HIGHLIGHTS
• Food purchasing power of households increased in both rural and urban areas on a month-on-month basis. However, on a year-on-year basis, food purchasing power of vulnerable households increased in rural areas but decreased in urban areas.
• Retail price of lowest quality rice was stable in both rural and urban areas on a month-on-month basis, slightly decreasing by 0.1% and 1.1%, respectively. However, on a year-on-year basis, rice prices increased in both rural and urban areas, increasing by 9.4% and 13.2%, respectively (nominal terms).
• Wholesale price of mixed rice increased by 4.1% month-on-month and 16.1% year-on-year (nominal terms).
• Export price of Thai and Vietnamese rice, benchmarks for Asia, increased by 5.7% and 8.4% month-on-month, respectively. On a year-on-year basis, Thai export prices increased by 29.1%, and Vietnamese export prices increased by 43.4%.
• International rice prices, measured by the FAO (global) All Rice Price Index, increased by 2.8% month-on-month and by 18.7% year-on-year.

Overview
This Bulletin monitors the price of food commodities and wage rates of unskilled labour on a monthly basis. It aims to detect changes and identify trends in the food purchasing power of vulnerable households. In addition 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, measuring the international price level of a basket of key food commodities, averaged 234 points in June 2011, increasing by 1.1% month-on-month but 39.2% higher than June 2010 (Figure 1).

International rice prices increased by 2.8% on a monthly basis in July 2011 as the FAO Rice Price Index averaged 254 points. The index was 18.7% higher than in July 2010. The main cause of the rapid international rice price increases is due to speculation regarding government intervention by the incoming Thai government (to be discussed further in the following section).

Regional Rice Wholesale Price
In July 2011, the f.o.b. prices of Thai A1 Super white rice (100% broken) and Vietnamese white rice (25% broken), two benchmark prices for Asia, were 445 USD/mt and 466 USD/mt, respectively.

The Thai A1 Super white rice price increased by 5.7% month-on-month and by 29.1% year-on-year. The Vietnamese 25% broken white rice price increased by 8.4% month-on-month and by 43.5% year-on-year (Figure 2).

The incoming Thai government has promised to purchase paddy rice from farmers at nearly twice the current market price, which has driven Thai export prices upward. Also, a stronger Thai baht has caused rice export prices in Bangkok to rise, as exporters increase prices in dollar terms in order to offset the drop in earnings.

Vietnamese rice export prices have increased rapidly due to high demand – particularly from Indonesia – in addition to rice hoarding by rice mills and exporting firms planning to take advantage of high prices in Thailand later in the year.

Figure 1: FAO Food Price Index and Rice Price Index


1 The FAO Food Price Index 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 The FAO Food Price Index for July 2011 was not released when this bulletin was being finalized.

1 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.
2 The incoming government has promised to guarantee THB 15,000 (US$550) per ton for white paddy rice and THB 20,000 (US$670) per ton for fragrant paddy rice (Reuters, 1 August 2011).
Consumer Price Index (CPI)
The general Consumer Price Index (CPI) measures the cost of a consumption basket composed of 259 items. Each item is weighted based on their importance in an average household’s expenditure. In May, the general CPI increased by 1.5% month-on-month. The inflation rate, as measured by the year-on-year increase in the consumer price index, was 6.5%. The June and July 2011 CPI report was not released by the National Institute of Statistics at the time this bulletin was finalized.

The Food Price Index (FPI) measures the cost of the food items in the general CPI’s consumption basket. Food items make up 50.4% of the total consumption basket. In May, food price inflation, at 8.3% year-on-year and 2.8% month-on-month, was driving overall inflation. Non-food inflation was 4.7% year-on-year and 0.2% month-on-month.

The high year-on-year food price inflation is caused by increasing prices of fresh pork, fish and fruits over the past year. According to the Consumer Price Index Report, in May 2011, fruit prices increased by 17.6% year-on-year. Pork and fish/seafood prices increased by 15.2% and 10.9%, respectively, on an annual basis.

Figure 3: Relative change in general consumer prices, food prices and non-food prices (base = Oct-Dec 2006)

A key driver in the increasing food inflation rate is the rapid increase in the price of gasoline and diesel. Both gasoline and diesel prices have increased for the fifth consecutive month and have increased by 16.2% and 24.9% year-on-year, respectively, closely tracking international oil price trends (Figure 4). Higher gasoline and diesel prices increase transportation costs and are directly transmitted to wholesale and retail prices.

The depreciating dollar is a factor in higher price levels in a highly dollarized economy like Cambodia as a weaker dollar could mean a loss of purchasing power and higher imported inflation from neighboring countries whose currencies have strengthened against the dollar.

Local Rice Wholesale Prices
Price reports from the Agricultural Marketing Office of the Ministry of Agriculture, Forestry and Fisheries show that in July 2011 the average wholesale price of mixed rice in Cambodia increased by 4.1% month-on-month, closely tracking the sharp price increases in Thailand and Vietnam (Figure 5).

Figure 5: Wholesale price of mixed rice, 2007-11

Source: Cambodia Agricultural Market Information Service, MAFF; National Institute of Statistics

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5 Relative item expenditure weights are derived from the 2004 Cambodia Socio-Economic Survey and adjusted to October-December 2006 price levels.
6 The CPI is collected and reported by the National Institute of Statistics (NIS).
7 Mixed rice is considered a low quality rice.
8 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.
Prices in July 2011 were 16.1% above prices in July 2010 (around 9.6% after adjusting for inflation, assuming 6.5% inflation). The high year-on-year figure is due to stronger international demand for Vietnamese rice compared to 2010 which is causing higher paddy rice outflow to Vietnam.

Also, the paddy price guarantee policy by the incoming Thai government, which is expected to be implemented towards the end of the year, is putting upward pressure on local rice prices due to stronger demand for Cambodian paddy from Thailand.

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 July 2011, the average retail price of the lowest quality rice in rural areas and urban areas was 1,794 riel/kg and 1,820 riel/kg, respectively. On a month-on-month basis, rice prices in both rural and urban areas were stable, decreasing slightly by 0.1% and 1.1%, respectively.

However, on a year-on-year basis, rice prices increased in both rural and urban areas, increasing by 9.4% and 13.2%, respectively. Even after adjusting for inflation (assuming a 6.5% inflation rate), the price increases in rural and urban areas were 2.9% and 6.7%, respectively.

Figure 6(a)(b): Average price of lowest quality rice, 2007-11
(a) Rural areas

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 July 2011, vegetable oil retail prices decreased by 2.5% month-on-month, though prices were still over 30% higher than in July 2010 (Figure 7). The high annual increase is likely caused by an increase in fuel prices as most of the vegetable oil in Cambodia is imported from Thailand and Vietnam.

In the first seven months of 2011 (from January to June), the price of low quality pork and beef increased by 37.4% and 23.7%, respectively. This is likely due to the fact that the supply of fish is low, which in turn increases demand for pork and beef (typically substitutes for fish).

Figure 7: Price of vegetable oil, 2009-11

Source: WFP

Figure 8: Price of pork and beef in first half of 2011

Source: WFP

Food Purchasing Power of Vulnerable Households

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

In July, the average wage of unskilled labour (agricultural and non-agricultural activities) in rural areas was 12,875 riel/day, having increased by 9.0% month-on-month and 20.5% year-on-year. In urban areas, unskilled wages in June 2011 increased by 0.3% month-on-month to 13,033 riel/day, and was 2.1% above July 2010 (Figure 9).

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9 Mixed rice, IR rice and Banla Pdao rice
The rise in unskilled wages in rural areas can be partially explained by a revision in the data collection methodology. Starting in July 2011, unskilled wage rates are collected only when meals are not a part of the compensation. Previously, this distinction was not made. If meals are part of the compensation for the labourer (which is more common for agricultural labour) the wage rate is lower than when meals are not included. It is advised that historical trends of unskilled wage rates, especially unskilled agricultural wages, should be interpreted with caution.

Also, there seems to have been a substantial increase in demand for agricultural labour this year as the Ministry of Agriculture, Forestry, and Fisheries reported that both rice and industrial crop cultivation in the current wet season has so far been significantly greater than during the same period last year.

The planted area for wet season rice at the end of June 2011 is 23% higher than at the end of June 2010 (Figure 10(a)). The cultivated area for the key industrial crops (i.e. cassava, maize, mung beans and soy beans) at the end of June 2011 is 31% higher than at the end of June 2010 (Figure 10(b)).

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.

In July 2011, the terms of trade for unskilled labour and lowest quality rice in both rural and urban areas was 7.2 kg/day. For rural areas this was a 9.1% month-on-month increase and a 10.1% year-on-year increase, while in urban areas this was a 1.4% month-on-month increase but a 9.8% year-on-year decrease (Figure 11).

In rural areas, the monthly and annual increase in the terms of trade was driven by the strong increase in unskilled wages, most likely due to increased demand for agricultural labour. In urban areas, the year-on-year increase in the price of rice outweighed the year-on-year increase in unskilled wage rates.
Figure 1(a)(b): Terms of Trade of unskilled labour and rice
(a) Rural areas

(b) Urban areas

Source: WFP

Appendix 1: Sentinel Surveillance Market Sites

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WFP Cambodia: www.wfp.org/countries/cambodia
### Appendix 2(a)(b): Price of food commodities in rural and urban markets

#### (a) Rural markets

<table>
<thead>
<tr>
<th>Province</th>
<th>Market</th>
<th>Food Item</th>
<th>Price Increase (%)</th>
<th>1 Month</th>
<th>3 Months</th>
<th>1 Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kampong Speu</td>
<td>Thma Puok</td>
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<td>Kampong Cham</td>
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<td>-</td>
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<td>-</td>
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<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
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<td>Kampong Trach</td>
<td>Smoked fish</td>
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<td>-</td>
<td>-</td>
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<tr>
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<td>Smoked fish</td>
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<td>-</td>
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</tr>
<tr>
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<td>Chhoe Tom</td>
<td>Smoked fish</td>
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<table>
<thead>
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<th>Province</th>
<th>Market</th>
<th>Vegetable Oil</th>
<th>Price Increase (%)</th>
<th>1 Month</th>
<th>3 Months</th>
<th>1 Year</th>
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<td>Vegetable Oil</td>
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<td>Kampong Chhoeuleal</td>
<td>Vegetable Oil</td>
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<td>Vegetable Oil</td>
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<tr>
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<td>Kampong Trach</td>
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<tr>
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<td>Chhoe Tom</td>
<td>Vegetable Oil</td>
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<table>
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<th>Price Increase (%)</th>
<th>1 Month</th>
<th>3 Months</th>
<th>1 Year</th>
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<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kampong Cham</td>
<td>Pthaov</td>
<td>Second quality</td>
<td>-12.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Kampong Thom</td>
<td>Kampong Chhoeuleal</td>
<td>Second quality</td>
<td>-15.6</td>
<td>-</td>
<td>-</td>
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<td>Chhoe Kach Thmei</td>
<td>Second quality</td>
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<td>Svay Rieng</td>
<td>Kampong Trach</td>
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<tr>
<td>Kampong Chnang</td>
<td>Sala Lek Pram</td>
<td>Second quality</td>
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<tr>
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<td>Bat Doceng</td>
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<tr>
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<td>Chhoe Tom</td>
<td>Second quality</td>
<td>-12.5</td>
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</table>

Price increase above normal/flush fluctuation: Price fluctuation is considered normal if change within 5% of previous month.
### (b) Urban markets

<table>
<thead>
<tr>
<th>Food Item</th>
<th>Province</th>
<th>Market</th>
<th>price (Riel/kg)</th>
<th>price change (%)</th>
<th>direction of change</th>
<th>price (Riel/kg)</th>
<th>price change (%)</th>
<th>direction of change</th>
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<td>0.0</td>
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<tr>
<td>Prey Veng</td>
<td>Central</td>
<td>2,000</td>
<td>-3.2</td>
<td>11.1</td>
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<td>11.1</td>
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<td></td>
</tr>
</tbody>
</table>

**Price fluctuation is considered normal if change within:**

- Commodity not available in reporting month
- 5% for month, 10% for 3 months, 15% for 1 year

**Price increase above normal fluctuation**

- 5% to 10% for month, 10% to 15% for 3 months, 15% to 20% for 1 year

**Price decrease below normal fluctuation**

- 5% to 10% for month, 10% to 15% for 3 months, 15% to 20% for 1 year