**Cash for Rice: Bangladesh as rice exporter**

* Salim Rashid, Emeritus, University of Illinois

December, 2013

Bangladesh is in the cross-hairs of food security and climate change. With a land mass the size of Iowa, which has 3 million people, Bangladesh already has some 160 million and is expected to grow until it stabilizes at about 250 million. It may even lose a tenth of its land mass if the sea levels rise as predicted. No wonder some ask about the possibility of having Bangladesh invest in African land for growing its food! This paper is based on a radically different proposal to make Bangladesh at once both food secure and prosperous--- use the profuse and prolific land to grow rice for itself and to export to the world. The pursuit of export dollars will boost domestic production, ensure self-sufficiency and allow the Government of Bangladesh(GoB) to buy rice from local producers to maintain a stockpile which will help to stabilize domestic prices.

The proposal is in stark contrast to that put forward by Kym Anderson and his group, who have consistently argued for the folly of restrictions on exports and imports. Such a ‘free trade’ policy was largely accepted by the GoB till 2008 when food prices started spiking upwards. Overnight, to prevent Indian rice prices from rising by 10%, the Indian Government practically doubled its rice export price. Thailand followed suit. Bangladesh was practically brought to its knees. All foreign exchange had to be diverted to obtaining rice and meeting agricultural requirements. The point was clearly made-- no Government can afford to accept domestic food inflation in order to meet export requirements. Those countries that have no choice but to import have to adapt accordingly. This is not the case for Bangladesh.

There are many parts to this proposal. A list of issues, by no means comprehensive, is provided as an Appendix. The paper will tackle a subset of issues from each group, in order to highlight the potential of Bangladesh and the uncertainty about several of the data on which policy has to be based. It is curious to note that the urgency of the problem cannot be properly gauged because there is uncertainty about some central questions, such as: How much agricultural land is lost per annum? What is the impact of the removal of subsidies on rice price? What will be the projected new income and wealth distribution when rice agriculture becomes a cash crop?

As such, this proposal is but the first part of a multi-year research project aimed at convincing the bureaupolity of Bangladesh that the economic goals of Bangladesh need to be fundamentally reoriented. Many of the technical questions of agronomy and agriculture are being addressed in collaboration with Dr. Zahurul Karim, the premier authority on Bangladesh agricultural potential and the lead scientist in the recently concluded master Plan for the Southwest of Bangladesh. This paper will concentrate on the three questions stated above. Q1 How much agricultural land is lost per annum? This will serve to decide the urgency with which policy must be pursued. For over 20 years we were told that 1% of agricultural land is lost per annum. Suddenly, without adequate explanation, this has been revised downwards to .3%. The question needs careful review. Q2. What is the impact of the removal of subsidies on rice price? The study most relied on is that done by Kym Anderson and his associates.

This is not only dated, but also fails to incorporate the newer potential of Bangladesh agriculture. Q3. What will be the projected new income and wealth distribution when rice agriculture becomes a cash crop? This requires some form of general equilibrium model to get any reasonable answers. As no such model exists now, I will use regional input-output models developed by the Urban and Regional Planning department of the Bangladesh University of Technology (BUET).

**References**

Agriculture, Ministry of,**.Master Plan for Agricultural Development in the Southern Region of Bangladesh**(June 2012 Dhaka).Anderson, Kym and Will Martin, eds., Distortions to Agricultural Incentives in Asia

BIDS,**Estimation of the Parameters Needed for Integrated and Effective PFDS Planning in Bangladesh,**Dhaka 2012 Dethier, Jean-Jacques and Alexandra Effenberger*.,* Agriculture and Development:A Brief Review of the Literature The World Bank, 2011Hasan, Nazmul.et. al., **Trends in the availability of Agricultural land in Bangladesh**, Soil resource Development Institute, Dhaka. Hossain, Mahabub., Transformation of the Agrarian structure of Bangladesh, BRAC Dhaka 2012.   
Juma, Calestous., **Technological Abundance for Global Agriculture: The Role ofBiotechnology** (Harvard 2012)Karim, Zahurul., **Background paper on Food and Agriculture** Crops, Forestry, Fisheries and Livestock Planning CommissionMinistry of Planning Dhaka .World Bank (2009).Lofgren, Hans.**World Food Prices and Human Development: Policy Simulations for Archetype Low-Income Countries**The World Bank April 2012 Mahmud , Wahiduddin., **Agricultural Growth thorough Crop Diversification in Bangladesh**, Working Paper USAID, **National Food Policy Capacity Strengthening Programme (NFPCSP) :**Compendium of Inception and Interim Reports 7 and 8 of May 2012, Dhaka

**Exporting Rice: Issues for the Bangladesh economy**

**Q 1.Is it technically feasible to grow so much that exports are thinkable?**

1. How much agricultural land is being lost per annum?
2. Has prolonged usage reduced the output of the HYV?
3. What is the potential of new rice strains being developed?
4. What are the policy requirements if the additional rice is to be marketed for export?

**Q 2.Why is there a gap between technical feasibility and practice?**

1. What inputs are needed to achieve the technical possibilities?
2. Why do farmers not strive to maximize such yields?
3. Is regulation the impediment to raising productivity?

**Q 3.What policy changes will help achieve the potential?**

1. How will the removal of subsidies affect prices and incomes?
2. What should the GoB do with the funds saved by avoiding subsies?
3. If rice price has to rise, who will be hurt?
4. Can price increases be staggered to make the changes palatable?

**Q 4.Effects on consumers and producers of changed prices**

1. How will domestic consumption be affected?
2. Can manufacturing bear higher wages?
3. How will population respond to the above changes?

**Q 5.Impact on Society of a new philosophy of ‘food security’**

1. What political economy forces does the changed income distribution create?
2. As rural lands rise in value due to exports what will this mean for rural-urban migration?
3. What will be the impact of rural prosperity on local administration in villages and upazilas (districts)?
4. Can the GoB work out a procurement policy to buffer price volatility?