

The impact of price hikes of essential food commodities on the poor and extreme poor in Bangladesh



SHOUHARDO III Plus Program
CARE Bangladesh

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I. Introduction

Strengthening Household Ability to Respond to Development Opportunities (SHOUHARDO) III Plus is a two-year program (2022-2024) funded by the United States Agency for International Development (USAID). The program aims to deliver improved gender-equitable food and nutrition security and resilience for 168,521 Poor and Extreme Poor (PEP) households in northern Bangladesh's char and haor regions. Building on the successes of the predecessor program, SHOUHARDO III Plus works with participants to pursue diversified sources of income, support inclusive and sustainable agricultural-led growth, enhance access to markets, especially for women and girls, and improve access to financial services for PEP participants. The program also promotes increased consumption of nutritious foods and micro-nutrients for children under five, pregnant and lactating women, and adolescent girls. The program continuously engages and links the program-facilitated Local Service Providers (LSP) with the public and private sectors to achieve its aim. SHOUHARDO III Plus integrates gender, governance, Disaster Risk Reduction (DRR), environment, and private sector as cross-cutting components to maximize the program's impact.

Russia's war in Ukraine started one year ago (February 2022). Despite the war being over 5,800 kilometers away, it had a ripple effect on Bangladesh. In Fiscal Year 2021-22, Bangladesh imported over four million Metric Tons of wheat, and the war made it more challenging

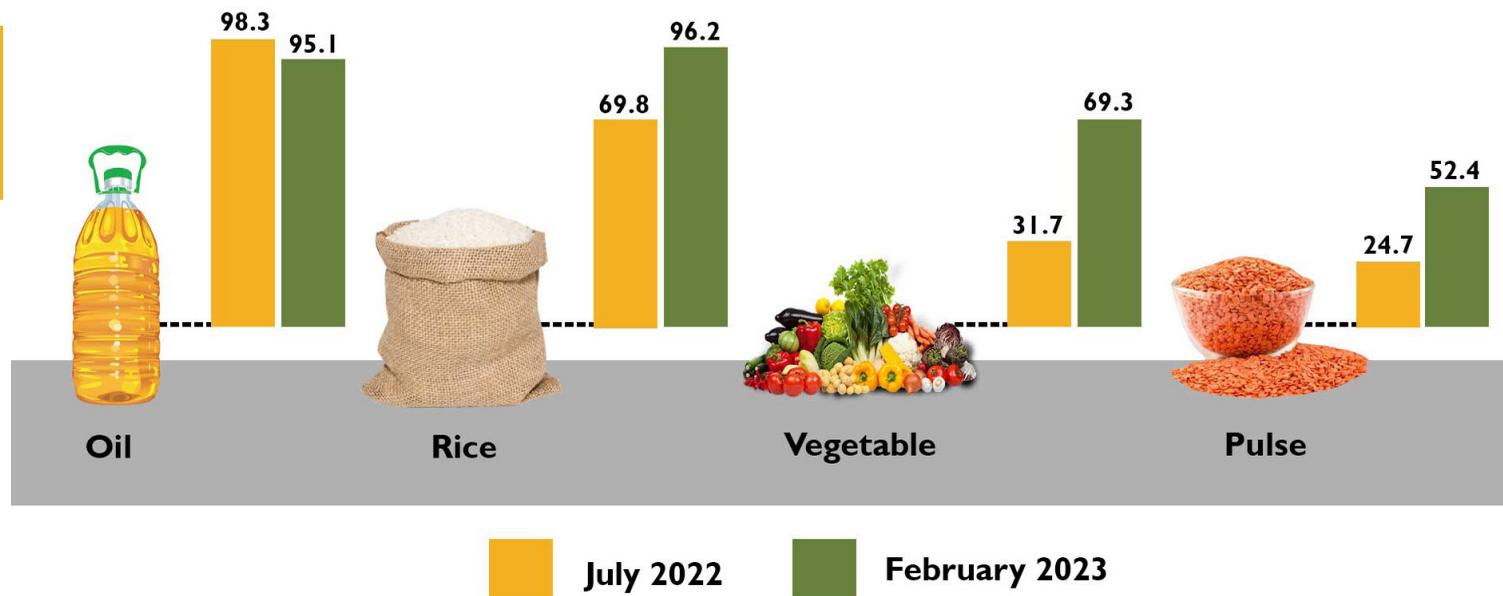
to import wheat from the Black Sea region. Russia is one of the world's top crude oil and gas producers. Hence, the war disrupted these essential commodities' production and export processes. Fuel transport costs are one of the significant causes of inflation of food costs¹. Since the global trade of staple foods such as wheat, vegetable oils, and fertilizers is disrupted, associated price hikes of necessary food commodities have significantly impacted food security, particularly in the marginalized segments of Bangladeshi society.

Retailers sold loose wheat flour at Tk 54 to Tk 55 per kilogram in Dhaka on October 4, 2022, which was 62 percent above the price a year prior, according to the market data compiled by the Trading Corporation of Bangladesh². According to the Bangladesh Bureau of Statistics, the annual food inflation rate rose 9.9 percent by August 2022. In June and July 2022, the SHOUHARDO III program conducted its annual Beneficiary-Based Survey (BBS)³. An analysis of the survey revealed that program households were experiencing an increase in the price of essential commodities, which had a significant impact.

To better understand the trends in the ongoing price hikes and the impact on SHOUHARDO program participants, the program conducted Recurrent Monitoring Survey (RMS) with 450 randomly selected program households in February 2023. The findings of the RMS are triangulated with secondary data.



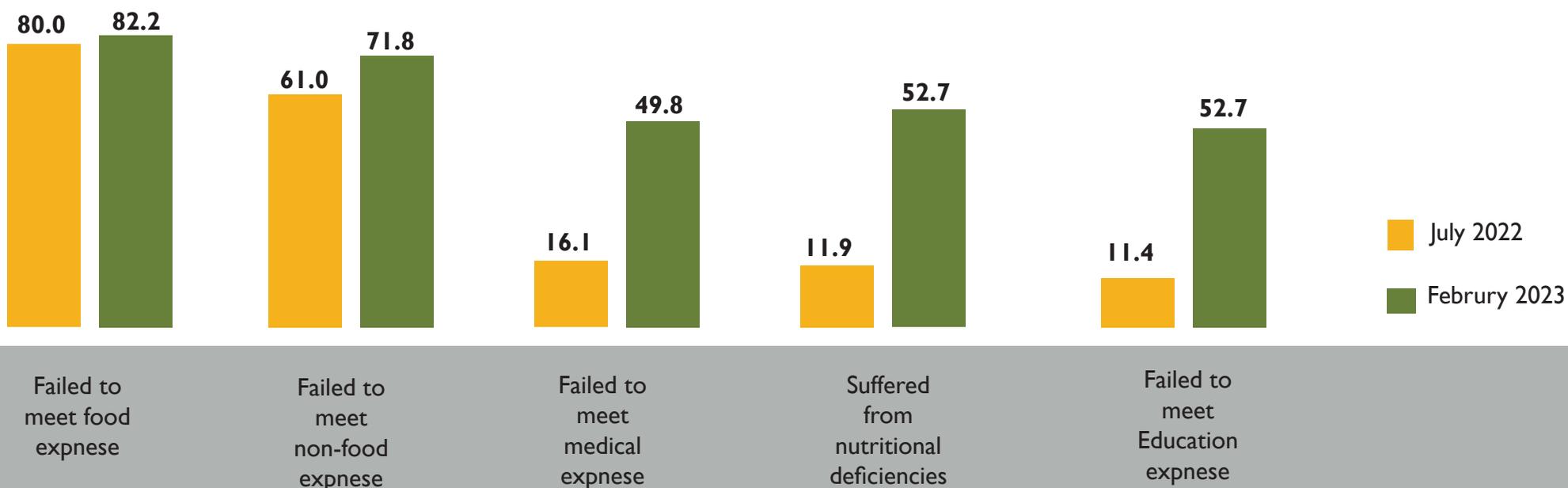
2. Participants' response (% of households) on price hike of commodities



The data indicated that the percentage of households reporting increased prices in most food commodities in February 2023 compared to the survey data from July 2022. The highest number of participants, 96.2 percent, reported a price hike for rice in February 2023, compared to 69.8 percent of households reporting a price hike for rice in July 2022. The second highest percentage of households, 95.1 percent, reported price hikes for oil in February 2023, which was 98.3 percent in July 2022.

The information provided indicates a significant shift in the pattern of price hikes reported by households between July 2022 and February 2023. In July 2022, households mainly reported a price hike for two essential food commodities - oil and rice. However, by February 2023, households reported price hikes in other essential food commodities, such as fish, meat, flour, sugar, pulses, and vegetables. The data presented above indicate a concerning trend for household food security. It suggests a significant impact on households' ability to meet their members' nutritional demands. This price increase can be attributed to several factors, including inflation and supply chain disruptions, severely affecting food security. The impact of rising food prices is likely to be felt more acutely by poor communities, who already face financial constraints.

3. Participants' response (% of households) on the impact of price hikes of food commodities on living expense



This report provides a comparative analysis of the impact of food commodity price hikes on people's living expenses in July 2022 and February 2023. All the households reported that the price of food commodities increased significantly in this February 2023. The data from both rounds indicates that a significant number of people failed to meet their expenses, including food, non-food, medical, and education. The percentage of people failing to meet their expenses increased in February 2023 compared to July 2022,

suggesting that the impact of the food commodity price hikes is worsening. The rise in food commodity prices has affected people's access to sufficient and nutritious food and revealed that low-income households barely afford healthy food. Less than four in ten households had a poor diet with lower protein, Iron, and vitamin-A, compromising the quality and quantity of food. Most of their calorie intake came from rice.

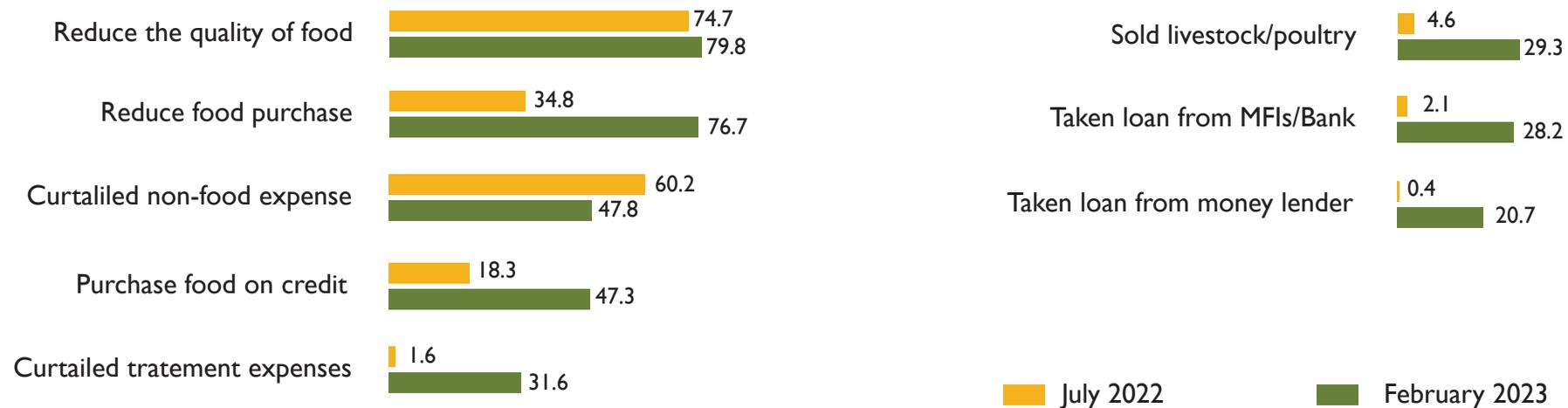
The data from February 2023 reflects that 49.8 percent of respondents failed to meet their medical expenses, compared to 16.1 percent in July 2022. The significant increase in the percentage of people failing to meet their medical expenses suggests that rising food commodity prices impact people’s health by curtailing their medical expenses as an opportunity cost of purchasing food. The data from both rounds shows that program participants may suffer from nutritional deficiencies due to rising food commodity prices. Data from February 2023 indicates that 52.7 percent of respondents suffered from nutritional deficiencies, compared to 11.9 percent in July 2022. Moreover, the data shows that 33.6 percent of respondents

failed to meet their educational expenses, more than a three-fold increase over the number of respondents in July 2022 (11.4 percent). The increase in those failing to complete their education expenses is concerning. The data from February 2023 also shows that a large percentage of respondents reported a reduced living standard due to the rise in food commodity prices.

4. Coping mechanisms

Increases in the cost of food commodities severely impact poor households, reducing their purchasing power and negatively affecting their standard of living. Poor households adopted negative and positive coping mechanisms to survive the shock.

4.1. Negative coping mechanisms



The mostly adopted negative coping mechanisms include reducing the quality of food, curtailing non-food expense, reducing food purchases, unusual consumption of livestock/poultry, taking fewer meals than usual, purchasing food on credit, skipping several meals, and curtailing medical expenditure. The data from February 2023 shows a higher percentage of households are adopting these negative coping mechanisms compared to July 2022. The percentage of households reducing food quality, for example, increased from 74.7 percent in July 2022 to 79.8 percent in February 2023, and the number of respondents who reduced food purchases increased from 34.8 percent to 76.7 percent during the same period. About 47.3 percent of the households surveyed in February 2023 (versus only 18.3 percent eight months earlier) claimed that they had to take food on credit, as a more significant portion of their incomes went toward increases in the price of food commodities and other essentials.

Another alarming trend is that the households were forced to curtail their medical treatment expenses, seeking treatment from village-level doctors or pharmacies rather than specialists. This indicates that households in February 2023 are facing more severe price shocks and are adopting more drastic coping strategies. Other negative coping strategies include taking loans from Micro Finance Institutions/banks and other money lenders to account for changing prices and food intake habits. The percentage of households adopting these mechanisms was higher in February 2023 than in July 2022 across most coping mechanisms surveyed.

4.2. Positive coping mechanisms



The positive coping mechanisms include using savings, taking a loan from their savings via the Village Savings and Loan Association (VSLA) platform, borrowing money from friends/relatives, taking up new wage labor, starting a new small business, and buying food from the Trading Corporation Of Bangladesh (TCB)⁴. The data from the February 2023 round also shows a higher percentage of households adopting these positive coping mechanisms than in July 2022. The percentage of households using savings increased from 11.9 percent to 14.2 percent over the period, taking a loan from VSLA raised from 1.0 percent to 9.1 percent, and borrowing money from friends/relatives rose from 7.7 percent to 20.2 percent.

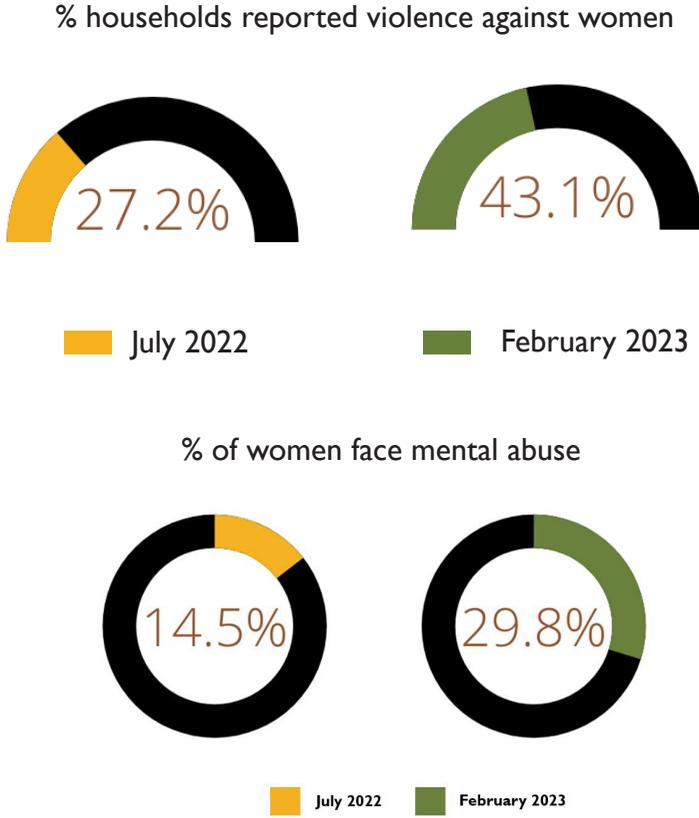
It has also revealed that the positive strategies for raising new wage labor rose from 2.4 percent to 8.7 percent. Starting a new small business (2.4 percent) indicates that households in February 2023 were looking more for alternative sources of income to cope with the shocks. About 20.4 percent of the households reported in February 2023 that they bought TCB food, whereas it was only 1.6 percent in July 2022. Overall, the analysis shows that the severity of price shocks increased by February 2023, with more households adopting both positive and negative coping mechanisms.

5. Participants' response (% of households) on Violence Against Women

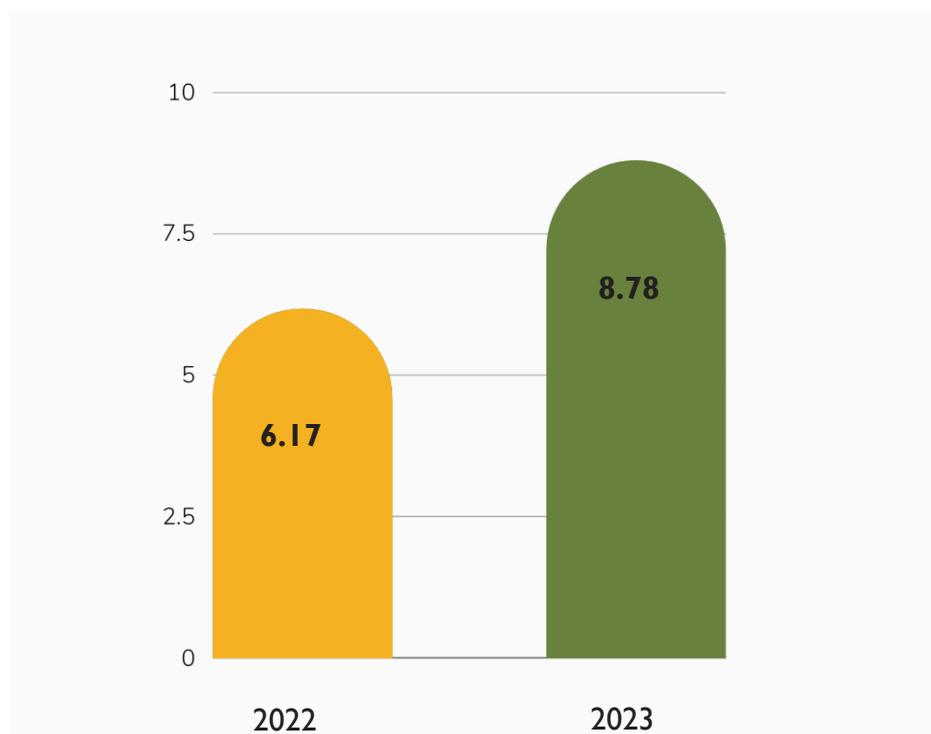
The rise in food commodity prices has been linked to stress resulting in violence against women. This report analyzes and compares data from July 2022 and February 2023 to understand the trends and changes in violence against women due to this stress. The data is analyzed based on the type of violence, including mental, economic, physical, and sexual abuse. In July 2022, about 27.2 percent of households reported violence against women, versus 43.1 percent in February 2023, a 16 percent increase. Among the total, 51.9 percent of households from Char and 33.5 percent from Haor reported that violence occurred due to the issue of price hikes. The data shows a significant increase in women who have experienced mental abuse. The percentage of women who experienced mental abuse was 14.5 percent in July 2022, which doubled by February 2023 (29.8 percent). The increasing trend of violence against women was also found during the COVID-19 crisis, as reported in the SHOUHARDO III BBS report in 2021. The RMS 2021⁵ conducted by the program supports these findings. The RMS 2021 found that financial struggle is one of the key reasons behind frustration at the household level resulting in GBV. So, the economic shock generated by the price hike might exacerbate similar situation. The data also shows a slight increase in women who have experienced physical abuse, from 2.1 percent in July 2022 to 5.3 percent in February 2023.



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6. Conclusion



A comparison of SHOUHARDO's survey data between July 2022 and February 2023 indicates that higher consumer prices continue to hit the poor and extreme poor households. National-level data supports CARE's findings, indicating that point to point inflation rate for Bangladesh rose to 8.78 percent in February 2023 compared to 6.17 percent in February 2023⁶. Inflation in Bangladesh is expected to continue to rise due to factors that include continued increase global commodity prices, increases in prices of all types of fuel, and an anticipated upward adjustment in domestic power tariffs. Additionally, the depreciation of the Bangladeshi Taka against the US dollar has triggered inflation⁷.

As the income earnings of PEP households need to be more robust to manage their upkeep, households will be forced to slash food and non-food consumption. It is concerning that many households are adopting negative coping mechanisms, such as reducing the quality of food, reducing food purchases, and taking fewer meals than usual. The reduced purchasing power forces them to allocate a significant portion of their income towards food consumption, leaving less for other necessities like housing, education, and healthcare.

The 2023 survey results indicate that such circumstances force program households to cut back on other expenses or borrow money, creating a vicious cycle of debt and financial insecurity.

The worsening national food security situation was highlighted in the World Food Program's (WFP's) Remote Household Food Security Survey Brief (January 2023)⁸. The brief shows a negative trend in food security, with 22.0 percent of poor households struggling to put food on the table (food insecurity). Food insecurity is driven by the global food crisis, high national inflation rates, and high food, fuel, and fertilizer prices impacting households' food security and well-being over time.

7. CARE Bangladesh Response

CARE's SHOUHARDO program has been building the long-term resilience of women and their families and communities to weather these shocks and adopt positive coping mechanisms during these crises. In SHOUHARDO III Plus working areas, program participants rely on daily wage labor, farming, and migrating to the cities during the offseason. Maintaining and gaining access to diversified sources of income is crucial for SHOUHARDO III Plus program participants during this crisis period. Through the SHOUHARDO III Plus and DRR program, CARE will expand VSLAs and seek greater access for poorer communities to loan/credit facilities. Simultaneously, CARE will seek to address the underlying causes of vulnerability of different groups of people and improve the social, economic, and ecological systems and structures that support them.

To supplement these efforts, CARE urges international development partners and the Government of Bangladesh to expand social safety net allocations and/or to initiate unconditional cash transfers for the poorest and most vulnerable citizens, as well as support livelihood diversification.

End note:

1. <https://www.unwomen.org/en/news-stories/feature-story/2022/09/ukraine-and-the-food-and-fuel-crisis-4-things-to-know>
2. Daily Star, November 2022 <https://www.thedailystar.net/business/economy/news/wheat-flour-price-soars-record-high-3136236>
3. <https://shouhardo.carebangladesh.org/wp-content/uploads/2022/10/BENEFICIARY-BASED-SURVEY-BBS-2022-4.pdf>
4. TCB is a supply chain operated by the Government that stores daily necessities and supplies to consumers at a subsidized price during the crisis
5. https://shouhardo.carebangladesh.org/wp-content/uploads/2022/08/RMS-full-report_Assessing-the-Impact-of-COVID-19-on-SHOUHARDO-III-Program-Participants-in-2021.pdf
6. <https://www.bb.org.bd/en/index.php/econdata/inflation>
7. <https://thefinancialexpress.com.bd/views/major-challenges-for-bangladesh-economy-in-2023-1675265560>
8. https://docs.wfp.org/api/documents/WFP-0000146707/download/?_ga=2.58838701.1803393443.1677382954-1316344214.1677382954

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Price hike: Voice of the community