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# **Internationalization of Food Distribution:**

## **The Bangladesh Experience**

by

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Bangladesh is a low-lying country located in South Asia, having many rivers and a marshy jungle coastline on the Bay of Bengal. Bangladesh is bordered on three sides by India, and on the east by Burma. Located on the Tropic of Cancer, Bangladesh has a semitropical monsoonal climate, with one of the world's highest annual rainfalls, averaging as much as 85 inches. The average temperature is 84°F (U.S. Department of State, 1987). The Ganges (Padma), Brahmaputra (Jamuna), and Meghna Rivers, and their tributaries, form the deltaic plain and provide Bangladesh's extremely fertile alluvial soil. East-west travel is impeded by river courses, and since much of the country is partially submerged or subject to flooding during the rainy season, travel can be difficult, often requiring boats. The land is devoted largely to rice and jute cultivation, although other crops such as wheat and tea are increasing in importance.

Except for some city states like Hong Kong and Singapore, Bangladesh is by far the most densely populated country on earth. The illiteracy rate is 78 percent. With a per capita gross domestic product of only \$151, it is also one of the poorest countries. Bangladesh's 110 million people are concentrated in an area about the size of Wisconsin. The population growth rate, although declining, is still estimated at 2.6 percent annually. Although urbanization is proceeding rapidly, almost 85 percent of the people still live in rural areas, and most are engaged in farming. It is estimated, however, that only 40 percent of the population entering the labor force in the future will be absorbed into agriculture, although many will likely find other kinds of work in rural areas (U.S. Dept. of State, 1987).

In 1947, British India was partitioned into the independent countries of India and Pakistan. East Pakistan was carved from the primarily Muslim east Bengal and the Sylhet District of Assam. Almost from the beginning of independence, Pakistani frictions developed between its two halves, East and West Pakistan, which were separated by over 1,000 miles. Increasing economic disparity between East and West Pakistan on the one hand and political dominance by West Pakistan on the other led to the growth of a movement of independence in East Pakistan. On December 16, 1971, after a brief but very brutal and bloody war, Bangladesh became an independent state.

As one of the world's poorest and most densely populated countries, Bangladesh must struggle constantly to produce domestically and import from abroad enough food to feed its rapidly increasing population. Its predominantly agricultural economy depends heavily on an erratic monsoonal cycle, which leads to periodic flooding and drought. Although improving, Bangladesh's transportation, communications, and power infrastructure is relatively poorly developed. Except for proven natural gas reserves, and some newly discovered coal reserves in the northwest, Bangladesh has few mineral resources (U.S. Dept. of State, 1987). Its industrial base is weak, but illiterate and unskilled labor is inexpensive and plentiful. Thus, while most of Bangladesh's problems stem from overpopulation, its abundant human resources may ironically become its most important asset in the future.

Most Bangladeshi earn their living directly or indirectly from agriculture. The most striking characteristic of the agricultural sector is the predominant role of rice: more than 75

percent of total crop land is occupied by this crop. Because of Bangladesh's fertile soil and normally ample water supply, rice can be grown and harvested three times a year in many areas. Rice varieties are grouped into three seasonal types (aman, aus, and boro). Aman is grown during the monsoon period, and is the main rice crop. The main non-food crop is jute. Jute and aus rice grow on the same soil and during the same time of the year. Consequently there exists strong competition between the two (Stolwijk, H.J.J., 1987). While rice and jute are the primary crops, wheat is assuming greater importance, and tea is grown in hilly regions of the northeast. Farming methods in Bangladesh are labor intensive and traditional. Practically all power is provided by man and cattle, the latter being used for land preparation, transportation, and threshing. Fertilizer use is relatively low.

Population pressure continues to put an immense burden on productive capacity, confronting the government with a consistent food deficit, especially of wheat, which must be overcome through foreign assistance and commercial imports. Moreover, jute, accounting for the bulk of Bangladesh's export receipts, faces ever-increasing competition from synthetic substitutes. Finding alternative sources of employment is a continuing challenge, particularly for the increasing numbers of landless peasants who already account for about half the rural labor force (U.S. Dept. of State, 1987).

Industrial development has been a priority for successive Bangladesh governments. The industrial sector contributes significantly to export receipts and provides employment and a market for jute and garments. Jute products include burlap sacking and carpet backing, while production of ready-made garments for export to the U.S. market has grown rapidly. Also, an export processing zone in Chittagong has been established. This duty free zone gives special incentives and a liberal overall investment policy to potential foreign investors seeking low-cost laborers.

Since independence in 1971, Bangladesh has received more than \$25.0 billion in grant aid and loan commitments from foreign donors. The United States has provided nearly \$3.0 billion in food and development assistance to Bangladesh. The United States' development assistance emphasizes family planning and health, agricultural development, and rural employment (U.S. Dept. of State, 1987).

Bangladesh historically runs a large trade deficit. This has been financed largely through foreign aid receipts and some export receipts. However, the U.S. trade balance with Bangladesh has recently turned negative due to mushrooming imports of ready-made garments and jute carpet backing. The U.S. exports to Bangladesh include wheat, fertilizer, cotton, rice, communications equipment, and medical supplies, more than half of which is financed by the U.S. Agency for International Development and other donors (U.S. Dept. of Agriculture, 1987). Imports are financed either from Bangladesh's own resources or more often with foreign aid, loans, and barter arrangements. Imports other than food grains, fertilizers, and items financed by project aid are licensed within the framework of an annual import policy or import budget.

Bangladesh's narrow, jute-oriented export base and chronically large trade deficit will continue to constrain commercial imports and necessitate dependence on aid during the late 1980s and the early 1990s. With recent flooding problems (most notable is the summer of 1988 flooding, when approximately 80% of the country was under water), foreign aid takes on ever increasing importance. In the short run, imports of foods (other than donations and concessional sales) will be small.

Gary Vocke, an economist for the U.S. Department of Agriculture stated:

Trade possibilities with developing countries improve with economic development, often spurred by agricultural development assistance. Economic growth increases incomes in developing countries, enabling them to participate in world trade. (U.S. Dept. of Agriculture, 1988)

Interpreting Vocke's analysis, economic progress in Bangladesh will depend upon development of both its agricultural and non-agricultural sectors. Increased agricultural productivity could raise Bangladesh's farm income and supply additional food for total consumption and raw materials for processing and exports. Non-farm income could then rise as farmers spend their income on local goods and services. As farming becomes more efficient, fewer workers should be required, freeing them for non-farm jobs. Industrialization accelerates as alternative sources of employment become available. However, the large percentage of

already unemployed and underemployed rural workers, makes this scenario questionable.

Economic growth and rising incomes lead to trade. Prospects in developing countries differ by income group. Low-income developing countries, such as Bangladesh, have the potential also to become strong growth markets for U.S. agricultural products if their economies prosper. However, these countries do not currently have the purchasing power to participate in world trade. Such countries, where per capita incomes are less than \$400 per year, need economic aid, and technical and food assistance. Bangladesh's subsistence agricultural economy lacks basic physical and educational infrastructures. Its involvement in international grain trade is small relative to its large population. It does not produce much for export, so there is little money for commercial imports. This country needs foreign capital as well as food donations if it is to begin to climb up the economic development ladder that will eventually lead to commercial exports for U.S. agriculture (U.S. Dept. of Agriculture, 1988).

The most rapid population growth will continue to be found in the poorer parts of the world, where food deficits are already large and where imports are being held down by stagnant economies, subsistence incomes, large national debts, and unfavorable trade balances. Francis Urban says,

In many of these areas, the need for food will increase dramatically, but the ability to buy food from exporting nations, like the United States, will fall far short of the need. These countries will require very substantial, long-term assistance. (*Farmline*, 1988)

Thus, assistance will have to include food aid and debt relief as well as agricultural development incentives and economic aid. This is necessary to increase Bangladesh's production and trade, and to improve incomes so its people can buy the food they can't produce. If incomes remain at subsistence levels, Bangladesh (and other countries in similar situations) may find it increasingly difficult to feed its population, leading to exacerbating food problems in the near future. Thus, accelerated development and higher incomes should help Bangladesh to fill an already huge and growing latent demand for better diets as its population continues to expand (*Farmline*, 1988).

With recent weather disasters, high population growth, low income, and few natural resources, Bangladesh continues in its precarious state of existence. It is often referred to as the "world's basket-case." The country continues to depend on outside agencies to moderate food problems, while the government of Bangladesh concentrates on economic development and exports. Attempts are currently being made to promote the large supply of inexpensive, unskilled labor. But Bangladesh encourages outside investment only in areas of future potential exports. Thus, from its point of view, cooperative projects that lead to imported products are not currently viable solutions. Also, emphasis by the government on development of domestic agricultural food production, up to this point, has been lacking. By way of government price controls, jute production (obtaining hard currency through exports) has seen favorable subsidies, while emphasis on food has, in part, been shifted to developmental organizations and foreign countries (humanitarian donations and subsidies). Thus, to develop international trade and food distribution between the United States and Bangladesh, a reevaluation of government policies, as well as substantial infusions of initial capital in the agricultural and/or industrial sectors will be necessary. But current Bangladeshi philosophy revolves around increased exports, depending on concessional aid and donated food to fill import needs. Therefore, financial problems and institutional barriers, compounded by logistics problems and language barriers, currently lead to a formidable set of constraints for U.S. food exporters.

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