

Soaring Food Prices in Nepal: Causes and Consequences

Issue #1

The prices of food crops in Nepal have increased unusually over the years. The price rises have been caused due to a number of factors including low production of cereals, rising oil prices, untimely rainfall, increased feedstock, the international price rise, etc. The soaring food prices have seriously eroded the purchasing power of the poor people. The alarming rate of food price rise across the country calls for immediate response of the government. There are a number of options government can consider to address food security in the country. In short- term, the government should consider Implementing targeted cash transfer programs to the vulnerable groups, making the Food-for-Work programs more effective, introducing school feeding programs to improve the food intake of school age children, reducing tariff on food imports, introducing grain subsidies specially targeted to the poor, etc. But in the long- term, the government must pay increased attention to the agricultural production. There is also a need for enhancing and strengthening the capacity of Nepal Food Corporation so that it can play an effective role in monitoring food price situation in the country and helping to stabilize the price as and when needed.

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IIDS Policy Brief

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VI. Conclusions

Soaring food prices have hit the poor hard. This and record high energy prices have seriously eroded the purchasing power of the poor, leading to food deprivation and threatening to undermine the government's poverty reduction efforts. These factors have also stoked inflation and squeezed the fiscal space in the country, increasing the risk of higher interest rates and economic slowdown.

The current rise in food prices is a major concern for the government, which has not paid much attention to the agriculture sector. This policy must be reversed. The alarming rise in food price calls for immediate response from the government which may in turn seek international assistance. There are a number of options the government can consider to address food security in the country. In the short- term, the government should consider implementing targeted cash transfer programs to vulnerable groups, making the food for works programs more effective, introducing school feeding programs to improve the food intake of school age children, reducing tariff on food imports, introducing grain subsidies especially targeted to the poor, etc. But in the long- term, the government must pay increased attention to agricultural production.

To increase agriculture production, easy access to agricultural inputs is absolutely necessary. Among the agricultural inputs, irrigation, chemical fertilizers and agricultural extension services are extremely important to increase agricultural production. The government will have to invest heavily in the improvement of irrigation facilities, in-country production of necessary chemical fertilizers, and strengthen agricultural research and extension services. There is also an urgent need to adopt a land use policy that discourages businessmen to use fertile agricultural land into non-agricultural purposes.

There is no specialized agency in Nepal which is responsible for managing food stocks and intervening in the market whenever there is an unprecedented price rise in the market. Although the Nepal Food Corporation has been in existence for a long time, its role has been limited to the channeling of food aid from donor countries to the food deficit hilly and mountain districts. The role of NFC must be enhanced and make it free of political interventions, and its capacity strengthened so that it can play an effective role in monitoring the food price situation in the country and intervening in the market when necessary to stabilize prices.

IIDS Policy Brief No. 1

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Soaring Food Prices in Nepal: Causes and

Consequences

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be to make effective use of school feeding programs to improve the food intake of school –age children. Rising food prices also risk derailing recent gains in reducing malnutrition. While food prices are not the main driver of malnutrition, they do affect nutritional outcomes through their impact on real incomes and household purchasing behavior. In compensating for rising food prices, vulnerable households may substitute high priced food with cheap and less nutritious food.

Yet another option would be to lower domestic prices by reducing tariffs and other taxes on key staples. It is very common in many countries to impose such tariffs on food imports, both to encourage domestic production and boost revenue. In times of sharply increasing prices, reductions in tariffs and taxes can provide some relief to consumers, albeit at a fiscal cost. There is also possibility of providing grain subsidies specifically targeted to the poor to cope with household food insecurity⁸. Some countries have introduced consumer subsidies for staples following recent rise in food prices as a temporary measure, and implemented buffer stock policies to physically carry over grain surpluses from low price years to high price years. Such policies however might entail high fiscal costs with difficult management and governance issues⁹. The capacity of Nepal Food Corporation in handling buffer stocks is extremely weak even though this corporation has been in existence for more than 37 years, and there is no other institutes which are up to the task.

Lastly, rising food prices may not be always bad for a country. While higher grain prices are clearly a burden to poor net purchasers of food, they also present an opportunity to stimulate food grain production and enhance the contribution of agriculture to economic growth. This will be an opportunity for the country to initiate agricultural commercialization, and undertake investments in research and extension necessary to promote increased agricultural productivity and reduced agricultural risks.

⁸ Some people argue that subsidy in terms of “providing the physical good” never works. In India, the government has been providing food grain subsidies for a long time. However, in recent years, there has been increasing debate in the Indian Parliament to stop grain subsidies (Refer: Indian Express, New Delhi Edition, 5 July 2011).

⁹ ADB 2009

Higher food prices are also expected to have serious impact on the macro-economy of the country. As the government moves to cushion the impact of higher food prices, direct and indirect subsidies are likely to increase recurrent public expenditures, thus worsening fiscal deficits. The problem will be more serious when the fiscal deficit becomes large. Higher food prices may dampen economic activity. Inflation will reduce real income consumption, saving and investment, all of which may combine to slow down aggregate demand. Should interest rates rise in order to contain inflationary pressures, aggregate demand may be further constrained. For instance, with a strong upward trend in inflation in India, the Reserve Bank of India has recently tightened monetary policy, resulting in higher interest rates. Therefore, if interest rates are raised as standard policy response to control inflation, the eventual effect would result in reduced aggregate demand and may lead to further economic slowdown.

V. What are appropriate policy options for the government?

According to the National Planning Commission, about 25 percent of the population is below the poverty line. With higher prices, the number of people suffering from extreme hunger is likely to increase even further⁷. These people need immediate assistance to save them from the consequences of extreme hunger. However, in the medium term, there is a need to improve the purchasing power of poor food buyers so that they can acquire enough food even at higher prices that are expected to prevail in the future. Fundamentally this requires high economic growth and development in the country. Investment in agriculture, agricultural research, extension and education is the best way to alleviate poverty and stimulate economic growth in the country.

One of the best options for the government to address food insecurity in the short- term includes targeted cash transfers to vulnerable groups. This will help to support the purchasing power of the poor without distorting domestic incentives to produce more food. Another option could be to make the various existing food-for-work programs more effective and extend them throughout the country to ensure food security for all vulnerable groups. Yet another option will

Soaring Food Prices in Nepal: Causes and Consequences

EXECUTIVE SUMMARY

The market prices of agricultural commodities, especially food crops, have increased sharply over the years. These increases have been a significant factor in driving up the cost of food and have led to heightened concern about problems of food security and hunger. Soaring food prices have hit the poor especially hard , having seriously eroded their purchasing power. These price rises have been caused by a combination of mutually reinforcing factors, including untimely rainfall, low production of cereals, increased feedstock use, and rising oil prices.

In order to make appropriate policy decisions, we need to understand the causes of the current price spike, the implications for prices and price volatility in the future, and the impact of food price inflation on households. This policy paper intends to enhance understanding of food price inflation by reviewing the price trends of selected food commodities, examining underlying causes of food price rises as well as discussing policy options for the government's consideration.

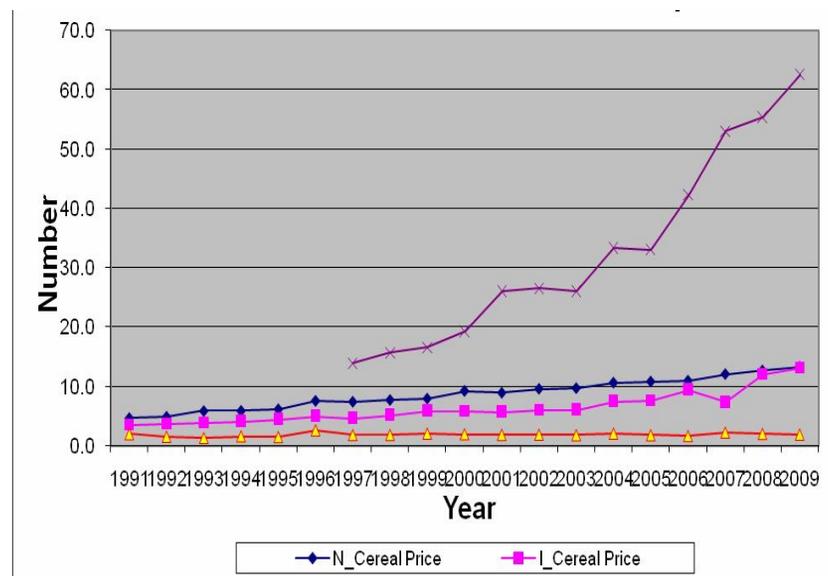
The paper concludes that there are a number of options the government can consider to shore up food security in the country. In the short- term, the government should consider implementing targeted cash transfer programs to vulnerable groups, enhancing effectiveness of food-for-work programs, introducing school feeding programs to improve the dietary intake of students, reducing tariffs on food imports, introducing grain subsidies for the poor, etc. But in the long- term, the government must pay increased attention to agricultural production, for which easy access to agricultural inputs is absolutely necessary. The government will have to seriously consider investing heavily in the improvement of irrigation facilities, in-country production of necessary chemical fertilizers, and strengthening of

agricultural research and extension services. The paper also recommends that, since there is no specialized agency in Nepal which is responsible for maintaining price stability, the responsibilities and capacity of Nepal Food Corporation should be enhanced to enable it to make the necessary interventions.

I. Introduction

The market prices of agricultural commodities in Nepal such as rice, wheat, corn, millet, potatoes, pulses, oilseeds, vegetables, fruits, etc all nearly doubled between 2000 and 2010, and continued rising sharply in early 2011. These increases in agricultural commodity prices have been a significant factor in driving up the cost of food and have led to a heightened concern about problems of food security and hunger, especially for the approximately 8.8 million low income individuals in the country who spend almost 72 percent of their total consumption expenses on food¹.

Figure1: Causes of Food Prices Spike



producers of these commodities as well as the middle men benefit directly from higher prices. Livestock producers, on the other hand, are squeezed by both higher feed and energy costs. For farm households producing mainly for their own consumption or for local markets insulated from price fluctuations, the impacts will be mitigated. But for the urban poor and especially those from the lowest income groups who spend most of their income on food, the impact will be strongly negative.

High food prices are undermining the gains in poverty reduction over the last decade and are likely to make the attainment of the Millennium Development Goals more difficult. Food expenditure comprises a large share of total expenditures in Nepal- more than 71% of consumption expenditure by lower income groups is on food. Millions of people – about 8.8 million – are harmed by soaring food grain prices. Food price inflation may have seriously eroded their purchasing power, thereby increasing the severity of food deprivation and malnutrition. These effects will worsen if the food price surge persists. An important dimension of the present food crisis is that a large segment of the country's population not only in urban areas but also in rural areas comprises net buyers, a majority of whom are poor or near poor. Soaring prices therefore hit them hardest. Higher expenditures on food caused by higher prices contribute to reduced expenditures on health and education, and “squeezes” expenditures that are critically needed for investing in agricultural inputs- such as fertilizers, fuels, and power- to expand food production in response to higher prices.

Higher food prices mean higher inflation. Given the large weight of food prices in the Consumer Price Index (CPI) basket, inflation rates will rise as a result of persistent food price increases. Recently, the Government of Nepal has raised salaries of the government staff and has fixed minimum wage rates for the laborers working in the private sector. This might lead to an inflation spiral, thereby causing inflationary expectations to become embedded in the economy, with the general price -levels rising further. The prospects of this happening will be proportionately greater in an economy such as Nepal that have high inflation.

¹ CBS 2003

growth in agriculture has been constrained by the slow pace of development of high yield and pest resistant varieties. In general, agricultural research stations in Nepal have lacked resources needed to carry out basic research for varietal development and follow-up adaptive research and technology dissemination under diverse agro-ecological conditions. At the same time, the capacity of institutions has remained weak. Enhanced support for agricultural research and technology development is needed to increase agricultural production in the country. Policy inadequacies and weak institutions undermine incentives for agricultural production. Policy interventions such as food grain support prices, input subsidies, involvement of public agencies in food grain imports, marketing and distribution tend to be ineffective over the medium term and inhibit supply increases as there does not exist any capacity to implement these policies.

Although a long term structural concern, global climate change too has had an adverse impact on agricultural output. Landslides and floods, and changes in rainfall patterns have increased risks to rice culture and production in many parts of the country. Rising incomes in the country have driven up food consumption as demonstrated by recent National Living Standard and Household Surveys. Such rising prosperity has steadily increased demand for food grains for consumption, animal feeds and industrial use. The demand for food grain consumption of poor and low income quintiles of the population has increased more than income growth. This trend is projected to continue in the foreseeable future. Food grain demand has increased because of greater meat-based consumption as well. As income levels and urbanization increase in the country, the demand for meat, milk, eggs and other livestock products has increased dramatically. This translates into more indirect food grain (mainly wheat and corn) consumption through animal feed in the livestock industry. Chicken and meat prices in the country have increased phenomenally over the years, as have milk and butter prices.

IV. What are the impacts of high food prices on households?

The impact of high food prices in the country depends on the interplay of various factors. In general, big farmers and the commercial

The causes of this price spike are complex and the price rise is mainly due to a combination of mutually reinforcing factors, including untimely rainfall, low production of cereals, increased feedstock use, rapidly rising oil (diesel) prices, and the international price rise especially in India. Fig. 1 shows that the food price spike in Nepal has been primarily caused by rising oil prices, and by the increase of food prices in India. This turmoil in commodity markets has occurred against the backdrop of an unsettled and fluid political situation, frequent strikes, shutdowns and labor unrests. Certain businessmen have occasionally taken advantage of this unsettled political situations and hoarded substantial amounts of food stocks thereby creating artificial food shortages in the market, which has led to sharp rise in food prices.

Tight market conditions for essential agricultural commodities pose policy challenges for the government. In order to take appropriate policy decisions, we need to understand the causes of the current price spike, the implications for prices and price volatility in the future, and the impact of food price inflation upon various members of society. This policy brief intends to enhance understanding of food price inflation, thereby contributing to sound policy formulation by the government. Part II of the brief reviews the price trends of selected food commodities over a period of four decades. Part III discusses the underlying causes of the dramatic increase in the national prices of staple foods- such as rice and wheat, edible oils- and the accompanying rise in overall food prices in the country. Part IV evaluates the impact of rising food prices on households. Part V discusses policy options for the consideration of the government, and part VI makes some concluding remarks.

II. Are food price hikes unprecedented?

The price of food has doubled every decade for the last four decades. Set against this historical trend, the recent rise is less shocking. For example, the average market price of coarse rice has increased 13 times between 1971 and 2010. Likewise, the prices of chicken, eggs, milk, potatoes, and black gram have risen by 23 times, 17 times, 18 times, 19 times and 39 times respectively (Table 1). Indeed, there is not a single commodity which has not become more expensive during

these years. Yet, average per capita GDP has increased modestly from \$157 in 1981/82 to \$559 in 2009/10.

Table 1: Average annual prices for selected food commodities, 1971/72-2009/10

Unit: Rs/Kg

Commodity	1971/72	1981/82	1991/92	2001/02	2009/10
Coarse rice	2.24	3.94	9.81	17.07	29.96
Flattened rice	3.65	6.53	14.76	23.97	37.98
Lentil (broken)	-	-	20.95	40.56	105.78
Potato	1.37	2.47	6.28	13.31	30.00
Chicken	8.96	24.61	69.87	133.23	191.84
Egg	0.43	0.97	2.42	4.53	7.00
Milk	1.84	4.05	11.01	21.75	32.02

Source: Agricultural Marketing Information Bulletin (Special Issue-2010, MoAC)

Table 2 provides average monthly prices of the selected agricultural commodities during 2009/10. It shows that the price of coarse grain rice increased by more than 7% between Baisak to Chaitra in 2009/2010. The price of wheat flour, chicken and lentil increased by about 16 %, 27%, and 17% respectively during the period. The only agricultural commodity whose price declined in 2009/10 is mustard oil, but this trend was short-lived. The price has started rising again in 2010/11.

Table 2: Average Monthly Prices of Selected Agricultural Commodities, 2009/2010

Commodities	Units	Year	Baishak	Jestha	Ashad	Shrawan	Bhadra	Aswin	Kartik	Marga	Poush	Magh	Falgun	Chaitra	Average
Rice Coarse	Kg.	2009/10	29.60	30.20	30.94	31.06	32.03	31.92	31.61	33.40	32.53	31.63	32.14	31.79	31.57
Flattened Rice Local	Kg.	2009/10	38.17	40.00	41.79	41.33	40.87	42.04	41.30	37.71	41.20	39.35	41.68	42.47	40.66
Wheat Flour	Kg.	2009/10	29.15	28.93	29.09	29.98	31.10	31.26	31.41	33.35	33.55	32.09	33.13	33.67	31.39
Lentil Broken	Kg.	2009/10	92.29	92.67	94.89	105.88	106.85	110.49	109.72	111.36	112.59	113.16	111.76	107.70	105.78
Mustard Oil	Lt.	2009/10	135.83	134.70	130.60	132.15	133.92	136.82	135.63	135.12	132.57	132.20	131.26	130.69	133.46
Chicken	Kg.	2009/10	215.62	225.48	233.05	247.36	256.88	251.79	255.05	248.31	253.95	259.10	269.64	274.43	249.22
Hen Egg	Nos	2009/10	7.51	7.68	7.82	8.10	8.30	8.87	9.12	9.06	9.09	9.65	9.12	9.07	8.61
Milk	Lt.	2009/10	38.54	42.10	42.47	36.46	37.47	37.14	39.09	39.30	38.97	39.78	38.30	39.17	39.07

Source: Agricultural Marketing Information Bulletin (Special Issue-2010), MoAC

Figure 2 shows the evolution of annual average national prices of major food commodities from 1969/70 to 2008/09. It can be seen that there has been an unprecedented price rise for chicken during the last four decades, whereas price of eggs has risen at a relatively moderate rate. The market price of chicken has risen steadily since the 1970s, and at a more rapid rate since the inauguration of multiparty

Table 5 Comparing oil and cereal food grain prices

Year	Average cereal prices (per kg)		Average diesel prices (per litre)
	Rice course	Wheat flour	
1995/96	13.99	12.38	13.88
1996/97	14.71	13.60	15.63
1997/98	15.78	14.30	16.50
1998/99	17.42	15.50	19.25
1999/00	20.51	18.23	26.00
2000/01	17.97	17.71	26.50
2001/02	17.07	17.05	26.00
2002/03	17.20	18.34	33.33
2003/04	17.88	20.73	33.00
2004/05	18.13	20.45	42.25
2005/06	29.90	21.68	52.99
2006/07	22.63	25.54	55.36
2007/08	25.51	28.02	62.50
2008/09	29.79	29.47	56.83
2009/10	31.57	31.39	62.72
2010/11			

Source: NOC(for oil price) and MOAC

established in the country. Besides, the diversion of cereal use from food to feed products is also on the rise in the country in recent years. All of these activities have increased demand for cereal grains. Obviously, the production of food grains has not been able to keep pace with demand. It can thus be fairly established that the production shortfall has been one of the major contributors to the current spike in food prices in the country.

In recent years, fertile land is also being rapidly diverted to urban/industrial uses, which has adversely impacted supply growth. An informal study estimated that up-to 45% of good agricultural land have been converted to urban/industrial uses in Kathmandu during the last few years. There is also a similar trend in converting agricultural land to non-agricultural uses in most district headquarters, and along major commercial highways. Kathmandu Post recently reported that the country has lost about 75,695 hectares paddy field in Terai region alone between 2008-2009 and 2011-2012⁶. Meanwhile, productivity

⁶ Sangam Prasain, Kathmandu Post, Saturday, August 27, 201

Table 4: Purchase of food grains, food aid and distribution of food grains to the deficit districts (in metric ton)

Description of food sales	2002/03	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Inaccessible districts	5,653	5,568	5,882	7,337	8,949	12,043	15,085	15,884	15,572
Kathmandu valley	10,679	7,176	7,238	11,940	14,486	8,242	4,084	3,359	3,908
Accessible districts	1,223	8,953	952	1,012	928	989	1,481	1,605	1,639
Total sales	17,555	21,697	14,072	20,289	24,363	21,274	20,650	20,848	21,119
Of which foreign food grain assistance	-	7,952	18,785	8,282	5,527	5,222	7,100	9,660	11,184

Source: NFC

A structural factor that has contributed to the rise in food prices is the rising price of energy, which has increased the cost of energy intensive and critical inputs like fertilizer and irrigation, in addition to fuel and power. The price of diesel increased by 352% between 1995/96 and 2009/10. Increases in energy costs have translated into high input and labor costs. Since the domestic production is not adequate to meet the growing demand for food, a significant share of food grains and food products have been imported from other countries in recent years. In addition, Nepal imports all of its fuel requirements. The sharp increase in oil prices in recent years has had a devastating effect on the economy of the country in general, and in the rise of food prices in particular.

Table 5 shows the average annual prices of the cereals (namely rice coarse and wheat flour) and diesel. In 1995/96, price per kilo of coarse rice and wheat flour was Rs 13.99 and Rs 12.38 respectively, and that of diesel was Rs. 13.88 per litre. During 1995/96 to 2009/10, the average retail price of rice rose by 126 percent to Rs. 31.57. The price of diesel increased by 352 percent during the same period. Thus, it is very clear that the sharp rise of fuel oil in recent years has contributed substantially to increased cereal prices.⁵

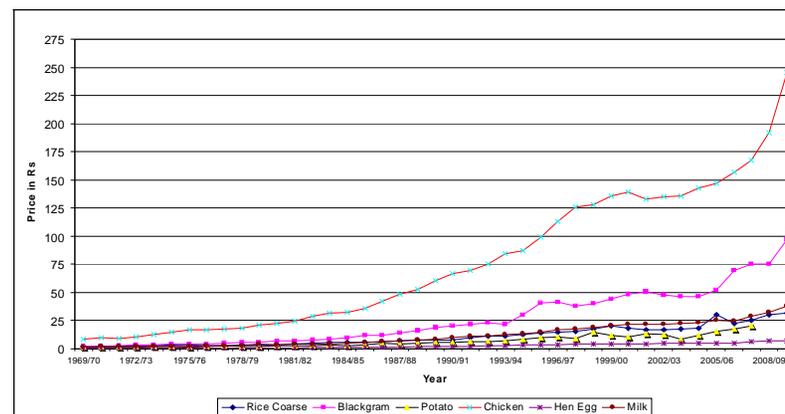
Meanwhile, dietary habits have changed rapidly in recent years, especially in urban areas. People are eating more processed foods now than ever before. A large number of food processing plants have been

⁵ A simple linear regression estimate between the price of coarse rice and diesel price shows that one rupee price rise in a litre of diesel increases the price of a kg of coarse rice by about Rs 0.29.

democracy in the 1990s. As the income levels improved, demand for chicken products increased, which pushed up the market price.

Soaring food grain prices have caused serious concern in the country. The estimated 8.8 million people who spend about 72 % of their total consumption expenditure on food have been hard hit. High and rising food prices have not only severely stressed the most vulnerable groups, but also threatened to reverse the recent gains in poverty reduction (from 42% in 1980s to about 25% percent at present)². The government does not seem to be taking any short or long term initiatives to address the rising food prices in the country. 70% of current inflation is due to the rise in food price³. Thus, unless the government initiates immediate measures to control the high inflation in the country, the vulnerable groups will continue to suffer and be pushed into further deprivation and hunger.

Figure 2: National Annual Average Price of Agriculture Commodities in Nepal 1971-2010



III. How can the current price spike be explained?

Generally prices rise when markets are tight. However there are a number of underlying causes of the recent surge in food prices in Nepal- some are cyclical and others are structural in nature. The cyclical

² CBS 2009

³ Khanal 2011

factors are short-term phenomena that will ease over the year, but the structural factors are medium to long-term, indicating that the problem of high cereal and food prices will continue into the foreseeable future. Both cyclical and structural factors may impact the food price either by raising demand or reducing supply.⁴ The random adverse weather conditions are among the cyclical factors that have contributed to reduced harvests in major rice producing regions of the country. In recent years unfavorable weather conditions have pushed crop yields below average levels. Table 3 shows sharp fluctuations in average annual rainfall. The average annual rainfall varied between 1500 mm to about 2100 mm during the last four decades.

The table also shows that cereal food production in the country has remained more or less stagnant from 2001/02 to 2009/10. Whenever there has been some increase in the production, this has been due to good rainfall. But the timeliness of rainfall matters more than volume. Monsoons have been arriving later than usual in recent years because of global climatic changes, but farmers have not been able to adapt cropping patterns accordingly.

Table 3 also shows that the use of chemical fertilizers in Nepal has decreased in recent years from almost 73,000 metric tones in 1991/92 to about 30,000 metric tones in 2010/11 and that there has been

hardly any change in the total irrigated area. As a consequence, the yield rates of major cereal crops such as rice, wheat and maize have not increased significantly.

The precautionary demand for food stocks is another cyclical factor that is likely to contribute to soaring food grain prices. Some public food grain agencies and private traders hoard food products in anticipation of price rises, which pushes up prices and creates opportunities for windfall profits.

Export bans and price controls imposed by other countries, especially India, have occasionally reduced supplies of some essential food items and increased uncertainty about future supplies, thus pushing up food prices. Lack of efficient logistics systems and infrastructure for food grain marketing and distribution in the country tightened the market further. Majority of the hilly districts still lack all-weather roads that connect to districts in Tarai region that have surpluses of food grains. Lower than expected food grain production during the food crisis could keep supplies tight and prolong the crisis. Hence farmers need to be encouraged to enhance agricultural production, and must be helped along by government policies.

The Nepal Food Corporation (NFC) was established in 1974 with the objectives, among others, of accumulating food stocks for distribution to deficit districts, maintaining price stability of food products, and implementing the government's food policies. Accordingly, it has been purchasing food grains from the market and selling them in various districts since its establishment. NFC began accepting food grain from donors in 2003/04. Table 4 provides information on the purchase of food grains, food aid, import and distribution of the food grains to the deficit districts for the last several years. The demand for food grains in the deficit hilly and mountain districts of the country is significantly higher than what is distributed by NFC. Hence, NFC assistance is insufficient to protect poor people in deficit areas from rising food grain prices.

Table 3: Factors contributing to price fluctuations

Fiscal year	Total cereal production ('000 metric ton)	Population (million)	Use of chemical fertilizer (metric ton)	Average annual rainfall (mm)*	Average yield rates of selected cereal crops (metric tone per hectare)		
					Rice	Wheat	Maize
1971/72	3442	11.56	NA	NA	1952	933	1730
1981/82	3983	15.02	23817	1910	1970	1320	1580
1991/92	5464	18.49	72719	1576	2280	1360	1590
2001/02	6965	23.15	19713	1901	2730	1890	1830
2002/03	7077	23.70	38950	1831	2670	2010	1880
2003/04	7463	24.24	11711	2092	2860	2090	1910
2004/05	7477	24.80	18458	1845	2780	2130	2020
2005/06	7365	25.34	8136	1689	2720	2070	2040
2006/07	7044	25.89	12751	1533	2560	2160	2090
2007/08	7778	26.42	3285	2096	2770	2220	2160
2008/09	7822	26.92	3157	1895	2900	1930	2200
2009/10	7762	27.50	42178	2095	2720	2130	2120
2010/11	8566	28.04	29604	1894	2980	2310	2280

Source: Economic Survey, Fiscal Year 2010/11.

* Statistical Year Book 2009, CBS