



## BANGLADESH FOOD SECURITY MONITORING BULLETIN

**Issue No. 6**  
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### HIGHLIGHTS

The retail price of coarse rice remains almost unchanged compared to last quarter. While the national average price of coarse rice has declined by one percent, in Dhaka Sadar market it increased by one percent. Compared to the peak food price months of 2008 the nominal price of coarse rice remains only 5 percent less. The price of other food grains like wheat has declined but other essential food commodities like lentil and oil are on the rise. The main reasons for the stability in the rice price could be good domestic Aman and Boro harvests and decline in grain price in the international market.

In the current quarter the general inflation rate was highest in September 2011 at 11.97 percent. Food price inflation was also highest in September at 13.75 percent. The inflation rate in the urban areas has surpassed the inflation rate in the rural areas.

The domestic production of all four major cereal crops, Aus, Aman, wheat and Boro, during the current crop season has been satisfactory. The total food grain production for the fiscal year 2010-11 is 4 percent more than last year. FAO has forecasted that the next Aman harvest is going to reach record level in spite of the damage of Aman crop in the south west due to localized flooding.

As of 1 July 2011, public food grain stocks stood at 882,000 MT. Since the beginning of this fiscal year 2011-2012 public sector food grain import has been 1.8 percent less than the amount of imports in the same quarter of last year. The opening stock for the 2011/12 fiscal year is 66.4 percent higher than last year's opening stock. This implies that the government may not have to import as much in the upcoming fiscal year.

In July 2011, the agricultural labourer's wages increased by 10 percent and the price of rice increased by 2 percent as compared to June 2011. This has increased their rice purchasing capacity by 7 percent. When compared to the 2008 peak food price period the rice purchasing capacity of a daily wage labourer has increased by 85 percent. The relatively greater food purchasing capacity is due to the fact that it is planting season, which gives labourers more employment opportunities. During the agricultural lean season, there are fewer wage earning opportunities and the prices for essential food commodities are also higher, which diminishes agricultural labourer's purchasing capacity. Female labourers receive much lower wages compared to male labourers. Impoverished female headed households depending on agricultural wage labour are most negatively impacted by this wage inequality. Agricultural wage rate varies geographically, with Dhaka and Barisal divisions provide highest wage and Rangpur and Rajshahi divisions have the lowest. Focus Group Discussions in urban slums revealed that the urban poor have better income than their rural counterparts, however very high costs of living especially for food and shelter leave them with little savings.

FAO's latest forecast for 2011 world cereal production confirms a record output of 2.3 billion MT, up 3.7 percent from the previous year. The overall increase comprises a 6.0 percent rise in wheat production and a 3.4 percent rise for rice production. FAO Cereal Price Index reflects this year's prospect for a strong production recovery and slow economic growth in many developed countries weighing on overall demand, particularly from the feed and biofuels sectors.

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## ENVIRONMENTAL CONDITIONS

### FAVOURABLE MONSOON SEASON

#### *Flooding in certain areas, overall favourable climatic conditions*

Overall climatic condition was favourable in most parts of the country except in Satkhira district. Heavy rains during August resulted in flooding in Satkhira district. Flooding has severely affected 1.3 million people who have become displaced from their homes. Aus harvesting and Aman saplings were negatively affected. The livestock and poultry sector have also been hindered with 861,000 lost animals. Assets, garden produce, grain stocks, and agricultural infrastructure have all faced detrimental impacts in the affected areas.

## ECONOMIC CONDITIONS

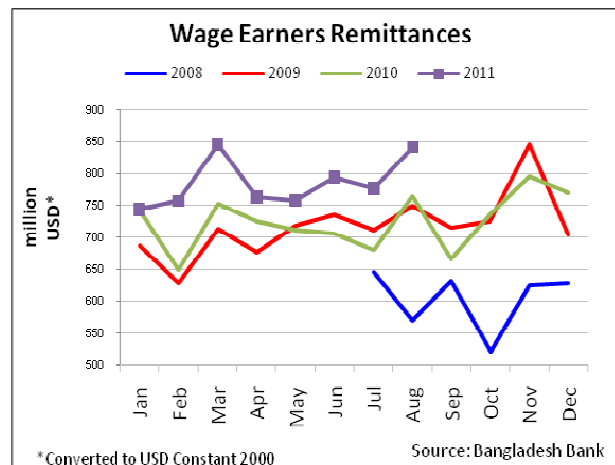
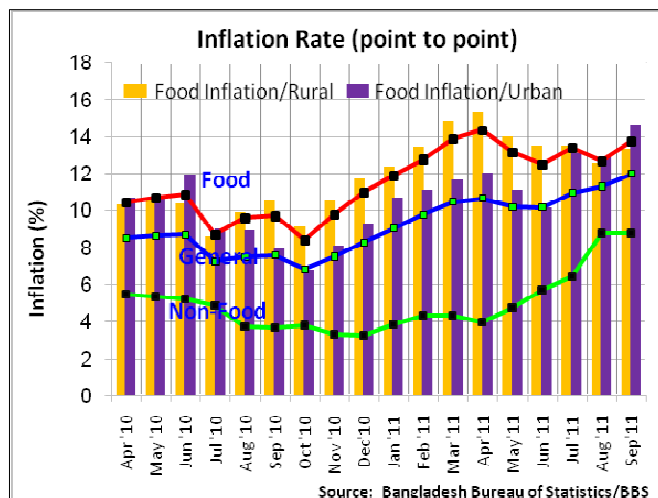
### INFLATION AND REMITTANCES

The general inflation rate, measured by the point to point variation in the Consumer Price Index (CPI), has been rising since October 2010. General inflation increased to its highest point in September 2011 at 11.97 percent. Food price inflation has also been increasing and is at a peak point of 13.75 percent. The inflation rate in the urban areas has surpassed the inflation rate in the rural areas. Urban inflation reached its highest point of 14.67 percent in September 2011 while rural inflation was at 13.75 percent.

High prices of food grains have the greatest impact on the poor who spend 60 percent of their income on food. Volatility also has negative impact on the overall economy because increased uncertainty reduces investment and hurts businesses that require finance. Bangladesh's import dependency makes it highly susceptible to the fluctuations in the global market.

Traders attribute the high prices to rising transportation costs, labour charges for handling operations, extortion at different levels, and a supply shortage. Additionally, there has been a 19 percent hike in the price of fuel, which has contributed to raising transport costs about 15 percent and has placed an upward pressure on the price of most commodities (*Financial Express*, 10 September 2011). Farmers only receive minimal returns from the higher prices because the supply chain intermediaries take most of the price. Although there was a slight decline in prices during last quarter due to greater imports.

Remittance inflow in the current quarter is following a rising trend similar to this time period last year. The values in this above graph are adjusted for inflation and are in constant USD 2000. It has reached USD 840 million, which is 10.09 percent higher than the same quarter the previous year. The remittance inflow valued at the current USD is 1.102 billion. This rise in remittances from July to September will have a positive impact on the food security of households who rely on remittances as their primary income.

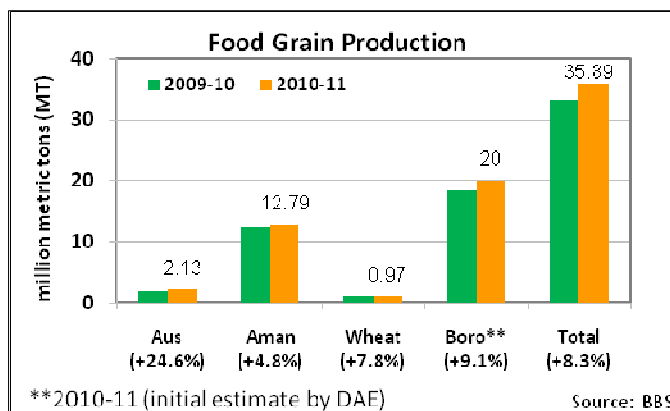


## FOOD AVAILABILITY

### CROP PRODUCTION, FOOD IMPORT AND PUBLIC GRAIN STOCK

#### Domestic food grain production

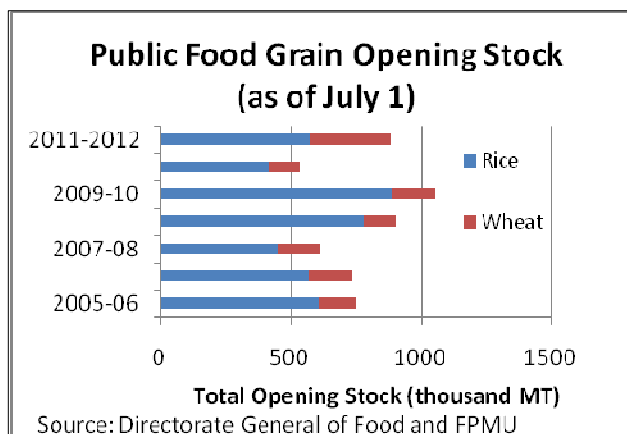
According to the final estimate of the Bangladesh Bureau of Statistics, the production of the first three cereal crops, Aus, Aman and wheat were 2.13, 12.79, 0.97 million MT respectively during the 2010-11 fiscal year. The harvesting of Boro was completed in May and the actual production is 18.62 million MT which is very close to the government target. The total food grain production for the fiscal year 2010-11 is 34.5 million MT, which is 4.1 percent more than last year's production.



#### Government food grain procurement, import and public stock situation

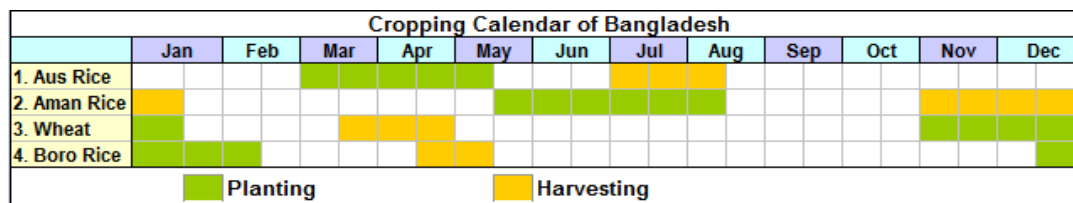
As of 1 July, public food grain stocks stood at 882,000 mt: 570,000 MT for rice and 312,000 MT for wheat (Directorate General of Food & FPMU). The Bangladesh Government has continued its import drive. Since the beginning of this financial year, the Bangladesh Government has imported 316,900 MT of rice. This is a 1.8 percent decrease from the amount of imports in the same quarter of last year (FPMU).

The opening stock for the 2011/12 fiscal year is a 66.4 percent increase from last year's opening stock, which was 530,000 MT. This implies that the government will not have to import as much in the upcoming fiscal year. A primary reason for this difference is the shortfall in Government Boro procurement during May-August 2010. The Government plans to increase its Boro procurement this year.



The Government had planned to procure 600,000 MT of Boro rice from the domestic market at 29 Taka/kg from 5 June to 30 September 2011. However, they increased their procurement target to 818,500 MT and extended the deadline to 30 October. As of 20 October, 800,260 MT had been procured, which is 97.8 percent of the target (FPMU).

Government public food distribution for 2011/12 is planned to be 2.91 million MT, which is a 5 percent increase from last year. OMS resumed countrywide on September 26 (FPMU).



## FOOD PRICE MONITORING

### WHOLESALE AND RETAIL PRICES & TERMS OF TRADE

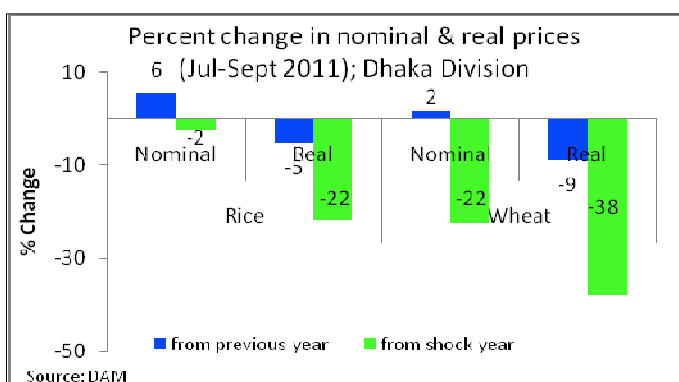
#### Nominal and Real Wholesale Prices of Rice and Wheat in Bangladesh

The wholesale price of rice started with a sharp rise at the beginning of the quarter on July 1, as wholesale rice prices in Dhaka city markets rose by 9.6 percent up to 30.6 Taka/kg. However, the average price has declined in the current quarter compared to last quarter.

While the average wholesale nominal prices of both rice and wheat have increased from last year, the real price of rice and wheat has decreased by 5 percent and 9 percent respectively. When compared to the high food price months in 2008, there has been a decrease in both the average nominal and real wholesale prices of rice and wheat.

This recent decline of prices in the domestic wholesale market can be attributed to satisfactory Aman harvest for 2010-2011 and stability of food grain prices in the international market.

Average whole sale price of rice & wheat (Taka/Quintal); Dhaka Division				
Time Period	Rice		Wheat	
	Nominal	Real	Nominal	Real
Jul-Sep '11	3014	1161	2121	816
Previous quarter (Apr-Jun '11)	3032	1226	2028	820
Previous year (Jul-Sep '10)	2853	1223	2089	894
Shock year (Jul-Sep '08)	3084	1482	2731	1313
Pre-shock years (Jul-Sep '05-'07)	1761	1010	1943	1085

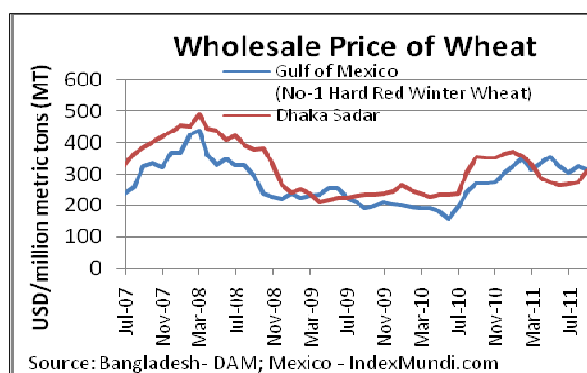
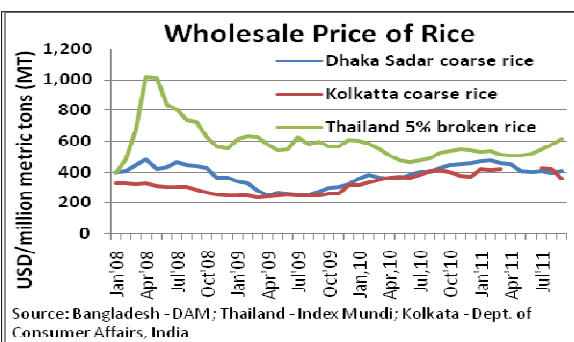


#### International wholesale prices of rice and wheat

In the current quarter, the price of coarse rice in the Dhaka Sadar market has declined by 4 percent when compared to last quarter and is 2 percent lower than this time last year. On the other hand, the price of Thai 5 percent broken parboiled rice increased 14 percent in this quarter from the previous quarter and is 21 percent higher than last year. Export prices of Thai rice were rising during the beginning of the quarter due to speculative activities of the new Government's impending policies (FPMU/USDA, 12 July). Starting in October, the export price of Thai rice decreased due to lower demand from buyers and the new government program has hindered Thai export. Both Dhaka and Thai wholesale prices have decreased from the 2008 high food price year by 10 percent and 39 percent respectively.

The wholesale price of Kolkatta/India rice has shown an increasing trend with a 9 percent rise from last year. The price is also 24 percent higher than in the 2008 high food price year.

In the Gulf of Mexico the price of wheat has declined by 7 percent during the current quarter when compared to the last quarter. On the other hand, the wholesale price of wheat in Dhaka Sadar markets has increased by 3 percent from last quarter. In comparison to last year, the wholesale price is higher by 33 percent in the Gulf of Mexico whereas it is 5 percent lower in Dhaka.



## Retail prices for essential food commodities

The countrywide retail prices of rice and wheat flour (atta) have shown slight decline from last quarter. When compared to the high food price of 2008, the retail prices of all the essential food commodities have decreased. However, there has been slight increase in the price of palm oil and lentil compared to last quarter. The increase in the price of palm oil compared to last year is significant.

Retail prices of essential food commodities (Taka/kg); Dhaka Sadar Market				
	Jul-11	Aug-11	Sep-11	Peak 2008
Coarse Rice	32.58	33.00	33.00	35.00
Wheat Flour	32.00	32.55	34.00	45.00
Palm Oil	97.64	98.00	98.00	100.00
Lentil (masur)	82.00	82.00	82.00	92.00

There are divisional variations in the prices of these essential food commodities. During the July-September quarter, the average prices of all food items were below the 2008 price peaks. The highest decrease in the price of rice is by 9 percent in Khulna. Barisal had the greatest decline in the price of wheat flour, which is 34 percent lower than 2008 price peaks. The lentil price in Sylhet exhibits the biggest change since 2008 with a 22 percent decrease.

### Retail cost of basic food basket

The cost of this basket is calculated based on the prices of essential food items like rice, wheat flour, edible oil and lentil. The average food basket cost in Dhaka Sadar markets during July-September 2011 has increased from both last quarter and last year by 0.95 percent and 6.20 percent respectively. The average food basket cost during is 2.09 percent higher than the cost during 2008 prices peaks.

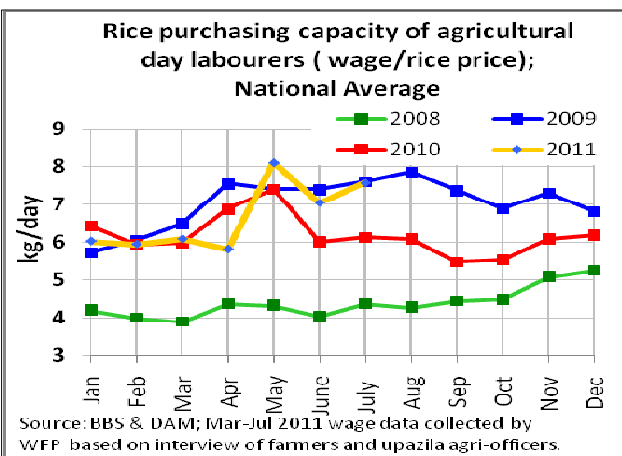
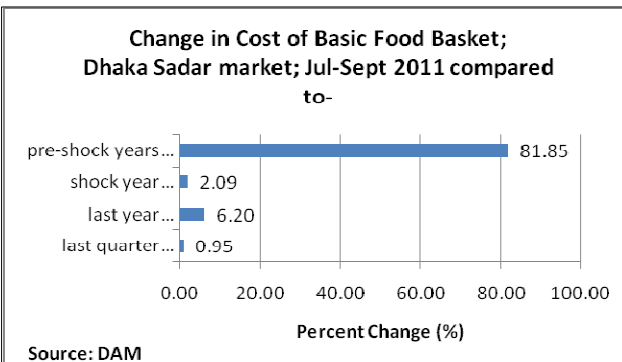
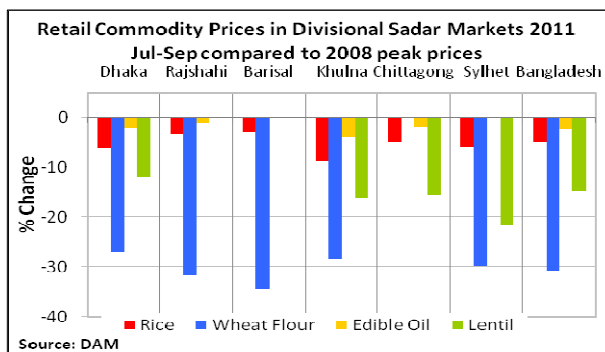
### Terms of Trade/ Food purchasing capacity of agricultural day labourers

The Terms of Trade (ToT), the ratio of the daily wage of agricultural labourers and the average retail price of rice in the market, is used to assess the food purchasing capacity of impoverished households. It is an indicator of the quantity of essential food items that an agricultural day labourer can buy with his/her daily income.

In July 2011, the agricultural labour wages increased by 10 percent and the price of rice increased by 2 percent as compared to June 2011. This has increased the rice purchasing capacity by 7 percent. The daily wage of male

percent Change of Retail Prices (National Average) of Jul-Sep 2011 compared to -				
Commodities	Last Quarter Apr-Jun '11	Last Year Jul-Sep '10	2008 (high food price peak periods)	2006 (pre-shock)
Coarse Rice	↔ (-1)	↔ (-0.80)	↔ (-5)	↑↑↑↑ (81.27)
Wheat Flour	↔ (-5.6)	↔ (8.11)	↓↓ (-30.7)	↑↑ (46.82)
Palm Oil	↔ (0.76)	↑↑ (27.8)	↔ (-2.3)	↑↑↑↑ (114.16)
Lentil (masur)	↔ (2.53)	↓↓ (-31.22)	↓ (-14.7)	↑↑↑ (54.00)

The price of essential food items in Dhaka Sadar markets has not changed significantly from last quarter. There has been only 1 percent increase in the price of rice and 3 percent decrease in the price of wheat flour and lentil compared to last quarter.



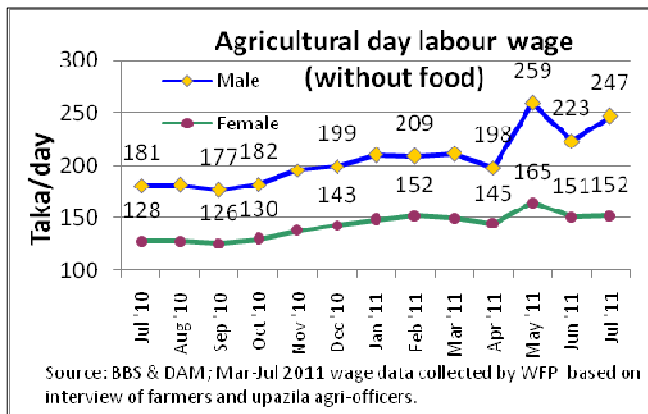
agricultural labourers was 245 Taka/day and the average price of rice was 32 Taka/kg in July 2011. Hence, an agricultural wage labourer can buy 7.7 kg of rice daily with his current daily income.

When compared to the 2008 peak food price period, wages increased by 76 percent and rice price decreased by 5 percent. Therefore, the rice purchasing capacity of a daily wage labourer has increased by 85 percent.

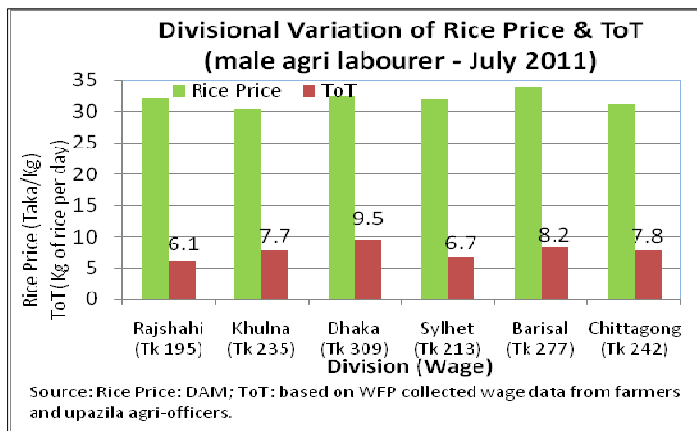
The relatively greater food purchasing capacity of agricultural day labourers in July 2011 is due to the fact that it is planting season, which gives labourers more employment opportunities. Purchasing capacity generally improves during the harvest (April-May, November-December) and planting seasons (July - August). During the agricultural lean season, there are fewer wage earning opportunities and the prices for essential food commodities are also higher, which diminishes agricultural labourer's purchasing capacity.

There is a significant difference between the agricultural daily wages for male and female labourers. In July 2011, the national average wage for a male was 245 Taka/day whereas for a female it was 152 Taka/day.

Impoverished female headed households are negatively impacted by this wage inequality. Based on July 2011 wages and rice prices, male agricultural labourers had the capacity to purchase 7.6 kg of rice whereas a female agricultural labourer could only purchase 4.7 kg of rice.



The Terms of Trade vary between different regions. In July 2011, the highest wages were in Dhaka, Barisal and Chittagong at 309 Taka, 277 Taka and 242 Taka respectively. The lowest wage was 195 Taka in Rajshahi. The Coarse rice price was the highest in Barisal division at 33.8 Taka/kg and the lowest in Khulna division at 30.3 Taka/kg. These regional differences demonstrate that an agricultural labourer in Dhaka division could buy 9.5 kg of rice with his daily income whereas an agricultural labourer in Rajshahi could buy 6.1 kg of rice with his daily income.



## IMPACT OF SHOCKS ON HOUSEHOLD FOOD SECURITY

### IMPACT OF HIGH FOOD PRICES ON URBAN SLUM HOUSEHOLDS

Comparative ToT based on reported market prices among different groups		
Group	Wage	Rice ToT (TAKA 40 rice price)
Household maids	Taka 2000-3000	1.7-2.5 kg rice
Garment workers	Taka 4000-5000	3.3-4.2 kg rice
Rickshaw pullers	Taka 6500	5.4 kg rice

Data on wages and income of the urban poor living in the Dhaka slums is scarce. In September 2011, WFP conducted six focus group discussions (FGDs) in Dhaka slums. They demonstrated that the income of the urban poor has increased from the previous quarter among certain groups, such as housemaids, but has stayed constant among

most others such as garment workers and rickshaw pullers. The income of housemaids is the lowest and varies depending on how many jobs they take. While most of the households purchase rice at OMS prices, some resort to the market due to long lines for OMS rice. Their reported market price for rice varied from 36 to 40 Taka.

FGD participants stated that their primary restriction to accessing food is the increased food prices, which has led most of their food consumption patterns to be worse than usual. They resort to coping mechanism of substituting cheaper foods and purchasing smaller quantities. Respondents stated that 70 to 95 percent of their income goes towards purchasing food. The major household cost for the FGD participants is payment for rent and utilities, which ranges from 800 to 1000 Taka per month. The primary need voiced by the FGD participants is a place to live and better employment opportunities in order to improve their livelihood.

## IMPACT OF SATKHIRA FLOOD ON HOUSEHOLD FOOD SECURITY

Heavy rainfall during the monsoon season led to flooding in this south western district of Bangladesh. WFP conducted an initial rapid assessment of the situation and found that the inundation of homes and agricultural fields resulted in population displacement and disruption of their livelihoods. Observations and discussions with residents during a follow-up visit in the last week of September indicate that the population is still severely affected by the flooding. The roadsides and embankments are lined with temporary shelters. The agricultural fields remain water logged due to continuing rains and silt in the rivers prevents water from receding. Many of the rice, turmeric, and jute crops have been ruined. Flooding of fish and shrimp cultures has further impeded income generating opportunities.

FGDs were conducted with seven households in the Islamkhati Union in Tala Upazila, one of the worst affected Upazilas.

### **Results from FGDs in Islamkhati Union, Tala**

- Many families are living in schools or government shelters because their homes have been isolated or filled with water for the past two months. Some families have moved back to their homes in the past two weeks because water has receded.
- Most agricultural day labourers do not have employment due to water logging in the fields. Their income has been reduced from 100-120 Taka/day to 50-60 Taka/day. Rickshaw van pullers also have fewer employment opportunities due to road conditions, which has lowered their income from 150-200 Taka/day to 25-100 Taka/day. Some families have resorted to picking shells from the river and selling them on the market for an income of 60-120 Taka/day. Many people do not have employment and some have taken loans from their relatives.
- There have been market price increases after the flood. The government provided households with 3 kg of rice per week for three weeks following the floods. Now, most people must purchase rice and pulses from the market. The price of lentils has increased from 30 Taka/kg to 40 Taka/kg.
- Coping strategies have been employed as households have reduced their consumption based on their purchasing capabilities. Household diets consist of 1-2 meals/day of small portions of rice, lentils, and vegetables. They are not able to purchase any meat or fish, and many people procure spinach and vegetables from public lands and neighbours. Households do not have any additional food stocks.
- Water logging in the agricultural fields, fish and shrimp cultures, and roads has reduced employment opportunities for the majority of the population. Dry land from which to graze livestock is limited and people are selling animals they are unable to feed.
- Reports from the Deputy Commissioner state that the flood levels are unlikely to recede for another six months. This will negatively impact Aus harvesting and Aman planting in the current season and Aman harvesting and Boro planting in the upcoming months.

**Quote from a villager in Islamkhati:**

*"We are all affected, not just those people who are flooded, everyone here has less money because of the flooding"*

## FOOD SECURITY OUTLOOK

### FOOD GRAIN PRODUCTION, IMPORT, EXPORT AND PRICE PROSPECT

#### **Bangladesh**

According to FAO forecast the Aman paddy production in 2011-2012 will reach record levels in spite of the localized flooding in the south western part of the country which caused serious damage to Aman crops. It is estimated that Aman paddy production will be 4 percent greater than the production of last year

FAO also projects that wheat production will increase 13 percent compared to last year, which is 1.1 million MT greater. This is due to favourable climatic conditions and high yielding variety seeds. Global wheat exports for 2011/12 were raised to 131.89 million MT in September (FPMU).

Satisfactory Aman and Aus production along with traders releasing their stocks in anticipation of a November-December bumper harvest may place downward pressure on the retail price of these commodities. OMS resumed countrywide starting September 26. Hence, the increasing Government sales under their subsidy programmes will affect rice prices.

The public stock is in a comfortable situation, which has led the Government to cut its rice import plan. Due to a better public stock and higher projected internal procurement, the government has cut its import target of the current fiscal year by 22 percent (*Daily Star*, 31 July 2011).

The localized flooding has had a detrimental effect on a significant portion of the population, 1.3 million people. The loss of agricultural assets and production resulting from these natural disasters has increased the vulnerability of the affected population. Compounded with the higher prices of essential food commodities, the impoverished population in these flood affected areas are facing a deteriorating food security situation.

Rising retail market prices stem from bad weather conditions alongside government procurement drives for Boro rice. Damp weather has affected the supply of rice to the market as many mills were not able to dry paddy in the yards. Coupled with the increased Boro procurement target by the Government, the retail price of rice is projected to increase. Additionally, the higher transportation costs from a rise the fuel price hike will contribute to continued high retail prices of food commodities.

### **Global**

According to the FAO Food Price Index world food prices remained virtually unchanged between July and August 2011. FAO's forecast for the 2011 world cereal production confirms a record output of 2.325 billion MT, up 3.7 percent from the previous year. The overall increase comprises a 6.0 percent rise in wheat production, a 2.6 percent growth in the global coarse grains harvest and a 3.4 percent rise for rice production. Global cereal price indices decreased by about 5percent from last quarter, yet remained 34 percent above quarter 3-2010. Global maize and wheat prices declined (by 3percent and 7percent, respectively) compared to quarter 2-2011. In the same period, global rice price increased by 14percent. Overall, there has been a continuing decline in the monthly value of the FAO Cereal Price Index which reflects this year's prospect for a strong production recovery and slow economic growth in many developed countries weighing on overall demand, particularly from the feed and biofuels sectors.

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