

# Price Monitoring and Analysis Country Brief

## Bangladesh

May-August 2011

### Key Messages

- Rice prices went down as the new harvest reached markets, however heavy monsoon seasonal rains are likely to drive prices back to a high level.
- Conditions of Food security have been deteriorating in recent months mostly due to severe flooding. Agencies reported alarming levels of hunger and high prevalence of under nutrition.
- Heavy rains have caused serious damages to crops and livelihoods affecting some 1.5 million people.
- The government has in place several measures to support production, while responding to flood emergency with the assistance of international agencies.

### Background

In Bangladesh the total population is estimated to reach about 148 million with an annual growth rate of 1%. Although the rural population is 71%, the agricultural value added to GDP is around 18%. The proportion of undernourishment is 26%.

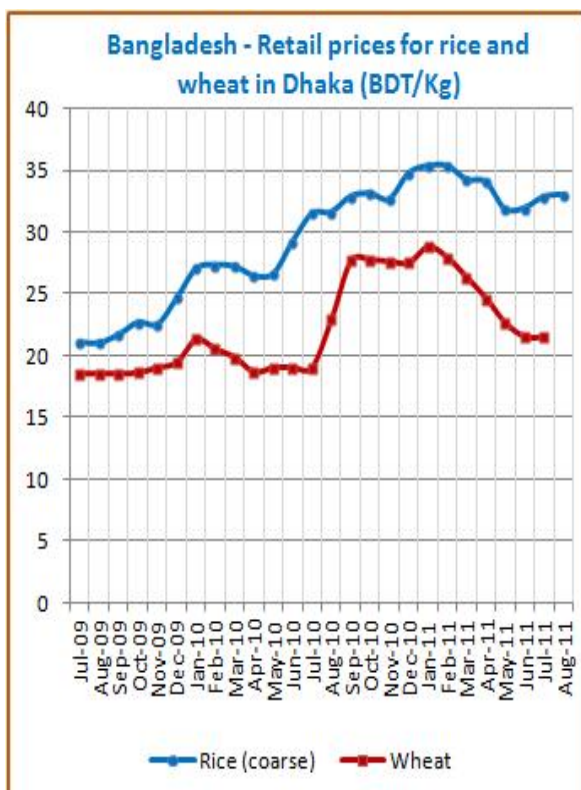
Economic Indicators	View Data
Total Population (millions) - 2010 (WB)	148.692
Population growth rate - 2010 (WB)	1%
GNI per capita, \$ PPP - 2010 (WB)	1800
Population below 1\$ PPP per day - 2005 (MDGI)	49%
Rural population - 2010 (WB)	71%
Agriculture, value added (% of GDP) - 2010 (WB)	18%

Food Consumption	
Undernourished Population - 2006/2008(FAO)	26%
Cereal share in total dietary energy consumption - 2007 (FAO)	78%
Meat share in total dietary energy consumption	n.a.

Health Indicators	
Pop. with sustainable access to improved sanitation - 2008 (WHO)	53%
Life expectancy at birth (years) both sexes - 2009 (WHO)	65
Pop. with access to improved drinking water sources - 2008 (WHO)	80%
Prevalence of HIV among adults aged >= 15 years - 2009 (WHO)	0.05%

### Prices

Rice prices decreased since May 2011 thanks to the arrival of the new crop into the markets. In Dhaka rice retail prices in Aug were 24.79 Taka/Kg, some 11% below prices registered in May. However, despite the decline, rice prices in May were 26 % above their levels a year ago. Similarly prices of wheat (flour) in May were 20% higher from their levels of May 2010. In the following few months wheat flour retail prices rose by more than 4% and in August were 33 Taka/kg. Rice price in Dhaka was 7% below the price of rice Thai A1 Super in August.



Source: GIEWS Country Briefs

### Food Security Situation Assessment

The food security situation of the low income people has deteriorated with the high levels of staple food prices. Moreover heavy monsoon rains have displaced thousands of people and have severely affected their food security situation. FAO hunger map estimates high prevalence of undernourishment while IFPRI Global Hunger Index depicts food insecurity in Bangladesh as alarming.

#### CURRENT EMERGENCY ASSESMENT

Exceptional shortfall in aggregate food production supplies	Widespread lack of access	Severe localized food insecurity	<a href="#">FAO/GIEWS CPFS 2011</a>
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Bangladesh is not covered by FEWSNET. FEWSNET coverage is limited 14 African countries 1 Caribbean (Haiti) and 1 Central Asia (Afghanistan). Food security status is given for different parts of the country in each case. [FEWSNET](#)

#### SCALE OF HUNGER (% of Undernourishment)

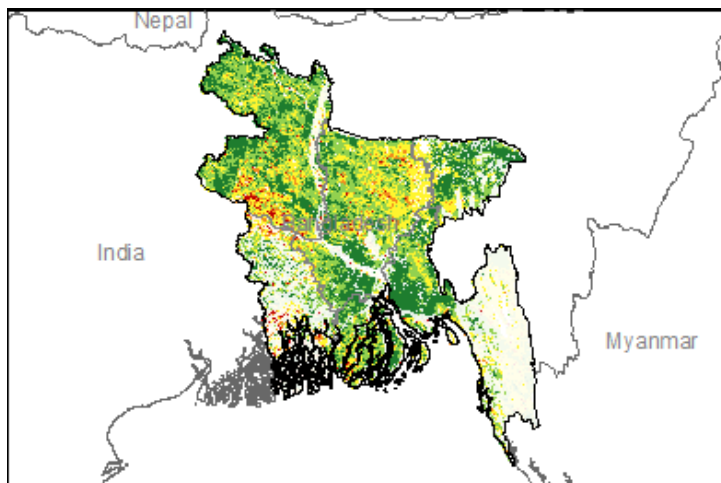
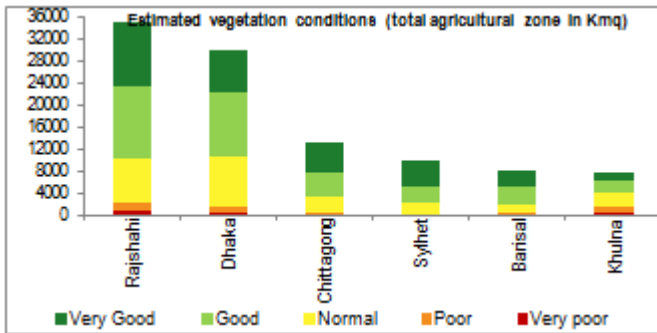
Very high (>= 35%)	High (25-34%)	Moderately high (15-24%)	Moderately low (5-14%)	Very low (< 5% under.)	<a href="#">FAO Hunger Map</a>
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FAO Hunger Map classifies all countries of the world into five based on % of population undernourished.

Extremely alarming	Alarming	Serious	Moderate	Low	<a href="#">IFPRI/2011 GHI</a>
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**Vegetation Condition**

Normal to very good vegetation conditions are observed for the major part of the country. The general indicator of vegetation condition provided below is the absolute difference between the NDVI for August 2011 and the average of the last 10 years, calculated on the agricultural zones derived from the GLOBCOVER 2005 database (ESA).



Source: JRC MARS – FoodSec

**Crop phase in the reference period**

<b>Sowing</b>	Rice (Aman) - Sorghum
<b>Growing</b>	Rice (Aman) - Rice (Aus)
<b>Harvesting</b>	Potatoes - Rice (Aus) - Rice (Boro)

**Natural Disasters, Drought and Conflicts**

According to the country's Disaster Management Bureau, severe localized flooding during the current monsoon season has caused several major rivers to burst their banks, displacing 1.5 million people. Significant damages were reported on crops, seed stocks, livelihoods and productive assets and resources.

Refugees and IDPs	2008	2009	n.a.
Total in the country	28392	228586	n.a.
Total outside the country	16809	12258	n.a.

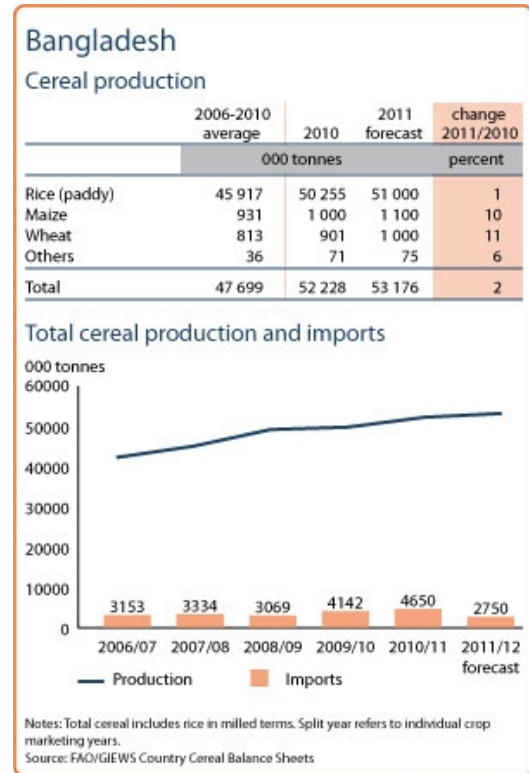
Source: UNHCR Statistical Online Population Database, United Nations High Commissioner for Refugees (UNHCR), Data extracted on 01/12/2010.

Disaster Type (last year)	Date	Location	Alert
Earthquake	2010-09-10	Chittagong	1/3
Earthquake	2009-02-22	Khulna	1/3
Flood	2010-10-01	Brahmanbaria District	2/3

Source: Global Disaster Alert and Coordination System - 3 = 1000 or more people killed or 800000 or more people displaced. 2 = 100 or more people killed or 80000 or more displaced.

**Food Balance Sheet**

Production in 2011 is forecasted at 53.5 mln tonnes, 2% above 2010 production and 11% above the five year average. However the 2011 output is expected to be negatively affected by floods. Forecasts for 2011 put imports at 2.7 mln tonnes, 41 % above imports in 2010 (4.6 mln tonnes).



Source: GIEWS Country Briefs

**Government Policies**

Policies in support of agriculture include irrigation supplies, subsidized fertilizer, quality seeds, electricity power and diesel for irrigation. Also government relief efforts were under way with 6,450 tons of rice. The Government procured 600,000 tonnes of Boro rice at 29 TK/Kg.

Consumer and market oriented measures	Open market sales (OMS); Stock building
Producer oriented measures	Input support; Irrigation; Procurement
Trade policy measures	n.a.
Safety net (increased or introduced)	Food distribution

Different sources

**Current events to watch (Click to see the full report)**

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- [ESCAP expresses solidarity with flood victims in Thailand](#)
- [Asylum Levels and Trends in Industrialized Countries: ...](#)
- [De nombreux états insistent devant la Troisième Commis...](#)
- [World Bank says "Think Equal" for Better Development](#)

For more information, contact: [Information-for-action@fao.org](mailto:Information-for-action@fao.org)  
Website: [www.foodsec.org](http://www.foodsec.org)

Powered By the **GIEWS Workstation**

The Programme on Linking Information and Decision Making to Improve Food Security is funded by the European Union and implemented by the Food and Agriculture Organization of the United Nations.

\* For a further analysis of prices in Bangladesh please see: [Annex](#)

**ANNEX: Additional Price Analysis**  
September 2011

# Bangladesh

This annex offers an analysis of price dynamics in the Bangladeshi rice market as well as a benchmark (expected) price against which the significance of actual price changes are judged.

## Major findings

- Prices are expected to be 30700, 31600, and 32900 Taka/ton in October, November and December respectively
- Domestic prices respond quickly to changes in world prices
- Prices are at their four year average

## Five Year Overview of Price of Rice in Bangladesh (October 2006-September 2011)

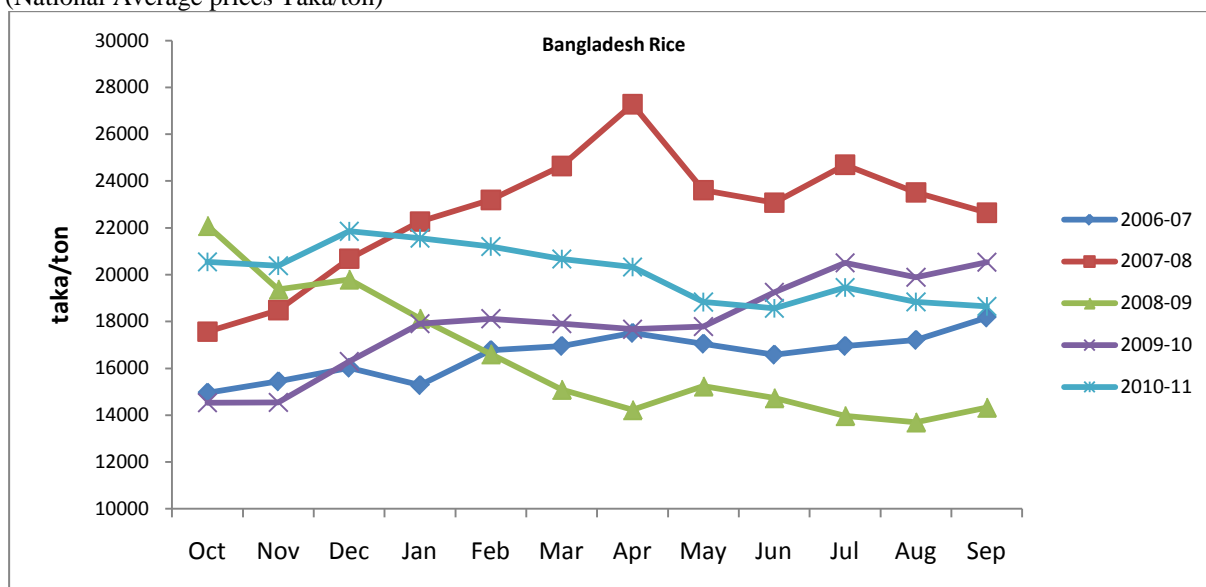
Rice prices in Bangladesh have increased in real terms (i.e. after adjusting for inflation) during the past five years. Real prices have increased by 25% (84% in nominal terms) from October 2006 to September 2011.

In 2006 and most of 2007 prices were flat, but increased sharply at the end of 2007 and remained high until the last quarter of 2008. From December 2007 to April 2008 prices rose by 38% then fell sharply to a point that prices in December 2008 were only 2% higher than December 2007.

World prices increased dramatically from January to May 2008 (146%), but fell precipitously by 42% from June to December 2008. Bangladesh also experienced this sharp decrease in prices in the last quarter of 2008. In 2009 prices remained stable, however towards the end of 2009 they surged to a higher level and remained there for all of 2010. Prices were 32% higher in December 2010 than December 2009. September 2011 price was 9% higher than the September 2010 price in real terms.

Volatility measured by coefficient of variation (CV) was around 6% from September 2010 to September 2011. This is substantially lower than the volatility of 11% over the preceding 12 months.

Figure 1: 12 Monthly Real Rice Prices in Bangladesh  
(National Average prices Taka/ton)



### Comparison of Actual Prices with Benchmark (Expected) Prices

Commodity future markets can be helpful predictors of what grain prices will be in the next few months (short-term). Unfortunately, there are no future markets for staple grains in the majority of developing countries. The ESA Price Monitoring Model is a simple tool designed to assist policy makers, farmers and traders in assessing whether recent price trends are in line with those typically observed in the past.

**ESA Price Monitoring Model:** The purpose of the model is to determine whether short term price movements of a commodity exceed a benchmark which takes into consideration seasonality, inflation and historic variability. The model uses only data on past prices and the consumer price index (CPI) to capture these characteristics. It establishes an expected level of price for the following month along with a range of uncertainty generated by past deviations from that expected price level. Price movements can be interpreted as “excessive” if they fall above or below the uncertainty band.

An additional feature of the model is to show the current level of prices relative to an average of past prices (adjusted for inflation). In other words, the model demonstrates whether current prices are higher or lower than past average prices (for details on the model please see: <http://www.foodsec.org/web/publications/briefs> )

**Results:** In September 2011 rice prices in Bangladesh were same level as their past four year average. The prices have been hovering around their past four year average, and have held fairly steady. Since June price changes have been inside the uncertainty band where 70% of previous deviations had fallen. In May however, prices declined sharply, but that turned out to be an isolated event as price changes were more moderate in the subsequent months.

The price in October is expected to be near the 30700 Taka/ton level with about a 70% chance that the deviation will be less than or equal to  $\pm 5.4\%$ . Prices are expected to increase sharply in November and December if normal seasonal patterns hold. Food security concerns should arise if prices rise above 32300 Taka/ton in October.

Figure 2: Price Monitoring Model (prices Taka/ton)

