

Rice Processing Industry in Bangladesh: An Analysis of Rice Market



Editor:

Arifur Rahman, FCCA, FCA , CSAA
Chief Executive Officer

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Abstract

This study overviews rice production, consumption, and trade in Bangladesh. The country is the third-largest rice producer globally, with an annual production of around 36 million metric tons. However, despite significant progress in rice production, Bangladesh has not yet achieved self-sufficiency, and the demand for rice consistently exceeds production levels. The article presents data on rice consumption and production trends from FY1971 to FY2022, highlighting the impact of natural calamities, declining cultivable land, and farmers switching to alternative crops. The government has implemented several policies to improve rice production, including providing subsidies to farmers and importing rice during times of shortage. Although rice production has increased over time, its price has increased due to high demand and rising production costs. However, there are concerns about the country's ability to meet its rice demand in the long run due to climate change, land degradation, and population growth. The article also discusses the price trends of rice in Bangladesh and the country's rice import and export scenarios.

Introduction:

For decades, rice has been consumed as the staple food of Bangladesh. The rice market is indeed the backbone of Bangladesh's agriculture and remains a crucial component of the country's economy and food security. The rice market contributes around 4.5% to the GDP and occupies about 78% of annual agricultural land (Kabir et al. 2021). The rice market in Bangladesh is primarily driven by domestic production, as most of the country's rice demand is met by local production. Statistics from Index Mundi indicate that 99.97% of Bangladesh's domestic rice demand can be fulfilled locally, while the remaining 0.3% is imported (Index Mundi, 2022).

The main objective of this study is to analyze the rice market in Bangladesh by examining the production, consumption, import, export, and price trends of rice. By analyzing the rice market data from 1971 to 2022, this report aims to provide a comprehensive understanding of the current state of the rice market in Bangladesh. The inclusion of market data will provide a detailed overview of the rice market, which will aid in making predictions about future rice production, consumption, and pricing.

The industry analysis of the rice market in Bangladesh is a significant contribution to understanding the industry's current state. The study offers valuable insights into rice's production, consumption, import, export, and price trends. The analysis highlights the industry's challenges, such as low productivity, limited access to modern technology, and climate change. It also outlines opportunities for growth and development, such as improving productivity through new technologies and practices, developing high-yielding rice varieties, and investing in research and development.

This study is essential for stakeholders in the industry, policymakers, and researchers interested in the development and growth of the rice market in Bangladesh. It provides a comprehensive market overview, which is critical in making informed decisions. The challenges identified can serve as a starting point for stakeholders to address and overcome these issues. The opportunities highlighted can provide the basis for stakeholders to make strategic decisions that can help them take advantage of the growth potential in the market.

Overall, this industry analysis of the rice market in Bangladesh is crucial in shaping the industry's future. It offers insights into the current state of the market, identifies challenges, and presents opportunities for growth and development. This report's significance lies in its ability to provide valuable information to stakeholders, policymakers, and researchers, which can aid in developing and growing the rice market in Bangladesh.

Rice Production and Consumption in Bangladesh:

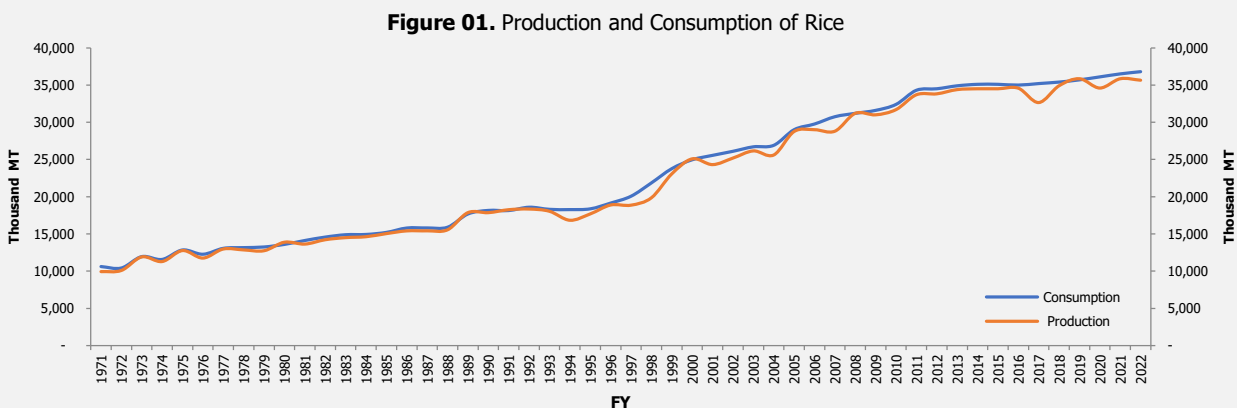
Bangladesh is the third-largest rice-producing country globally, with an annual production of around 36 million metric tons (Statista, 2023). The country has made significant progress in rice production over the

past few decades, thanks to improved seed varieties, irrigation systems, and agricultural practices. The government has also supported farmers through various initiatives, such as providing subsidies for inputs like fertilizers, seeds, and irrigation equipment. The country's rice production is concentrated in the northern and southern regions, with the significant rice-growing areas being the districts of Rangpur, Dinajpur, Bogra, Jessore, and Khulna. Bangladesh's two main rice varieties are Aus and Aman, while boro is cultivated during the dry season.

However, Figure 1 illustrates Bangladesh's rice production and consumption trends from FY1971 to FY2022. Since gaining independence, the country has achieved remarkable rice production and consumption growth, aligning with population growth. In FY1971, rice production was 10,090 thousand MT, which increased to 35,650 thousand MT in 2022, exceeding 3.5 times the production from FY1971. This growth can be attributed to the development rice cultivation methods and research efforts to boost production to meet domestic demand.

On the other hand, rice is a staple food in Bangladesh, consumed by almost all households in the country. Bangladesh's average per capita rice consumption is estimated to be around 181.3 kg per year, among the world's highest (The Business Standard, 2020). However, as shown in Figure 1, rice consumption has surpassed production levels, and Bangladesh has yet to attain self-sufficiency in rice production. This may be attributed to various factors, including natural calamities during rice harvesting, declining cultivable land, and farmers switching to alternative crops like Maize and Onion. Despite these challenges, the government has increased rice production by promoting research, developing new rice varieties, supporting farmers in adopting modern farming techniques, and expanding cultivable land and irrigation facilities.

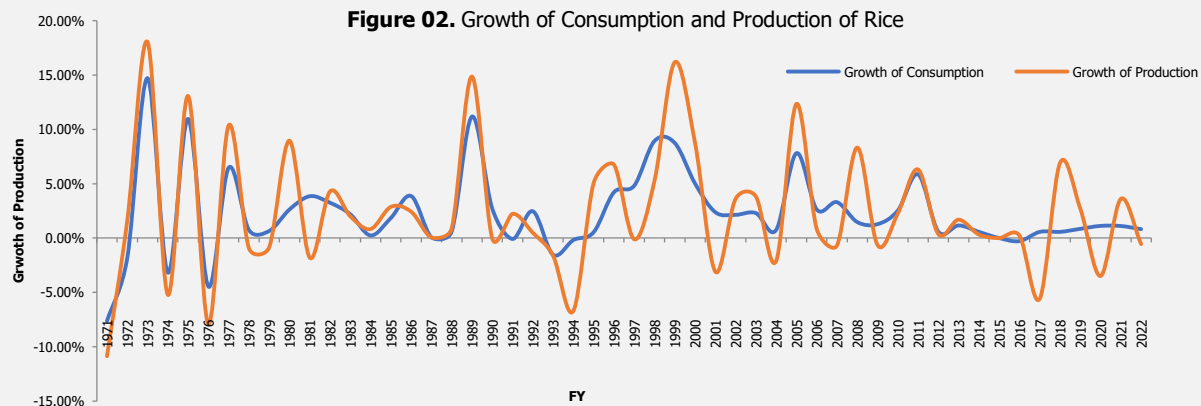
Overall, while Bangladesh has made significant strides in rice production and consumption, there is still a need for continued efforts to achieve self-sufficiency in rice production and meet the rising demand for rice.



Source: Index Mundi (2022)

Consumption and Production Growth of Rice:

According to recent statistics, Bangladesh has experienced significant rice production and consumption growth (Index Mundi, 2022). However, Figure 2 displays Bangladesh's rice consumption and production growth from FY1971 to FY2022 (Index Mundi, 2022). The data reveals that the country's rice production growth has not been consistent over the years. One of the reasons behind this inconsistency is natural calamities such as floods and cyclones, which can damage crops and reduce production. Additionally, farmers may not always receive a fair price for their crops, discouraging them from investing in their farms and limiting their ability to increase production. Despite these challenges, rice consumption in Bangladesh has continued to grow. This suggests that the demand for rice is consistently high in the country, and efforts are being made to increase production to meet this demand.

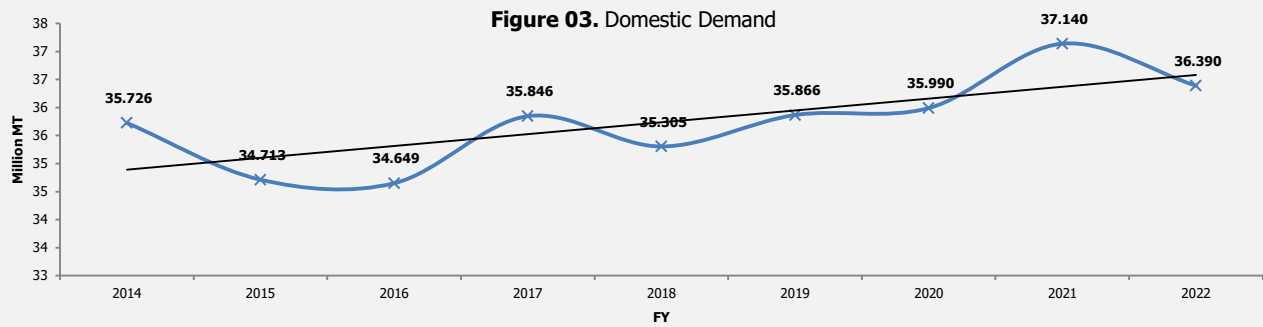


Source: Index Mundi (2022)

Rice Demand in Bangladesh:

The demand for rice in Bangladesh is very high due to its population size and dietary preferences. The annual average demand for rice in Bangladesh is approximately 36 million MT. Both domestic production and imports meet this demand. However, Figure 3 depicts the demand for rice in Bangladesh from 2014 to 2022. In FY2022, the rice demand was 36.39 million MT, whereas rice demand was 35.73 million MT in FY2014. Demand for rice has been experiencing an ups and downs trend from FY2014 to FY2022. However, rice demand peaked in 2021, and the quantity stood at 37.14 million MT.

The government of Bangladesh has implemented several policies to ensure that the country's rice demand is met. These policies include increasing rice production through improved technologies, providing subsidies to farmers, and importing rice during times of shortage. Despite these efforts, there have been concerns about the country's ability to meet its rice demand in the long run due to climate change, land degradation, and population growth. As such, the government of Bangladesh is continually working to improve rice production and ensure food security for its citizens.

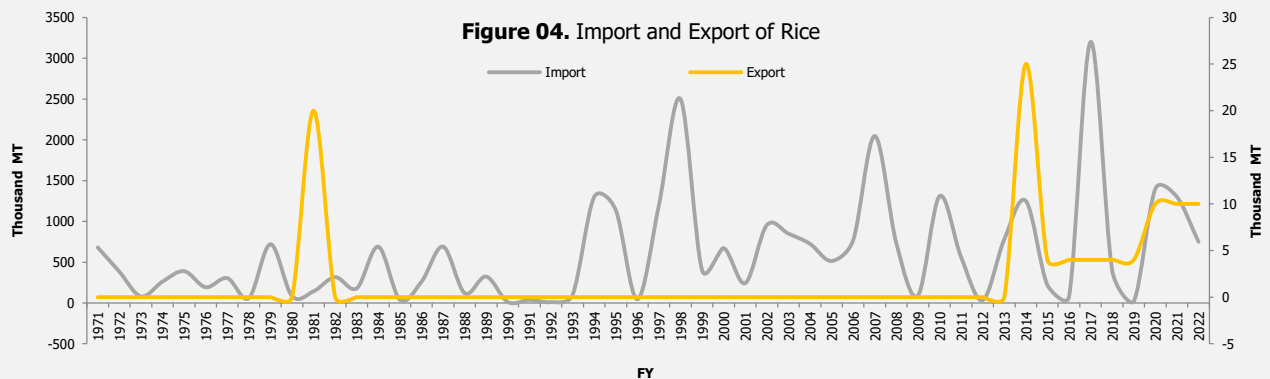


Source: ECRL Calculation
 Note: Demand = (Production + Import) – Export

Rice Import and Export:

Bangladesh is one of the major rice-producing countries in the world. Although, the government mainly import rice rather than export due to several reasons, such as natural disasters, inadequate infrastructure, insufficient production, and high demand compared to production. In the current year, due to high demand, the Bangladesh government banned exporting aromatic rice due to the price control policy. However, Figure 4 provides an overview of the import and export scenario of rice in Bangladesh from 1971 to 2022 (Index Mundi, 2022). The figure shows Bangladesh mainly imports rice annually due to mitigating domestic demand. On the other hand, the figure shows Bangladesh also exports an insignificant amount of aromatic rice from FY2014, mainly to the Middle East and Western countries.

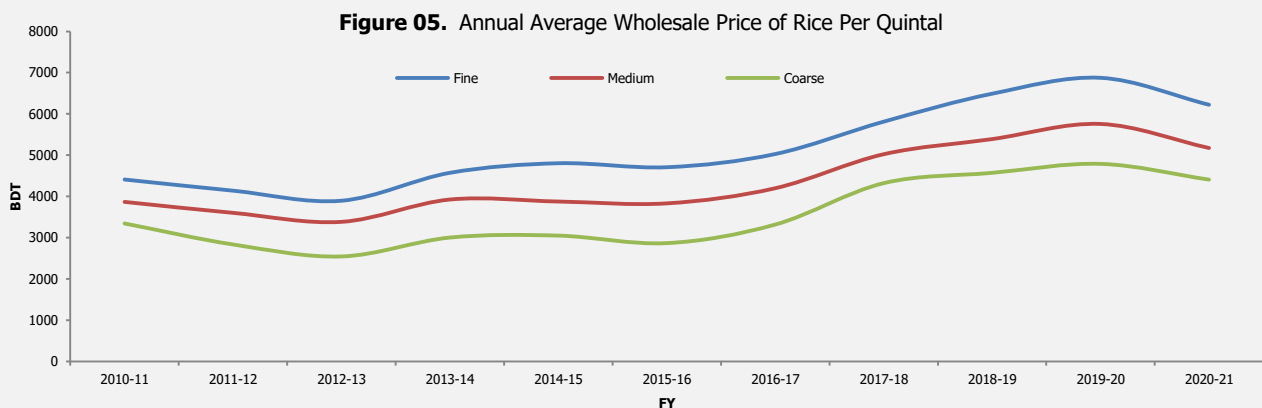
The government of Bangladesh has taken several initiatives to increase rice production in the country, including providing subsidies to farmers, improving irrigation facilities, and introducing high-yielding rice varieties. These efforts have increased rice production in recent years, but the country still faces challenges in meeting the demand for its growing population.



Source: Index Mundi

Price Trend of Rice:

Finally, we have seen the price variation of three different crops over the year (FY 2011 to 2021) in Figure 5. The figure shows that the average price of all types of rice (fine, medium, and coarse) has increased since FY2014. In FY2021, rice prices fell slightly due to supply interruption for the countrywide lockdown. Although, now the price is growing again due to external and internal factors. However, the rice price change depends on the rice supply and the production season. Rice prices fluctuate with the variability of production. Generally, Aus, Aman, and Boro rice harvesting season is July, December, and May. As paddy price is relatively low in the harvesting season, rice millers' collect paddy from the farmers during the harvesting season.



Source: BBS (2021)

Conclusion:

In conclusion, rice is a staple food in Bangladesh, and the country is the world's third-largest rice producer. Despite significant progress in rice production over the past few decades, Bangladesh has yet to attain self-sufficiency in rice production. The demand for rice is high due to the population size and dietary preferences, and the government has implemented several policies to ensure that the country's rice demand is met. However, there are concerns about the country's ability to meet its rice demand in the long run due to climate change, land degradation, and population growth. Bangladesh mainly imports rice to meet its domestic demand, and the government has taken several initiatives to increase rice production in the country, including providing subsidies to farmers, improving irrigation facilities, and introducing high-yielding rice varieties. Finally, rice prices have varied over the years due to various factors, including natural calamities, changes in supply and demand, and government policies. To improve the current rice market, the government of Bangladesh can take some measures, including improving irrigation facilities, encouraging farmers to switch to high-yielding rice varieties, developing alternative crops, and improving market access for farmers. The government can take steps to implement

these recommendations and ensure a fair price for farmers' crops by reducing middlemen and promoting the use of technology like e-commerce platforms.

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About ECRL

Emerging Credit Rating Limited (hereinafter referred to as ECRL) began its journey in the year 2009 with the motive to deliver credible superior & quality credit rating opinion in various industry segments around Bangladesh. ECRL obtained credit rating license from Bangladesh Securities and Exchange Commission (BSEC) in June 2010 as per Credit Rating Companies Rules 1996 and also received Bangladesh Bank Recognition as an External Credit Assessment Institutions (ECAI) in October 2010 to do the rating of Banks, Financial Institutions and their borrowers and also from Insurance Development & Regulatory Authority (IDRA) in 2015 to do the rating of Insurance Companies & affiliated with Malaysian Rating Corporation Berhad.

Emerging Credit Rating Limited's team is oriented towards the continuous improvement of processes, striving for an important role in the leadership of the business world. Every individual in ECRL is committed to providing topmost ingenious Credit Rating Services and Comprehensive Research Services in Bangladesh. ECRL's rating services and solutions reflect independence, professional, transparency and impartial opinions, which assist businesses in enhancing the quality of their decisions and helping issuers access a broader investor base and even smaller known companies approach the money and capital markets. The Credit Rating process is an informed, well-researched and intended opinion of rating agencies on the creditworthiness of issuers or issues in terms of their/ its ability and willingness of discharging its financial obligations in a timely manner. Issuers, lenders, fixed-income investors use these risk assessments for the purpose of lending to or investment in a corporation (such as a financial institution, an insurance company, a non-banking corporation or a corporate entity) as well as evaluating the risk of default of an organization's financial obligations in terms of loan or debt.

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ECRL Research provides insights, opinions and analysis on Bangladesh and International Economies. ECRL Research conducts surveys and produces working papers and reports on Bangladesh's different socio economic issues, industries and capital market. It also provides training programs to professionals from financial and economic sectors on a wide array of technical issues.



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Dhaka Office

Shams Rangs, House 104,
Park Road
Level-A1, A2 & A5
Baridhara, Dhaka-1212
Tel: +880 2222260911,
+880 2222260897
Fax: +880 2222260828
Email: info@emergingrating.com

Chattogram Office

Al Madina Tower, 6th Floor
88-89, Agrabad C/A, Chittagong
Tel: +880 1833 330059,
+880 1833 330061

Bogura Office

MA Complex, 3rd Floor, East
Side. Tin Matha Railgate.
Bogura- 5800

Khulna Office

Mollick Shopping Complex
99 Khan -a- Sabur Road,
Khulna-9100
Tel: +880 1833 330060