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Rice mills going automatic

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THE rice milling sector in Bangladesh is undergoing a change. New automatic rice mills are being set up at a growing rate, raising competition for thousands of small and medium husking mills. However, the small husking mills are still the ones dominating the market.

But their market share is shrinking, as many husking mills are pulling out.

Over the last decade, several hundred automatic and semi-automatic rice mills were established in various rice producing zones.

Naogaon, Chapainawabganj, Dinajpur, Kushtia and Noapara of Jessore are some districts that have attracted investment to set up big automatic rice mills.

Industry people say more investments are coming up to set up automatic rice mills.

In 2005, there were only 200 semi-automatic and automatic rice mills. The number has tripled to more than 600 now, says KM Layek Ali, convener of Bangladesh Rice Mills Association, a body of about 17,000 mills.

"This sector has attracted many large investors to set up big automatic rice mills as demand for rice processed at automatic mills has risen," says Ali.

Industry insiders link the growth in numbers of automatic rice mills to changing consumer preferences. End users want better quality rice, a longer shelf life, less broken quantities and rice that is almost free from inedible substances, such as stones.

Other factors behind the rise in investment in the sector include -- an increase in production due to a decline in broken grains, scope to make cooking oil by using rice bran and higher market price.

"Rice processed by the automatic crushers gives more full grains of rice by reducing the percentage of broken rice, thus increasing the overall quantity of rice production," Ali says.

He says the quality of the grains from the automatic mills is better because of drying, parboiling and crushing through machines, thus reducing wastage and workloads.

On the other hand, husking mills require manual involvement in parboiling or drying in the sun before milling, adds Ali.

The automatic rice mills also receive government incentives -- the food department purchases 20 percent more rice from mills that use automatic crushers.

"The automatic crushers help produce good quality rice as the percentage of whole grains is higher than the output from the husking mills," says a senior official of the food department, seeking anonymity.

Md Abdur Rashid, managing director of Rashid Agro-Food Products Ltd, said rising consumer demand for rice processed at automated mills will attract more investment in the area.

"People prefer rice processed at the mills because it has a longer shelf life, and it is free from bad odour and dust and other particles, such as stones," says Rashid.

"But more investment will come and the automatic mills will dominate the market in the next 10 years." He plans to establish another automatic unit with a daily processing capacity of 500 tonnes.

Nirod Boron Saha, a husking mill owner and trader in the northern district of Naogaon, says husking mills at present have control over two-thirds of the market.

"But the share of the automatic rice mills is increasing as husking mills are losing out to competition and demand is increasing for automatically-processed rice."

"Within a couple of years, the share of automatic-rice mills will be half and the extent of their control on the rice market will rise further," he says, citing the competitive advantages of the automatic-mills, such as low wastage, higher prices due to longer shelf lives and less broken grains.

KAS Murshid, research director of Bangladesh Institute of Development Studies, says the rice milling sector has undergone remarkable changes due to massive investment in setting up automatic rice mills.

He says expansion of the automatic-rice mills has created demand for quality rice and consumers depend on rice processed at these mills.

Enhanced competition or risks of oligopoly

Presently, millers are the key actors in the rice market. Most of the mills, including husking and automatic, purchase paddy from farmers through their commission agents, or wholesalers mainly during the harvest seasons with an aim to build stocks for processing and selling to markets for the rest of the year.

Analysts and industry people say the rise of automated and semi-automated rice mills has intensified competition in rice and paddy market.

They also say the automatic mills will improve efficiency, help cut unit costs of paddy processing, increase percentage of unbroken rice and reduce post-harvest losses.

The automatic mills also separate rice husk and bran, which have separate market values.

But analysts warn about the risks of an oligopoly (a situation where a particular market is controlled by a small group of firms) in the rice processing market unless the number of automatic rice mills increases.

Prof Mustafizur Rahman, executive director of Centre for Policy Dialogue (CPD), says the rise in rice production has created scopes for the entry of more players in rice processing.

"If more players come, it will intensify competition



Workers are drying paddy using traditional methods in a yard at a husking mill in Ishwardi, Pabna. Inset, Paddy is being processed at a traditional husking mill in Kahalu upazila of Bogra.



A view of an automatic rice mill. Workers are packing processed rice in Kahalu upazila of Bogra.

and thus benefit farmers unless there is an oligopoly," he says.

"Control over the rice processing market by a few large mills, however, leads to a monopoly and price control, which may go against the interests of both farmers and consumers if the mill owners do not follow ethical business practices," says economist Mahabub Hossain.

"We hear complaints of holding of large stocks to manipulate prices at times of scarcity and the over-milling of rice to transform the BRRI dhan 28 into minikit, to cheat consumers," he adds.

Hossain, executive director of BRAC, says the small rice mills create jobs,

particularly for women.

Saha, the trader and husking mill owner, says the government should provide incentives to the husking mills to ensure competition in the market.

Planning Commission Member MA Sattar Mandal, also former vice chancellor of Bangladesh Agricultural University, also agrees.

Small rice husking mills have roles in building stocks at local levels, and these might help reduce the control and influence of large mills in the market, said Mandal at a session at the food security policy workshop in Dhaka last week.

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