Highlights for March 2011

- The FAO (global) Food Price Index decreased from its all-time peak in February 2011 but was still 36.6% higher than March 2010. The FAO (global) All Rice Price Index decreased by 1.2% month-on-month but increased by 15.1% year-on-year.
- Export price of Thai and Vietnamese white rice, benchmarks for Asia, were stable on a monthly basis but increased by 10.4% and 18.0% respectively, on a yearly basis.
- Consumer prices were stable as the Consumer Price Index increased 0.7% month-on-month but decreased by 3.8% year-on-year.
- Wholesale price of lowest quality rice increased by 1.0% month-on-month, but decreased by 3.8% year-on-year.
- Retail price of lowest quality rice increased by 2.6% month-on-month and increased by 0.3% year-on-year.
- Food purchasing power of households slightly decreased (ToT of unskilled wages and lowest quality rice decreased from 6.5 kg/day in February to 6.4 kg/day in March).

Overview

This Bulletin monitors the price of food commodities and unskilled wage rates laborers on a monthly basis. It aims to detect changes and identify trends in the food purchasing power of vulnerable households. In additional to secondary analysis of publically available data, WFP collects and analyzes the retail price of key food commodities and unskilled wage data from 10 urban and 10 rural markets (Appendix 1).

International Food and Rice prices

The FAO Food Price Index\(^1\) decreased in March 2011 after rising for nine consecutive months. The drop was due to a decrease in global prices of cereals, oil and fats, and sugar. The index was 2.9% lower than February 2011 but still 36.6% higher than March 2010 (Figure 1). In March 2011, the FAO All Rice Price Index\(^2\) decreased by 1.2% month-on-month but was 15.1% higher year-on-year.

Regional Rice Wholesale Price

In March 2011, the f.o.b. prices\(^3\) of Thai A1 Super white rice (100% broken) and Vietnamese white rice (25% broken), two benchmark prices for Asia, were 429 USD/mt and 426 USD/mt, respectively. The Thai A1 Super white rice price decreased by 0.9% month-on-month, but increased by 10.4% year-on-year. The Viet 25% white rice price increased by 1.4% month-on-month and increased by 18.0% year-on-year (Figure 2).

Figure 1: Monthly wholesale price of Thai white rice (100% B second grade), 2006-11


Consumer Price Index (CPI)

Inflation, as measured by the year-on-year increase in the consumer price index\(^4\), was 3.8% in March, seeing no change from February. Consumer prices increased 0.7% month-on-month. The food price inflation, at 4.1%, was slightly higher than overall inflation.

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\(^1\) The FAO Food Price Index is a measure of the monthly change in international prices of a basket of food commodities. It consists of the average of commodity group price indices (i.e. meat, dairy, cereals, oils/fats, and sugar) weighted with the average export shares of each of the groups for 2002-2004.

\(^2\) Based on 16 rice export quotations.

\(^3\) Free on board (f.o.b.) price includes all charges up to the placing of goods on board a ship at the port of departure specified by the buyer.

\(^4\) The CPI is collected and reported by the National Institute of Statistics (NIS).
The ratio of food prices to non-food prices\(^5\) can be used as a proxy indicator for food purchasing power. When the ratio of food prices to non-food prices (FPI/non-food CPI) goes above 1, the cost of food is increasing relative to the prices of other goods in the typical consumer basket. This could indicate increasing difficulty in access to food, as food purchasing power decreases for households.

In March 2011, the ratio of food prices to non-food prices in the CPI was 1.22, seeing no change from February, but still 22 percentage points higher than before the food price crisis when the ratio was close to 1 (Figure 3).

**Figure 3: Ratio of food to non-food items (base = Oct-Dec 2006)**

![Graph showing the ratio of food to non-food items (base = Oct-Dec 2006)](source: National Institute of Statistics)

**Local Rice Wholesale Prices**

Price reports from the Ministry of Agriculture, Forestry and Fisheries (MAFF) show that the average wholesale price of mixed rice\(^6\) in Cambodia increased slightly in March 2011. Prices were 1.0% higher in February 2011 but still 3.8% lower than March 2010 (Figure 4).

**Figure 4: Wholesale price of mixed rice\(^7\), 2006-11**

![Graph showing the wholesale price of mixed rice (2006-11)](source: Cambodia Agricultural Market Information Service, MAFF http://www.agriculturalmarketinformation.org.kh)

**Local Food Commodity Retail Prices**

The retail price of the following food commodities are collected from 10 urban and 10 rural markets by WFP field monitors (Appendix 1): rice, smoked fish, beef, pork and vegetable oil.

In March 2011 average retail price of the lowest quality rice\(^8\) in rural and urban areas was 1,680 riel/kg, a 2.6% month-on-month increase and a 0.3% year-on-year increase (Figure 5). Price increases in rural areas were more pronounced as lowest quality rice increased by 7.1% month-on-month and 2.5% year-on-year.

**Figure 5: Average price of lowest quality rice, 2007-11**

![Graph showing the average price of lowest quality rice (2007-11)](source: WFP)

The increase in rice prices in March 2011 implies that the steady decrease of rice prices since November 2010 due to the successful wet season harvest has stopped. The increase in the domestic rice supply from the dry season harvest does not seem to have had significant downward pressure on prices in March.

Prices of other food commodities in each of the 10 rural and 10 urban markets are presented in Appendix 2. It is noteworthy that in March 2011, vegetable oil prices were 38.8% higher than in March 2010, though only 0.2% higher on a month-on-month basis.

**Food Purchasing Power of Vulnerable Households**

The daily wages of unskilled workers engaged in rice and non-rice farming, construction, motor-taxi driving and factory work are monitored by WFP field monitors on a monthly basis.

In March, the average wage of unskilled labour (agricultural and non-agricultural activities) in rural areas was 10,319 riel/day and 11,053 riel/day in urban areas. The average unskilled daily wages in all areas was 10,686 riel/day, a 0.2% month-on-month increase and a 2.9% year-on-year decrease (Figure 6).

\(^5\) The ratio of food prices to non-food prices is calculated as (food and non-alcoholic beverages component of CPI) / (non-food component of CPI)

\(^6\) Mixed rice is considered one of the lowest quality rice.

\(^7\) Wholesale rice prices are collected from the provincial center markets of the following provinces: Kampong Chhnang, Kampong Cham, Takeo, Siem Reap, Prey Veng, Phnom Penh, Kampot, Battambang, Banteay Meanchey.

\(^8\) Mixed rice, IR rice and Banla Pdao rice
The terms of trade (ToT) is used to assess household food purchasing power using the ratio of the daily wage rates of unskilled laborers and the retail price of lowest quality rice in the market. This gives an indication of the amount of rice that an unskilled wage labourer can purchase with his/her daily wage. The ToT for unskilled labor and lowest quality rice was 6.4 kg/day in March – a slight decrease from February (6.5 kg/day) as the increase in rice prices outweighed the slight increase in wages (Figure 7).

Figure 6: Daily wage of unskilled labour in all areas

The ToT trend was different in rural and urban areas. In rural areas, the ToT decreased from 6.5 kg/day in February to 6.1 kg/day in March, a 5.6% decrease, as the sharp increase in rice prices outweighed the slight increase in wages. In urban areas, the ToT slightly increased by 0.9% in March 2011 as the decrease in rice prices outweighed the decrease in wages.

Figure 7: Terms of Trade of unskilled labour and rice

Source: WFP

Appendix 1: Sentinel Surveillance Market Sites

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### Price of Food Commodities in Rural and Urban Markets

#### Rural Markets

<table>
<thead>
<tr>
<th>Food Items</th>
<th>Current Price (riel/kg)</th>
<th>Change in Price (%)</th>
<th>Direction of Change 3m</th>
</tr>
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<tbody>
<tr>
<td>Smoked fish</td>
<td>2,100</td>
<td>-22.2</td>
<td></td>
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<tr>
<td>Fresh fish</td>
<td>7,000</td>
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<td>-26.5</td>
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<tr>
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<td>14,000</td>
<td>31.5</td>
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*Price increase above normal price fluctuation
Normal price fluctuation
Price decrease below normal price fluctuation
Commodity not available in reporting month

Price fluctuation is considered normal if the price change is within:
5% for month, 10% for 3 months

### Appendix 2: Price of Food Commodities in Rural and Urban Markets

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