BANGLADESH FOOD SECURITY MONITORING
BULLETIN

Issue No. 2
Aug - Oct 2010

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HIGHLIGHTS

The overall food price situation in the country has raised serious concerns. Prices of essential food commodities especially rice has shot up even after good harvest of Boro crop.

Monsoon rainfall was less than normal by twenty percent which affected the planting of Aman crops and growing of Aus crops. Low level flooding affected standing crops to some extent but damages were less due to quick recession of flood water.

The retail prices of food grain in the local market has increased significantly in the recent months and likely to increase further until the next harvest which starts November/December. Prices of other essential food commodities like wheat flour and oil have also gone up. The nominal prices of rice and edible oil are very close to the high food price year of 2008.

The Terms of Trade or food purchasing power of the poor agricultural wage labourers has declined since May 2010. However due to some wage adjustments it has not been as worse as 2008.

Remittances inflow declined for the last few months; reason could be job losses, salary decreases abroad and the return of migrants to Bangladesh.

Aman harvest is expected to be satisfactory with 13.5 million tons production target. Government is not planning to procure Aman rice from the farmers this year; instead commercial import will be increased to maintain stock.

In the recent quarter Global prices of food grains particularly wheat showed a sharp increase. Good harvest of wheat next year in the main wheat exporting countries can lower the food grain prices.

To achieve 2010-11 domestic food grain production target of 36.53 million MT, significant improvement of yield and expansion of cultivation area is required. As Government is not planning to procure Aman rice from the farmers this year, sufficient import is required to maintain stock.

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ENVIRONMENTAL CONDITIONS

FLOODING / MONSOON SEASON

- This year, twenty percent below normal rainfall has fallen during the Monsoon (June to September).
- The planting time for rain-fed Aman crop is between June and September and the harvesting time of Aus crop is July to mid-August. Insufficient Monsoon rains impacted negatively on the planting of Aman paddy and the growing of Aus crops.
- A low level Monsoon flooding occurred in some districts in the Northeast (Sylhet, Sunamganj, Moulavi Bazar, Habiganj, Netrokona), a few districts along the river Brahmaputra (Kurigram, Gaibandha, Serajganj, Jamalpur, Pabna, Bogra) and some districts around Dhaka city (Manikganj, Faridpur, Munshiganj, Rajbari, Madaripur, Shariatpur). Although this low level flooding has made some small scale damage to the standing Aman and Aus crops in the field, flood water receded soon and peoples’ sufferings were less. Government distributed enough food and cash to the affected people.

ECONOMIC CONDITIONS

CONSUMER PRICE INDEX, REMITTANCES AND ECONOMIC GROWTH

- The point-to-point (p-t-p) variation in the national inflation rate during the last one year, varied between 4.6 and 9.1 percent. It came down from 8.7 percent in June to 7.26 percent in July and then went up to 7.61 in September 2010. The dominance of food inflation is still substantial in the overall inflation, 9.72 percent. This is mainly due to the high price of rice in the domestic market.
- During the months of 2009, the inflow of remittances gradually increased from 784 million USD/month to 1,050 million USD/month in November 2009. Since then remittance continued fluctuate each month. It fell down significantly from August to September 2010 by 13 percent. Compared to previous year, remittance inflow declined by 5.6 percent in September. 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 migrants to Bangladesh.
Rain-fed Aman and Aus Crop Production

The last harvest season Aman production was satisfactory which reached 12.20 million metric tons with yield of 2.21 tons/ha. There has been an overall increase in Aman production compared to previous year and five years average, 5.11 percent and 15.72 percent respectively and yield has increased by 2.37 percent compared to previous year.

The highest production was in Rajshahi division, about 34 percent of national production, followed by Dhaka and Chittagong being with approximately 18 and 16 percent respectively. In Khulna division Aman harvest slightly decreased by 7.4 percent compared to the previous harvest due to cyclone Aila that hit the area on 25 May 2009 and destroyed standing crops in the field. Sylhet division had the highest yield of 2.61 tones per hectare where Barisal being the lowest with 1.72 tones per hectare. While comparing with five years average, Barisal division has 28.7 percent higher production this year.

Aus rice production in 2009-10 has decreased to 1.71 million metric tons which is 9.5 percent lower than previous year’s production and yield has decreased by 2.25 percent.

Production Target for 2010-11 Aman Crop

The next Aman production target is 13.50 million metric tones; 10.66 percent higher than previous year’s production. As monsoon rainfall in July and August was deficit by 37 and 29 percent respectively, Aman target may not be fully achieved.

Government Food Grain Import Increased in 2010-11 due to Failure in Targeted Boro Procurement

Government’s Boro rice procurement target was 1.2 million metric tons which was aimed to be achieve between 1st May and 31st October 2010. Due to higher prices offered by the private traders against government set procurement prices of Tk. 25/kg plus Tk. 3/kg as cash incentive, only 47 percent of procurement target was achieved. As a result, public stock declined sharply towards the end of 2009-10 and government decided to increase its import to rebuild the stock level.

1 Fiscal year ends in June.
Total food grain import during the first four months (July till 4 November) of 2010-11 was 1.57 million metric tons which is 37 percent higher than the import figure during the same period of previous year. Rice import as of 4th November 2010 was 434,800 metric tons whereas no rice was imported during the same period last year. Out of the total food grain import, 73 percent was by private sector containing 17 percent rice and 83 percent wheat. The remaining 27 percent food grain was imported by government containing 56 percent rice and 44 percent wheat. The public stock has increased since the beginning of 2010-11 FY due to increased import.

**FOOD PRICE MONITORING**

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

- **Wholesale prices of rice and wheat**

The wholesale price of coarse rice in Bangladesh during the current quarter (Aug-Oct) 2010 rose by 11 percent compared to the previous quarter (May-July). The price increase trend is also observed in Kolkata/India, the main market for Bangladesh to import rice, where price went up by 9 percent compared to the previous quarter. In October, coarse rice wholesale price in Bangladesh was 435 USD/MT, which was 406 USD/MT in Kolkata.

Thai 5% broken parboiled rice, a benchmark for Bangladesh, also went up by 10 percent during the months of Aug-Oct. The reason for this Thai price rise was due to major flooding in Thailand that affected 48 out of 77 provinces. In June 2010, Thai rice price was minimum at 460 USD/MT and since then price has been increasing and reached at 533 USD/MT in October 2010.

The wholesale coarse rice price in Bangladesh during the current quarter, Aug-Oct 2010, comparing with the same quarter in 2009 has increased by 57 percent. In Kolkata market, this price has also increased by 63 percent but Thai 5% parboiled rice price has decreased by 11 percent.

The average wholesale price of wheat in Bangladesh during the months of Aug-Oct 2010 has risen by 44 percent in comparison to the previous quarter (May-July). This price increase in the Gulf of Mexico market from where Bangladesh imports is 47 percent. The increase of wheat prices in Bangladesh and Mexico during the current quarter comparing with the same quarter in 2009 are 45 percent and 31 percent respectively. This price rise was because of the price hike in the international market due to supply
shortage especially for export ban imposed by Russia and export restriction by Ukraine. Wholesale wheat price in Dhaka City was 353 USD/MT in October 2010 which was 234 USD in October last year. In Mexico, this price was 270 USD in October 2010 which was 199 USD last year.

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

In Bangladesh, some of the essential food commodities are rice, wheat flour, cooking oil and lentil among which rice is the staple. The retail price of coarse rice has increased significantly during the Aug-Oct 2010 quarter compared to the last quarter, same quarter of last year, of 2007 and of three years average (2004-2006). The prices of other food commodities have also increased compared to last year except lentil whose price has reduced by 17 percent. While comparing with 2008, the year of food price hike, the prices of wheat flour and lentil have decreased by 26 percent and 22 percent respectively where prices of rice and oil didn’t change.

In October 2010, retail market price of coarse rice in Dhaka city was 33 Tk/kg which was 23 Tk/kg last year. For wheat flour, oil and lentil, the 2010 October prices were 34, 78 and 99 Tk/kg and 2009 prices were 22, 59 and 97 Tk/kg respectively.

**Table: Comparison of 2010 national average (Aug-Oct) retail prices with previous years.**

<table>
<thead>
<tr>
<th>Food Commodity</th>
<th>Time Frame</th>
<th>% change from last Quarter</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>Aug-Oct</td>
<td>↑ (12)</td>
<td>↑↑ (52)</td>
<td>← (2)</td>
<td>↑↑ (30)</td>
<td>↑↑↑↑ (86)</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>Aug-Oct</td>
<td>↑↑ (21)</td>
<td>↑↑ (36)</td>
<td>↓↓ (26)</td>
<td>← (8)</td>
<td>↑↑ (32)</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>Aug-Oct</td>
<td>↑ (12)</td>
<td>↑ (19)</td>
<td>← (1)</td>
<td>↓ (18)</td>
<td>↑↑↑ (56)</td>
</tr>
<tr>
<td>Lentil</td>
<td>Aug-Oct</td>
<td>← (1)</td>
<td>↓ (17)</td>
<td>↓↓ (22)</td>
<td>↑ (13)</td>
<td>↑↑↑ (60)</td>
</tr>
</tbody>
</table>

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

When comparing this year’s division wise data with last year (Aug-Oct), prices of four food items varied. The maximum increase was marked in the price of rice in Khulna division (57 percent) in contrast with Dhaka division where there was a moderate change (41 percent).

The price of wheat flour also increased significantly in all divisions, showing a peak in Barisal (42 percent) while the price of palm oil has increased most in Khulna and Chittagong divisions by 22 percent with the exception in Barisal division where it didn’t change. The lentil price went down in all the divisions, with
a higher extent in Chittagong where it decreased by 23 percent. In October this year, retail price of coarse rice in the main cities of Dhaka, Rajshahi, Barisal, Khulna, Chittagong and Sylhet divisions were 33, 33, 36, 33, 30 and 32 Tk/kg respectively.

- **Term of Trade of agricultural labourers and rice**

The Terms of Trade (ToT) is used to assess household food purchasing power using the ratio of the wage rates of daily agricultural labourers and the price of rice in the market. This gives an indication of the amount of rice that a daily agriculture labourer can purchase with his daily wage.

The average daily wages of agricultural labourers were 183, 196, 170 and 181 Taka/day in April, May, June and July 2010 respectively, while the price of coarse rice were 27, 26.60, 28 and 29.20 Tk./Kg for the same months. Therefore, the ToT declined from 7.36 kg/day to 6.07 kg/day between May and June 2010 (17.4 percent decrease) and then increased to 6.21 kg/day in July, which entails a 2.25 percent increase. The decrease in the daily wage in June is mainly attributed to a slowdown in the demand of labour force after the harvest of Boro rice in April and May. The wage increase afterwards in July is mainly due to Aus harvest and Aman planting.

The wage rates from past years show declining trend during the months of August to October. Therefore, it is anticipated that the food purchasing capacity of the poor wage labourers would not keep up with the increased food prices and would further worsen their food security during these four months. However the comparison between terms of trade of 2008 and 2009 clearly indicates due to raise in the wages from 2009 and onwards the food security situation for the poor labourers will not be as worse as 2008.

**FOOD SECURITY OUTLOOK**

Last year, food grain production was satisfactory at 33.15 million MT but even after good Boro harvest, rice price was higher in the market. Due to proper Government initiative to confirm uninterrupted electricity supply for irrigation, Aman production was also good.

This year, 2010-11, total food grain production target is 36.53 million MT where Aus 2.7 million MT, Aman 13.5 million MT, Boro 19.17 million MT and wheat 1.16 million MT. This target is 10 percent higher than last year’s actual production. To achieve this target, significant improvement of yield and expansion of cultivation area of major rice and wheat varieties is required. Although Aman plantation was affected by inadequate rains during the Monsoon season, good harvest is expected by the Agriculture Department.

Towards the end of 2009-10, public food grain stock steadily declined as Government’s Boro procurement faltered due to higher prices offered by the private traders. Government increased commercial import to maintain the stock at a satisfactory level and since the beginning of 2010-11, public stock has increased gradually.
Government recently decided not to procure Aman rice from the domestic market during the coming Aman season fearing that fixation of higher procurement price may further increase the rice price in local market. Government will import food grains instead to maintain its food grain stock. Government actually procures rice from local farmers as an incentive measure. However this will not be required during the next harvest as rice price is already high in the market.

Currently, Government has 0.8 million tons of food grain stock of which 0.6 million tons is rice and 0.2 million tons is wheat. Another 0.8 million tons food grain will be imported this year which will last till the next Boro harvest.

Food grain prices in the domestic market are likely to increase further until the next Aman harvest. Food price is globally high now and showed a sharp increase in the recent months. The global good harvest of wheat of main wheat exporting countries next year can only lower the food prices unless adverse weather affects the production. Global rice production is projected to be up by 2 percent where global rice stock is expected to remain the same as last year.

The food purchasing capacity of general poor wage labourers will go down further if an improvement of wages is not achieved to offset the food prices increase over time.

To offset the excessive food price rise in the market in the recent months, Government has been distributing enough food grain through its Public Food Distribution System/PFDS. The plan for distribution during 2010-11 fiscal year through different safety net channels like OMS, VGD, VGF, GR and EP is 2.73 million metric tons. Govt is also planning to introduce more safety net schemes.

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