Star BUSINESS

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‘No prior notice from India’

Says commerce minister on the distressing onion episode in an interview with Star

REFAYET ULLAH MIRDHA

When misfortune strikes, it comes in waves, it is often said. And this perfectly sums up Tipu Munshi's brief tenure as the commerce minister thus far.

Sworn in at the beginning of January last year, he was flying under the radar until September, when export data for the month of August was released. Export receipts came crashing down and is yet to pick up from there.

A week later came the news of India slapping a high minimum export price for onion, Bangladesh's major source for the key cooking ingredient. And then on September 29 the country was hit with the news that India will put an indefinite ban on onion exports, sending the tuber's price on the other side of the border spiralling to as high as Tk 280 a kg.

These two events define Tipu Munshi's time as the commerce minister. Was he just unlucky? Or, did he lack the foresight to avoid them? He, however, maintains that the events were out of his hands.

"India did not give us any prior notice that they would stop exports," Munshi told The Daily Star at his office in the secretariat last week.

Had the neighbouring country not taken the drastic step, he insists, that the onion price in Bangladesh would have stayed the same -- which would have given him a better first-year report card.

"Of the everyday commodities, only onion prices have increased -- and it is because of India. We have 80 per cent dependency on exports for onion."

And yet, alternative arrangements did not come fast enough, fanning the onion prices further.

"Since our local production is not sufficient and India cut off supply all on a sudden, it took us some time to look for alternative markets and strike a deal. We had to bring onion by sea from Egypt, Turkey, China, which took us up to 45 days."

Onion prices now hover around Tk 100, which is still higher than its normal price of Tk 40, before India put export restrictions.

"But, freshly harvested local onions are coming to the market and we are also importing from other countries, so the prices have come down a bit. We are hopeful that the prices will come down further in the days ahead."

Probed about the recent media reports that the neighbouring country has offered onion to Bangladesh, Munshi acknowledged the development.

"India have imported onion from Turkey but they no longer want to use it. They are thinking of reselling it and have intimated us whether we want to take them or not. But this is not possible at the government level."

Instead, the government has informed the business community via the country's apex trade body that they can import that batch of onion from India if they like.

Asked what steps he is taking to prevent such a frenetic scenario in future, he said all hands are on deck in boosting local production of onion.

"Perhaps it will take us about two years. We are hopeful that if our farmers get the right price they will be able to cover the 25 per cent shortfall that we have now. Efforts are on way on that front."

Another tricky situation lies ahead of him: the Muslim holy month of Ramadan, when the commodity prices invariably spiral despite the government's best intentions. Ramadan is scheduled to begin on April 23 this year.

Munshi is defiant that such a situation will not arise this time as he is taking enough preparations.

"We are fully prepared to face Ramadan."

Other than heightened market monitoring, the government will sell 5-6 commodities that see escalating prices during Ramadan -- such as onion, oil, chickpea and sugar -- via the Trading Corporation of Bangladesh.

"We will supply those products five times more than what we did before," he said, adding that the plan is to do it all round the year in that scale, but the government is starting with Ramadan.

Asked if the government would be shutting out the private sector players from commodity trade, he said: "TCB won't be controlling more than 15 per cent of the market. The rest is still open for private sector players -- let them handle it."

Previously, TCB's share was 3-4 per cent.

"And all standards say, if the supply can be raised by even 10 per cent by intervention, then the price will come down and stabilise."

And beyond Ramadan, he plans to assess the market all year round and plan accordingly to check sudden commodity price hikes.

Other than keeping an eye on the goings-on in the local market, the commerce minister Munshi also has to expand Bangladeshi manufacturers and growers' market abroad.

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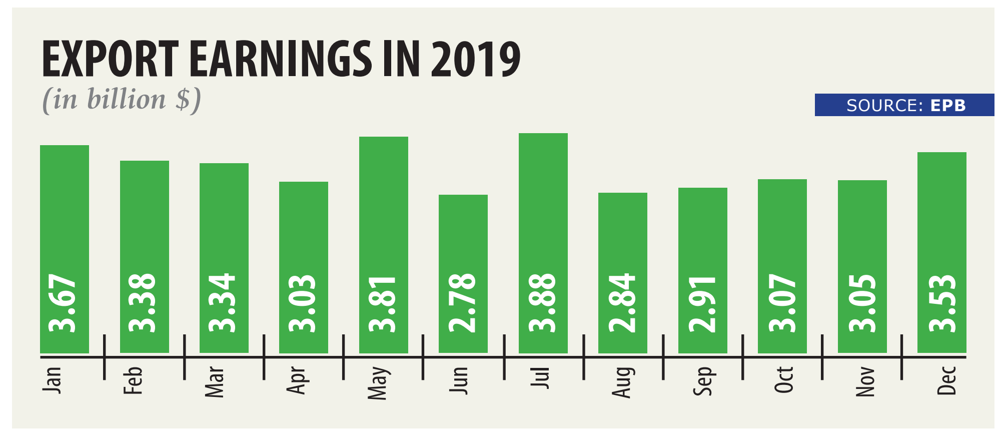
Tipu Munshi



AT A GLANCE

- Born on Aug 25, 1950 in Gopalganj
- Studied at Government Titumir College
- Played pivotal role in 1969 mass uprising
- BGMEA president from 2005-2006
- Son passed away; now has two daughters
- Current director of STS Group
- Current managing director of Sepal Group
- Contested from Rangpur, where he grew up
- Elected MP for third time on Dec 30, 2018
- Became minister of commerce on Jan 7, 2019

Govt rests easy as NBR collections rise

Receipts up 7.3pc in first half of fiscal

STAR BUSINESS REPORT

Revenue collection edged up in first half of the fiscal year, spurred by improving receipts of value-added tax (VAT) and customs tariffs -- much to the relief of the government that is distressed about the slowing receipts.

The National Board of Revenue (NBR) logged in Tk 105,161 crore for the months of July and December of last year, up 7.3 per cent year-on-year, according to provisional data.

At this time in 2018, the NBR's collection growth was 6.4 per cent.

It is a somewhat heartening development for the government that is chasing a towering target of Tk 325,600 crore this fiscal year.

The first half collections missed the periodic target by Tk 31,507 crore, meaning the government will have to increase its borrowing from the banking sector to finance its budgetary plans.

Already, the government's borrowing from the banking sector exceeded its total target of Tk 47,365 crore, according to data from the Bangladesh Bank.

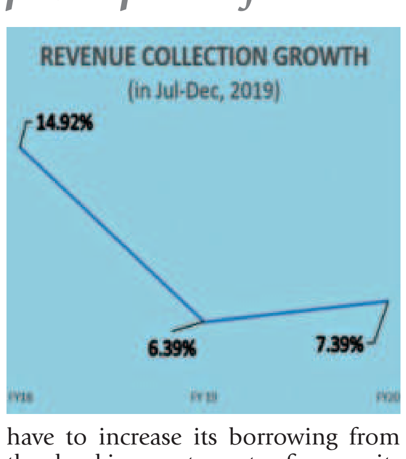
Taxmen will have to collect a staggering Tk 220,440 crore in the second half of the fiscal year -- a seemingly impossible mission.

In the first half of the fiscal year, collection of VAT, the biggest source of revenue, increased 7 per cent year-on-year to Tk 41,090 crore.

This suggests the VAT and Supplementary Duty Act 2012, which took effect from July 1 with promises of raising collections substantially, is yet to bear much fruit.

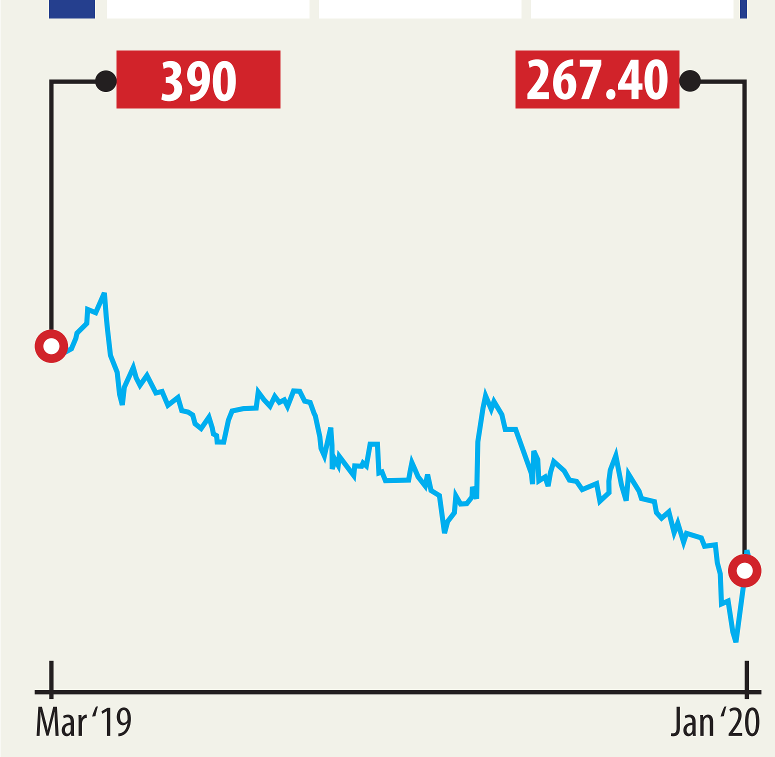
Customs officials could snap the downturn in collection recorded until November of this fiscal year: tariff receipts rose 2 per cent year-on-year to Tk 31,423 crore in July-December period.

And income tax receipts stood at Tk 32,646 crore in the first half of the current fiscal year, up 14 per cent year-on-year.



GP AT A GLANCE

Active customers 7.65cr as of Dec 2019	Market share: 46.18%	Internet connections: 4.06cr as of Sep 2019
Internet market share: 41.26%	Total revenue: Tk 10.749cr in first nine months of 2019	Net profit: Tk 2,531.81cr in first nine months of 2019



Timeline of BTRC's tussle with GP

2015
BTRC starts the process of auditing GP's accounts

2019
Mar: First audit claims Tk 11,539.15cr

April 2: BTRC seeks Tk 12,579.95cr

Jul 4: BTRC slashes 30% bandwidth

Jul 17: Bandwidth restriction withdrawn

Jul 22: BTRC stops approval for new package and equipment import

Aug 26: GP seeks injunction against BTRC's claim of Tk 12,579.95cr

Sep 5: BTRC issues show-cause notice over revoking licence

Sept 5: GP goes to HC against the move

Oct 16: Govt decides to appoint administrator in GP

Oct 17: HC issues two-month injunction on the BTRC move

Nov 24: SC asks GP to pay Tk 2,000cr to BTRC within three months

Jan 26: GP files review petition to pay Tk 575cr in 12 instalments

Lubricant consumption rises but prices stay high

Local production can only bring down prices

JAGARAN CHAKMA

The market for various petroleum products has expanded at an average rate of about 6 per cent in the last eight years following a rise in the number of vehicles and power plants in service.

But, the end users are yet to enjoy the benefits that usually accompany a competitive market, such as product diversity and lower costs, due to a lack of local production.

"The industrial sector will be benefitted when engine oils are blended in the country as only then will prices come down. Lube processing is not a high tech industry," said Amirul Haque, managing director of Premier Cement.

Petroleum products are materials derived from crude oil and processed at oil refineries to make motor oil, engine oil, engine lubricants and a host of other products.

Consumers of petroleum products in the industrial sector use imported engine oils or locally blended ones as there are no available alternatives.

Only when the products are processed in Bangladesh can consumers compare prices and enjoy benefits, said Tapan Sengupta, deputy managing director of BSRM.

If the multinational companies form joint ventures with local companies to blend petroleum products in Bangladesh, then the bulk users would be greatly benefited, he added.

About 20 per cent tax is imposed on the import of finished lubricants, while the tax for base oil import is only 10 per cent.

"So this system is not encouraging for companies who want to blend the lubricant locally," said Md Shahin Alom, deputy general manager for sales and marketing at MJL Bangladesh, which blends competitive grade lubricant named 'Omera' brand alongside Mobil.

In 2019, the market size for petroleum products reached Tk 3,616 crore, with total demand standing at 1.60 lakh tonnes.

The demand for the products will continue to rise in line with the increasing population as it is an essential part of maintaining or operating any kind of machinery, according to market insiders.

In anticipation of the growing engine oil market, Pertamina Lubricant, an Indonesian state-owned oil and gas company, launched their Bangladesh operations last week.

Consumers can benefit from market saturation as it leads to lower costs and better quality, said Zeeshan Saif, chief marketing officer of Pertamina, whose products are being marketed through their local partner Intraco CNG.

The demand for lubricants will continue to rise for the next 15 years at least, with the rental power plants and the industrial sector together accounting for about 40 per cent of total consumption, said Alom of MJL Bangladesh.

With the number of power plants operating in the country having jumped to 133 in the last nine years, electricity production has increased nearly four and a half times, according to data from the Bangladesh Power Development Board.

The Bangladesh oil market is consolidated by the top five players -- MJL Bangladesh (Mobil), Navana Petroleum (Caltex/Chevron), Trade Services International (Total), Rahimafrooz (BP) and Ranks Petroleum (Royal Dutch Shell PLC).

They account for about 50 per cent of the total market share while the remaining half is split up between other brands, according to industry insiders.

Mobil leads the charts with 27 per cent market share; it is followed by British Petroleum (BP), whose market share is 12 per cent. French multinational Total control 11 per cent of the market, while Shell, Castrol and Caltex enjoy 3 per cent each. SERVO sits at the bottom with one per cent of the total market share, industry insiders said.

Despite the growing market for engine oils, consumers are yet to experience any benefits such as the Original Equipment Manufacturers (OEM) say that the oils used in their machinery must meet certain requirements -- and the local producers are unable to meet them.

Consumers should follow OEM guidelines if they want their engines to last, said Ruhul Huq, director of Trade Service International and distributor of TOTAL.

However, consumers will ultimately be benefited by increased competition in the market, he added.

LUBRICANT MARKET

- Annual consumption 1.60 lakh tonnes
- Annual sales Tk 3,616 crore

BREAKDOWN (in tonnes)

Vehicles	80,000
Industries	65,000
Agricultural	10,000
Water vessels	5,000

BRAND SHARES (in %)

Mobil	27
BP	12
Total	11
Shell	3
Castrol	3
Caltex	3
SERVO	1
Others	40