

## Food price inflation may slow down poverty reduction

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As Bangladesh's economy is still under recovery from the effects of the COVID-19 pandemic, an upward trend in the prices of different commodities from the food consumption basket has been hovering over the food market lately - adding fuel to the fire.

According to the Department of Agricultural Marketing, recently the prices of many essential commodities have skyrocketed. Vegetables such as local potato, carrot, red spinach (laal shak), green banana (kacha kola), Malabar spinach (pui shak), tomato, lady's finger (okra), lemon (kagji), onion etc., have experienced a significant increase in prices (between 13 per cent and 106 per cent) in early November 2021 compared to the prices at the beginning of September 2021. Prices of farm-raised hen, eggs from local hen and local ducks also noticeably grew around 10 per cent in November 2021 compared to September, 2021.

Even though some food items have experienced a drastic rise in prices, others faced a relatively lower price bump. For example, condensed milk, local hen, palm oil, local wheat, and lentil had a price incline between 7 and 9 per cent. Local Boro rice became 7 per cent more expensive while soybean oil price rose by 7 per cent. The prices of green chili,

molasses, and flour (ata) went up by around 4 per cent. The price of local turmeric remained steady at BDT 145 per kilogram over the last two to three months. On the contrary, prices of beef and local sugar declined by about 4 per cent. However, the prices of many of these products have recorded annual highest in the last two to three months.

As the trend of food price inflation was rattling forward, on November 3, 2021, Bangladesh Petroleum Corporation (BPC) announced a 23 per cent rise in prices of diesel and Kerosene--- in accord with that of the global market. While diesel is used in many sectors, including agriculture, power generation, road and sea transport, Kerosene is used primarily for cooking. Therefore, diesel and Kerosene are used as resources in one or more steps of the production value chains of most of the commodities in the consumption basket. Ultimately, a further rise in the inflation rate is inevitable. Given the existing scenario in the food commodity market, this supply-side shock could substantially amplify the already heightened prices of food commodities. Moreover, the 27 per cent per kilometre rise in fares of diesel-run transportation could also add to the non-food expenditure of the poor and the middle class.

In the Household Income and Expenditure Survey (HIES) 2016, it has been revealed that in rural and urban areas, 50 and 43 per cent of the total consumption expenditure, respectively, is spent on food and beverages. A further segregated analysis based on different income levels shows that the households from the bottom 5 per cent of the income tier spend 61 per cent and 69 per cent of their total consumption expenditure on food in rural and urban areas, respectively. These numbers are only 42 per cent and 26 per cent in the respective areas for the households in the top 5 per cent income tier. This prevailing situation in the food and fuel market and the inversed pattern of income and food expenditure points to an evident truth - the low-income households in Bangladesh are most likely to bear the brunt of the food price inflation. According to a study jointly conducted by the Power and Participation Research Center (PPRC) and BRAC Institute of Governance and Development (BIGD), BRAC University, the daily per capita income stood at BDT 105 as of March 2021, 8 per cent lower than the pre-COVID-19 level. However, after the fresh lockdown in April 2021 and later in June 2021, this gap widened to 23 per cent in August, 2021 disrupting the economic recovery. Simultaneously, the percentage of the new poor, which was previously 15 per cent in March 2021, climbed to 20 per cent in August, 2021. Hence, the status quo of the food and the fuel market will adversely slow down the supposed recovery of the economy, particularly for the people living below the poverty line.

The government of Bangladesh should take appropriate measures to tackle this difficulty that low-income households are currently facing. Open market sales of goods should be expanded. The price of rice at open market sales can also be reduced to compensate for the high prices of vegetables, fish, meat etc. Additionally, pesticides, fertilisers, and poultry feed can be subsidised enough in order to aid agricultural and poultry farming, eventually influencing the retail prices of the food commodities. Public procurement of rice should be increased such that farmers get a fair price after harvesting. Successful implementation of these measures may mitigate the possible adverse effect of food and fuel price surge.

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