general crisis time of market in respect to harvest time of paddy.

Paddy is less perishable of the agricultural produces and thus gives business margin with time difference and that instigate storing practices and in absence of efficient market monitoring may give rise to hoarding practices by private traders. Moreover, rice production requires milling time for

transforming paddy into consumable rice it creates a small hallow during the harvesting period at consumers' end. | Seasonal Variety of Paddy | Contribution in total | Sowing Period | Production Period | | | supply | | | | Boro | 68-70% | December to mid of February | April to May | | Aush | 5- 5. % | April to May | End of July to August | | Aman | 25-26% | June to July | November to December | Source: DAE, Crop Calendar | Seasonal Critical Period | | From Last of February to March | | From June to Mid of July (Optional) | | From September to October | Common critical months are June- July Distribution Channel of Rice Private Rice Importer | | | | | | P A D D Y | G R O W E R S | | | | | | Simplified Rice Distribution Channel in Bangladesh [pic] Supply Scenario The yearly trend in food production and supply shows general increase from 2005-06 to 2009-10 though total supply in 2008-2009 decreased slightly than that of previous year. Yet local production gradually increased from 27. 79 million metric ton in 2005-06 to 36. 94 million metric ton in 2009-10 a 32. 93% increase. The import data of 2010 is unfinished as it reflects only up to month of March, 2010. Moreover, on 02 August, 2010 the parliamentary standing committee of MPs took decision to procure 0. 3 million metric ton of rice and 50 thousand ton of wheat to increase emergency food stock. Other than public procurement plans Bangladesh is to import 80, 000 tons of food as found from different news. To conclude, total food supply situation in the local market is satisfactory though it is not reflected in the prevailing market price in Bangladesh. Lakh Metric Ton | Food Supply Situation | 2005-06 | 2006-07 | 2007-08 | 2008-09 | 2009-10 | | Total Import | 22. 65 | 23. 30 | 32. 02 | 28. 97 | 1. 46\* | | Total Food Assistance | 01. 94 | 0. | 25. 5 | 01. 16 | 0. 6 | | Total Supply | 302. 46 | 312. 93 | 368. 28 | | | Food Aid | Cash Purchase | | | | | Rice | Wheat | Total | Rice | <https://assignbuster.com/rice-marketing-scenario-in-bangladesh-assignment/>

Wheat | | Rice-Coarse | 17. 09 | 21. 00 | 30. 74 | 22. 21 | 26. 5 | | Rice-Medium | 19. 04 | 23. 35 | 34. 39 | 25. 40 | 31. 04 | | Rice-Fine | 23. 20 | 27. 35 | 40. 24 | 33. 78 | 37. 10 | | Wheat-Red | 15. 34 | 22. 68 | 30. 21 | 16. 96 | 18. 70 | | Wheat-White | 15. 91 | 23. 09 | 30. 37 | 15. 08 | 20. 40 | Source: DAM National Average Wholesale Price per 100 Kg. of produces Produce/Year | 2006 | 2007 | 2008 | 2009 | 2010 | | | | | (17/3/2010 Upto) | | Paddy-Coarse | 998 | 1194 | 1778 | 1191 | 1661 | | Paddy-Medium | 1022 | 1271 | 1874 | 1353 | 1781 | | Paddy-Fine | 1134 | 1325 | 1984 | 1552 | 1939 | | Rice-Coarse | 1600 | 1947 | 2941 | 1971 | 2501 | | Rice-Medium | 1825 | 2211 | 3242 | 2418 | 1898 | | Rice-Fine | 2258 | 2612 | 3725 | 3085 | 3480 | | Wheat-Red | 1465 | 2108 | 2807 | 1565 | 1730 | | Wheat-White | 1510 | 2169 | 2880 | 1703 | 1935 | Source: DAM National average growers wholesale price of rice from 2005-2006 to 2009-2010 (Quintal/ Taka) | Commodity | 2005-2006 | 2006-2007 | 2007-2008 | 2008-2009 | 2009-2010 | | Paddy-Aman-Coarse | 958 | 1044 | 1710 | 1426 | 1579 | | Paddy- Aman-Medium | 993 | 1072 | 1796 | 1441 | 1691 | | Paddy-Boro-Coarse | 913 | 1025 | 1481 | 1460 | 2298 | | Paddy- Boro-Medium | 949 | 1087 | 1338 | 1301 | 2596 | | Boro-Rice-Medium | 1679 | 1793 | 2584 | 2501 | 2595 | | Boro-Rice- Coarse | 1644 | 1656 | 2335 | 2212 | 2298 | | Boro-Rice- Fine | 1902 | 2028 | 3425 | 2463 | 2566 | Source: Department of Agricultural Marketing (DAM), Ministry of Agriculture

However, the gap between the prices of retail and farm level continued to rise throughout November 2009 to November 2010. The difference between farm gate and retail prices of paddy was 45. 6 per cent of the retail price in November 2009 which rose to 64. 4 per cent in 2010. This does not indicate enhanced farmers' share in the retail price, rather is suggestive of increased role of the market intermediaries. On the other hand, the coefficient of

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variation between the gap of farm level and retail level prices was 14. during November 2009 to November 2010, which was 11. 4 during the comparable periods of 2008 and 2009. This is indicative of increased variability in the price of rice in the local markets. To reduce the market power of rice millers, in late December 2010, Bangladesh Bank issued a circular to the commercial banks to adjust the loans given to rice mill owners and traders every 30 days; previously this was 45 days. It is to be seen whether this measure will be adequate enough to reduce the monopoly power of millers. Monthly Trend in Retail price of Rice, Wheat, Atta (Flour) | Name of | Rice Aman HYV | Rice Boro HYV | Wheat | Atta | | Months | Fine | Medium | Course | Pajam | Fine | | Months | Fine | Medium | Course | | Aus | 17. 09 | 27. 03 | 58. 2 | | Aman | 122. 07 | 135 | 10. 6 | | Boro | 183. 41 | 191. 69 | 4. 5 | | Wheat | 9. 01 | 11. 62 | 29 | | Total | 331. 8 | 365. 34 | 102. 3 | Import of Food Grain |?? | Target Food Grain Import 2010-11 | Food Grain Imports 01 2010-11 Upto sept | Food grain imports 01 2009-10 (upto | | | 2010) | sept. 2009) | | Rice | 8. 2 | 2. 49 | 0. 04 | | Wheat | 38. 3 | 6. 31 | 3. 5 | | Total | 46. 5 | 8. 8 | 3. 39 | Domestic Procurement |?? | Target Food Grain domestic | Actual Food Grain domestic procurement | Actual Food Grain domestic | | Procurement | 2010-11 (upto sept. 2009) | Procurement Q1 2009-10 (upto sept. | | | | 2009) | | Rice | 15. 5 | 2. 89 | 4. 4 | | Wheat | 1 | 0 | 0 | | Total | 16. 5 | 2. 89 | 4. 74 | Public Food Distribution |?? | Target Public Food distribution | Actual public food distribution Q1- | Actual Public Food distribution Q1 | | | 2010-11 | 2010-11 (upto sept. 2010 | 200-10 (upto sept 2009) | | Rice | 17. 98 | 0. 184 | 1. 96 | | Wheat | 9. 1 | 0. 054 | 0. 77 | | Total | 27. 29 | 0. 238 | 2. 73 | Source: FPMU

Role of Department of Agricultural Marketing in Rice (Food Grain) Marketing: With limited HR and up to district level presence DAM is being playing some <https://assignbuster.com/rice-marketing-scenario-in-bangladesh-assignment/>

important role regarding rice and food grain marketing in Bangladesh. One of the important roles is market infrastructure development and management that helps in creating the market linking for the farmers. Market

### Management

So far, out of around 15000 agricultural market places, DAM has notified a total 800 markets all over Bangladesh and engaged in support services and dispute resolution in those markets besides providing marketing license to the market operators. Other than this, a total of 82 markets were developed so far of which, 60 are growers market, 21 are wholesale markets and 1 is central market. Shoshshogudam Rin (Crop Storage Credit) Another important role of DAM is to ensure fair return to the farmers for their produces and in this respect a successful intervention of DAM is to providing the crop storage facility coupled with bank loan for helping the farmers to continue their regular production cycles and maintaining livelihood.

This successful model has originated from Bangladesh Switzerland Agricultural Project (BASWAP) in 1978 and continued its operation in different capacity until the whole operation and the manpower brought under direct purview of the department in 2010. Following natural and general market practice, particularly food grains show a lower price regime during the harvest time when the farmers require the money most. So, in general they have to sell their produces at low price during the harvest period but now, with the help from DAM they can store their produces in the designated storage facility and can secure bank loan based on their volume of storage. Farmers pay 10 Taka only per quintal of their stored produces

that help in maintaining the godowns sustainably and forming a fund that presently stand at around 1. 2 crores of BDT.

Farmers can draw loan up to 80% on their stored crops and 90% on their stored seeds for which the government has fixed procurement price. The godwons are managed by a 7 member committee comprised of the member farmers of the respective godown. There is also 6 member advisory committee that assists the Godwon committee. So far, there are 126 godowns in 87 upazilla under 35 districts in all the divisions except Sylhet and through this support activity DAM has distributed 45. 587 million BDT against a total storage of 35067 quintal of crops in 2010-2011 (Up to March

2011). The following table gives a brief picture Shoshhso Gudam Operation-

Sl. No.	Division	District	Upazila	Number of Godowns	Storage Capacity (MT)	Stored Volume (MT)
01	Dhaka	13	33	35	8750	1089
02	Rajshahi	13	36	67	15995	1401
03	Khulna	4	11	16	4000	1016
04	Barisal	5	8	8	2000	1. 5
					35	88
					126	30745
						3507

#### Policy Measures Relevant to Food Grain (Rice) Marketing

Bangladesh has also evolved in respect of public marketing system in terms of liberalization as can be seen from the following summary table depicting major policy changes of agricultural sectors in general and more specifically to food grain marketing. | Date | Important milestones | | September, | The World Bank produced an important document, Food Policy Issues (World Bank 1979) that framed all the major policy and | | 1979 | analytical issues in managing Bangladesh's food sector. The report cited optimal national stocks as equal to 1. 5 million | | | metric tons (MMT) as on July 1 of every year and 1. 2 MMT as on Nov. 15 of every year. Security stocks the size of 600, 000

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MT ||| were cited as “ appropriate”. | 1981 | With the launch of the country’s Second Five Year Plan, government adopted an ambitious long-term plan for accelerating the ||| growth rate of rice production. | | 1982 | Food Policy Monitoring Unit (FPMU) is established based on the recommendation in the Food Policy Issues | | 1986 | A study led by Beacon Consultants that carried out the first-ever evaluation of the welfare effects of both Statutory | | | Rationing and Modified Rationing demonstrated the inequities of the operation of both channels. | | 1988 | Pursuant to PL-TITLE III signed in 1988, Open Market Sales (OMS) came into vogue in Bangladesh.

In July 1988The government ||| waived the standardization requirement on imported irrigation equipment, thus allowing cheap imports from China and South ||| Korea. | | 1989 | The Modified Rationing (MR) was replaced by Palli Rationing under which rice was no longer to be distributed in rural areas ||| but wheat would be distributed to small milling units. Each licensee mill would receive about 500 kgs of wheat per month: ||| they would then sell the atta to villagers at a pre-set price; The government instituted Palli Rationing to distribute ||| subsidized food grain (at 25%) to eligible households in rural areas.

PR soon became the single most important public ||| distribution channel for rice. Significantly, the PR was poorly targeted (Ahmed, 1992). It distributed rice during all ||| months, including harvest ones. | | March, 1989. | Direct sales of urea by parastatal fertilizer factories to private traders was allowed for the first time, enabling a rapidly||| increasing number of private traders to move large quantities of urea across the country (Samad et al. 1989).

Previously, ||| wholesale urea trade was a parastatal monopoly. The

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government started a new procurement program called mill gate Purchase (MP).

The idea was to procure milled rice from pre-qualified contractor-mills at a cost-plus basis that pivots around the "procurement price" (PP). For a marketing agent, access to a MP contract readily implied secured access to implicit credit subsidies (Chowdhury, 1994). Also, the PP easily exceeded the going price during procurement season, due to the generous provisions of the scheme (such as highly favorable milling ratio). The MP was a lucrative for mill-owners who received qualification. Rice procurement rose during 1989/90 to 1991/92 to record levels. The government procures record quantities of rice during both aman and boro seasons.

Millgate Purchase (MP), highly profitable to the contractors distorted incentives in milling and trade. Previously all millers and traders competed in one national rice market, the MP created incentives for local rent seeking. The government suspends PR. This aggravated the public rice stocks to swell as well. PP was raised to Tk. 240, even though the single most important distribution channel had been terminated. Statutory Rationing (SR), which entitled each card-holder to weekly grains from licensed dealers within the limits of six SR cities, was abolished.

The abolition was received without any public outcry, indicating that there was a realization of mis-targeting among the masses. Private imports of fertilizer of all types were legalized for the first time. Import of wheat by private mills was legalized. Imports of foundation seeds and power-

tillers were liberalized. | | 1993 | Private wheat imports by licensed large mills and private rice imports were legalized. | | 1994 | The 50 year old anti-hoarding act barring merchants from keeping inventories exceeding 1 week working stocks without | | | statutory licenses from the Food Department was put into abeyance. | 1996 | Bangladesh implements the Uruguay Round Agreement on Agriculture. Tariff rates were bound at a much higher level relative to | | | where they were applied. Bangladesh's aggregate measure of support was way below the de minimis level as per WTO rules. | | 1998 | To the credit of the Government and the Food Minister, and of the lasting changes in the mindset, those pressures were | | | resisted, and private traders tidily delivered a stunning 2. 4 million metric tons of imported rice over a nine-month period. | | | That is how far the mindset and the private markets had matured. | 2000-2008 | Private importation of hybrid seeds for rice, maize and vegetables is legalized, prodded by growing demand, including | | | widespread realization of the importance of the case for raising productivity. Within five years, the major proportion of | | | maize now raised in Bangladesh is sourced from hybrid seeds. For several commercially important crops, the proportion of | | | hybrid seeds in use has been enhanced to 15 ??? 20% range. Even for rice, the proportion of hybrid seeds has been on the rise. | | | Secondly, the Government has promoted greater use on farm of sulphur, zinc, oron as a way to tamp down the rate of erosion | | | of the levels of micro-nutrients in the soil. As well, the use of organic fertilizer has also been promoted by the | | | Government. | | | | | the National Food Policy (2006) has been formulated by the Ministry of Food and Disaster Management (MoFDM) to ensure, in | | | coordination with partner ministries, development partners and NGOs a ' dependable and sustained

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food security for all people | | of Bangladesh at all times'. | Latest Policy Measures Summary [pic]???? 1 Nov 2010?? Fair price cardholders program resumed. Each of the 1. 2 million targeted low income card holders is permitted to buy a maximum of 20 kilograms of rice per month at BDT 24 (USD 0. 34) per kilogram. [pic] [pic]???? 3 Oct 2010?? The Open Market Sale (OMS) of rice at BDT 24 (USD 0. 34) per kilogram, which started in August in Dhaka and in some divisional cities, has been extended to the upazila (sub district) level. Rice prices in the open market ranged from BDT 28 to 47, depending on the quality of the commodity. [pic]?? [pic]???? 9 Sep 2010?? The Government imported 100 000 tonnes of 15 percent broken rice from Vietnam and it is negotiating to import additional 100 000 tonnes. In addition, it is importing 300 000 tonnes of non-basmati rice and 200 000 tonnes of wheat from India. [pic]???? 15 Jul 2010?? The Government will import 0. million tonnes of wheat within two months in a view to stabilising market prices. [pic]?? [pic]???? 30 Jun 2010?? Rice export ban extended until December 2010. [pic] [pic]???? 1 Apr 2010?? 25 000 tonnes of rice to be imported from Myanmar by the end of April to meet the domestic demand. [pic] [pic]???? 11 Feb 2010?? an input subsidy programme of USD 107 million was launched. The programme introduces the Agriculture Input Assistance Card. With this card, the farmers can open a bank account and receive cash subsidy on diesel used for irrigation of rice land. Out of the total 18. 2 million farmers of Bangladesh, exactly half are targeted for the cash subsidies. Marginal farmers (land size less than 0. 2 hectares) and small farmers (under 1 hectare) will receive BDT 800 (USD 11. 4) while medium size farms (with a land from 1 to 3 hectares) will get BDT 1000 (USD 14. 3). [pic]?? [pic]???? 3 Feb 2010?? The Open Market Sale of rice has been <https://assignbuster.com/rice-marketing-scenario-in-bangladesh-assignment/>

extended after its launch in January 2010 to all Divisional (bibhag) capitals and the three labour intensive districts of Narayanganj, Narsingdi and Gazipur. Rice is sold at BDT 22/kg (USD 0.32/kg), slightly below the national average market price. Source: 1. Department of Agricultural Marketing 2. Bangladesh Bureau of Statistics 3. Department of Agricultural Extension 4. Ministry of Food and Disaster Management 5. Food Policy Monitoring Unit, FPMU 6.

Bangladesh Bank 7. Export Promotion Bureau 8. Price Stabilization, Market Integration and Consumer Welfare in Bangladesh, Final Report PR # 6/07, Dr. Naeem Chowdhury, Principal Investigator, Bangladesh Rice Foundation. (With support from NFPCSP) 9. Structural determinants of market integration: The case of rice markets in Bangladesh, Francesco goletti, Raisuddin ahmed, and Naser farid, The Developing Economies, XXXIII-2 (June 1995) ————— Growers Public Procurement Centre Local markets, Traders, Pikars, Foria, etc. Aratdar/Mojutdar Stockers Wholesaler Rice Mills Retailer Retailer General Customers Auto ricemills FPC/OMS OMS/FPC customers