**BANGLADESH FOOD SECURITY MONITORING BULLETIN**

**Issue No. 7**  
Oct-Dec 2011

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**HIGHLIGHTS**

The countrywide retail price of rice has declined from last quarter (almost 7 percent) as well as same quarter previous year. When compared to the high food price of 2008, the retail prices of all essential food commodities have decreased. However, there has been a 5 percent increase in the price of whole-grain wheat flour (atta) compared to the last quarter. The main reasons for the decrease in the rice price could be a bumper domestic Aman harvest and before that a satisfactory Boro production. This has also positively affected the cost of food basket as rice constitutes the highest portion of it.

In the current quarter the general inflation rate declined after reaching its peak in September 2011. It stood at 10.6 percent as of December 2011. Food price inflation also decreased, while non food inflation kept rising and crossed food inflation for the first time in December 2011. Urban inflation was 12.3 percent at the end of 2011, while rural inflation was at 9.6 percent.

The remittance inflow set a record in December at $1.147 billion (in current USD), the highest in any month in Bangladesh’s history. An increase in the outflow of workers and the depreciation of the Taka bolstered the remittance inflow. This increases the level of food security of households whose primary income is from remittances.

As forecasted, domestic production of Aman, which on average consists of 38 percent of annual paddy production, was robust in spite of the damage to the Aman crop in the south west due to localized flooding. The Government started Aman procurement at 28 Taka/kg in December 2011, with a target of procuring 200,000 MT by February, 2012. Total Boro procurement (from 2010/11 harvest), which ended on 31 October 2011, was 817,770 MT.

As of 14 January 2012, the public stock stood at 1.52 million MT. At the beginning of this fiscal year in July 2011, the government cut its import target 2011/12 by 22 percent, due to a better public stock (66.4 percent higher than last year’s opening stock) and higher projected internal procurement. After a bumper Aman paddy harvest the government has declared that as things stand, no additional imports of rice will be necessary for the rest of the fiscal year. The US Department of Agriculture projected an 11.2 percent lower trade volume worldwide in rice as import has been reduced by Bangladesh and some other countries.

In September 2011, an agricultural wage labourer could buy 7.3 kg of rice daily with his daily income, a decrease of 11 percent from the peak purchasing capacity (8.2 kg/day) in May 2011 (harvest season). The relatively lower food purchasing capacity of agricultural day labourers in September 2011 is due to the agricultural lean season. Based on the wage data collected by WFP, the rice purchasing capacity of agricultural labourers in Rajshahi and Khulna division has increased in December. This increase in ToT is expected during this period due to a decrease in the price of rice and simultaneous increase in daily wage of labourers during harvest of Aman and planting of wheat and Boro.

Significant differences persist between the agricultural daily wages of male and female labourers. In September 2011, the national average wage for a female labourer was only 177 Taka/day whereas for a male labourer it was 236 Taka/day—leading to a difference of 1.8 kg/day in rice purchasing capacity.

FAO’s latest (early-December 2011) estimate confirms record high global cereal production in 2011, which should be sufficient to cover the expected increase in consumption in 2011/12 and also allow a moderate replenishment of world reserves. International grain prices remained mostly under downward pressure in November, reflecting the confirmation of a strong recovery in production amid deteriorating world economic prospects and a stronger US dollar.
ENVIRONMENTAL CONDITIONS

WINTER WEATHER CONDITIONS

• Favourable winter weather for Boro and Wheat cultivation, Water-logging in Southwestern districts

The winter weather was mainly favourable during November and December which had a positive impact on the planting of two major winter crops, Boro rice and wheat. Their planting periods are December to mid-February and November to mid-January respectively. However, the forecasted foggy and cold weather in January with less sunshine hours may affect the planting/growing of these crops.

There were no cyclones during this period, but waterlogging in Satkhira district due to heavy rainfall in August has negatively affected the region’s food security. See page 7 and 8 for more on WFP’s assessment of this issue.

ECONOMIC CONDITIONS

INFLATION AND REMITTANCES

The general inflation rate, measured by the point to point variation in the Consumer Price Index (CPI), declined from the previous quarter. The highest inflation rate in the last quarter was recorded in September at 12 percent. Since then it has declined to 10.7 percent in December. While food price inflation also decreased in the current quarter, non-food inflation, which usually remains lower than food inflation, crossed the later in December reaching 11.4 percent. In August, the inflation rate in urban areas surpassed that in rural areas. In December, urban inflation was 12.3 percent while rural inflation was 9.6 percent.

In early November the government increased the price of all types of fuel by Tk 5 per litre causing both general inflation and non-food inflation to increase as compared to October. Non-food inflation has continued to increase due to the rise in diesel and electricity prices. Despite this rise in fuel price, food inflation declined in the last quarter mainly due to a drop in the prices of some commodities such as rice, edible oil, lentil, sugar and onion. A satisfactory Aman harvest and a fall in the prices of winter vegetables have contributed to the decline in food inflation.

Since last quarter, remittance inflows varied significantly between months. It reduced significantly in September before rebounding in October, prior to the festival of Eid-ul-Azha, and dropped again in November. The remittance inflow set a record in December with the country receiving $1.147 billion (in current USD), the highest in any month in its history, despite a global economic crisis. An increase in the outflow of workers and the depreciation of the Taka bolstered the inflow in December (Daily Star, Jan 3 2012). The values in this graph are adjusted for inflation and are in constant BD Taka 2000. In constant BD Taka terms, remittance inflows in the quarter of Oct-Dec 2011 was 5.8 percent higher than the same quarter for 2010 and 6.4 percent higher than the previous quarter (July-Sep 2011). This current rise in remittance inflows will have a positive impact on the food security of households who rely on remittances as their primary income.
FOOD AVAILABILITY
CROP PRODUCTION, FOOD IMPORT AND PUBLIC GRAIN STOCK

Domestic food grain production

The Department of Agriculture Extension (DAE) has set the foodgrain production target for FY 2011/12 at 35.8 million MT (comprising of Aus 2.8 million MT, Aman 13.3 million MT, Boro 18.7 million MT and Wheat 980,000 MT) which is 3.7 percent higher than last year's actual production of 34.51 million MT. Preliminary estimates from the Bangladesh Bureau of Statistics (BBS) suggest that Aus production 2011 was 2.3 million MT. Estimates by DAE show that the total area targeted for Aman crop in 2011-12 increased slightly (FPMU, FSR 86). With over 60 percent of rain-fed Aman harvested by December, the DAE estimates output from an Aman acreage of over 5 million hectares this season is likely to be 13 million MT, reaching the target production (Daily Star, Dec 31, 2011).

Government food grain procurement, import and public stock situation

The opening public stock of foodgrain for the FY 2011/12 was 880,000 MT, a 66 percent increase from last year’s opening stock. This was alarmingly low due to a shortfall in the Government's Boro procurement during May-August 2010. As of 14 January 2012, the public stock stood at 1.5 million MT. Increased domestic procurement of Boro and Aman rice and import arrivals contributed to this higher level of stock. In addition, as of mid-Jan, 42,000 MT (Rice 20,000 MT and wheat 22,000 MT) were in sea port for unloading (MoFDM). Import requirements of food grain are forecast to be less this year following an increased opening public stock, satisfactory Boro procurement and robust Aman production.

The Government started Aman procurement at 28 Taka/kg on 05 December 2011 with a target of procuring 200,000 MT by February 2012. As of 14 January, total procurement was 86.3 thousand MT (MoFDM). Because of reasonable market price as well as a good production, the Directorate General of Food (DGoF) plans to increase the procurement target subject to space availability in warehouses after February (Financial Express, Jan 10, 2012).
The government plans to distribute 1.2 million MT and 1.7 million MT of foodgrains through monetized and non-monetized channels respectively in the FY 2011/12 (FPMU, FSR 86). Out of this targeted amount, 0.5 million MT and 0.8 million MT has been distributed during the first half (July-December) of FY 2011/12 through respective channels (DGOF). It is a 32.4 percent increase from last year’s total food distribution during this period and it is 28.4 percent of this year’s target distribution.

**FOOD PRICE MONITORING**

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

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

The average wholesale price of rice (both nominal and real price) in the current quarter has decreased compared to both the same quarter last year and the previous quarter. This recent decline of prices in the domestic wholesale market can be attributed to satisfactory Aman and Boro harvest for 2011-12. The wholesale price of rice in Dhaka division stood at 2744 Tk/quintal, decreasing from 3047 Tk/quintal in September, the pre-Aman harvest month.

While the average wholesale nominal price and real price of wheat in Dhaka Division have decreased from last year, the prices have increased from the last quarter by 13 percent and 10 percent respectively. Compared to the prices in same quarter during pre-shock years, there has been an increase crease in both the average nominal (53 percent) and real (3 percent) wholesale prices of rice. The wholesale price data of wheat for the period of October to December during pre-shock years are missing to make a valid comparison with prices in the current quarter.

**International wholesale prices of rice and wheat**

In the current quarter, the price of coarse rice in the Dhaka division Sadar markets has declined by 9 percent when compared to last quarter and is 5 percent lower than this time last year. On the other hand, the price of Thai 5% broken parboiled rice increased by 3 percent in this quarter from the previous quarter and is 2 percent higher than last year. However, starting in October, the export price of Thai rice declined due to a lack of new enquiries as foreign buyers continued to purchase Indian and Vietnamese rice which is substantially cheaper (FPMU, Outlook 88). Prices were underpinned by a deterioration of 2011 production prospects due to floods in October, and by the launching of the rice pledging programme. The rice pledging programme by the Thai government, which guarantees high price for the farmers, is opposed by exporters as they claim it contributes to increasing procurement costs leading to higher export prices.
The wholesale price of Kolkata/India rice has continued its decreasing trend since the beginning of this fiscal year partly due to the devaluation of the rupee. The average price in the current quarter has decreased by 20 percent from the last quarter, by 11 percent from the same period last year and by 1 percent from the 2008 high food price period. The average wholesale price of Kolkata coarse rice in December stood at 304 USD/MT, while it was 342 USD/MT and 581 USD/MT respectively for Dhaka division coarse rice and Thai 5% broken rice for the same month.

In the Gulf of Mexico the price of wheat has declined by 11 percent during the current quarter compared to the last quarter. On the other hand, the wholesale price of wheat in Dhaka division Sadar markets has continued its increasing trend—increased by 9 percent from last quarter. In comparison to last year, the wholesale price is lower by 1 percent in the Gulf of Mexico whereas it is still 13 percent lower in Dhaka. The average wholesale price of wheat in Dhaka in the month of December was 300 USD/MT, a 39 percent decrease from the peak price of March 2008.

Retail prices for essential food commodities

The countrywide retail prices of rice have declined from last quarter as well as the same quarter of the previous year. When compared to the high food prices of 2008, the retail prices of all essential food commodities have decreased. However, there has been a 5 percent increase in the price of whole-grain wheat flour (atta) compared to the last quarter. The retail price of palm oil and lentil, after increasing in the last quarter (compared to April-June’11), has declined slightly in the current quarter. However, the price of palm oil compared to last year is still higher.

<table>
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<tr>
<th>Commodity</th>
<th>Last Quarter July-Sep ’11</th>
<th>Last Year Oct-Dec’10</th>
<th>2008 (high food price period)</th>
<th>Oct-Dec 2006 (pre-shock)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Coarse Rice</td>
<td>-6.97</td>
<td>-7.29</td>
<td>-10.45</td>
<td>68.00</td>
</tr>
<tr>
<td>Wheat Flour (atta)</td>
<td>5.21</td>
<td>-0.93</td>
<td>-27.02</td>
<td>37.00</td>
</tr>
<tr>
<td>Palm Oil</td>
<td>-2.43</td>
<td>17.71</td>
<td>-2.98</td>
<td>91.00</td>
</tr>
<tr>
<td>Lentil (masur)</td>
<td>-2.94</td>
<td>-12.28</td>
<td>-15.82</td>
<td>54.00</td>
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There are divisional variations in the prices of these essential food commodities. Although the average countrywide retail price of oil in the current quarter has decreased by almost 3 percent from the 2008 peak period, the price in Sylhet stood at 31 percent higher compared to the same period. The highest decreases in the prices of rice and wheat flour compared to the 2008 peak prices are by 15 percent and 30 percent respectively in Rajshahi.

The price of wheat flour and lentil in Dhaka Sadar has increased slightly from last quarter. In correspondence to the decrease in price of wholesale rice, the retail price of rice has declined significantly from 33 Tk/kg in September to 29 Tk/kg in December 2011. The retail price of palm oil has also declined from 98 Tk/kg in September to 94 Tk/kg in December, a 4 percent decrease.
Retail cost of basic food basket

The cost of this basket is calculated based on the prices of essential food items like rice, wheat flour, edible oil and lentil. The average food basket cost in Dhaka Sadar markets during October-December decreased from both the last quarter and last year by 5.8 percent and 6.8 percent respectively. This is mainly due to the decrease in the price as rice constitutes the highest portion of it. The average food basket cost is 2.4 percent higher than the cost during the same quarter in 2008, the year of the high food price shock.

Terms of Trade/ Food purchasing capacity of agricultural day labourers

The Terms of Trade (ToT) of agricultural labourers, the ratio of the daily wage of agricultural labourers and the average retail price of rice in the market, is used to assess the food purchasing capacity of impoverished households. It is an indicator of the quantity of essential food items that an agricultural day labourer can buy with his/her daily income.

In September, the daily wage of male agricultural labourers was 236 Taka/day and the average price of rice was 32 Taka/kg. Hence, an agricultural wage labourer could buy 7.3 kg of rice daily with his daily income, a decrease of 11 percent from the peak purchasing capacity (8.2 kg/day) in May 2011 (harvest season). When compared to the 2008 peak food price period, the rice purchasing capacity of a daily wage labourer in September increased by 77 percent.

The relatively lower food purchasing capacity of agricultural day labourers in September is due to the agricultural lean season. Purchasing capacity generally improves during the harvest (April-May, November-December) and planting seasons (July - August) of rice. During the agricultural lean season, there are fewer wage earning opportunities and the prices for essential food commodities are also higher, which diminishes agricultural labourers’ purchasing capacity.

There is a significant difference between the agricultural daily wages for male and female labourers. In September, the national average wage for a female labourer was only 177 Taka/day whereas for a male labourer it was 236 Taka/day – a difference of 59 Taka/day. Impoverished female headed households are negatively impacted by this wage inequality. Based on September data, male agricultural labourers had the capacity to purchase 7.3 kg of rice, whereas a female agricultural labourer could only purchase 5.5 kg of rice.
The Terms of Trade vary among the divisions. In September, the highest daily wage rates consistent with the usual trend were in Barisal, Chittagong and Dhaka at 268 Taka, 262 Taka and 250 Taka respectively. The lowest wage was 198 Taka/day in Khulna. The Coarse rice price was the highest in Chittagong division and Dhaka division at 33 Taka/kg and the lowest in Khulna division at 31 Taka/kg. These regional differences demonstrate that an agricultural labourer in Barisal division could buy 8.3 kg of rice with his daily income whereas agricultural labourers in Rajshahi, Khulna and Sylhet could buy 6.4 kg of rice with their daily income.

Based on the wage data collected by WFP from survey of farmers and labourers and interview of Upazilla agricultural officers, the rice purchasing capacity of agricultural labourers in Rajshahi and Khulna division has increased in December. This increase in ToT is expected during this period due to a decrease in the price of rice and simultaneous increase in the daily wage of labourers during harvest of Aman and planting of wheat and Boro.

**IMPACT OF SATKHIRA FLOODS ON HOUSEHOLD FOOD SECURITY**

Heavy rainfall in July and early August 2011 caused severe localized flooding in several upazilas of Satkhira and Jessore districts leading to continued inundation since then. The major reason for this long and unusual inundation of water is that drainage from major rivers is obstructed by shrimp farms, irrigation dams/barrages and raised river levels due to silted river beds and the effects of tide.

WFP conducted a rapid food security assessment in the flood affected unions of Satkhira district in August followed by another assessment in December. The assessments identified Tala, Satkhira Sadar, Debhata and Assasuni upazilas as seriously affected, of which the first two are the worst affected.

**Findings from Assessment in Satkhira District**

- The flooding in August damaged most of the standing Aus crops and Aman seed beds. The continued water logging damaged 30 to 50 percent of the Aman crop. The production prospects of Boro rice and winter vegetables are also uncertain and depend on the timely recession of flood water from agricultural lands. There does remain some possibility for Boro rice and vegetable production, but substantial production of crop is faint due to financial constraints, local demand and cost benefit ratio of the products and existing marketing facilities.

- The assessment findings reported wage labourers, both agricultural and non-agricultural, are the worst affected followed by marginal farmers and labourers working in shrimp farms. The major reasons causing livelihood vulnerability for wage labourers and marginal farmers include limited employment and farming opportunities and a reduced wage rate compared to the normal time of the year. Recent monthly income of farm-based wage labourers reduced by 51 percent compared to the average.

- Moreover, large parts of this marginal group lost household and agricultural assets in the flood waters, with whatever remaining subsequently sold at very low prices to cope with the persistent crisis. Local people indicated that even only partial restoration of livelihoods related to farming will take a minimum 3 to 6 months. Full recovery of farm-based livelihoods is likely to take a year until the next Aman harvest in November/December 2012.
The affected population is using coping strategies, like loans at high interest rates, purchasing on credit, and selling of advanced labour. The prolonged practice of these strategies is likely to put vulnerable households in a debt trap which will cause long term hardship. The lack of jobs in the farm sector has also led female and adolescent boys work in brick fields and shrimp farms.

Poor households who are not receiving any relief are in a precarious situation due to low wages and limited job availability. It is estimated that rice consumption of affected households is 20 to 30 kg less than their normal rice requirements. Female members of households are eating less to let other members eat. Nutritional surveillance in the flood affected areas of Satkhira by UNICEF and Action Contre la Faim (ACF) reported deteriorating nutrition conditions of children under five and pregnant and lactating women.

The affected population flagged employment, nutritional support for children and mothers, shelter and sanitation as immediate needs, whereas rehabilitation of marginal farmers, excavation of silted rivers and creeks, proper design and management of shrimp cultivation and coastal dykes were raised as medium to long term requirements.

**FOOD SECURITY OUTLOOK**

**FOOD GRAIN PRODUCTION, IMPORT, EXPORT AND PRICE PROSPECT**

**Bangladesh**

In the beginning of this fiscal year in July 2011, the government cut its import target 2011/12 by 22 percent, due to better public stocks and higher projected internal procurement (Daily Star, 31 July 2011). After a bumper Aman paddy harvest, the government declared that as things stand, no additional imports of rice will be necessary for the rest of the fiscal year (Financial Express January 10 2012). The US Department of Agriculture's (USDA) Rice Outlook for fiscal year 2011/12 projected an 11.2 percent lower trade worldwide in rice as import has been reduced by Bangladesh and some other countries.

Farmers have reportedly cut winter cultivation targets as the prices of agricultural products like jute, paddy and vegetables declined drastically, while the prices of urea, diesel and agricultural equipment have increased in December. There could be an acute crisis of seedlings during the current Boro season, as vast tracts of seedbeds, especially in the Northern region, may be damaged due to fog and severe cold. Although DAE is targeting a production of 18.7 million MT Boro paddy in 2011/12, this target could be seriously hampered due to the above reasons.

Frustrated over the price fall of Aman paddy, many farmers have become interested in wheat cultivation this season instead of Boro (Financial Express, January 10 2012). If a conducive environment persists, a bumper wheat production can be expected. DAE has set a production target of 980,000 MT of wheat, which is about 1 percent greater than last fiscal year.

**Global**

According to the FAO Food Price Index, world food prices remained virtually unchanged between October and November. FAO's latest (early-December) estimate confirms record high global cereal production in 2011, which should be sufficient to cover the expected increase in utilization in 2011/12 and also allow a moderate replenishment of world reserves. International grain prices remained mostly under downward pressure in November, reflecting the confirmation of a strong recovery in production amid deteriorating world economic prospects and a stronger US dollar (FAO, Crop Prospects and Food Situation Dec 2011).

The global cereal price index decreased by about 9 percent from last quarter, yet remained 3 percent above the same quarter last year. Its dwindling trend is confirmed by international prices of maize and wheat, which both declined by 11 percent. Overall, international maize and rice prices are still 1 percent above Q4-2010, while wheat is 1 percent below (WFP The Market Monitor Jan 2012). International rice prices have resumed an upward trend since June 2011, reflecting first a tightening of the market and, subsequently, the announcement of a new price policy by Thailand, plus concerns about the effects of the Southeast Asia floods on export availabilities and shipping logistics. Overall, there has been a continuing decline in the monthly value of the FAO Cereal Price Index which reflects this year's prospect for a strong production recovery and slow economic growth in many developed countries weighing on overall demand, particularly from the feed and biofuels sectors.
Terms of Trade

Purchasing Capacity of Male Agricultural Day Labourer (Wage/Rice Price)
September 2011

Kg of Rice/Day

- 6.4
- 6.5 - 7.6
- 7.7 - 8.3

Administrative Boundary

- District Boundary
- Main River

Source: Wage Data- BBS, Rice Price Data- DAM

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

Map produced by Vulnerability Analysis and Mapping (VAM) Unit, WFP Bangladesh, Jan. 2012
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