



Agriculture and
Agri-Food Canada

Agriculture et
Agroalimentaire Canada

**Agri-Food
Past, Present & Future Report**

Bangladesh

August 2005



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Please address any comments or suggestions you have on this report to: Bryan West - westb@agr.gc.ca

Canada

Bangladesh

Past Present & Future Report August 2005

Overview

Bangladesh accommodates a large population of 145 million people with a growing middle class with mounting demand for assorted products and services. Bangladesh is rich in natural resources, and has a thriving agricultural sector that dominates the economy.

During the early 90's Bangladesh embarked on an economic stabilization program which has since made strides in improving economic stability and possibility. As economic improvements continue, Bangladesh can rely on its endowments of a vast human resources base, rich land, abundance of water and considerable natural gas reserves to carry it through this slow but steady development process.

Bangladesh has also made improvements in its standards of living. Other notable advancements include, reducing population growth, gender equality within the school system, and improvement of the health care system. Annual GDP growth has remained steady in past years, although it is estimated that growth needs to expand by at least two percentage points to significantly reduce the poverty that afflicts many residents.

Canada - Bangladesh Relations

Canada has maintained a strong relationship with Bangladesh since it gained independence in 1971. In 1999 Bangladesh was the top Asian recipient of Canadian aid. In January of 2003, the Canadian government granted virtually open market access to Bangladesh which resulted in a significant increase of Bangladesh's exports destined for Canada.

The Canadian presence in Bangladesh is growing as Canadian companies are realizing the opportunities that exist within this market. Canadian companies have already made their mark in gas exploration and telecommunication, as well as management and consultancy fields

Canada-Bangladesh Bilateral Trade (2004)	
Bangladesh Total Trade	US\$11.8 billion
Exports	US\$4.8 billion
Imports	US\$7 billion
Trade balance	(US\$2.2 billion)
Canada- Bangladesh Trade	US\$462 million
Exports	US\$86 million
Imports	US\$376 million
Trade balance	(US\$290 million)
Canada-Bangladesh Ag Trade	\$70.6 million
Exports	\$70 million
Imports	\$558 thousand
Trade balance	\$69.4 million

- Both imports from Bangladesh and Canadian exports to Bangladesh doubled between 2002 and 2003.
- Canada/Bangladesh total trade has been steadily increasing in the past few years. In 2002 trade totaled US\$149 million, it more than doubled in 2003 at a value of US\$343 and in 2004 it was valued at US\$462 million.
- Top Canadian exports to Bangladesh are vegetables, cereals, and iron and steel.
- Top imports from Bangladesh are clothing and textiles.

Agricultural Trade

Canada has traditionally held a large agri-food trade surplus with Bangladesh of between \$50 and \$70 million. The years 1999 through 2001 saw record agri-food exports from Canada to Bangladesh based on the strength of dried pea exports. However, exports dropped dramatically after 2001 seeing a 50% decline in 2002. Canada's agri-food exports rebound from the 2002 total of \$53 million to reach \$84 million in 2003, but there was a slight drop in 2004 to \$70.4 million due to a large decrease in lentil exports. These fluctuations reflect the changing needs of the Bangladeshi market more than external competition. While 2004 did see a decrease there were some positive aspects to the statistical totals. There has been some diversification in the make up of Canada's agri-food exports and in the past two years more than 50% of Canada's exports have been classified as intermediate or consumer products.

Canada's largest agri-food export commodity has consistently been wheat, accounting for over \$20 million in each of the past 3 years. Canada is Bangladesh's 7th largest wheat supplier.

Imports from Bangladesh although aggregately small, have been steadily increasing from \$292,000 in 2002 to \$558,000 in 2004. Fresh and chilled vegetables have consistently been Canada's main agri-food import from Bangladesh, accounting for about 50% of total agri-food imports.

Canada's Top 5 Agricultural Exports to Bangladesh (2004)	
Wheat	\$24.8 million
Peas, dried	\$24.4 million
Lentils, dried	\$8.6 million
Canola seeds	\$7.6 million
Animal feed	\$2.4 million

Complete Statistical Trade Summary available at:
http://ats.agr.gc.ca/stats/bangladesh_e.pdf

- Total Bangladesh/Canada agricultural trade was valued at over \$70 million in 2004, and represented over 15% of total trade between the two countries.
- Top Canadian agricultural exports to Bangladesh were wheat valued at \$24.8 million accounting over 35% of all agri-food exports, and peas (dried) at \$24.3 million or 34% of total agri-food exports. The top 5 agri-food export products listed in the table above represented over 96% of total agri-food exports to Bangladesh.
- Top Canadian imports from Bangladesh in 2004 were frozen and fresh vegetables valued at \$279,000 accounting for 50% of all agricultural imports, followed by lemons at \$32,000 representing 5.8% of all agri-food imports.
- Bangladesh imports large quantities of wheat as it is a staple of the Bangladeshi diet. Consistent demand in this commodity represents an excellent opportunity for Canadian wheat exporters to increase sales.
- The Bangladesh Agricultural Research Council estimates food requirements for grains will almost double in the next 20 years.

- 2004 Canadian bulk exports to Bangladesh totaled \$34 million or 48% of all Canadian agri-food exports to Bangladesh, in the same year intermediate exports totaled \$36.5 million or 51% and consumer oriented exports totaled \$29,000 or approximately 1%.

Economy

Despite being hampered by problems such as poverty and poor infrastructure, Bangladesh's economy has been remarkably strong in the past decade, with annual GDP growth averaging 5%. The country's economic success is attributed to the emergence of entrepreneurs, strict macroeconomic policy, and a move to a market oriented economy which has stabilized the inflation rate and led to better management of state owned enterprises. The government is adopting policies to attract foreign investment, which include a five year tax holiday and tax exemptions on the interest of foreign loans and technical assistance fees.

Although the majority of large enterprises remain controlled by the state, Bangladesh has moved towards a market-oriented economy. The country is trying to diversify its economy, and stray away from dependence on the agriculture sector. Currently the agriculture sector employs two thirds of the country's labour force, and accounts for 35% of GDP.

The Bangladeshi government has a strong relationship with the World Bank, which is helping to improve basic infrastructure within the country. Cotton textiles are equally vital to Bangladesh's economy; they currently make up 80% of the country's exports. In its attempt to diversify the economy, the government is placing emphasis on developing the industrial sector.

Gross Domestic Product (2004)	
GDP	US\$59.4 billion
GDP (purchasing power parity)	US\$257 billion
GDP/Capita	US\$349
GDP/Capita (purchasing power parity)	US\$2000
GDP growth	5.4%

Current

- The UN has set out a stringent initiative in the Millennium Development Goals (MDG's) aimed to reduce the world's poverty by half by 2015, and latest observations show that Bangladesh is on track to meet these goals.
- Cotton textiles and garments account for nearly 80% of the country's exports.
- The country has maintained a stable unemployment rate of around 2.5% for the past 5 years.
- The country's exports are expected to increase by 12% by the end of 2005.
- Bangladesh welcomes foreign investment and foreign direct investment with the aim of improving infrastructure, energy and export-oriented manufacturing.
- Bangladesh has small reserves of oil and coal, but potentially very large natural gas resources.
- The Multilateral Investment Guarantee Agency (MIGA), which is part of the World Bank Group, is helping to increase foreign investment in Bangladesh by providing guarantees in the improvement of manufacturing and financial infrastructure.
- Bangladesh's 20,000 non-governmental organizations (NGO) are amongst the most active in the world. They operate throughout the country and focus on poverty alleviation and development.
- Half the population lives above the poverty line.

Forecast:

- Bangladesh's GDP is expected to increase to over US\$75 billion by 2006, and the GDP growth rate is expected to increase to nearly 6% by 2006.
- Improvement of trade relationships as well as Bangladesh's future economic success depends on their ability to improve current infrastructure.

Consumer Market

Bangladesh has a large population of a 145 million people, half of which live above the poverty line. Bangladesh is one of the most densely populated countries in the world. Over 80% of the country's population lives in rural areas, but recent trends show that more and more people are migrating to urban areas as job opportunities arise. The country's most populated city is the capital of Dhaka, which has a population of 10 million people and holds the largest consumer base for imported foods as over 65% of the population lives above the poverty line. Other highly populated cities include Chittagong and Rajshahi. Dhaka and Chittagong are by far the largest consumer markets in the country. The urban population in Bangladesh is fluent in English and is familiar and comfortable with western culture and products, as a result western goods are increasing in popularity and have a reputation for high quality.

The urban population is approximately 29 million people. About 22% of the urban population is considered middle class, capable of purchasing processed and imported foods, and this class is growing. The middle class has an average household income of US\$3,254.

- In rural Bangladesh, rice is a staple component of the diet, and often eaten at every meal. The rural population does not consume processed/imported foods.
- The demand for processed foods in urban areas is rapidly increasing.
- In urban areas, 45% of household income is spent on food and beverage items.
- A large number of foreigners reside in Dhaka and other metropolitan areas in Bangladesh and make up a large portion of the consumer base for imported fresh and processed items.
- The majority of the population prefers fresh food items that are cooked at home.
- Consumption of pulses has been rapidly increasing and the current domestic supply is not meeting demand. This presents an opportunity for Canadian exporters.
- Bangladesh imports approximately US\$50 million of fresh and dry fruit per year as they are popular items amongst Bangladeshi consumers.
- Bangladeshi's consume a lot of chicken, beef, mutton and fish, but they are only self sufficient in poultry production.
- Bangladesh is a Muslim dominated society and therefore imported meat will not be consumed unless it is "halal".
- The Bangladeshi consumer base is considered to be price sensitive; however, they are increasingly quality conscious.
- Bangladesh is a major importer of wheat as it is part of their staple diet, and imports about 3.3 million tones annually. Canada is currently Bangladesh 7th largest import supplier of wheat, but opportunity exists for Canada to export more as projections for increased consumption are projected into 2030.
- There are many types of retail shops in Bangladesh, the most common are the small roadside shops, followed by municipal corporation markets which are mainly found in semi urban or urban areas.
- Supermarkets are growing in popularity but are fairly new to Bangladesh's retail sector, with the first outlet opening only 5 years ago. Supermarkets make up less than 1% of the retail sector but are becoming more popular as more stores are being opened. Supermarkets are concentrated in major cities, and carry a variety of imported products.

Competitors

Canada's largest competition for the Bangladeshi market comes from India, Bangladesh's largest agri-food import supplier. Their relationship was made stronger with the signing of a trade agreement in June 2005 in which both countries agreed to remove existing trade barriers. Bangladesh participated in this agreement largely to address the US\$1 billion trade deficit they have with India. Bangladesh is also a member of the South Asia Free Trade Agreement, which created a free trade zone between India, Pakistan, Nepal, Sri Lanka, Bangladesh, Bhutan and the Maldives.

Aside from neighboring countries Canada's western competition for the Bangladesh agri-food market comes from Australia, US, Italy and the UK. These countries already have a strong trade relationship with Bangladesh and are large suppliers of fruit juices, powdered milk, fresh and dried fruits, olive oil and coffee to Bangladesh. The main consumers for goods imported from western countries is the middle class and the foreign population, while neighboring countries cater to the rural population, and therefore the two markets do not compete directly.

Bangladesh is a founding member of the World Trade Organization (WTO) where it is active in representing the interests of the least developed countries in the world and Bangladesh is also a member of good standing in the South Asia Preferential Trade agreement (SAPTA). As well Bangladesh is a member of the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC) an organization that seeks to promote economic cooperation between Bangladesh, India, Burma (Myanmar), Sri Lanka, and Thailand. Such agreements tend to facilitate and ease trade amongst these countries and represent connections with all of Bangladesh's largest trading partners.

- India is Bangladesh's largest supplier of agri-food, supplying over 30% of Bangladesh's agri-food imports in 2003. Bangladesh's other large agri-food suppliers include Singapore at 13% and Australia at 7%.
- Agricultural commodities account for approximately 10% of Bangladesh's annual imports. This figure can reach as high as 15% depending on domestic production affected by climate.
- Cereals (mainly rice and wheat) account for over 20% of Bangladesh's agri-food imports. Canada is Bangladesh's 10th largest supplier of cereals, but there is an opportunity to export more.

Access Issues

Although Bangladesh is reducing trade barriers to attract more foreign investment, many regulations and restrictions still exist. As part of its plan to facilitate trade and open the economy, the government has established export processing zones in the country's major port of Chittagong, and the capital, Dhaka.

- Tariff rates have been significantly reduced but as they are a major source of government revenue they are still fairly high. Bangladesh currently has no tariff quotas on imports.
- On top of tariff rates an infrastructure development surcharge of 2.5% is applied on almost all imports.
- Poor infrastructure makes the shipping of fresh and refrigerated products to Bangladesh difficult
- All plants, seeds and livestock require certificates of health issued by an approved authority from the country of origin.
- Live animals, animal products, plants and plant products are subject to quarantine.

- The aid of a local representative is highly recommended to help understand the product and import regulations of Bangladesh.

For more information regarding Bangladesh's import policies please visit:
<http://www.infoexport.gc.ca/ie-en/DisplayDocument.jsp?did=54611>

Agriculture Sector & Policies

Bangladesh's economy is extremely reliant on its agriculture sector which accounts for 35% of the country's GDP and employs two thirds of the labor force. The government is attempting to diversify the economy and move towards a market oriented economy to avoid heavy reliance on a sector that is typically vulnerable to natural disasters, such as cyclones, droughts and floods. Producing enough food to sustain Bangladesh's growing economy is a major goal of the agriculture sector, as Bangladesh still relies on imports to meet domestic demands especially during years when yields are inadequate.

A persistent problem in Bangladesh's agricultural sector is in the ownership of land. Islamic heritage laws have affected land division making landholdings increasingly small and often split between different areas. This division and separation has made maximizing production difficult.

- A significant portion (73%) of Bangladesh's land is suitable for agriculture, but only 32% of the suitable land is irrigated which is hampering production. Some farmers have faced problems with the current irrigation system as at times the water supply is contaminated.
- Bangladesh farmers depend on imported seeds for agricultural products, and there is a particularly high demand for hybrid seeds.
- Bangladesh's agricultural sector is legislated by the government and thus fluctuates with domestic production and changing import requirements. The government does not plan to reform or restructure the agriculture sector in the near future.
- Bangladesh's major crops include: rice, jute, tea, wheat, cane, oilseeds, potatoes, beef, milk, poultry, tobacco, pulses, and spices.
- Bangladesh is the world's largest producer of jute.
- United Arab Emirates, the US, and the United Kingdom are Bangladesh's largest export market for agri-food products.

Contact Information:

The Canadian High Commission in Bangladesh

High Commissioner: Ms. Barbara Richardson

Street Address

House CWN 16/A
 Road 48, Gulshan
 Dhaka, Bangladesh
 Tel: +88 (02) 988-7091/97
 Fax: +88 (02) 882-3043

Postal Address

G.P.O. Box 569,
 Dhaka, Bangladesh

URL: <http://www.infoexport.gc.ca/ie-en/Office.jsp?oid=18>

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