## Special Issue

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## HIGHLIGHTS

*Prices of essential food commodities, particularly rice, continue to rise. The price of coarse rice in the Dhaka market has exceeded its peak in 2008, the year of the food price crisis. The global food grain supply shortage caused by natural disasters is affecting price stability worldwide. As a result, the high price of staple foods is expected to continue for at least the next six months.*

The retail price of rice is 3 percent higher than its peak in 2008. Other essential food commodities, except lentils, are close to their 2008 peak price and significantly higher than 2010.

The cost of a basic food basket has been steadily increasing and is at the 2008 peak.

The food purchasing capacity of poor agricultural wage labourers has improved over time due to increases in wages. Their rice purchasing capacity in a harvest month like January 2011 is 8 percent higher than 2010, and almost double 2008. However, during the agricultural lean seasons there are fewer earning opportunities and so it becomes more difficult for poor labourers to afford basic food commodities, including rice. The recent high food price is also likely to affect households dependant on low salaried fixed incomes.

The likely impact of the high food prices, as experienced during 2008, are an increased number of people falling below the accepted thresholds of food security and nutrition, particularly for caloric intake and diet diversity.

Based on FAO Food Price Index world food price has reached record high in January 2011.

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Retail prices of major food commodities

Retail prices of essential food commodities, particularly rice, have been increasing since September 2009. The price has risen significantly since June 2010 and has maintained an upward trend despite a good Boro and Aman harvest.

In January 2011, the coarse rice price in Dhaka sadar market was Tk. 35 per kg which is 1 percent higher than the peak rice price in 2008. Overall, prices of other major food commodities (edible oil and lentil) are close to the peak in 2008. However, the price for wheat flour (atta) has remained relatively steady and is still 20 percent less than its high in 2008.

Retail cost of basic food basket

The cost of a basic food basket is calculated based on the price of essential food commodities like rice, wheat flour, palm oil and lentil. The average food basket cost in Dhaka sadar market in January 2011 increased by 9 percent since December 2010 and 36 percent since January 2010. The cost of a basic food basket in January 2011 has already reached the peak price during the 2008 food crisis period.

Despite the good harvest of Aman rice in November-December 2010, the price of rice did not come down. Possible reasons for the continued price hikes are high price of food grains in global markets and high local procurement prices set by the farmers. This seasons domestic procurement of rice was entirely conducted by private traders.

The main reasons for the rise in global food prices are weather-related supply shocks like floods in Australia, drought in Argentina, dry weather and fires in Russia and potentially crop damaging frosts in Europe and North America. Due to a shortage in production, global rice and wheat supplies of the major exporting countries have fallen sharply.
Terms of Trade/Food purchasing capacity of poor agricultural day labourers

The national average daily wage of agricultural labourers was 233 Tk/day in January 2011, which is a harvest month, while the national average price of coarse rice was 34 Tk/Kg. With the given wage an agricultural labourer can afford 6-7 kgs of rice per day with his daily wage compared to less than 4-5 kgs in 2008. The agricultural wage rate in January 2011 has increased by 79 percent compared to the 2008 shock year, where the Terms of Trade for rice have increased by 96 percent.

Agricultural wage rates vary seasonally. It usually increases during the harvest and planting seasons (April-May, August and November-December) and decreases during agricultural lean periods (September-October and March-April). Similarly Terms of Trade is also expected to rise in harvest season.

The purchasing capacity of agricultural day labourers has also been estimated based on a basic food basket containing essential food commodities like rice, wheat flour, palm oil and lentils. The average cost of a basic food basket was 64 Taka/kg in January 2011. The current terms of trade for agricultural labourers for a basic food basket are 4 kg/day which is 26 percent higher than a year ago. This means a day labourer’s capacity to purchase essential food commodities has increased by 26 percent over the past year. This purchasing capacity is 80 percent higher than 2008.

The food purchasing capacity of poor wage labourers has improved over time due to increases in wages. However, during the agricultural lean seasons, with fewer earning opportunities, it becomes more difficult for poor labourers to afford the higher prices for essential food commodities, including rice. The recent high food price is also likely to significantly affect households depending on low salaried fixed incomes.

The likely impact of the high food prices, as experienced during 2008, are an increased number of people falling below the accepted thresholds of food security and nutrition, particularly for caloric intake and diet diversity.
The FAO Food Price Index (FFPI) rose for the seventh consecutive month, averaging 231 points in January 2011, up 3.4 percent from December 2010.

The FAO Cereal Price Index averaged 245 points in January, up 3 percent from December and the highest since July 2008, but still 11 percent below its peak in April 2008. The increase in January mostly reflected continuing increases in international prices of wheat and maize, amid tightening supplies, while rice prices fell slightly, as the timing coincides with the harvesting of main crops in major exporting countries.

References:
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