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LIBERALIZATION AND FOODGRAIN IMPORTS:

THE EVOLUTION AND CONDUCT OF THE BORDER TRADE WITH INDIA

K. A. S. MURSHID

OCTOBER 1999

FMRSP Working Paper No. 11

FMRSP Bangladesh
Food Management & Research Support Project
Ministry of Food, Government of the People's Republic of Bangladesh

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GLOSSARY

Hundi:	Currency transfers through unofficial channels
Aratdar:	Brokers or commission agents
Dadon:	Credit advances against stipulated delivery of commodities or services at a specific date
Marwari:	Businessmen/traders of Indian origin belonging to a specific ethnic group

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EXECUTIVE SUMMARY

INTRODUCTION

A decision was taken in the early 1990s to withdraw restrictions on private food imports as part of the move towards greater trade liberalization. This has resulted in a fundamental change in the food-security regime facing Bangladesh, in terms of supply, prices, time lags for imports, and ultimately, in terms of benefits to consumers. Producers too have been affected since they now have to operate within a price ceiling effectively determined by the import-parity price with India.

METHODOLOGICAL NOTES

The main objective of this study is to examine how rice imports are organized and the manner in which binding contracts are established between importers and exporters. As with any other market, the basic problem of exchange is solved by enabling transacting parties to negotiate, bargain and settle on price-quantity-quality terms, as well as delivery and payment schedules, in a fast, secure and low-cost manner. These goals pose a more serious challenge when trading occurs at a distance and across international boundaries. Both questionnaire-based survey techniques and case studies were adopted for rice importers.

ORGANIZATION AND CONDUCT OF THE RICE IMPORT TRADE

The Rice Importer Firm

In terms of the frequency distribution of age of these companies, the variation was wide. Only two firms were established after 1990, 17 in the 1980s, 13 in the 1970s and the remainder before 1970 -- the oldest firm dating way back to 1950. Most firms reported entry in 1995 (45 percent), soon after the change in trade policy. A big chunk (40 percent), however, entered the trade not surprisingly in 1998, when private imports began to accelerate following the poor *aman* rice crop of 1997 and the floods of July-September, 1998.

While the switch to rice imports has been recent and the majority of traders import a number of commodities other than rice, a significant proportion was found to be concentrating in rice alone. Non-rice commodities reported were primarily fertilizers, cement, spices and chilies.

The important dimensions related to transactions are risks and speed of execution. The data points to some interesting features: import by trucks entails much smaller transaction size and much speedier delivery. Delivery lags by rail are typically very long, ranging from 115 to 120 days, compared to 20-25 days by truck. While rail transport is much cheaper, capacity is highly constrained stemming from inadequate wagon-space, delays in off-loading, poor infrastructure, especially on the Bangladesh side, and so on. Small importers find truck transport a very attractive proposition because they can use small amounts of capital and generate a quick turnover on their investment even if transport costs per unit are higher. Generally, however, the problem of delivery lags figure prominently amongst the complaints made by traders. In terms of the quality of transactions, the majority of respondents were unhappy with the quality of rice received.

Expiration of Irrevocable Letters of Credit

The irrevocability of Letters of Credit (LCs) would appear to have asymmetric implications. It provides exporters with a great deal of leverage in their dealings with importers at the expense of importers. Thus, importers may not cancel an LC during its validity period without approval from the exporter. If an importer thinks that prices may fall dramatically in the local market, the importer can request the exporter to stop shipment. However, in nine times out of ten, such requests go unheeded. On the other hand, importers were often under pressure to raise the price (through an LC amendment) -

- to which they generally seem to succumb, as non-compliance may lead to delays or poor quality of grain received.

A physical presence at the time of loading of shipments in India appears to be important. Most firms have their own men (apart from the Clearing & Forwarding agent) at the border to check the quality before taking delivery.

Arrangements for Inland Distribution

There was tremendous political pressure to ensure a smooth flow of rice imports, but independently of that, everyone concerned felt that it was their national duty in the face of a grave situation verging on famine to remain on guard so that rice flows were not disrupted. As far as rice was concerned, no extra payments were asked for by the officials, there were no labor or transport problems, no harassment or delays. [1]

Respondents' Views on Factors Increasing Transaction Costs

There is a clear perception amongst all respondents that suppliers often do not stick to their side of the bargain. A large proportion of traders also attached a high rank to problems of transport and storage as factors affecting their transactions. Somewhat surprisingly, insecurity, *mastaani* or toll-collection did not figure as a problem.

Costs of Trade and Trade Finance

There are generally no problems in opening an LC. The foreign currency requirement can be arranged in just one day. The cost of an LC is around 1.5 percent of its total value, including bank charges, insurance and other costs, including transport and commission. No interest is charged until the goods are cleared by Customs. Once

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[1] As the Vice President of the Traders' Association in Benapole said, "For rice we don't need to pay any extra money -- just the Advance Income Tax (AIT) of three percent - that's all".

clearance is obtained, the importers have to pay off the bank quickly to avoid interest charges.

Storage and Transport

Importers generally have access to storage space in the form of go-downs, with most actually owning these themselves.

The Quality of Information

There are no institutional mechanisms for the monitoring and dissemination of vital trade information to traders. Thus, importers have to invest heavily in information collection through their own efforts. There is no association of rice importers yet and the existing Traders' Association is not involved in the job of operating as an information-clearing house.

PORTS AND INFRASTRUCTURE

There is a great deal of variation in terms of the critical facilities available in the different land ports of Bangladesh: transport and storage facilities, availability of international phone/fax/courier services, and banking facilities.

Darsana is the oldest rail port and accounts for the bulk of Indian rice imports. Like Hili, it too has access to the local telephone network, but lacks warehouses. It is serviced by all the major banks and the banking infrastructure is generally considered "good". There are, however, a number of problems faced with regard to banking services. In addition, it faces specific problems related to its position as a rail port. Since banks are closed on Fridays and Saturdays, traders are unable to obtain the 'No Objection Certificate' (NOC) from the bank, which is necessary to release their consignments upon arrival.

VOLUME OF RICE IMPORTS - GOVERNANCE FAILURE?

There has been a lot of speculation about the quantity of rice actually imported from India in 1998-99. There is a strong view that actual imports were much less than suggested by the official figures, mainly due to undeclared imports of non-rice commodities officially shown as rice imports. A recent attempt to cross-check Indian rice export data with Bangladeshi rice imports for 1998-99 suggests that the former accounts for around 75 percent of the latter. In other words, perhaps about 25 percent of total rice imports by Bangladesh may indeed have been non-rice commodities.

CONCLUDING OBSERVATIONS

This study represents a major effort in trying to understand the evolution of the cross-border rice trade and the manner in which it is organized and conducted. The problem that any market has to solve is the problem of enabling exchange to be carried out rapidly, fairly and securely, where each party will keep to its side of the bargain. For these, certain preconditions have to be met -- market institutions or the mechanisms that allow the transacting parties to contact each other, negotiate terms and arrange finance and dispatch goods. With reference to the rice import market, we have examined these conditions and observed that the system works reasonably well. However, some caveats are in order. Both supply and demand side problems were identified - but clearly the former dominates the concerns of the importers.

1. INTRODUCTION

Public monopoly of foodgrain imports was for a long time deemed a sacred right of the state in Bangladesh, based on the need to protect a vital and politically sensitive sector from the hands of 'unscrupulous traders and speculators'. It took a long time for the government to be convinced that liberalization of the foodgrain trade may, on the contrary, be beneficial in terms of national food-security goals. Thus, in the early 1990s, the Government of Bangladesh (GOB) decided to withdraw its restrictions on private food imports (and exports) as part of the move towards greater trade liberalization. This has resulted in a fundamental change in the food-security regime facing Bangladesh, in terms of supply, prices, time lags for imports and ultimately, in terms of benefits to consumers. Producers too have been affected since they now have to operate within a price ceiling effectively determined by the import-parity price with India.

In the context of trade in foodgrain between the two countries, a number of considerations come into play: the question of comparative advantage; food production, price fluctuations and trends in Bangladesh; the size of foodgrain stocks held by the public and private sectors, and public food (buffer) stocks in India. It has been observed that Bangladesh rice prices tend to hover between the import-export parity prices in "normal" years (for example, see Shilpi, 1998). In years of poor harvest, domestic prices routinely exceed import-parity price levels, leading to imports.[2] This has been dramatically demonstrated in 1997-98, and particularly in 1998-99 -- the former in the wake of a shortfall in *aman* production due to a high incidence of no-kernel paddy and the latter, in the wake of the "worst floods of the century" to hit Bangladesh.

[2] The converse however, is not true, that is, Bangladesh is unable to export in years of good harvest (to India), in part because of small price differentials, but perhaps more importantly because Indian policies prohibit rice imports.

Given the Bangladesh experience of the last two years, it is evident that import liberalization has had a salutary impact on the economy by channeling large amounts of grain in the face of acute shortage. In effect, the overwhelming proportion of these imports came in privately, relieving the public distribution system of the task of arranging and distributing a huge quantity of grain. A large measure of the credit in stabilizing food prices and preventing large-scale under-consumption during the massive floods of 1998 can be attributed to private food imports. *This paper is an attempt to understand the institutional strengths and underpinnings that have enabled such massive private imports to be conducted so effectively.*

Liberalization policies and structural adjustments carried out in agriculture (, for example, reduction in input subsidies) may have resulted in eroding some of Bangladesh's competitive edge vis-à-vis India, particularly because of the sustained and continuing subsidies and public goods offered by the latter to its farmers (see, for example, Osmani, 1998). This points to the great importance of India's food/trade policy stance to Bangladesh's food policy regime -- an area of inquiry to which researchers have been slow to respond.

The rest of this paper is organized as follows: Section 2 provides a discussion of the production and consumption context behind the emerging growth in the rice trade between India and Bangladesh, while Section 3 is devoted to some methodological observations. Section 4 consists of the heart of this paper and provides a detailed description and analysis of the private trade in rice imports in Bangladesh based on in-depth interviews and questionnaire-returns of 40 importers and several Clearing and Forwarding (C&F) Agents. Sections 5 and 6 deal with the infrastructure constraints faced in the ports and provide detailed illustrative case studies of an importer and a C&F Agent. Section 7 concludes the paper with some observations and insights.

2. FOODGRAIN PRODUCTION, CONSUMPTION AND TRADE

Both India and Bangladesh have made very significant progress in expanding grain production over the last two to three decades. However, while India appears to have achieved the goal of food self-sufficiency and has emerged as a net exporter (Appendix Table A-1), the Bangladesh situation remains fragile. In years of good harvest, commercial imports dry up while aid-imports (principally wheat) are retained to feed into safety net or public works programs like Food for Works, Food for Education and Vulnerable Group Development (Appendix Table A-2). The superior Indian performance with respect to production as well as a policy of food price subsidies for consumers and input subsidies for farmers has resulted in higher real incomes and higher food consumption, albeit at a cost to the government.

Thus foodgrain consumption in Bangladesh was 176.3 kg (per capita per year) or a calorie equivalent of 1,727 with total calories consumed estimated at 2,105 (including from non-cereal sources) in 1996-97. By comparison, foodgrain consumption in India was lower (1,524 calorie equivalent), but total calories consumed was higher (2,415 calories) in the same period (Dorosh, 1998). The average Indian diet is much less dependent on cereals (with 52 percent of calorie share) than the Bangladeshi diet (81 percent calorie share).

Private foodgrain imports from India appear to have emerged as a critical element in consumption stabilization and food security for Bangladesh. Table A-2 shows the level of foodgrain imports over 1978-79 to 1998-99, while Table A-3 shows monthly private foodgrain imports over 1992-93 to 1998-99. Total imports do not show a clear trend; however, there are a number of years that stand out in terms of import volumes: 1979-80, 1984-85, 1987-88 and 1988-89, 1994-95, 1995-96 and 1997-98. In 1998-99, imports on private account alone exceeded 3 million tons.

While the main catalyst to drive private sector foodgrain imports was the mere act of lifting the ban on foodgrain trade, additional factors also helped, in particular withdrawal of duties/surcharges. Currently, rice imports are virtually duty free with only a small 'Advance Income Tax' of 0.03 percent payable with each transaction.

The supply and price situation in India has also been favorable. The Indian price of rice is relatively cheaper compared to its major competitors, for example, China, Thailand and Vietnam. Moreover, India is probably the only source of coarse parboiled rice available for imports - the type of rice preferred by Bangladeshi consumers. Indian imports also have the advantage of being conducted quickly and at much lower cost through the nine land ports located all around Bangladesh's border.

Thus, changes in the trading regime resulted in a dramatic shift in the share of public commercial imports with the private sector increasingly taking on this burden. The availability of exportable rice surplus in India and the emergence of the private trade in rice imports in Bangladesh call for a careful review of Bangladesh's food-security strategy. The implications appear to be profound. It suggests, among other things, that emergency reserves need not be as high, smaller budgetary resources can be held (for example, for transport, handling and storage), and that the delivery time and costs are likely to be greatly reduced in comparison with third country sources of supply (for example, from Thailand or China). The balance of payments impact also seems favorable since Indian export prices tend to be significantly lower, compared to, for example, the ex-Bangkok price. However, a strong word of caution is in order. Indian grain, especially rice production, is very unevenly distributed between its *kharif* and *rabi* crops and it is not at all unlikely that the much larger *kharif* rice crop could be seriously affected by adverse factors, for example, poor weather, disease, etc. In such an event, it would be unlikely that India would allow rice exports to Bangladesh, even if aggregate availability remained comfortable – mainly due to public apprehension of sharp price increases. Some evidence of such considerations was seen at one stage during the floods of 1998, when public discontent and fears of high food prices in neighboring West Bengal threatened to disrupt imports (Osmani, 1998).

Currently, Indian wheat exports are severely restricted, while rice exports are being allowed under a watchful eye. Rice exporters have to be registered with the Agricultural and Processed Food Products Export and Development Agency (APEDA). Further, each consignment exported needs to be separately approved by APEDA. This allows the government to restrict imports as and when deemed necessary.

The experience of rice imports from India especially in late 1998 and early 1999 does suggest that we cannot take Indian supplies for granted. There are numerous considerations on the Indian side to which the Indian government would need to be sensitive. These include the interests of the exporters (mainly rice millers), the popular mood in the Indian States adjoining Bangladesh, especially West Bengal, the regulations in force relating to truck movements across Indian States and transshipment requirements and truck tonnage allowed, etc. Various manifestations of all these factors were witnessed in the wake of the unprecedented level of rice imports made by Bangladesh importers in 1998-99. A good example is the requirement by the West Bengal government to restrict transit of rice from other states (something that they cannot officially do).[3] Thus, trucks from out of state must trans-ship their consignments to West Bengal-registered trucks instead of proceeding to the border ports. Similarly, new regulations have been stipulated that prevent trucks from loading more than 10 Metric Tons (MT) compared to the previous ceiling of 18 MT - ostensibly to save the roads from excessive wear and tear. This has obviously meant that transport costs have risen, the number of trucks have had to increase by some 50 percent, leading to traffic congestion, especially in the narrow land-port areas, and considerable delays in unloading shipments.

Imports from India also mean that the focus will shift from the seaports as the main points of entry for privately imported grain to the land ports scattered across the long frontier but mainly adjoining West Bengal. Thus, road and rail shipments through the

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[3] See Osmani, 1998.

Table 1 — Imports of Rice Through Selected Land Ports

Month	Benapole		Hili		Darsana		Total
(July, 1998 - Jan, 1999)	A	B	A	B	A	B	A
July	24,677	26,116	42,878	46,111	30,170	19,980	148,063
August	29,584	21,927	28,656	39,585	59,076	56,832	209,241
September	60,748	69,332	44,081	23,534	73,202	74,910	227,537
October	28,726	26,313	34,009	28,458	80,763	69,930	187,459
November	16,696	16,773	26,645	28,554	63,013	69,762	188,445
December	49,988	48,510	31,878	47,089	70,999	89,857	255,176
January	50,397	45,870	24,883	38,524	64,786	59,272	213,981
Total	**260,816**	**254,841**	**233,030**	**251,855**	**442,009**	**440,543**	**1,429,902**

Notes: A: Data obtained directly from port customs records
B: Data from Ministry of Food MIS

ports of Benapole, Darsana, Hili, Burimari, Sonamasjid and Bhomra delivered the bulk of rice imports in 1998-99.

Darsana (the main port for rail-shipment) is the most important land port. The shares of ports like Hili, Sonamasjid and Benapole are roughly equal. We were able to cross check the import data from the MIS of Ministry of Food with that obtained directly from the relevant land customs for three ports, namely Hili, Darsana and Benapole (Table 1). It is interesting to note that the discrepancy between the two sources could be large for some ports in some periods: for example, Hili (for August, September, January) and Darsana (for July and October).[4]

[4] It is understood that the Ministry figures are actually based on daily reports gathered from the Customs offices and sent in by the local food officials. In other words, both sources are based on Customs documents, making it difficult to solve this mystery.

3. METHODOLOGICAL NOTES

The main objective of this study is to examine how rice imports are organized and the manner in which binding contracts are established between importers and exporters. As with any other market, the basic problem of exchange is solved by enabling transacting parties to negotiate, bargain and settle on price-quantity-quality terms, as well as delivery and payment schedules, in a fast, secure and low-cost manner. These goals pose a more serious challenge when trading occurs at a distance and across international boundaries. The main challenge is to ensure that contracts are honored and that the market has developed efficient institutional safeguards, incentives and penalties that are able to guarantee smooth exchange. The post-exchange problems of transport, storage, handling and distribution are also relevant areas of investigation in this context. It is thus important to focus on the manner in which the "market problem" is resolved (i.e. information, law and order, price-determination, quality-control, ease of financial settlements, the incidence of "opportunism", storage and transport, and so on).

Both questionnaire-based survey techniques and case studies were adopted for rice importers. Case studies of Clearing & Forwarding agents, transport owners, Customs officials, bank-managers and railway officials were also conducted. Altogether 40 rice importers were interviewed and three to five respondents were chosen from each of the remaining categories. The respondents were drawn from both the land-port areas as well as from some of the more important trading centers further inland. In particular, rice importers (and other traders) tend to be concentrated in district towns and bazaars, which are "natural" staging points for onward sale and distribution of commodities.

The following land/rail ports were visited during the course of the study: Benapole, Darsana, Hili and Bhomra. The rice importers were drawn from Benapole (Jessore), Noapara (Jessore), Khulna, Bogra, Hili (Dinajpur), Dinajpur (Sadar) and Syedpur

(Rangpur). The absence of a sample frame meant that no systematic sampling procedure could be adopted. Previous work in the area and personal contacts facilitated identification of traders and subsequent (prolonged and patient) interviews.

Table 2 — Distribution of Rice Importers Interviewed by Location

Location	Number	Percent
Benapole	4	10.0
Noapara	6	15.0
Khulna	7	17.5
Bogra	7	17.5
Hili	3	7.5
Dinajpur	4	10.0
Syedpur	9	22.5
Total	**40**	**100**

4. ORGANIZATION AND CONDUCT OF THE RICE IMPORT TRADE

According to our interviews with Bangladeshi rice importers, private rice imports from India originate in a number of Indian states, including Punjab, Uttar Pradesh, Bihar, West Bengal and Andhra Pradesh. On average, each rice importer-firm surveyed employed 10.2 persons and dealt with 4.5 suppliers over the preceding year. In the vast majority of cases, these suppliers (mainly trading firms) were located in West Bengal, with others scattered across a number of areas, mainly New Delhi, Bihar, Agra and Bombay. In most cases, importers deal through trading firms in West Bengal, who in turn obtain the grain from rice mills which could be situated anywhere in the country. There are no open rice markets in India. Millers can sell rice only after they have satisfied Indian government procurement quotas.[5]

While it is difficult to estimate the number of rice importers in Bangladesh, there is little doubt that the numbers have increased rapidly in recent years. The first point to note is that the overwhelming majority of the importers had very little knowledge about rice trade before liberalization. They were primarily importers of a host of other commodities, but moved quickly into rice once a profitable opportunity presented itself. Interestingly, the domestic rice traders, wholesalers and *aratdars* are conspicuous by their almost total absence in the import trade. This suggests that the commodity characteristics are easier to master than the complexities of formal, cross-border trade. In other words, constraints to entry are not associated with the commodity characteristics of the trade, but have more to do with familiarity with the *modus operandi* involved in international trade and, more

[5] The Food Corporation of India (FCI) has a policy of compulsory procurement under which rice millers have to meet established quotas. Private sale or exports can only be made from remaining stocks. There are no wholesale markets from where bulk purchases can be made.

generally, with the underlying institutions of finance and the ability of establishing firm contracts across international boundaries. The basic organization of the firm is likely to be the key factor in this context. Thus, the trading firm that is already active in the export-import trade has well-developed systems in place to locate suppliers, negotiate terms, arrange finance and organize transport, handling, customs procedures, payment of duties and surcharges and marketing. By contrast, the traditional rice wholesaler, miller or *aratdar has none of the above advantages.* Most have very little experience with the formal financial sector, so formal trade finance is negligible. The manner of exchange remains personalized, face-to-face and informal, as opposed to trading at a distance involving formal contracts and formal financial institutions.[6] An additional factor of some importance may have to do with the educational and class characteristics of the two groups with the former tending to be much better educated and therefore much better equipped to handle new information and acquire new skills than the latter.

THE RICE IMPORTS

Of the 40 firms surveyed, more than 70 percent were proprietorships, 24 percent were partnerships and 6 percent were limited companies. In terms of the frequency distribution of age of these companies, the variation was wide. Only two firms were established after 1990, 17 in the 1980s, 13 in the 1970s and the remainder before 1970 - the oldest firm dating way back to 1950. Entry into the rice import trade began in 1994. Most firms reported entry in 1995 (45 percent), soon after the change in trade policy. A big chunk, however, entered the trade not surprisingly, in 1998 (40 percent).[7] Eighty percent of the owners were Muslim and the remainder Hindu. The question of whether Hindu traders are better placed to trade with India is sometimes asked. Our interviews suggest that this is certainly an advantage in informational terms for some Hindu and *Marwari*

[6] Formal international trade is complex in terms of paperwork and negotiating skills (with banks, trade partners etc.) and cannot be learnt over night.

[7] Private imports began to accelerate following the poor Aman crop of 1997, gaining momentum from the latter part of 1998 -- see Table A-2.

traders, but this cannot be generalized.

The locational dispersion of the trading firms is also wide with most situated in the important commercial hubs of the Southwest and North rather than at or close to the ports, namely Noapara in Jessore, Khulna city, Bogra town and Dinajpur town. Factors affecting locational considerations relate more to banking facilities available, access to basic utilities like electricity, phone and fax, and transport links with the rest of the country.

While the switch to rice imports has been recent and the majority of traders import a number of other commodities other than rice, a significant proportion was found to be concentrating in rice alone. Thus, 64 percent of respondents said that they also imported other commodities, while 36 percent reported importing rice alone. Non-rice commodities reported were primarily fertilizers, cement, spices and chilies. In terms of scales of operation of these firms, their total annual imports of rice ranged from 2,000 MT to 70,000 MT, with 47 percent of firms importing less than 10,000 MT and 71 percent importing less than 20,000 MT per annum (Table A-5).

ANALYSIS OF TRANSECTIONS

The important dimensions related to transactions are their degree of risk and their speed of execution. There are a number of kinds of risks involved, for example, in terms of quality and quantity of grain received, delays in shipment or clearing from the ports, extra costs involved in handling, storage and transport, security problems and other disturbances and so on.

Details of 99 recently concluded transactions were obtained from the respondents, including data on dates Letters of Credit (LCs) were opened, price, variety of rice agreed, volume, mode of transport, port of entry and date received (Table A-3). The LC dates range from November, 1998 to April, 1999. The data points to some interesting features: import by truck entails much smaller transaction size and much speedier delivery. Typically, monthly prices for medium quality rice have ranged between $235--$245 in

November-December, \$245--\$250 in January-February, falling to \$235--\$238 in March-April.

Delivery lags by rail are typically very long, ranging from 115--120 days, compared to 20--25 days by truck (Table A-7). While rail transport is much cheaper, capacity is highly constrained, stemming from inadequate wagon-space (racks), delays in off-loading, poor infrastructure, especially on the Bangladesh side, etc. -- that sorely test the patience of importers. Small importers find truck transport a very attractive proposition because they can use small amounts of capital and generate a quick turnover on their investment even if transport costs per unit are higher. Importers have reported that the really smart ones are able to open LCs and take delivery of their cargo the same day as they can get their Indian suppliers to stand by across the border with their truckloads. Generally, however, the problem of delivery lags figure prominently amongst the complaints made by traders -- 84 percent of our respondents said this was an important problem, with suppliers frequently unable to meet delivery deadlines.

In terms of the quality of transactions, the majority of respondents were unhappy with the quality of rice received. Thus, 68 percent thought that the quality provided was inferior in comparison to the sample shown at the time of opening of the LC.[8] Similarly, most respondents claimed that the quantity delivered tended to be lower than the stipulated amount. Thus, more than 70 percent reported that volumes per transaction were actually less than that indicated in the contract. Despite these gnawing problems, the importers did not complain too much. Most said that it was Bangladesh's good luck that the imports were continuing to flow at its hour of great need, thereby helping to stabilize prices and avoid a potentially grave situation. The real reason for continued imports was that despite *ex ante* problems of higher costs related to opportunistic behavior, profit expectations and

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[8] Trade negotiations are carried out in one of three ways: (a) visits by the importer or his agent to India, (b) communication through phone or fax (with samples sent out by courier service), and (c) and face to face meetings between the two parties in no-man's land. In the last case, the traders must register with the border security forces of the two countries. The scale of business and the size of the importing firm usually decides which option will be followed, with the first two being much more common for larger traders.

ex post profits remained sufficiently attractive.

EXPIRATION OF IRREVOCABLE LETTERS OF CREDIT

A phenomenon that has been reported widely relates to the expiration of LCs due to the inability of the exporters to deliver within the validity period (usually three months from the LC date).[9] Because of the huge demand pressure, many Indian exporters accepted numerous LCs from Bangladesh assuring that deliveries would be made on time. However, they were frequently unable to meet their obligations and delivered selectively to those offering the highest prices. The loss faced by an importer due to expired LCs can be best demonstrated by a concrete example:

> Abdur Rashid opened an LC for 2,000 MT of rice from India on January 2, 1998 at a C&F price of $245/MT. The consignment was to be shipped by February 28, 1998 and the expected date of arrival was March 15, 1998. The total value of the LC was $490,000 (or BDT 23,886,912). A cash margin of BDT 5,971,728 was deposited (25 percent) and the bank charged a commission of BDT 119,434. Upon expiry of this LC, the importer was unwilling to revalidate it. He thus incurred the following costs: (a) the bank commission (which is not refundable), so he lost BDT 119,434; and (b) the interest/profit lost on the idle cash margin (BDT 179,152, on the assumption of an annual 12 percent interest rate for the three months).

Long delays of even up to five and six months have been reported (especially by rail), leading to idle cash margins with the banks against which no income is earned and additional bank charges incurred for extension of the validity period. Moreover, since prices are almost certain to change over such a long period, it may no longer be profitable to import at the original price agreed. In fact, this has happened in a large number of cases, leading to a sizeable pipeline of imports despite falling prices in Bangladesh. For the importer, he has to weigh the loss due to falling prices against the loss that will be incurred with the bank if he chooses not to amend the expired LC -- in most cases observed, he decides to accept the delayed shipment. This is the reason why imports kept coming into Bangladesh well after prices started to decline from March, 1999. Our respondents noted

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[9] According to one bank official, 20 percent of LCs opened had eventually expired.

that many new entrants to the trade were unable to withstand these losses and disappeared from the market.[10]

The irrevocability of LCs would appear to have asymmetric implications. It provides exporters with a great deal of leverage in their dealings with importers at the expense of importers. Thus, importers may not cancel an LC during its validity period without approval from the exporter. If an importer thinks that prices may fall dramatically in the local market, he could request the exporter to stop shipment. However, in nine times out of ten, such requests go unheeded. On the other hand, importers were often under pressure to raise the price (through an LC amendment) -- to which they generally seem to succumb, as non-compliance may lead to, for example, delays or poor quality of grain received.

COMMISSION OR CONTACT

The problems of quality, quantity and shipment delays may have to do with the nature of the contract that is entered into. The response of a *Marwari* trader may help to illustrate.

The respondent of Fairdeal Overseas Ltd. (a fictional name) is Mr. Raj Kumar, a Hindu *Marwari*. Mr. Kumar told us that "I have a special advantage compared to other importers because I am much better informed about the market position in different Indian states with regard to price, quality and availability. I am also able to negotiate contracts on a commission basis so that matters like quality and quantity shortfalls do not bother me. However those who do not have close Indian connections or adequate knowledge of Indian markets prefer contracts that stipulate quality, volume and shipment time which the less scrupulous Indian suppliers often fail to meet." The rate of commission charged is around three percent.

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[10] One possible solution would be for the Traders' Association to monitor contracts and blacklist defaulters. The absence of a well-organized association impedes this kind of countervailing action.

In other words people like Mr. Kumar, organize exports from India to Bangladesh directly, using their local knowledge and connections. However, they must channel the exports through a licensed Indian trader whose task is to process the shipment on the basis of a negotiated commission. In some cases (especially for *Marwaris*), the Indian exporter could well be a brother or a cousin - a phenomenon that has been widely reported, for example, amongst overseas Chinese and Indian communities elsewhere.

In the case of orthodox transactions based on irrevocable LCs, the only way some of the attendant problems indicated can be overcome is through a physical presence at the time of loading of shipments in India (to check both quality and quantity) and to check the consignment again before taking delivery at the port. Amongst our respondents, more than 60 percent reported that they (or their representative) are present in India at the time of loading the grain. Similarly, most firms have their own men (apart from the C&F agent) at the border to check the quality before taking delivery. In practice, once the grain has arrived, it is difficult to reject it outright even if the quality is poor and usually there is scope for some re-negotiation and adjustment.[11]

Pre-shipment inspection (PSI) arrangements would seem to be the natural response under these circumstances. PSI, however, is not compulsory in Bangladesh[12] and does not appear to be used in any of the land ports - perhaps because this may be uneconomic for small consignments. Recent newspaper reports indicate that the government is now planning to introduce compulsory PSI from October, 1999 (*Manob Jamin*, August 30, 1999), for which a charge of one percent will be levied. The proposal is currently being debated by the various chambers of commerce.

[11] This introduces an informal element even in formal trade, whereby the trading partners make suitable adjustments through future transactions or settle additional payments through *hundi*.

[12] PSI was made mandatory in fiscal year 1999-2000.

ARRANGMENTS FOR INLAND DISTRIBUTION

Once the rice arrives at the port, it has to be cleared by customs and forwarded to the buyer or his agent for transport inland. Our respondents reported a total of 102 transactions and an attempt was made to obtain basic data on costs involved per MT and time spent for releasing and distributing the grain. Table A-4 reports on selected transactions and shows that costs per MT on average ranged between BDT 187-219 between January and May, 1999. Differences appear to be mainly related to the distance between the port of entry and destination of the shipment. In many cases, no costs are incurred as the grain was sold off from the port directly, for example, in Benapole, Darsana and Hili. Inland dispatch is quick, usually being handled within a day or two.

Our discussions with the Customs officials suggest that every effort be made by the port authorities to minimize delays in clearing rice shipments. There was tremendous political pressure to ensure a smooth flow of rice imports, but independent of that, everyone concerned felt that it was his national duty in the face of a grave situation verging on famine to remain on guard so that rice flows were not disrupted. As far as rice was concerned, no extra payments were asked for by the officials, there were no labor or transport problems, no harassment or delays. [12]

RESPONDENTS' VIEWS ON FACTORS INCREASING TRANSACTION COSTS

Our respondents were asked to rank a number of potential constraints to smooth exchange on an increasing scale of one to four, with a four indicating a serious problem and one indicating a very minor problem. The results of this exercise are shown below.

Thus, there is a clear perception amongst all respondents that suppliers often do not stick to their side of the bargain. A large proportion of traders also attached a high rank to problems of transport and storage as factors affecting their transactions. Somewhat

[12]As the Vice President of the Traders' Association in Benapole said, "For rice we don't need to pay any extra money - just the Advance Income Tax (AIT) of three percent - that's all".

Table 3 — Traders' Perception of Constraints to Smooth Exchange

(Percent Respondents)

Potential Constraints	Rank 4	Rank 3	Rank 1 or 2
Default by Exporters	100		
Default by C&F Agent			100
Problems Related to Transport/Storage		90	10
Insecurity/Theft/Toll Collection			97.4
Transport cartels			100

surprisingly, insecurity, *mastaani* or toll-collection did not figure as a problem. There was little concern expressed about cartels or monopolies in transport.[13]

Other types of non-systematic risks reported by importers were as follows:

- Excessive rice imports, which lead to lower profits
- Hartals and strikes
- Government Open Market Sales (OMS)[14] of rice.

CLEARING AND FORWARDING

On average, each respondent contracted with 3.7 C&F agents in 1998-99 (ranging from 1 to 10). The number of these agents mushroomed rapidly in recent years, resulting in intense competition amongst them for business. This has led to very small commission rates (0.5 - 1.5 percent) and even this low rate appears to be negotiable. C&F agents in Benapole were reported to act in collusion with truck owners to control transport rates - a story that could not be verified. The mechanism described, however, is familiar and seems plausible. Truck owners make money advances to these agents, who in turn assure them fixed business at a higher than market rate. This system is continued till such time as the money advanced remains unadjusted.

[13]There may be inadequate information on this front. One of our respondents (a C&F agent) in Benapole categorically suggested that there was an alliance between C&F agents and transport owners, with the latter providing sizeable advances to these agents in return for business for their trucks at a higher rate. He also suggested that truck owners do fix rates, but these cannot often be enforced. The collusion between C&F agents and truck owners works when the importer or his representative operates from some distance and depends on the latter to arrange onward delivery.

[14]Traders appear to be wary of OMS, fearing that such actions could lead to rapid price declines that could significantly alter incentives to trade.

The C&F agent plays an important and complex role. An attempt is made below to describe this more fully:[15]

The Bangladeshi C&F agent receives the necessary invoices (called the manifesto) from the Indian C&F agent. These consist of (i) a weight and measurement report, (ii) country of origin report, and (iii) radiation certificate. The first describes the number of wagons, the number of bags, the names of the transacting parties, and the value of the consignment. The goods are checked and verified by the representative of the C&F firm (called the "border man"). Then all appropriate duties and cesses have to be paid and a bank clearance certificate obtained. The next step is to obtain an Audit and Appraisal Report after submitting all relevant documents. These include: (a) Bill of Entry, (b) Manifesto Number, (c) Letter of Authority, d) License number and LC number, (e) insurance cover note and bank clearance certificate, (f) Invoice number and Bill of Lading, (g) Contract copy and Certificate of Origin. A security clearance is also needed, along with a plant quarantine report. The former is for ensuring no explosives or guns are being shipped and the latter, for checking against the inadvertent introduction of pests or disease. After all these have been done, an Outpass is provided to enable the consignment to be unloaded for transshipment. At this point, the C&F agent becomes responsible for the security and safe-custody of the consignment.

THE EXPORTERS' POSTION

It is necessary to place the persistent complaints against the Indian exporter in its correct perspective. The exporting firm in India is just a trading firm that procures an order and then begins a search for a suitable supplier, in this case a rice miller. There are no wholesale rice markets as such in India and exportable surplus has to be obtained from licensed rice mills. The broker, therefore, plays a critical role in matching the exporters' orders to supply sources, that is, rice mills, which could be located far away. Thus, while most exporting firms dealing with Bangladeshi importers tend to be situated in West

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[15] See also Section VI.

Bengal, actual suppliers are more likely to be spread all across the country -- in the Punjab, Bihar, Andhra Pradesh, Uttar Pradesh, etc. The function of the broker is to provide the vital information on quality, availability and price, and to put the exporter in touch with the miller on the basis of a commission (normally paid by the miller). The role of the broker goes beyond simply striking a deal and includes advance payment to rice mills to book supplies and credit to exporters. A successful broker, therefore, has to invest a lot of money to tie-in rice millers in order to ensure adequate supply.

In a period of rising prices, rice millers often tend to go back on their agreement and demand higher prices. This means that the exporting firms have to refer back to the importer and in turn ask for a higher price from him, or alternatively, may have to compromise on quality.

COSTS OF TRADE AND TRADE FINANCE

The costs of trade and the ability to mobilize adequate financing on time are critical elements of trade. Details of costs incurred by Indian exporters and Bangladeshi importers for a typical transaction were collated from a number of interviews, and are presented below.[16]

Costs depend not just on wholesale prices at the supply point, but also on location, distance from the port, taxes, duties and tolls, commissions, as well as the mode of transport, handling charges, leakage and weight loss during transit, etc.

In the table below, a set of indicative costs are shown by components. Variations can result from differences in the mode of transport (higher if trucks are used) and supply locations (for example, whether the grain originates in distant the Punjab or from a point closer to Bangladesh, such as Uttar Pradesh or West Bengal). There are also some additional costs that could be incurred: weight loss, rent for storage in a go-down, incidental expenses incurred in opening LCs, costs of extending the LC time (0.25 percent)

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[16] These are based on interviews with Indian exporters who were encountered in the offices of some Bangladeshi importers with whom we spoke.

and interest charges if payment is delayed after arrival of the grain. Other costs include the costs involved in maintaining a physical presence in India to oversee quality/quantity and other terms, as well as to collect price-supply information. Large traders have indicated that very significant costs related to travel and stay (, for example, passport and visa, accommodation etc.) in India have to be met -- a precondition that is difficult for smaller traders to fulfill (see Case Study of an Importer). According to one estimate, a minimum of BDT 1,000 is needed to meet the costs of travel per trip and on average, our sample traders have reported frequent trips to India over 1998-99. It needs to be appreciated that the importers are constantly sending their representatives over on different, frequently specialized assignments: someone checks on quality, another may be sent to negotiate prices or renegotiate an LC etc. One trader reported that he financed the stay of his younger brother and his family in Madras for a full year so that he could function as his "permanent" representative during this time.[17] Thus, one of the major problems of trading at a distance, especially across international borders, is being solved in an expensive manner, through dispatching trusted agents frequently. In the case of Hindu or *Marwari* traders, the problem is easier to solve through their network of relations and friends residing in India. An institutional resolution of this problem is still awaited.

[17] Although the number of visits appear to be prohibitively high, the means frequently adopted to lower costs is interesting. The agent will usually go to India on a three-month visitor's visa but within the three-month period will enter Bangladesh and re-enter India informally, at will. Thus "one trip" actually includes a number of sub-trips!

The Costs of Trade

A. Cost of One Quintal of Rice from a Punjab Miller up to Darsana (Rs. Per Quintal, February, 1999 -- average quality) were reported as follows:

1. Minimum State Government procurement price	850
2. Brokerage commission	08.5
3. Packing	20
4. Millgate to Railway Stn. (by Truck)	16
5. Rail freight up to Darsana (including loading/unloading)	80
Sub-Total	**974.5**

B. Other costs (borne by exporters)

1. C&F charges @ 0.005 percent	4.25
2. Customs surcharge @ 0.005 percent	4.25
3. Bank charges	1.7
4. Bank interest @ 15 percent for 3 months	10.47
Sub-Total	**20.67**

C. Importers' Costs

1. Advance Income Tax (AIT) @ 3 percent	29.85
2. Insurance	02.78
3. C&F charges	2.98
4. Bank Commission	4.97
5. Freight (rail): Darsana to Khulna	19.55
6. Plant quarantine report	0.93 [18]
7. Other	12.00
Sub-Total	**73.06**

Grand Total Rs. 1,068.23, or about BDT 1,256.6

Trade Finance

Access to bank finance and the terms of finance (cash margin, bank charges, interest) is critical in determining the volume of trade. The importers need to be able to open letters of credit (LCs) quickly and cheaply, and if necessary, to be able to re-negotiate these. Cash credit arrangements with banks also play an important role whereby credit is made available against some collateral like houses or other assets. Usually, there is a

[18] Grain samples have to be sent to the Plant Quarantine Department and certification must be obtained that no contagious infections or infestations are present.

specific ceiling for cash credit. Under certain circumstances, informal credit is also accessed for bridge-financing or short-term cash flow problems[19].

At the time of opening an LC, an importer has to deposit 0.03 percent as Advance Income Tax (AIT) and 0.005 percent as bank charges. The cash margin seems to vary from 10 to 25 percent and appears to be related to the size of the transaction. The vast majority of transactions have been conducted with cash margins of 15 percent[20]. A significant number (and value) of LCs were found with cash margin requirements of 20-25, percent while around 6 percent were able to finance LCs with a 10 percent margin (Graph 5/Table A-6). An LC is valid for three months, beyond which it is renewable subject to payment of additional bank charges. If an LC is cancelled, the bank charges and AIT are not refundable. For example, cancellation of an LC valued at BDT 1,000,000 will incur a loss of BDT 35,000-37,800. From our discussions with traders, it is gathered that there are generally no problems in opening an LC. The foreign currency requirement can be arranged in just one day. The cost of an LC is around 1.5 percent of its total value, including bank charges; insurance and other costs, including transport and commission.

The total LC ceiling has been raised from BDT 150 million to BDT 270 million per license as of FY 1998-99. Transaction size ranges from less than BDT 50,000 to above BDT 400,000 (Graph 4). No interest is charged until the goods are cleared by Customs. Once customs clearance is obtained, the importers have to pay off the bank quickly to avoid interest charges, which otherwise will accrue at the rate of 16 percent per annum. Since most do not have the cash at hand to do this out of their own resources, every effort is made to sell off the grain immediately upon delivery. When there is a delay involved, the importer will look for a financier to pay off the bank, and in return, agree to share the profits made out of the consignment. It is clear, therefore, that financial management is very finely tuned and even small delays can lead to large losses. Those with access to

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[19] *Hundi* payments have also been reported under certain circumstances to settle obligations to suppliers.
[20] For new entrants to the market, bankers may charge much higher margins -- as much as 100 percent.

cash-credit facilities enjoy a clear advantage in this market -- but this is a facility enjoyed only by the largest and well-established traders.

Informal financing of the import trade has not been widely reported. This does not mean that it is not practiced, as non-reporting could be due to the sensitive nature of the subject. Nevertheless, two types of arrangements have been reported. The first has already been noted and relates to the situation when an importer is unable to find a buyer for his grain immediately upon Customs clearance. Since delays mean interest charges and bank penalties, the importer without the ready cash or access to credit will enter into a profit sharing arrangement with a buyer or other financier, agreeing to split the proceeds equitably[21]. The other arrangement is related to the need to renegotiate LC-terms in a situation of rapidly changing prices. Thus, many importers found themselves subject to heavy pressure from their suppliers to re-negotiate prices during 1998-99, when prices rose quickly. Since it is expensive and time consuming to change or amend the LC, importers typically take recourse to the *hundi* system to transfer money. An interesting deviation is to arrange to send funds the next time round through over-invoiced LCs - the latter requiring the existence of greater trust.

Under invoicing has also been reported with the balance of the payment made through *hundi*. While the extent to which these practices are prevalent is difficult to judge, their existence has been reported from all the areas, especially from Hili. *Hundi* payments seem to be preferred by Bangladeshi traders because this enables them to save on charges (AIT, insurance, bank charges etc.) and also because this allows some leverage against the suppliers. Since the balance of the payment is adjusted (by *hundi*) after the grain arrives in the port, the suppliers take much better care with regard to quality and volume.

[21] Typically this type of financing entails splitting profits in the ratio of 40:60 or 50:50.

Table 4 — Distribution of LCs by Size Groups and Cash Margin Requirements

Size-Groups of LC (BDT)	Percent of Cases
50,000 or Less	10.1
50,001-100,000	45.5
100,001-200,000	15.2
200,001-400,000	3.0
400,001 and above	16.3
Cash Margin(percent)	
10	6.1
15	67.7
20	17.2
25	9.1

The financing arrangements appear to be working well. LCs can be opened quickly and since this is a highly profitable business for banks, there is keen competition in the market. Cases of default are rare and side payments are not viewed as a problem. The main problems appear to originate on the supply side. For example, long delays reported in the case of movement of imports by rail has meant that importers have had to keep large cash balances (margins) idle in the banks for months on end - a situation that they find very costly. In addition, delays for periods exceeding three months entail a renewal fee charged by the banks, leading to further costs.

STORAGE AND TRANSPORT

All the importers interviewed have access to storage space, typically in the form of godowns. In fact, the majority actually own their godowns (71 percent) while the remaining traders rent space on an annual basis. The average monthly rent was BDT 5,800 (ranging from BDT 2,500-15,000). The volume of stocks held (on the day of the interview) was 470 MT on average (ranging from 0-4,000 MT), with 18 percent of respondents reporting zero stocks. Average stock level during the preceding six months was lower, at 229 MT -- again around 18 percent of respondents reported zero stocks. In terms of capacity utilization of storage space, this was found to be around 20-24 percent.

Many importers also own their own transports (trucks). On average, each importer owns 1.5 trucks (ranging from 0 to 23 trucks). While most traders have to rent additional trucking space, a clear attempt to create vertical linkage is apparent. The main behavioral urge here is to import and sell as quickly as possible. Holding large stocks is considered costly and undesirable, while quick transport and distribution arrangements play a vital role. Thus, there is a strong tendency to sell off quickly and to minimize the need for holding stocks, and those who do hold stocks do so under the force of circumstances.

A related problem stems from strikes called by transport and labor unions to raise fares or labor charges -- especially during peak seasons. There is a strong feeling amongst traders that they are held hostage by these unions, against which they have no redress.

THE QUALITY OF INFORMATION

There are no institutional mechanisms for the monitoring and dissemination of vital trade information to traders. Thus, importers have to invest heavily in information collection through their own efforts. There is no association of rice importers yet and the existing Traders' Association is not involved in the job of operating as an information-clearing house (for example, on prices, sources of supply, quality, shipment time, extent of default, listing of unreliable firms etc.). There are other associated factors that affect the quality of financing and smooth exchange, and ultimately impinge on the overall efficiency of the import sector. These relate generally to basic port infrastructure and port management as well as to the information infrastructure characterized by poor phone and fax connections, and an erratic and inadequate electricity supply.[22] These aspects are taken up for further discussion.

[22] The importance of fax and telephone lines for efficient flow of financial and business information is self-evident. Importers usually send copies of LCs by courier to their counterparts in India. Thus, rapid communication is a critical factor for smooth trade.

5. PORTS AND INFRASTRUCTURE

There is a great deal of variation in terms of the facilities available in the different land ports of Bangladesh. Relatively speaking, the land ports of Hili, Darsana and Benapol enjoy better facilities than other ports, in terms of transport and storage facilities, availability of international phone/fax/courier services, and banking facilities.

Benapole is one of the more famous of the land ports through which both exports and imports are channeled. Export items include jute, *Jamdani* sarees[23] and Hilsa fish, while imports include a large variety of items: food, fertilizer, cosmetics, cement and spices. The port has access to good telephone/fax services and International Subscription Dialing (ISD) lines, a well-developed banking sector geared to the type of trading engaged in, and some warehouse facilities.

The land port of Hili is relatively new, but has gained in prominence in recent years as an important point of entry, especially for rice. This port does not appear to be utilized for exports.[24] Although the port has no ISD lines for fax/phones, it is connected to the local telephone network. There are no port warehouse facilities available. The quality of the banking service is said to be "good" (see discussion below).

Darsana is the oldest rail port and accounts for the bulk of Indian rice imports. Like Hili, it too has access to the local telephone network, but lacks warehouses. It is serviced by all the major banks and the banking infrastructure is generally considered "good". There are, however, a number of problems faced with regard to banking services. In addition, the port faces specific problems related to its position as a rail port.

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[23] Specially embroidered sarees made by traditional craftsmen in the Tangail region of Bangladesh. These are highly prized by South Asian ladies.

[24] Indeed, the paucity of exports to India from Bangladesh (in relation to the volume and value of imports made) is striking to the point of seeming almost "unnatural'. A number of traders (Hindu and Muslim) expressed grave 'resentment' about this unequal situation and reported that even the small volume of exports that they handled came in for all manner of obstructions, delays and harassment from the Indian side.

Since banks are closed on Fridays and Saturdays, traders are unable to obtain the "No Objection Certificate" (NOC) from the bank, which is necessary to release their consignments upon arrival. Thus, if the wagons arrive over the weekend, then these have to wait at the station until Sunday. The Sonali Bank branch, however, does remain open even on weekends and can, in principle, provide the NOC if the LC was opened from that branch. However, other banking services (such as telegraphic transfers, also called TTs) cannot be conducted as all correspondent banks elsewhere remain closed. Furthermore, even though the Darsana branch of Sonali Bank is open on weekends, cash deposits are not accepted.

The infrastructural facilities of the other ports like Bhomra and Sonamasjid are even more basic. Thus Bhomra enjoys no access to a telephone network, has no warehouse space and no banks. The situation is similar in Sonamasjid.

SPECIFIC PROBLEMS OF DARSANA

A number of problems have been reported from Darsana relating to its position as the main railhead for imports from India:

- The tracks are very old and run-down
- Incompatible tracks on the two sides of the border differ in width and load-bearing capacity
- There is an acute shortage of engines
- The existence of weak mechanical and engineering departments, which leads to poor quality operation and maintenance
- The incompatibility of Indian wagons with Bangladeshi engines, which require fitting of special equipment every time these are used.
- The high rate of pilferage and stealing of wagon-parts (break-shoes, active vacuum system etc), for which compensation must be made to the Indian Railway
- The severe wagon and rack shortage, which leads to long waits and huge delays
- Labor problems, especially on Fridays, and frequent disturbances and delays in unloading wagons

- The inadequate unloading facilities in Noapara Rail Station (which receives the bulk of the rice arriving in Darsana) because of only one line, which causes long delays and idle wagon capacity.

6. TWO ILLUSTRATIVE CASE STUDIES

AN IMPORTER – GOLDEN ENTERPRISE[25]

The proprietor of the Golden Enterprise has been in the import business since 1975 and was mainly engaged in importing cement and fertilizers before entering the rice import market. He began importing rice from 1995, soon after the lifting of the ban by the government. His first import consignment was initiated in January, 1995.

He has faced no difficulty in opening LCs or obtaining foreign exchange. However, he reports problems in locating "genuine" exporters/suppliers in India. For example, one of his suppliers has behaved badly. An LC was opened in his favor for 1,650 MT of rice in 1999, at USD 208 per MT. This rate had to be raised time and again, and was finally re-negotiated at USD 247 per MT, but even then he was not supplying the grain. However, his other suppliers were behaving reasonably well.

A lot of effort has to be expended to ensure that the quality of grain supplied is maintained. He always has one or two persons from his firm staying in India to monitor quality and oversee loading/unloading of grain from/to trucks and trains. The services of professional inspection firms are also used to verify quality, especially when the goods arrive by rail. The cost of maintaining a representative in India is around BDT 50,000-60,000 a month, including plane fare, food and accommodation, fax/phone and transport costs. In the preceding two weeks, he had received two consignments of rice, totaling 3,300 MT, of which 90 percent came by rail through Darsana and the remaining through Benapole by truck.

[25] This is a pseudonym, as are the other names used in this section. The use of the real names has been deliberately avoided.

Trading costs were reported as follows:

- AIT	3 percent
- Insurance	0.28 percent
- Bank charges	0.5 percent
- C&F commission	0.3-0.5 percent
- Quarantine costs (BDT)	10/MT
- Re-booking charge (BDT)	10/MT
- Wagon rent (BDT)	240-300 per MT
- Unloading (BDT)	20/M.T.
- Delivery (BDT)	20/MT
- Storage (BDT)	20/MT/month
- Unseen (BDT)	120/MT
- Damage and weight loss (by rail)	0.5 percent of consignment
TOTAL (as percent of f.o.b. price)	**8-9 percent**[26]

The definition of good quality rice used by him is given below. Generally, he is able to get good quality rice.

- Moisture	14 percent
- Broken	10 percent
- Damaged/discolored	2 percent

He is able to open an LC at 10 percent margin, although unofficial payments of BDT 0.10 per MT have to be paid at the time. He also has a cash credit (CC) facility with Janata Bank branch at Noapara. He has had no problems in opening LCs; however, the Bank levies an interest of 16 percent from the moment the goods are cleared from the port. Default by importers is rare. He does not know of any case of default with the Bank in the case of rice importers.

[26] An LC price of $245 per MT (freight on board) has been assumed.

Apart from Golden Enterprise, the proprietor also owns Sonar Bangla Traders and therefore has two trading licenses. He generally deals with four principals (Indian exporters), who source rice from Madhya Pradesh, Andhra, Punjab, Gujrat, West Bengal, Bihar and Orissa. He operates through one C&F agency with offices in Benapole as well as Darsana.

The main stimulus to trade is price differentials. Large importers like him will import even if price differentials are small - as low as BDT 0.50 per kg. It becomes uneconomic to trade below this level.

A C&F AGENT IN BENAPOLE

Name of the Firm: Messrs. Unique Agency

Proprietor: Mr. Shamsur Rahman

The firm was started in 1978 and deals mainly in the following items: cotton yarn, tires, spices, cement, poultry feed, maize and currently, also rice. The terms of contract between a C&F agent and an importer are in principal, well-established (by their Federation), with the commission fixed at 1 percent, on which VAT is payable at 15 percent (in practice, the actual commission rate negotiated is closer to 0.25 percent). The terms have not changed in the last three years, but the rates are subject to heavy discounts due to the keen competition for business[27].

Mr. Rahman lists the following characteristics of a successful C&F agent:

- Good behavior with importers
- Bank solvency
- Trade license and a proper office

The offices are situated on the main road leading to the port, consisting of two small rooms where we found four persons sitting, including a manager, an accountant and two other employees.

[27] According to one trader, the number of C&F agents has grown exponentially in the last four to five years -- perhaps by a factor of five times!

It is useful to have access to reliable storage and transport facilities. Unique Agency does not own any warehouses, but does rent some space. In addition, it owns four trucks, which is a very useful asset in this business. Credit is difficult to come by. Mr. Rahman has not taken any credit from banks or informal sources in the last couple of years. The scale of operations of the firm has also increased and it now has branches in Darsana and Hili. Hired managers run the branches. Mr. Rahman has to travel frequently on supervision missions to ensure that operations are running smoothly. He is thinking of deputing two of his nephews there as well to reduce the pressures of constant travelling.

There are about a dozen major importers with whom he has good connections. Most of them are located in Noapara. In order to do well in this business, it is necessary to cultivate connections with port customs, transport agencies and the railway booking clerks, and to be well informed about the paperwork involved and the payments to be made - both formal and informal. He has his men permanently deployed in the ports and is able to release goods from the port quickly. Total working capital requirements appear to be modest (BDT 500,000 to 800,000) mainly needed to provide short-term bridge financing to clients (meeting port dues, arranging transport, etc.). The process of clearing a consignment from the rail port at Darsana is detailed below:

- entry fee payment at the port area
- checking cargo
- valuation estimate
- outpass for the cargo
- verification report
- appraisal and audit report
- railway clearance
- security clearance
- quarantine report
- security arrangement at storage site

It will be obvious that the sheer paperwork and file-chasing involved in the process is daunting, and certainly difficult for an importer to do on his own without the assistance of an agent. Some of the bigger C&F agents have also begun to import (rice) on their own account. Unique Agency has imported rice totaling some 2,000 MT over 1998/99.

An informal system of transport tying was discovered in Benapole (but not reported elsewhere). Although Mr. Rahman claims not to be involved, he admits that C&F agents receive money advances from truck operators in return for business. This informal tying is very similar to *dadon* widely prevalent in commodity trading in domestic markets[28]. The party taking an advance remains obligated to transact only with the creditor till such time as the advance is paid back. Under this arrangement, the truck fares charged are significantly higher than the market rate. The value of the advance was reported at BDT 300,000 to 500,000, while the markup on truck fares could be as high as 20-25 percent.

[28] See e.g. Crow and Murshid (1994).

7. VOLUME OF RICE IMPORTS – GOVERNANCE FAILURE?

There has been a lot of speculation about the quantity of rice actually imported from India in 1998-99. There is a strong view that actual imports were much less than suggested by the official figures, mainly due to undeclared imports of non-rice commodities officially shown as rice imports. The evidence is circumstantial and speculative:

(a) Absence of duties and taxes on imports of rice provided an incentive to traders to bring in other commodities as well under the guise of rice imports
(b) Since private rice importers are traditionally importers of many other items from India, there would be additional incentive to do so
(c) Rice imports in 1998-99 were generally hassle free and did not involve the usual side-payments and rents to customs officials
(d) It is often difficult to verify the actual contents of wagons or trucks due to the absence of adequate equipment or institutional practice
(e) Average price-availability data seemed to suggest that prices were too high in relation to supply[29]
(f) "Rice" imports continued to flow in even after prices in Bangladesh started falling below the import parity price.

Given the sensitive nature of the subject, it is extremely difficult to verify this question directly. It may be significant that we were unable to pick up rumors or stories in support of large-scale non-rice imports during our fieldwork. A recent attempt to cross-check Indian rice export data with Bangladeshi rice imports for 1998-99 suggests that the former accounts for around 75 percent of the latter. In other words, perhaps about

[29] Conversation with Paul Dorosh, Chief of Party, IFPRI-FMRSP Food Policy Project, Dhaka.

25 percent of total rice imports by Bangladesh may indeed have been non-rice commodities.

A second type of governance failure in this context relates to the absence of weighing facilities in all but one of the land ports (the exception being Benapole) - so that actual size of consignments is difficult to verify. There is widespread apprehension amongst the local people (and shared, for example, by the border security guards -- the Bangladesh Rifles) that the legal 10 MT per truck limit of the Indian trucks are usually exceeded by a margin of 2-5 tons (i.e. 20-50 percent)! For purposes of valuation and recording, the notional measure of 10 MT per truck is accepted by Customs - so that actual volumes coming in are significantly higher than recorded volumes - but again it is difficult to be sure what commodity we are talking about.

Table 5 — Comparison of Bangladesh Rice Import Data with Indian Export Data, 1997-98 and 1998-99

	1997-98 (Delhi price)	**1998-99** (Delhi price)
Bangladesh Imports ('000 MT)	510	3172
Indian Exports (million Rupees)		
(non-Basmati)	3599	22102
(Basmati)	8	43
Total (million Rupees)	3607	22145
Estimated Volume	416.5	2372.4
Ratio of Exports/Imports	**81.6 percent**	**74.8 percent**

Source: FMRSP-FPMU Food Policy Project, Ministry of Food, Dhaka (1999)

A recent newspaper report also suggests that importers are evading duties and excise on imports from India through false declarations of import content (and perhaps volume) - to take advantage of a differential duty structure.[30] There is therefore no reason to believe that rice importers would not also behave in a similar fashion. If higher-duty non-rice imports were not brought in on an even larger scale, the reasons were likely to be related to relative price differentials and market conditions for different imports.

The evidence therefore points to the fact that the quality of success of policy changes (like trade liberalization) depends crucially on the governance regime, and in the extreme situation can serve to completely subvert the original intention.

[30] The Daily Sangbad, Wednesday, October 6, 1999.

8. CONCLUDING OBSERVATIONS

This study represents a major effort in trying to understand the evolution of the rice import trade and the manner in which it is organized and conducted. The major problem that any market has to solve is the problem of enabling exchange to be carried out rapidly, fairly and securely, where each party will keep to their side of the bargain. In order for exchange to be equitable, rapid and secure, certain preconditions have to be met -- the problem becomes much more challenging when exchange has to be mediated across long distances and over international boundaries. Here, we refer to what are known as market institutions or the mechanisms that allow the transacting parties to contact each other, negotiate terms and arrange finance and dispatch goods. With reference to the rice import market, we have examined these conditions and observed that the system works reasonably well. However, some caveats are in order. Both supply and demand side problems were identified - but clearly the former dominates the concerns of the importers. The main (and persistent) complaints regarding the supply side relate to long delays in shipment, short-measure of consignments and poor quality. In addition, numerous reports suggest a tendency to renege on prices agreed in the face of a rising price scenario, leading to renegotiated prices, canceled LCs or alternatively *hundi* payments. These concerns have given rise to a situation where importers have to spend considerable sums on establishing contacts, gathering price, quality and supply information, and arranging close monitoring and supervision of their consignments. All this has been possible because of the proximity of India, cultural affinity, personal contacts, ease of travel (both formally and informally) and the ability to spread risk by initially placing small-scale orders.

The basic advantage of India is its lower price and availability of appropriate quality, compared to competitors in other countries.[31] In general, the trade is also efficient

[31] The preferred rice quality that meets Bangladeshi tastes is available only in India.

since even small price differentials trigger orders being placed. Despite the obvious trade advantages with India, there is a strong argument for trade diversification as excessive reliance on a single source of supply is undesirable from the food-security point of view. There may be political, social or economic reasons for a temporary ban on exports of foodgrain by India - a matter that cannot be ruled out.

On the demand side in Bangladesh, the adverse factors reported relate mainly to infrastructure and management. The former refers to poor transport capacity, especially by rail, severe traffic jams, loading/unloading and storage problems, and lack of telecommunication and banking facilities. The absence of a centralized information clearing system is earnestly missed, especially to monitor prices, quality, sources of supply, time-lags for delivery, and perhaps most importantly, to identify and black-list habitual defaulters in India. The port management also needs to be made much more efficient and honest in order to reduce transaction costs. However, it may be mentioned that during the emergency imports of 1998-99, the port authorities generally behaved in an exemplary fashion: no side-payments were required and no delays were willingly allowed, *as far as rice imports* were concerned[32].

A vexing question, however, remains to be answered: How reliable are the import quantity and valuation figures? The absence of weighing facilities in all but one of the land ports (the exception being Benapole) means that the actual size of consignments is difficult to verify. There is widespread apprehension amongst the local people (and shared by the border security guards – the Bangladesh Rifles) that the legal 10 MT per truck limit of the Indian trucks is usually exceeded by a margin of 2-5 tons (20-50 percent)! For purposes of valuation and recording, the notional measure of 10 MT per truck is accepted by Customs. On the other hand, there may be a significant over-reporting of rice imports as a method for bringing in dutiable goods duty free in a situation of weak governance institutions.

[32] There is, of course, no guarantee that once an emergency has passed, officials will not revert to the more familiar "business as usual" practices, pushing up the cost of normal food imports.

POLICY RECOMMENDATIONS

- It is important to ensure that the ease of food imports from India does not lull us into a false sense of security. We cannot take it for granted that this will always be available. Trade diversification as well as domestic production strategies should be vigorously pursued.
- The Food Ministry MIS on monthly food import data needs to be carefully reviewed.
- An institutional resolution of the problem relating to poor quality, short measures and delayed shipments (and even aborted shipments) is needed. One possibility is to examine whether pre-shipment inspection would be useful here.
- The use of irrevocable LCs seems to put the importer at a disadvantage. It would be useful to review this to see if some modifications are possible to give importers some bargaining power in the event of default.
- It would be useful if the critical trade information (for example, prices, sources of supply, list of reliable firms) were made institutionally available to importers. Information collection remains highly individualized and costly.
- Infrastructure investments are desperately needed, especially in the areas of telecommunications, Customs warehouse facilities, transshipment yards and roads, and new rolling stock for the rail ports.
- Some critical capital equipment are needed, especially weighing machines, wagons and engines.
- Pilferage and labor problems have become endemic in the rail ports and needs to be urgently checked.
- The complex formalities insisted upon by Customs (though immensely simplified for rice, for the time being) provide much scope for rent-seeking, and need to be simplified.

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APPENDIX TABLES AND FIGURES

Figure 1 — Benapole Port Prices

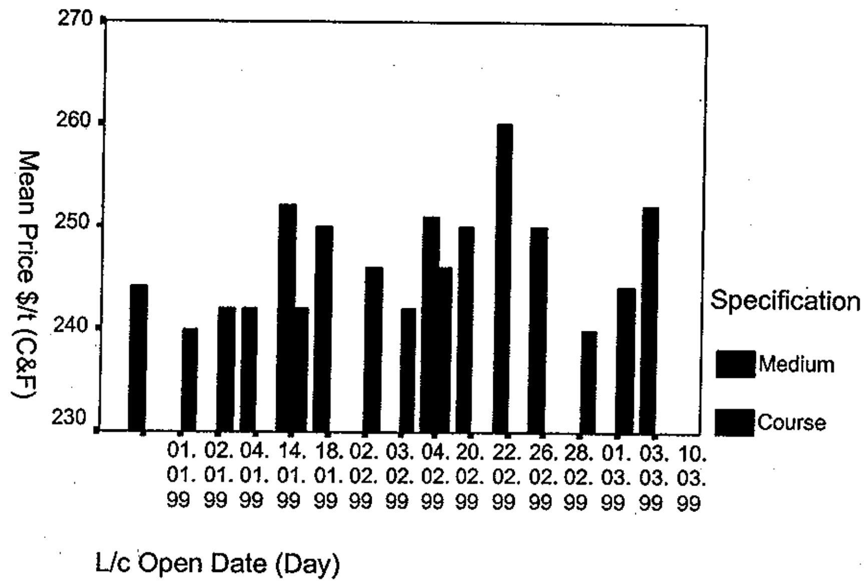

Figure 2 — Hili Rice Prices

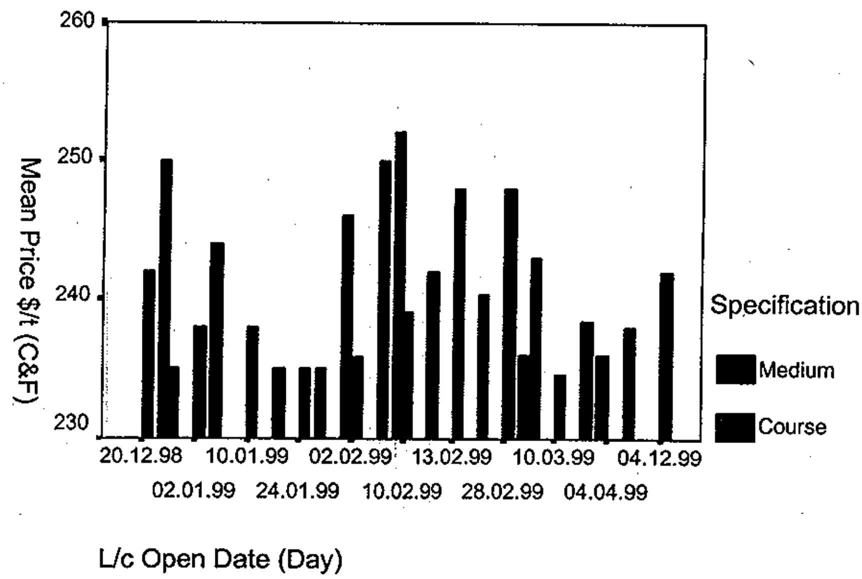

Figure 3 — Darsana Prices

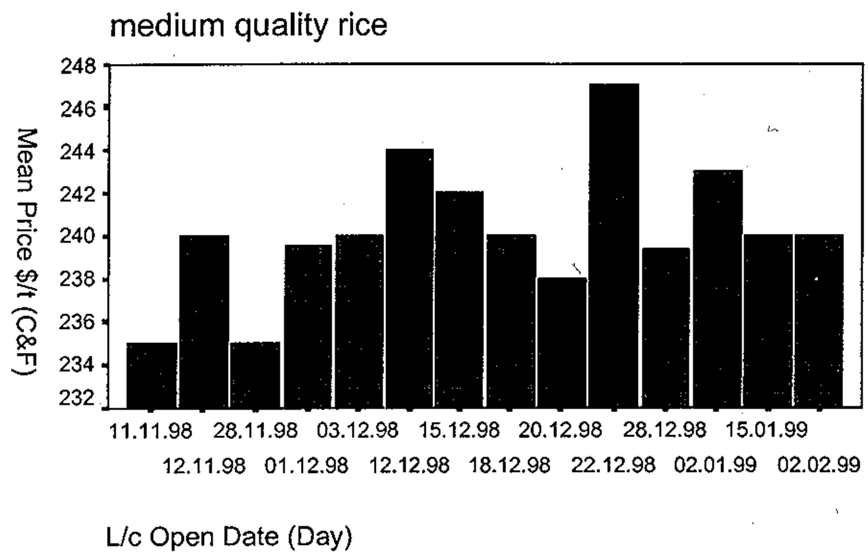

Figure 4 — Distribution of LCs

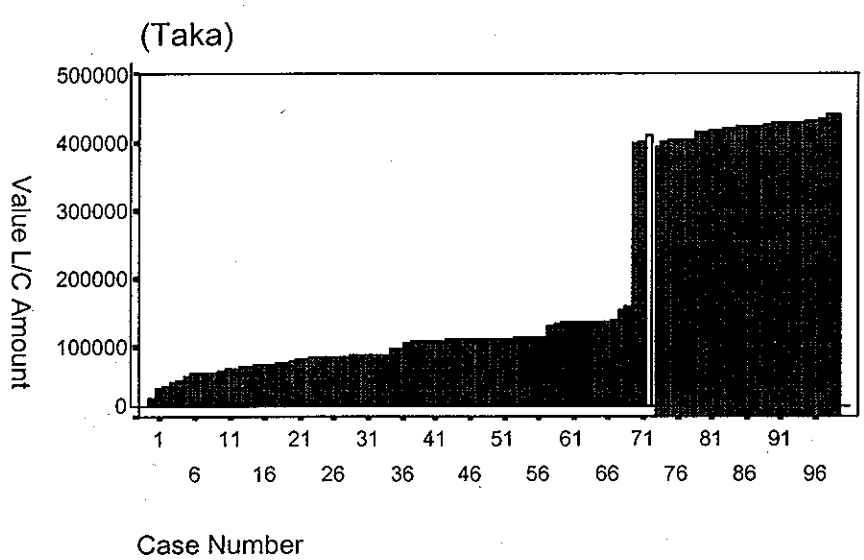

Figure 5 — Cash Margins for Sample LCs

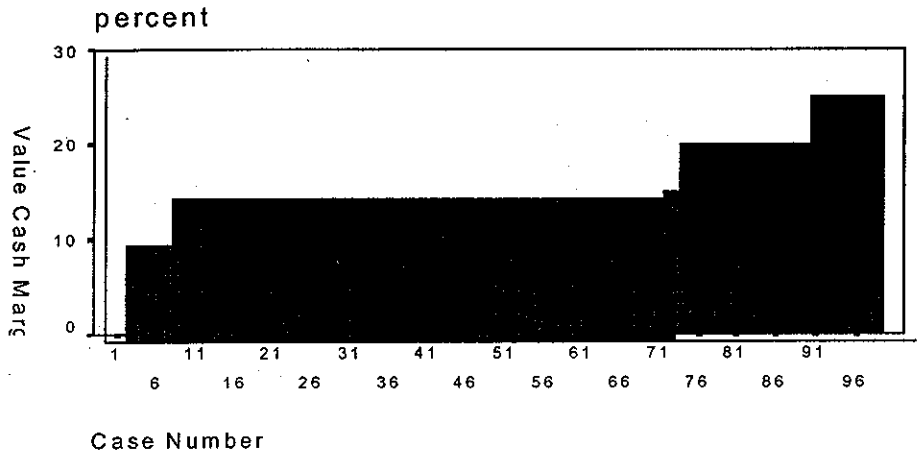

Table A.1 — Rice and Wheat Production, Trade and Stock Changes in India, 1991-96

Crops & Year	Production ('00' MT)	Imports ('00' MT)	Stock Changes ('00' MT)	Exports ('00' MT)	Total Supply ('00' MT)	Net Imports/ Total Supply (Percent)
Rice						
1991	74,732	100	3,478	680	77,630	-0.7percent
1992	72,704	176	4,786	582	77,083	-0.5percent
1993	80,440	139	-1,398	770	78,411	-0.8percent
1994	81,080	63	-1,155	903	79,084	-1.1percent
1995	79,668	53	4,595	4,927	79,389	-6.1percent
1996	81,249	53	2,679	2,504	81,477	-3.0percent
Wheat						
1991	55,134	0	2,488	662	56,960	-1.2percent
1992	55,690	1,364	-1,257	39	55,757	2.4percent
1993	57,210	243	-528	6	56,918	0.4percent
1994	59,840	2	-514	96	59,232	-0.2percent
1995	65,767	11	-2,221	1,149	62,408	-1.8percent
1996	62,620	627	300	1,610	61,937	-1.6percent
Rice and Wheat						
1991	129,866	100	5,966	1,342	134,590	-0.9 percent
1992	128,394	1,540	3,529	621	132,840	0.7 percent
1993	137,650	382	-1,926	776	135,329	-0.3 percent
1994	140,920	65	-1,669	999	138,316	-0.7 percent
1995	145,435	64	-2,374	6,076	141,797	-4.2 percent
1996	143,869	680	2,979	4,114	143,414	-2.4 percent

Source: Food Balance Sheet of India (1991-95), F.A.O.

Table A.2 — Foodgrain Import (Rice and Wheat)

Year	Aid/ Grant			Commercial			Public Import			Private Import			Total Import		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
1978/79	50	1,057	1,107	4	44	48	54	1,101	1,155				54	1,101	1,155
1979/80	24	1,336	1,360	688	734	1,422	712	2,070	2,782				712	2,070	2,782
1980/81	19	732	751	65	260	325	84	992	1,076				84	992	1,076
1981/82	30	1,111	1,141	114	0	114	144	1,111	1,255				144	1,111	1,255
1982/83	131	845	976	186	682	686	317	1,527	1,844				317	1,527	1,844
1983/84	117	1,324	1,441	62	553	615	179	1,877	2,056				179	1,877	2,056
1984/85	125	1,181	1,306	570	717	1,287	695	1,898	2,593				695	1,898	2,598
1985/86	27	1,060	1,087	10	103	113	37	1,163	1,200				37	1,163	1,200
1986/87	108	1,317	1,425	150	192	342	258	1,509	1,767				258	1,509	1,767
1987/88	192	1,595	1,787	398	732	1,130	590	2,327	2,917				590	2,327	2,917
1988/89	40	1,316	1,356	21	759	780	61	2,075	2,136				61	2,075	2,136
1989/90	41	908	949	258	326	584	299	1,234	1,533				299	1,234	1,533
1990/91	10	1,530	1,540	0	37	37	10	1,567	1,577						
1991/92	39	1,375	1,414	0	150	150	39	1,525	1,564						
1992/93	19	716	735	0	93	93	19	809	828	0	355	355	19	1,164	1,183
1993/94	0	654	654	0	0	0	0	654	654	74	238	312	74	892	966
1994/95	0	935	935	230	390	620	230	1,325	1,555	583	430	1,013	813	1,755	2,568
1995/96	1	737	738	487	352	839	488	1,089	1,577	650	200	850	1,138	1,289	2,427
1996/97	10	608	6,818	9	103	112	19	711	730	15	222	237	34	833	967
1997/98	250	150	400	0	650	650	250	800	1,050	993	200	1,193	1,243	1,000	2,243
1998/99 P	-	-	-	-	-	-	-	-	-	2,491	644	3,135	-	-	-

Table A.3 — Monthly Private Foodgrain Imports

Month	1992/93			1993/94			1994/95			1995/96			1996/97			1997/98			1998/99p		
	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
Jul	0	0	0	0	0	0	14	20	34	32	14	46	2	0	2	1	10	11	148	39	187
Aug	0	0	0	0	7	7	13	56	69	99	30	129	3	9	12	12	22	34	215	51	266
Sep	0	41	41	0	0	0	8	0	8	88	17	105	1	1	2	0	0	0	237	137	374
Oct	0	104	104	0	7	7	19	80	99	57	21	78	0	27	27	0	0	0	238	112	350
Nov	0	126	126	0	25	25	12	30	42	23	32	55	0	43	43	3	40	43	214	87	301
Dec	0	40	40	0	59	59	20	0	20	53	10	63	2	77	79	23	0	23	255	108	363
Jan	0	43	43	0	31	31	23	32	55	68	19	87	0	1	1	88	11	99	288	39	327
Feb	0	0	0	0	13	13	68	75	143	91	14	105	0	64	64	109	21	130	345	51	396
Mar	0	0	0	0	13	13	76	93	169	21	4	25	7	0	7	254	11	265	313	0	313
Apr	0	0	0	13	26	39	159	11	170	78	11	89	0	0	0	284	0	284	165	0	165
May	0	0	0	16	26	42	95	32	127	31	11	42	0	0	0	159	10	169	61	10	71
Jun	0	0	0	45	31	76	76	1	77	9	17	26	0	0	0	60	17	77	20	10	30
Total	0	355	355	74	238	312	583	430	1,013	650	200	850	15	222	237	993	142	1,135	2,499	644	3,143

Table A.4 — Sample Transaction Costs and Duration of Inland Distribution

	Quantity		Cost (BDT/MT)		Duration	
	Mean	**Sum**	**Mean**	**Sum**	**Mean**	**Sum**
Month						
January	329	2,635	219	1,315	1	6
February	374	5,990	213	2,975	1	14
March	369	11,798	187	4,103	1	24
April	1,165	38,435	219	6,140	2	55
May	1,154	13,842	204	2,453	2	22
Market Destination						
Benapole	89	267				
Noapara	527	10,015	196	3,720	1	26
Khulna	808	13,739	243	4,125	2	26
Darshana	1,718	3,435				
Bogra	217	1,950	215	1,932	1	9
Dinajpur	1,273	7,637	156	9,35	1	6
Hilly	385	5,000				
Syedpur	784	20,385	195	5,074	2	45
Rohanpur	1,750	1,750				
Ullahpara	1,704	8,522	240	1,200	2	9
Mode of Transport						
Truck	392	23,516	197	11,428	1	58
Train	1,639	39,332	232	5,560	3	63
Port of Entry						
Benapole	319	7,982	218	4,805	1	22
Darsana	1,475	41,305	211	5,485	2	57
Hilli	336	13,100	187	4,866	1	26
Biral	1,786	1,786	200	200	1	1
Bhomra	389	1,555	190	760	1	4
Rohanpur	1,743	6,972	290	870	4	11

Table A.5 — Size-Distribution of Annual Imports (1998-99) of Respondents

	Frequency	Percent
< 10,000	18	47.4
10,001-20,000	9	23.7
20,001-40,000	9	23.7
40,001-60,000	-	-
>60,000	2	5.3
Total	38	100

Table A.6 — Distribution of LCs by Amount and Cash Margin/Month

	LC Amount (BDT)
Cash Margin (percent)	
10	413,258
15	187,148
20	116,665
25	92,778
Month	
November, 1998	42,993
December, 1999	385,579
January, 1999	141,525
February, 1999	108,097
March, 1999	85,792
April, 1999	95,980

Table A.7 — Sample Transactions: Price, Quantity and Delivery Lags

				Price $t C$F Mean	Quantity (MT) Mean	Delivery Lag (days) Mean
Port of Entry	Benapole	L/C Open Date (Day)	01.01.99	244	400	20.00
			02.01.99			
			04.01.99			
			14.01.99	242	400	26.00
			18.01.99	252	400	27.00
			02.02.99	250	500	26.00
			03.02.99			
			04.02.99			
			20.02.99	251	225	19.00
			22.02.99	250	100	15.00
			26.02.99	260	260	19.00
			28.02.99	250	118	11.00
			01.03.99			
			03.03.99			
			10.03.99	252	400	21.00
		Total		250	303	20.30
	Darshana	L/C Open Date (Day)	11.11.98	235	1,760	129.00
			12.11.98			
			28.11.98	237	1,785	123.00
			01.12.98	238	1,786	120.00
			03.12.98	240	1,760	119.00
			12.12.98			
			15.12.98	240	1,786	133.00
			18.12.98			
			20.12.98	238	1,760	130.00
			22.12.98	247	1,786	116.00
			28.12.98	238	1,773	104.50
			02.01.99	243	500	119.00
			15.01.99			
			02.02.99			
		Total		239	1,647	119.80

Table A.7 — Sample Transactions: Price, Quantity and Delivery Lags (continued)

				Price $t C$F Mean	Quantity (MT) Mean	Delivery Lag (days) Mean
Port of Entry	Hili	L/C Open Date (Day)	20.12.98			
			01.01.99	250	150	30.00
			02.01.99			
			04.01.99	244	180	22.00
			10.01.99			
			15.01.99			
			24.01.99			
			28.01.99	235	150	22.00
			02.02.99	246	300	23.50
			04.02.99			
			10.02.99	252	250	46.00
			12.02.99			
			13.02.99			
			15.02.99			
			28.02.99			
			03.03.99	236	500	23.50
			10.03.99			
			15.03.99			
			04.04.99	236	410	30.00
			24.04.99	238	400	11.00
			04.12.99			
		Total		242	314	25.50
	Biral	L/C Open Date (Day)	02.12.98	240	1,788	126.00
			12.12.98			
			20.12.98			
		Total		240	1,788	126.00

Table A.7 — Sample Transactions: Price, Quantity and Delivery Lags (continued)

				Price &t (C$F) Mean	Quantity (MT) Mean	Delivery lag (days) Mean
Port of Entry	Bhomra	L/C Open Date (Day)	28.01.99	230	510	33.00
			02.02.99			
			18.02.99			
			03.03.99			
			28.03.99	238	510	6.00
		Total		234	510	19.50
	Rohanpur	L/C Open Date (Day)	20.12.98	244	1,786	123.00
			01.01.99			
			02.01.99			
			03.01.99	240	1,750	103.00
		Total		242	1,768	113.00
Port of Entry	Benapole	L/C Open Date (Day)	02.01.99	240	500	26.00
			04.01.99	242	400	20.00
			18.01.99	242	500	22.00
			03.02.99	246	353	22.50
			04.02.99	242	400	20.00
			20.02.99	246	275	27.50
			01.03.99	240	300	32.00
			03.03.99	244	450	42.00
		Total		243	387	27.64
	Darshana	L/C Open Date (Day)	12.11.98	240	1,786	109.00
			28.11.98	234	1,705	121.00
			01.12.98	240	1,712	135.67
			12.12.98	244	1,650	89.00
			15.12.98	244	1,650	123.00
			18.12.98	240	1,768	135.00
			28.12.98	242	1,786	125.00
			15.01.99	240	1,760	87.00
			02.02.99	240	1,718	91.00
		Total		240	1,722	115.31

Table A.7 — Sample Transactions: Price, Quantity and Delivery Lags (continued)

				Price &t (C$F) Mean	Quantity (MT) Mean	Delivery lag (days) Mean
Port of Entry	Hili	L/C Open Date (Day)	20.12.98	242	400	22.00
			01.01.99	235	300	27.00
			02.01.99	238	400	14.00
			10.01.99	238	353	20.50
			15.01.99	235	350	48.00
			24.01.99	235	400	30.00
			02.02.99	236	364	22.20
			04.02.99	250	300	11.00
			10.02.99	239	338	26.00
			12.02.99	242	300	17.00
			13.02.99	248	230	18.00
			15.02.99	240	250	29.87
			28.02.99	248	230	32.00
			03.03.99	243	500	35.00
			10.03.99	235	300	37.33
			15.03.99	238	320	26.00
			04.12.99	242	200	87.00
		Total		239	341	29.03
	Biral	L/C Open Date (Day)	12.12.98	235	1,786	106.00
			20.12.98	234	1,786	118.00
		Total		235	1,786	112.00
	Bhomra	L/C Open Date (Day)	02.02.99	235	225	26.00
			18.12.99	232	310	26.00
			03.03.99	242	500	38.00
		Total		236	345	30.00
	Rohampur	L/C Open Date (Day)	01.01.99	242	1,786	111.00
			02.01.99	234	1,650	116.00
		Total		238	1,718	113.50

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FMRSP Bangladesh

Food Management & Research Support Project
Ministry of Food, Government of the People's Republic of Bangladesh

International Food Policy Research Institute
IFPRI

The FMRSP is a 3.5 year Project of the Ministry of Food, Government of the People's Republic of Bangladesh, providing advisory services, training and research, related to food policy. The FMRSP is funded by the USAID and is being implemented by the International Food Policy Research Institute (IFPRI) in collaboration with the Food Planning and Monitoring Unit (FPMU) of the Ministry of Food, the Bangladesh Institute of Development Studies (BIDS), the University of Minnesota and International Science & Technology Institute (ISTI).

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