



The Edible Oil Industry of Bangladesh:

**An Overview of Import, Consumption, and
Price Volatility**

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Executive Summary

This analysis focuses on the present status of imports, demand, consumption, and price volatility of edible oil. Bangladesh imports a significant amount of edible oil, mainly palm oil, to fulfill the country's demand. This study also demonstrates the continuous increase in demand and consumption of edible oil. However, for the last couple of years it has been seen that the prices for soybean and palm oil started to increase arising from the impact of the reduction in supply from the exporting countries. Taking the factors into consideration, this study discussed the challenges and opportunities for the growth of this industry.

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Introduction

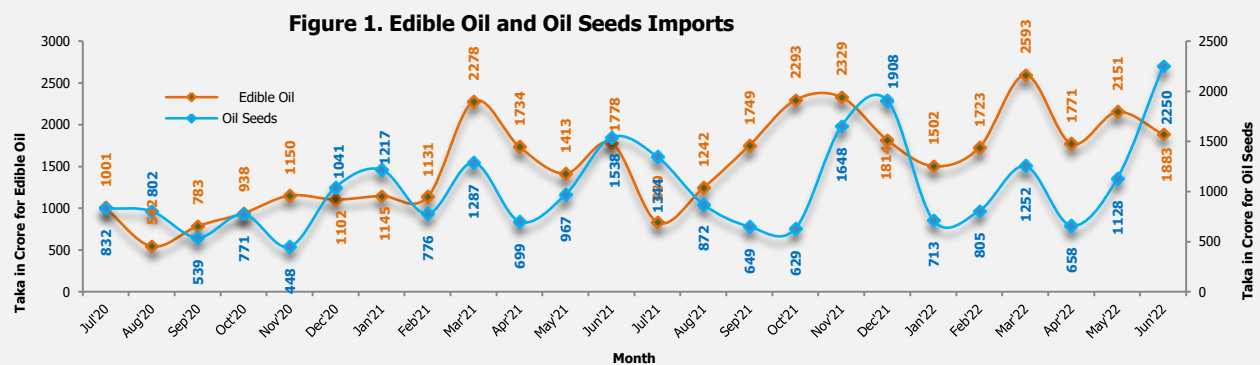
The demand for edible oil in Bangladesh is mainly fulfilled through imports. However, the oil seeds cultivated, extracted and produced locally comprises only small portions of the total demand. This country has a population of around 170 million, and this local production can hardly achieve 10% of its local consumer demand, and the rest of the 90% of requirements are gratified by imports (Reaz Ahmad, 2022). Among the edible oils, palm oil has the highest demand worldwide which is followed by soybean oil. Indonesia is the highest palm oil exporter, whereas soybean is mostly exported by Argentina. In FY2021, Bangladesh imported 78% of palm oil from Indonesia and 73% of soybean oil from Argentina, but the export of these two major countries is on hold; that is the main reason for the crisis of edible oil in the market, which is causing the price hike (Shawkat Ali & Omar Faruque, 2022). As the import of oil is expensive and increasing cost, in this shortage situation, the next best alternative solution for Bangladesh is to focus on production rather than importing from other countries. If the dependence on other countries cannot be reduced soon, then the price and supply of edible oil will be controlled by the exporting countries which has been going on in the current situation. As a result, the market for edible oil will be volatile and difficult to control.

Edible oil is part of the wholesale and retail trade industry. The main issue in this edible oil sector is that the price of edible oil has been increasing over the years. Now, edible oil prices have almost doubled in the current year compared to the previous two years. Edible oil prices increased to a significant extent, whereas the purchasing power of people did not increase to the same extent. The price of edible oil increased because of the export held off by the major exporting countries and also for the syndicates of the edible oil businessman. The Government of Bangladesh is trying to control the increase in edible oil prices through TCB (Trading Corporation of Bangladesh) by selling at a lower price. However, the sustainable solution requires the government to take long-term policy. Focusing on domestic production of edible oil might help to minimize the dependency on imported edible oil and control the price to some extent.

Imports of Edible Oil

Figure 1 shows that the imports of edible oil had been following a fluctuating trend for the last two years. Bangladesh Bank data shows that in June 2021 total import of edible oil was TK.1,778 crore, whereas this year, the import amount stood at TK.1,883 crore in June 2022. In March 2022, Bangladesh Bank's edible oil sector experienced the highest amount of imports which stood at TK.2,593 crore.

The oil seed import trend is also similar to the edible oil trend, where FY2022 shows that the highest import was made in June 2022, which is TK.2,250 crore, and in the previous year, in June 2021, the import was TK.1,538 crore. The import of oil seeds increased considerably in this current year. However, the import and production data of Bangladesh edible oil suggest that the current crisis of edible oil with significant price hikes in the market has been created artificially by the intermediaries to earn profit from supply shortages.



Source: Bangladesh Bank (2022)

Bangladesh imports mainly soybean and palm oil to fulfill the local demand gap. Soybean is basically imported from Argentina, and palm oil is imported from Indonesia, but in recent times, these two major exporting countries reduced their export. On March 2022, Argentina and Indonesia stopped exporting palm oil in order to regulate local food inflation. That is the main reason for the price hike of edible oil in Bangladesh, which is why consumers found a shortage in the supply of edible oil.

Figure 2. Soybean Oil Country Wise Import in FY 2020-21

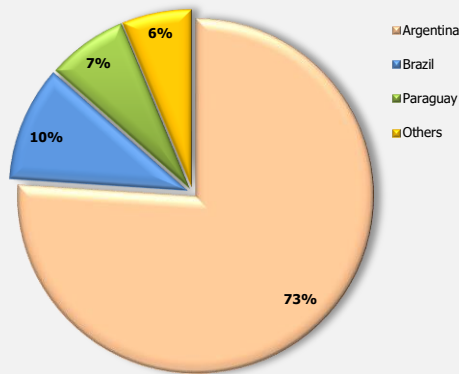
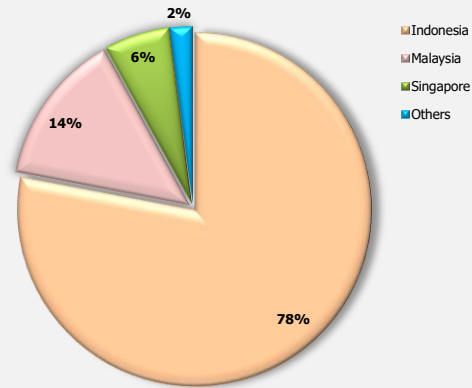


Figure 3. Palm Oil Country Wise import in FY 2020-21



Source: Bangladesh Bank (2022)

Demand and Consumption

Edible oil is a necessary product demanded by each and every household and food manufacturing organization. Bangladesh consumes the edible oil which are mostly imported as the local production only covers one tenth of the local demand. According to Table 1, the production and the area of cultivation of the oil seeds are estimated to be 1,249,230 tons and 861,859 hectares in FY2022, where the previous year's data trend shows that the production has increased over the years. Mustard oil is produced in the best amount compared to other edible oil seeds, and this product mainly fulfills its local demand. Edible oil production was 0.6 million in 2009, which stood at 1.2 million in 2021.

Table 1. Oil Seeds Production and Area of Production

Types of Oil Seeds	2019-20		2020-21		2021-22 [Targeted]	
	Area Cultivated (in Hectares)	Production (in Tons)	Area Cultivated (in Hectares)	Production (in Tons)	Area Cultivated (in Hectares)	Production (in Tons)
Mustard	568,770	750,769	589,500	787,092	595,400	821,700
Peanut	92,700	169,900	96,778	165,142	97,000	172,000
Soybean	77,340	146,947	78,700	135,231	79,000	139,000
Sunflower	2,730	5,724	15,000	25,664	15,000	26,000
Others	70,660	80,960	74,522	86,571	60,000	90,000
Total	812,200	1,154,300	854,500	1,199,700	861,859	1,249,230

Source: Department of Agricultural Extension (2022)

The edible oil market seems to be very impulsive due to supply shortage making it unstable. As the market demand is high and an enormous portion of the required demand is filled up through imports, local production should be increased to achieve the target.

Consumer Level Price Scenario

At present, per liter soybean oil price is Tk.172-175, and the Palm oil price is Tk.126-135. That is relatively high compared to the previous period. Two years ago, the price segment was different. The price of a 5-liter bottle of soybean oil was around Tk.500-550, which indicates that per liter soybean price is Tk.100-110, but at present, the price of a 5-liter bottle is around Tk.900-1000 which is double the price rate compared to the last time.

On the other hand, the mustard oil price increased in the previous year. The price of local mustard oil is TK.200-225 per liter, but it has recently been Tk.300-300 per liter. This rising price has become a burden for middle and lower-class people. The increase in oil price has a resulting impact on the price of other commodities, and those goods' prices are also increased automatically.

The increasing price is connected with various factors like inflation, the Russia-Ukraine war, increased demand, imports being postponed, even a syndicate of a few corrupt businessmen, etc. The government of Bangladesh tries to control the price of oil and sell the oil at a low price through the TCB (Trading Corporation of Bangladesh). However, this is not the permanent solution to controlling the price of oil.

Table 2. Consumer Level Market Price

[Taka Per Liter]

Date	Refined Soybean oil	Palm Oil
19-Aug-2022	166.00-182.00	135.00-145.00
21-Aug-2022	166.00-182.00	140.00-145.00
22-Aug-2022	166.00-182.00	140.00-145.00
23-Aug-2022	166.00-182.00	140.00-145.00
24-Aug-2022	166.00-182.00	140.00-145.00
25-Aug-2022	166.00-182.00	140.00-145.00
28-Aug-2022	166.00-185.00	140.00-145.00
29-Aug-2022	166.00-185.00	140.00-145.00
30-Aug-2022	175.00-185.00	140.00-145.00
31-Aug-2022	170.00-177.00	135.00-145.00
1-Sep-2022	170.00-177.00	135.00-145.00
2-Sep-2022	170.00-175.00	135.00-145.00
3-Sep-2022	170.00-177.00	135.00-145.00
4-Sep-2022	170.00-175.00	135.00-145.00
5-Sep-2022	170.00-175.00	135.00-145.00
6-Sep-2022	170.00-175.00	135.00-140.00
7-Sep-2022	172.00-175.00	135.00-140.00
8-Sep-2022	172.00-175.00	135.00-140.00
11-Sep-2022	172.00-177.00	135.00-140.00
12-Sep-2022	170.00-175.00	135.00-140.00
13-Sep-2022	170.00-175.00	135.00-140.00
14-Sep-2022	172.00-175.00	125.00-130.00
15-Sep-2022	172.00-177.00	130.00-145.00
18-Sep-2022	172.00-175.00	126.00-135.00
19-Sep-2022	172.00-175.00	126.00-135.00
20-Sep-2022	172.00-175.00	126.00-135.00

Source: Trading Corporation of Bangladesh (2022)

Challenges and Opportunity

Bangladesh is a developing country, and the resources of the country include manpower, land, and river. Being an agro-based country, the people of Bangladesh are connected with agriculture. However, when we look at the cultivation of oil seeds, the ratio is meager compared to the local demand. So, for this reason, we have to depend on other countries, and they can control the edible oil price. Moreover, in this way, a few businessmen are making artificial shortages in the market and selling that oil at a high price to get extra profit. So the government of Bangladesh has to minimize the dependency on other countries' edible oil by motivating and minimizing the barrier to the cultivation of oil seeds for long-term solutions. For now, the government has to take the essential steps so that the middleman in this oil trading cannot reserve the oil and create an artificial crisis in the market. The Government of Bangladesh has to find a permanent solution to stabilize the price of edible oil and make it affordable to low and middle-class consumers as it is an essential product.

Conclusion

Oil is an essential product which is required for cooking and this product is not use in households but in restaurants, food shops, even in local street food carts. The demand for edible oil has been increasing over the years along with the population rise. The local production is quite minimal and Bangladesh's local demand is mostly met through import. With the higher production cost compared to the units produced, it is less costly to import than producing it locally. However, currently after the war between Russia and Ukraine the world economy has been shaken, for instance the dollar price increased, inflation is on the rise, oil price increased, raw materials price increased and supply shock has been seen in many countries with lower imports and exports. Even Bangladesh is facing a crisis with the rising prices and supply shortage. Due to halt in supply of edible oil from the exporting countries, the prices have leaped significantly. the local market supply has been disrupted with the soaring price of oil. As an agro-based developing country, Bangladesh has natural resources which can help to change this crisi situation. If Bangladesh utilizes its resources to produce oil, then the dependency on import will be lowered and the price of oil can be controlled locally.

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