Cotton imports tipped to return to pre-pandemic levels by year-end

Refayet Ullah Mirdha

Cotton imports witnessed a slump for the first time in over a decade last fiscal year due to a fall in demand from local mills amid a stunning drop in apparel work orders for the global coronavirus pandemic.

In fiscal 2019-20, Bangladesh imported 7.1 million bales of cotton, down 13.4 per cent from a year earlier, according to data from the Bangladesh Textile Mills Association (BTMA).

As in previous years, cotton imports were on the rise up until February due to the high demand for yarn and other fabrics from garment exporters.

However, imports crashed from then onwards as most garment factories were shut down after the government declared a two-month 'general holiday' on 26 March aimed at curbing the spread of coronavirus.

As a result, most spinning and weaving mills were also shuttered during the March-June period.

When the nationwide lockdown eventually came to an end on May 30, most mills resumed operations with previous stocks of cotton rather than importing more despite the significant fall in price for the cellulose fibre at international markets.

Cotton is now trading at between $0.62 to $0.64 per pound in the New York Futures markets, down from the previous range of $0.70 to $0.75 during pre-pandemic times.

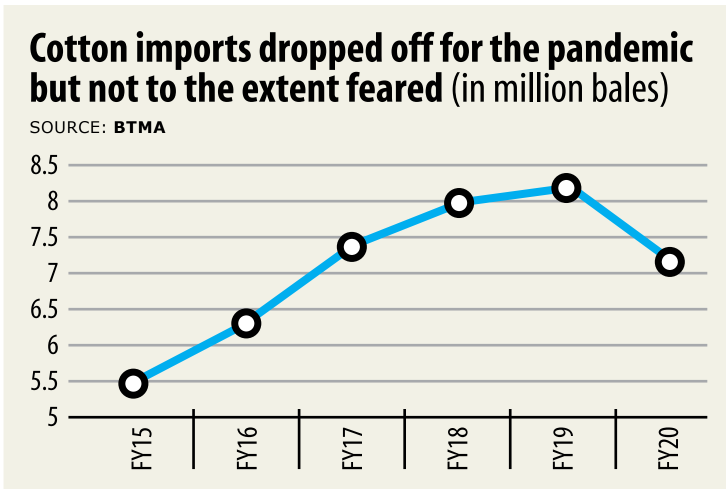
Almost all of Bangladesh's domestic demand for cotton is met through imports as local growers can only supply less than 3 per cent of the country's annual demand.

Both the import and consumption of cotton in Bangladesh had risen steadily for the past decade as the country's thriving garment sector has led to the formation of many strong backward linkage industries.

The garment sector has seen tremendous growth over the years as Bangladesh's status as a least-developed country allows its apparel products to enjoy duty-free access to many developing and developed nations.

"Since last month, the consumption of cotton started growing as garment factories resumed production after about three months," said Khorshed Alam, managing director of Little Group, a leading cotton importer and consumer.

Typically, Alam imports nearly 33,000 bales of cotton each year. One bale equals 480 pounds.



Millers used their previous stocks of cotton after reopening their factories following the lockdown.

Besides, many importers delayed releasing cotton shipment from the port amid the coronavirus outbreak.

Textile millers also faced other issues, such as having to preserve unsold stocks of yarn and other fabrics.

However, the previous inventory of such materials has emptied significantly due to the return of demand from garment manufacturers.

"So now, we will start importing cotton again," Alam added.

The pandemic is the sole reason for the declining trend of cotton imports, said Razeeb Haider, managing director of Outpace Spinning Mills.

"I am very much hopeful that cotton imports will rise again soon as the demand for yarn and other fabrics has been increasing gradually," he added.

Most garment factories in Bangladesh are now running at 75 per cent of their total production capacity and this indicates that work orders are coming back.

The demand for various fabric materials could go even higher after September if the international retailers continue to source their products from Bangladesh at the current pace, he added.

Echoing the sentiments of Alam and Haider, BTMA President Mohammad Ali Khokon said that more than 50 per cent of the annual sales target for fabrics had been met by July.

"I hope sales recover by more than 75 per cent by September and fully by the year-end."

By January next year, sales should return to its previous growth rate, Khokon added.

Of the $8 billion invested in the primary textile sector, Tk 20,000 crore has already been lost to the coronavirus fallout, according to numerous millers.

About 11,000 micro, small, medium and large spinning, printing, dyeing and weaving mills were unable to produce any goods in March and April for fear of coronavirus contagion.

As a result, the millers missed two mega sales events, Pahela Baishakh and Eid-ul-Fitr.

Currently, there are about 450 spinning mills in the country while total investment in the sector stands at Tk 40,000 crore. Besides, Tk 30,000 crore has been invested in the weaving and dyeing sectors.

Mining at Maddhapara to resume after 132-day closure

Our Correspondent, *Dinajpur*

Maddhapara Granite Mining Company (MGMCL) is getting ready to resume operations after remaining closed since the imposition of the countrywide shutdown on 26 March.

But the pandemic took a heavy toll on the local workers, most of whom work on the "no work, no pay" basis.

MGMCL plans to restart rock production on 15 August after remaining shut for 132 days.

"Production will resume within a week if everything goes according to plans," said ABM Kamruzzaman, managing director of the state-owned rock production company.

But to reopen the company, the local miners had to take to the streets. The shutdown rendered 800 Bangladeshi miners jobless employed by Germania Trest Consortium (GTC), the contracting company of MGMCL for production, maintenance and development.

MGMCL in Parbatipur upazila of Dinajpur had about 7.5 lakh tonnes of rock in its stock in March, which came down to 1.5 lakh tonnes on 9 August, as the company restarted sales in May.

"We have been demanding reopening of the mine since May," said Khorshed Alam, president of the MGMCL Miners' Association.

The miners used to gather in front of the company's gate and urged GTC to restart rock production so that they can earn something to feed their families, he said.

"But the company never paid heed to our call."

On 5 August, GTC allowed 800 miners to return to work thanks to the intervention of local lawmaker and former minister Mostafizur Rahman, Alam said.

MGMCL signed a new six-year contract with GTC in September 2013 and the earlier contractor North Korea's Namnam handed over the mine to GTC in February 2014.

GTC's contract ended in February this year, but it got a one-year extension as it failed to reach the target of producing 9.2 million tonnes of rock.

MGMCL has floated a tender to hire a new company for the mine. However, production at Barapukuria Coal Mining Company Ltd (BCMCL) in the same upazila has continued despite the pandemic.

China-based CMC-XMC Consortium, the contractor, kept the mine running by involving its 300 Chinese miners and by keeping away 1,147 local workers. In July, the company opened the door for 450 local miners.

Pragati Insurance's financial reports fall foul of watchdog rules

Ahsan Habib

Anomalies in preparing financial reports of listed companies are not rare in Bangladesh and the authorities have tracked down yet another case.

After gross irregularities were detected in Pragati Insurance's financial statements for 2019, the Financial Reporting Council (FRC), the watchdog for financial reporting and auditing practices in Bangladesh, has decided to review the reports.

Hoda Vasi Chowdhury & Company, the auditor of Pragatai Insurance, recently issued the auditor's report on financial statements and other issues in the annual report of the insurer that is listed with the Dhaka and Chattogram bourses.

The insurer announced 22 per cent cash dividend for the year on the basis of the financial report that will be published soon.

"Pragati Insurance has not followed the international financial reporting standards (IFRS) properly in preparation and presentation of the financial

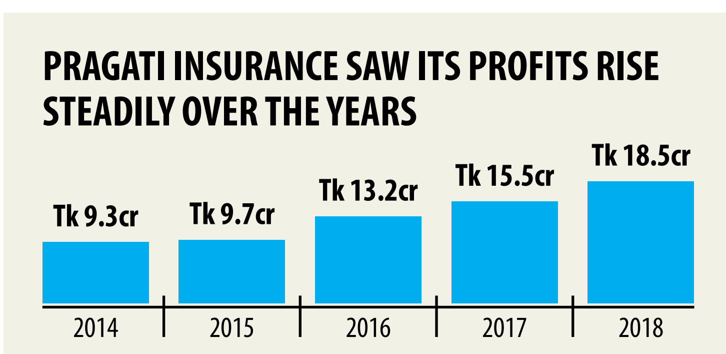
statements," the auditor said in its report.

But all companies have to follow the standards as per the Bangladesh Securities and Exchange Commission Ordinance, 1969 and other laws of the country.

In addition, the insurer did not disclose the reconciliation of net income for non-cash items, non-operating items and net changes in operating accruals.

The auditor could not verify the accumulated liability for income tax charges for several years reported on 31 December 2019 at Tk 53.77 crore in the absence of relevant information.

"We are not aware of pending cases of assessment and related liabilities, disputed or agreed, as the related information was not made available for our review," the auditor said, adding that



deferred tax has also not been calculated as required.

The auditor could not verify if the company has made investments in designated instruments and in the manner prescribed by the Insurance Development and Regulatory Authority (IDRA).

On the other hand, Pragati Insurance incurred management expenses including insurance commission in excess of the limit set by the IDRA.

The correctness of the net book balance of fixed assets as of 31 December 2019 amounting Tk 229.21 crore could not be verified due to the absence of necessary records, the auditor said.

"The insurer did not set aside the due part of its profits in relation to workers' profit participation and welfare fund as required under the Bangladesh Labour Act 2006 and did not also forward any justification in support of its inaction."

The payables against expense (withholding tax) and outstanding dividend are yet to be paid to the respective persons and authorities, the auditor said.

"On the other hand, there is receivable from Jamuna Resort, which may not be realised."

The auditor found different types of reserves that the insurer created without any basis.

Reserves for exceptional loss are being carried in the company's books since long and the amount now stands at Tk 93.53 crore.

The amount has been charged to the profit and loss account and accordingly tax benefits have been availed under the income tax ordinance.

"However, there was no basis for such reserves as per the accounting standards."

Pragati Insurance did not explain to the auditor about the contingency reserve with the balance of Tk 10.58 crore that has been carried since 2000.

"It's good to see that auditors are now reporting such gross irregularities they find while conducting their statutory audits," said Sayeed Ahmed, executive director of the FRC, while commenting on the findings of Hoda Vasi Chowdhury & Company.

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Come November, there will be more than 55 lakh tonnes of surplus rice

Still food ministry taking preparations to import grains to build up stock

Star Business Report

Bangladesh will have more than 55 lakh tonnes of surplus rice after meeting the domestic demand at the end of November, according to a study by the Bangladesh Rice Research Institute (BRRI) unveiled yesterday.

The state agency sees no shortage of rice in the near future as aus harvest is ongoing and aman will hit the market in November-December. As the production of rice has increased, the country had two crore tonnes of rice in stock until June, the BRRI said.

The findings were shared by BRRI Director General Md Shahjahan Kabir at a webinar on whether Bangladesh was going to face any rice shortage in the short run amid the pandemic.

The BRRI said farmers have reaped benefits of the increased prices of paddy.

A tendency is growing among farmers to hoard paddy this year because of the fear of food shortages and expectations of higher prices in the days ahead, Kabir said.

The BRRI expects that aus rice production would not be less than 30 lakh tonnes though floods have damaged crops on 30,000 hectares.

The findings come at the time when the food ministry is preparing to import the staple to keep the public stock intact.

The present stock of 12.5 lakh tonnes of rice and wheat is set to exhaust by December owing to the government's food distribution and other social safety net programmes.

The food ministry is mulling over importing the grain amid sluggish progress in the procurement of rice and paddy due to a lack of interest among millers and farmers to

supply the cereal to public warehouses.

Until now, the government's food office could meet 20 per cent of its paddy procurement target of eight lakh tonnes and 45 per cent of its rice procurement target of 11.5 lakh tonnes. And by the looks of things, it is assumed that the target of paddy procurement is unlikely to be achieved within the deadline of 31 August.

So, there will be a shortage of rice that is expected to be met through paddy procurement, said Food Minister Sadhan Chandra Majumder at the event.

"We have taken preparations to import to maintain an adequate stock such that the market remains stable," he said, adding that businesses might hike the prices of the grain if public food stock depletes. Some traders are waiting in the wings to increase the prices but the government will not let it happen.

"We have taken all the preparations to stay clear of a crisis like the acute shortage of onion that the nation endured last year," he added.

Prolonged floods damaged transplanted aman seedlings along with a portion of standing aus crop, said Agriculture Minister Muhammad Abdur Razzaque.

Uncertainty about the amount of aus production, fear centring a low yield of aman and a spike in prices have created concerns among people, the minister said.

"We will import rice in a small quantity if aman cultivation suffers," he said, adding that the agriculture ministry took measures to increase the production of aman and support flood-affected farmers so that they can grow rice and other crops.

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