## BANGLADESH FOOD SECURITY MONITORING BULLETIN

### Issue No. 3  
**Nov - Dec 2010**

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### HIGHLIGHTS

**Prices of essential food commodities, particularly rice, continue to rise and have reached the peak price levels of 2008, the food price crisis year. This has raised serious concerns on the overall food security situation in Bangladesh. Despite a good Aman rice harvest the Government has increased food grain imports to maintain public stocks.**

Food price inflation is increasing and in rural areas it is already over 11 percent. Remittances have continued to increase over last two months rising by 19 percent in November 2010.

The overall food grain production during the current fiscal year has been satisfactory. The Government’s Aman production target of 13.5 million metric tons is expected to be achieved as no major natural shocks have affected production. The planting of Boro rice and wheat has started and the production targets are 18.7 and 1.16 million metric tons respectively, which are higher than last year.

The Government has decided not to procure food grain locally and is going to increase food grain imports in the coming months to maintain stable stock. The country’s food import bill is likely to rise 15 percent, amid increasing prices in global markets.

The wholesale nominal price of rice in the domestic market is close to the 2008 high food price, although in real value this is 20 percent less than the 2008 price. For wheat both nominal and real prices are considerably less than 2008 prices.

The rice purchasing capacity/Terms of Trade of agricultural labourers, has declined by 22 percent compared to last year. However, due to wage increases, the current rice purchasing power has improved significantly than the shock period of 2008. The benefits of the raised wages are seasonal; during the agricultural lean seasons with fewer earning opportunities, the poor people will find it difficult to cope with high food prices. The low salaried fixed income group both in rural and urban areas are also affected due to the current rise in food prices.

Global food grain prices are on the rise. It may rise further on erratic global weather patterns. In 24 of the 61 countries monitored, the cost of the basic food basket is still 20 percent higher than the long-term average, especially for Asian countries.

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ENVIRONMENTAL CONDITIONS

WINTER WEATHER CONDITIONS

- **Favourable winter weather for Boro and Wheat cultivation**

  The winter weather was mainly favourable during November and December 2010 which had a positive impact on the planting of two major winter crops, Boro rice and wheat. Their planting periods are December to mid-February and November to mid-January respectively.

  The Government ensured an uninterrupted power supply which enabled effective irrigation in rural areas and benefited the winter crop cultivation during the dry winter. As forecasted by the Bangladesh Meteorological Department/BMD, the winter weather during January 2011 will be much colder with two to three moderate cold waves. The foggy and cold weather in January with less sunshine hours may affect the planting/growing of Boro crop and wheat.

ECONOMIC CONDITIONS

INFLATION, REMITTANCES AND ECONOMIC GROWTH

National food inflation (point to point) was over 10 percent for the first half of the year 2010. Since July 2010 it has reduced slightly. However, from November 2010 it started increasing and in December it reached to 11 percent, which are 1.2 percentage points higher than the previous month and 1.5 percentage points higher than the last year. In the current quarter food inflation increased significantly both in rural and urban areas. However, in rural areas food inflation have been higher than urban areas; 11.76 percent against 9.32 percent respectively (December 2010). Non-food inflation has been declining since the beginning of the year and the lowest rate was recorded in December 2010 (3.27 percent). The higher food inflation is attributed to the high price of rice and wheat in the global market and increased cost in the domestic food production due to rise in agricultural labour wages.

International remittances vary by month and by year. The remittances have increased by 19 percent from October to November 2010. This increase is mainly attributed to job creation and salary increases of wage earners abroad.
Crop Production Summary for 2009-10

Domestic food grain production in Bangladesh has increased by 27 percent since 2004-05. In 2009-10 total food grain production was 33.2 percent. Compared to the previous year 2008-09, total food grain production in 2009-10 has increased by 3.1 percent, while rice and wheat production have increased by 3.0 percent and 5.9 percent respectively.

Aus Production Target Achieved for 2010-11

Aus is the first crop of the current 2010-11 crop season. As confirmed by Directorate of Agriculture Extension (DAE) the production target of 2.70 million metric tons has been achieved, which is 58 percent higher than previous year’s production.

Satisfactory Aman Production expected for 2010-11

Aman planting period is from mid May till mid August and its harvesting period is from November till mid January. As no natural calamities occurred during the growth and harvest of the Aman crop, its production target of 13.5 million metric tones is expected to be achieved which is 10.7 percent higher than the previous year’s production.

Production Target for 2010-11 Boro crop and Wheat

The target of total food grain production for the fiscal year 2010-11 is 36.53 million metric tons which is 10 percent higher than previous year’s actual production of 33.15 million metric tons. The production target for winter crops, Boro rice and wheat, are 18.7 and 1.16 million metric tons respectively. The planting of Boro crop and wheat began in mid December and in early November respectively.
Government Food Grain Import Increased to Maintain Public Stock

Public food grain stocks started declining since July 2010 due to a shortfall in the Government’s last Boro procurement during May-Aug 2010. The opening stock of food grain in July 2010 was 50 percent lower than last year’s opening stock. The Government’s recent decision not to procure Aman rice from farmers during the current harvesting season further lowered the stock. It was anticipated that the fixation of a higher Aman procurement price by the Government may further inflate the rice price in local markets. The Government’s initial food grain import target for the current fiscal year was 1.6 million metric tons which was later raised to 2.2 million metric tons to maintain public stock and to carry on various safety net food distributions.

Bangladesh’s food import bill is likely to rise 15 percent, to 75 billion taka (USD 1.1 billion) in the year to June as the Government buys more grain to secure supplies amid increasing prices in global markets.

Total rice imports during the first half of 2010-11 was 0.57 million metric tons; 65 percent by the Government and the rest by the private sector. During the same period last year, neither Government nor the private sector had imported rice. Wheat imports as of 30 December 2010 are 1.8 million metric tons; 16 percent by the Government. During the same period last year, 1.9 million metric tons of wheat was imported; of which 6 percent were by the Government.

FOOD PRICE MONITORING

WHOLESALE AND RETAIL PRICES, TERMS OF TRADE

Nominal and Real Wholesale Prices of Rice And Wheat In Bangladesh

The wholesale prices of rice and wheat in Dhaka division have been increasing sharply over the last twelve months. This type of increasing trend was also observed during the 2007-2008 food price hike when the nominal wholesale price of rice went up to a high of Tk 3,307 per 100 kg. The nominal wholesale price of rice in Dhaka division has been increasing since January 2010, whereas wheat prices have been increasing sharply since July 2010.
In terms of nominal value the price of rice in Aug-Oct 2010 was only 4 percent less than the 2008 high food price period while in real value the price of rice was 20 percent less than in 2008. For wheat, both nominal and real prices were significantly less than 2008.

The nominal wholesale price of wheat peaked at Tk 3,362 per 100 kg in March 2008 which came down to a lowest value of Tk. 1,456 per 100 kg in April 2009. The nominal and real wholesale price of wheat in Dhaka division in October 2010 were Tk 2,485 and Tk. 1,040 per 100 kg respectively.

International wholesale prices of rice and wheat

The wholesale price of coarse rice in Kolkata/India, during Nov-Dec 2010, fell by 8 percent compared to the last quarter (Aug-Oct). This price has increased by 30 percent and 15 percent respectively compared to the same months of 2009 and 2008. In December 2010, the coarse rice wholesale price in Kolkata was USD 371 per MT.

The price of Thai 5% broken parboiled rice has risen by 5 percent during Nov-Dec 2010 compared to the previous quarter but it has fallen compared to the same period of last year and 2008, by 8 percent and 43 percent respectively. The price was USD 537 per MT in December 2010.

During Nov-Dec 2010 the wholesale price of wheat in the Gulf of Mexico, (one of the wheat exporters to Bangladesh), rose by 11 percent and 39 percent respectively compared to last quarter (Aug-Oct) and the same period of last year. The main reason for this price rise was supply shortage in the international market due to an export ban imposed by Russia and export restrictions by the Ukraine. However, compared to the high food price year of 2008, wheat prices in the Gulf of Mexico are still 29 percent less. The price in the Gulf of Mexico was USD 307 per MT in December 2010.

• Retail prices for main staple food commodities

The average retail prices of essential food commodities; coarse rice, wheat flour, palm oil and lentil (masur); have slightly increased during Nov-Dec 2010 compared to the previous quarter.

<table>
<thead>
<tr>
<th>Commodity</th>
<th>2009</th>
<th>2008 Peak</th>
<th>3 Year Average (2004-2006)</th>
<th>% Change from Last Quarter</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse Rice</td>
<td>8</td>
<td>(8)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>11</td>
<td>(11)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Palm Oil</td>
<td>10</td>
<td>(10)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lentil (masur)</td>
<td>4</td>
<td>(4)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Retail prices of essential food commodities in Dhaka Sadar market (Tk/kg)

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Nov 2010</th>
<th>Dec 2010</th>
<th>2008 Peak</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse Rice</td>
<td>33</td>
<td>32</td>
<td>35</td>
</tr>
<tr>
<td>Wheat Flour</td>
<td>34</td>
<td>34</td>
<td>45</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>82</td>
<td>84</td>
<td>100</td>
</tr>
<tr>
<td>Lentil (masur)</td>
<td>89</td>
<td>95</td>
<td>90</td>
</tr>
</tbody>
</table>
Compared to the same period of the previous year the increase in prices are significant, varying between 35 and 50 percent except for the price of lentils which declined by 8 percent. The prices of rice and lentil are also very close to the 2008 peak prices, but for wheat flour and oil, prices are much lower by 26 percent and 16 percent respectively.

The prices of food commodities in Nov-Dec 2010 varied by divisional markets. The price of coarse rice in Barisal Division surpassed the 2008 price by one percent, and the price of lentils was nearly ten percent higher in Sylhet Division. Otherwise prices of other food commodities in all divisions were below 2008 peak prices.

The basic food basket usually contains essential food commodities that households consume regularly. The average food basket cost in Dhaka sadar markets during Nov-Dec 2010 increased by 2 percent and 37 percent compared to last quarter and last year respectively. The current food basket cost is Tk. 60 per kg which is close to the peak price of 2008.

- **Food purchasing capacity of agricultural day labourers**

A common mechanism to assess the food purchasing capacity of households is by the Terms of Trade (ToT), the ratio of the daily wage of agricultural labourers and the average price of food commodities in the market. This gives an indication of the amount of most essential food items that an agricultural labourer can buy with his/her daily income.

From 2008 to August 2010, agricultural labour wages have increased by 40 percent and the rice price was declined by 19 percent (point to point). This has led to a 75 percent increase in the ToT. The average daily wage of agricultural labourers was 182 Tk/day in Aug 2010 while the price of coarse rice was 30...
Tk/Kg. The best ToT over the past five years is observed in 2009. The ToT for August 2010 is 22 percent less than the corresponding month of 2009.

In 2010, the wage rates and ToT followed agricultural seasonality. Rice purchasing capacity declined from 7.4 kg in May to 6.0 kg in June 2010 (19 percent decrease) and then increased to 6.1 kg in August, a 1.7 percent increase. The decrease in the daily wage in June ’10 is mainly attributed to reduced demand for labour after the harvest of Boro rice in April and May. The wage increase in July and August is mainly due to the Aus harvest and Aman planting.

It is anticipated that the increasing trend of food purchasing capacity for both rice and basic food basket commodities will be maintained to some extent during the months of November and December as these are the harvest months. In general, due to the agricultural labour wage increase from 2009 and onwards, the food security situation during the current quarter for the poor agricultural labourers have improved compared to 2008. However, during the agricultural lean seasons, with fewer earning opportunities, it becomes difficult for poor labourers to afford such high prices of food commodities, especially rice. The soaring food prices will have a large impact on the low salaried fixed income groups with no possibility of wage adjustments.

FOOD SECURITY OUTLOOK

• Bangladesh

The food grain production target for 2010-11 fiscal years is 36.5 million metric tons which is 10 percent higher than last year’s actual production of 33.2 million metric tons. Despite good Boro and Aman harvests, the prices of major essential food commodities particularly rice and wheat in the local market are on the rise.

Public food grain stocks declined sharply since the start of the 2010-11 fiscal year. To rebuild public stocks, Government has decided to increase its commercial imports on top of the original allocation of national budget for food grain imports (65 billion Taka), during 2010-11. As a part of this decision, the Government is planning to import 0.25 million metric tons of rice from Vietnam in January-February at USD 545/MT which is a 35 percent higher price compared to 4 months ago. The Government also decided to procure 50 thousand metric tones of rice from private importers at USD 450/MT, a lower price than from Vietnam. In addition, discussions are going on to procure rice from India, Thailand and Cambodia. Due to the drought in Russia, the Government is also importing wheat from Iran and Bulgaria.

To offset the recent increase in domestic prices of essential food commodities, the Government has started to increase food distribution through its various Public Food Distribution Channels. The country wide Open Market Sale/OMS of rice began from 1st January 2011. Low income people are increasingly lining up for this subsidized rice whereas a year ago, not many crowds were seen around the OMS distribution points.

Other than OMS, the Government has decided to distribute rice for the poor and ultra-poor through ration cards. This rice and wheat distribution will start in January 2011 for 0.3 million 4th grade government employees, village defence police and village head of the Ansars through ration cards and for 1.12 million ultra-poor people through fare-price cards. Each card holder can purchase maximum 20 kg food grain each month, 10 kg rice and 10 kg wheat, at Tk. 24 /kg for rice and TK 20/ kg for wheat. These programmes will run from January till April 2011.
Global Food Market Scenario

Global cereal price indices during October-December 2010 are about 1/3 higher than the last quarter of 2009, with wheat and maize price indices reaching about 50% more than last year. In 24 of the 61 countries monitored, the cost of the basic food basket is still 20 percent higher than the long-term average, especially for Asian countries (Market Monitor, October-December 2010).

The main reasons for the increased cereal prices globally are weather-related shocks like, floods in Pakistan and Australia, drought in Argentina, dry weather and fires in Russia. Food inflation in many Asian countries, including China and India, is already in double digits, raising fears that price pressures could spread to other sectors and pose a threat to both economic and social stability as millions of people living in Asia already live in poverty.

The Global rice production for 2010-11 is forecast to increase by 2.3 percent compared to 2009-10 whereas the world wheat production is expected to decrease by 4 percent. Despite the improvement in global rice production, rice exports in Asia are expected to be lower in 2011 due to the decline in supplies in some major exporting countries, particularly Pakistan and Vietnam. India’s non-basmati rice export ban continues and is aimed at preventing local stocks from declining.

The global wheat supply from major exporting countries has fallen sharply, including Russia’s export ban which will remain till end of June 2011. The wholesale price of wheat in the International market is expected to increase further due to major flooding in Australia. Pakistan, one of the biggest producers of wheat, has decided to resume its exports after a 4 year gap.

The price of crude oil in the international market has started increasing sharply in recent months and this has already led to an increase in fertilizer price. The crude oil price in December 2009 increased by 21 percent to its current price of USD 90 per barrel. The current price is 33 percent less than the 2008 peak price of USD 134 per barrel.

References:
- Bangladesh Meteorological Department/BMD
- Food Planning and Monitoring Unit (FPMU), MoFDM, Bangladesh Food Situation Report Vol-82, July-September 2010, http://www.nfpcsp.org/about%20FPMU.htm
- Index Mundi Website, http://www.indexmundi.com/
ANNEX 1 – AGRICULTURAL WAGE RATE FOR DAY LABOURERS

Agricultural Wage Rate
Male labourer without food
August 2010

Wage (Taka / Day)
80 - 112
113 - 144
> 145

Administrative Boundary
- International Boundary
- Division Boundary
- District Boundary
- Main River

Legend:
- Bangladesh
- India
- Pakistan
- Myanmar
- Bay of Bengal

Source: Wage Rate, Bangladesh Bureau of Statistics (BBS)
ANNEX 2 – PURCHASING CAPACITY OF AGRICULTURAL DAY LABOURERS

Terms of Trade
Purchasing Capacity of Agricultural Day Labourer (Wage / Rice Price)
August 2010

Kgs of Rice
- 5.0 - 5.8
- 5.9 - 6.6
- 6.7 - 7.4

The information and maps on this map are not intended to imply official endorsement or acceptance by the United Nations.

Source: Bangladesh Bureau of Statistics (BBS), 2010

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