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Global Agricultural Information Network

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Budget FY13-14 - Agriculture Food and Agricultural Trade Highlights

Report Categories:

Agriculture in the Economy

Trade Policy Monitoring

Climate Change/Global Warming/Food Security

Dairy and Products

Cotton and Products

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Report Highlights:

The FY 2013/14 Bangladesh agriculture sector allocation is 5.98 percent of the total budget outlay. The current import duty 3-percent and 12-percent slabs are reduced to 2 percent and 10 percent, respectively. Duty free imports of major agricultural inputs and commodities including fertilizer, seeds for planting, and raw cotton are continued, though the duty on powdered milk will rise from 5 to 10 percent. Social safety net schemes account for about 11.4 percent of the total budget outlay.

General Information:

General

Bangladesh Finance Minister Mr. A. M. A Muhith announced the proposed national budget for FY 2013/14 (July-June) with a total outlay of BDT 2.22 trillion (\$28.10 billion), which is 18.7 percent of the projected BDT 11.9 trillion (\$150 billion) gross domestic product (GDP) and 17.5 percent larger than the revised budget for the outgoing fiscal year. The estimated budget deficit is BDT 550 billion (\$6.96 billion) or 4.6 percent of GDP; 62 percent of this deficit is proposed to be financed from domestic sources and the rest from external sources.

The Finance Minister in his speech indicated that the budget is targeted for sustaining macro-economic stability, boosting private and public investment, and moving up the trajectory of high inclusive growth. The budget allocated BDT 659 billion (\$8.34 billion) for the Annual Development Program (ADP), up by about 26 percent from the revised ADP of the outgoing fiscal year. The budget projects GDP growth of 7.2 percent for FY 2013/14 on the continued growth in the trade, industry and agriculture sectors and with the expectation that the global economy would finally take a turn for the better in 2013. Over the past four years, Bangladesh's average real GDP growth stood at 6.2 percent. The government projected real GDP growth to be in the region of 6.3-6.8 percent against a targeted 7.2 percent in the fiscal year just ending.

With the steady recovery of trading partner economies in the latter part of 2012 and external demand picking up, Bangladesh posted 10.1 percent export growth while remittance inflows grew by 16 percent. The government aims to anchor inflation at 7 percent in the next fiscal year, based on increased domestic agricultural production, stable energy prices and a decline in food prices in the global market. The budget was adopted in the Bangladesh Parliament on June 30, 2013.

Agriculture

The FY 2013/14 budget supports innovation in high yielding rice seeds, extension at the field level, provision of target-based agricultural assistance, increase of agricultural credit flows and inspection, supply of uninterrupted power for irrigation, and diversification of agricultural products along with extension of marketing facilities for buttressing agricultural growth.

A total of BDT 122.7 billion (\$1.55 billion) has been allocated for both development and non-development expenditures under the Ministry of Agriculture for the FY 2013/14, which is 5.5 percent of total budget outlays. The Ministry of Agriculture's share was 4.65 percent in the FY 2012/13 budget, which was later raised to 7.86 percent in the revised budget of the same fiscal.

In the FY 2012/13, BDT 95 billion (\$1.2 billion) was allocated for agricultural subsidies, which was increased to BDT 120 billion (\$1.52 billion) in the revised budget. The new FY 2013/14 budget allocates BDT 90 billion (\$1.14 billion) as agricultural subsidies.

The current 20-percent rebate of electricity bills for operating irrigation pumps remains in FY 2013/14.

The government-run Bangladesh Agriculture Development Corporation (BADC) will supply 147,000 MT of high yielding variety seeds of important crops in FY 2013/14; around BDT 1.5 billion (\$19 million) will be made available to BADC as a subsidy for this activity. The government-created BDT 4.12 billion (\$60 million) Agricultural Research Endowment Fund is in place for funding competitively selected research proposals for enhancing agricultural productivity.

The FY 2013/14 budget targets efforts to meet increasing demand for food by emphasizing introduction of new varieties of rice, wheat and jute, and expanding area under these crops by strengthening agricultural research and extension activities. Other initiatives in the agricultural sector undertaken during the previous fiscal year, such as crop insurance, formation of agricultural marketing groups and agricultural clubs to facilitate marketing of farm products at fair prices, construction of agricultural marketing-related infrastructure, and introduction of beet-sugar cultivation as a substitute of sugarcane, are to continue in FY 2013/14. Agricultural Information Communication Centers (AICC) for providing farmers with up-to-date agricultural information and problem-solving advice are functioning in around 200 unions (out of 4486 unions, the lowest administrative unit). A draft of the Agricultural Land Protection and Land Use Act 2011 has been prepared and stakeholder consultations on the draft are going on. The formulation of a national agricultural policy is underway.

The target for distributing agricultural credit for FY 2012/13 was BDT 141.3 billion (\$1.79 billion); 72.2 percent of this target was achieved as of March 2013. Agricultural credit disbursement is targeted at about BDT 146 billion (\$1.85 billion) for FY 2013/14. The credit program of reduced interest rates in the hill districts continues in the new fiscal year.

The FY 2013/14 budget allocation for fisheries, poultry and dairy development is BDT 10.63 billion (\$134 million) which is 0.48 percent of the total budget outlays.

Food Security

In the context of unexpected risks in food production arising from climate change and instability in food grain prices, Bangladesh Government is implementing the “[Country Investment Plan for Food Security](#)” and the “[National Food Policy Action Plan](#)”. The intention of ensuring fair prices for agricultural producers while keeping prices of food grains within the purchasing power of the poor continued for the FY 2013/14 budget. The Finance Minister in his budget speech pointed out that demand for food under the open market sales (OMS) program has fallen substantially due to government’s success in maintaining food price stability in the last two years.

To ensure that farmers suffer no loss due to price reductions, the government plans to procure 1.45 million metric tons (mmt) of rice and 150,000 metric tons of wheat from the domestic market in FY 2013/14. During the same period the procurement target from the international market is set at 1.25 mmt (260,000 metric tons of rice and 990,000 metric tons of wheat) as compared to the actual imports of 912,000 metric tons (12,000 of rice and 900,000 of wheat) in FY 2012/13.

In addition to the 1.2 million “fair price” cards distributed among poor farmers, continuation of programs under the public food distribution system (Vulnerable Group Feeding, Food for Work, Vulnerable Group Development, Open Market Sales, etc.) benefits 30 million people. The public food distribution system (PFDS) allocation of food grains is 1.63 million tons in FY 2013/14 as compared to the revised allocation of 1.6 million tons in FY 2012/13.

The Government is implementing a plan for raising Bangladesh's public sector food grain storage capacity to 2.2 million tons by 2015. In the past four years, the storage capacity has been increased by 440,000 metric tons to reach 1.85 mmt by the end of FY13. Provided that the construction of silo and multistory warehouses is completed as per the existing plan, the food storage capacity of Bangladesh government will be increased to 2 million tons by the end of FY 2013/14.

Social Safety Net

The Bangladesh social safety net programs (SSNP) consist of four broad categories, which are: providing special allowances for different underprivileged socioeconomic groups (including the elderly, destitute women, insolvent freedom fighters, disabled adults and students, poor lactating mothers, orphans and street beggars), employment generation for the hardcore poor through microcredit and different fund management programs, food security-based activities in order to manage better the consequences of natural disasters, and providing education, healthcare, training, and technical assistance to make the new generation capable and self-reliant.

Development partners like the World Bank and the UNDP appreciate the worth of the SSNPs in alleviating the country's widespread poverty. According to the Household Income and Expenditure Survey 2010 of Bangladesh Bureau of Statistics (BBS), the number of people living below the poverty line was reduced to 31.5 percent in 2010 from 40 percent in 2005. The present government has set a target of reducing the poverty rate to 25 percent and 15 percent by 2013 and 2021, respectively.

The budget for FY 2013/14 has allocated BDT 253.7 billion (\$3.21 billion) for the SSNPs, up from BDT 231 billion (\$2.92 billion) in the revised budget for the previous year. The new year allocation for SSNPs is 11.4 percent of the total budget outlay, down from 12.2 percent in the previous budget. The government now funds 90 programs to support 68 million people under the safety net schemes, which was about 71 million in the last fiscal year.

Climate Change and Environment

The Bangladesh Finance Minister in his budget speech noted that the country has sustained a total loss of \$2.189 billion due to natural disasters during the 1990-2008 period, which was equivalent to around 1.8 percent of GDP. Therefore, the government has attached special importance to mitigation of the impacts of climate change, preservation of environment, and disaster management, which are illustrated in the [Bangladesh Climate Change Strategy and Action Plan](#) (BCCSAP) 2009. To implement this action plan the Climate Change Trust Fund was created in 2010, and was allocated BDT 23.6 billion (\$299 million) during the FY 2010/11-2012/13 period. As many as 194 projects have been taken up under this fund as of February 2013. The government has, however, reduced the allocation for this Trust Fund in the current fiscal year to BDT 2.55 billion (\$32.3 million) from BDT 4 billion (\$50.6 million) allocated in the last fiscal year. In addition, the Bangladesh Climate Change Resilience Fund (BCCRF) was created with the assistance from the development partners. The total amount of assistance to this fund, so far, is \$189.5 million.

Industrial waste and waste from urban sewage are taking a heavy toll on the aquatic environment and its surroundings. The rivers surrounding Dhaka have been declared ecologically critical bodies of water to protect them from pollution. A draft instruction manual with a view to preserving and developing environment and controlling pollution has been prepared and a timeline has been fixed for installation of waste treatment plants for all factories disposing of liquid waste. As a result of this initiative, 381 effluent treatment plants (ETPs) have been installed in various industries and installation of treatment plants in another 42 units is in progress. The Government has also created a fund of BDT 2 billion (\$25.3 million) to provide soft loans to industrial units for installing effluent treatment plants and adopting other pollution-control measures.

In order to conserve the country's biological resources, steps to draft a National Action Plan are underway. A national biosafety framework has been formulated and updating of the National Biodiversity Strategy and Action Plan, adopted under the 2011-2020 strategic plan and drawn up as per the United Nations Biodiversity Charter, is in progress. Around 650 hectares of mangrove forest and 860 hectares of wetland forest have been earmarked to conserve biodiversity in coastal and wetland areas, respectively.

To bring disaster management activities under a legal and institutional framework, the Disaster Management Act, 2012 has been passed, and the National Disaster Management Plan 2010-2015 has been approved. With the objective of strengthening disaster management, 48,000 volunteers have been trained under the cyclone preparedness program. Construction of 74 flood shelters in flood-prone and river erosion areas and of 100 cyclone shelters in coastal areas is underway. Equipment worth BDT 690 million (\$8.7 million) has been procured to facilitate preparedness for disasters arising from earthquakes and other calamities.

Other ongoing activities for minimizing the impact of climate change include transmission of early warning of disasters through the cell phone network, reducing the level of air pollution, taking measures to establish energy conserving and environmentally friendly brick yards, waste management (hospitals, ship breaking industry, etc.), increased use of green fertilizers instead of chemical fertilizers, development of eco-tourism and human resources, and rehabilitation of populations displaced by climate change.

Import Duty Provisions

The main features of the import duty and tax provisions in the FY 2013/14 budget applicable to agricultural commodities and processed food items are as follows:

- Without changing the present four-slab duty structure, the present 3-percent customs duty on the importation of capital goods and 12-percent duty on intermediate raw materials are reduced to 2 percent and 10 percent, respectively. The other two slabs are 5 percent for basic raw materials and 25 percent for the finished products.
- The present 5-percent regulatory duty, as imposed in FY 2010/11 on goods chargeable to 25 percent customs duty, is continued, as the budget seeks to protect the interests of the domestic industry. For the same considerations, a 5-percent regulatory duty is imposed on a few items which are chargeable at 10-percent customs duty but by nature are not intermediate goods.

- The present full exemption from customs duties is applied to essential goods such as rice, pulses, wheat, and onions; agricultural inputs such as fertilizer, insecticides, and seeds; life-saving drugs; primary industrial raw materials such as cotton.
- The concessionary facility of 10 percent VAT at point of importation on edible oil is maintained for the next year.
- To preserve the interest of the domestically produced potato chips, the budget imposes a 60-percent supplementary duty on imported chips.
- To increase the use of biogas plants, the present import tariff rates of 12 and 25 percent on a few raw materials for biogas production are reduced to 5 and 10 percent, respectively;
- To encourage production of milk and dairy products, the tariff on commercial import of powder milk has been raised to 10 percent from 5 percent. The existing 5-percent duty on VAT-registered and taxable goods manufacturing industries remains unchanged. Milk tankers used in the dairy sector are now included among capital goods attracting only 2-percent customs duty, down from 5 percent.
- The previous 5-percent tariff on imports of artificial filament tow, the raw material of acrylic yarn used for manufacturing sweaters, has been nullified.
- In order to encourage commercial imports of fabrics by plugging leakage from bonded imports, the applicable supplementary duty has been reduced to 20 percent from 45 percent.
- VAT registered supermarkets (modern retailers) are fully exempted from the 30-percent supplementary duty applicable to imports of different types of chests, cabinets, showcases, display counters and refrigerators.
- The existing concessional tariffs and taxes enjoyed by the livestock sector are to be expanded to cover some new items.

The FY 2013/14 budget preserved all existing exemption notifications on regulatory duties and extension of them to new items. Details of the proposed changes in import duties and supplementary duties on agricultural commodities and processed food items for the FY 2013/14 are shown in Appendix-I.

Trade Liberalization

With gradual liberalization of trade in FY 2011/12, the share of total government revenue derived from import duties has fallen to 33 percent from 42 percent in FY 2007/08. The mandatory pre-shipment inspection (PSI) system in customs management ended on June 30, 2013. In order to ensure problem-free customs valuation and assessment of imports and also to continue the support and cooperation of the PSI company for preparation and development of the valuation database, an optional PSI system is proposed from July 2013. With this end in view, appropriate steps are being taken to amend The Customs ACT, 1969 and the relevant implementing regulations as well.

As planned in the prior year's budget, full automation of the customs administration with ASYCUDA World software technology was inaugurated on a pilot basis in Custom House, Chittagong on July 1, 2013. It is expected that a paperless customs management system will be in place by June 2014, if the project is implemented as planned. With the support of the Asian Development Bank, important land customs stations are being brought under the ASYCUDA software system.

There is no mention of further steps towards trade liberalization in the Bangladesh Budget for FY 2013/14.

The detail of Bangladesh Budget FY 2013/14 is available at: <http://www.mof.gov.bd/en/>

**Appendix-I. Bangladesh: Revisions in import and supplementary duties,
FY 2013/14 Budget, July-June**

Sl. No.	H.S. Code	Descriptions	FY 2012/13 Rate (%)	FY 2013/14 Rate (%)
Import Duty increased				
1	0402.10.99	Milk powder in bulk in powder, granules or other solid forms, of a fat content, by weight, not exceeding 1.5%: (excl. imported by VAT registered milk products manufacturing industry)	5	10
2	0402.21.99	Milk powder in bulk in powder, granules or other solid forms, of a fat content, by weight, exceeding 1.5% not containing added sugar or other sweetening matter (excl. imported by VAT registered milk products manufacturing industry)	5	10
3	0603.11.00	Roses	12	25
4	0603.12.00	Carnations	12	25
5	0603.13.00	Orchids	12	25
6	0603.14.00	Chrysanthemums	12	25
7	0603.15.00	Lilies (<i>Lilium spp.</i>)	12	25
8	0603.19.00	Other	12	25
9	0910.91.90	Other spices mixtures	12, 25	25
10	1901.90.30	Preparations for infant use in bulk imported by VAT registered infant food industry	5	10
Import Duty reduced				
11	0404.10.10	Whey whether or not concentrated or containing added sugar or other sweetening matter: Imported by VAT registered food processing industry	25	10
12	1401.10.00	Bamboos	12	0
Supplementary Duty waived				
13	0802.90.11	Betelnuts (Wrapped/canned upto 2.5 kg)	30	20

14	0802.90.19	Other betelnuts	30	20
15	17.04 (All H.S. Codes)	Sugar confectionery (including white chocolate), not containing cocoa.	60	30
16	1806.20.00	Other preparations in blocks, slabs or bars weighing more than 2 kg., or in liquid, paste, powder, granular or other bulk form in containers or immediate packings, of a content exceeding 2 kg	60	30
17	1806.31.00	Other, in blocks, slabs or bars : Filled	60	30
18	1806.32.00	Other, in blocks, slabs or bars : Not filled	60	30
19	1806.90.00	Other, in blocks, slabs or bars	60	30
20	1901.10.00	Preparations for infant use, put up for retail sale	20	10
21	1905.31.00	Sweet biscuits	100	60
22	1905.32.00	Waffles and wafers	100	60
23	1905.40.00	Rusks, toasted bread and similar toasted products	100	60
24	1905.90.00	Sweet biscuits; waffles and wafers	100	60
25	2103.90.00	Other	0, 30	0
26	Heading 22.01 (All H.S. Codes)	Waters, including natural or artificial mineral waters and aerated waters, not containing added sugar or other sweetening matter nor flavored; ice and snow	30	20
27	52.08 to 52.12 (All H.S. Codes)	Woven fabrics	45	20
28	54.07 & 54.08 (All H.S. Codes (Excl. 5407.10.10)	Woven fabrics	45	20
29	55.12 to 55.16 (All H.S. Codes)	Woven fabrics	45	20
30	58.01 (All H.S. Codes)	Woven pile fabrics and chenille fabrics, other than fabrics of heading 58.02 or 58.06	60	45
31	60.01 (All H.S. Codes)	Pile fabrics, including "long pile" fabrics and terry fabrics, knitted or crocheted	60	45
32	60.02 (All H.S. Codes)	Knitted or crocheted fabrics of a width not exceeding 30 cm, containing by weight 5% or more of elastomeric yarn or rubber thread, other than those of heading 60.01.	60	45
33	60.03 (All H.S. Codes)	Knitted or crocheted fabrics of a width not exceeding 30 cm, other than those of heading 60.01 or 60.02	60	45
34	60.04 (All H.S. Codes)	Knitted or crocheted fabrics of a width exceeding 30 cm, containing by weight 5% or	60	45

		more of elastomeric yarn or rubber thread, other those of heading 60.01		
35	60.05 (All H.S. Codes)	Warp knit fabrics (including those made on galloon knitting machines), other than of headings 60.01 to 60.04	60	45
36	60.06 (All H.S. Codes)	Other knitted or crocheted fabrics	60	45

Supplementary Duty increased

37	03.02 (All H.S. Codes)	Fish, fresh or chilled, excluding fish fillets and other fish meat of heading 03.04.	0, 20	20
38	03.03 (All H.S. Codes)	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04	0, 20	20
39	0810.10.10 0810.10.90	Strawberries	0	20
40	0810.20.10 0810.20.90	Raspberries, blackberries, mulberries and loganberries	0	20
41	0810.30.10 0810.30.90	Black, white or red currants and gooseberries	0	20
42	0810.40.10 0810.40.90	Cranberries, bilberries and other fruits of the genus Vaccinium	0	20
43	0810.50.10 0810.50.90	Kiwifruit	0	20
44	0810.60.10 0810.60.90	Durians	0	20
45	0810.70.10 0810.70.90	Persimmons	0	20
46	2005.20.00	Potato chips	0	60
47	24.01 (All H.S. Codes)	Unmanufactured tobacco; tobacco refuse	60	100
48	2402.10.00	Cigars, cheroots and cigarillos, containing tobacco	100	150

The items for which concessionary import duty benefit is given by SRO

8704.22.13	Insulated road milk tanker in CBU	5	2
0511.91.00	Products of fish or crustaceans, molluscs or other aquatic invertebrates; dead animals (fish meal unfit for human consumers)	5	0
2833.25.00	Copper sulphate pentahydrate (feed grade)	12	0
2833.29.90	Ferrous sulphate (feed grade)/Manganese sulphate monohydrate (feed grade)	12	0
2930.90.00	Other organo-sulphur compounds	5	0
3003.10.00	Medicament for veterinary use for retail sale	5	0
3003.20.00			
3003.39.90			
3004.90.99	Spermfilter	5	0
3815.90.00	Raw milk preservatives	12	0

3821.00.00	Prepared culture for poultry	12	0
3923.29.90	Bio gas storage bag, Bio gas pum, glass fibre plastic reinforcement cover for biogas plant	25	0
3926.20.90	Sterilized sensitive/super sensitive gloves for artificial insemination and embryo	25	0
4009.11.00	Disposable semen collector	25	0
9027.80.00	Semen analyzer	3	0
5502.00.10	Artificial filament tow	5	0