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IFPRI

FOOD POLICY STATEMENT

NUMBER 31, AUGUST 2000

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OUT OF THE SHADOW OF FAMINE: EVOLVING FOOD MARKETS AND FOOD POLICY IN BANGLADESH

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AND TAWFIQ-E-ELAHI CHOWDHURY, EDITORS

Once described by Henry Kissinger as a “bottomless basket,” Bangladesh has long been associated with images of famine and grinding poverty in the public imagination. Within Bangladesh, the legacy of repeated famines has haunted policymakers and exercised a powerful effect on food policy. The famines of 1943 and 1974 in particular led to myriad government interventions designed to protect the nation’s food supply. Bangladesh’s recent agricultural performance stands in vivid contrast to these bleak images. Over the past two decades, the country has transformed its food markets and food policies to free the country from the constant threat of famine. *Out of the Shadow of Famine*, edited by Raisuddin Ahmed, Steven Haggblade, and Tawfiq-e-Elahi Chowdhury, and published by Johns Hopkins University Press, describes this remarkable transformation.

TWO DECADES OF CHANGE

Bangladesh’s food policy reform has proceeded amid efforts to decontrol major sectors of the economy. Changes in key economic and social indicators in the first two decades after independence in 1971 show significant achievement. While population density remains a serious concern, population growth fell below 2 percent. Gross domestic product (GDP) more than doubled, growing on average about 4 percent per year. Per capita income grew about 2 percent annually. The average tariff fell from over 90 percent to about 30 percent, while exports grew from about 3 percent to about 13 percent of GDP. The country has made remarkable progress in developing infrastructure that will enhance its future prospects for growth. The length of paved roads doubled, and telephone connections more than quadrupled. Electricity generation increased by about 450 percent, while irrigated land area increased about 215 percent.

Indicators of social development show some improvement in the overall quality of life but also make clear the massive poverty that continues to beset the nation. Gains made so far are simply a small dent in a gigantic problem still to be solved.

TRENDS IN PRODUCTION, MARKETING, AND GOVERNMENT POLICY

Rapid change in Bangladesh’s foodgrain production and markets laid the foundation for a major restructuring of government food policy in the early 1990s. New high-yielding varieties (HYVs) of rice and wheat became available in the mid-1970s. For 10 years adoption expanded steadily, but in the second half of the 1980s, when markets for fertilizer and irrigation equipment were liberalized, it surged dramatically.

Growth in foodgrain production, coupled with sustained investment in rural infrastructure, made possible a marketing revolution of far greater scale. While foodgrain production increased from 8 million tons in 1962 to 18 million tons in 1992, quantities marketed increased by a factor of six. Increased foodgrain production in excess of population growth, growing urbanization, shifting preferences for wheat, and intractable poverty all contributed to a steady softening in real rice prices.

Simultaneously, the price paid by the poor for grain from government ration channels was gradually rising to meet the falling market price. By eroding the incentives of millions of ration cardholders to draw rations, the fall in rice prices in the early 1990s played a key role in making rapid downsizing possible. This subsidy erosion effectively neutralized 15 million ration recipients, the largest potential opposition to downsizing the enormous public food distribution system.

Spurred by reduced government resources and a softening foreign aid environment, a coalition of government reformers seized this auspicious moment to launch a series of rapid

downsizing moves. Between December 1991 and August 1993 they abolished the major ration channels, reduced domestic rice procurement, and liberalized foreign trade in foodgrains. Even with a change in government and two bad harvests (1994/95 and 1995/96), downsizing and liberalization have been sustained.

Today, Bangladesh's public food system looks considerably different than it did a decade ago. Ration channels have been dismantled. Only outlets serving the army and police continue to draw rations of any significance. Instead, the system focuses on a small open market sales outlet and a tightly targeted set of distribution programs aimed at vulnerable groups. Government procurement has shrunk apace. Moreover, the rapid private sector response to import liberalization means that, for the first time in five decades, private sector foodgrain imports exceeded the government's imports beginning in 1994.

THE ROAD AHEAD FOR BANGLADESH

No longer a basket case, Bangladesh has demonstrated that its economic growth can outpace its population growth, that the country can materially improve its ability to feed itself, and that it might even attain a level of prosperity sufficient to accord basic dignity to its vast population. Fulfilling this prospect, however, depends on the country's ability to accelerate the momentum of progress.

A market-oriented approach to development will help Bangladesh accelerate investment, exploit potential for trade, and align itself with the rapidly changing global environment. This adherence to the market, however, does not mean a passive role for government. Government must play a proactive role in a number of strategic areas, including ensuring a stable macroeconomy; improving targeted distribution to vulnerable groups; strengthening agricultural research, extension, and infrastructure; and promoting agricultural diversification and rice exports.

Through further progress in market reform, institutional and technical innovation, and infrastructure development, Bangladesh should be able to further strengthen agricultural production and food security. In so doing, it will make further strides toward casting aside its image as a poor, famine-stricken country unable to feed its people.

LESSONS FOR OTHER COUNTRIES

Like Bangladesh, governments elsewhere have attempted to downsize large-scale government food distribution programs and reduce costly food subsidies. In doing so, they have often aroused lethal opposition and been forced to backtrack. Yet where others have faltered, Bangladesh has succeeded in executing and maintaining its food policy reforms. What can other countries learn from Bangladesh?

Probably the most important lesson is timing—recognizing and select-

ing an opportune moment for change. In the late 1980s and early 1990s falling market prices coincided with gradually eroding ration subsidies. By taking action at this juncture, the government and its donor allies effectively neutralized the most common opponent of food policy reform, the urban ration cardholders.

Although change came gradually at first, the government later moved quickly to abolish rural rationing, the largest rice outlet in the food distribution system. Its overnight disappearance forced a rapid series of adjustments to restore the balance between procurement and offtake. This experience suggests that selecting a strategically positioned first domino may facilitate further action and forestall efforts to derail reform.

Finally, external allies were crucial. To face internal opposition, reformers benefited from the support of major food aid donors—particularly the U.S. Agency for International Development, the World Bank, and Canada. Their long-term commitment to reform and maintenance of policy conditions helped sustain the pace of change. They also redirected heat from internal to external agencies.

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