**HIGHLIGHTS**

During the first two months of the current quarter the price of rice was higher than the peak prices of 2008, though prices of other food commodities like wheat, edible oil and lentil was lower. In March 2011 the price of rice decreased by 3 percent compared to the previous month and to the high prices of 2008. One of the reasons for the recent fall in the price of rice in the domestic market has been good Aman and Boro harvests.

Overall, inflation is increasing sharply with food price inflation being a significant contributor. In the rural areas food price inflation is over 14 percent and in urban areas it is nearly 12 percent. The food price inflation in March 2011 is 1 percent higher than March 2008. Due to the various crises in the Middle-East, remittances from abroad have increased over the past few months and peaked in March 2011.

Domestic production of two major cereal crops, Aman and Boro, during the current fiscal year has been satisfactory.

The low Public Food Grain stock at the beginning of the fiscal year and the Government’s decision not to procure Aman rice from local farmers in December ‘10-January ‘11 together led to higher than usual imports of food grains by the public sector. As of 24 March 2011 total rice import was significantly higher than that of 2009-2010. Unlike other years, over 60 percent of the total rice imports were done by the government.

The wholesale nominal price of rice in the domestic market is 8 percent higher than the 2008 high price but the real price is 14 percent lower. For wheat, nominal and real prices are lower than 2008 peak prices by 20 percent and 36 percent respectively.

Due to increased wages the rice purchasing capacity of agricultural day labourers has improved by 2 percent compared to last year and by 39 percent compared to the 2008 food price 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; thus, it is very difficult for poor female headed families to cope with high food prices.

On average, global food grain prices are still high, although prices have started falling in the domestic market in the recent months. The global food grain supply is expected to increase in the coming months due to good harvest and the lifting of export bans by some countries. Consequently, international prices are also expected to decline to some extent in the near future.

**Environmental Conditions**
- Favourable Cropping Season (page 2)

**Economic Conditions**
- Inflation & Remittances (page 2)

**Food Availability**
- Crop Production, Food Import & Public Grain Stock (page 3)

**Food Price Monitoring**
- Wholesale Prices (page 4,5)
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**Food Security Outlook**
- Food Grain Production, Import, Export and Price Prospects (page 8)

**Impact of High Food Prices on Household Food Security**
- Results from FGDs in rural areas of Gaibandha (page 9)
- Results from FGDs in urban slums of Dhaka (page 10)
ENVIRONMENTAL CONDITIONS

FAVOURABLE CROPPING SEASON (JAN - MAR)

- *Favourable weather for Aman harvest and Aus/Boro/Wheat planting and growing*

The country did not experience any early flash floods in March, which could have damaged the Boro rice crop in the north-east Haor districts. No major damage to standing Boro crop or wheat was reported due to localized pre-monsoon thunder storms which are common during March -April. Therefore, a good harvest of Boro rice is expected in the coming months.

The planting time for rain-fed Aus crop is from March to mid-May for which a low to moderate level rainfall is required. The rainfall in March was 16 percent below normal, as confirmed by the Bangladesh Meteorological Department. Daytime temperatures were below average due to cloudy skies which caused less evaporation and benefited the planting of Aus crop and growing of Boro crop.

The production of rain-fed Aman crop, the harvesting of which was completed in January, was satisfactory because of sufficient monsoon rains during its planting/growing period.

ECONOMIC CONDITIONS

INFLATION and REMITTANCES

General inflation, along with food price inflation, has been rising since October 2010, as measured by point-to-point variation in the Consumer Price Index (CPI). The general inflation rate in March 2011 was 10.86 percent. The dominance of food price inflation is substantial in the overall inflation. The food price inflation was nearly 14 percent in March 2011, considered to be exceptionally high. In March 2008 the food price inflation was nearly 13 percent.

Since September 2010, the food price inflation in rural areas has been significantly higher than urban areas; 14.8 percent against 11.7 percent respectively in March 2011.

The high food inflation is attributed to the high price of rice and wheat in the global market as well as increased cost in the domestic food production due to rise in agricultural labour wages, fuel price and transport cost.

The remittance inflow, a strong and important driver of the domestic economy, peaked in March 2011 at USD
1.103 billion. This record remittance amount is 15 percent higher than the remittances received in the previous year (March '10) and 12 percent higher than in the previous month, February '11. One reason for the recent increase in remittances is the political turmoil in the Middle East, where Bangladeshi migrant workers, uncertain about their future, remitted significantly more money home. However, the Middle East crisis also threatens to slow down remittance flows in the medium and long term, which would affect Bangladesh’s macro economy and the livelihood security of the returnees.

FOOD AVAILABILITY

CROP PRODUCTION, FOOD IMPORT AND PUBLIC GRAIN STOCK

The four major cereal crops in Bangladesh are Aus, Aman rice, Boro rice and wheat. The Directorate of Agriculture Extension (DAE) has set the target for total food grain production for the current fiscal year July 2010-June 2011 to 36.53 million metric tons. DAE has confirmed the production for Aus, the first cereal crop of the year, at 2.13 million metric tons, 25 percent higher than previous year’s production.

The harvest of Aman rice was completed in January and DAE advises that its production target of 13.5 million metric tons has been achieved, although the estimation is yet to be finalized. If this target has been reached, production will be 10.7 percent higher than the previous year’s production. DAE expects the production of wheat and Boro rice to be 1.16 and 19.16 million metric tons respectively and the harvesting of these crops will be completed in May.

If the production targets for Aman, wheat and Boro are achieved, the total food grain production this year will be 35.95 million metric tons; 8.5 percent higher than last year’s actual production and only slightly lower than the overall target.

- Government food grain procurement, import and public stock situation

The public food grain stocks declined during the beginning of the current fiscal year due to a shortfall in the Government’s Boro procurement during May-August 2010 and the Government’s decision not to procure Aman rice from farmers following the Aman harvest in December ‘10-January ‘11.

The opening stock of food grain in July 2010 was 0.53 million metric tons, 50 percent lower than previous year’s opening stock of 1.05 million metric tons. The low opening stock led to higher imports of food grains by the public sector. As of 24 March 2011 the
total rice import was 40 times higher than the total rice imports during the same period of 2009-2010. The increased food grain imports by the government have raised the stock to 0.83 million metric tons as of 24 March 2011. The initial domestic food grain procurement target for the current fiscal year was 1.65 million metric tons, it has been revised later at 0.995 million metric tons of which 0.895 million metric tons are rice and 0.1 million metric tons are wheat. As of 24 March 2011 the public food grain stock had increased by 69 percent from July ‘10. The government has recently imported rice from Vietnam, India, Thailand, Cambodia, Iran, Bulgaria and other countries with higher prices. Government has a plan to continue food grain import in the future to maintain the public stock at a satisfactory level.

Although the private sector import was comparatively lower during the first six months of this year compared to last year, it has improved in recent months. An export ban by Russia, various restrictions by Ukraine and overall high prices in the international market resulted in lower import by the private sector. On top of that, recent floods in Canada, China, Pakistan and Australia and export ban by India on non-basmati rice also contributed negatively on the world food grain market.

<table>
<thead>
<tr>
<th>Cropping Calendar of Bangladesh</th>
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<tbody>
<tr>
<td>Jan</td>
</tr>
<tr>
<td>---------------------------------</td>
</tr>
<tr>
<td>1. Aus Rice</td>
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<tr>
<td>2. Aman Rice</td>
</tr>
<tr>
<td>3. Wheat</td>
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<tr>
<td>4. Boro Rice</td>
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</table>

- **Planting**
- **Harvesting**

### FOOD PRICE MONITORING

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

**Nominal and Real Wholesale Prices of Rice and Wheat in Bangladesh**

Domestic wholesale prices of rice and wheat increased from the beginning of 2010 until February 2011. The wholesale prices of rice and wheat in March 2011 were slightly less than February 2011; prices decreased by 2.2 percent and 5.8 percent respectively. In March 2011 the nominal wholesale price of rice and wheat in Dhaka were Taka 3,296 and 2,397 per quintile (100 kg) respectively.

Compared to last year, the average wholesale nominal and real prices of rice and wheat during January-March 2011 have increased; however, the real price increase is almost half of the nominal price increase. In comparison to the high food price months of 2008, the average nominal price of rice in Dhaka division has increased by 8 percent, but the real price has decreased by 14 percent. For wheat, both nominal and real prices in Dhaka
division were significantly less (20 percent and 36 percent respectively) compared with the 2008 prices.

Both the nominal wholesale prices of rice and wheat in Dhaka division declined in March 2011 and February 2011. Their prices in March 2011 have decreased by 2.2 percent and 5.8 percent respectively compared to the previous month and stood at 32.96 Taka and 23.97 Taka per kg.

The recent fall of rice price in the domestic wholesale market is mainly due to satisfactory Aman harvest this year and price fall in the world market.

**International wholesale prices of rice and wheat**

In Dhaka Sadar market, the wholesale price of coarse rice during the current quarter (Jan-Mar) 2011 rose by 3 percent compared to the last quarter and by 26 percent compared to last year. Fortunately, compared to last month, the rice price in March '11 has decreased by 3 percent.

A similar rising trend was observed in Kolkata/India where the price during the current quarter has increased by 9 percent and 26 percent compared to last quarter and last year. This price is still 29 percent higher than the peak price of 2008. In March 2011, the coarse rice wholesale price in Kolkata was USD 422 per MT.

The price of Thai 5 percent broken parboiled rice decreased by 2 percent during the Jan-Mar ’11 quarter compared to the previous quarter and by 9 percent compared to last year. The price also fell by 45 percent compared to 2008 high price. In March 2011, the price of Thai rice was USD 515 per MT, which is 4 percent less than February price.

In Dhaka Sadar market, the wholesale price of wheat during the current quarter (Jan-March 2011) has decreased by 1 percent compared to the last quarter but increased by 41 percent compared to last year. Wheat price in Dhaka Sadar market has reduced by 7 percent in March '11 compared to last month.

The price of wheat in the Gulf of Mexico (one of the wheat exporters to Bangladesh) has risen by 16 percent compared to last quarter and 69 percent compared to last year. It is still 19 percent lower than the peak price in 2008. In March 2011, the wheat wholesale price in the Gulf of Mexico was USD 317 per MT, 9 percent less than the February price.

**Retail prices for essential food commodities**
The national average retail prices of essential food commodities such as coarse rice, wheat flour and palm oil have increased slightly during the Jan-Mar 2011 quarter compared to the previous quarter. When compared to the same period of the previous year, these price increases are significant, varying between 30 to 50 percent with the exception of lentil (masur dal). The price of lentil has decreased by 10 percent.

The prices of rice and palm oil are near the 2008 peak prices, but for wheat flour and lentil, the current quarter prices are lower by 19 percent and 12 percent respectively.

During the current quarter the price of rice and lentil/masur dal peaked in February 2011 and was 2 percent above the peak prices of 2008. The prices of these essential food items in Dhaka sadar market started declining from March 2011. The prices for rice, oil and lentil have decreased by 4 percent, 3 percent and 4 percent respectively from February to March, whereas the price of wheat flour remained the same. The main reasons for this price decline in March were a good Aman rice harvest as well as fall of food grain prices and an increased supply of food grains in the world market.

In the divisional markets, the prices of food commodities varied during the Jan-Mar 2011 period. The prices of coarse rice in all divisions except Chittagong have exceeded the 2008 peak prices. The increase in the price of edible oil is only observed in the Sylhet division. All other food commodities in all divisions were below the 2008 peak prices.

**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 items like rice, wheat flour, edible oil and lentil. The average food basket cost in Dhaka Sadar markets during Jan-Mar 2011 increased by 7 percent and 31 percent compared to the last quarter and last year overall respectively. The average food basket cost during the current quarter is Taka 64.25 per kg which is 9 percent higher than the peak price of 2008 crisis period.
Terms of Trade/ Food purchasing capacity of agricultural day labourers

A common mechanism to assess the food purchasing capacity of poor households in rural areas is by 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. This gives an indication of the amount of the most essential food items that an agricultural labourer can buy with his/her daily income.

The agricultural labour wages in March 2011 have increased by 6 percent from December last year whereas the national average rice price remained almost the same. This has led to a 2 percent decrease in the Terms of Trade for rice. The average daily wage of male agricultural labourers was 211 Taka/day in Mar 2011 while the average price of coarse rice was 34.7 Taka/Kg. Compared to the food price shock of 2008, the wage has increased by 63 percent, but the rice purchasing capacity has increased by 39 percent due to increase of rice prices over time. This explains that an agricultural wage labourer can buy 6 kg of rice per day with his current daily income compared to 4 kg in 2008.

The national average cost of a basic food basket was 61 Taka/kg in March 2011 which was 50 Taka a year ago. The current Terms of Trade for a basic food basket is 3.5 kg/day, 7 percent higher than a year ago but 5 percent lower than December 2010. In comparison to 2008, a day labourer can buy 57 percent more kg of food items in a basket now which is equivalent to 1.3 kg of more food.

Although the food purchasing capacity of poor day labourers has improved over the years, it is confined only to harvest and planting seasons which lasts around five months a year. It becomes difficult for the poor labourers to afford the higher prices for essential food commodities during the agricultural lean seasons that last around seven months due to fewer wage earning opportunities. Agricultural wage rates usually increase during crop harvesting and planting seasons (April-May, August and November-December) and decrease during agricultural lean periods (March-April and September-October).

Agricultural daily wage also varies for male and female labourers and by geographical area. In March, the national average wage for male was 211 Taka whereas that for female was 150 Taka. This difference is more prominent in the districts of Khulna, Bagerhat, Noakhali, Meherpur and Kishoreganj whereas it is less significant in the districts of Tangail, Jamalpur, Sunamganj, Moulavibazar, Munshiganj, Manikganj,
Faridpur, Jhenaidah and Satkhira (Annex 1). This situation is especially crucial for poor female headed households who have no other means of income other than day-labour. Considering the daily wage for March 2011, a male labour could buy 6 kg of rice for his family per day whereas a female labour could buy only 4.3 kg of rice.

Terms of Trade/ Food purchasing capacity of slum dwellers

The data on wages and income of urban poor living in urban slums is scarce. WFP recently (March 2011) conducted five focus group discussions (FGD) in urban slums of Dhaka. The FGDs reported that, like rural poor, the income of urban poor also increased. However, the income varies by occupational groups. A household maid and a low paid garment worker earns around Taka 100/day, lowest amongst the various occupational groups living in Dhaka slums. With this income only 3 kgs of rice can be bought a day. Overall, rice purchasing capacity of other urban poor are higher than rural poor. Moreover, unlike rural poor households, the number of earning members in an urban poor households is higher which provides income protection for later. However, more information on urban expenditure patterns need to be considered for future analysis as the urban poor have to pay rent for housing which is usually not the case in rural areas.

FOOD SECURITY OUTLOOK

Food Grain Production, Import, Export and Price Prospect

During the current fiscal year in Bangladesh, harvesting for two out of four major cereal crops, Aus and Aman, have been completed with satisfactory production. The Boro rice and wheat harvesting are ongoing with an expectation of meeting the target. As forecasted by the Directorate of Agriculture Extension (DAE), the 36.53 million metric tons set target for total food grain production this year will be met unless there are any major natural calamities still to come before harvest is complete.

According to FAO March 2011 Report, the global rice production and ending stock forecast for 2010-11 was 466 and 137 million metric tons which was 2.4 percent and 4.2 percent higher than that of the previous year’s actual harvest and ending stock. The world wheat production was forecasted to be 676 million metric tons during 2010-11, which is 3.4 percent higher then last year.

The global rice export forecast for 2011 was reduced by half a million metric ton in March from the previous month. This 2011 global rice export forecast of 30.2 million metric tons is 3 percent lower than last year. The only export increase forecast in March was recorded for Vietnam whereas the export forecasts for Burma, China and India were reduced. The agricultural production and exports by Japan are under threat of radioactive contamination following the recent damage on a nuclear plant due to massive earthquake and tsunami. The Bangladesh Government has signed a memorandum of understanding with Vietnam for developing a strategic partnership and establishing a stable rice trading relationship.

The global wheat export forecast for 2010-11 was reduced by almost 1.0 million metric ton in March from the previous month mainly due to weaker Russian demand for imported wheat, high wheat prices
and grain export restrictions by both Russia and Ukraine. This 2010-11 global wheat export forecast of 124 million metric tons is 7 percent lower than last year.

The price of crude oil in the international market is increasing constantly and has a close link to global price increases of major food commodities. The crude oil price in January 2011 was USD 92.7 per barrel and the price increased by 17 percent to a price of USD 108.7 per barrel in March ’11. This price is still 18.5 percent less than the 2008 peak price of USD 133.4 per barrel.

The Bangladesh Government has increased food grain imports this year to maintain the stock which has declined since the start of the current fiscal year. Total import of rice this year was 1.01 million metric tons and wheat was 2.87 million metric tons as of 24 March. During the same period last year, only .024 million metric tons of rice and 2.53 million metric tons of wheat were imported. The Government has also revised its initial yearly domestic procurement target of 1.65 million metric tons and to 0.995 million metric tons and decided to fill the procurement gap through imports. The Government has a plan to continue food grain imports in the future to maintain the public stock at a satisfactory level at all times.

To offset the recent increase in domestic prices of essential food commodities, the Government has increased food distribution through its various Public Food Distribution (PFDS) Channels. The plan for total food grain distribution during 2010-11 fiscal year is 2.73 million metric tons, of which 1.23 million metric tons had been distributed as of 24 March 2011. The most popular distribution channels are Open Market Sale (OMS), Essential Priorities (EP), Vulnerable Group Development (VGD) and Vulnerable Group Feeding (VGF). The country wide Open Market Sale/OMS of rice began on 1st January 2011. The distribution through ration cards has started in February 2011 for 4th grade government employees and 1.12 million ultra-poor people through Fair Price Cards. Each card holder can purchase maximum 20 kg of food grain each month, 10 kg rice and 10 kg wheat, at Taka 24 /kg for rice and Taka 20/ kg for wheat.

IMPACT OF HIGH FOOD PRICES ON HOUSEHOLD FOOD SECURITY

With an objective to assess the impacts of high food prices on food security of rural and urban poor, in March 2011 WFP conducted three Focus Group Discussions (FGDs) in rural Gaibandha with the agricultural labourers and their wives and five FGDs in urban slums of Dhaka with house maids, rickshaw pullers, garment workers and construction workers.

Results from FGDs in rural areas of Gaibandha district

- All the FGD participants who were poor households reported a substantial increase in household expenditure due to increased prices of food as well as non food items, especially clothing and medicine.

- The agricultural wage based population are almost out of employment for six to seven months a year and during the harvest and planting seasons they work in the field for 20 days a month. The money they earn during the agricultural season is not sufficient to support their households throughout the year. The female agricultural labourers face high discrimination as their wage rates are almost half of their male counterparts.

Quote from a female agricultural wage labourer from Katlamari village of Gajaria Union at Fulchari upazila in Gaibandha district

"In 2008 I received a wage of Taka 50 a day. Now I get Taka 80 to 100. Still don’t have enough food but it is not as bad as in 2008. At least I do not have to eat famine food like maize."
During the harvest seasons the poor households in Gaibandha eat 2.5 meals a day, mostly rice, atta, leafy vegetables and small quantities of lentil and animal protein, especially small fish. During the lean seasons poor households consume two meals, the meal size is reduced, poor quality lentils (split peas) are consumed, animal protein is dropped from the diet and oil consumption is reduced significantly to about one table spoon a day for a five member household. The worst coping strategy is practiced by the adult female members of the households who frequently skip meals to feed their children and husbands.

In terms of the severity of the impacts of the high food prices, the FGD participants termed the year 2011 less severe than 2008. The major reason to rate 2008 more severe was the wage rate being much less in 2008 than 2011.

There was high demand for employment by the poor population especially during agricultural lean seasons.

Results from FGDs in urban slums of Dhaka district

Almost 60 percent of the FGD participants from urban slums who were mostly rickshaw pullers, garment workers, house maid and small traders identified 2011 as a better year than 2008, mainly because of increased income.

According to 40 percent of the FGD participants in urban slums, the high food price year 2008 was comparatively better than the high food price year 2011. This was mainly because in 2011 prices of both food and non food items increased, however in 2008 only prices of food were high. This group consisted of construction labours and household maids who live in the slums close to Gulshan and Banani and whose average monthly income is higher than other slum dwellers.

All the FGD participants consumed three meals. In the wake of high food price the slum dwellers appreciated the Open Market Sale (OMS) initiative by the government.

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- FPMU, MoFDM, Fortnightly Food Grain Outlook Issue 68, 28 March 2011, http://www.nfpcsp.org/agrirdupal/content/fortnightly-foodgrain-outlook-68
- Index Mundi Website, http://www.indexmundi.com/

"I have come to Dhaka with my family. I do not want to go back to the village as there is no job opportunity. Here all my family members earn and we are better off." Quote from a Rickshaw puller in Mohammadpur Slum
ANNEX 1 – AGRICULTURAL WAGE DIFFERENCES BETWEEN MALE & FEMALE

Agricultural Wage Differences between Male & Female Labourer
March 2011

Daily Wage Differences in Taka
- 10 - 39
- 40 - 69
- 70 - 99
- 100 - 170
- No Data

The wage in Taka for March 2011 is shown in the table below:

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<thead>
<tr>
<th>Division</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
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<td>Dhaka</td>
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<td>158</td>
</tr>
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<td>Rajshahi</td>
<td>157</td>
<td>95</td>
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<tr>
<td>Chittagong</td>
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<td>Bangladesh</td>
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<td>168</td>
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The boundaries and names shown and the designations used on this map do not imply official endorsement or acceptance by the United Nations.


Map produced by Vulnerability Analysis and Mapping (VAM) Unit, WFP Bangladesh, April 2011.

Wage Data Source: WFP