During the current quarter, the retail prices of most essential food commodities decreased compared to the previous quarter. The price of rice decreased by 18 percent. The price of wheat flour, edible oil and lentils have also come down significantly and are much below the 2008 peak prices. The main reasons for this price decline are due to a good domestic Aman and Boro harvest and the decline in the international grain prices due to overall high production.

The food price inflation reached 14.7 percent in April 2011; the highest ever. With a good production of the Boro winter crop, it came down to 12.5 percent in June. The food price inflation in rural areas is higher than urban areas.

The domestic production of all four major cereal crops, Aus, Aman, wheat and Boro, during the current crop season has been satisfactory. The total food grain production for FY2010-11 is expected to exceed the target of 35.7 million mt by 0.6 percent which is 8.3 percent more than last year.

The increased food grain import by the Government during the 2010-11 fiscal year has raised the public stock to 0.88 million mt which is 66 percent higher than the opening stock. Unlike previous years, over 80 percent of total rice imports were done by the Government compared with 50 percent last year. The Government has a Boro procurement plan of 600,000 mt from the domestic market at Tk 29 per kg. In the current fiscal year, the Government’s rice procurement target is set much less than previous years with an intention to stabilize the rice price by not reducing the supply of locally produced rice for the market.

In the current quarter, agricultural wages increased by 6 percent and the price of rice decreased by 10.7 percent. This has boosted the rice purchasing capacity of agricultural day labourers by 18 percent which is now 85 percent higher compared to the 2008 food crisis year. The benefits of the increased wages are seasonal and last only for five months during the harvest and planting seasons. Female labourers receive much lower wages compared to male labourers, therefore female-headed households depending on agricultural wage labour are the worst sufferers. Agricultural wages vary geographically, with Chittagong and Barisal divisions providing the highest wages and Rangpur and Rajshahi divisions having the lowest.

Global rice and wheat production during 2010-11 has increased by 1.8 percent and 3.2 percent respectively. Consequently, the world’s rice export for 2011-12 is forecast at 4 percent higher than 2011 because of good production in major rice exporting countries. On average, global rice and wheat prices are declining and the global food grain supply is expected to increase due to good harvests and the lifting of export bans by some countries.

The Government has expanded its social safety net programmes and started food distribution through its various Public Food Distribution System (PFDS) channels. The increased plan for total food grain distribution during the 2010-11 fiscal year was 2.73 million mt which was 2 percent more than last year’s target. As of 30 June, 2.29 million mt had been distributed which is 84 percent of the 2010-11 target and 17 percent more than the 2009-10 distribution.
ENVIRONMENTAL CONDITIONS

FAVOURABLE MONSOON SEASON

Favourable Monsoon for Aman/Aus planting and Boro/Wheat harvesting

This year the country did not experience any flash floods in April-May which was favourable for the standing Boro crop and wheat, especially in the north-east Haor districts. The sufficient pre-monsoon rains also benefited the growing of Boro crop and this resulted in satisfactory Boro harvesting.

The south-west monsoon is reasonably active this year and is widely spread over the country as of the first week of June. The country wide rainfall in June was 10 percent above normal, as confirmed by the Bangladesh Meteorological Department. Rain water is very much needed for the rain-fed Aman crop which is planted from mid-May to mid-August. Due to the absence of flash floods as well as early monsoon floods, week of June. The country wide rainfall in June was 10 percent above normal, as confirmed by the Bangladesh Meteorological Department.

The south-west monsoon is reasonably active this year and is widely spread over the country as of the first week of June. The country wide rainfall in June was 10 percent above normal, as confirmed by the Bangladesh Meteorological Department. Rain water is very much needed for the rain-fed Aman crop which is planted from mid-May to mid-August. Due to the absence of flash floods as well as early monsoon floods, the Aman and Aus cropping are expected to be satisfactory provided there is no late flooding this year.

ECONOMIC CONDITIONS

INFLATION AND REMITTANCES

As measured by point-to-point variation in the Consumer Price Index (CPI), the general inflation rate has been rising since October 2010. It reached its peak in April 2011 which was 10.7 percent and then gradually declined to 10.2 percent in June. Similarly, the food price inflation in April was the highest ever at 14.4 percent. However, food price inflation started declining in May and reduced to 12.5 percent in June. This recent decline is attributed to satisfactory Boro rice production and its availability at lower prices in the market.

The food price inflation in urban areas was higher than rural areas until the first half of 2010. Since August 2010, this trend started reversing and the difference became largest in the current quarter (April-June 2011). The highest rural and urban food price inflations in the recent past were in April 2011, at 15.4 percent and 12.0 percent respectively.

The remittance inflow, a strong and important driver of the domestic economy, reached a record peak in March 2011 at USD 1.103 billion, but it decreased significantly in April and May (USD 998 million) by 9.2 percent and 9.5 percent respectively. Still the May 2011 remittance amount is 10.6 percent higher than last year (May 2010) and 54 percent higher than 2008.

This significant decline of remittances from March to April and May is likely to have a negative impact on the food security of households whose main sources of income is...
from remittances. The reduction in the amount and frequency of remittances attributed to job losses, salary decreases abroad and the return of migrants to Bangladesh.

**FOOD AVAILABILITY**

**CROP PRODUCTION, FOOD IMPORTS AND PUBLIC GRAIN STOCKS**

**Domestic food grain production**

According to the final estimate of the Bangladesh Bureau of Statistics, the production of the first three cereal crops, Aus, Aman and wheat were 2.13, 12.79, 0.97 million mt respectively during the 2010-11 fiscal year. The harvesting of Boro was completed in May but the estimation has not yet been finalized. Although the Boro production target was 18.7 million mt, the Directorate of Agricultural Extension (DAE) is expecting more than 20 million mt due to a bumper production this year. In that case, total food grain production for the fiscal year 2010-11 would be 35.9 million mt, which is 0.6 percent more than the target (35.7 million mt), 8.3 percent more than last year’s production.

**Government food grain procurement, imports and public stock situation**

As of 30 June, public food grain stocks stood at 882,000 mt: 570,000 mt for rice and 312,000 mt for wheat (DGF), which is 66 percent higher than the opening stock. The opening food grain stocks of the 2010-11 fiscal year as of 1 July 2010 was an alarmingly low 0.53 million mt. This happened due to a shortfall in the Government’s Boro procurement during May-August 2010, which led to higher imports of food grains by the public sector.

The Government and the private sector imported 20 times more rice during the 2010-11 fiscal year than the previous fiscal year. The increased food grain imports by the Government raised the 2010-11 fiscal year public food grain closing stock. This year, 81 percent of total rice imports were by the Government compared to 50 percent last year. On the other hand, 75 percent of wheat was imported this year by private sector importers.

The Government has a plan to procure 600,000 mt of Boro rice this year from the domestic market at Tk 29 per kg starting from 5 June until the end of September where last year’s procurement price was Tk 25 per kg. As of 30 June, 167,000 mt had been procured and 472,000 mt were contracted. This represents 28 percent of the annual target compared to 22 percent from last year.
During the last two harvests of major Aman and Boro rice, the Government set a lower procurement target compared to previous years. The Government anticipates that increased procurement of rice by the public sector is likely to affect the local supply of rice to the market, thus further inflating the already high price of rice.

**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 the domestic market have started increasing since the beginning of 2010 and continued through to February 2011. In June 2011, the nominal wholesale prices of rice and wheat in Dhaka division were 2,913 taka and 1,969 taka per quintal (100 kg) respectively. These June prices are 14 percent and 23 percent lower than February 2011 prices respectively.

The average wholesale nominal and real prices of rice and wheat during April-June 2011 have increased compared to last year; however, the increase in real price is about half of the nominal price. In comparison to the high food price months of 2008, the average nominal and real prices of rice in Dhaka division have decreased by 2 percent and 22 percent respectively. On the contrary, for wheat, both nominal and real prices were significantly less (36 percent and 49 percent respectively) than 2008 prices.

The recent fall of rice prices in the domestic wholesale market is mainly due to satisfactory Aman and Boro production this year, as well as falling prices in the international market.

**International wholesale prices of rice and wheat**

Despite the decline in the wholesale price of coarse rice in domestic and neighbouring international markets, it is still higher as compared to last year. In the current quarter the price of coarse rice in Dhaka Sadar market has declined by 9 percent compared to the last quarter, but is higher by 19 percent than the previous year. Similarly the price of Thai 5 percent broken parboiled rice decreased by 3 percent during the Apr-Jun 2011 quarter compared to the previous quarter, but increased by 6 percent compared to last year and by 47 percent compared to the
2008 high food price year. In June 2011, the price of Thai rice was USD 515 per mt. The wholesale price of Kolkata/India rice has shown an increasing trend since Dec 2009 which continues until now with slight variations in between. During March 2011, the coarse rice wholesale price in Kolkata was USD 422 per mt.

In the Gulf of Mexico (major wheat exporters to Bangladesh), the price of wheat has risen by 3 percent during the current quarter compared to last quarter, whereas the wholesale price of wheat in Dhaka Sadar market during the current quarter (Apr-Jun 2011) has decreased by 20 percent compared to the last quarter. However, in both in Gulf of Mexico and Dhaka the wholesale price of wheat is significantly higher than last year (91 percent and 20 percent respectively).

Retail prices for essential food commodities

The country wide retail prices of most essential food commodities like coarse rice, wheat flour (atta), palm oil and lentil (masur dal) have decreased during the current quarter (April-June) as compared to the previous quarter as well as to the high food price year of 2008. However, compared to the same period of 2010 the price of rice is slightly higher by 6 percent and the prices of atta and oil are significantly higher.

The price decline of essential food items in Dhaka Sadar markets began in March 2011. The prices for rice, flour and lentil have decreased by 1.2 percent, 4.1 percent and 2.5 percent respectively from May to June, whereas the price of palm oil has increased by 8.9 percent. The main reasons for this recent price decrease were satisfactory domestic Aman and Boro crop production as well as the fall in food grain prices in the international market.

There are differences in the prices of these essential food commodities across the six divisional sadar markets. During April-June quarter, the average prices of all food items came down below the 2008 peak prices, except rice in Barisal division. The maximum decrease was observed in Rajshahi division, especially for rice, wheat flour and lentil by 34 percent, 28 percent and 47 percent respectively. The price of rice decreased most in Khulna division, by 38 percent. The lentil price decreased steadily across the six divisions between 23 percent and 30 percent.
Retail cost of basic food basket

The basic food basket usually contains essential food commodities that households consume regularly. The cost of this basket is calculated based on the prices of essential food items like rice, wheat flour, edible oil and lentils. The average food basket cost in Dhaka Sadar markets during Apr-Jun 2011 has decreased by 7 percent compared to the last quarter but it has increased by 18 percent compared to last year. The average food basket cost during the current quarter is 61.3 taka per kg which is the same as the 2008 peak price year cost.

Terms of Trade/ Food purchasing capacity of agricultural day labour

The Terms of Trade (ToT), the ratio of the daily wage of agricultural labourers and the average retail price of food commodities in the market, is commonly used to assess the food purchasing capacity of poor households. This gives an indication of the amount of the most essential food items that an agricultural labourer can buy with their daily income.

Between April and June 2011, the agricultural labour wages increased by 6 percent but the national average rice price decreased by 10.7 percent. This led to an 18 percent increase in the Terms of Trade for rice. Compared to the food price shock period of 2008, the wage increased by 77 percent and the rice purchasing capacity increased by 85 percent. This was due to a 4 percent decrease of rice prices since March 2008. In the current quarter the highest daily wage of male agricultural labourers was 223 taka/day in May 2011 which is a harvest month, while the average price of coarse rice was 31 taka/Kg. This explains that an agricultural wage labourer can buy 7.2 kg of rice daily with his current daily income compared to 3.9 kg in 2008. The poorest ToT was in April when an agricultural wage labourer could afford less than 6 Kg of rice with a daily wage of about 198 Taka/day.

The national average cost of a basic food basket was 56.6 taka/kg in June 2011 which was 51.2 taka/kg one year ago. The current Terms of Trade for a basic food basket is 3.9 kg/day, 18 percent higher than last March 2011 and 14 percent higher than last March 2011. In comparison to 2008, a day labourer can buy 82 percent more food items in a basket now which is equivalent to 1.8 kg of more food.

Although the food purchasing capacity of poor day labourers has improved over the years, it is confined only to harvest (April-May, November-December) and planting seasons (August, June-July) which lasts around five months a year. It becomes difficult for poor labourers to afford the higher prices for essential food commodities during the agricultural lean seasons due to fewer wage earning opportunities. The increased wage rate in May 2011 by 31 percent from April was mainly because of increased demand of labourers for Boro harvesting.

There is significant difference in agricultural daily wages for male and female labourers. In June, the national average wage for a male was 223 taka whereas for a female it was 151 taka. This situation is especially crucial for poor female headed households who have no means
of income other than day-labour. Considering the daily wage for June 2011, a male labourer could buy 7.2 kg of rice for his family per day whereas a female labourer could buy only 4.9 kg of rice.

The Terms of Trade also has a regional dimension. In June 2011, the highest wages were found in Chittagong and Barisal divisions, taka 288 and taka 242 respectively and lowest were found in Rangpur and Rajshahi, taka 179 and taka 201 respectively. Similarly, coarse rice price was highest in Barisal division, taka 33/kg in June and were minimum in Khulna and Chittagong divisions at taka 29/kg. With these differences of rice prices and wage rates, an agri labourer in Chittagong division could buy 9.9 kg of rice with his one day’s income whereas a labourer in Rangpur division could buy only 5.7 kgs of rice. This regional variation in Terms of Trade is likely to accelerate internal migration of agricultural labour force between areas.

### FOOD SECURITY OUTLOOK

**Food Grain Production, Import, Export and Price Prospect**

The production of Bangladesh’s four cereal crops – Aus, Aman, wheat and Boro – during the 2010-11 crop season has been satisfactory, according to the Bangladesh Bureau of Statistics. Although the final estimation of Boro production has not been finalized, the Directorate of Agricultural Extension (DAE) is expecting more than 20 million mt (target 18.7 million mt) due to a bumper production this year. In that case, total food grain production for fiscal year 2010-11 would be 35.9 million mt which is 0.6 percent more than the target (35.7 million mt), 8.3 percent more than last year and 11.6 percent more than 2008-09.

Based on the FAO Food Outlook of June 2011, the global rice production and ending stock forecast for 2010-11 was 464 and 137 million mt which was 1.8 percent and 3.3 percent higher than the previous year’s actual harvest and ending stock. The harvest this year was an improvement on last year’s which suffered from a series of droughts and floods across the world. The world wheat production was forecast to be 674 million mt during 2010-11, which is 3.2 percent higher then last year. This is slightly below the target due to poor production caused by dry weather conditions in some parts of the United States and Europe. The world wheat reserves by the close of the crop season in 2012 is forecast to reach 183 million mt which is 2.6 percent below the 2011 stock.

The world rice export for 2011 was 2 percent less than in 2010. The export for 2012 is forecast at a record of 32.2 million mt which is 4 percent higher than 2011 because of large available supplies in many major rice exporting countries. Thai rice prices are expected to jump by 50 percent as the new government takes power.

The world wheat exports in 2010-11 are estimated to reach 128 million mt which is 5 percent lower than in 2009-10. The export forecast for 2011-12 is 127 million mt. Australian wheat exports were boosted reflecting higher demand for Australian wheat in Asian countries. Russia has resumed the export of wheat after a one-year break following catastrophic fires and droughts that destroyed one-third of the country’s crop.

The price of crude oil in the international market has been increasing constantly since its lowest price of USD 39.15 per barrel in Feb 2009. This oil price increase has a close link to global price increases of major food commodities. The price reached the highest level in recent years in April 2011 of USD 116.32 per barrel and then gradually declined to USD 105.85 in June. This price is still 21 percent lower than the 2008 peak price of USD 133.93 per barrel.

The Government of Bangladesh has increased food grain imports this year to maintain public stocks which had declined drastically. The Government and private sector imported 20 times more rice during the current fiscal year than the previous year to make up the shortfall. At the end of the current fiscal year (30 June),
grain closing stock raised to 0.88 million mt which is 66 percent higher than the opening stock of 0.53 million mt.

This season, the Government plans to procure 0.6 million mt of Boro rice from farmers at a procurement price of taka 29/kg starting from June until the end of September. Last year, the Government started Boro procurement from 1 May at a price of taka 25/kg with a target of 1.2 million mt. As of 30 June 2011, 28 percent of the total target procurement has already been achieved compared to 22 percent last year.

To reduce the sufferings of poor populations due to recent excessive increases of essential food commodities, the Government has expanded its social safety net programmes and started food distribution through its various Public Food Distribution System (PFDS) channels. The increased plan for total food grain distribution during the 2010-11 fiscal year was 2.73 million mt which is 2 percent more than last year’s target. As of 30 June 2011, 2.29 million mt had been distributed which is 84 percent of the 2010-11 target and 17 percent more than 2009-10 distribution. The most popular distribution channels are Open Market Sales (OMS), Fair Price Cards, Food For Work (FFW), Test Relief (TR), Essential Priorities (EP), Vulnerable Group Development (VGD) and Vulnerable Group Feeding (VGF). The country wide Open Market Sale/OMS of rice began on 1 January 2011. Food Grain distribution through OMS and Fair Price Card was halted outside Dhaka city as of 31 May.

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ANNEX 1 – MONSOON RAINFALL DISTRIBUTION FOR JUNE 2011

Monsoon Rainfall Distribution (mm)
June 2011

Deficient (-20% to -40%)
Normal (+19% to -19%)
Excess (+20% to +40%)

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 WGS 1984

Source: Bangladesh Meteorological Department (BMD)

ANNEX 2 – AMAN CROP PRODUCTION AND YIELD

Aman Rice Production
2010-2011

Aman Production (M.Ton)

Yield (M. Ton per Hectare)

- 10 -