

# Bangladesh Economic Update

## Food Prices, Food Security and the Marginalised

June 2011

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## FOOD PRICES, FOOD SECURITY AND THE MARGINALISED

### I. INTRODUCTION

*Recent rise in domestic cost of production of food together with high price in international market may boost further food inflation, leaving adverse effects on poor.*

The price hike of essential food commodities has a major impact on food security particularly on the marginalized section of the society in Bangladesh. Recent rise in domestic cost of production of food, together with high price in international market may boost further food inflation, leaving adverse effects on the poor. Most of the poor spend more than half their income on food. Price hikes for essential commodities can force them to cut back on the quantity or quality of their food as well as change their consumption patterns. This may result in food insecurity and malnutrition, with adverse implications in both short and long term. Such price hike might not only make the lives of the poor miserable but also could drag down a number of people below the poverty line.

*Before the current spike, the price of essential commodities was the highest of the decade in 2008, but started to decline in 2009. The first half of 2011 witnessed the highest price hike leaving beyond the price hike of 2008.*

The prices of essential commodities have been on an upward curve since the beginning of FY 2010-11 due to food related inflation. Food inflation has crossed the double digit figure in December 2010 (11.01 percent) and reached at 14.36 percent by April 2011 (BBS & Bangladesh Bank, 2011). The direct outcome of it is drastic price hike of essential commodities. Before the current spike, the price of essential commodities was the highest of the decade in 2008, but started to decline in 2009. The first half of 2011 witnessed higher price hike leaving beyond the spike of 2008.

A twofold challenge for the present government is to keep prices of staple within accessible limit of the poor and to maintain fair price for the local farmers. The Unnayan Onneshan field survey suggests that cost of boro rice production may increase further by Tk. 1.30 to 1.50 per Kg due to increased cost of production of paddy by Tk. 0.90 per Kg. Aman paddy production may also increase by Tk. 0.70 per Kg, and as a result price of aman rice may witness an increase by Tk. 1.0 to 1.20 per Kg due to higher cost of fertiliser and fuel. According to the set price of rice, farmer will get an earning of only Tk. 131.28 from one biga land.

During January to December 2010, the wholesale average price of rice increased by 25 percent while the wheat price has risen up by 16.67 percent. At the same time the retail prices of rice have gone up by 20 percent while the wheat prices have increased by 13.04 percent. These increased trends of rice and wheat prices have resulted in decreased consumption of these two staple food items, which in combined, is 442.21 grams in 2010 and 451.72 grams in 2005 showing a decrease of 9.51 (2.13%) grams per capita per day during this period (HIES, 2010). The food price hike has accelerated the food inflation, which has a profound nexus with poverty and inequality.

*The poor has to suffer a lot resulting into high dropout rate of boys for helping their families in income generation.*

Due to price hike of essential commodities in the local market, the poor has to suffer a lot resulting into high dropout rate of boys for helping their families in income generation. The dropout rate of boys was 6.11 percent higher than girls in 2005 and 6.88 percent in 2010. Among the non-poor families, only 8.89 percent boys dropped out in 2010 from the age group of 11-15 years, however, 17.48 percent dropped out from poor families.

*The urban women slum dwellers, female headed households and rural poor women are more vulnerable.*

The increase in food and non-food prices erodes the purchasing power of the poor. The poor women both in urban and rural have to suffer a lot due to high food and non-food prices. The urban women slum dwellers, female headed households and rural poor women are more vulnerable.

*Food inflation of 11.0 percent in April 1011 indicates that more people are likely to go under poverty line*

There exists a positive relationship between food inflation and poverty. As the food inflation increases, the additional number of people goes under the poverty line. People living below poverty line in 2000 were 55.8 million when the food inflation was 2.68 percent. This rate of food inflation increased to 7.91 percent in 2005 and at the same time another 0.2 million people newly gone under poverty line. Food inflation of 11.0 percent (12-Month average) in April 1011 indicates that more people are likely to go under poverty line in the upcoming years.

This update is an effort to highlight the implications due to high food inflation and its impact on the people mainly belonging to the poor community.

## II. FOOD INFLATION AND FOOD PRICE

### 2.1 Consumer Price Index and Inflation

*Food inflation in FY 2010-11 is running vertically and instead of several initiatives, the government could not rein in soaring food inflation following a continued rally in oil and food prices on the international markets.*

Before the current inflationary pressure, the upward trend of food inflation has been witnessed in FY 2007-08 while it was 10.88 percent and most of the prices of essential commodities went up. However, food prices dropped down in FY 2008-09 as food inflation was only 0.25 percent. Food inflation in FY 2010-11 is running vertically and instead of several initiatives, the government could not rein in soaring food inflation following a continued rally in oil and food prices on the international markets.

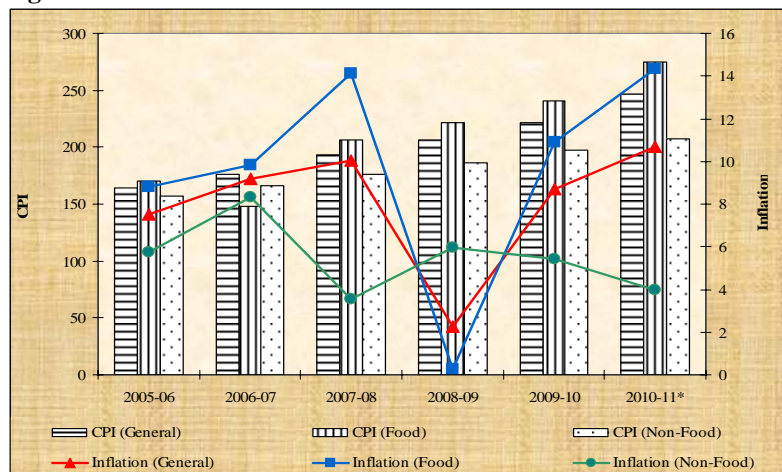
From FY 2009-10, non-food inflation was on a downward trend but both general and food inflation was sky-rocketing. In FY 2009-10, general inflation, food inflation and non-food inflation were 8.70, 10.88 and 5.24 percent respectively, however, in April 2011, general inflation was 10.67 percent, food inflation 14.36 percent and non-food inflation 3.97 percent.

*Consumer Price Indexes (CPI) in April 2011 were 246.24 (general), 275.02 (food) and 207.23 (non-food).*

The impact of price hike of essential commodities on high and low income groups is different because of different consumption levels and patterns. The main cause of the high inflation today is cost push, fuelled by rise in prices of food, which accounts for the largest part of poor people's consumption. Since CPI influences people of different income levels differently, it cannot reflect the real predicament of the poor. However, Consumer Price Indexes (CPI) in April 2011 were 246.24 (general), 275.02 (food) and 207.23 (non-food).

*In April 2011, general inflation was 10.67 percent, food inflation 14.36 percent and non-food inflation 3.97 percent.*

**Figure 1: Consumer Price Index and Inflation**



Source: Bangladesh Bureau of Statistics & Bangladesh Bank, June 2011

## 2.2 Essential Food Commodity Price

*By June 2011, prices of most of the essential commodities have risen more than those of 2008.*

Global food and oil price hike have also increased the bar of food price in the local market. The food price of essential commodities is increasing abruptly since 2007 and climbed at the highest peak of the decade in 2008. However, prices declined a bit in 2009 but again started to increase from 2010 and till June 2011 prices of most of the essential commodities has risen more than those of 2008.

*The price of coarse, medium and fine rice has been nearly doubled in 2011 than that of 2005.*

If taken 2005 as base year, the scenario of food prices in 2011 becomes a matter of shock and awe. The prices of coarse, medium and fine rice have been nearly doubled in 2011 than those of 2005. The prices of soybean and palm oil increased by 118.36 and 146.15 percent by June 2011 relative to 2005. The price of garlic in 2005 was Tk. 54/Kg while it increased by 168.52 percent by June 2011 and the price at present has averaged at Tk. 145/Kg. The prices of different types of pulses have increased over the years at staggering rate. The prices of baby food items, powder milk and sugar are also on an upward movement.

Under the business as usual scenario, the prices of all commodities may rise further during the month of Ramadan, if the past trend prevail. It might be very difficult for the poor people to manage three meals a day when the prices of essential commodities are on the rise and volatile.

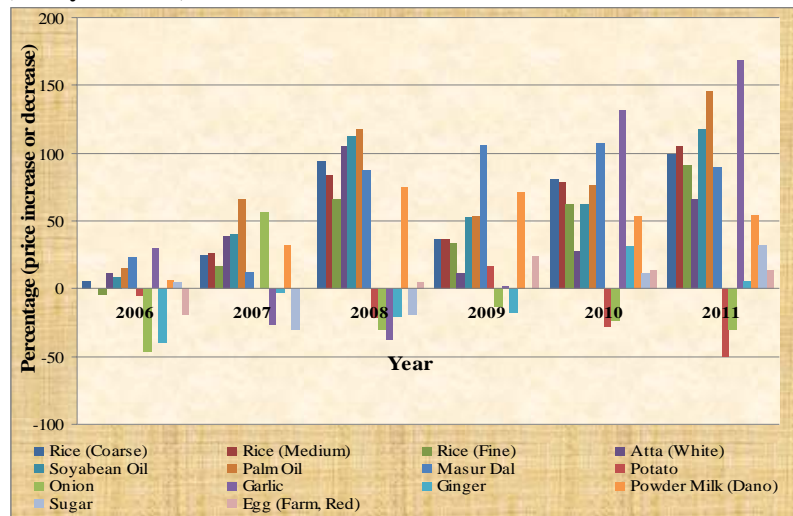
**Table 1: Percentage of retail price change of essential commodities (yearly)**

Commodity	Unit	2005	2006	2007	2008	2009	2010	2011
Rice (Coarse)	1 kg	16	17	21	31	22	29	32
Rice (Medium)	1 kg	19	19	24	35	26	34	39
Rice (Fine)	1 kg	24	23	27	40	32	39	46
Atta (White)	1 kg	18	20	27	37	20	23	30
Soybean Oil	1 lit.	49	53	73	104	75	80	107
Palm Oil	1 lit.	39	45	71	85	60	69	96
Masur Dal	1 kg	48	59	65	90	99	100	91
Potato	1 kg	18	17	17	14	21	13	9
Onion	1 kg	30	16	33	21	26	23	21
Garlic	1 kg	54	70	56	34	55	125	145
Ginger	1 kg	83	50	47	66	68	109	88
Powder Milk (Dano)	2 kg	637	681	890	1114	1089	981	982
Sugar	1 kg	43	45	32	35	43	48	57
Egg (Farm, Red)	4 pcs.	21	17	17	22	26	24	24

Source: Department of Agricultural Marketing, MoA, June 2011

\* For 2011, data is collected from January to June 20

**Figure 2: Percentage of retail price change of essential commodities (base year 2005)**

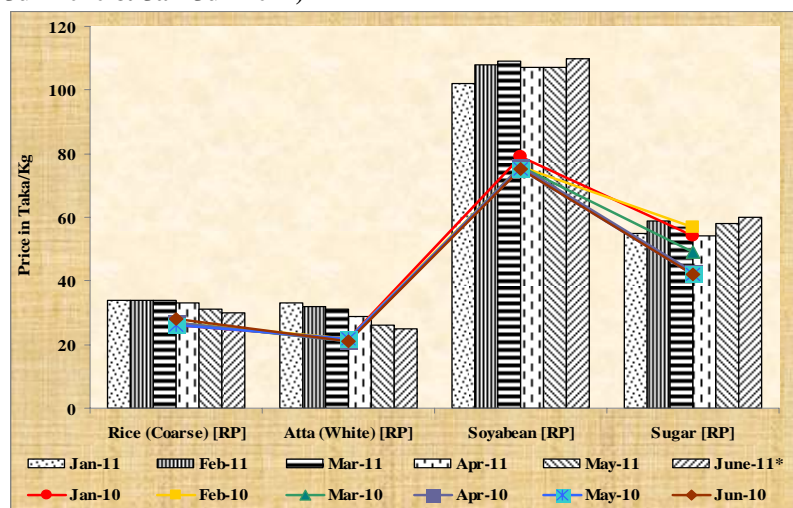


Source: Authors' calculation based on Department of Agricultural Marketing, MoA, June 2011

\* For 2011, data is collected from January to June 20

The price of most of the essential commodities including rice (coarse), atta, soybean and sugar is following an increasing trend during the months of 2011 than those of 2010. Edible oil is at the top of the list of price hike as it has increased by more than 30 percent (soybean- 33.75 percent and palm oil- 39.13 percent) in 2011 than 2010. The price of rice (coarse) and atta has been increased by 10.34 and 30.43 percent respectively in 2011.

**Figure 3: Comparison of retail prices of selected commodities (Jan-Jun 2010 & Jan-Jun 2011)**



Source: Authors' calculation based on Department of Agricultural Marketing, MoA, June 2011

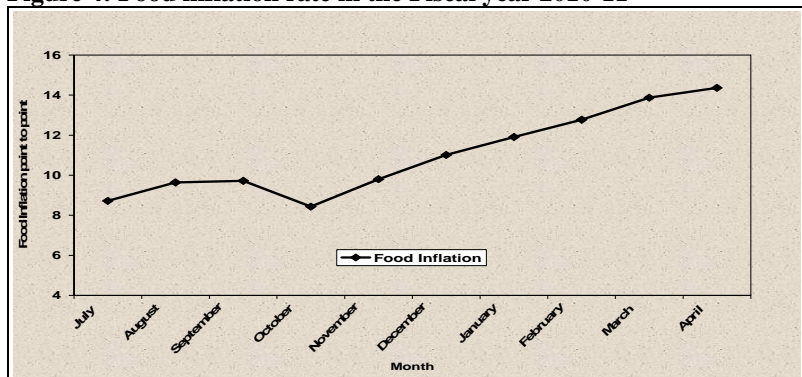
\* For June 2011, data is collected from 1-20 June 2011

### III. FOOD PRICE AND FOOD SECURITY

*More than 20 percent of rice and wheat production must be increased to attain food sufficiency within 2013.*

Food security is in a severe threat due to food inflation. One of the major challenges for the present government en route to attaining food security is to maintain access to food at affordable price. Given the ensuring of food security is contingent upon major staples like rice and wheat, it is essential to maintain the access to these vital commodities. The supply of rice and wheat depends upon either domestic production or importation. According to Unnayan Onneshan estimate, in addition to existing production, more than 20 percent of rice and wheat production must be increased to attain food sufficiency within 2013 (Figure 4).

**Figure 4: Food inflation rate in the Fiscal year 2010-11**



Source: Bangladesh Bank, 2011

The food grain production target has been set by the DAE at 37.042 million metric tons (mmt) (aus 2.5 mmt, aman 13.20 mmt, boro 18.65mmt, wheat 1.05 mmt and maize 1.642 mmt) for the FY 2010-11. BBS has estimated the production of aus, aman and wheat at 2.13 mmt, 12.79 mmt and 0.97 mmt, respectively. If the total food grain production is achieved, it would be 8.6 percent more than that of the total food grain production in FY 2009-10.

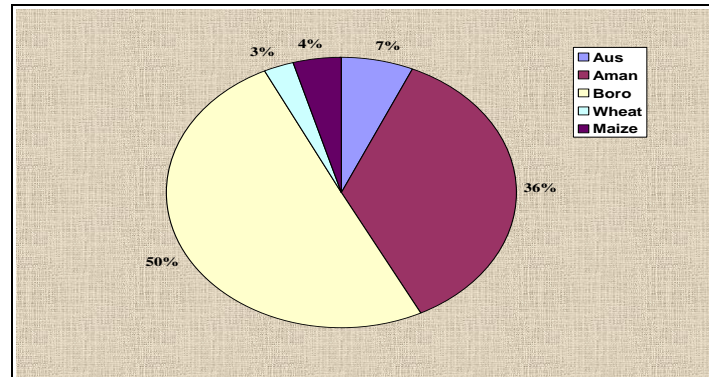
*Total public sector import was 1.51 mmt (rice 0.83 mmt and wheat 0.68 mmt) during the July-2010 to March-2011. Over the same period, private sector imports (2.73 mmt) were comparable to private imports during the FY July 2009 to March 2010.*

In the FY 2010-11, public sector imports have been increased by four times due to an increased need of public stocks for operating a larger public food distribution system. Total public sector import was 1.51 mmt (rice 0.83 mmt and wheat 0.68 mmt) during the July-2010 to March-2011. Over the same period, private sector imports (2.73 mmt) were comparable to private imports during the FY July 2009 to March 2010. These imports however, have taken place in a context of the Indian export ban, in place for the last three years, in addition to the Russian wheat export ban since



August-10, have squeezed world grain markets, reducing food grain availability and thus increasing food grain prices.

**Figure 5: Annual food grain production and crop-wise contribution in FY 2010-11**



Source: Bangladesh Economic Review, 2011

For the FY 2010-11, domestic public food grain procurement target has been set at 1.65 mmt, wherein 0.20 mmt for aman, 1.35 mmt for boro and 0.10 mmt for wheat. During July-October 2010, procurement from last boro crop was 0.30 mmt. Subsequently, the government has decided not to procure any more aman and wheat crops because of high prevailing post-harvest price in the producer's market. Hence, the target for domestic procurement in the FY 2010-11 was revised to 0.995 mmt (0.895 mmt for rice and 0.1 mmt for wheat) and measures have been taken to fill up the procurement gap through import.

**Table 2: Food grain import**

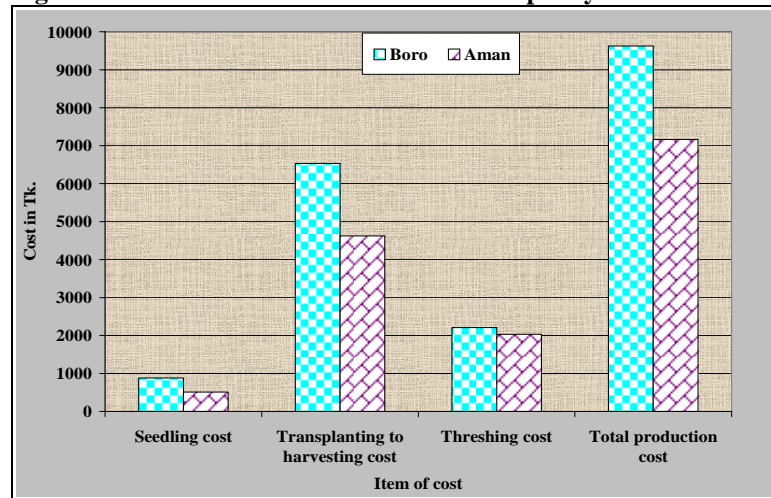
Category of import	Total 2009-10	2010-11							Total Import (Prospect)
		Actual Arrival by Month			Actual Arrival by Quarter			Projected Q4	
		January 2011	February 2011	March 2011	Q1	Q2	Q4		
					Jul-Sep 10	Oct-Dec 10	Jan-Mar 10	Apr-Jun 11	
<b>Rice</b>									
Govt com	51.5	37.2	150.6	271.2	133.5	234.2	459.0	517.3	1344.0
Food Aid	3.6	2.3	0.0	1.9	0.7	0.4	4.2	0.7	6.0
Private	36.6	31.8	35.8	26.5	176.4	20.0	94.0	59.6	350.0
<b>Total Rice</b>	<b>91.7</b>	<b>71.3</b>	<b>186.4</b>	<b>299.6</b>	<b>310.6</b>	<b>254.6</b>	<b>557.2</b>	<b>577.6</b>	<b>1700.0</b>
<b>Wheat</b>									
Govt com	457.1	155.4	52.4	133.1	42.0	148.7	340.9	284.2	801.0
Food Aid	43.6	14.0	0.0	0.0	95.5	38.1	14.0	1.4	149.0
Private	2862.0	170.3	183.2	610.9	636.6	834.4	964.3	365.0	2850.0
<b>Total Rice</b>	<b>3362.7</b>	<b>339.7</b>	<b>235.6</b>	<b>744.0</b>	<b>774.1</b>	<b>1021.2</b>	<b>1319.2</b>	<b>685.5</b>	<b>3800.0</b>
<b>Food grain</b>	<b>3454.4</b>	<b>411.0</b>	<b>422.0</b>	<b>1043.6</b>	<b>1084.7</b>	<b>1275.8</b>	<b>1876.4</b>	<b>1263.1</b>	<b>5500.0</b>

Source: FPMU/Food Division and MISM, DG Food

### 3.1 Production Cost and Rice Price

Government has faced a difficult situation to control food price at a reasonable rate for the poor in the last FY. Similarly, in the current year, food price also follows an increasing trend due to increase in production costs in national and international levels. Rice and wheat prices in the international market have increased, between June 2010 and March 2011, by 20 percent and 84 percent, respectively (NFPCSP, 2011).

**Figure 6: Production costs of boro and aman paddy in farmer levels**



Source: Authors' calculation based on field survey data at Naogaon district

*For producing each Kg of boro paddy, Tk. 13.57 is being required while Tk. 13.23 is being required for aman paddy which is Tk. 0.34 more for Kg.*

*A twofold challenge for the present government is to keep rice price within the accessible limit of the poor and to maintain fair price for the local farmers.*

The production costs for boro and aman paddy in domestic level are given below. High production input's costs have enhanced food prices in recent years. Compared to aman, production costs of boro paddy are higher in the stages of transplanting to harvesting. For producing each Kg of boro paddy, according to an Unnayan Onneshan field survey, Tk. 13.57 is required while Tk. 13.23 is required for aman paddy which is Tk. 0.34 more per Kg.

A twofold challenge for the present government is to keep prices of rice within accessible limit of the poor and to maintain fair price for the local farmers. For example, it is found from the field level data, if the boro paddy's price (BRRI dhan 28) is less than Tk. 750 per 40 Kg, farmer will get a minimal level benefit compared to their total investments into their land. On the other hand, if boro paddy's price is Tk. 750 for 40 Kg, then the local market price of each Kg of rice Tk. 34.11 and in Dhaka, it will be Tk. 38.11. According to the paddy price, Tk. 750 for 40 Kg, farmer gets only Tk. 735.9 for each month during January to May from

one biga of land which is very negligible amount compared to their total investments made in, land, fertilisers, labour, etc. On the contrary, if the paddy price is more than Tk. 750, then it would create a huge pressure on the purchasing capacity of the poor to meet daily food requirement.

**Table 3: Farmer level cost for boro paddy production per biga (33 decimal)**

	Item of cost	Cost	Total Cost
Seedling Cost	Seed	113	113
	Preparing seed bed	200	200
	Fertiliser cost	180	180
	Irrigation cost	110	110
	Uproot from seed bed	280	280
Transplanting to harvesting cost	Land preparation (Power tiller)	600	600
	Transplanted seedling	400	400
	Fertiliser		
	• Urea 30 Kg	360	1510
	• TSP 10 Kg	230	
	• DAP 10 Kg	270	
	• Other (ZnSO <sub>4</sub> , Cow dung, etc.)	350	
• Labour (Total two days)	300		
Irrigation Cost			
• STW	2200	2000*	
• DTW	1000		
Weeding			
• Labour two times	1400	1143	
• Herbicide + labour	885		
Harvesting cost	880	880	
			<b>6533</b>
Threshing Cost	Threshing		
	• Carrying (0.5 to 1 Km)	970	970
	• Threshing and packing	1240	1240
			<b>2210</b>
<b>Total Cost</b>			<b>9626</b>

Source: Authors' calculation based on field survey data at Naogaon district

\* Maximum farmers used STW in the selected location

**Table 4: Boro paddy and rice production cost**

Paddy price (Tk. per 40 Kg)	Farmer Level (paddy)			* Mill level cost (rice)				Market level (rice)	
	Production cost (Tk. per 40 kg)	Benefited (Tk. per 40 Kg)	Benefited [Tk. per biga (33 decimal)]	Direct collection from farmers (Tk. per 40 Kg) (Step 1)	Indirect collection (Tk. per 40 Kg) (step 2)	Total cost in Mill level (Tk. per Kg rice)		Local level (Tk./Kg)	Dhaka (Tk./Kg)
						Step 1	Step 2		
500	542.60	-42.60	-755.72	30	35	22.08	22.29	23.69	27.69
550	542.60	7.40	131.28	30	35	24.17	24.38	25.78	29.78
600	542.60	57.40	1018.28	30	35	26.25	26.46	27.86	31.86
650	542.60	107.40	1905.28	30	35	28.33	28.54	29.94	33.94
700	542.60	157.40	2792.28	30	35	30.42	30.63	32.03	36.03
750	542.60	207.40	3679.28	30	35	32.50	32.71	34.11	38.11
800	542.60	257.40	4566.28	30	35	34.58	34.80	36.20	40.20
850	542.60	307.40	5453.28	30	35	36.67	36.88	38.28	42.28
900	542.60	357.40	6340.28	30	35	38.75	38.96	40.36	44.36

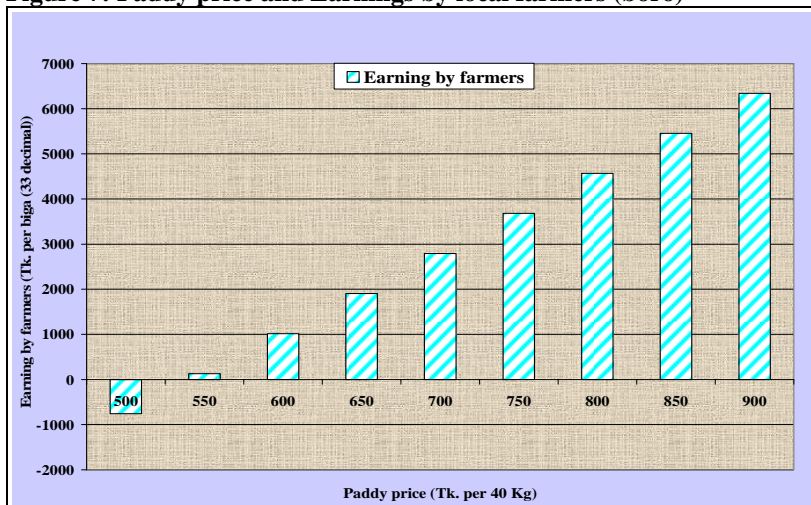
Source: Authors' calculation based on field survey data at Naogaon district

\* Distance from mill to farmer level up to 40 km is considered

*It would be very difficult for the present government to keep price of paddy in a reasonable level considering farmers' earnings.*

Likewise, in case of boro paddy, farmer will get a total earning of Tk. 3665.28 (Tk. 733.10 for each month) for one biga of land, when the paddy price is Tk. 800 for 40 Kg after five months of investments. If the paddy price is Tk. 800, rice price in local market will be Tk. 36.10 and Tk. 40.10 in Dhaka. From the analysis, it is clear that it would be very difficult for the present government to keep price of paddy in a reasonable level, considering farmer's earnings.

**Figure 7: Paddy price and Earnings by local farmers (boro)**



Source: Authors' calculation based on field survey data at Naogaon district

*The cost of boro rice production will be increased further by Tk. 1.30 to 1.50 per Kg due to increased paddy production cost of Tk. 0.90 per Kg.*

However, the production cost of both aman and boro paddy might be increased due to increased input costs in this sector. It is estimated that cost of boro rice production may be increased further by Tk. 1.30 to 1.50 per Kg due to increased paddy production cost of Tk. 0.90 per Kg. The production cost will increase because of the increase in prices of fertiliser and fuel. In recent year, government has increased the price of urea fertiliser from Tk. 12 to Tk. 20 (increase Tk. 8 per Kg) and fuel price by Tk. 2 per liter (diesel).

*Aman paddy production may also increase by Tk. 0.70 per Kg, and as a result price of aman rice may witness an increase by Tk. 1.0 to 1.20 per Kg due to higher cost of fertiliser and fuel.*

Likewise, the cost of aman paddy production may also increase by Tk. 0.70 per Kg, and as a result price of aman rice may witness an increase by Tk. 1.0 to 1.20 per Kg due to higher cost of fertiliser and fuel. It indicates that food inflation rate might be increased in the following months which could hamper the poor people's rice purchasing capacity to meet their daily food demand. Therefore, a considerable number of people may be food increase and corresponding by might fall below poverty line due to rice price, as well as most of their income might go for purchasing food.

According to the set price of rice, farmer will get a benefit of only Tk. 131.28 from one biga land.

The government has decided to procure 0.60 mmt of rice for Tk. 29 per Kg during boro season in FY 2011-12. But, it would be very difficult to achieve this target. According to the set price of rice (Tk. 29 per Kg rice), price of paddy of Tk. 550 for 40 Kg; farmer will get a benefit of only Tk. 131.28 from one biga land.

**Table 5: Farmer level cost for aman paddy production per biga (33 decimal)**

	Item of cost	Cost	Total Cost
Seedling Cost	Seed	113	113
	Preparing seed bed	200	200
	Fertiliser cost	80	80
	Irrigation cost	-	-
	Uproot from seed bed	120	120
			<b>513</b>
Transplanting to harvesting cost	Land preparation (Power tiller)	600	600
	Transplanted seedling	300	300
	Fertiliser		
	• Urea 20 Kg	360	1360
	• TSP 10 Kg	230	
	• DAP 10 Kg	270	
	• Other (ZnSO <sub>4</sub> , Cow dung, etc.)	220	
• Labour (Total two days)	280		
Supplemental Irrigation Cost			
• STW	500	500	
• LLP			
Weeding			
• Labour two times	1120	1003	
• Herbicide + labour	885		
Harvesting cost	860	860	
			<b>4623</b>
Threshing Cost	Threshing		
	• Carrying (0.5 to 1 Km)	790	790
	• Threshing and packing	1240	1240
			<b>2030</b>
<b>Total Cost</b>			<b>7166</b>

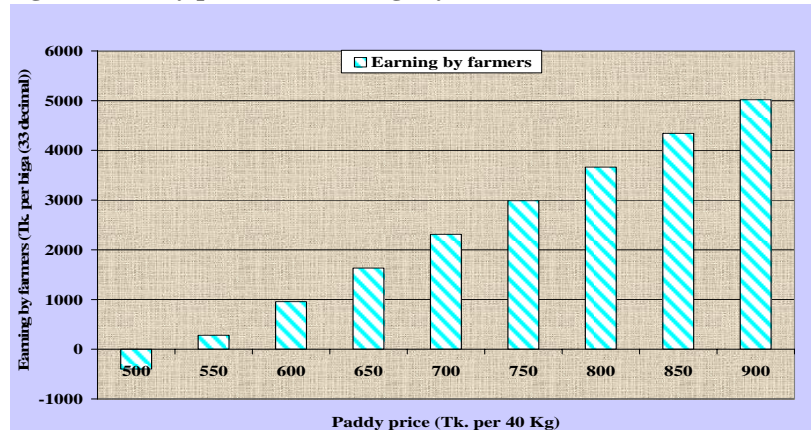
Source: Authors' calculation based on field survey data at Naogaon district

**Table 6: Aman paddy and rice production cost**

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						Step 1	Step 2		
500	529.3	-29.3	-396.72	28	33	22.00	22.208	23.60	27.60
550	529.3	20.7	280.28	28	33	24.08	24.291	25.69	29.70
600	529.3	70.7	957.28	28	33	26.17	26.375	27.78	31.78
650	529.3	120.7	1634.28	28	33	28.25	28.458	29.85	33.85
700	529.3	170.7	2311.28	28	33	30.33	30.541	31.94	35.95
750	529.3	220.7	2988.28	28	33	32.42	32.625	34.02	38.02
800	529.3	270.7	3665.28	28	33	34.50	34.708	36.10	40.10
850	529.3	320.7	4342.28	28	33	36.58	36.791	38.18	42.20
900	529.3	370.7	5019.28	28	33	38.67	38.875	40.27	44.27
950	529.3	420.7	5696.28	28	33	40.75	40.958	42.35	46.35

Source: Authors' calculation based on field survey data at Naogaon district

**Figure 8: Paddy price and Earnings by local farmers (aman)**



Source: Authors' calculation based on field survey data at Naogaon district

### 3.2 Food Distribution Pattern

*Total distribution planned for 2010-11 is 2.73 mmt against 2.68 mmt last year, of which 1.96 mmt was effectively distributed.*

Total distribution planned for 2010-11 is 2.73 mmt against 2.68 mmt last year, of which 1.96 mmt was effectively distributed. Since July 2010, as of June 2nd, 2,016 thousand mt of food grain had been distributed. However, 1,535 thousand MT had been distributed at the same time of the last year. The following table shows the channel wise distribution of food grain in Bangladesh in FY 2011-12.

The government has to increase the distribution target of food grain, otherwise for poor people; it would be very difficult to purchase food, mainly rice and wheat in current market price.

**Table 7: Channel-wise distribution of food grain**

Sector	Channel	FY 2010-11 Distribution July-10 to March-11			FY 2009-10 Distribution July-9 to March-10			FY 2009-10 Distribution (Annual Distribution)		
		Rice	Wheat	Total	Rice	Wheat	Total	Rice	Wheat	Total
Monetized Channels of PFDS	EP	116.6	73.8	190.5	113.4	69.7	183.1	152.0	93.7	245.6
	OP	11.2	3.3	14.5	11.9	2.9	14.8	16.7	4.3	21.0
	LEI	0.3	12.7	13.0	9.7	1.4	11.1	9.7	5.6	15.3
	OMS	588.6	0.0	588.6	164.2	0.0	164.2	259.4	0.0	259.4
	FPC	78.3	49.0	127.4	1.1	0.0	1.1	6.1	0.0	6.1
	Garments	0.0	0.0	0.0	10.7	0.0	10.7	43.1	0.0	43.1
	Others	0.4	0.1	0.5	0.1	0.0	0.1	0.1	0.0	0.1
	<b>Sub-total</b>	<b>795.4</b>	<b>138.9</b>	<b>934.3</b>	<b>311.2</b>	<b>74.0</b>	<b>385.2</b>	<b>487.0</b>	<b>103.6</b>	<b>590.6</b>
Non-monetized Channels of PFDS	FEW	0.9	46.1	47.0	221.4	1.1	222.4	267.2	110.2	377.4
	TR	0.0	0.3	0.3	107.0	0.1	107.1	165.6	203.3	369.0
	VGF	97.7	0.2	97.3	235.1	0.0	235.2	248.3	0.1	248.3
	VGD	97.9	97.8	195.7	63.5	136.3	199.9	66.8	205.6	272.4
	GR	26.0	0.0	26.1	25.6	0.0	25.6	37.0	0.0	37.1
	Others	30.2	21.1	51.3	13.1	17.8	30.9	38.8	30.1	68.8
		<b>Sub-total</b>	<b>252.8</b>	<b>165.4</b>	<b>418.2</b>	<b>665.7</b>	<b>155.2</b>	<b>821.0</b>	<b>823.7</b>	<b>549.3</b>
	<b>Total Public Distribution</b>	<b>1048.2</b>	<b>304.3</b>	<b>1352.5</b>	<b>976.9</b>	<b>229.2</b>	<b>1206.1</b>	<b>1310.7</b>	<b>652.9</b>	<b>1963.5</b>

Source: MISM, DG Food

Moreover, public stock must be increased to meet food demand in adverse situations. Overall, keeping the food price in a reasonable limit, in the same time preserve the farmers earning is a cause of concern a concern for food security of the country.

#### IV. FOOD PRICE AND NUTRITIONAL STATUS OF CHILDREN AND WOMEN

*Food inflation of 11.0 percent (12-Month average) in April 1011 indicates that more people are likely to go under poverty line in the upcoming years.*

The food price rises created a range of macro-vulnerabilities in the country. One aspect is the impact on domestic food inflation and overall inflation. The soaring prices of essential commodities, especially, food prices could hurt the poor and worsen equity. Rice and wheat are the staple food of Bangladesh. Changes in prices of these food stuff, affects the people most adversely than changes in prices of any other commodities. During January to December 2010, the wholesale average price of rice increased by 25 percent while the wheat price has risen up by 16.67 percent. At the same time the retail prices of rice have gone up by 20 percent while the wheat prices have increased by 13.04 percent. This increased trends of rice and wheat price have resulted in decreased consumption of these two staple food items, which in combined, is 442.21 grams in 2010 and 451.72 grams in 2005 showing a decrease of 9.51 (2.13%) grams per capita per day during this period (HIES, 2010). The food price hike has accelerated the food inflation, which has a profound nexus with poverty and inequality. There exists a positive relationship between food inflation and poverty. As the food inflation increases, the additional number of people goes under the poverty line. People living below poverty line in 2000 were 55.8 million when the food inflation was 2.68 percent. This rate of food inflation increased to 7.91 percent in 2005 and at the same time another 0.2 million people newly gone under poverty line. Food inflation of 11.0 percent (12-Month average) in April 1011 indicates that more people are likely to go under poverty line in the upcoming years.

The impact of food price crises on the food and nutrition security of vulnerable household members is real concern. The poorest people dedicated the largest share of their budget to food. Thus, when food prices rise they have the least ability to cut nonfood expenditure to compensate for the increased cost of food. Sharp increases in food prices over the past few years have eroded the purchasing power of households and

raised serious concerns about food insecurity and malnutrition in many countries including Bangladesh. This decline in turn represents a serious erosion of progress towards meeting many of the Millennium Development Goals (MDGs), including those aiming to reduce poverty, hunger and malnutrition of children and women. The MDG target related to the nutritional status demands the percentage of the underweight children reduced to 33 by 2015. The percentage of the underweight children in Bangladesh decreased from 47.7 in 1999-2000 to 41 percent in 2007 with an annual rate of about 2 percent.

**Figure 9: Inflation versus population under poverty line**



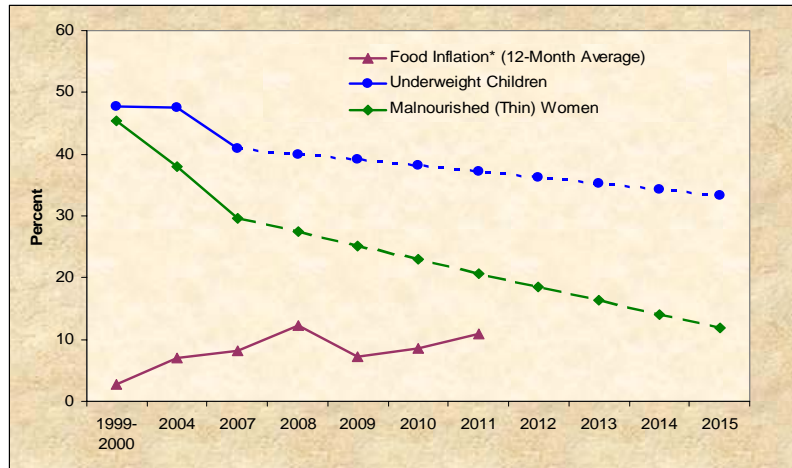
Sources: Bangladesh Bank and HIES 2005

Another MDG target related to women’s nutritional status is to reduce the percentage of thin or malnourished (BMI<18.5) to less than 20 by 2015. The rate in the percentage of the women in Bangladesh who are thin or malnourished decreased from 45.4 in 1999-2000 to 29.7 in 2007 with an annual rate of about 5 percent. The rising food prices might largely hampered the current rate at which it is decreasing.

Promoting diversified food production and consumption for nutrition improvement is particularly recommended. The government needs to be creative in renewing and revising strategies and approaches to control the rising food prices and sequentially food inflation. Otherwise, the aim might slip form the runway of achieving the targets of Millennium Development Goals.



**Figure 10: Food Inflation and Nutritional Status of Women and Children**



Sources: Author's calculation based on BDHS 2007 data;  
 \* Indicates food inflation up to April 2011 from Bangladesh Bank data

## V. FOOD PRICE AND EDUCATION

Poverty indicates lack of income and deprivation of all fundamental rights. It is complex because poverty has many dimensions and the scope for education is being affected by it. Due to price hike of essential commodities in the local market, the poor has to suffer a lot resulting into high dropout rate of boys for helping their families in income generation.

**Table 8: Percentage drop out of children by sex and poverty status (HIES 2005 & 2010)**

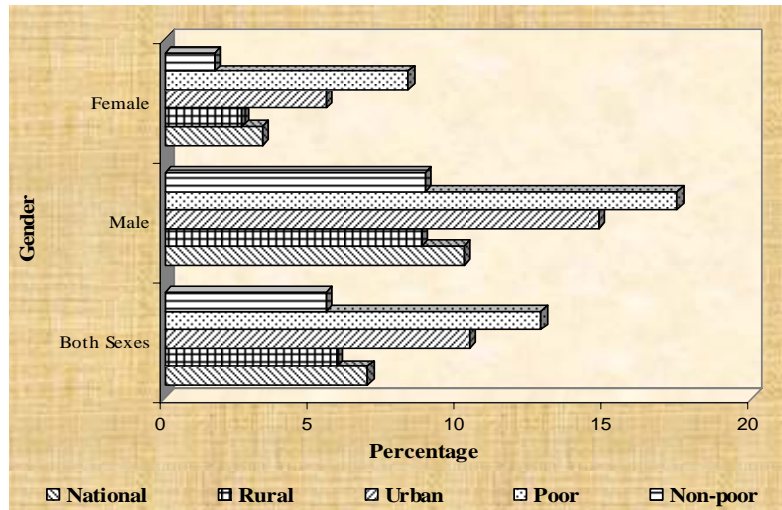
Study Year	Gender	National	Rural	Urban	Poor	Non-poor
2010	<i>Both sexes</i>	6.93	5.86	10.39	12.84	5.52
	<i>Boys</i>	10.20	8.76	14.78	<b>17.48</b>	8.89
	<i>Girls</i>	3.32	2.65	5.52	8.31	1.69
2005	<i>Both sexes</i>	10.45	9.72	13.26	18.43	9.36
	<i>Boys</i>	13.5	13.10	15.17	21.55	13.02
	<i>Girls</i>	7.39	6.24	11.54	15.89	5.53

Source: Authors' calculation based on HIES 2005 & HIES 2010, Bangladesh Bureau of Statistics, June 2011

*The dropout rate of boys was 6.11 percent higher than girls in 2005 and 6.88 percent in 2010.*

The government has taken several projects to foster the rate of enrollment to 100 percent by the end of 2011 according to the declaration of the present government in their election manifesto. In 2005, the national dropout rate was 10.45 percent while it was 6.93 percent in 2010. In addition, the dropout rate of boys was 6.11 percent higher than girls in 2005 and 6.88 percent in 2010.

**Figure 11: Percentage drop out of children by sex and poverty status (HIES 2005 & 2010)**



Source: Authors' calculation based on HIES 2010, Bangladesh Bureau of Statistics, June 2011

*Among the non-poor families, only 8.89 percent boys dropped out in 2010 from the age group of 11-15 years, however, 17.48 percent dropped out from poor families.*

The main matter of concern for the education sector is the increasing dropout rate of boys in recent years. Among the non-poor families, only 8.89 percent of boys dropped out in 2010 from the age group of 11-15 years, however, 17.48 percent dropped out from poor families which are a clear sign of inequality. The reason might be the poor families involve their boys in income generation activities to cope with the food price hike.

## VI. FOOD PRICE AND WOMEN

*The increase in food and non-food prices erodes the purchasing power of the poor.*

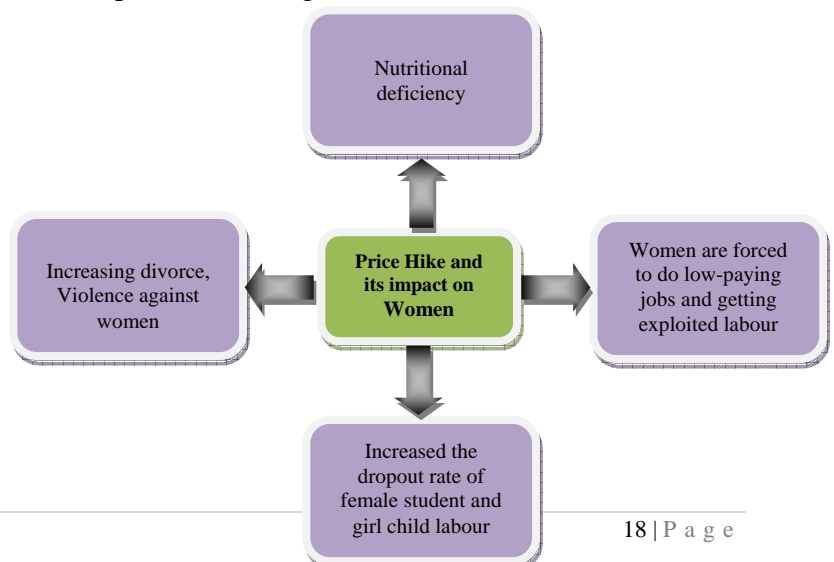
The poor expend a huge part of their expenditure on food consumption. The increase in food and non-food prices erodes the purchasing power of the poor. Several studies have assessed high food prices affect different groups within household differently. Empirical evidence from different studies suggests that the number of households below the poverty line is significantly higher for female than for male-headed households. Over 95 percent of female-headed households in Bangladesh are considered to fall below the poverty line. In Bangladesh, less than a tenth of households are headed by women (BBS, 1998). Furthermore, women have to play triple roles in the household like productive, reproductive and community management. It has been seen that most of the time women end up being the shock absorbers of household food security, reducing their own consumption to leave more food for other household members. According to IFPRI Policy Brief, in Bangladesh,

*The poor women both in urban and rural have to suffer a lot due to high food and non-food prices. The urban poor slum women, female headed households and rural poor women are more vulnerable.*

almost 60 percent of households reported that women skip meals more often than men. As food prices rise and staples consume more of the food expenditures, households frequently reduce on both food quantity (calorie intake) and quality (nutritional diversity), which provides micronutrients that girls and women particularly need. The poor women both in urban and rural have to suffer a lot due to high food and non-food prices. The urban poor slum women, female headed households and rural poor women are more vulnerable. And it has different impacts on women.

These are:

- Price hike affects women the most because of their traditional dependence on male family members.
- The nutritional status of pregnant and lactating poor mother has become affected. Thus malnutrition of women leads to economic losses for families and countries because malnutrition reduces women's ability to work and create worse effects that extend through generations.
- According to Bangladesh demographic and health survey 1999-2000, nearly half of women are suffering from chronic malnutrition, Body Mass Index (BMI) less than <math>18.5 \text{ kg/m}^2</math> in Bangladesh. Due to price hike both women's condition and position are becoming more vulnerable.
- Poor women are less able to cope with and overcome crises than men because they have limited access and they experience gender-based vulnerabilities, including extensive time burdens; threats or acts of violence; and limited legal benefits and protections, decision making authority, and control of financial resources. The major impacts of price hike on women are depicted in the figure:



Another concerning matter is relief programs targeted to the poor, such as the Vulnerable Group Feeding (VGF), Vulnerable Group Development (VGD) program and the Food-for-Work program, and interventions by Non-Governmental Organizations (NGO) have significant impacts on reducing poverty no doubt but there is still a tendency in those program to favor men. Eventually it can be said that appropriate and effective measures have to be ensured to minimize poor women's sufferings regarding price hike. Otherwise overall development of the country will be hindered

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