

PN-ABS-148

89592

M48

**LIBERALIZATION OF CREDIT FOR GROWTH OF
FOODGRAIN MARKETS IN BANGLADESH**

Mahfoozur Rahman

**International Food Policy Research Institute
Bangladesh Food Policy Project**

**Funded by USAID under Basic Order Agreement
Contract No. DAN-4111-B-00-9112-00
Delivery Order No. 7**

January 1994

The authors accept full responsibility for the views expressed in this report. The contents do not necessarily reflect the official position of USAID or Government of Bangladesh.

CONTENTS

	Page
I. <u>The Food Sector in Bangladesh: An Over View</u>	1
1. The Scenario: Past and Present	
2. Government Interventions	
3. The Rice Culture	
4. Growth in Agricultural Production	
5. Free Market Policies	
6. The Price Impacts	
II. <u>Government Interventions: Past and Present</u>	3
1. Intervention Policies	
2. Internal Procurement	
3. Voluntary Paddy and Rice Procurement	
4. Reduced Procurement	
III. <u>Recent Market Scenario</u>	5
1. Low Grain Prices	
2. Current Price Trends	
3. Negative Impacts on Input Market	
4. Low Crop Yields and Low Input Use	
IV. <u>Financing Government Internal Procurement</u>	8
1. Price Stabilization	
2. Buffer Stock Operations	
3. Financial Arrangements	
4. Effects on the Market by Govt. Procurement	
5. Sources of Finance	
6. Funds from Commercial Banks	
V. <u>The Imperative Need for Credit</u>	10
1. Problem of Marketing with High Production	
2. Credit for Tendering	
3. Credit for Export	
VI. <u>Mechanics of Credit</u>	13
1. Identifying the Impediments	
2. Banking Control	
3. Banking Sector	
4. Security of Loans	
5. Modernizing Financial Devices	
VII. <u>Concluding Observations</u>	15
1. Role of Credit	
2. The Weak Private Sector	
3. The Banks: A New Role	
4. A New Vision on the Horizon	

List of Tables & Supplementary Tables

		Page
1.	Internal Procurement of Foodgrains (Rice and Wheat) from 1972/73 to 1992/93	8a
2.	Wholesale Market & Procurement Prices of Coarse Rice and Wheat	9a
3.	Distribution of PFDS Cfftake by Channel from 1972/73 to 1992/93	9b
4.	D1- Wholesale Market Price of Course Rice & Wheat	44
5.	D2- Production of Foodgrains With Trends and Deviation Percentage by Crops	45
6.	D3- Wholesale Market Price of Coarse Rice, Paddy and White Wheat	46-47
7.	D4- Weekly Wholesale Market Price of Coarse Rice, Paddy and White Wheat - 1993	48
8.	D5- Foodgrain Import from 1975/76 to 1992/93	49
9.	D6- Procurement Prices of Foodgrain by Season from 1972/73 to 1992/93	50

GRAPHICS

List of Figures

1.	Trends in Real Foodgrain Prices (1972/73 to 1992/93)	1a
2.	Total Production of Foodgrains (1972/73 to 1992/93)	2a
3.	Total Production of Rice and Trends (1972/73 to 1992/93)	6a
4.	Rice Production, Deviation Percentage From Trends (1972/73 to 1992/93)	6b
5.	Production of Aman Rice and Trend (1972/73 to 1992/93)	10a
6.	Aman Production, Deviation Percentage from Trends (1972/73 to 1992/93)	10b
7.	Production of Boro Rice and Trend (1972/73 to 1992/93)	11a

	Page
8. Boro Production, Deviation Percentage from Trend (1972/73 to 1992/93)	11b
9. Production of Aus Rice and Trend (1972/73 to 1992/93)	12a
10. Aus Production, Deviation Percentage from Trend (1972/73 to 1992/93)	12b
11. Production of Wheat and Trend (1972/73 to 1992/93)	13a
12. Wheat Production, Deviation Percentage From Trend (1972/73 to 1992/93)	13b
13. Government Procurement of Foodgrains (1972/73 to 1992/93)	14a
14. Government Procurement Prices of Foodgrains (1972/73 to 1992/93)	14b
15. Government Procurement Prices of Foodgrains by Season (1972/73 to 1992/93)	15a
16. Total Offtake of Foodgrains (All channels) (1972/73 to 1992/93)	14c
17. Percentage Distribution of PFDS Offtake (1972/73 to 1992/93)	14d
18. Total Foodgrains Import (Aided & Commercial) (1975/76 to 1992/93)	14e
19. Wholesale Paddy Price in Dinajpur (January'90 to December'93)	5a
20. Wholesale Paddy Price in Bogra (January'90 to December'93)	5b
21. Wholesale Paddy Price in Rangpur (January'90 to December'93)	5c
22. Wholesale Rice Price in Dhaka (January'90 to December'93)	5d
23. Wholesale Rice Price in Khulna (January'90 to December'93)	5e
24. Wholesale Rice Price in Chittagong (January'90 to December'93)	5f
25. Wholesale Wheat Price in Rangpur (January'90 to December'93)	5g

	Page
26. Wholesale Wheat Price in Dhaka (January'90 to December'93)	5h
27. Wholesale Wheat Price in Chittagong (January'90 to December'93)	5i
28. Wholesale Market Price of Paddy in Dinajpur (January'93 to December'93)	5j
29. Wholesale Market Price of Paddy in Bogra (January'93 to December'93)	5k
30. Wholesale Market Price of Paddy in Rangpur (January'93 to December'93)	5l
31. Wholesale Market Price of Coarse Rice in Dhaka (January'93 to December'93)	5m
32. Wholesale Market Price of Coarse Rice in Khulna (January'93 to December'93)	5n
33. Wholesale Market Price of Coarse Rice in Chittagong (January'93 to December'93)	5o
34. Wholesale Market Price of White Wheat in Rangpur (January'93 to December'93)	5p
35. Wholesale Market Price of White Wheat in Dhaka (January'93 to December'93)	5q

APPENDICES

1. Appendix - A : Definition of Terms used in Rice Trade	22
2. Appendix - B : Directorate General of Food Concise Income Statement Year ended June 1992	27
3. Appendix - C : Minutes of Tendering Procedure Subcommittee on Credit of Foodgrain Tendering, October 12, 1992	33
4. Appendix - D : Supplementary Raw Data	44

SKETCHES

Bangladesh Grain Market Financing

1. Scene 1 : Before 1992	16a
2. Scene 2 : After 1992	16b

Acknowledgements

This paper was prepared in times of high activity for Bangladesh Food Policy Project. In addition to this work, numerous other activities breaking newer grounds are in progress. The origin of this study goes back to October 1992 when Dr. Steven Haggblade initiated a series of reviews to liberalize finance for the foodgrain marketing, specially government tenders. Much has been achieved since then; this paper being only a small step towards that final day, when a free and dynamic food market will evolve in Bangladesh. But for the vision, dynamism and efforts of Dr. Haggblade, little would have happened. This author is exceedingly grateful to Dr. Haggblade, not only as a BFPP team member, but also as a practitioner in the market place. I am also grateful to Dr. Curtis Slover, for the flexibility he allowed me in completing this work, as well as for his refreshing humour and wit, which blew like a breath of fresh air through the dankness of the routine and the mundane.

In preparing this report, Mr. Jinnat Ali, my able research assistant, worked long hours to prepare the tables and graphics in addition to on-going work on another survey data, all to be completed within a tight schedule. That necessitated working on weekends and late into evenings, which he happily did. Mr. Nurul Amin typed and corrected the manuscript working late into the nights willingly and cheerfully. I am extremely grateful to them both. The author remains responsible for all the remaining errors and omissions expressed in this paper.

Dhaka: 13th January, 1994

Mahfoozur Rahman

V

LIBERALIZATION OF CREDIT FOR GROWTH

Foodgrain Marketing in Bangladesh

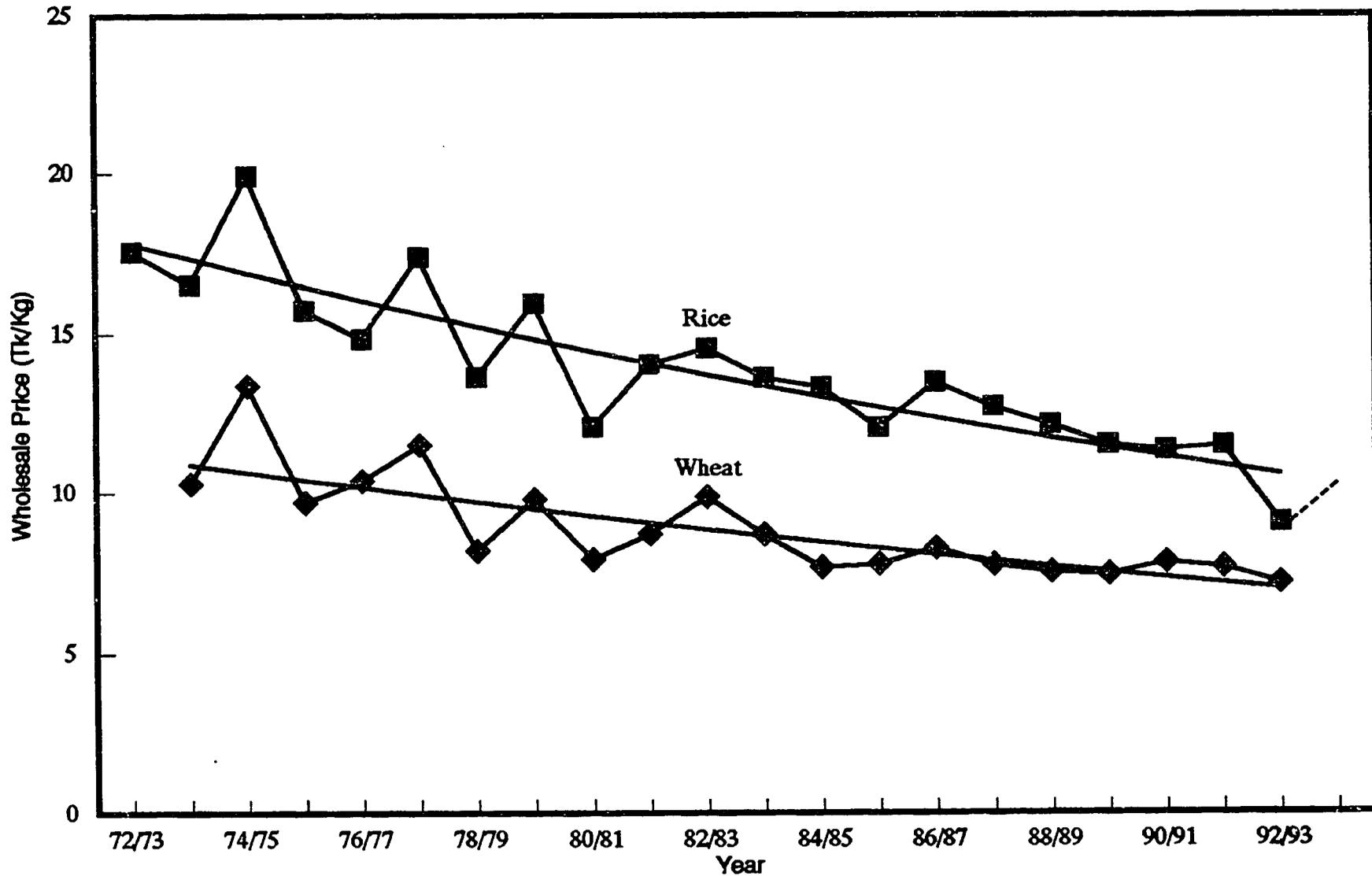
I. The Food Sector In Bangladesh: An Overview

1.1 The Scenario: past and present: The ancient land of Bengal had never known hunger. The natural resources of Bengal — plentiful water, sunshine, fertile land and the millions of hard working people - produced enough food grains - principally rice for export, after meeting her own needs. The Australian Colonies were fed by grains shipped from Calcutta at as late a time as the 1890s. But over-population and stagnation in agricultural production created net shortages by 1940s, the shortfalls met mostly by imports from Burma, a province of British India till 1935. The disruption of communication and subsequent collapse of British civil administration after the fall of Burma to the Japanese invaders in 1942 caused the Great Bengal Famine of 1943, in which over a million people perished of starvation. The partition of Bengal in 1947 and the War of Independence of 1971 were stupendous events in the annals of this country in terms of human sufferings. The next famine of 1974 was not as great as the one in 1943, but was severe enough to leave an indelible mark on people and the successive governments of the infant state of Bangladesh.

1.2 Government Interventions: On account of these historic events and the sense of food-insecurity that prevails in every adult citizen's conscious, nothing is as fundamental as the provision of food and nothing is more sensitive as the state policies which control and regulate it. It is the unwritten compulsion on every government of Bangladesh for historic, cultural and political, if not, for statutory or constitutional reasons, to provide enough food for the maximum of the population, at price which it deems 'fair', through various mechanisms as devised. The policies may have changed over the decades, but the objectives have not. Says a recent (1989) Government of India paper: ". during the great Bengal famine tragedy 1943, when one and a half million people died of starvation, the Government was brought into the picture The tragedy amply brought home the fact that foodgrain trade could no longer be entrusted wholly in the hands of the private trade". Government of India even nationalized the entire wholesale foodgrain trade in 1973-74, for a year. But 1994 is not 1943 - the intervening half a century has brought in momentous changes in the entire environment of production, distribution and marketing of foodgrains.

Figure 1 – Trends in Real Foodgrain Prices

(1972/73 – 1992/93)



Note : Deflated by Implicit GDP Deflator, Base Year 1992/93=100. --- Projected

Source : DAM & BBS

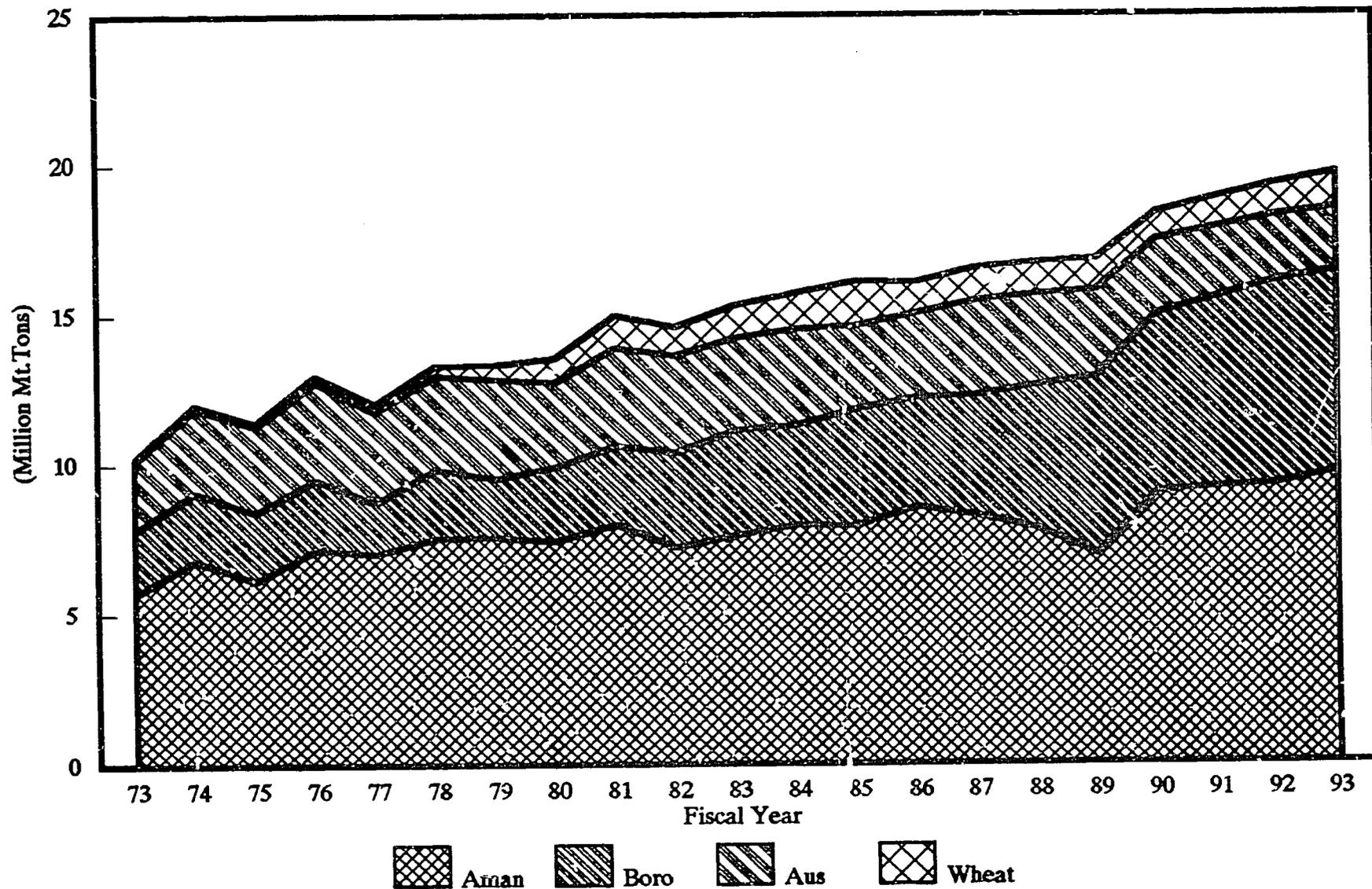
I.3 The Rice Culture: For the people of Bangladesh, food means largely rice. Ancient Aryans who settled in the Gangetic Valley in 4000 to 2000 BC adopted the rice culture into their fabric of life. The Sanskrit word for paddy is "Dhannya", its synonym being "Dhana" meaning wealth. The word for cooked-rice is "Annya", which also means livelihood. Both words are adopted in literary modern Bengali in the original sense, indicating the all pervading influence of rice in the culture of this ancient land and its people. Provision of food in the form of rice is thus basic to the notion of wellbeing to the people of Bangladesh.

I.4 Growth in Agricultural Production: Fundamental changes have taken place in the agricultural sector of the economy in the last twenty years. The green revolution of seed-fertilizer-pesticide-irrigation technology have made possible a larger rice crop, and two or even three, where only one grew before. This ancient land of plenty is again on the verge of self sufficiency, even export, after five decades of chronic food shortages. Infrastructural developments, expansion of banking sector to the rural areas, largescale mechanization of water and road transport, nationwide telephone network and a new class of entrepreneurs in the food grain trade, have modernized and integrated the rice market in a way scarcely imaginable a few years ago. The hard facts and statistics only reinforce which all the players in the market place know in their bones. "During FYP 73-76, the value of food grain imports exceeded the value of total merchandize exports by 10%. In FYP 1992, the value of foodgrain imports (primarily wheat aids) was only 13% of the value of merchandize exports" (WB). The change for the better has been remarkable.

I.5 Free Market Policies: Sound policies and reforms contributed to these production gains. Most important fillip to the inherent productive urges of the farmers and traders have been increasing market liberalization of agricultural inputs and removal of regulatory straight jackets markedly since 1988. Removal of agricultural equipment standardization rules, tubewell siting guidelines and free import of irrigation and cultivation equipment brought about a revolution in the application of these vital equipment to agriculture along with the related technologies. Liberalization of markets for pesticide, seeds and fertilizers completed the circle, though important areas of restrictive practices still remain. The impact of such policies and structural changes have been dramatic (Raisuddin 1993). It was evaluated (Raisuddin 93) that both the direct (enhanced use of inputs) and the

Figure 2—Total Production of Foodgrains

(1972/73–1992/93)



Source : BBS

indirect (reallocation of budgetary savings) impacts are most beneficial on all accounts. In a nutshell, the effects of these market liberalization are given:

**Table 1. Estimated Production of Rice and use of Inputs, 1992/93
(Based on Model Solution with and Without Reforms)**

Reform Status	Production (1,000 tons)	Use of Fertilizers (1000 tons)	Irrigated Area (1,000 tons)
Without Market Reform	18,443	2,614	6,209
Without Market Reform	13,638	1,491	3,728
Net effect of Reform, in Percent of Without- Reform levels ¹	35%	75%	67%

¹ Note: Net effect is calculated by deducting the without-reform from with-reform levels and dividing the difference by the without-reform quantities. The result is expressed as a percent.

Source: Raisuddin Ahmed, 1993, Liberalization of Agricultural Input Markets in Bangladesh, IFPRI, Washington D.C.

1.6 The Price Impacts: These production rises have also brought about fundamental changes in the price structures of food-grains (Figure 2). The real prices of rice and wheat have declined over the 20 year period (Figure 1). The ultimate objective of the governments food policy - access of food to the people at affordable costs are nearer to it's goal, if not totally achieved. Thus, the need and urgency of the government to intervene massively and directly into the market has been reduced to a great extent. The hoary guideline — "foodgrain trade could no longer be trusted wholly in the hands of the private trade" — has become totally irrelevant.

II. Government Interventions: Past & Present

II.1 Intervention Policies: Even since its inception, the relevant department of the governments and later the ministry, applied two principal instruments: internal procurement and public food distribution system for implementation of its intervention policies. For price stabilization purposes, the channels of supply were imports (aided,

subsidized and commercial) and internal procurement of paddy rice and wheat which the government distributed through the PFDS. For the purpose of this paper, however, instrument of internal procurement needs closer scrutiny.

II.2 Internal Procurement: The government used multiple administrative machineries to affect internal procurement. The method, means and the types of grains procured underwent evolutionary processes of change over the years. Levys on producers, rice mills, cordons on movement of foodgrain in selected areas, were used to build up the food security and distribution stock. Outright confiscation under Anti-Hoarding Law, and forced lifting of rice in the border belt areas were also practised specially after 1965 war with India. After liberation in 1972, most of these coercive methods were not actually practised. However, in 1974, during the food-crisis leading to a famine, restriction on movement of foodgrain and door-to-door search by security personnel for 'hoarded' grains were practised. Since 1975, the internal procurement gradually took the shape of voluntary sale of grains by the producers, traders and rice mills. From these agents of supply, the government procured grains which totalled from a meager 5000 MT in 1975/73 to over a millions tons in 1991/92 (Table 1 which gives a yearly cropwise breakdown of internal procurement). With increasing procurement prices, the procured quantities exploded (Fig-13).

II.3 Voluntary Paddy and Rice Procurement: From 1975 to 1980, the major portion of internal procurement was made in the form of paddy under a voluntary sale scheme. This paddy was later milled into rice by contract mills. A scheme of procurement call Millgate Purchase was introduced in 1984-85. Owing to various economic and administrative advantages allowed to the millowners, and a multitude of complicated procedures, which were found to be exceedingly difficult to administer, the scheme resulted in colossal losses to the government in terms of money, as well as, low quality of procured grain. As a result, government has suspended operation of millgate contract since the Boro season of '92. (For full details of Millgate contracting and its weaknesses, refer to Haggblade & Rahman, IFPRI, 1992). In its place, the government has reverted to a fixed procurement price for paddy, rice and wheat for the specified grades of the grains. This procurement price may be interpreted as the 'floor' and the OMS as 'ceiling'. At the same time, some experiments in procurement by open tender was also conducted. Although the results of the tenders were most encouraging, for various reasons, the

procedures of tender are still not effectively employed to procure large scale governmental purchases. (For details refer to Rahman 93, an Operational Review of Open Tender, IFPRI Dhaka).

II.4 Reduced procurement: As a result of the experimentations in methods of procurement, and perhaps for government's diminished requirements for internally procured grains, the quantum of procurement reduced dramatically. From a high of 1.01 million MT in 91/92, the quantity of grain procured reduced to about 0.232 Million MT by 92/93. In the Boro of 93, practically no government procurement took place, creating a great vacuum in the market place, as the single largest purchaser was most conspicuous by his absence.

III. Recent Market Scenario

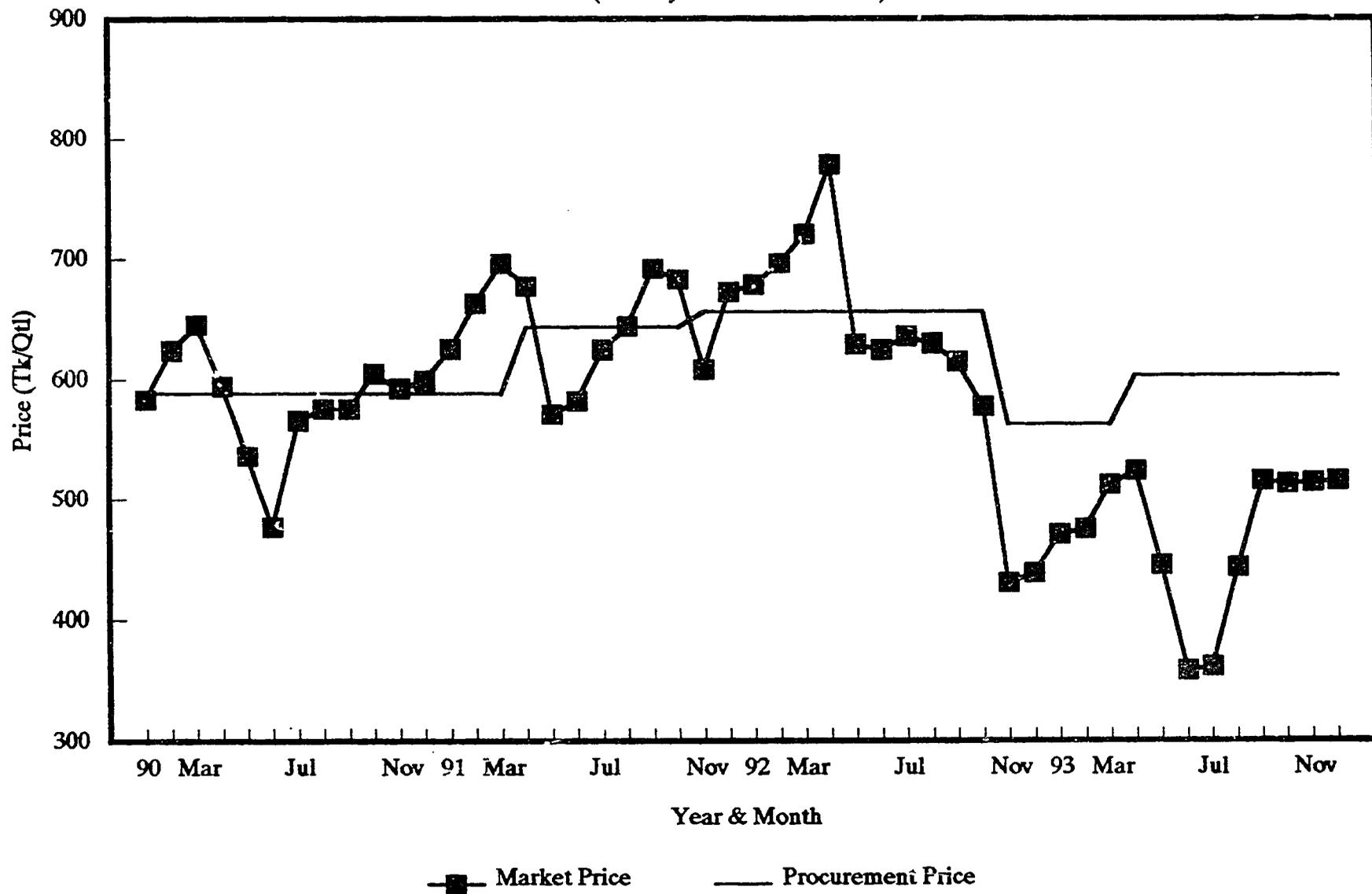
III.1 Low grains Prices: Since the Boro season of 1992, prices of rice and wheat showed continued downward trends. It reached record lows in June/July 1993, at the peak of the Boro harvests. For selected producer and consumer markets, the wholesale market prices are shown from Figures 19 to 25. Such price slide was never experienced in the foodgrain marketing in Bangladesh. It was a cause of concern among many interest groups as the impact of the price down slide was expected to have economy-wise negative repercussions. The main causes of this unusual down trends and low prices were analysed as: (Rahman, Low Cereal Prices, IFPRI, Dhaka'93).

(a) The continued government procurement at escalating price kept the market price higher than what it would have been. As the government procured and market price trended upward, the surplus was building up at the private storages, both on farm and off. The lucrative millgate contracting was a safety valve for the trade surpluses. (Haggblade and Rahman - 1993)

(b) The bubble burst with the suspension of millgate contracting from the Boro season of 1992. Without a governmental refuge, the stocks had to be marketed — at whatever price. The record Aman of 92/93 (Fig - 5) added to the downward pressures.

Figure 19—Wholesale Paddy Price in Dinajpur

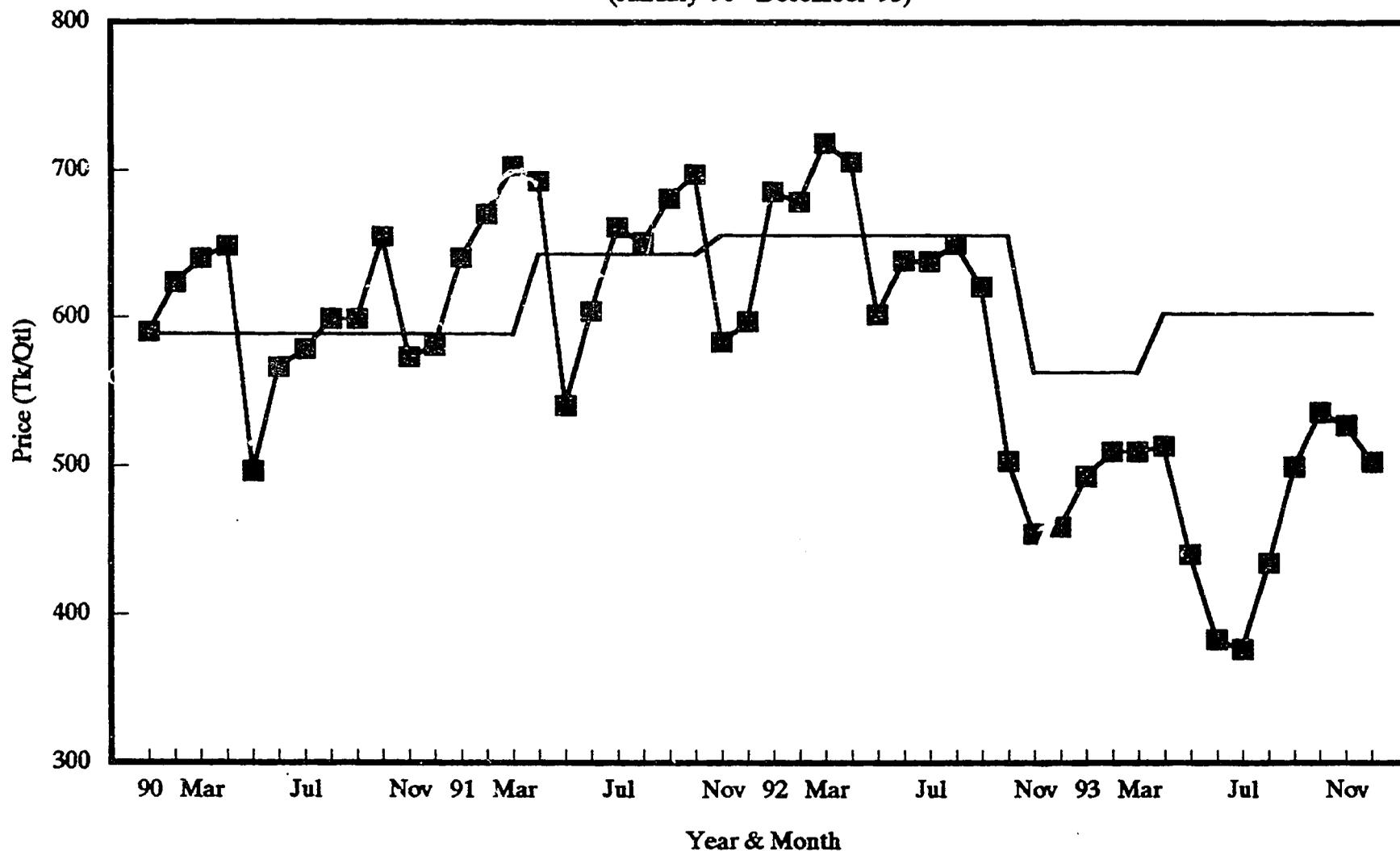
(January '90—December '93)



Source: DAM & DGF

Figure 20 – Wholesale Paddy Price in Bogra

(January '90 – December '93)



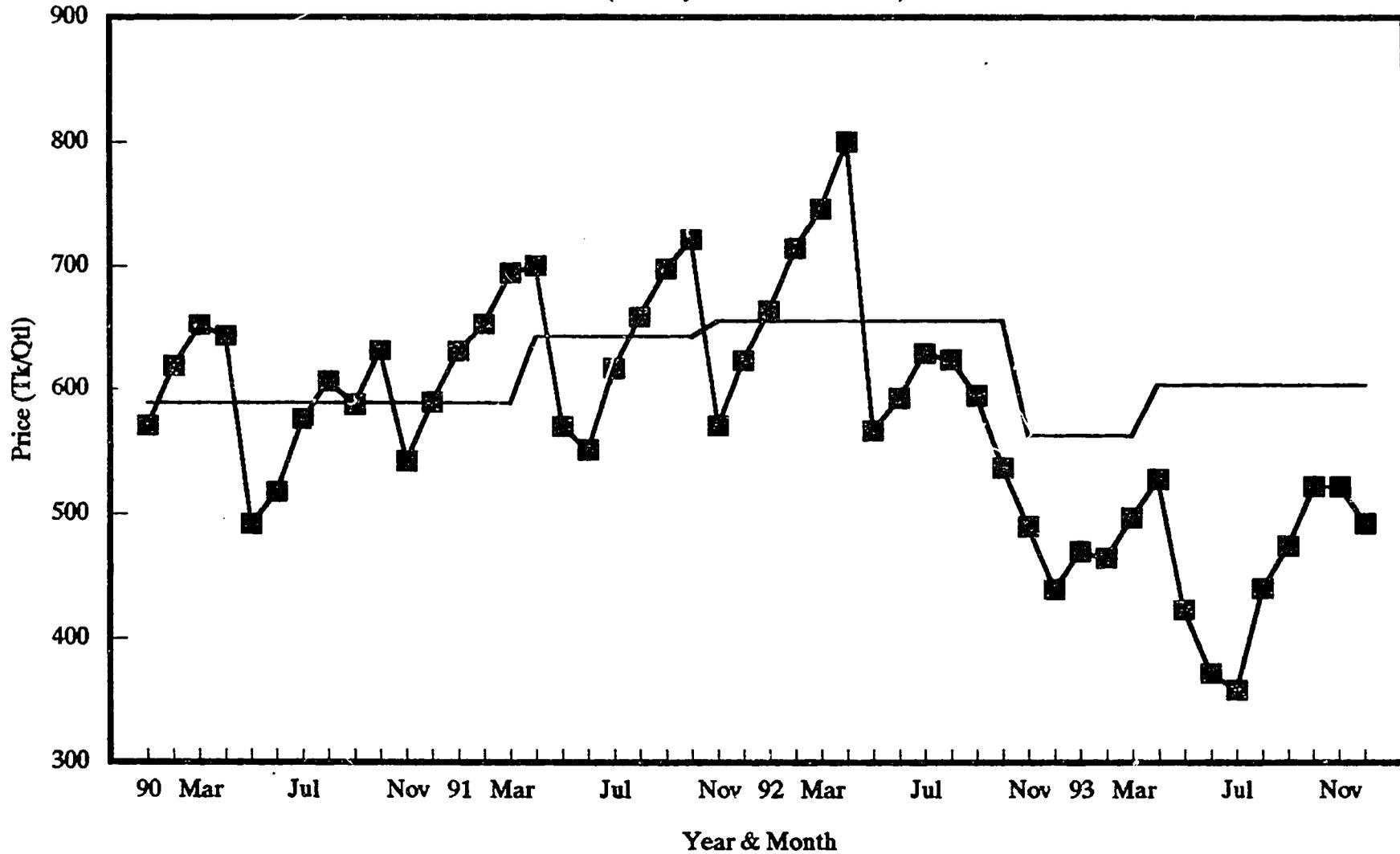
■ Market Price

— Procurement Price

Source : DAM & DGF

Figure 21 – Wholesale Paddy Price in Rangpur

(January '90–December '93)

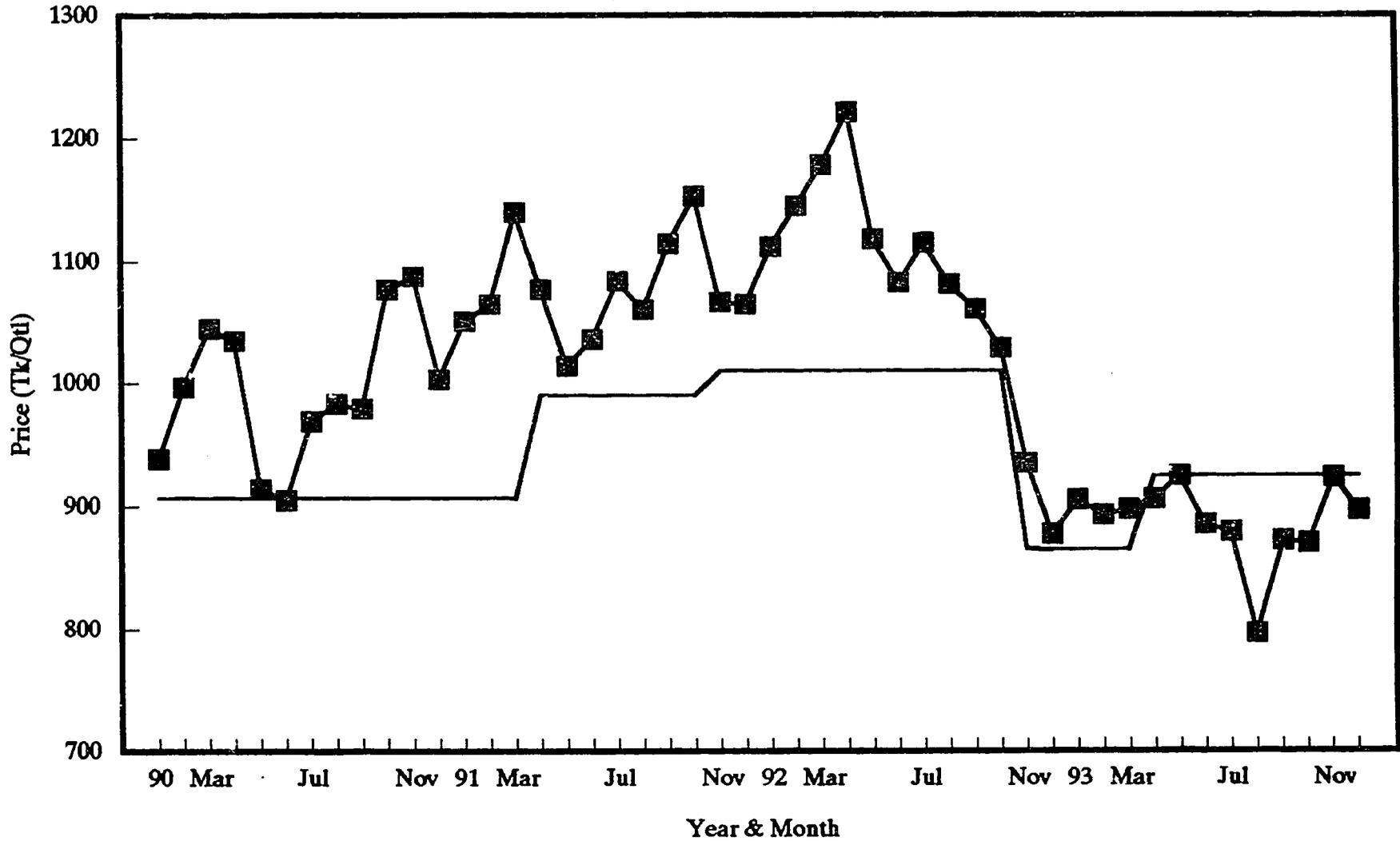


Market Price
 Procurement Price

Source : DAM & DGF

Figure 22 – Wholesale Rice Price in Dhaka

(January '90–December '93)



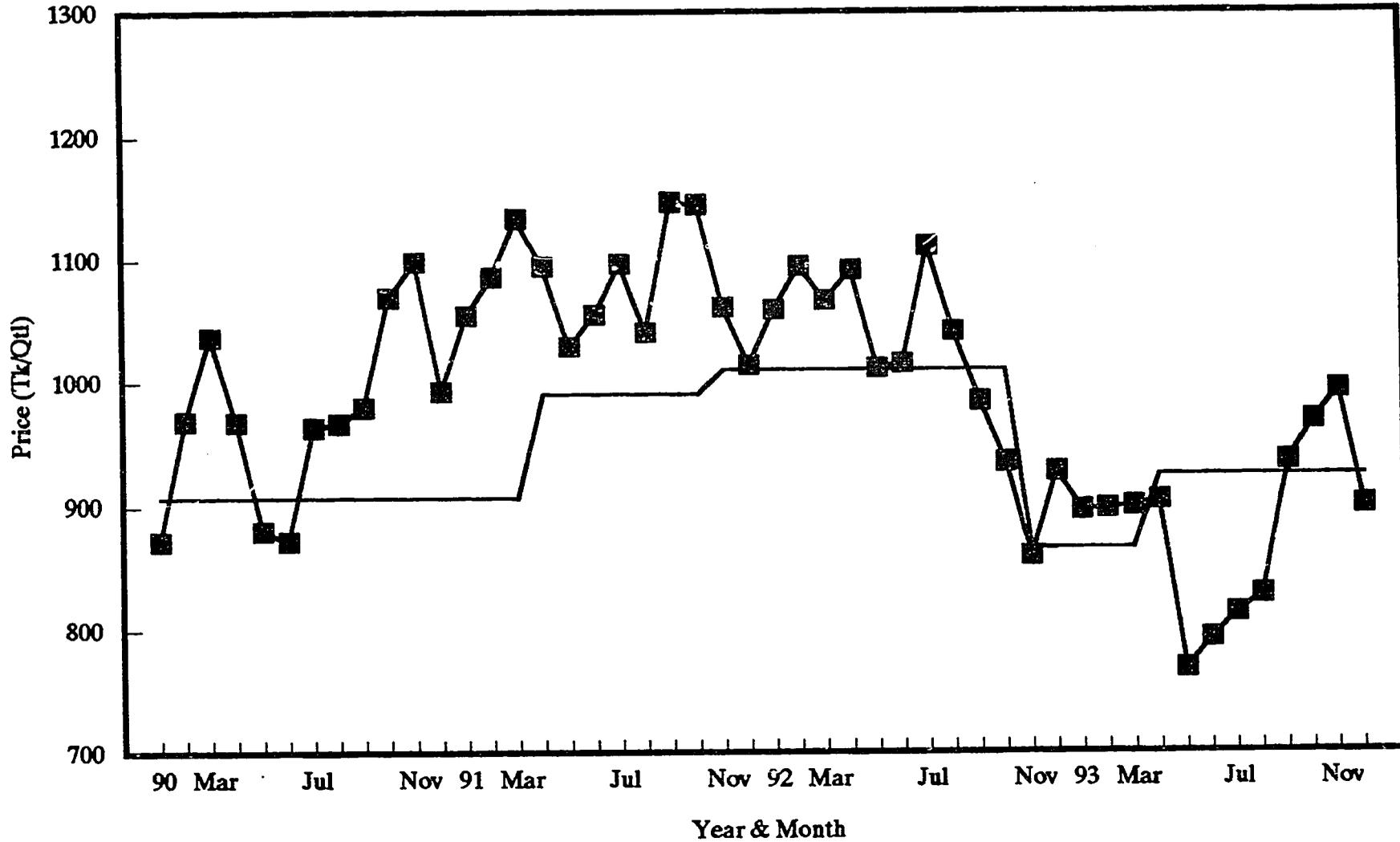
■ Market Price

— Procurement Price

Source : DAM & DGF

Figure 23—Wholesale Rice Price in Khuina

(January '90—December '93)

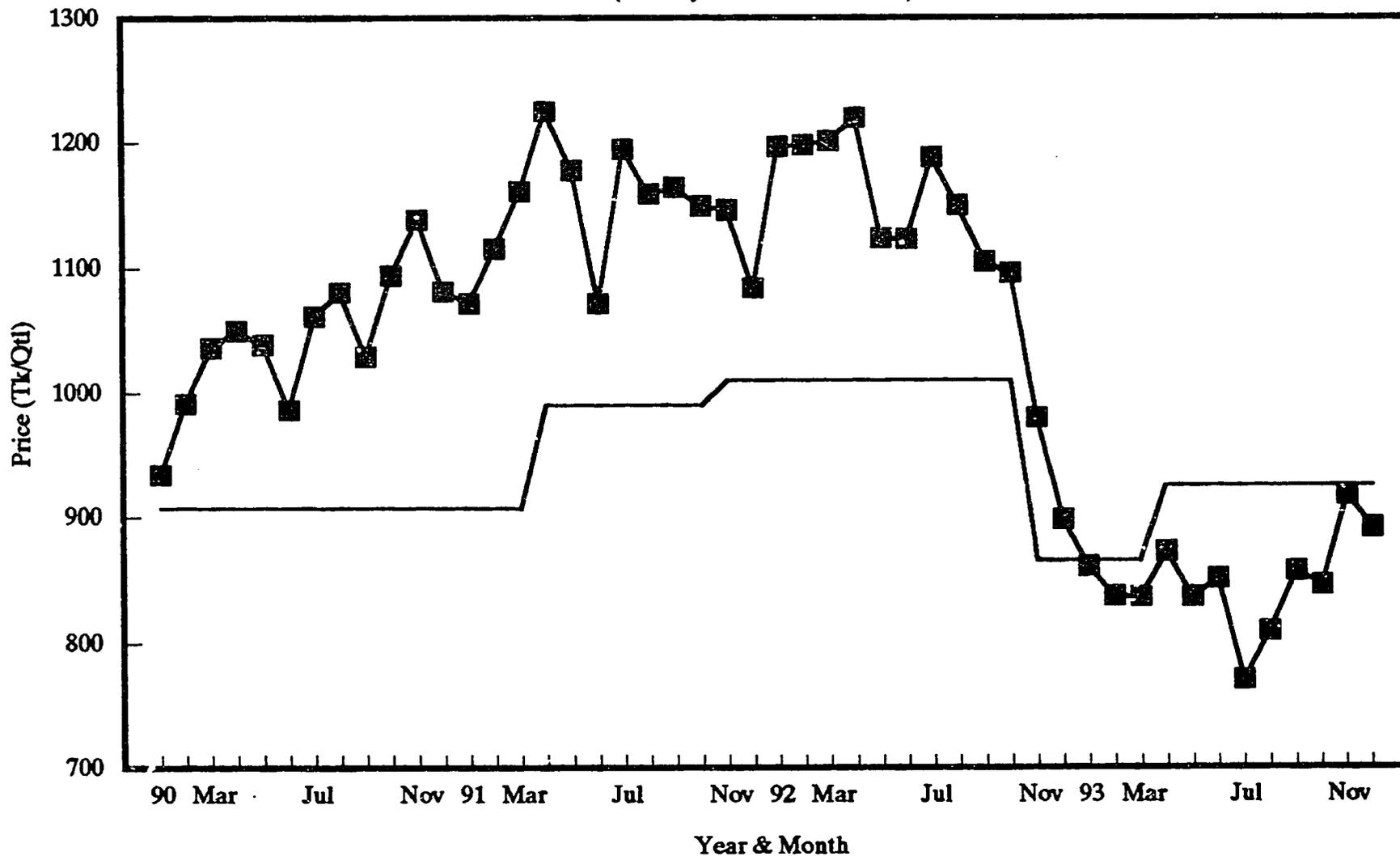


Source : DAM & DGF

■ Market Price — Procurement Price

Figure 24—Wholesale Rice Price in Chittagong

(January '90–December '93)



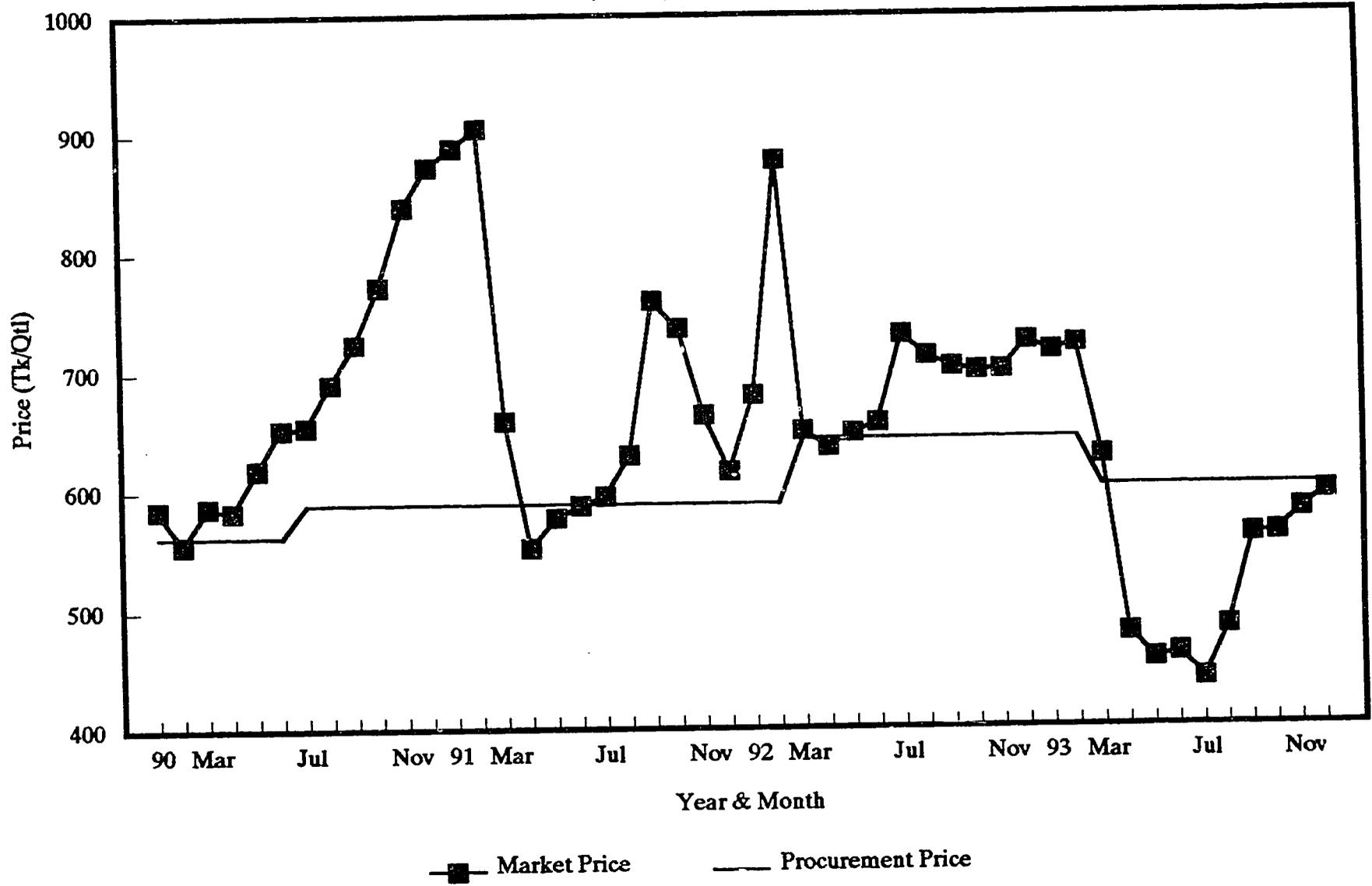
■ Market Price

— Procurement Price

Source : DAM & DGF

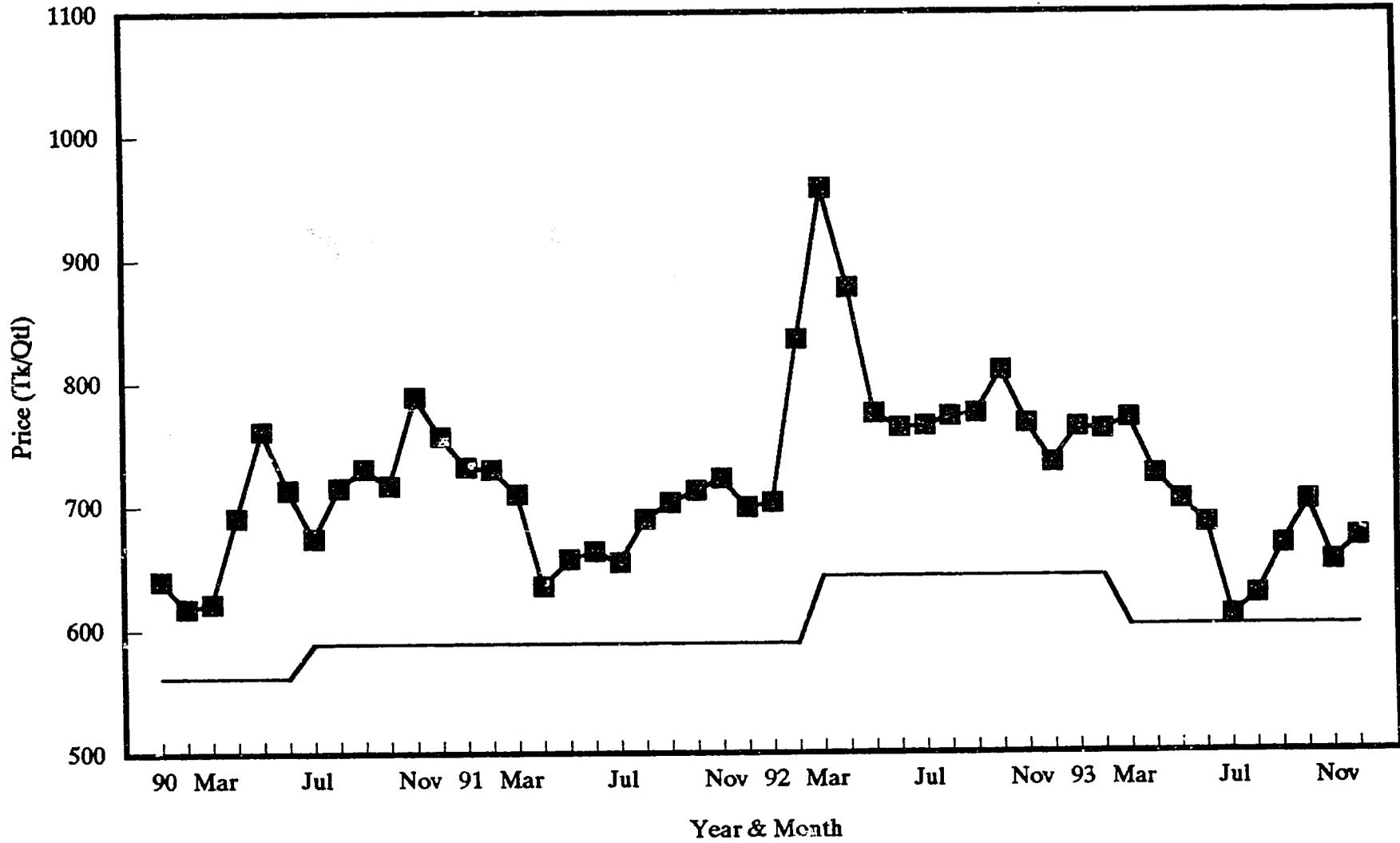
Figure 25 – Wholesale Wheat Price in Rangpur

(January '90 – December '93)



Source : DAM & DGF

Figure 26 – Wholesale Wheat Price in Dhaka
 (January '90 – December '93)

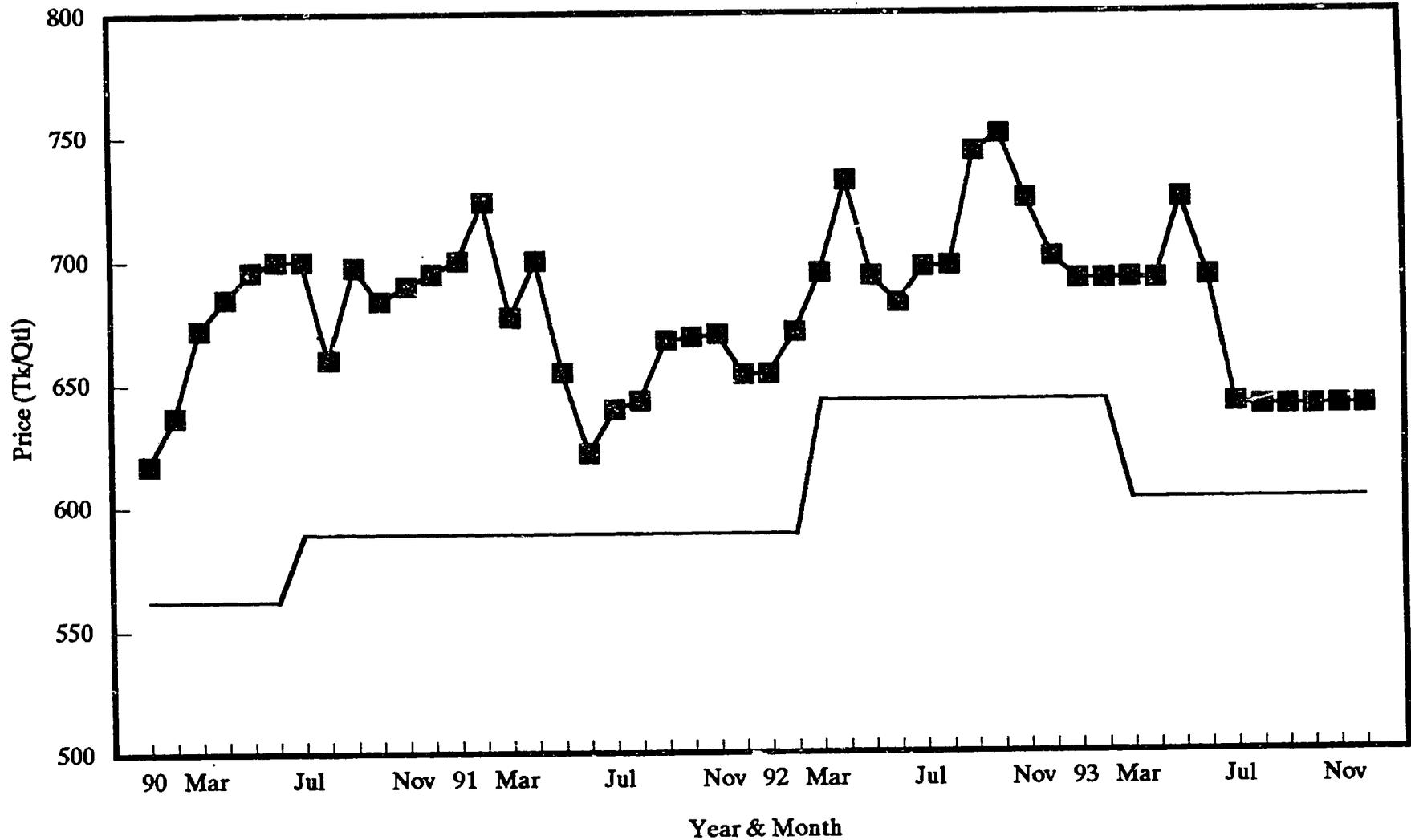


Market Price
 Procurement Price

Source : DAM & DGF

Figure 27 – Wholesale Wheat Price in Chittagong

(January '90 – December '93)

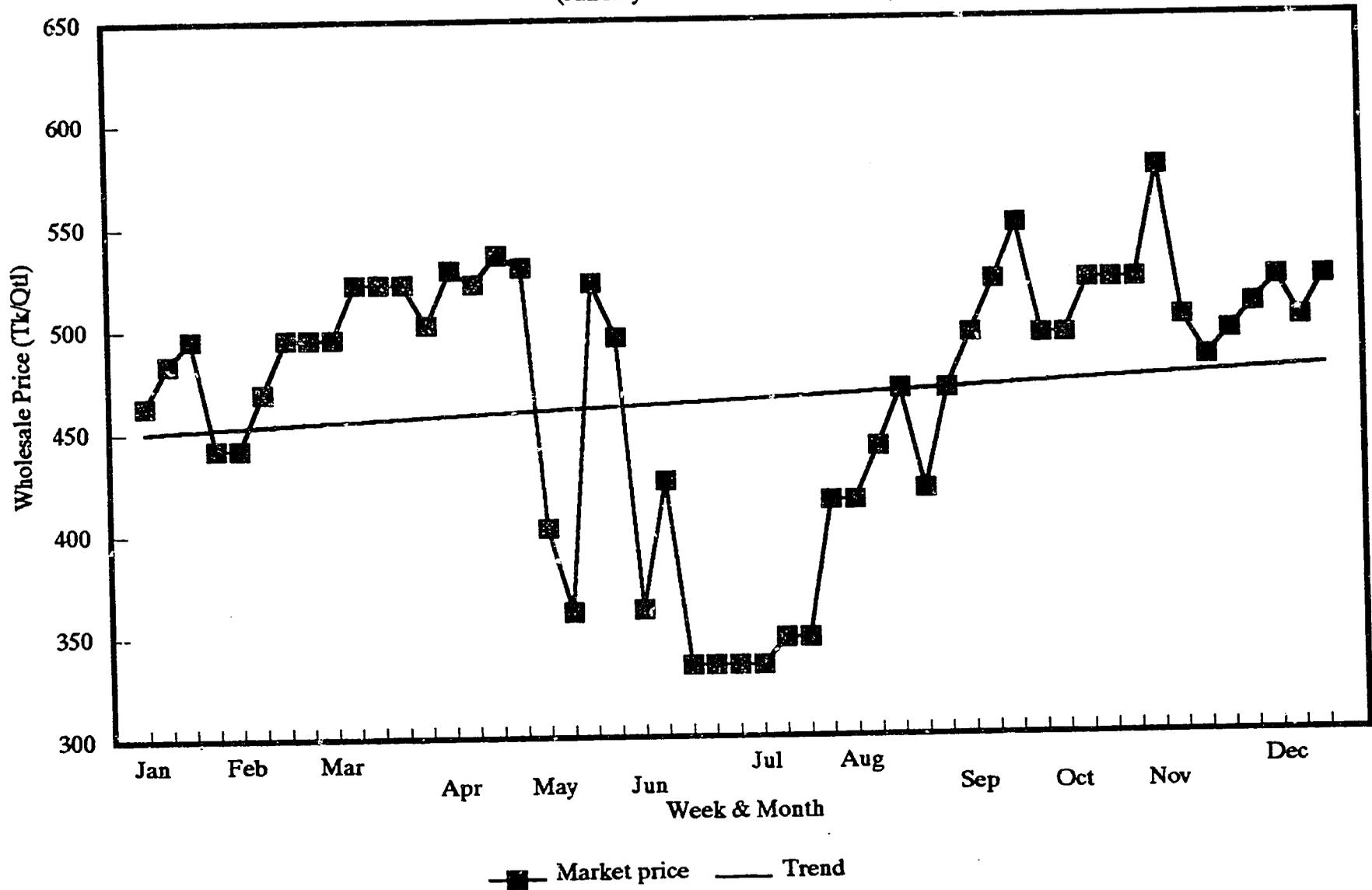


■ Market Price — Procurement Price

Source : DAM & DGF

Figure 28 – Wholesale Market Price of Paddy in Dinajpur

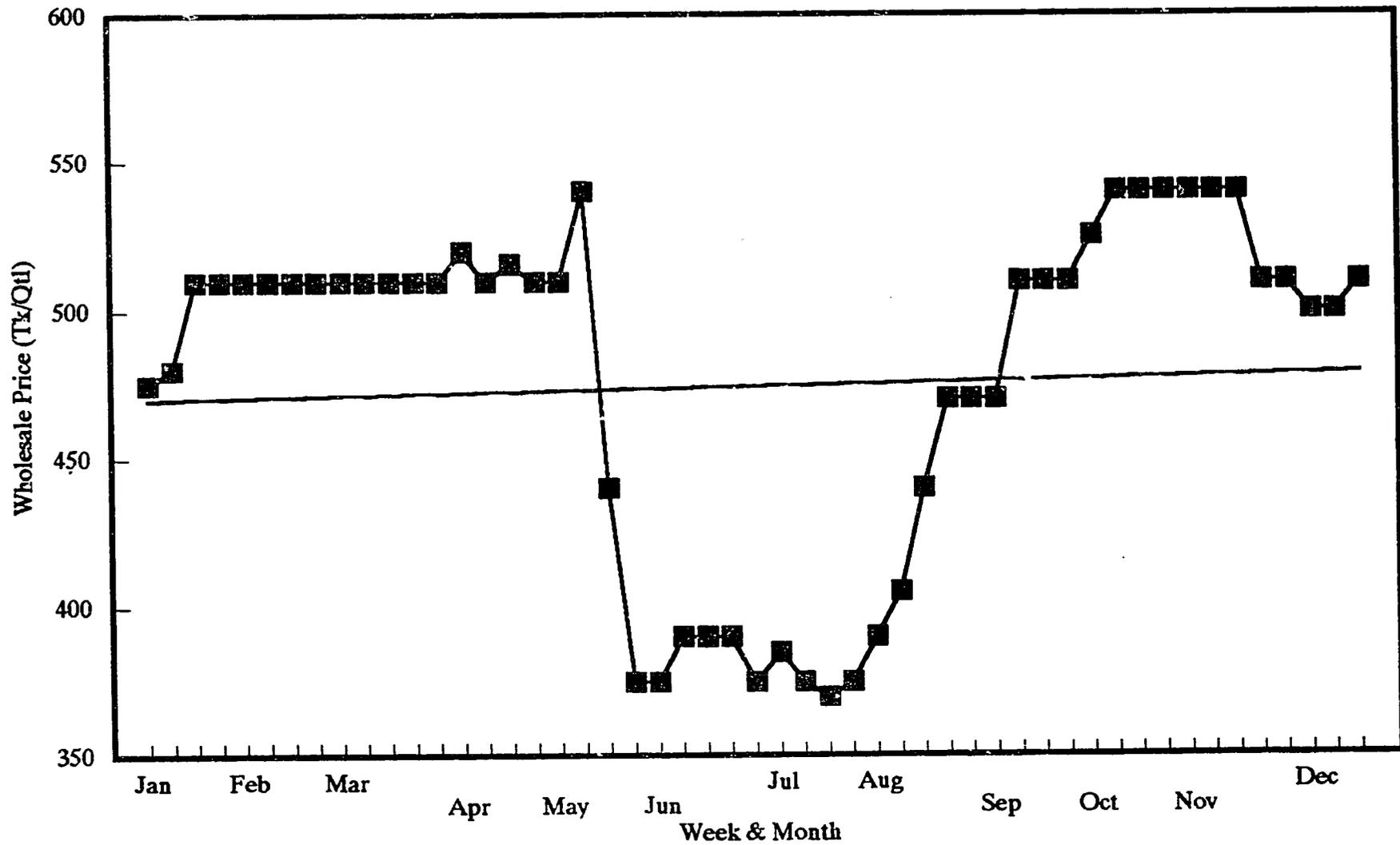
(January 1993 to December 1993)



Source : DAM

Figure 29 – Wholesale Market Price of Paddy in Bogra

(January 1993 to December 1993)

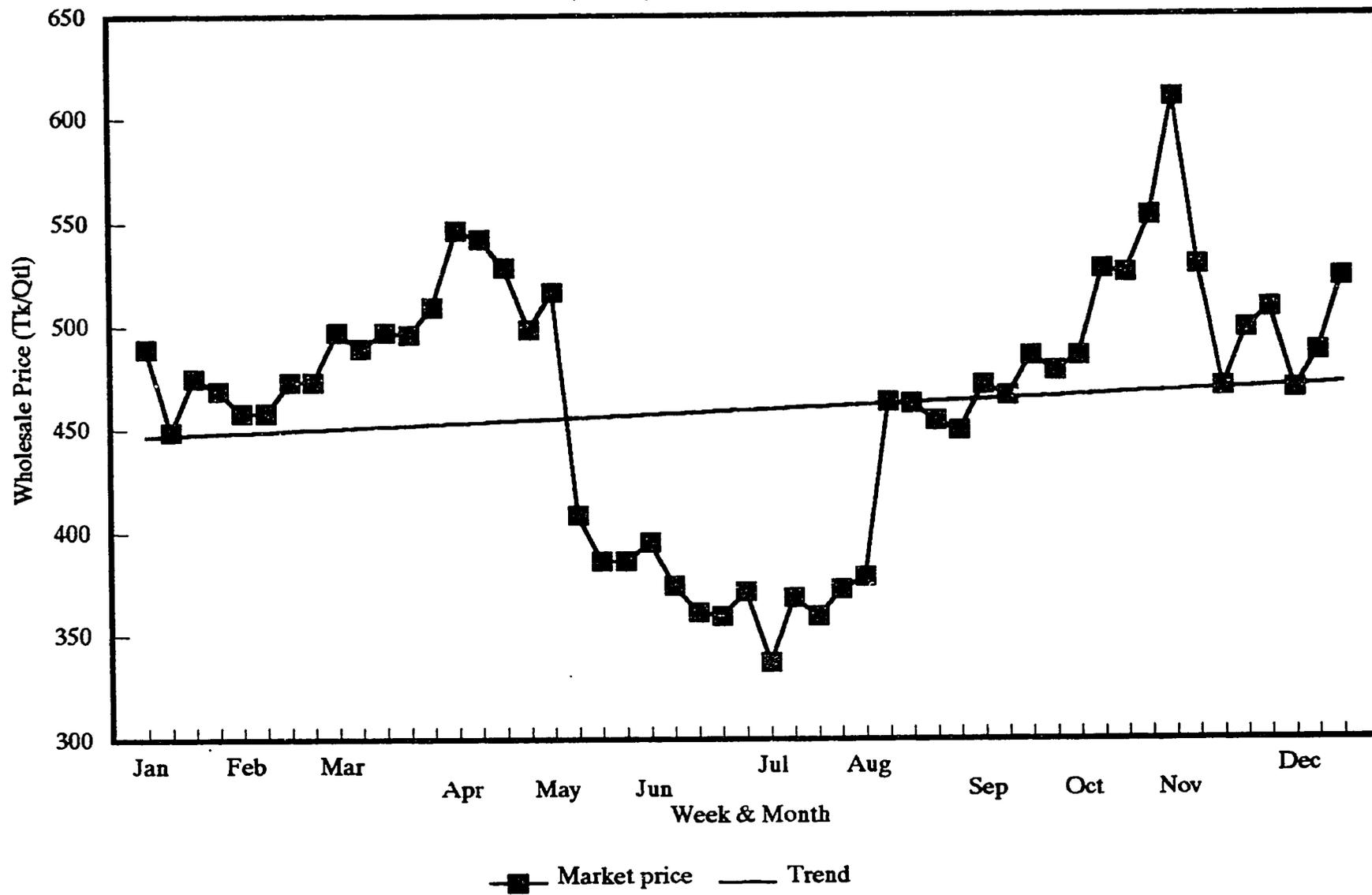


Market price Trend
 5k

Source : DAM

Figure 30—Wholesale Market Price of Paddy in Rangpur

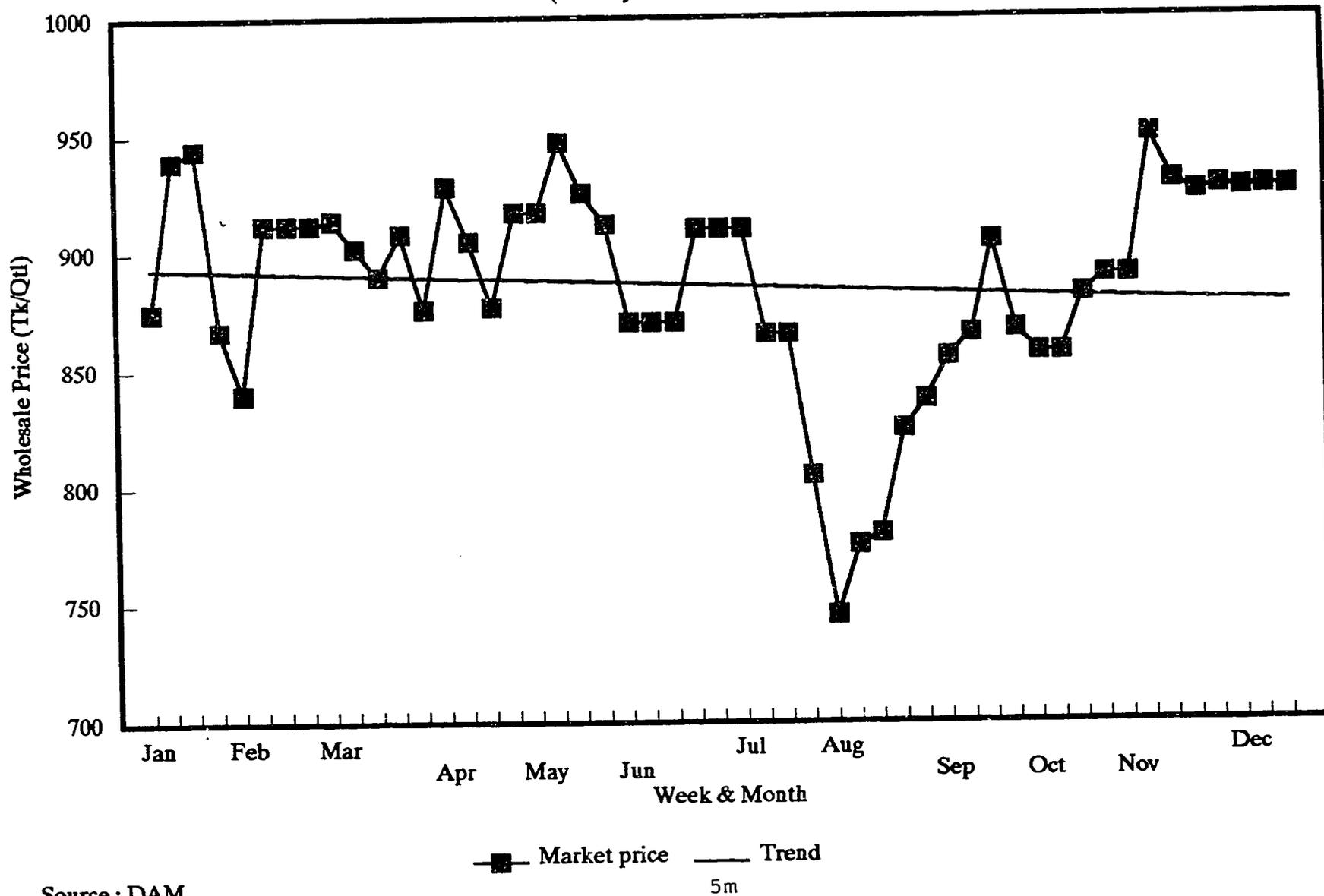
(January 1993 to December 1993)



Source : DAM

Figure 31 – Wholesale Market Price of Coarse Rice in Dhaka

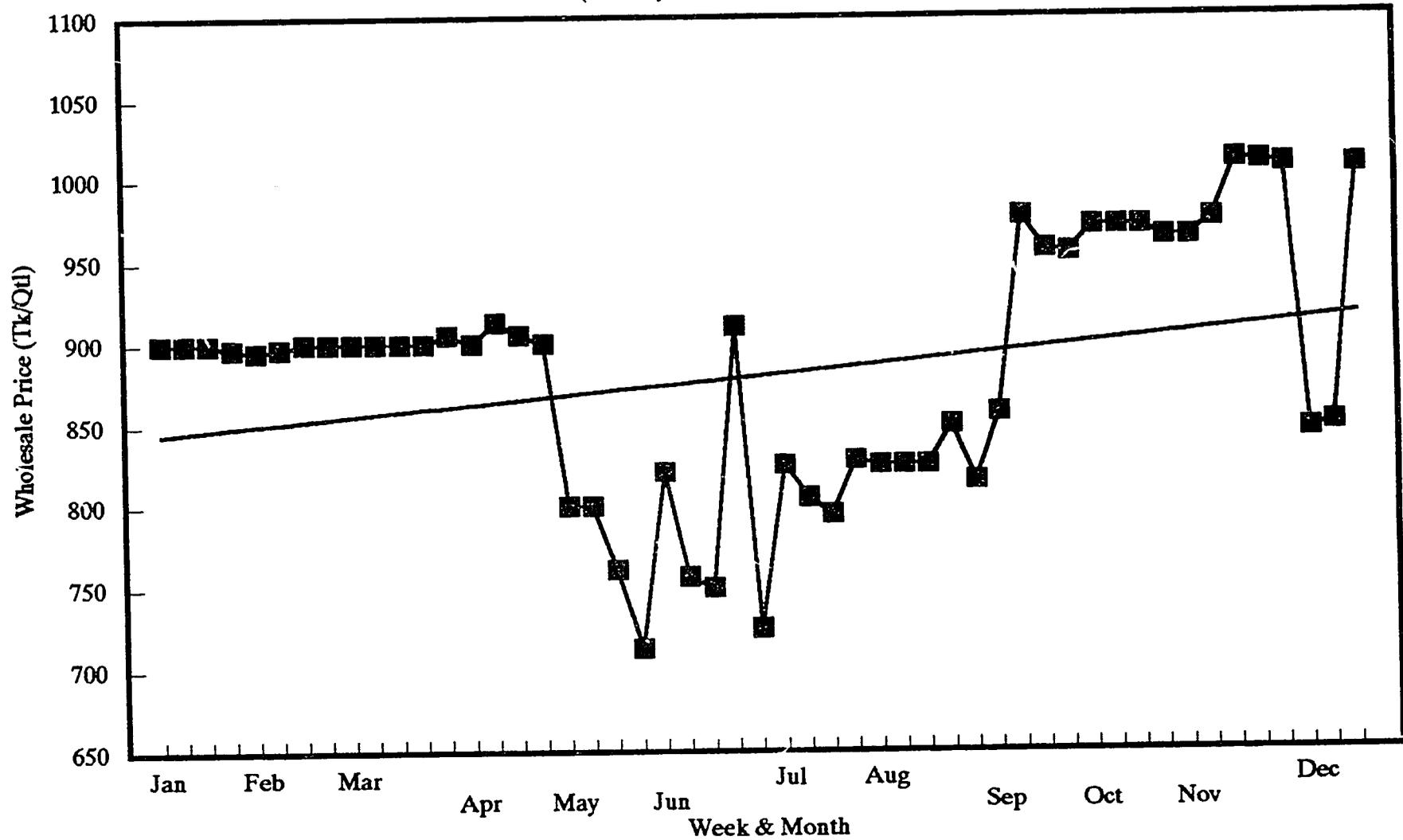
(January 1993 to December 1993)



Source : DAM

Figure 32 – Wholesale Market Price of Coarse Rice in Khulna

(January 1993 to December 1993)

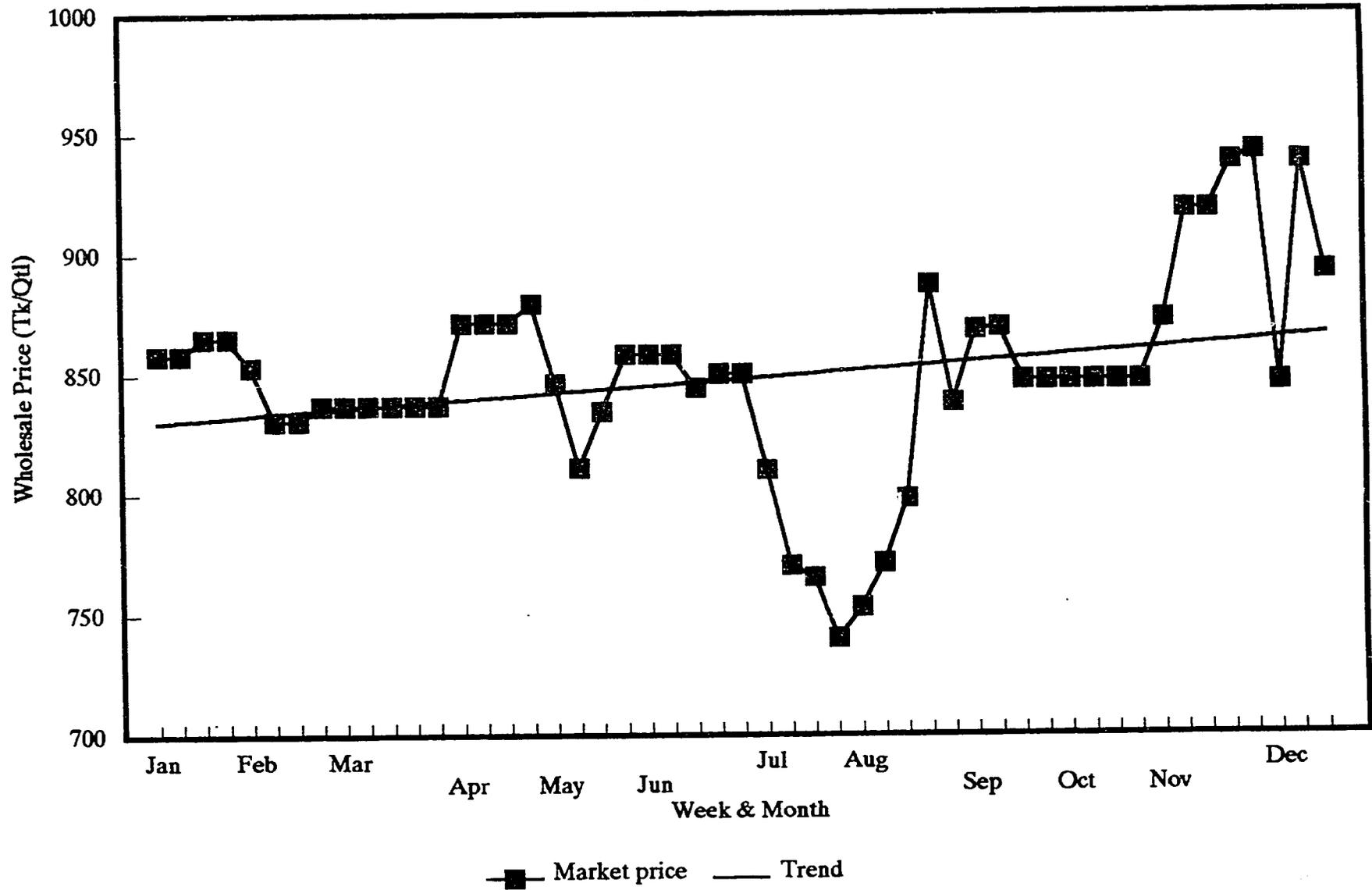


■ Market price — Trend

5n

Source : DAM & DGF

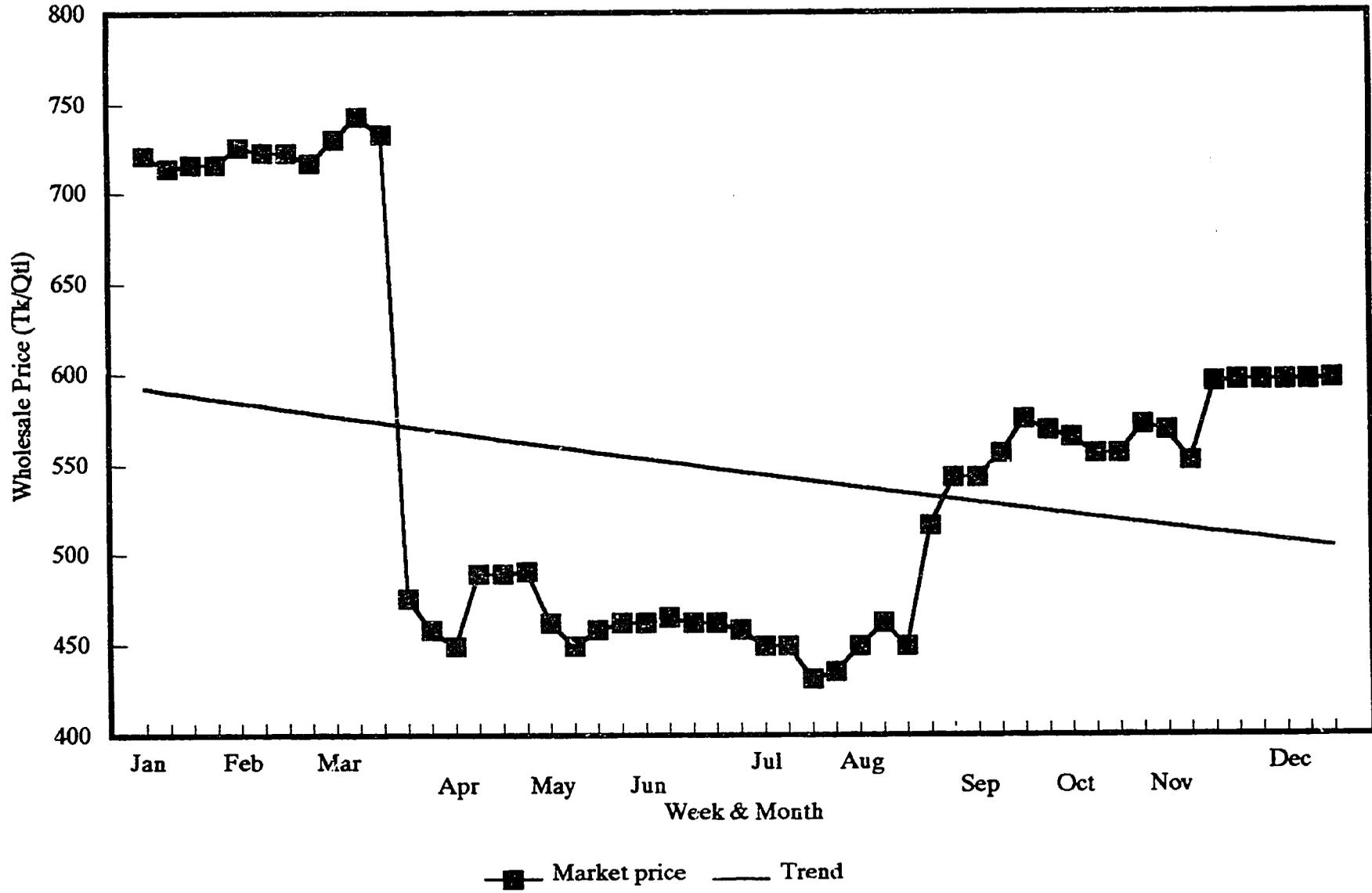
Figure 33 – Wholesale Market Price of Coarse Rice in Chittagong
 (January 1993 to December 1993)



Source : DAM

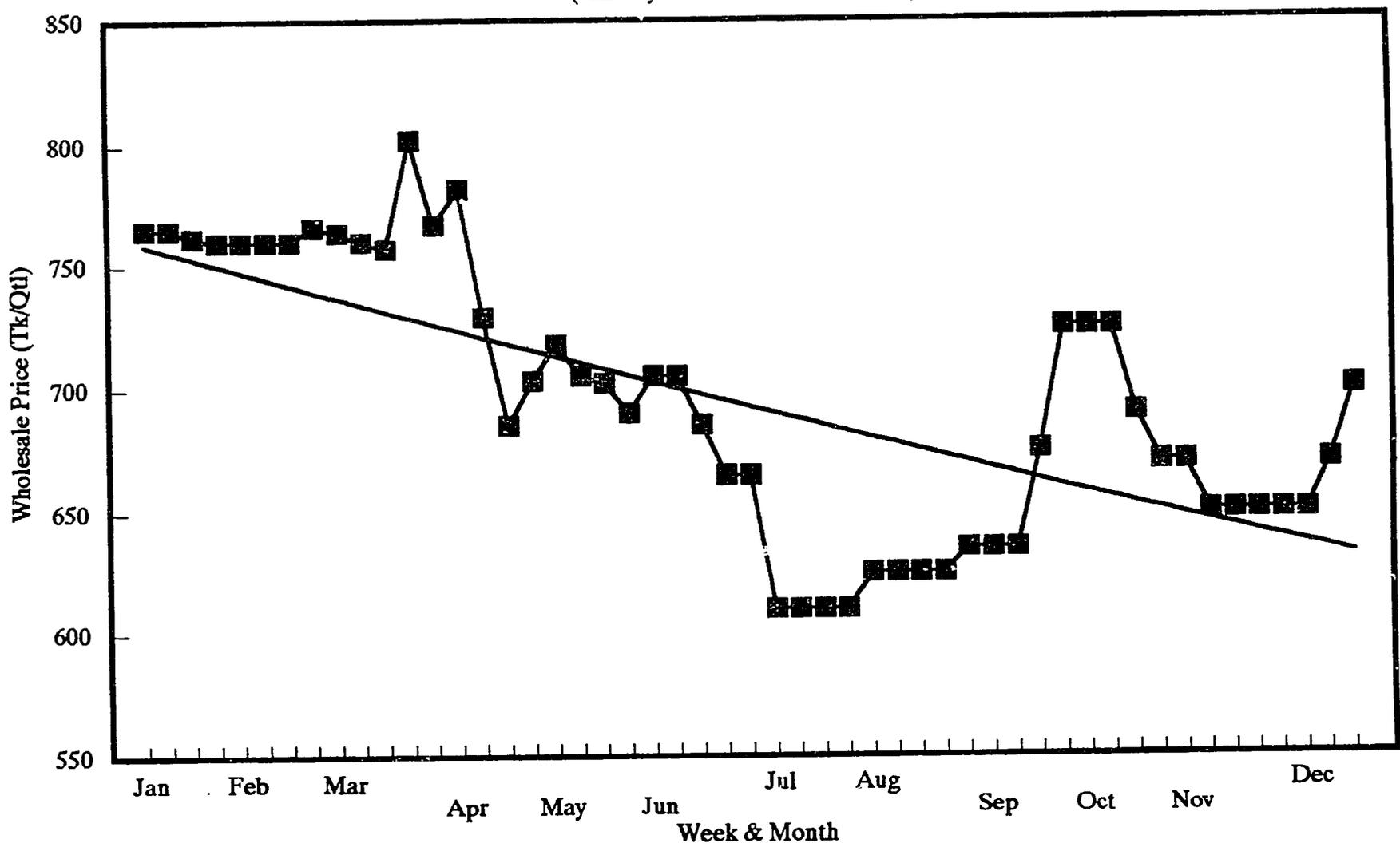
Figure 34 – Wholesale Market Price of White Wheat in Rangpur

(January 1993 to December 1993)



Source : DAM

Figure 35 – Wholesale Market Price of White Wheat in Dhaka
 (January 1993 to December 1993)



—■— Market price — Trend

Source : DAM

(c) In the Boro season of '93, the trade purchases were negligible, reducing effective demand on account of lack of working capital. Government essentially pre-financed the millers and suppliers under the old millgate scheme.

(d) The wheat market practically collapses for the very same reasons as the rice market. There was practically no wheat procurement in 1993 (Table-1).

III.2 Current Price Trends: Since October 1993, the market trends reversed themselves in all major markets of Bangladesh (Fig 27 to 34). Except for locally produced white wheat, the market trends are all upward. A number of hypotheses were put forward (Rahman '93, Low Cereal prices):

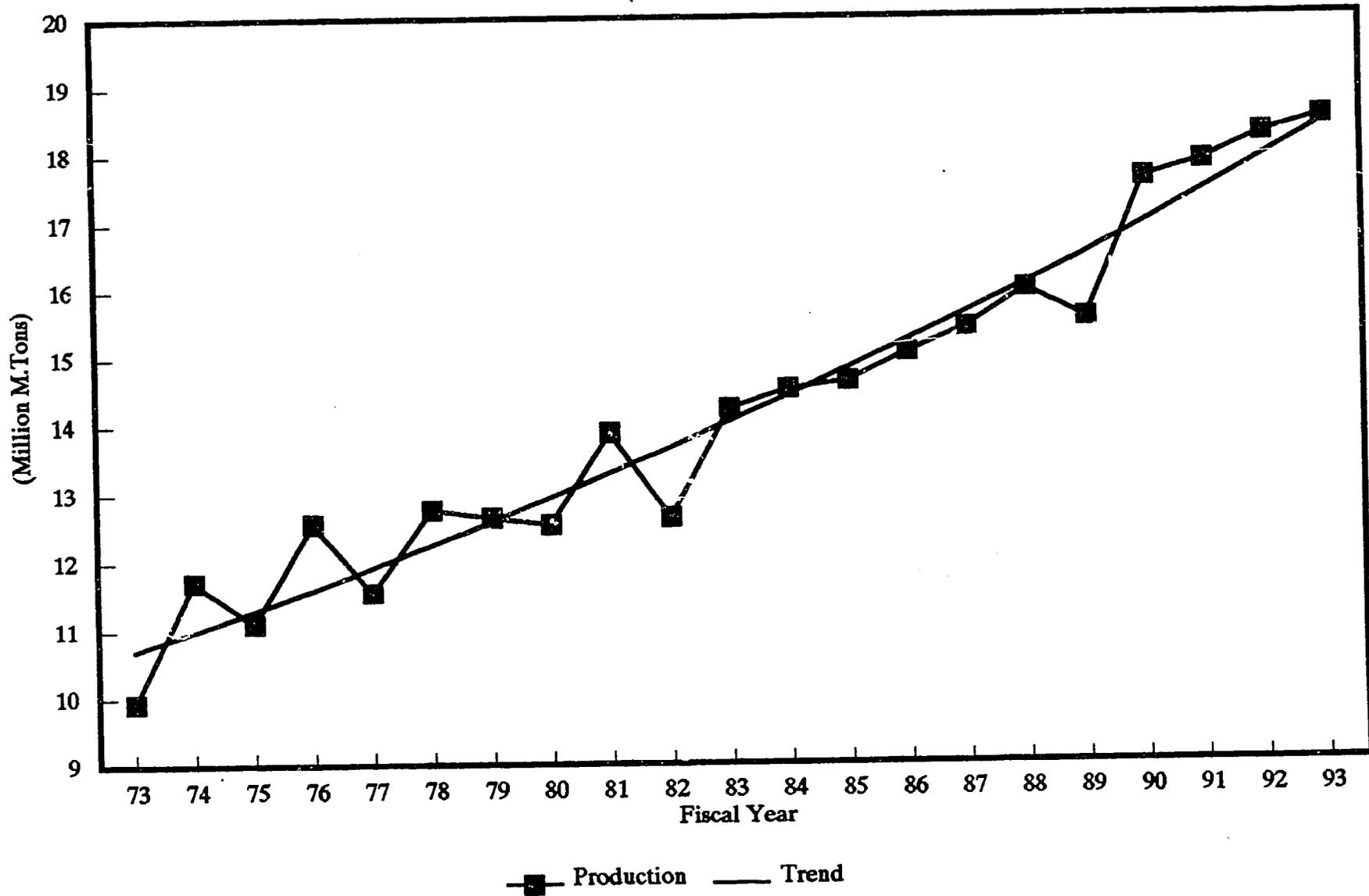
(a) With continued down trends in prices, the trade level stocks were released quickly. The per capita rice consumption went up by 37% as compared to a year ago (IFPRI Household and Nutrition Survey 91-92).

(b) The large farmers withheld stocks and released them only when the expectation prices were reached. There was little or no paddy arrivals in the very low-price environment. (IFPRI Market Survey '93).

(c) The market thus corrected itself admirably, exhibiting its strength in an unprecedented destabilizing situation. What was most notable was that there was little or no intervention by the government to "stabilize" the market.

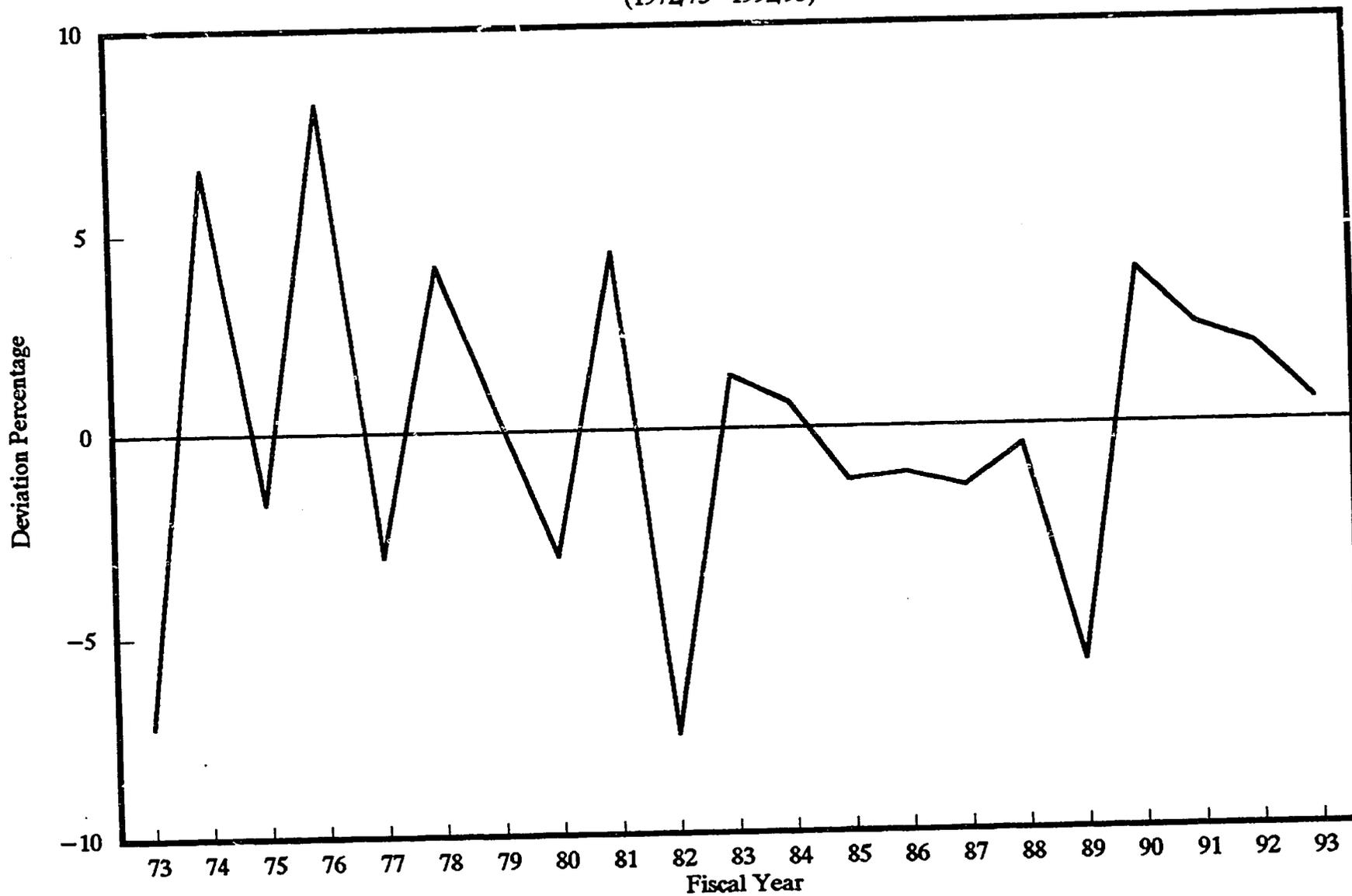
In the following Aman (current season), the despondency of the last two crop seasons have largely disappeared. There has been negligible government purchase at the administratively determined "fair" price of Tk 200/ maund, later raised to Tk. 210/ maund for paddy. The present market is at least 10% above the government procurement price. Thus, Government may only procure at the going market prices, by open tender. Government, is, in the process of floating such open tenders for part of the quantities it needs for its public food distribution system, as evidently, there is no need to stabilize the market at its harvest time lows.

Figure 3—Total Production of Rice and Trend (1972/73—1992/93)



Source : BBS

Figure 4—Rice Production, Deviation Percentage From Trend
(1972/73—1992/93)



Source : BBS

III.3 Negative Impact on Input Market: One of the impacts apprehended in the recent low cereal price environment was the farmers' diminished demand for agricultural inputs. The chief inputs for the cereal grains production are chemical fertilizers of NPK mix, which for Bangladesh, mainly means Urea, MP and TSP. After liberalization of agricultural input market, the demands and consumptions of chemical fertilizers registered impressive growth which was fully reflected by the production figures (Figs 2 to 12). However, the recent low prices of cereals resulted in a decline in the cereal grains to fertilizers ratio, and thus implied lower profitability to the farmers, assuming all other input variables at more or less constant. This situation suggests a declining use of chemical fertilizers, and the latest fertilizer sales figure indicate so:

Table 2. Fertilizer Sales (1991-93)

Type	Sale in 1990/91	Sale in 1991/92	Sale in 1992/93	% Change in 92/93 over 91/92
Urea	1336.15	1529.87	1493.04	- 2.41
TSP	502.67	458.16	419.34	- 8.47
MP	149.6	136.26	121.52	-10.82

Source: FPMU, MOF, Food Situation Report (Review 1992-93)

III.4 Low Crop Yields and Low Input Use Yields in Bangladesh are much below comparable developing countries. Though endowed with a fertile soil and year round sunshine, suggesting ideal production environments, such low yields are only explained by comparable low input use. Farmers in Bangladesh are using a fraction of fertilizers as compared to developing countries like China, Egypt and S. Korea. The use of pesticides is even lower. The area under irrigation is also deplorably low. In 1985, only 23% of arable land in Bangladesh was irrigated as compared to 45% in China, 57% in S. Korea and 100% in Egypt (WB). Though it is an imperative need to expand input use and expansion of irrigated agricultural areas in Bangladesh, unless the output is market robust enough absorb the enhanced production, serious setbacks may be experienced in the input marketing, with consequent negative impact on the yields and gross production. Such trends will be truly tragic, more so, since so much have been achieved so far by the efforts and sacrifices by the people of Bangladesh.

IV. Financing Government Internal Procurement

IV.1 Price Stabilization: Rice producing or consuming countries in which stabilization of prices are in vogue, generally fall into four categories:

- (a) Production is much less than consumption (25-50% shortages)
- (b) Production is close to consumption but some imports are necessary (5-25% shortage)
- (c) Production normally equals consumption but periodic production fluctuations may necessitate small quantities of export or import (5% shortage or surplus)
- (d) Production is in excess of consumption with need to export the surplus quantities.

Bangladesh is presently in category (c) with the situation expected to rapidly lead to condition (d). In such a situation government's classic buffer stock management needs to be adjusted to the current realistic situation.

IV.2 Buffer stock operations: In the past, the government procurement assumed a seasonal demand for food grains, when its procured stock was rapidly rotated well in time for the next procurement. From a modest start, the government procurement fluctuated widely over the years, in part to reflect the ebb and flow of production, and thus, market availability of the foodgrains (Table-1 and Figure-13). This was matched by an escalating procurement price till 1992/93. It was only after the Boro season of 1992 that the procurement price was lowered in response to the changed market scenario (Table-2). To these internally procured quantities were added the imported foodgrains, mostly wheat, which too, varied widely (Figure-18). The total quantities were distributed through the PFDS by both monetized and non monetized channels (Figures 16 and 17).

IV.3 Financial Arrangements: To effect these operations, including internal procurement, government took recourse to a variety of financial sources. The WB (Food Policy Review '92) reported an average deficit of Tk. 2.8 billion on the average from 1980-90. The situation deteriorated rapidly in FY 90, with a deficit on the food budget of more than Tk. 11 billion which was covered by supplementary allocations in the Revenue Budget. With improvement in the government food management system, these deficits are reduced greatly since then. However, there was no reconciliation of accounts on for

Table 1-Internal Procurement of Foodgrains (Rice and Wheat) From
1972/73-1992-93

(in '000 Mt.tons)

Year	Aman	Boro	Aus	Wheat	Total Rice	Total Foodgrain
1972/73	0.05	0.00	0.00	0.00	0.05	0.05
1973/74	70.86	0.00	0.00	0.00	70.86	70.86
1974/75	129.18	0.73	0.00	0.00	129.91	129.91
1975/76	347.99	23.07	43.77	6.77	414.83	421.60
1976/77	308.28	5.40	2.07	2.88	315.75	318.62
1977/78	508.78	37.65	1.61	11.21	548.04	559.25
1978/79	209.41	81.53	19.05	50.86	309.99	360.85
1979/80	178.37	50.07	0.00	125.61	228.44	354.05
1980/81	509.32	256.82	88.24	177.89	854.38	1032.27
1981/82	118.84	150.69	19.71	13.53	289.25	302.77
1982/83	93.38	74.09	0.99	23.59	168.46	192.05
1983/84	83.77	50.68	10.73	121.29	145.19	266.48
1984/85	75.76	56.00	1.58	215.46	133.34	348.80
1985/86	139.36	79.48	0.00	129.81	218.84	348.65
1986/87	22.52	114.51	0.00	51.44	137.03	188.46
1987/88	48.92	238.93	0.00	86.77	287.85	374.62
1988/89	58.41	302.40	0.00	52.40	360.80	413.20
1989/90	418.78	499.24	0.00	42.01	918.02	960.03
1990/91	162.68	566.49	0.00	56.22	729.16	785.39
1991/92	362.83	576.60	0.00	76.62	939.43	1016.05
1992/93	140.72	91.91	0.00	0.07	232.63	232.70

Source: DGF

various difficulties for a period of eight years till 1992. Of late, the FAO Reorganization Project has finally made available a consolidated Financial Statement for year ending June 30, 1992, which, for the "first time in history of the DG food that a full Financial Statement and Balance Sheet is provided within the year following the financial year reported upon." (FAO Reorganization project, MOF, 1993).

IV. 4 Effects on the Market by Government Procurement: It is not the object of this paper either to describe or to analyze the method or efficiency of the government food operations. Rather, it is its effect, particularly of the internal procurement, on the output market, which is of concern. Governmental purchases were a major source of liquidity which also created effective demand in the grain markets, particularly in the Boro Season. In one study (Haggblade and Rahman '93), it was found that government purchases accounted for 50% to 60% of total market purchases, in Rajshahi Division, during the months of May & June 1992. The total cash out-lays for internal procurement for recent years were:

Table 3. Government Expenditures On Internal Procurement of Food Grains 1990-1992

Commodity	1990 (Tk.in million)	1991 (Tk.in million)	1992 (Tk.in million) (budgeted)
1. Rice	8,331	6,940	7,920
2. Wheat	350	360	580
Total	8,681	7,300	8,500

Source: World Bank, Bangladesh Food Policy Review: February. 1992.

IV.5 Sources of Finance: To finance these huge outlays, the DGF took increasing recourse to borrowing from the commercial banks, particularly Nationalized Commercial Banks. The exact quantum of loans from particular banks nor the repayment records are known. However, from the 'Financial Statements' by FAO Reorganization Project, the DGF liabilities to the Commercial Banks as on 30th June 1992 was:

Table 2-Wholesale Market & Procurement Price of Coarse Rice & Wheat
(Tk/Qt1)

YEAR	Market Price Rice	Market Price Wheat	Procurement Rice Price	Procurement Wheat Price
1972/73	202	--	125	--
1973/74	269	167	175	--
1974/75	561	377	276	--
1975/76	334	206	324	201
1976/77	303	212	325	203
1977/78	371	245	344	223
1978/79	408	245	357	229
1979/80	540	331	443	277
1980/81	451	296	464	304
1981/82	590	366	492	322
1982/83	642	435	542	337
1983/84	701	446	588	378
1984/85	789	454	676	402
1985/86	751	485	693	448
1986/87	913	559	743	496
1987/88	943	575	818	534
1988/89	971	600	852	545
1989/90	965	625	893	562
1990/91	1041	717	928	589
1991/92	1099	734	1003	607
1992/93	906	684	929	630
1993/94	837	529	925	603

Note : 1993/94 is July-October.

Source : DAM & DGF

Table 3-Distribution of PFDS Offtake by Channel from 1972/73-1992/93

(in '000 M.Tons)

Year	Monetized			Non Monetized			Offtake		Total Offtake
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	
1972/3	410.54	2035.79	2446.33	14.04	196.44	210.48	424.58	2232.23	2656.81
1973/4	125.29	1577.14	1702.43	0.01	53.33	53.34	125.30	1630.47	1755.77
1974/5	178.87	1442.95	1621.82	3.62	159.94	163.56	182.49	1602.89	1785.38
1975/6	511.43	959.22	1470.65	5.57	218.78	224.35	517.00	1178.00	1695.00
1976/7	795.94	544.55	1340.49	2.06	152.45	154.51	798.00	697.00	1495.00
1977/8	607.31	991.42	1598.73	0.69	279.58	280.27	608.00	1271.00	1879.00
1978/9	560.86	994.57	1555.43	1.14	262.43	263.57	562.00	1257.00	1819.00
1979/80	701.92	1241.03	1942.95	0.08	496.97	497.05	702.00	1738.00	2440.00
1980/1	514.63	579.00	1093.63	0.37	452.00	452.37	515.00	1031.00	1546.00
1981/2	768.23	929.77	1698.00	2.77	367.23	370.00	771.00	1297.00	2068.00
1982/3	495.99	951.95	1447.94	0.01	489.05	489.06	496.00	1441.00	1937.00
1983/4	498.22	1003.83	1502.05	4.78	536.17	540.95	503.00	1540.00	2043.00
1984/5	398.06	1241.54	1639.60	1.94	920.46	922.40	400.00	2162.00	2562.00
1985/6	123.00	550.00	673.00	249.00	619.00	868.00	372.00	1169.00	1541.00
1986/7	456.00	936.00	1392.00	39.00	689.00	728.00	495.00	1625.00	2120.00
1987/8	454.00	937.00	1391.00	14.00	1098.00	1112.00	468.00	2035.00	2503.00
1988/9	524.00	992.00	1516.00	167.00	1259.00	1426.00	691.00	2251.00	2942.00
1989/90	570.00	802.00	1372.00	105.00	687.00	792.00	675.00	1489.00	2164.00
1990/91	777.00	797.00	1574.00	193.00	604.00	798.00	971.00	1401.00	2372.00
1991/92	669.00	752.00	1421.00	90.00	834.00	924.00	759.00	1586.00	2345.00
1992/93	110.00	346.00	456.00	365.00	252.00	617.00	475.00	598.00	1073.00

Source : DGF

BEST AVAILABLE DOCUMENT

Table 4. Bank Over Drafts of Directorate General Food (MOF)

<u>Bank</u>	<u>Amount Payable in Tk.</u>
Sonali Bank	2,345,012,425
Agrani Bank	736,032,305
Rupali Bank	407,999,157
Janata Bank	201,056,371
Total Tk.	2,690,100,258

This amount includes Tk. 555,975,527 interests and also Taka 74,447,869 commission claimed by the banks.

Source: Financial Statement, FAO Reorganization Project, MOF, 1993.

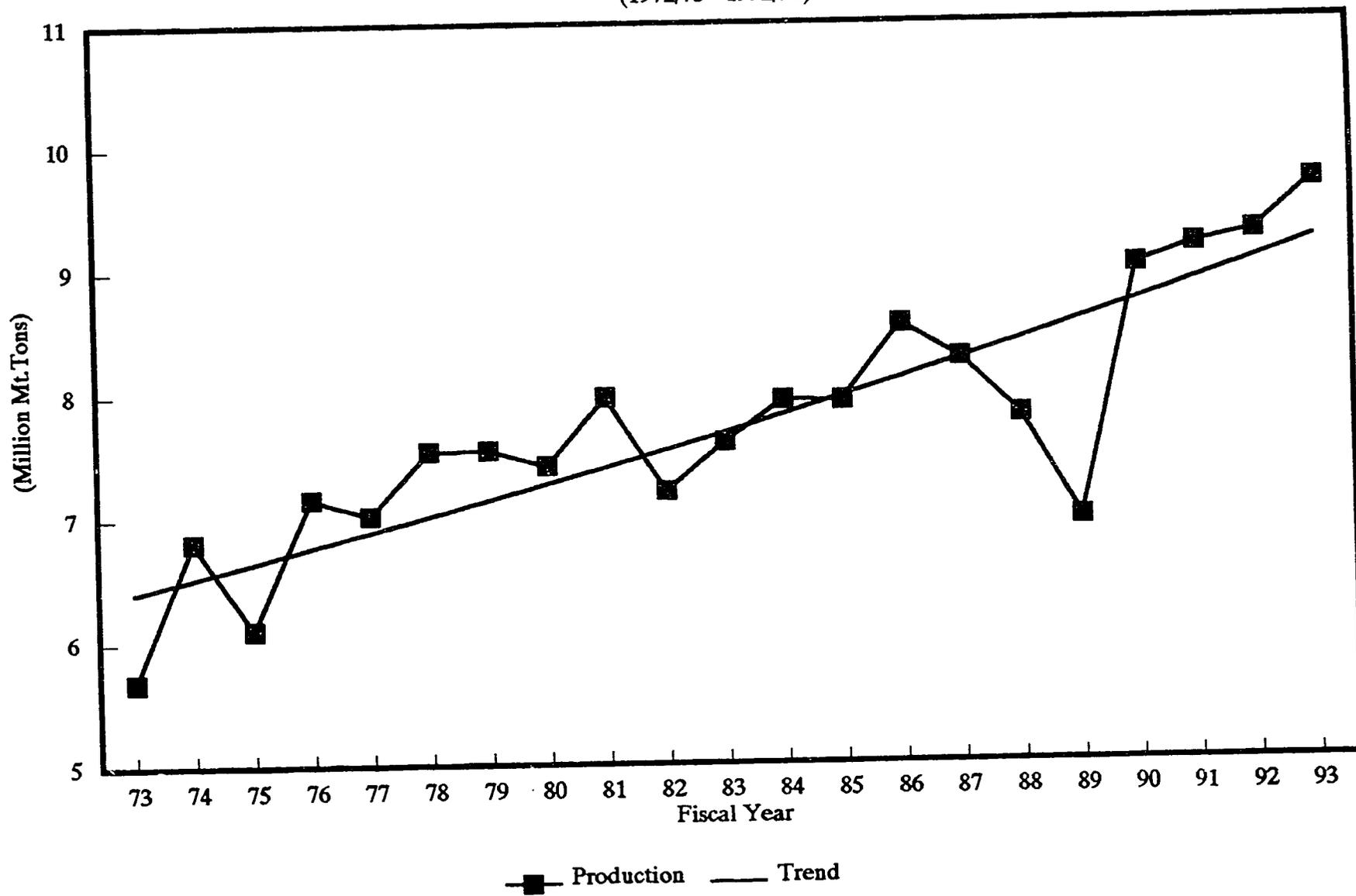
Curiously enough, this claim also included a disputed amount of Tk. 454.022 million out which Tk. 422.73 was excess interest charged by banks and Tk. 31.30 million of vouchers those were lost by banks. (FAO Reorg. Project, Financial Statements, Observations)

IV.6 Funds from Commercial Banks: From these and other (Statistical Reports; Bangladesh Bank) related secondary sources, it is clear that a large proportion of finance to effect the internal procurement was financed by the government's borrowing from the commercial banks. With reduced procurement, not only the money supply to the grain markets has diminished, the banks will also lose one of their major borrowers, notwithstanding the fact that they have lost vouchers worth 31.30 millions in dealing with the government department.

V. The Imperative Need for Credit

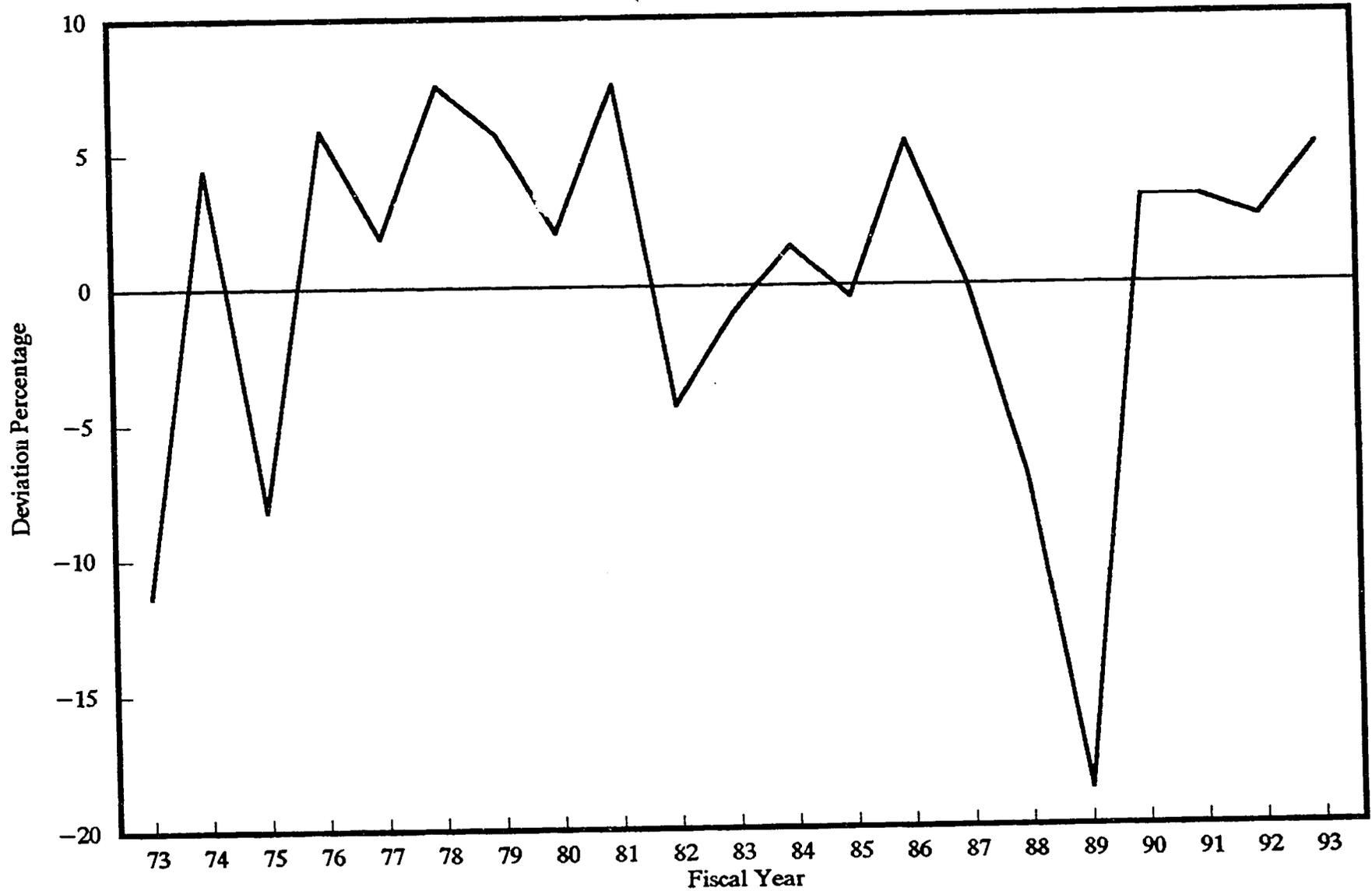
V.1 Problems of Marketing with High Production: As Bangladesh transits from deficit to surplus, and as the government's dominant role in the market place diminish, it is not unexpected that the private marketing system will be over taxed. Private marketing of foodgrain was always suspect in Bangladesh, and even discouraged by prohibitive laws and codes. The marketing system has not developed in consort with rising production. The marketing crisis may take several forms:

Figure 5—Production of Aman Rice and Trend
(1972/73–1992/93)



Source : BBS

Figure 6—Aman Production, Deviation Percentage From Trend
(1972/73—1992/93)



Source : BBS

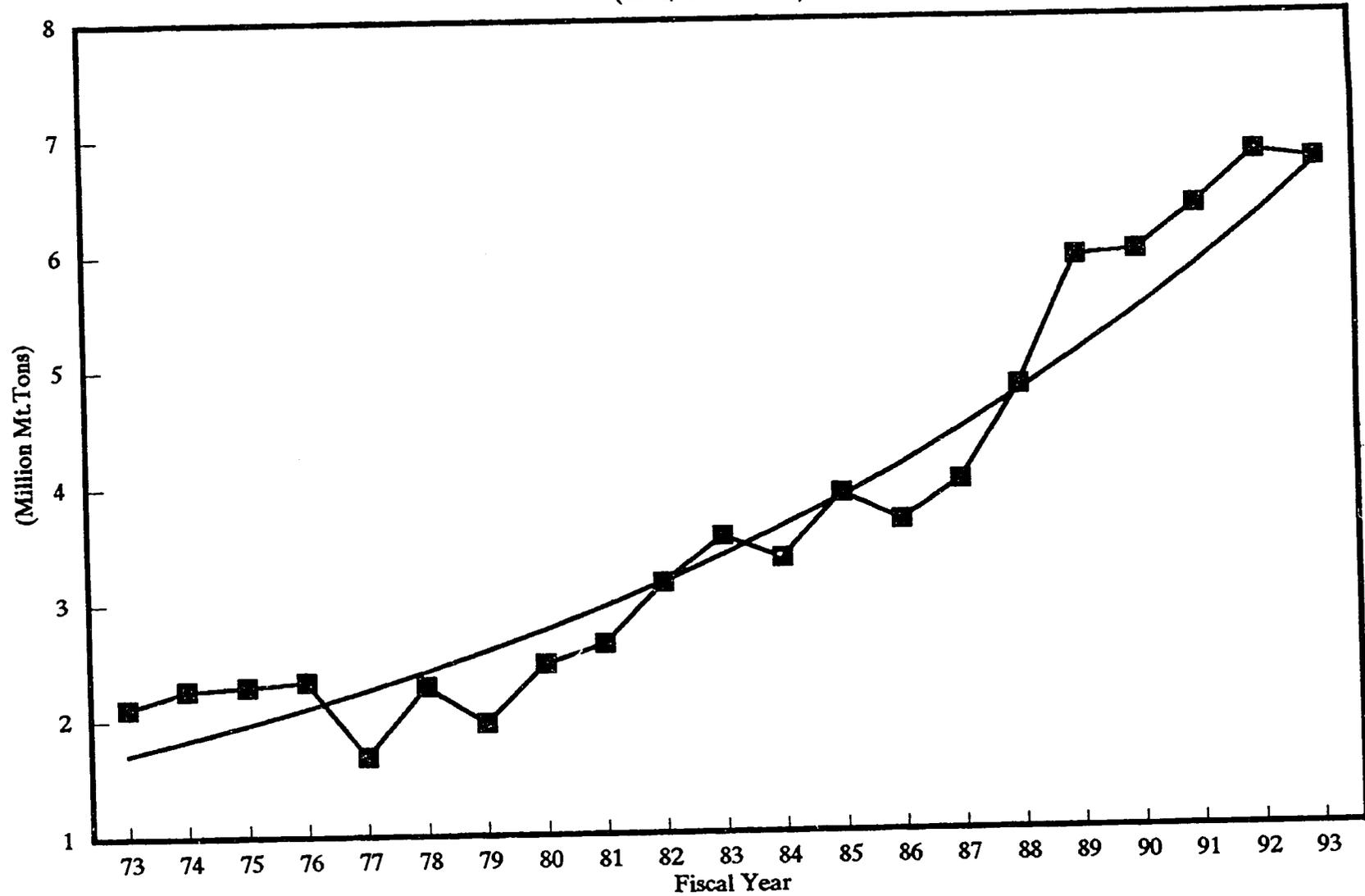
- (a) With high production, the private stores will over-flow, transport lines clogged, farmers unable to find market except at very low prices. (The scenario in Bangladesh in the Boro Season of '93)
- (b) The inadequacy of management skills, liquidity shortage and weak organization of the private market may precipitate difficulties of such magnitude as to render normal market channels inoperative, inefficient or even ineffectual.
- (c) As supplies increase, an export market is to be sought, which may need higher grades and standards as compared to the domestic grades. The rice marketing enterprises will need fresh capital investments to make these standards possible and the farmers have to be influenced to produce higher qualities of paddy. This transition period will be a period of highly destabilized local marketing situation.

FAO anticipated these problems well in advance and warned:

"It seems certain that high yielding varieties will make a major impact on the economics of rice producing countries, the more so since they are adapted to the countries where increased supplies of rice are most urgently needed. In any case, the advent of HYVs will increase enormously the volume of rice moving through domestic markets and make still more urgent the need to modernize rice marketing in developing countries. **This will necessitate major improvements in rice marketing, including expansion of drying, transport, storage and milling facilities and greatly increased provision of working capital, credit and entrepreneurial initiative.**" (Rice Marketing, FAO, Rome, 1972). Though somewhat lengthy, the paragraph summarizes in an admirable manner the need to improve marketing devices to efficiently handle the great production rises the rice growing countries of Asia are experiencing currently.

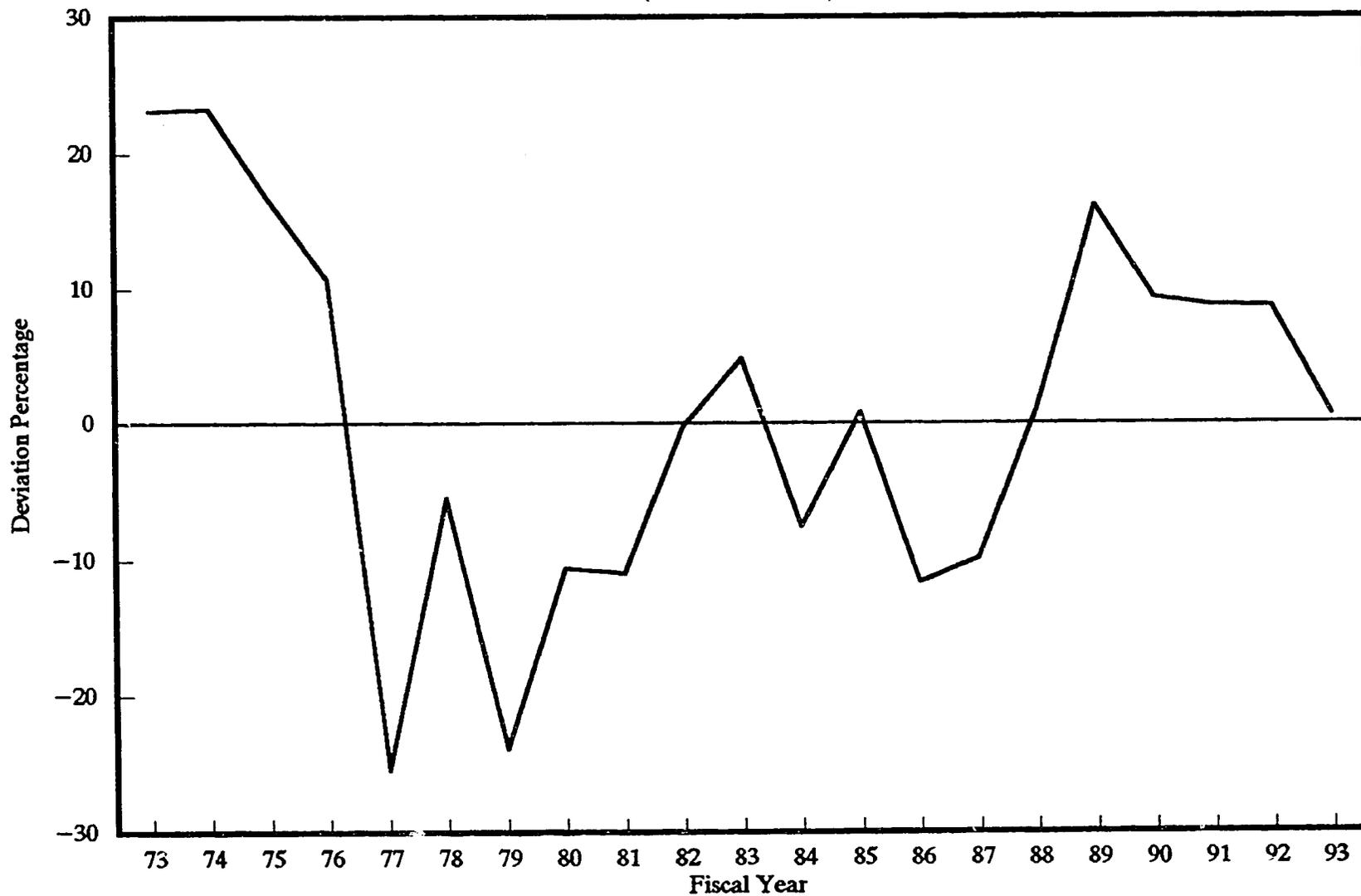
V.2 Credit for Tendering: The urgent need for bank credit was felt when government first experimented with tendering. Large scale tendering assumes stocks in suppliers' stores, ready to be delivered on order. If government were to procure all 300,000 MT of rice (current 93/94 target) and a minimum quantity of 1000 MT is allowed per bid, it presupposes 300 suppliers capable of supplying such quantities. At current prices, this scenario translates into a minimum capital requirement of Tk. 9.5 million per bidder. From this author's intimate familiarity with the grain market, and the players there-in, it

Figure 7—Production of Boro Rice and Trend
(1972/73–1992/93)



Source : BBS

Figure 8—Boro Production, Deviation Percentage From Trend
(1972/73—1992/93)

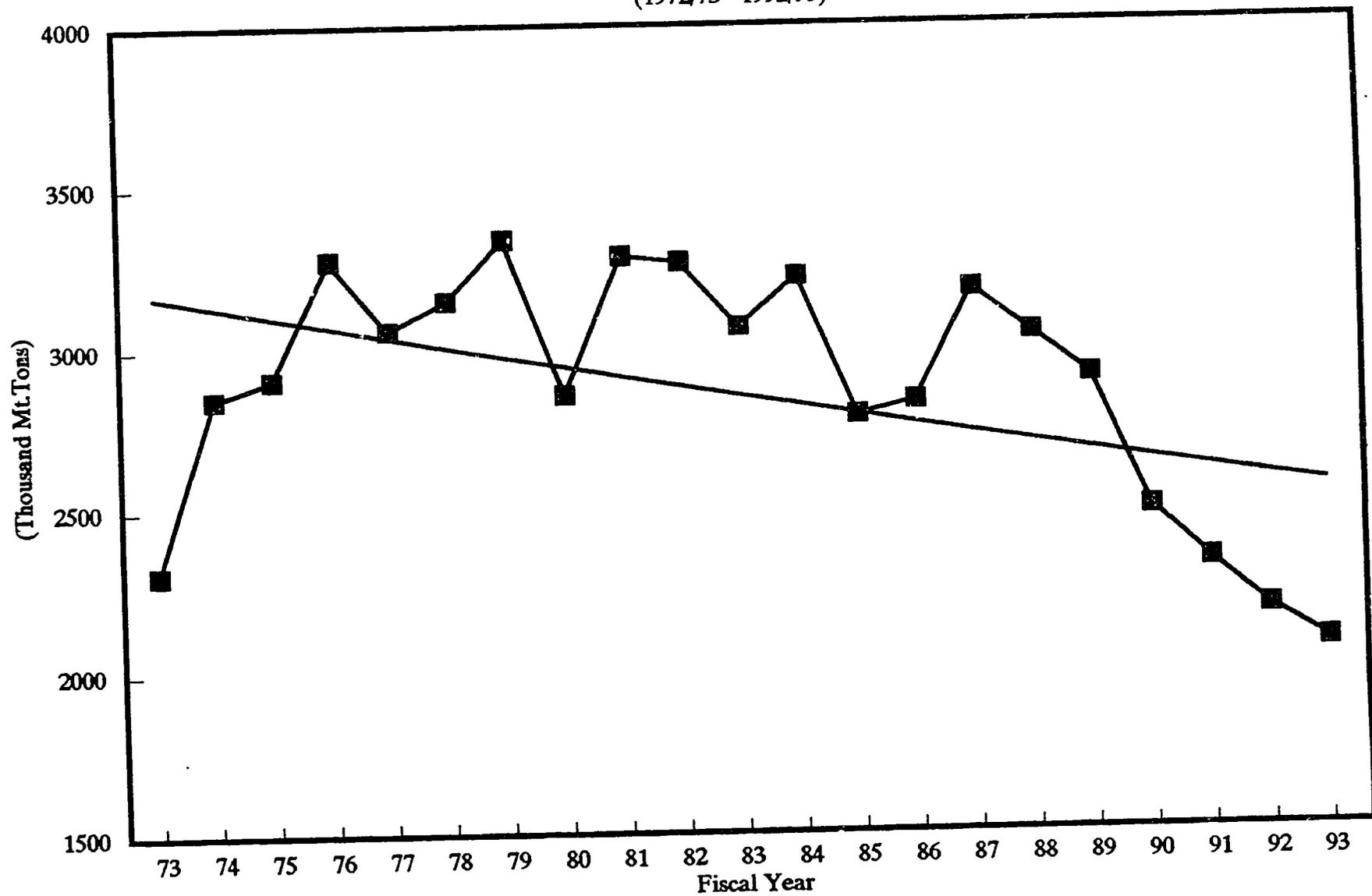


Source : BBS

can be said that there is no such trader or miller who can afford to tie up such capital for a minimum period of 4 weeks needed to supply the grains and receive his bills. To successfully bid and supply the government, he will need several times this capital to keep his mill or other trading ventures operating at the same time. In the last tender, the government had kept the minimum bids at 100 MT and bills payable at 10 MT lots -- a realistic reaction to the realities of the market place. But this type of operation can supply the government only a tiny portion of the needed quantities in a whole season, essentially rendering ineffective the very powerful and efficient system of tender purchase at market rates.

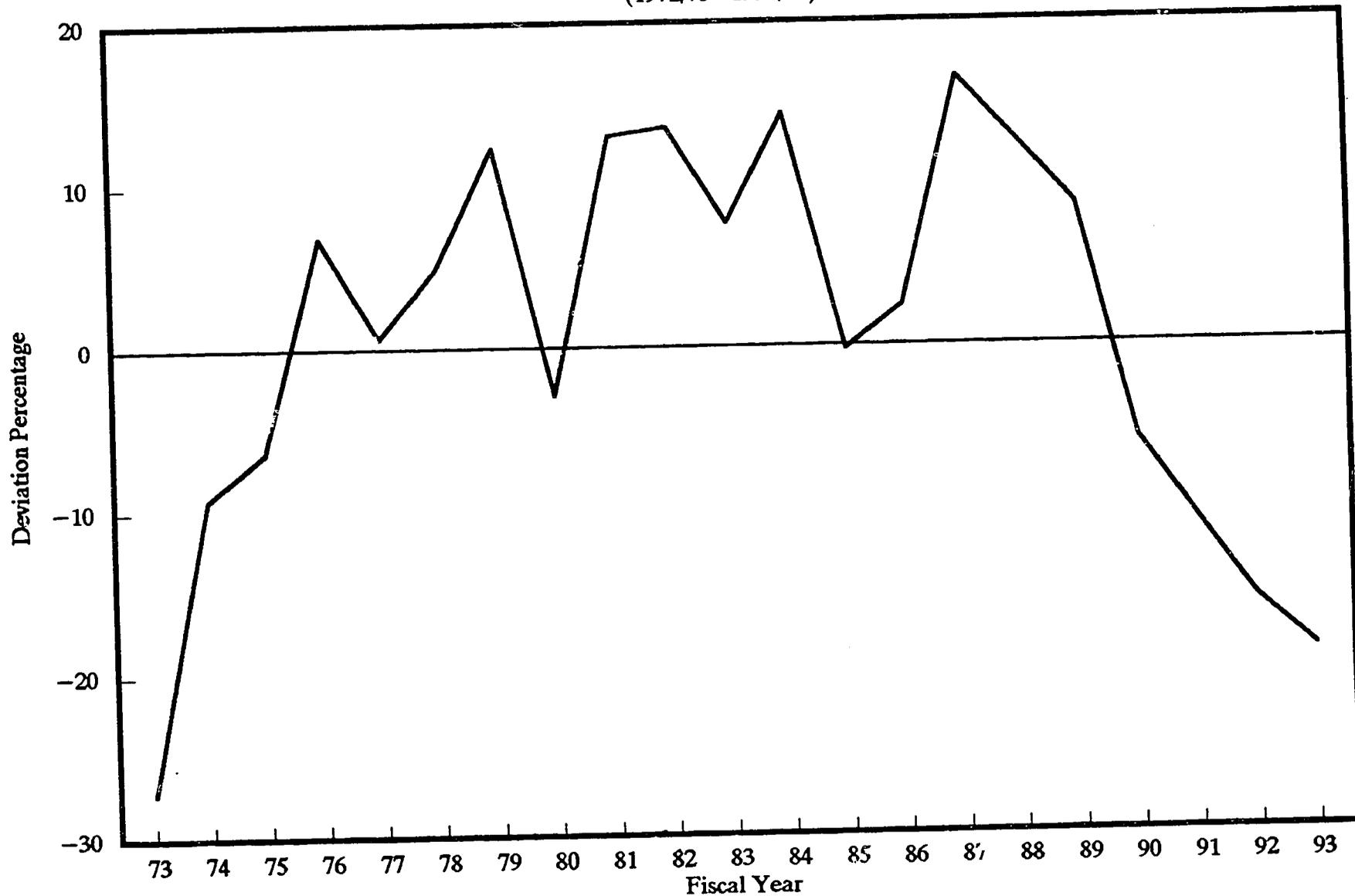
V.3 Credit for Export and Supply to the Government: The case for export is even more dismal. Any exporter who really means business, must have in stock a commercial lot of 10-15,000 Mt of rice. This quantity represents a charter shipload to economise on the freightage, which may be considerable for the importer. In the present state, such volumes are quite impossible to handle by the private sector, owing mainly to lack of financial strength. As a result, no commercial lot of rice has been exported out of Bangladesh so far. A few hundred tons of special aromatic rice has been exported to UK, USA and ME markets, to cater mainly for the expatriate Bangladeshi communities. The export of this rice has been made in containers, whose freight rates were 30-40% of the FOB value of the cargo -- clearly not a viable commercial proposition. The need for bank finance is concisely described by the authoritative 'Rice Marketing' (FAO, 1992) which says: "The purchase of paddy at harvest time requires relatively large amounts of money in a short period. Few paddy-buying or rice-milling enterprises have sufficient working capital to cover their own commercial transactions, let alone undertake any as agents for a buffer-stock authority. They will, therefore, have to borrow additional funds from commercial banks, or look to the buffer-stock authority to finance any purchases they make for it. In any case, they will seek to minimize their interest costs and maximize profits by turning over their borrowed capital as many times as possible during the period it is on loan". The need for bank credit in the rice marketing, is thus, well documented and well known.

Figure 9—Production of Aus Rice and Trend
(1972/73—1992/93)



Source : BBS

Figure 10—Aus Production, Deviation Percentage From Trend (1972/73—1992/93)



Source : BBS

VI. Mechanics of Credit

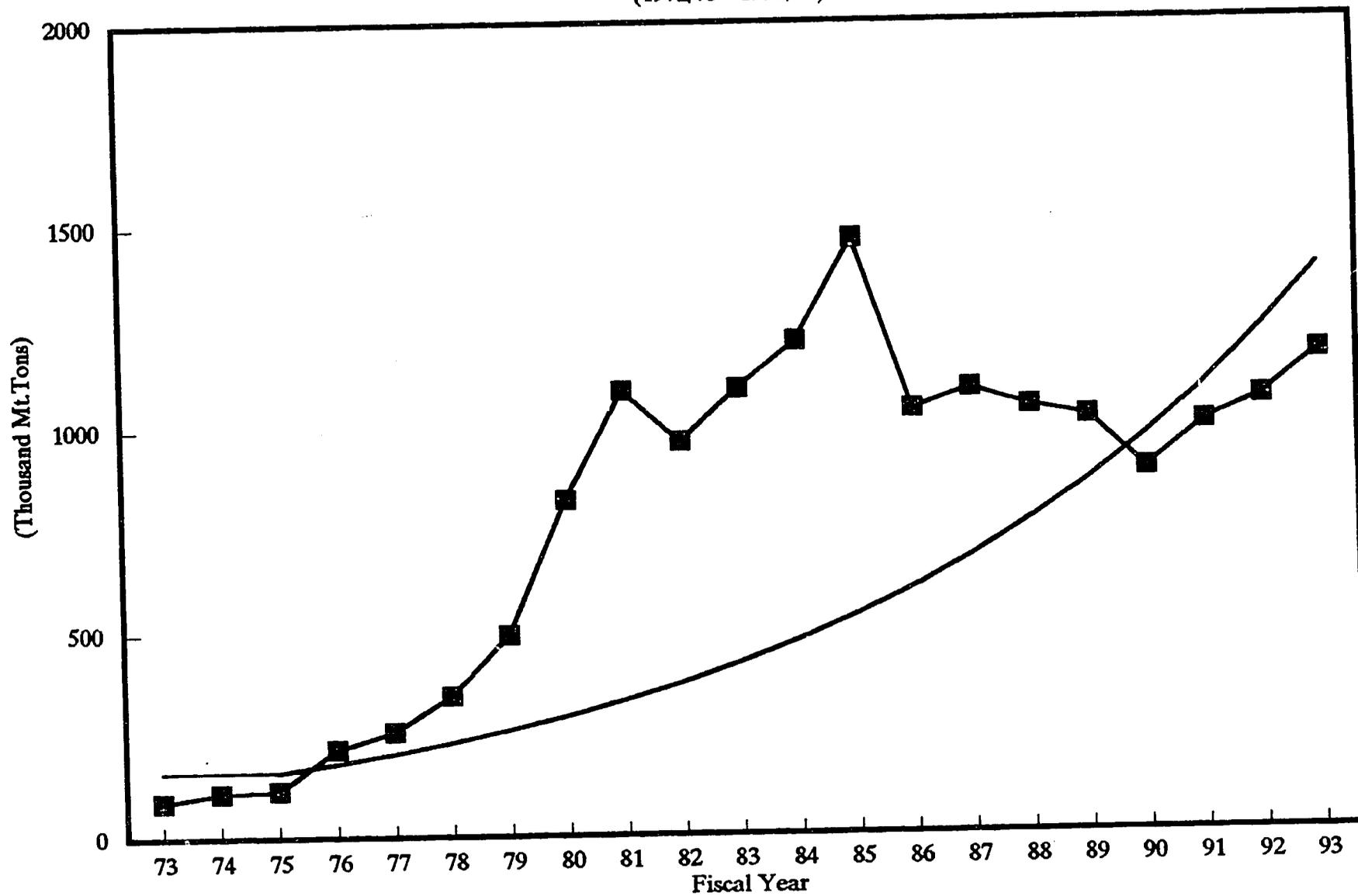
VI.1 Identifying the Impediments: In suggesting credit as a means to growth in the rice marketing, the specific questions related to the actual mechanics must also be addressed however unsavory those may be. These questions encompass the financial sector, specially the commercial banks, the marketing agents, the restrictive laws and circulars which inhibit the natural development of the sub-sector and the suggested means to overcome them. In the course of finding the need for credit to finance government tendering, an expert level meeting on the credit question was held on 12th October 1992, in which this author participated. (The minutes of the proceedings are enclosed as Appendix C). In the meanwhile, a competent consultant has prepared a report (Dec 93) on the laws and codes which are impediments to the bank lendings to private grain trade, and which need immediate revealment by the government. A further report by the Marketing Economist, IFPRI has dealt in detail the nature and structure of the rice market and the need to target the credit to ones who need it most. These are valuable documents to unravel the complexities of the credit market in the foodgrain subsector of Bangladesh.

VI.2 Banking Control: As far as the banks are concerned, the latest BCD circulars No 4 dated 07.02.90 and BCD circular No-13 dated 27.6.89 still limit their lendings to 21 days of raw material value to rice mills. Capacity utilization is also to be calculated at 50% of the rated, assuming the other 50% will be used on rental basis. There is no empirical evidence that such rental utilization of capacity is, in fact, taking place. For exports, and for government tenders, the stock required may exceed several months' production capacity of the mill. In fact, in Thailand, the value of stocks in rice mills exceeds the value of the fixed assets of the factory, several times at times of peak harvest season (Rice Marketing, FAO). Such restrictions are outdated and unnecessary. As to the banks other requirements for security, market principles dictate that the enterprises must satisfy the going market requirements. There could be no case for commanded credit which will surely distort the market and ultimately add to the growing portfolio of bad and doubtful loans of the commercial banks of Bangladesh.

VI.3 The Banking Sector: The commercial banks are the backbones of the Bangladesh's financial system. This sector is dominated by the four Nationalized

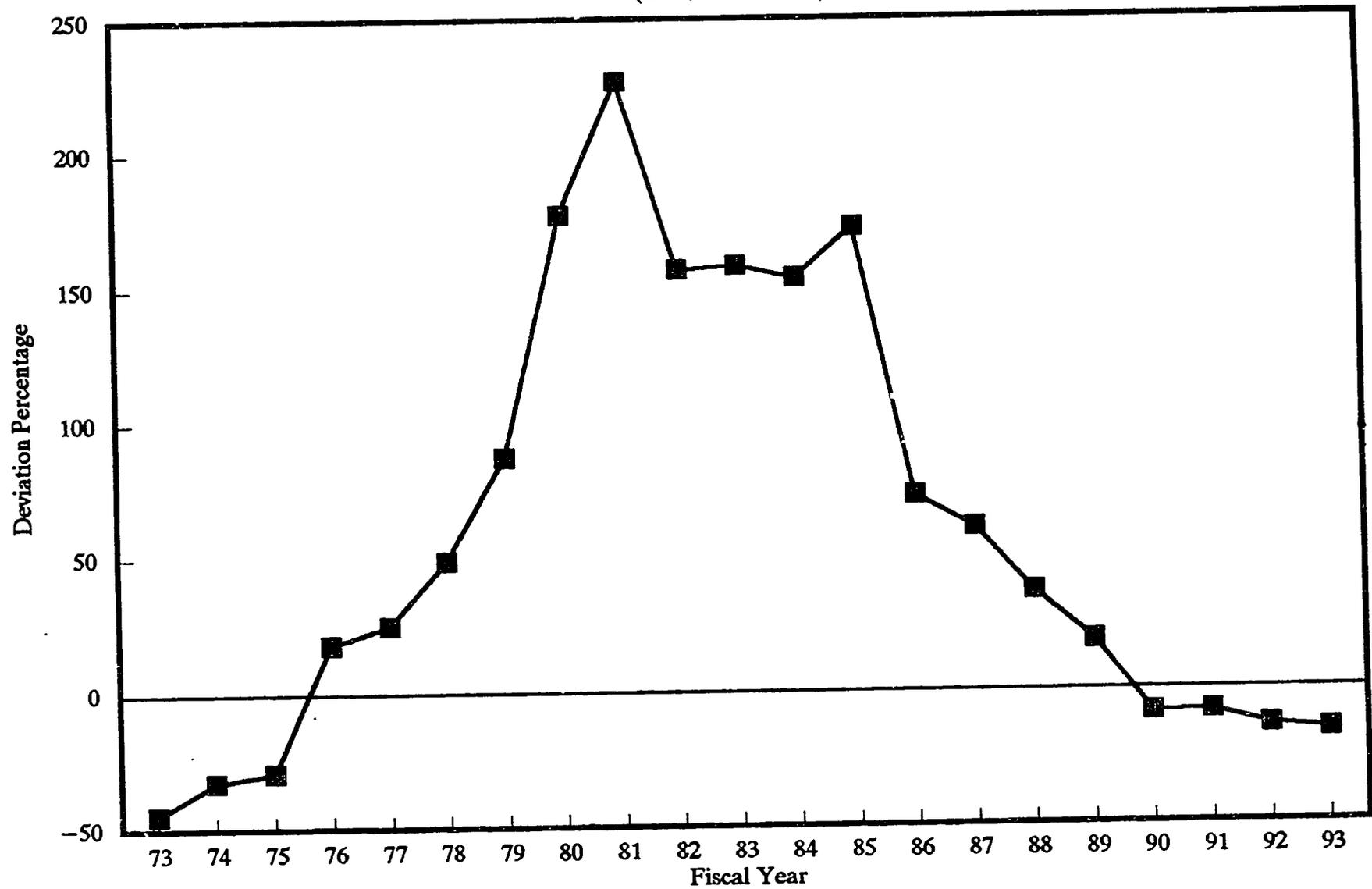
Figure 11 – Production of Wheat and Trend

(1972/73 – 1992/93)



Source : BBS

Figure 12—Wheat Production, Deviation Percentage From Trend
(1972/73–1992/93)



Source : BBS

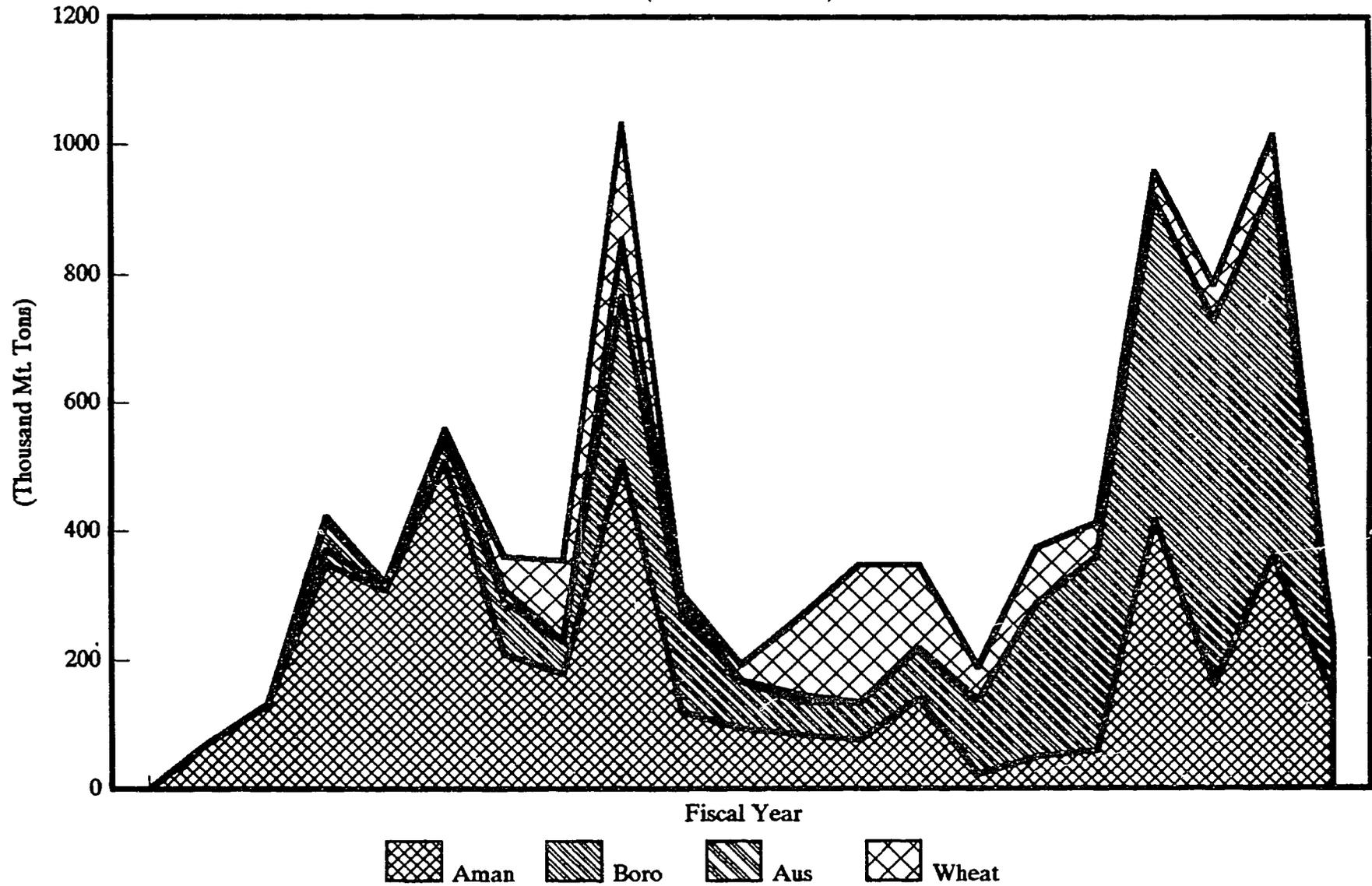
(NCBs). The WB characterizes these banks as: "The NCBs are inefficient and their actions are often not based on commercial considerations;" (Implementing Structural Reforms, 1993). Among many other difficulties, these banks are beset by non-performing loans. Loan portfolios of these banks are seriously affected by generally poor performances of the borrowers. By June 30, 1991, 25% of the loan portfolios were classified as non-performing, excluding the massive debt of the jute sector or the agricultural loan sector (WB, 93). All these analyses and subsequent corrective actions taken since then has resulted in high liquidity in the banking sector. In a free market environment, these should have resulted in a sense of urgency and pressure to increase the lending activities of the bank or promoted a decline in the interest rates for both depositors and borrowers. Though some down trends are noticeable in the interest rates, it is still extremely high in relation to the very low inflation rates and non-expansion of lending. Consequently, the good borrowers are being penalized for the signs of the bad borrowers which is hardly equitable and fair.

VI.4 Security of Loans: In the traditional concepts of collateral security by the commercial bank of Bangladesh, security in the form of immovable property loom large as the most desirable. There are several difficulties this regard, e.g. (i) Value of the property (ii) cumbersome legal procedures to mortgage the property (iii) long and complex legal proceedings to foreclose the property (iv) sale and realization of debt from the proceeds. These proceedings may take several years, and even then, money is not sometimes realized. World Bank goes so far as to report " To date there is not a single known case of a real asset being realized by a Bangladeshi bank" (Implementing Structural Reform, 1993). Clearly, newer devices need be found, if both the interest of the borrower and the lender is to served quickly and efficiently.

VI.5 Modernizing Financial Devices: To finance government tenders, it was suggested (Rahman, 1992) that the modernizing device of letter of credit be utilized by the government in paying for the tender deliveries. These letters of credits could be utilized by the banks as security, very like the garment exporters who use their import letters of credit as security to open further letters of credit for importation of raw materials (the master L/C concept). Insurance guarantees (guarantees issued by insurance companies) may be another form of added security. Stocks, bonds, shares of private companies, may all be treated as adequate collateral security, after being certified by a chartered

Figure 13— Government Procurement of Foodgrains

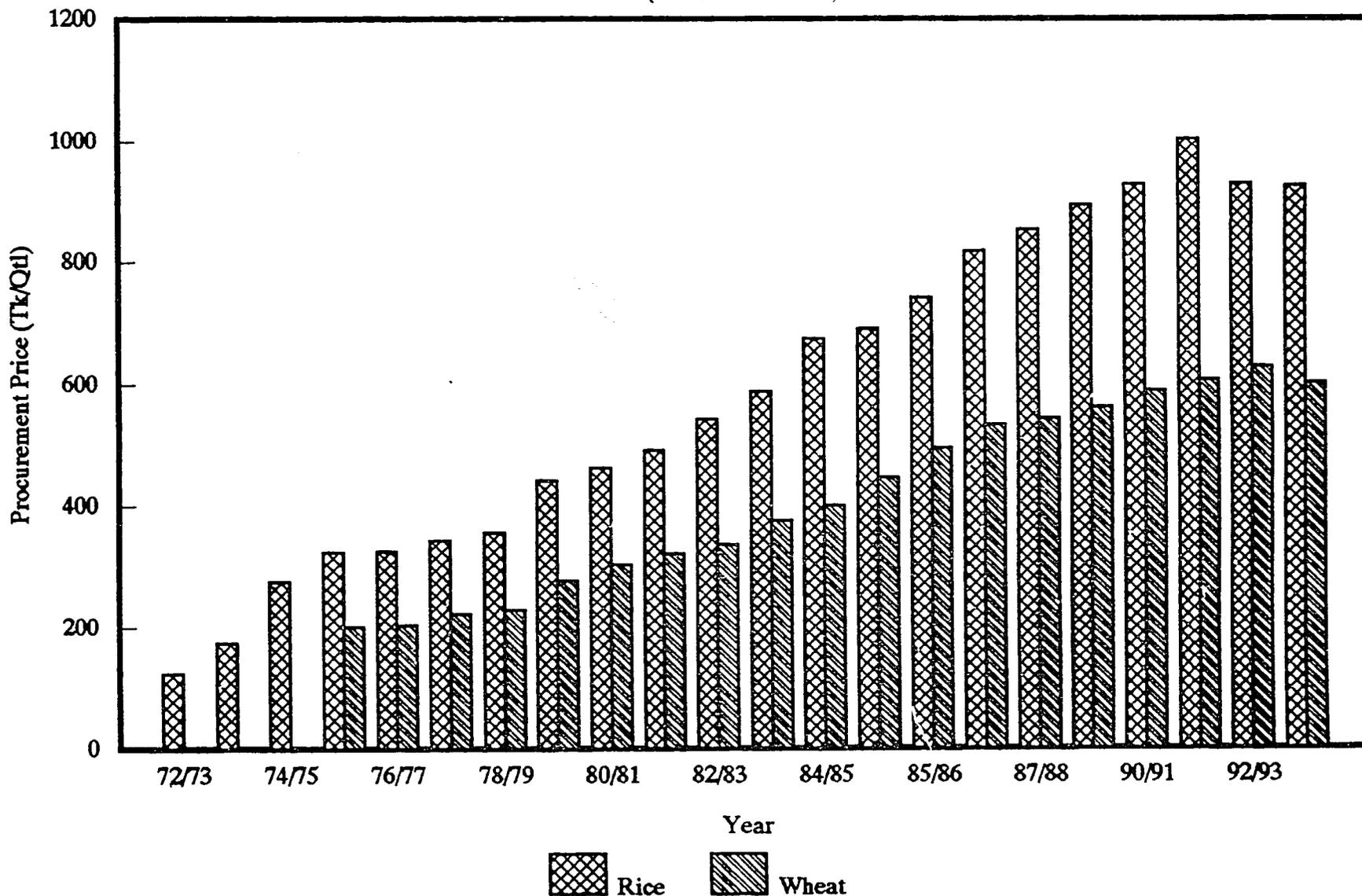
(1972/73–1992/93)



Source : DGF

14 – Government Procurement Prices of Foodgrains

(1972/73 – 1993/94)

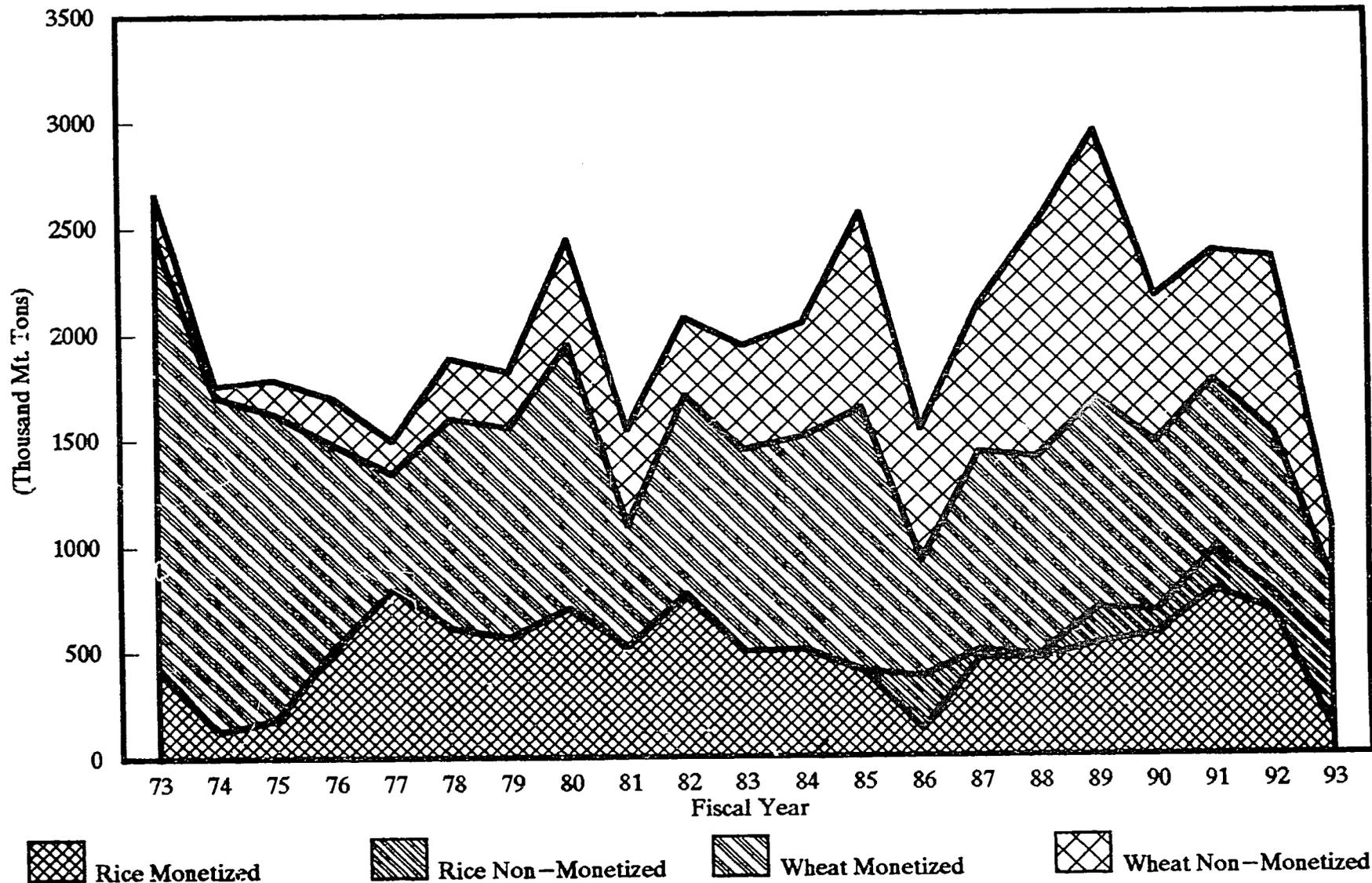


Source : DGF

14b

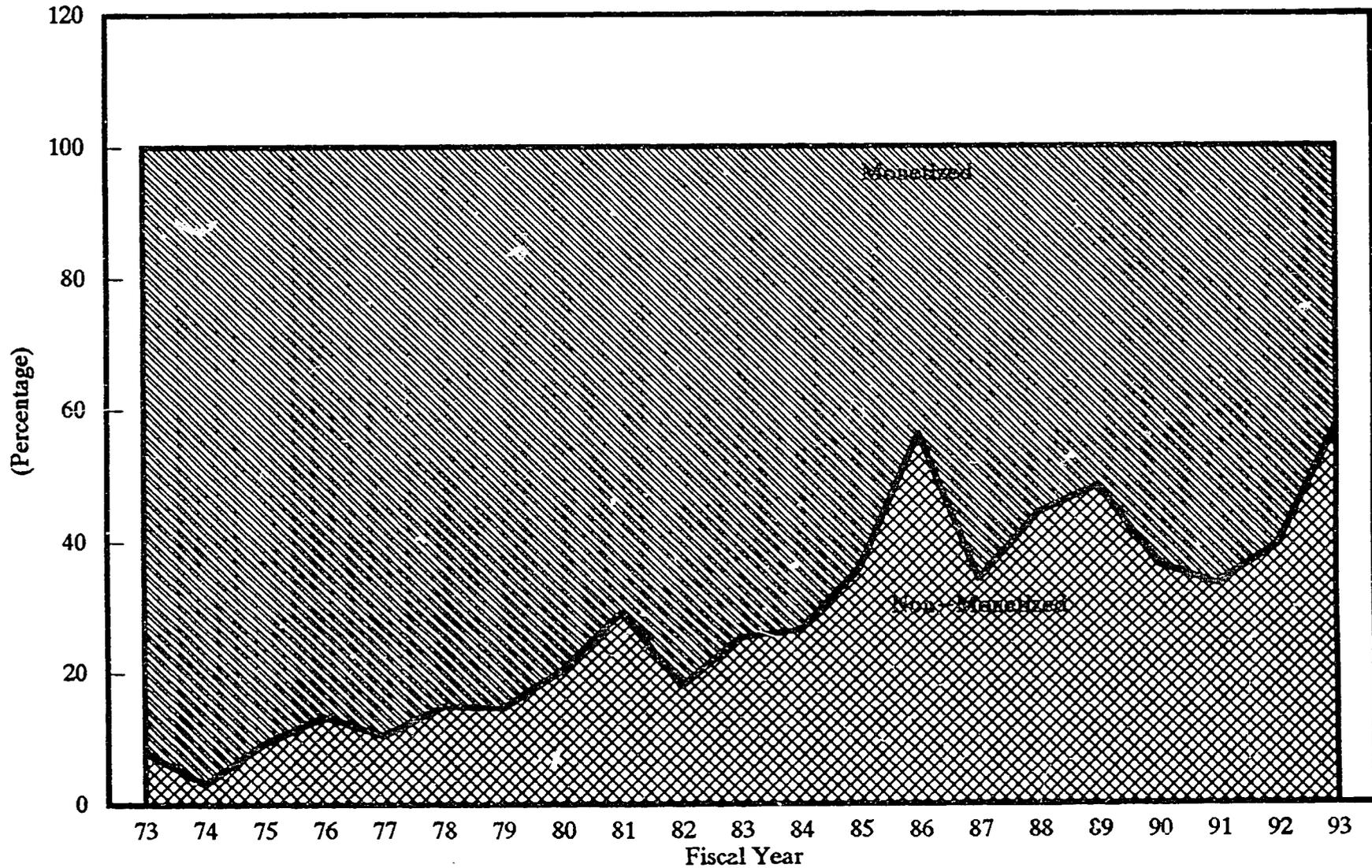
Figure 16—Total Offtake of Foodgrains (All Channels)

(1972/73—1992/93)



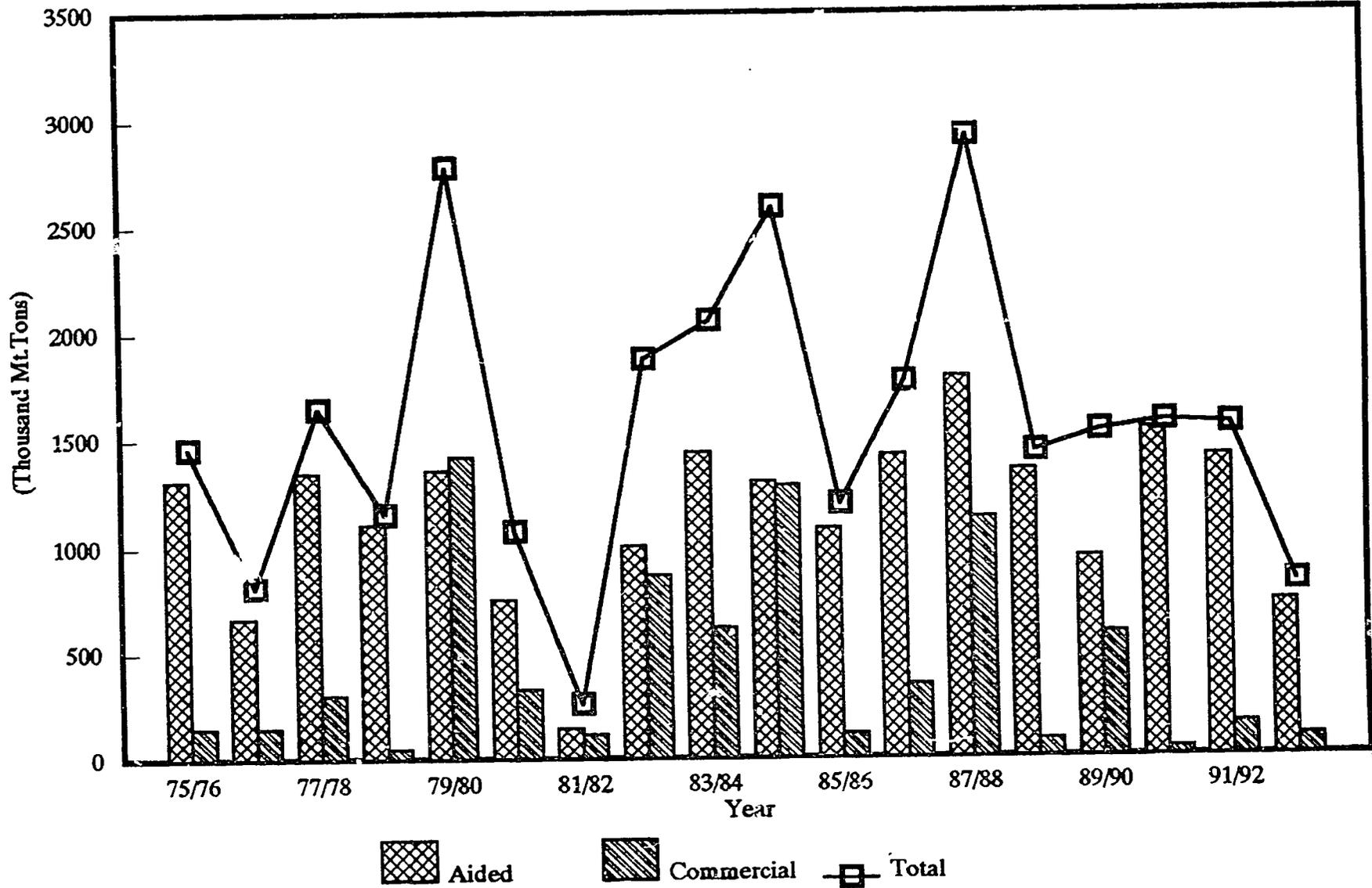
Source : DGF

Figure 17—Percentage Distribution of PFDS Offtake (1972/73–1992/93)



Note : PFDS= Public Food Distribution system
Source : DGF

Figure 1b Total Foodgrains Import (Aided & Commercial)
(1975/76-1992/93)



Source : DGF

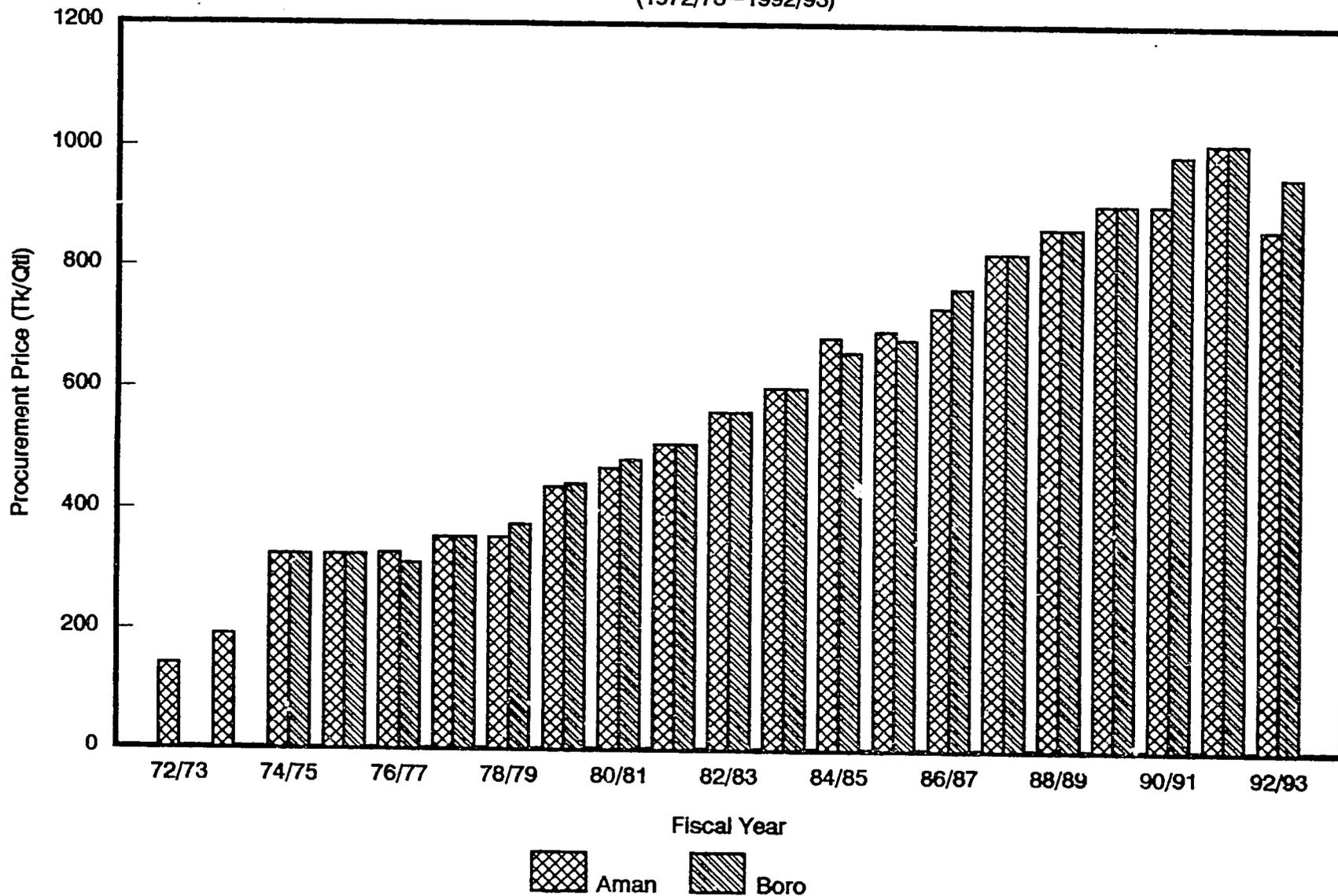
public accountant as to their value and genuineness. Tender orders by the government may also constitute adequate security after bills payable are endorsed to the banks lending against these orders. Each such instrument has its own advantages and disadvantages. None is foolproof against abuse. Bangladeshi banks must realize that there is an essential risk element in lending which is the price to profitability. The enormous losses suffered so far by bad lending practices can not be re-couped by shrinking their lending operation. The portfolios of good lendings must be expanded to cover the losses sustained by bad lending. The financial market scenario implied by high liquidity in banks and a cash starved food sub-sector should be viewed as a unique opportunity as the biggest potential market for investment. The exact mechanics of lendings are a matter of choice by individual banks and the quality of their clients intending to borrow. The preceding discussions are only pointers towards a robust and thriving foodgrains subsector where growth will be fuelled by liberalized bank credits. However, a suggested mode of lending for the different categories of expected borrowers and the possible security are listed as over leaf as Table-5.

VII. Concluding Observations

VII.1 Role of Credit: Rice marketing requires continuous financing in all aspects of its operations, specially in the post harvest phases. Credit is as essential an input as any physical infrastructure or facilities needed to operate it. Without it, the market cannot function efficiently. With growing production, the marketing channels must also grow in tandem, and in unison. While Bangladesh has registered impressive growth in production of food grains, the same cannot be said of the marketing organs to absorb efficiently these additional productions. Government so far has played a dominant role both as a the major player and as the stern regulator. With the changed circumstances, such a role is neither necessary nor desirable. The government's stated economic policy of a free market model dictate change in policy direction.

VII.2 The Weak Private Sector: The private sector in foodgrain subsector is both weak and disorganized. After decades of restriction, this subsector is now called upon to do task it wasn't prepared for structurally and organizationally. Many structural reforms are necessary before a robust sub-sector develops, chief among those, are a Rice Exchange leading to futures trading. Fresh capital infusion to upgrade the antiquated industry in the

Figure 15 – Government Procurement Prices of Foodgrains by Season
(1972/73 – 1992/93)



Source : DGF

form of newer mill machineries, storages, silos and transportation equipment, are also urgently needed to handle and deal in what is expected to grow to be the biggest rice market in the world in the medium to long term. In the short run, what is needed most is the provision of capital as short term credit to fuel the agricultural growth by a high demand of grains at the harvest time so that prices do not collapse for want of liquidity and consequent low trade demands.

VII.3 The Banks: A New Role: Banks in Bangladesh are not structurally and organizationally suited to cater for the demands of a free market. Bad debts have eaten into their vitals and have made them shy of dynamic actions which are most needed now. Antiquated concept of collateral based on property, has not proved to be adequate guarantees for the banks to secure their lendings — they have only made the lending process lengthy and costly for the borrower. Empirical evidence point to the inadequacy of the present system of securing the bank advances. Newer devices are available. Letters of credit, insurance guarantees, stocks, bonds and shares of private limited companies, may all constitute adequate securities. Banks must exhibit newer dynamics, in advancing, supervising and collecting their advances. In a speech delivered to the World Bank on Nov 29, 1993, Professor M. Yunus, Managing Director of Grameen bank said of the World Bank, "they give you money. They give you all ideas, expertise, and everything else. Your job is to follow the yellow lines, the green lines. They don't want to leave out any responsibility for the borrower, except the responsibility for the failure Despite all the arrogance of expertise, supervision, and money, the projects don't always work out...."

What Professor Yunus said of the WB, could be said with accuracy for the DFIS and NCBs of Bangladesh. The borrower will try to perform, if the banks let them. They shall have to work out a process of fruitful interaction by their own experience of mutual trust and confidence.

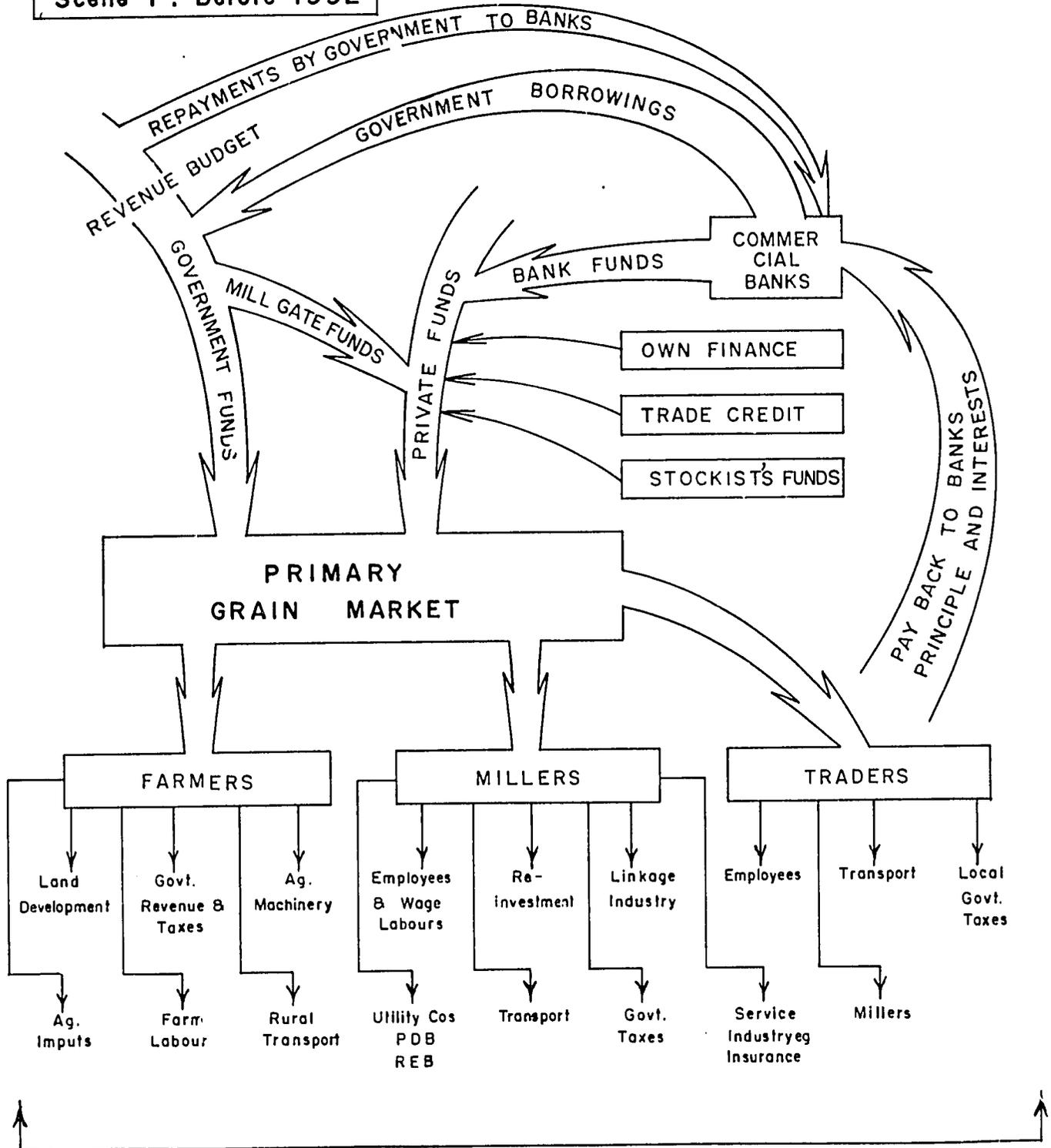
VII.4 A New Vision On the Horizon: At the end of the present century, there are newer expectations in Bangladesh for the coming century. Nothing is more fundamental to the people than a Bangladesh self sufficient in food after five decades of shortages. A rice-exporting Bangladesh is a dream only a few dreamt a scant few years ago. Now, that dream that is a distinct possibility leading to reality. Among many inputs for growth,

Sketch 1

BANGLADESH GRAIN MARKET FINANCING

Before and After the Boro Season of 1992

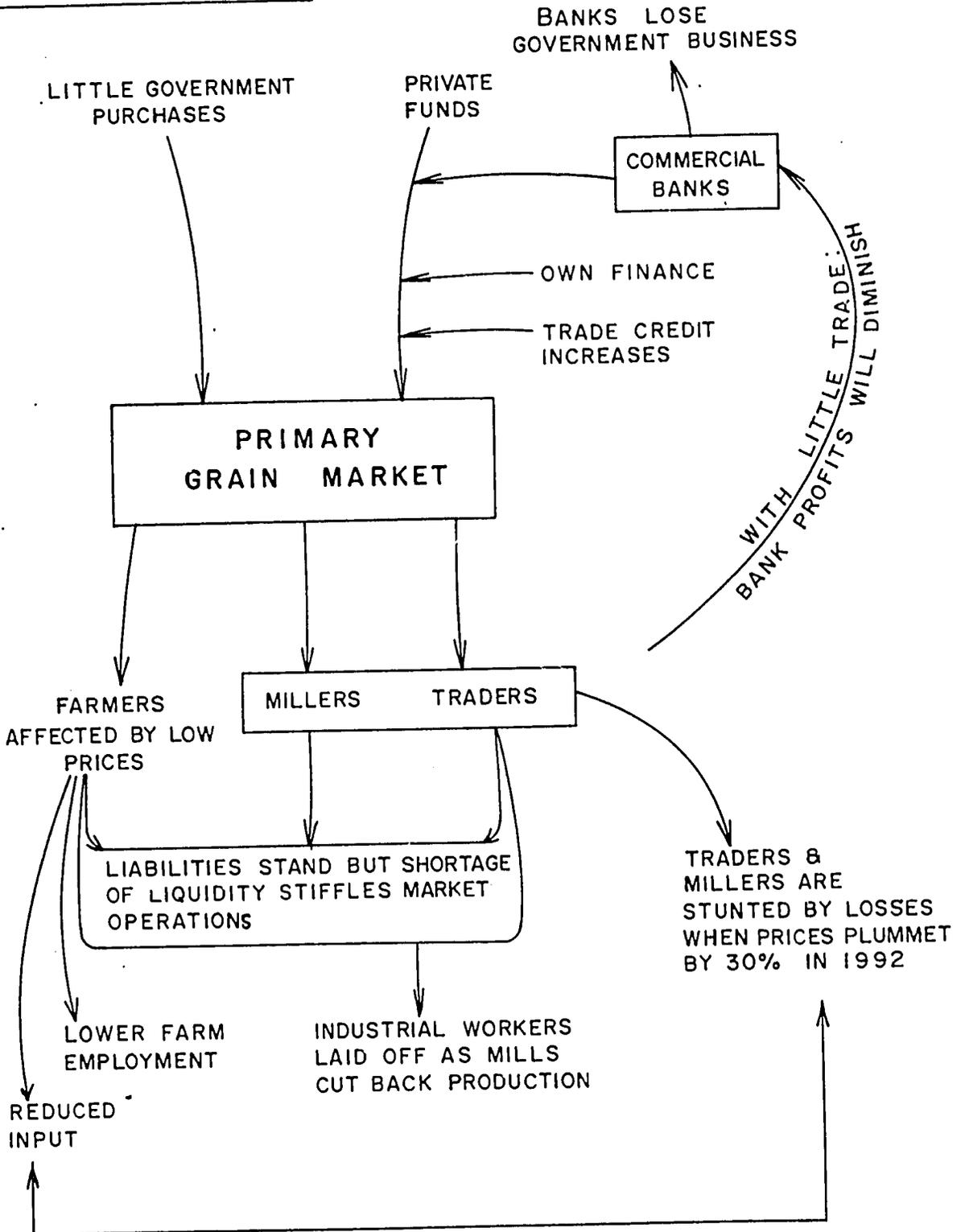
Scene 1 : Before 1992



POTENTIALLY THE BIGGEST MARKET IN BANGLADESH AT 40% MARKETED SURPLUS, THE VALUE OF FOODGRAINS TRADED STANDS AT 80 BILLION TAKA / 2 BILLION US DOLLARS

Sketch 2

Scene 2 : After 1992



GRAIN MARKET SUFFERS FROM SHORTAGE OF LIQUIDITY
BANKS MAY REALLOCATE FUNDS TO PRIVATE SECTOR
TO INVEST IN A 80 BILLION TAKA MARKET

credit is the key to a thriving and robust rice-market. Banks in Bangladesh take deposit from the people of Bangladesh which they lend. Let the peoples' money be used towards growth; in agriculture, in employment, and in trade in that basic necessity of life, food, and all towards newer horizons of prosperity for the people of Bangladesh.

Table - 5. A Possible Classification of Borrowers Eligible For bank Credit and Suggested Security of Loan

GRAIN MARKETING IN BANGLADESH

Sl. No. (1)	Type of Enterprise with Principal Modes of Business & Ownership (2)	Type of Grain and Commodities traded (3)	Recommended Type of Bank Credit (4)	Possible Bank Security/ Collateral (5)	Quantum and period of loan (6)
1.	<u>Itinerant Traders</u> (Beparis, Paikars & Small Scale Commission Agents/ Brokers) a) Unlikely to possess fixed establishment b) Proprietorship	a) Paddy b) Wheat	a) Hypothecation b) Fixation of margin limit unpractical due to nature of trade	a) Immovable Property b) Govt. Bond, Saving Certificate etc.	a) Value of a fixed quantity of grains traded, to be determined by banks' own assessment b) For a season of 6 months.
2.	<u>Wholesalers (Aratdars)</u> a) Most likely to possess fixed assets like storage and place of business-sometimes hired premises are used b) Likely to act as commission agent for the miller traders. Also trades on own account. c) Proprietor or Partnership	a) Paddy b) Wheat c) Rice	a) Hypothecation b) Against pledge of goods as collateral c) Letters of credit for export or government supply	a) Immovable Property b) Government Bonds, Securities c) Stocks in trade	a) Value calculated on the turnover b) Volume of business to be determined by banks assessment. c) For a period of one year or as is allowed by usual banking practice.
3.	<u>Independent Crushers (Kutials)</u> a) Unlikely to possess fixed assets b) Buy paddy and convert them to rice on paying fixed rate to a mill, then trades in the rice c) Proprietorship	a) Paddy b) Rice	a) Hypothecation	a) Immovable Property b) Govt. Security, Bonds	a) On bank's assessment on turnover b) For a season of 6 months
4.	<u>Retailers (Shopkeepers)</u> a) Likely to possess fixed assets like shop b) Deals in the grain along with many other commodities c) Proprietor or Partnership	a) Rice b) Atta along with numerous other commodities	a) Hypothecation	a) Immovable property b) Government Bonds	a) Needs general credit and not specially for the foodgrains which constitute only a fraction of the business.
5.	<u>Husking Mill (Small Rice Mill)</u> a) Likely to possess fixed assets consisting of land, mill equipment, storage, drying yard etc. b) Small customs milling units located at rural markets do custom milling on commission only. c) Proprietorship or Partnership d) Not recognized by the D.G. Industries as an industrial unit.	a) Paddy b) Rice c) Bran d) Husk	a) Hypothecation b) Pledge	a) Stock in trade and storage b) Immovable property c) Government bonds and other securities	a) Value of stock dependent upon (i) Storage capacity (ii) Milling capacity whichever is higher, for a period to be determined by bank b) Suggested quantity: 60 days milling capacity. c) For one year.

BEST AVAILABLE DOCUMENT

Sl. No. (1)	Type of Enterprise with Principal Modes of Business & Ownership (2)	Type of Grain and Commodities traded (3)	Recommended Type of Bank Credit (4)	Possible Bank Security/ Collateral (5)	Quantum and period of loan (6)
6.	<p>Major Mill (Large Traditional Rice Mill)</p> <p>a) Possesses, large land area on which storage, mill machinery, yards etc. are located.</p> <p>b) Likely to possess additional landed and other properties</p> <p>c) Buys paddy to convert to rice in which he trades</p> <p>d) Additional revenue is earned on milling commission on paddy milled by traders</p> <p>e) Likely to be</p> <p>(i) Partnership</p> <p>(ii) Private Limited Company under Companies Act 1913.</p> <p>(f) Recognized as an industrial Unit by DG Industries, Ministry of Industries.</p>	<p>a) Paddy</p> <p>b) Rice</p> <p>c) Bran</p> <p>d) Husk</p>	<p>a) Hypothecation</p> <p>b) Pledge</p> <p>c) Term loan to modernize and balance mill machinery, if required.</p>	<p>a) Stock in trade or in storage</p> <p>b) Immovable Property</p> <p>c) Government Bonds & other security</p> <p>d) Personal guarantee of Partners or Directors⁽¹⁾</p> <p>e) Second charge on Fixed assets of the Mill if longterm loan was taken for capital investment</p> <p>f) Letters of Credit</p>	<p>a) Value of stock dependent upon</p> <p>(i) Storage capacity</p> <p>(ii) Milling capacity whichever is higher from a period not less than 45 days milling capacity.</p> <p>(iii) Suggested quantity: 60 days milling capacity⁽²⁾</p> <p>b) For one year</p> <p>c) For letters of credit usual banking practice is suggested</p> <p>d) For exports there should be no limit on the stock.</p>
7.	<p>Automatic Rice Mills (Modern Milling complex equipped with mechanical driers and multi-stage milling equipment)</p> <p>a) Likely to take term loan for capital investment</p> <p>b) Likely to possess additional property.</p> <p>c) Likely to have current cash credit from term loan giving bank or from 3rd party bank.</p> <p>d) Almost certainly Private Limited Company under Companies Act 1913.</p> <p>e) Recognized Industrial Unit under D.G. Industries under Ministry of Industries</p> <p>f) Buys paddy and trades in rice</p> <p>g) Earns cash revenue by charging milling commission to large trader or govt. agency.</p> <p>i) Sometimes, also acts as wholesaler in the local market.</p>	<p>a) Paddy</p> <p>b) Rice</p> <p>c) Bran</p> <p>d) Husk</p>	<p>a) Hypothecation</p> <p>b) Pledge</p> <p>c) Term loan to modernize mill machinery for export operation, if requested.</p>	<p>a) Stock in trade and storage</p> <p>b) Immovable Property</p> <p>c) Govt. Bond & Securities</p> <p>d) Insurance Guarantees if furnished</p> <p>e) Pledge of Company shares on additional capitalization as certified by a C.A.⁽³⁾</p> <p>f) Second charge on the Fixed Assets if the present value of the mill exceeds liabilities under 1st charge</p> <p>g) Personal guarantees of the Directors⁽⁴⁾</p> <p>h) Both Inland and overseas letters of credit</p>	<p>a) Value of stock depended upon</p> <p>i) Storage capacity</p> <p>ii) Milling capacity whichever is higher for a period not less than 60 days production.</p> <p>b) Suggested quantity 60 days milling capacity</p> <p>c) For one year</p> <p>d) For letters of credit usual banking practice</p> <p>e) For export there should be no limit on stock.</p>

Notes: 1) The Partners and Directors of these mills are likely to be people of means. Many of them possess other business and properties. Even if the present milling business fails, bankers can secure their advances by encashment of these guarantees. Though cumbersome and lengthy, legal processes exist to dispossess the person of other assets he may own in addition to the privacy security

2) 60 days stock is suggested as the mills must mill and sell the paddy stock in hand in rice form. For a variety of reasons, (Rahman -93) millers in Bangladesh prefer to hold stock in paddy and sell the rice by fastest means.

3) Most automatic mills were financed by the Industrial Banks. The successful ones have paid up large portions of the debts. Some have even paid up the long term loans. Many have developed additional facilities (eg. drying yards.) equipment (eg. extra polishers, graders) and properties (storage units), than originally sanctioned by the lending banks. They have thus considerably enhanced asset value of their mills. The present value of the units are also not reflected in share-capitalization in many cases. Banks may realistically evaluate the assets and owners may issue additional shares after due capitalization and certification by a Chartered Accountant. These Share Certificates should be valuable security for taking out additional loans.

- 4) Letters of Credit and Government tender orders should be valuable securities if pledged to a commercial bank. The last word in such a transaction is the reputation of the businessmen and the trust that the bank places in them.

FOR THE GRAIN TRADE, TIMING IS CRUCIAL. BANKS MUST ENSURE DISBURSEMENT PRIOR TO OR AT HARVEST TIME TO ENSURE ADEQUATE MONEY SUPPLY IN RURAL MARKETS IN ADDITION TO ASSISTING THE ENTERPRISE IN ECONOMIC PURCHASE OPERATIONS. TIMING IN PURCHASE ENSURES INDIVIDUAL PROFITABILITY AS WELL AS TIMELY REPAYMENT:

HARVEST TIME : (A) AMAN SEASON : 1ST WEEK OF NOVEMBER: 1ST MARKET ARRIVALS
(B) BORO SEASON : 1ST WEEK OF APRIL : 1ST MARKET ARRIVALS.

BEST AVAILABLE DOCUMENT

References:

1. _____ February 28, 1992. Bangladesh Food Policy Review. Adjusting to the Green Revolution, Volume I and II, Country Operation, Industry and Finance Division, World Bank, Washington D.C. USA.
2. _____ March 24, 1993. Bangladesh; Implementing Structural Reform, South Asia Country Department 1, Country Operation, Industry and Finance Division, World Bank, Washington D.C. USA.
3. _____ April 1993. Financial Statements for the Year Ended 30 June 1992. Ministry of Food, Directorate General of Food, Government of the People's Republic of Bangladesh, Prepared and Produced in Collaboration with the Reorganization Project, FAO of the United Nations.
4. Ellen Goldstein. October, 1991. Aide-memoirs: Food Policy Mission World, Mimeo.
5. J.C. Abbott, P.G.H. Barter et al. 1972. Rice Marketing, Food and Agricultural Organization of the United Nations, Rome.
6. Raisuddin Ahmed. 1993. Liberalization of Agricultural Input Markets in Bangladesh: Process, Impact and Lessons, International Food Policy Research Institute, Washington D.C. USA, Mimeo.
7. Mahfoozur Rahman. May 1992. A Viable Procedure of Open Tender for Public Procurement of Rice in Bangladesh, IFPRI, Dhaka, Mimeo.
8. Mahfoozur Rahman. May 1992. Public Procurement of Paddy & Rice in Bangladesh, Milling and Storage Adjustments for Efficiency, IFPRI, Dhaka, Mimeo.
9. Mahfoozur Rahman. October 1992. An Operational Review: Public Procurement of Rice by Open Tender in Bangladesh, IFPRI, Dhaka, Mimeo.
10. Steven Haggblade and Mahfoozur Rahman, July 7, 1993. The Laws of Gravity: A Study of Rice Price Behavior in the 1992 Boro Season, IFPRI, Dhaka. Mimeo.
11. Mahfoozur Rahman. September 1993. Low Cereal Prices: Causes, Outlook, Impacts and Remedies, IFPRI, Dhaka. Mimeo
12. _____ 1989. Increasing Access to Foodgrain Supplies By the Vulnerable Section of the Population in Seven Asian Countries (Case Study for India). Regional Office for Asia and the Pacific (RAPA), Food and Agricultural Office of the United Nations (FAO), Bangkok.

APPENDIX-A
DEFINITION OF TERMS USED IN RICE TRADE

2/10

APPENDIX - A

Definitions of Terms

Standardization of terminology is the first step towards having uniform standards. This is most important if international trade is to take place. It is, therefore, of utmost importance to conform to an internationally acceptable terminology in any national standardization procedure. The terminology used throughout the preceding report is based on the Definition of Terms used in the Rice Trade as adopted by the working party on Rice Grading and Standardization set up under the FAO Rice Study Group 1972. The Terminology as per Bangladesh standard. The author's explanation is shown under bracket wherever felt necessary.

A. General

Paddy : Rice in the husk after threshing (also called paddy-rice and rough rice. In US use, it may also indicate flooded diked fields in which paddy is grown).

Rice : Kernels obtained after husking of milling or paddy (also called milled rice).

Sample : A small quantity taken from various portions of a lot so as to be representative of the lot.

B. Intrinsic Character

Bold rice : The length of the whole milled kernels is between two and three times their breadth. Also known as medium grain rice.

Extra heavy rice : 1000 whole milled kernels with 14 percent moisture weigh over 28 g.

Extra long rice : Rice with 80 percent or more of whole milled kernels having an average length of 7.0 mm an above.

Glutinous rice : A special botanical variety whose grains are white and chalky in appearance. It tends to coagulate into sticky mass when cooked. (A most favorite variety in Japan and some parts of S.E. Asia. Has no commercial significance in S. Asia).

Heavy rice : 1000 whole milled kernels with 14 percent moisture weight 20-25 g.

Long rice : Rice with 80 percent or more of while milled kernels having an average length of 6.0 to 6.99 mm.

Medium rice : Rice with 80 percent or more of whole milled kernels having an average length of 5.0 to 5.99 mm.

Moderately heavy rice : 1000 whole milled kernels with 14 percent moisture weigh under 20g.

Round rice : The length of whole milled kernels is less than twice the breadth. (Also known as short grain rice).

Shape : Relationship of length to breadth of a whole rice kernel.

Short rice : Rice with 80 percent or more of whole milled kernels having a length of less than 5.0 mm.

Size : The length of the whole milled kernel is over three times the breadth. Also known as long grain rice.

C. Processing

Bran : The outer bran layer without any part of the germ.

Coated rice : Milled rice which has been coated with special powder and glucose. Also known as glazed rice. (Has no significance in S. Asia context).

Degree of milling : Extent of milling expressed with reference to the removal of the germ, and the outer and inner bran layers.

Enriched rice: Milled rice which has been treated to enhance its nutritive value by adding of vitamin and minerals and some times protective coating. (Although practiced extensively in USA and Europe, has no significance in S. Asia).

Extra well milled rice : Paddy from which the husk, the germ (in case of round rice part of germ) and the bran layers have been completely removed.

Germ : Small white portion of one end of the rice kernel from where seed germinates. (In case of white milling, the germ is part of the bran fraction removal. In some milling process, it is separated as a valuable animal feed).

Husk : Outer thick cover of paddy, the removal of which turns it into rice. (also known as hull, chaff).

Husked rice : Kernels from which only husk has been removed. (It is also known as brown rice, hulled rice, cargo rice, loomzain rice and soramoto rice).

Milled rice : Paddy from which the husk has been removed and layers of bran wholly or partly removed from kernel. Also known as white rice. (With the popularization of parboiling process the world over, the term white rice may cause some confusion. Generally, "white rice" means milled rice without parboiling process, also raw-rice as distinct from parboiled rice meaning milled rice which have had pre-milling treatment of parboiling).

Non-gelatinized rice : Whole or broken kernels of parboiled rice with distinct white or chalky areas due to incomplete gelatinization of the starch. (Also known as white belly rice. Must not be confused with chalky rice which is only found in raw-rice).

Oiled rice : Milled rice to which a thin coat of edible oil has been applied. (Has no significance in S. Asia).

Parboiled rice : Rice which, before milling, has been soaked in hot water and steamed under pressure and then dried. (The physical change in rice grain is complete or partial gelatinization of starch. The degree of parboiling is evident from completeness of gelatination and also visible change in color).

Polishing : The outer bran layer, part of germ and the starchy grain. (Only available in modern rubber rolled mills). The mixture of bran, germ, husk and broken grain obtainable from traditional huller mill is known as "mill waste" in international trade and is of little commercial value).

Reasonably well milled rice : Paddy from which the husk, the germ, the outer bran layers and the greater part of the inner bran layers have been removed, but parts of the lengthwise streaks of the bran layers may still be present on not more than 30% kernels.

Undermilled rice : Paddy from which husk, a part of germ, and all or part of only outer bran layers have been removed.

Well milled rice : Paddy from which the husk, the germ, the outer bran layer and most of the inner bran layers have been removed, but parts of the length-wise streaks of the bran layers may still be present on not more than 10 percent of the kernels.

Whole rice : A kernel or a piece of kernel having length greater than three quarters of the average length of the unbroken kernel (sometimes called head rice).

D. Acquired Characteristics

Big broken : Pieces of kernels equal to or smaller than three quarters but bigger than one half of the average length of the unbroken kernel.

Brokens : Pieces of kernels equal to or smaller than three quarters of the average length of the unbroken kernel.

Chalky kernel : Kernel, whole or broken, one half or more of which is white like the color of chalk. (as different from white belly kernel which is a characteristic of imperfect parboiling resulting in partial gelatinization of grain).

Chemical residue : Chemical residue in or on rice acquired at any stage during growing, processing or marketing, other than as approved substance added for human nutritional purposes.

Chips : Pieces of kernel that pass through a sieve which has round perforations not greater than 1.4 mm in diameter (also known as pin-head brokens).

Commercially objectionable foreign odors : Odors entirely foreign to rice which render it unfit for its normal commercial usage.

Contrasting classes : Kernels, whole or broken, of varieties of rice other than the variety designated, wherein size and shape of kernel differ distinctly from characteristics of kernels of the variety or class designated.

Damaged kernels : Kernels, whole or broken, which are distinctly damaged by insects, water, fungi or any other means, including parboiled kernel in non-parboiled rice. (or raw rice in parboiled rice).

Discolored kernel : Kernels, whole or broken, that have changed their normal color as a result of heating including parboiled kernel in non-parboiled rice which are as dark as those discolored as a result of heating. (High moisture paddy damaged due to micro biological action will result in deep coloring after parboiling process. This is the major source of discoloration of grain specially in Boro paddy in Bangladesh. Only post harvest drying and correct storage will correct this damage).

Foreign matter : All matters other than rice kernels, broken or whole, rice polishing and paddy.

Grade : A designation indicating the quality of rice determined with reference to its acquired characteristics.

Green kernel : Immature kernels which are unripe and green in color.

Immature kernels : Kernels, whole or broken, which are unripe or under-developed.

Insect-free rice : Rice which does not contain live or dead weevils or other insects, insect webbing or insect refuse.

Lightly infested rice : Rice in which insects are not obvious before sieving and there are not more than 20 live or dead insects, of which not more than 5 are weevils (*Sitophilus* Spp) per 100 kg of rice.

Medium brokens : Those parts of a kernel which are equal to or smaller than one half but bigger than one quarter of the average length of the unbroken kernel.

Mixed rice : A lot of rice in which a minimum of 80 percent of whole milled kernels can not be placed exclusively in any single variety, size, shape or weight classification.

Red streaked kernel : Kernels, whole or broken, having red streaks, the total length of which amounts to one half or more of the length of the kernel, but which are free from red patches amounting to 25 percent of the surface area of the grain.

Small brokens : Those pieces of a kernel which do not exceed one quarter of the average length of the unbroken kernel, the minimum limit varying with different grades of rice, but do not pass through a sieve with round perforation of 1.4 mm in diameter.

Stained or spotted kernel : Kernels whole or broken, which show on their surface evident alternations in color, including black streaks or dark halos.

Yellow kernel : Kernels or pieces of kernel which possess yellow discoloration due to deterioration, (not to be confused with acquired amber color in par-boiled rice).

APPENDIX - B

DIRECTORATE GENERAL OF FOOD

CONCISE INCOME STATEMENT
for the year ended 30 June 1992

	In crore <u>Taka</u>	% of <u>Sales</u>
Turnover	1,879.38	100.00
<u>Less</u> : Cost of good sold	2,190.58	116.56
Trading loss	<u>(311.20)</u>	<u>(16.56)</u>
<u>Add</u> : Administrative and financial charges and stock losses	(173.32)	(9.22)
Operational loss	<u>484.52</u>	<u>25.78</u>
<u>Less</u> : Non-operative income	6.20	.33
Net loss	<u>478.32</u>	<u>25.45</u>
<u>Less</u> : Subsidy received from Government	361.59	19.24
	-----	-----
Balance loss transferred to balance sheet	116.73	6.21
	=====	=====

CONCISE BALANCE SHEET AT 30 JUNE 1992

	In crore <u>Taka</u>	% of <u>Net asset</u>
<u>NET ASSETS</u>		
Current assets	2,506.88	89.50
<u>Less</u> : Current liabilities	393.00	14.03
	-----	-----
Net current assets	2,113.88	75.47
<u>Less</u> : Long-term liabilities	428.23	15.29
	-----	-----
<u>Add</u> : Fixed assets (at valuation)	1,685.65	60.18
	1,115.45	39.82
	-----	-----
Net assets	<u>2,801.10</u>	<u>100.00</u>
	=====	=====
<u>REPRESENTED BY</u>		
Fund account	2,917.83	104.17
<u>Less</u> : Revenue deficit	(116.73)	(4.17)
	-----	-----
Balance fund Taka	<u>2,801.10</u>	<u>100.00</u>
	=====	=====

DIRECTORATE GENERAL OF FOOD
TURNOVER ANALYSIS

	<u>Amount in crore Taka</u>	<u>% of total turnover</u>
<u>TURNOVER</u>		
Cash sales	1,025.40	45.63
Credit sales	853.98	38.00
Non-operating income	6.20	.28
Subsidy from Government	361.60	16.09
	-----	-----
Total	2,247.18	100.00
	=====	=====
 <u>HOW IT WAS USED</u>		
Cost of materials	2,190.58	97.48
<u>Add:</u>		
Transit loss	36.41	1.62
Godown loss	15.31	.68
	-----	-----
Cost of materials sold	2,242.30	99.78
 <u>Add: EXPENSES</u>		
Salary cost of employee	40.59	1.81
Office rental and other utility charges	4.02	.18
Office expenses	3.80	.17
Vehicle running cost	1.22	.05
Repairs and maintenance cost	.60	.03
Interest on long term borrowings	15.77	.70
Interest on bank loans for domestic procurement cost financing	55.60	2.47
	-----	-----
Operational losses	121.60	5.41
	(116.72)	(5.19)
	-----	-----
	4.88	.22
	-----	-----
Total	2,247.18	100.00
	=====	=====

DIRECTORATE GENERAL OF FOOD
Significant Business Highlights
SUMMARY TABLES

		Qty. in Lakh M. Ton	Value in crore Taka	%
1	SALES			
	Cash sales	126.64	1,025.40	54.56
	Credit sales	<u>37.72</u>	<u>853.98</u>	<u>45.44</u>
		<u>164.36</u>	<u>1,879.38</u>	<u>100.00</u>
2	COMMODITY WISE CASH SALES			
	Rice	53.07	543.54	53.01
	Wheat	64.02	458.67	44.73
	Paddy	.05	1.03	.10
	Sugar	6.28	6.28	.61
	Salt	1.75	8.12	.79
	E. Oil	<u>.57</u>	<u>7.76</u>	<u>.76</u>
		<u>126.64</u>	<u>1,025.40</u>	<u>100.00</u>
3	COMMODITY WISE CREDIT SALES			
	Rice	6.30	13.91	1.63
	Wheat	29.57	5.46	.64
	Flour	.01	.01	.01
	Sugar	.01	.12	.01
	Salt	1.01	.50	.06
	E.Oil	.82	6.95	.81
	Relief Materials	-	<u>827.03</u>	<u>96.84</u>
		<u>37.72</u>	<u>853.98</u>	<u>100.00</u>
4	PROCUREMENT			
	Internal procurement	150.42	1,100.18	52.11
	External procurement	<u>19.86</u>	<u>1,010.97</u>	<u>47.89</u>
		<u>170.28</u>	<u>2,111.15</u>	<u>100.00</u>
5	COMMODITY WISE PROCUREMENT			
	Rice	7.16	72.81	3.45
	Wheat	22.25	983.56	46.59
	Paddy	139.10	909.04	43.06
	Oil & Oil category	1.50	50.16	2.38
	Salt	.27	11.96	.56
	Gunny bags & Chemicals	-	<u>83.62</u>	<u>3.96</u>
		<u>170.28</u>	<u>2,111.15</u>	<u>100.00</u>

		Qty. in Lakh M. Ton	Value in crore Taka	%
6	COMMODITY WISE INTERNAL PROCUREMENT			
	Rice	3.33	34.16	3.10
	Wheat	7.69	49.44	4.49
	Paddy	139.10	909.04	82.63
	Salt	.27	11.96	1.09
	Oil	.03	12.03	1.10
	Gunny bags	-	83.55	7.59
		<u>150.42</u>	<u>1,100.18</u>	<u>100.00</u>
7	COMMODITY WISE EXTERNAL PROCUREMENT			
	Rice	3.83	38.65	3.82
	Wheat	14.56	934.13	92.40
	E. Oil	1.47	38.12	3.77
	Chemicals	-	.07	.01
		<u>19.86</u>	<u>1,010.97</u>	<u>100.00</u>
8	COST OF GOODS SOLD			
	Opening stock		911.93	41.63
	Add: Purchases (invoice Value)		2,111.15	96.37
	Add: Direct expenses		<u>273.33</u>	<u>12.48</u>
			<u>2,384.48</u>	<u>108.85</u>
	Total Input		<u>3,296.41</u>	<u>150.48</u>
	Less: Closing stock (per inventory)		<u>1,054.11</u>	<u>48.12</u>
			<u>2,242.30</u>	<u>102.36</u>
	Less: Transit loss		36.41	1.66
	Less: Godown loss		<u>15.31</u>	<u>.70</u>
			<u>51.72</u>	<u>2.36</u>
	Cost of goods sold		<u>2,190.58</u>	<u>100.00</u>
9	VALUE OF LOSSES			
	Transit loss		36.41	16.20
	Godown loss		15.31	6.81
	Inventory		<u>173.00(*)</u>	<u>76.99</u>
			<u>224.72</u>	<u>100.00</u>
(*) Without considering the quantity of wheat issued to the Government Flour and Feed Mill which amounted to a value of Taka 4.32 crore.				

		Qty. in Lakh M. Ton	Value in crore Taka	%
10	SUBSIDY FROM GOVERNMENT			
	General		343.60	95.02
	Army		13.00	3.60
	Police		<u>5.00</u>	<u>1.38</u>
			<u>361.60</u>	<u>100.00</u>

11 FIXED ASSETS (in crore taka)

Particulars	Cost	Revaluation	Total cost	Book value	% of book value
*Land & land development	13.82	184.66	198.48	198.48	17.79
* Godown / silos and office buildings	455.61	920.51	1,376.12	742.74	66.59
* Residential buildings	55.31	77.06	132.37	68.45	6.14
* Security walls	14.00	-	14.00	10.33	.93
* Internal road	7.75	-	7.75	6.86	.61
* Railway sidings	.60	.45	1.05	.65	.06
* Electric transmission lines	3.56	-	3.56	3.12	.28
* Plant & machinery	10.50	135.76	146.26	74.76	6.70
* Motor vehicle	1.05	-	1.05	.88	.08
Riverine boats, launches, jetty	.41	-	.41	.36	.03
* Furniture & fixture	2.05	-	2.05	1.54	.14
* Office equipment	.08	-	.08	.06	.01
* Sundry	9.44	-	9.44	7.20	.64
Total	574.18	1,318.44	1,892.62	1,115.45	100.00

		Value in crore Taka	%
12	BOOK DEBT		
	Bangladesh Army	3.41	91.91
	Bangladesh Police	.16	4.31
	D.G. Prison	.13	3.51
	B.G. Press	<u>.01</u>	<u>.27</u>
		<u>3.71</u>	<u>100.00</u>

BEST AVAILABLE DOCUMENT

		Value in crore Taka	%
13	BANK OVERDRAFTS		
	Sonali Bank	234.50	63.55
	Agrani Bank	73.60	19.94
	Rupali Bank	40.80	11.06
	Janata Bank	<u>20.11</u>	5.45
		369.01	<u>5.45</u>
		=====	100.00
			=====
14	LONG-TERM LOANS		
	PL-480(111)	7.71	1.80
	K.R. Japan	32.96	7.70
	E.E.C	82.78	19.33
	Canada	20.87	4.87
	Australia	14.95	3.49
	Germany	4.51	1.05
	France	25.61	5.98
	Norway	1.20	.28
	Carq-USA	46.62	10.89
	Other Countries	<u>191.01</u>	<u>44.61</u>
		428.22	100.00
		=====	=====

BEST AVAILABLE DOCUMENT

APPENDIX-C

MINUTES OF TENDERING PROCEDURE SUBCOMMITTEE ON CREDIT FOR FOODGRAIN TENDERING

OCTOBER 12, 1992

APPENDIX - C

MINUTES OF THE MOF TENDERING PROCEDURE SUBCOMITTEE] ON CREDIT FOR FOODGRAIN TENDERING October 12, 1992

Attendees:

S. Haggblade, IFPRI
K. ul Alam, BCD, Bangladesh
S. Haq, DG Food
M. Rahman, IFPRI Consultant
F. van de Ven, FAO Reorganization Project

1. Report on Chittagong bankers seminar

The 12 to 15 bankers present in Chittagong unanimously agreed that current BCD restrictions prevent them from issuing credit to private grain traders. For rice millers, they can issue working capital credit for 21 days. But none to grain traders.

2. Review of negative restrictions on foodgrain credit

- BCD circular 650/53 of 24/10/82: prevents credit advance using foodgrains as security; bankers interpret it as preventing any credit for foodgrain purchase;
- BCD circular 13 of 27/6/89 limits credit volume to rice millers.
- BCD circular 35 of 1/12/89 withdraws restrictions on foodgrain credit for rice and paddy
- BCD circular 4 of 7/2/90 summarized credit restrictions on foodgrains; ban on wheat credits restated; ban on rice and paddy lifted in clause 7; but clause 8 reinstates limits on rice mill working capital and specifically exhorts against credit to grain traders for stock building. These closing cautions lead bankers to view prior restrictions on foodgrain credit as remaining full force.

3. Steps necessary for inducing bank lending to foodgrain traders a) Remove, without qualification, restrictions on foodgrain credit

Bangladesh Bank BCD has drafted a general circular abolishing restrictions on all forms of credit, not only for foodgrains but for all other commodities as well. This circular could be signed within a matter of days, but has not been signed yet.

Action: Ministry of Food to contact Bangladesh Bank to determine if the new general circular will be issued in time to allow foodgrain credit for the coming aman procurement season.

b. Issue positive encouragement

Bangladesh bank prefers not to lapse back into issuance of detailed procedural recommendations for each eventual category of lending. Therefore, they prefer to issue their formal encouragement in the form of: 1) high-level meetings including Bangladesh Bank, Ministry of Food, and bankers, highlighting government's interest in foodgrain credit for tenders; and 2) letters, from BB and MOF bankers, outlining this interest.

Action: Secretary, Ministry of Food needs to initiate 1) and 2), together with Bangladesh Bank.

c. Technicians develop pro forma documents and training materials for consideration by bankers.

Given Bangladesh Bank's reluctance to issue detailed instructions, the Financial Sector Reform Project (FSRP) may be best positioned to recommend procedures and provide training for bankers. They will need authorization from the Governor, Bangladesh Bank before proceeding. Within Bangladesh bank, FSRP may work with the Training Section and Credit Information Bureau. Committee to make sure that bankers procedures and information requirements mesh with tender documentation.

Action: Governor, Bangladesh bank, if he concurs, must authorize FSRP to begin developing pro forma procedures, documents and training materials in concert with MOF Tendering Committee.

The attenders agrees unanimously that this course of action is necessary and that speed is of the essence.

**OVERCOMING CREDIT CONSTRAINTS
TO LARGE-SCALE PUBLIC TENDERING FOR FOODGRAINS**
Updated October 13, 1992

I. Is Credit a Constraint?

A. Is size of the banking system a constraint? NO

Tendering will require credit of approximately 440 crore taka after each of the two principal rice harvests (Table 1). The existing banking can easily accommodate credit of this magnitude, for two reasons.

. The amount required is less than 2% of total credit outstanding.

. Tendering will not increase aggregate credit requirements. Rather, it will redistribute credit from government (DG Food) to private traders.

B. Is individual trader's access constrained? YES

. Rice traders do not currently have access to bank credit for financing grain stocks (Table 2)

. Rice millers do, but only in very small amounts.

. Neither group stocks sufficient grain to accommodate even the minimum 300 ton tenders.

. Millers will require credit at least 10 times their current drawings to finance a single tender of 1,000 tons.

. Small mills are least likely to receive bank credit. Given their large numbers, they must have access if public tenders are to be highly competitive.

II. What limits bank credit to grain traders?

**A. BCD circulars
(circular text attached)**

. BCD Circular No. (C) 650/53 of October 24, 1982 prevents credit advance using foodgrains as a security.

. BCD Circular No. 13 of June 27, 1989 limits working capital credit to rice millers.

. BCD circular 4 of 7/2/90 summarizes credit restrictions on foodgrains; ban on wheat credit restated; ban on rice and paddy lifted in clause 7; but limits on rice mill working capital reinstated in clause 8; specific exhortation against credit to grain traders for stock building leads bankers to view prior restrictions on foodgrain credit as remaining full force.

B. Banking practice

Current, conservative banking practice leads bankers to interpret existing circulars as preventing lending for foodgrain purchases. In fact, bankers almost never lend to finance foodgrain stocks (Table 2). When they do lend, the volume is minute.

C. Legal impediments

Three laws constrain large-scale foodgrain trade in Bangladesh:

- . the Bengal Rice Millers Act of 1943
- . the Anti-Hoarding Act
- . the Control of Goods Act.

All have been suspended since the 1988 floods. But all remain on the books and susceptible to reinforcement at any time. The threat of reinvoking these laws limits large-scale grain trade in the following ways:

- . reduce trader's willingness to hold large stocks
- . limits trader's interest in building storage facilities
- . makes bankers unwilling to lend foodgrain purchase.

III. Steps Required to Make Adequate Credit Available

In the short-run, the following steps will be necessary to make credit available in quantities adequate to make large-scale tendering work.

A. Strike down BCD restrictions

- . either Bangladesh Bank must issue new positive circulars on grain credits
- . or they must abolish existing negative circulars
- . and issue a letter from to bank communicating recommended procedures for processing requests to finance foodgrain tenders

B. Meeting with bankers

Both Bangladesh Bank Ministry of Food officials will need to meet with bankers, for two purposes:

- . to encourage them to participate in tender finance
- . to obtain feedback on best procedures for processing these loans.

C. Develop and harmonize tendering and credit procedures

- . MOF must develop clear tendering procedures.
- . Banks must develop systems to finance the tenders.
- . The two systems must mesh.

A key question affecting both MOF and the banks, is how to guarantee grain credits. Options suggested to date include: a) inland letter of credit; and b) loan collateralized by tender award. Other options certainly exist.

After development, the agreed-upon procedures must be codified. This will involve preparation of:

- . a tendering manual for DG Food
- . a tendering finance manual for bankers

D. Training

Bangladesh Bank, Ministry of Food, or someone, must offer training:

- . for bankers
- . for DG Food officials
- . and for traders who will tender.

E. Abolish inhibiting legislation

In the medium run, removal of the Anti-Hoarding Laws and other inhibiting legislation will probably be necessary to enable both banks and traders to engage in grain trade on a large scale. IFPRI's forthcoming Policy Brief on "The Maturing of the Private Rice Trade" should help focus decision-makers on the rapid change in size and performance of the private rice trade in Bangladesh. The conventional wisdom of 50 years ago, when this legislation was introduced, is no longer valid today. Rice markets are large and competitive. In fact, current credit restriction impede development of even greater competition and efficiency.

Table 1 – Credit Requirements for Public Tendering

Credit Requirements:

- 400,000 tons, twice a year, after Boro and Aman harvests
- each, six months duration
- cost 11,000 taka per ton

Current size of the banking system

- \$ 6.1 billion outstanding
- includes 300 crore to DG Food

Table 2 – Stocks and Credit in the Bangladesh Rice Trade

	Rice Millers				Rice Traders	
	Crusher	Small mills	Major mills	Automatic mills	Bepari	Wholesaler
Number of enterprises	15,300	19,700	480	88	5,00	5,100
Average stocks per establishment (tons)						
- peak season (January)	9	38	68	190	1	13
- lean season (September)	6	20	12	72	0.3	5
Turnover-to-stock ratio*						
- peak season (January)	4	2	1	2	44	3
- lean season (September)	6	3	6	3	78	33
Credit received ('000 taka)						
- average outstanding	32	167	257	1039	28	164
- from traders	80%	44%	32%	38%	96%	82%
- from banks	20%	56%	68%	87%	4%	18%
Lending ('000 taka)						
- average collectible	38	100	98	240	32	540

* Number of times stocks are turned over per month.

Source: IFPRI Farm and Market Survey, preliminary results.

BEST AVAILABLE DOCUMENT

A. BCD Circular No. 650/53 dated 24th October, 1982

Subject: Summary of Credit Restriction as on 20th October, 1982.

Excerpt from BCD Circular

All Schedule Banks in Bangladesh

7. Advance against the security of Foodgrains and other essential commodities:

- Advances against the following foodgrain and other essential commodities except to Govt., Semi-Government, Semi-autonomous bodies and Sugar Mills are prohibited.
 - a) All foodgrain and pulses
 - b) Wheat and Wheat flour
 - c) Oil seeds
 - d) Edible oil (refined,..
 - e) Sugar
 - f) Kerosine
 - g) Onion and Chilies

However, in private sector, exemptions are available in the following cases:

- 1) Advance to rice mills and flour mills against security of rice and paddy, wheat and wheat flour, may be allowed by banks to meet their working capital requirements only. Such advance will be subject to 30% margin requirement only. Such advance will have to be adjusted within 21 days from the date of advance.
- 2)

B. BCD Circular No. -13 of 27.6.89

AUTOMATIC RICE MILLS

Capacity Utilization:

- a) Existing Unit 5% above the last year actual capacity utilization or 75% of the sanctioned/rated capacity whichever is lower.
- b) New Unit 50% of the rated/sanctioned capacity. half of the above capacity (a or b) is considered to be utilized on rental basis. Therefore, working capital is to be calculated for the requirement of the remaining utilized capacity only.

Inventory

- Raw material : 21 days (cost at factory site).
- Work-in-process : 2 days (at production cost).
- Stores & spares : 30 days (at production cost).
- Finished goods : 7 days (at production cost).
- Cash-in-hand : Cash requirement for meeting day-to-day expenditure (i.e., salary, utilities, transportation etc.) should be arranged by the sponsor.

Limits on
Format for working capital estimate

<u>Item</u>	<u>Tied-up period</u>	<u>Working capital requirement in Taka</u>
Raw materials	21 days	
Work-in-process	2 days	
Stores & spares	30 days	
Finished goods	7 days	
Cash	Lump-Sum	

- (1) Margin/Security will be as per bank-client relationship.
- (2) The norms as indicated above including actual capacity utilization for determining the working capital requirement may be varied by the bank on the basis of actual situation for unit requiring special dispensation.

Translation from Bangla

C. BCD Circular No. 35

Dated: 01/12/1989 Eng
18/8/1396 Beng.

Telegram
BANGLADESH

BANGLADESH BANK
Head Office
Dhaka

Bank Controlling Dept.

All Scheduled Bank in Bangladesh,

Dear Sirs:

**The existing restrictions on bank credit
disbursement to merchants of foodgrains.**

Restriction imposed vivid BCD Circular No. 15 of 1972, BCD Circular No. 7 of 1979 and Section No. 7 of BCD Circular No. 9 of 1987 on bank credit disbursement to merchants of foodgrains have been suspended immediately. This suspension order will remain in force until further instruction.

In the light of this decision, banks may extend credit facilities to foodgrain merchants on the basis of their judgement at a reasonable margin and against proper collateral. Generally, procured crops will be treated as primary security bond.

This order will come into effect immediately, and you are requested to inform to all branches of your bank about it.

Yours faithfully,

Sd/-
Abdur Rashid
Deputy General Manager

Dated: 07/02/1990

All Scheduled Bank in Bangladesh

Dear Sirs:

Summary of Policies and regulation for Credit Operation

Enclosed herewith Summary of all policies and regulation for credit operation by Bangladesh Bank upto December 31, 1989.

This summary has been prepared for ready reference and convenience of the banks. References of circulars on the basis of which this summary has been prepared are given at appropriate place. Banks are advised to follow the detailed instructions as mentioned in those circulars for operation of the credit program.

You are requested to furnish a copy of this summary to all branches of your bank. Meanwhile, kindly acknowledge the receipt of this summary.

Yours faithfully.

Sd/-
Abdur Rashid
Deputy General Manager

Summary of Regulation for disbursement of Credit up to December 31, 1989 (for further information it is advised to refer to circulars issued by Bangladesh as mentioned below)

C7. Credit against Food Crops and Goods of Daily Necessities

The existing restrictions on bank credit for merchants of foodgrains like paddy and rice have been suspended until further orders. In the light of this decision, banks may extend credit facilities to foodgrain merchants on the basis of their judgement at a reasonable margin and against proper collateral (Ga-1)

Exception the food crops mentioned above and, Govt. Semi-Govt. and Sugar mills, bank credit of any type for all other following products has been made totally prohibited (Ga-2)

- a) Pulses type products
- b) Wheat, Ata and Flour
- c) Oil Seed
- d) Edible oil (refined, non-refined or vegetable)
- e) Sugar
- f) Kerosene
- g) Onion, Garlic and Chillie

Regarding rate of interest, rules indicated in serial No. 18 are to be followed.

8. Credit for Working capital for
Rice, Flour, Oil, Hosiery, Salt Crushing Mills

- a) Rice and Flour Mills:
Credit may be made for working capital of paddy, rice or flour mills at a margin of 30% of value of the stocks to repayable after 21 days. However, it has to be ensured that this credit is not used for stock building or speculation purposes.

APPENDIX-D
SUPPLEMENTARY RAW DATA

43a

Table D1-Wholesale Market Price of Coarse Rice and Wheat

(Tk/Kg)

Year	GDP Deflators (72/73=100)	GDP Deflators (92/93=100)	Rice	Wheat	Real Rice	Real Wheat	Real Rice Trend	Real Wheat Trend
1972/73	100	11	2.02	---	17.60	---	17.84	---
1973/74	142	16	2.69	1.67	16.55	10.29	17.38	10.91
1974/75	246	28	5.61	3.77	19.92	13.39	16.94	10.66
1975/76	185	21	3.34	2.06	15.74	9.70	16.50	10.42
1976/77	178	20	3.03	2.12	14.86	10.39	16.07	10.18
1977/78	186	21	3.71	2.45	17.41	11.50	15.66	9.94
1978/79	261	30	4.08	2.45	13.64	8.19	15.25	9.72
1979/80	295	34	5.40	3.31	15.97	9.80	14.86	9.49
1980/81	326	37	4.51	2.96	12.08	7.92	14.48	9.28
1981/82	367	42	5.90	3.66	14.05	8.70	14.10	9.06
1982/83	385	44	6.42	4.35	14.56	9.86	13.74	8.86
1983/84	449	51	7.01	4.46	13.63	8.68	13.39	8.65
1984/85	516	59	7.89	4.54	13.34	7.68	13.04	8.45
1985/86	544	62	7.51	4.85	12.05	7.79	12.70	8.26
1986/87	591	68	9.13	5.59	13.48	8.26	12.38	8.07
1987/88	647	74	9.43	5.75	12.73	7.75	12.06	7.89
1988/89	697	80	9.71	6.00	12.16	7.52	11.75	7.71
1989/90	732	84	9.65	6.25	11.51	7.45	11.44	7.53
1990/91	801	92	10.41	7.17	11.34	7.82	11.15	7.36
1991/92	836	96	10.99	7.34	11.48	7.67	10.86	7.19
1992/93	873	100	9.06	7.18	9.06	7.18	10.58	7.02

Note : GDP Deflator of 1992/93 is Estimated on the basis of last Two years.
Source : DAM & BBS

Table D2-Production of Foodgrains With Trends & Deviation Percentage by Crops

(in '000 Mt.Tons)

Year	Aman	Aus	Boro	Wheat	Aman Trend	Aus Trend	Boro Trend	Wheat Trend	Deviation	Deviation	Deviation	Deviation
									Percentage Aman	Percentage Aus	Percentage Boro	Percentage Wheat
1972/73	5677	2309	2104	91	6403	3172	1709	164	-11.34	-27.20	23.13	-44.53
1973/74	6807	2847	2256	111	6521	3138	1830	164	4.39	-9.27	23.31	-32.36
1974/75	6096	2905	2286	117	6640	3105	1959	164	-8.20	-6.43	16.70	-28.83
1975/76	7158	3282	2323	218	6762	3071	2097	185	5.85	6.86	10.76	18.05
1976/77	7017	3059	1676	260	6886	3039	2246	208	1.90	0.67	-25.36	25.04
1977/78	7541	3154	2275	348	7012	3006	2404	234	7.54	4.92	-5.38	48.62
1978/79	7548	3341	1960	494	7141	2974	2574	264	5.70	12.34	-23.86	87.35
1979/80	7420	2854	2466	823	7272	2942	2756	297	2.04	-3.00	-10.53	177.19
1980/81	7963	3289	2630	1093	7405	2911	2951	334	7.53	12.98	-10.88	226.91
1981/82	7209	3270	3152	967	7541	2880	3160	376	-4.40	13.54	-0.24	156.85
1982/83	7603	3066	3546	1095	7679	2849	3383	424	-0.99	7.61	4.82	158.38
1983/84	7936	3222	3350	1212	7820	2819	3622	477	1.48	14.30	-7.52	153.88
1984/85	7930	2783	3509	1464	7964	2789	3878	538	-0.42	-0.21	0.79	172.34
1985/86	8542	2828	3671	1042	8110	2759	4152	605	5.33	2.50	-11.59	72.11
1986/87	8267	3179	4010	1092	8258	2730	4446	682	0.10	16.47	-9.81	60.13
1987/88	7813	3041	4807	1048	8410	2700	4760	768	-7.10	12.61	0.98	36.51
1988/89	6967	2902	5925	1022	8564	2672	5097	864	-18.65	8.62	16.25	18.24
1989/90	9004	2488	5970	890	8721	2643	5457	973	3.24	-5.87	9.40	-8.56
1990/91	9167	2328	6357	1004	8881	2615	5843	1096	3.22	-10.97	8.80	-8.39
1991/92	9269	2179	6804	1065	9044	2587	6256	1234	2.49	-15.77	8.76	-13.70
1992/93	9680	2075	6740	1175	9210	2559	6698	1390	5.10	-18.93	0.63	-15.45

Source : BBS

BEST AVAILABLE DOCUMENT

Table D3-Wholesale Market Price of Coarse Rice, Paddy & White Wheat

(Tk/Qtl)

Year	Month	Dinajpur Paddy	Rangpur Paddy	Bogra Paddy	Dhaka Rice	Khulna Rice	Chittagong Rice	Rangpur Wheat
1990	JAN	584	571	590	939	872	934	586
	FEB	624	619	624	997	969	991	556
	MAR	645	653	640	1045	1038	1036	588
	APR	595	644	648	1035	968	1050	583
	MAY	537	493	497	915	881	1039	619
	JUN	477	518	566	905	872	986	653
	JUL	566	576	579	969	964	1062	654
	AUG	576	606	599	983	967	1081	690
	SEP	576	588	599	980	980	1030	724
	OCT	605	632	655	1077	1070	1095	772
	NOV	593	543	574	1088	1099	1139	839
	DEC	599	589	581	1003	993	1082	872
1991	JAN	625	630	640	1050	1055	1072	888
	FEB	663	653	671	1065	1087	1116	905
	MAR	696	695	703	1140	1134	1161	659
	APR	677	701	693	1077	1095	1225	553
	MAY	571	570	541	1014	1030	1178	578
	JUN	583	552	605	1036	1056	1072	588
	JUL	624	616	661	1084	1097	1194	595
	AUG	643	659	651	1061	1041	1159	630
	SEP	692	698	681	1115	1146	1165	761
	OCT	683	722	698	1150	1145	1150	737
	NOV	608	571	584	1067	1062	1147	663
	DEC	672	623	598	1065	1014	1084	616
1992	JAN	678	664	686	1112	1060	1197	680
	FEB	696	715	679	1146	1095	1198	878
	MAR	721	747	719	1179	1067	1201	650
	APR	779	800	706	1221	1092	1220	636
	MAY	629	567	603	1119	1011	1124	648
	JUN	625	593	639	1083	1016	1123	656
	JUL	635	629	638	1115	1111	1188	730
	AUG	630	624	650	1082	1042	1151	713
	SEP	615	595	621	1061	984	1105	703
	OCT	578	537	504	1029	936	1096	700
	NOV	430	491	455	936	860	980	701
	DEC	438	441	460	878	928	898	725
1993	JAN	471	471	494	906	897	862	717
	FEB	475	466	510	894	898	838	722
	MAR	513	498	510	898	900	837	628
	APR	524	529	514	907	905	873	479
	MAY	445	424	441	925	769	838	458
	JUN	358	372	383	886	793	852	462
	JUL	362	359	376	880	813	771	441
	AUG	443	441	435	797	828	809	484
	SEP	516	475	500	873	937	858	561
	OCT	513	523	536	872	969	847	562
	NOV	515	523	528	924	994	918	582
	DEC	515	493	503	898	901	892	596

Source : DAM & DGF

BEST AVAILABLE DOCUMENT

Table D3-(Contd)

(Tk/Qtl)

Year	Month	Dhaka Wheat	Chittagong Wheat	Procurement Rice Price	Procurement Wheat Price	Procurement Paddy Price
1990	JAN	640	617	907	562	589
	FEB	618	637	907	562	589
	MAR	622	673	907	562	589
	APR	691	685	907	562	589
	MAY	761	696	907	562	589
	JUN	714	700	907	562	589
	JUL	675	700	907	589	589
	AUG	715	660	907	589	589
	SEP	730	698	907	589	589
	OCT	717	684	907	589	589
	NOV	789	690	907	589	589
	DEC	757	695	907	589	589
1991	JAN	732	700	907	589	589
	FEB	730	724	907	589	589
	MAR	710	677	907	589	589
	APR	635	700	990	589	643
	MAY	657	654	990	589	643
	JUN	663	622	990	589	643
	JUL	655	639	990	589	643
	AUG	690	643	990	589	643
	SEP	703	668	990	589	643
	OCT	ERR	669	990	589	643
	NOV	722	670	1010	589	656
	DEC	699	654	1010	589	656
1992	JAN	703	654	1010	589	656
	FEB	835	671	1010	589	656
	MAR	957	695	1010	643	656
	APR	877	732	1010	643	656
	MAY	775	694	1010	643	656
	JUN	763	683	1010	643	656
	JUL	764	697	1010	643	656
	AUG	772	698	1010	643	656
	SEP	775	743	1010	643	656
	OCT	810	751	1010	643	656
	NOV	767	725	866	643	563
	DEC	734	701	866	643	563
1993	JAN	763	692	866	643	563
	FEB	762	692	866	643	563
	MAR	770	692	866	603	563
	APR	725	692	925	603	603
	MAY	704	725	925	603	603
	JUN	685	693	925	603	603
	JUL	610	641	925	603	603
	AUG	627	640	925	603	603
	SEP	668	640	925	603	603
	OCT	703	640	925	603	603
	NOV	654	640	925	603	603
	DEC	673	640	925	603	603

Source : DAM & DGF

BEST AVAILABLE DOCUMENT

Table D4-Wholesale Market Price of Coarse Rice, Paddy and White Wheat, 1993

(Tk/Qt1)

Month	Week	Dinajpur Paddy	Rangpur Paddy	Bogra Paddy	Dhaka Rice	Khulna Rice	Chittagong Rice	Rangpur Wheat	Dhaka Wheat	Chittagong Wheat
Jan	1ST	463	489	475	875	900	858	721	765	697
	2ND	483	449	480	939	900	858	714	765	692
	3RD	495	475	510	944	900	865	716	762	692
	4TH	442	469	510	867	897	865	716	760	692
Feb	1ST	442	458	510	840	895	853	726	760	692
	2ND	469	458	510	912	897	831	723	760	692
	3RD	495	473	510	912	900	831	723	760	692
	4TH	495	473	510	912	900	837	717	766	692
Mar	1ST	495	497	510	914	900	837	730	764	692
	2ND	522	489	510	902	900	837	743	760	692
	3RD	522	497	510	890	900	837	733	757	692
	4TH	522	496	510	908	900	837	475	802	692
	5TH	502	509	510	876	905	837	458	767	693
Apr	1ST	529	546	530	928	900	871	449	782	692
	2ND	522	542	510	905	913	871	489	729	692
	3RD	536	528	516	877	905	871	489	685	692
	4th	530	498	510	917	900	879	490	703	692
May	1ST	402	516	510	917	800	846	462	718	728
	2ND	361	408	540	947	800	811	449	705	720
	3rd	522	386	440	925	761	835	458	702	725
	4th	495	386	375	912	713	858	462	690	725
Jun	1ST	362	395	373	870	821	858	462	705	725
	2ND	425	374	390	870	757	858	465	705	725
	3rd	335	361	390	870	750	844	462	685	725
	4th	335	359	390	910	910	850	462	665	645
	5th	335	371	375	910	725	850	458	665	645
Jul	1st	335	337	385	910	825	810	449	610	645
	2nd	348	368	375	865	805	770	449	610	640
	3rd	348	359	370	865	795	765	431	610	640
	4th	415	372	375	805	828	740	435	610	640
Aug	1st	415	378	390	765	825	753	449	625	640
	2nd	441	463	405	775	825	771	462	625	640
	3rd	469	462	440	780	825	798	449	625	640
	4th	420	454	470	825	850	887	516	625	640
	5th	469	449	470	837	815	838	543	635	640
Sep	1st	496	471	470	855	857	868	543	635	640
	2nd	522	466	510	865	977	869	556	635	640
	3rd	549	485	510	905	957	847	575	675	640
	4th	495	478	510	867	955	847	569	725	640
Oct	1st	495	485	525	857	971	847	565	725	640
	2nd	522	527	540	857	971	847	556	725	640
	3rd	522	525	540	882	971	847	556	690	640
	4th	522	553	540	890	964	847	572	670	640
Nov	1st	576	610	540	890	964	872	569	670	640
	2nd	503	529	540	950	975	918	552	650	640
	3rd	483	470	540	930	1011	918	595	650	640
	4th	496	498	510	925	1010	938	596	650	640
	5th	509	508	510	928	1008	942	596	650	640
Dec	1st	522	469	500	926	846	846	596	650	640
	2nd	502	487	500	927	850	938	596	670	640
	3rd	522	523	510	927	1007	892	597	700	640

Source : DAM & DGF

BEST AVAILABLE DOCUMENT

Table D5-Foodgrain Import (Aid/Commercial) from 1975/76-1992/93

(in '000 Mt.Tons)

Year	Aid/Grant			Commercial			Total Import		
	Ric	Wheat	Total	Ric	Wheat	Total	Rice	Whea ⁺	Total
1975/76	395	919	1314	0	146	146	395	1065	1460
1976/77	111	552	663	84	62	146	195	614	809
1977/78	104	1244	1348	200	97	297	304	1341	1645
1978/79	50	1057	1107	4	44	48	54	1101	1155
1979/80	24	1336	1360	688	734	1422	712	2070	2782
1980/81	19	732	751	65	260	325	84	992	1076
1981/82	30	111	141	114	0	114	144	111	255
1982/83	161	845	1006	186	682	868	347	1527	1874
1983/84	117	1324	1441	62	553	615	179	1877	2056
1984/85	125	1181	1306	569	718	1287	694	1899	2593
1985/86	27	1060	1087	10	103	113	37	1163	1200
1986/87	108	1317	1425	153	190	343	261	1507	1768
1987/88	192	1595	1787	401	734	1135	593	2329	2922
1988/89	40	1316	1356	21	61	82	61	1377	1438
1989/90	41	908	949	259	326	585	300	1234	1534
1990/91	10	1530	1540	0	37	37	10	1567	1577
1991/92	39	1275	1414	0	150	150	39	1525	1564
1992/93	19	716	735	0	93	93	19	809	828

Source : DGF

BEST AVAILABLE DOCUMENT

**Table D6-Procurement Prices of Foodgrains by Season from
1972/73-1992/93**

(Tk/Qt1)

Year	Aman Paddy	Aman Rice	Boro Paddy	Boro Rice
1972/73	88.41	142.00	---	---
1973/74	120.56	190.22	---	---
1974/75	206.30	324.18	206.30	324.20
1975/76	206.30	324.18	206.30	324.20
1976/77	208.98	326.86	198.20	310.80
1977/78	225.05	353.65	225.00	353.60
1978/79	225.05	353.65	243.80	375.10
1979/80	281.32	438.05	294.69	442.03
1980/81	308.11	468.86	308.06	482.22
1981/82	332.22	509.05	332.20	509.01
1982/83	361.69	562.63	361.66	562.60
1983/84	385.80	602.82	385.78	602.77
1984/85	456.00	685.88	442.03	661.71
1985/86	462.16	696.60	455.43	683.15
1986/87	482.26	735.45	502.31	767.53
1987/88	535.80	825.10	535.80	825.13
1988/89	562.64	866.46	562.60	866.40
1989/90	589.43	907.12	590.00	907.50
1990/91	590.00	907.50	643.00	990.00
1991/92	656.00	1010.00	656.00	1010.00
1992/93	562.60	866.46	602.83	954.88

Source: DGF

BEST AVAILABLE DOCUMENT