The overall food security situation remains stable as a result of the good harvest during the winter crop season, which offset the impact of rising food prices. Favourable monsoon rains is going to benefit the wet season of Aus and Aman paddy crops, currently being planted.

Intermittent flash flooding in the northeast regions of Haor has affected about 350,000 households and brought significant damage to crops. There was substantial rainfall in June with the onset of the Monsoon season.

Food price inflation is still of high concern due to the price hike of rice in the domestic market. The inflow of remittances has diminished from April onwards, mainly due to the job losses, salary decreases abroad and the return of about 10 percent of migrants to Bangladesh.

Production of Boro rice and wheat crops was good in most areas of the country. Aus rice crop is expected to mature later this year and harvest will shift to August/September. Food Import in 2009/10 was higher than previous year’s amount to replenish the Public Grain Stock which has steadily declined in the last months, due to a significant reduction in rice procurement by the government.

Wholesale prices of rice have risen since January and reached their peak in July whereas price of wheat has remained stable over the last three months.

The cost of the food basket has shown an upward trend since the retail prices of the most essential food commodities have gone up, particularly rice. The purchasing power of agricultural labourer worsened from May to June by 17.4 percent.

Given the normal rainfall trend and the limited monsoon flooding, it is expected that the target production for Aus and Aman harvests will be achieved in the ongoing agricultural season.
ENVIRONMENTAL CONDITIONS
FLOODING / MONSOON SEASON

- Intermittent flash floods in March and April severely affected the north east Haor districts, particularly Sunamganj, Sylhet and Moulvibazar, causing damage to Boro crops that were awaiting harvest. In Sunamganj district harvest of Boro crop was 33% less compared to 2009, which is mainly attributed to crop damage due to early flash flood.\(^1\) Around 350,000 households were affected in the three districts, out of which 50,000 received food and cash assistance from the government\(^2\). An assessment by OXFAM (May 2010) reported that 70 to 80 percent of the affected people could not eat three meals a day, which is not a normal scenario at this time of the year. Selling of assets, particularly cattle, was one of the most common coping strategies in this region.

- Many of the people affected by the flash flood in the Haor community were also hit by the early monsoon flooding in June. Some damage to the cultivated fields in this area with losses of Aus paddy was reported. Local Administrations provided relief food and cash to the affected people, though it was not sufficient.\(^3\)

- Rain started with the onset of the monsoon season which runs from mid-June to September. In June, the Bangladesh Meteorological Department recorded 14 percent above average rainfall while in July it was reported to be 37 percent below average. The planting time for rain-fed Aus crop is from March to mid-May and abundant rains in June have benefited the growing of Aus crops and of the rain-fed Aman crops, that is currently being planted.

ECONOMIC CONDITIONS
CONSUMER PRICE INDEX, REMITTANCES AND ECONOMIC GROWTH

- During the first semester of the year, the inflation rate - as measured by the point-to-point (p-t-p) variation in the Consumer Price Index (CPI) - fluctuated between 8.5 and 9 percent, and came down to 7.2 percent in the month of July. Similar trend was recorded both in rural and urban areas. The dominance of the food inflation is still substantial since the index is at 8.7 percent, and it is outlined by the fact that the “food, beverage and tobacco” component rose by 2.1 percent (on monthly basis). Therefore food price inflation is still a concern mainly due to the high price of rice in the domestic market.

- Following an upward trend till March, the inflow of remittances diminished from April onwards; compared to previous year it declined by 2.9 and 3.1 percent in June and July. This significant decline might have negative effects on the food security of the households whose main sources of income is remittance. The reduction in the amount and frequency of remittances is mainly attributed to job losses, salary decreases abroad and the return of about 10 percent of migrants to Bangladesh.

- In the Fiscal Year 2009-10 (July-June), Bangladesh experienced a 6 percent growth in the GDP, despite a significant drop in the export-led sectors of tea, frozen food, leather goods and to some extent woven garments, due to a slowdown in international demand.

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\(^1\) The estimate is based on actual production data of Boro rice in 2008-09 and 2009-10, Bangladesh Bureau of Statistics

\(^2\) Field visit report by WFP Dhaka Sub-office staff,

\(^3\) Ibid
**Winter Crop Production (Boro rice and wheat harvests)**

*Boro rice* has the largest share in the domestic food grain production of Bangladesh. Despite few small scale flash floods in some border districts, the overall Boro crop production was good throughout the country which reached 18 million metric tons on about 4.7 million hectares. There has been an overall increase in the production of the crop compared to last year as well as five years average, 1.4 percent and 15.2 percent respectively. Rajshahi division in the North West remains the main basket of Boro rice, although there has been a slight setback compared to the previous harvest. Farmers made every effort to increase Boro production by extending areas under irrigation, particularly in the south and southeast divisions of Barisal and Khulna, and they have been supported by the government with subsidized fertilizers, improved varieties of seed and power supply.

This year *wheat* crop production has also increased due to favourable weather conditions. Compared to previous year and 5-years average, the wheat production was 6.18 percent and 8.8 percent higher respectively. The north-western regions (Rajshahi) are by far the most productive areas while wheat is becoming more and more marginal in Sylhet and Barisal divisions. Wheat is an important crop since Atta (wheat flour) is the second staple for Bangladeshis. Due to insufficient domestic production, wheat is at the top of the food grain imports.

Since there was a reduction in the rainfall in July, the Aus crop is expected to mature late and the harvest period will most likely shift to August and September.
• **Increased Food Grain Import in 2009/10 while public stock steadily declined up till June**

Total food grain import in the fiscal year 2009/10\(^4\) was 3.45 million metric tons, i.e. 14 percent higher than previous year. Eighty four percent of the total food grain import was conducted by private sector, of which only 1.2 percent was rice and 98.7 percent was wheat. Aid import stood at 47.2 thousand metric tones, while the government imported 508.62 thousand of metric tones, i.e. representing about 13 percent of the total food grain import. Public stock of food grains has significantly decreased from 1.36 million tons in July 2009 to 0.61 million tons in June 2010.

Over the past months procurement of rice by the government has been much less than the target, as many farmers sold their crop to private traders at a higher price. International procurement of wheat has faltered due to recent ban on wheat export by Russia, where the worst drought in four decades has adversely affected this year’s wheat production. This may entail negative implications for food distribution to the poor population through social safety nets.

### FOOD PRICE MONITORING

#### WHOLESALE AND RETAIL PRICES, TERMS OF TRADE

• **Wholesale prices of rice and wheat**

In the months of May - July, when Boro production reached the market, the wholesale price of rice in Bangladesh rose by 2.6 percent from the previous quarter; this rise is probably due to an increase in stock by different stakeholders in anticipation of higher future prices.

A similar trend was registered in Kolkata market - the main market for Bangladesh to import rice (located in West Bengal, India) - where price went up by 5.5 percent. By contrast, the price of Thai rice (a benchmark for Bangladesh) went down by 23 percent in the same period, at a level of 473 USD per MT in July 2010 from nearly 600 in January 2010, given the abundant supplies.

It is worth noting that during the 2007/08 global food crisis period the Thai rice increased to 1,015 USD per MT and rice price in Kolkata market also went up. In Bangladesh, the price of rice was highest in April 2008 (USD 469/MT) and it came down to the lowest level (USD 253/MT) in July 2009. Since then, price of rice in Bangladesh and Kolkata started increasing and it has reached a nearly same price of 383 and 384 USD per MT, respectively.

![Whole sale Prices of Rice and Wheat](chart)

The wholesale wheat price in July 2010 was 238 USD per MT. Wholesale price of wheat was stable during the last 3 months and also in comparison to the previous quarter from January to April 2010. In

\(^4\) Fiscal year ends in June.
the first six months of this year, wholesale wheat price from Mexico - the main market for Bangladesh to import wheat - stands at 190 USD per MT.

- **Retail prices for main staple food commodities:**

In Bangladesh, rice is by far the most important food among other essential food commodities like wheat, oil, lentil etc. Rice accounts for more than 60 percent of the total calories consumed by urban areas and more than 70 percent in rural areas. The retail prices are collected on monthly basis from the main market of the following six administrative divisions: Dhaka, Rajshahi, Barisal, Khulna, Chittagong and Sylhet. The following table compares the quarterly change in the retail prices of the most essential food commodities (rice, wheat flour, palm oil and lentil) from previous years.

<table>
<thead>
<tr>
<th>Food Commodity</th>
<th>Time Frame</th>
<th>% change from 2009</th>
<th>% change from 2008</th>
<th>% change from 2007</th>
<th>% change from 3 years average (2004-2006)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse Rice</td>
<td>May-July</td>
<td>⬆️ (38)</td>
<td>⬇️ (-10)</td>
<td>⬆️ ⬆️ (36)</td>
<td>⬆️ ⬆️ ⬆️ (71)</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>May-July</td>
<td>⬇️ (8)</td>
<td>⬇️ ⬇️ (-38)</td>
<td>⬆️ (6)</td>
<td>⬆️ (15)</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>May-July</td>
<td>⬆️ (2)</td>
<td>⬇️ ⬇️ (-32)</td>
<td>⬆️ (2)</td>
<td>⬆️ ⬆️ ⬆️ (57)</td>
</tr>
<tr>
<td>Lentil</td>
<td>May-July</td>
<td>⬆️ (-3)</td>
<td>⬆️ (12)</td>
<td>⬆️ ⬆️ (53)</td>
<td>⬆️ ⬆️ ⬆️ (63)</td>
</tr>
</tbody>
</table>

Source of price data: Department of Agricultural Marketing (DAM), Ministry of Agriculture

The retail price of rice has increased during the May-July 2010 quarter compared to the same quarter of last year, of 2007 and of three years average (2004-2006). However the retail price of rice is only 10 percent less than 2008, when the food price was quite high. Prices of other food commodities have slightly increased from 2009, with the exception of lentil (Masur), which went down by 3 percent. When compared to the 2004-2006 average, the prices of all the monitored food commodities have steadily increased, with wheat flour (Atta) to a lesser extent.

When compared to last year, the quarterly (May-July) average prices of the four monitored food items show variations in six divisions. The maximum change was marked in the price of rice in the Chittagong division (45 percent) in contrast with Khulna division where there was a moderate change (20 percent).

The price of wheat flour has increased much less than rice, showing a peak in Dhaka (12 percent) while the price of palm oil has increased (at a maximum in Sylhet by 7 percent), with the exception of Barisal division where it decreased by 5 percent. The lentil price went down in all the divisions, with a higher extent in Khulna where it decreased by 6 percent.

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5 Household Income and Expenditure Survey (HIES), 2005
• **Term of Trade of agricultural labourers and rice**

The Terms of Trade (ToT) is a proxy indicator to assess household purchasing power based on changes of food prices and of daily wage rates. In this case, ratio of the wage rates of daily agricultural labourers and price of rice are used to identify trends in the food purchasing power of vulnerable groups in rural areas of Bangladesh. Apart from the effects of seasonality on agricultural wages, in general agricultural wage rate has increased over years. Nevertheless, in Bangladesh usually the wage rate is not adjusted to account for inflation.

The most vulnerable livelihood group exposed both to economic and natural disaster shocks - are daily wage labourers. The average daily wage of agricultural labourers was 196 Taka/day and 170 Taka/day in June and July 2010 respectively, while the price of rice has increased from 26.6 Tk./Kg to 28 Tk./Kg over the same period. Therefore, the ToT declined from 7.36 kg/day to 6.07 kg/day, which entails a 17.4 percent decrease in the amount of rice that a daily agriculture labourer can purchase with his daily wage. The decrease in the daily wage is mainly attributed to a slowdown in the demand of labour force following the harvest of Boro rice in April and May.

In 2008, day labourers’ purchasing capacity declined in comparison to the 2005-2007 average, with an upturn from November onwards which continued throughout 2009, due to a reduction in the price of rice. This, in turn, led to a remarkable improvement in terms of trade since it was accompanied by enactment of government measures to support an increase in wages. However, starting from September 2009 up until the first quarter of 2010, the terms of trade has fallen again.

**FOOD SECURITY OUTLOOK**

The overall availability of food grain in the country during the reporting period is more or less satisfactory. Given the normal rainfall trend and the limited Monsoon flooding, it is expected that the target production for Aus (2.40 million tons) and Aman (12.74 million tons) set by the Government will be achieved. The food grain production target for the current 2009/10 fiscal year is set at 35.05 million metric tons which is 9 percent higher than last year’s actual production and 31.3 percent higher than five-years (2002/03-2006/07) average. Despite the damage to Boro crop at the Haor areas the actual production of Boro rice was only 4 percent less than the target.

The food market in Bangladesh is fully operational. The prices of major food commodities in the market are expected to keep an increasing trend. The food purchasing capacity of general poor wage labourers will go down if an improvement of wages is not achieved to offset the food prices increase over time.

The overall food security situation in the country is considered to remain stable over the coming three months provided that no economic and natural shocks occur.
ANNEX 1 - RAINFALL MAP

Rainfall Distribution (mm), May to July 2010

The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations. Spatial Reference: Geographic Coordinate System WGS1984
Source: Bangladesh Meteorological Department (BMD) Map produced by Vulnerability Analysis and Mapping (VAM) Unit, WFP Bangladesh, Sept 2010

DIVISION NAME
- BARISAL
- CHITTAGONG
- DHAKA
- RAJSHahi
- Sylhet

-7-