Agriculture sector's resilience on the wane: What to do?

Khondaker Golam Moazzem

The resilience of the domestic agriculture sector mainly of the crop sector appears to be in a weak state. Without proper policy intervention the pressure on the agriculture sector would increase further and would cause a number of challenges on food security for a large section of people in the coming months.

Although Bangladesh economy has been confronting multiple challenges since March 2020 in view of Covid-19 pandemic, the resilience of the agriculture sector mainly in rice production was a major relief for the country.

A number of positive intervention of the Ministry of Agriculture had ensured timely harvesting of Boro rice from major rice producing regions such as haor areas. Despite that production of non-crop agricultural products such as vegetables, poultry, dairy, livestock and partly fisheries have been badly affected.

And the government's policy intervention (Tk 9,000 crore for farmers and Tk 3,000 crore for livestock, fisheries and agro-based rural enterprises) would not be of significant positive contribution.

Even the agriculture sector has been badly affected afterwards -- first by cyclone Amphan in the south-western Part of Bangladesh and later by three consecutive floods, which caused significant damages in 33 districts, inundating one-third of the country.

According to the Ministry of Agriculture, the flood caused a total damage of Tk 1,323 crore. The damage was mostly caused to the production of Aus rice, vegetables, fisheries, livestock and poultry etc.

Because of the flood, cultivation of Aman, which comprises the second highest share of rice production, would be delayed. Shortages of seedlings and delay in cultivation would affect the rice yield.

It is to be noted that every monsoon season, a large part of domestic supply of vegetables are largely dependent on import particularly from India. Because of floods in many states in India, production of vegetables and other essential food items has been partly damaged there as well. Thus, supply from India became pricier.

Overall, domestic supply of agricultural products—particularly essential products—are in pressure. This is reflected in food inflation data of the last two months (July and August, 2020).

Unless proper measures are not taken into account, the food inflation is likely to be increased further. Given the pressure of limited/no employment opportunities and low/no income of a large section of people, an inflationary pressure is there. A higher level of inflation would force people to further downgrade their daily consumption which would ultimately affect their nutritional status.

The monthly food inflation during April-August period was higher in most of the months in 2020 compared to that in the previous year. Food inflation has crossed the 6 per cent mark in two months of this year – 6.54 per cent in June and 6.08 per cent in August.

The food inflation is like to rise further in the coming months unless proper measures are not taken. The retail market price of essential consumer goods has significantly increased.

HABIBUR RAHMAN

Incessant rains and floods have delayed the plantation of aman paddy, which, experts believe, would have a negative impact on rice production this year. The photo was taken from Charakhali village under Indurkani upazila in Pirojpur on August 27.

According to the Trading Corporation of Bangladesh, retail price of coarse rice has increased by Tk 3 and onion by Tk 12 within a month (July-August, 2020). Similarly, price of other essential commodities such as green chilli rose by Tk 300-400 per kg, leafy vegetables and other vegetables around Tk 60-100 per kg. The people in every quarter has difficulty in purchasing those essential items as per requirement. Low earning people have already changed their food habit – by shifting from consumption of fish, let alone meat, to vegetables by taking less amount of food every time and even in extreme cases, sacrificing one meal of the day.

Under any circumstances, the prices of rice and essential food items need to be stable. Given the damage caused to domestic production, supply in the local market would not be increased unless sufficient amount of those products are imported from neighbouring countries. Without adequate supply in the local market, food inflation is likely to be higher in September-November, 2020 period particularly till the next crop is harvested.

The government should encourage the private sector as well as itself to go for import of rice, onion, soybean and even vegetables from neighbouring countries at the earliest to give a signal to the market for increased supply of food.

There is always a significant time-gap observed in taking policy decisions. This gap is meant to be between the demand for imported food in the local market and public policy response in this regard.

Similar is true in opposite direction as well - controlling of import of food against good harvest at the local level. Failure to take timely decision leaves negative impact on consumers (in first case as mentioned above) as well as on producers (in second case).

It is expected that the Ministry of Commerce should be more proactive in taking decisions with regard to maintaining stable supply in the domestic market and thereby ensuring the interest of both consumers and producers.

The Commerce ministry should take into cognizance of three issues with regard to facilitate/control import of essential food products – a) timely announcement of the decision to import (with import duty structure), b) specific period for allowing import (should not be 'until further notice' type) and c) specific amount of allowable import (should not be non-specified).

Given the current state, the Ministry of Commerce should encourage the private sector to import different essential food items. The government may consider import of rice for increasing its public food stock.

Public food stock is not at a healthy state at present. According to the stock data, there was 10 lakh tonnes of rice available during July this year, which was much lower compared to that of the last year's 14 lakh tonnes.

The government has successfully utilised the food stock during Covid-19 and has continued supplying rice to flood-affected people. However, there is further demand for distribution of rice and other essential food items among the flood affected people and coronavirus-affected people.

According to the CPD this year, the government should not use the list of poor people for distribution of relief in the flood affected areas. The list should be widened to cover non-poor flood victims as well. Most importantly, the rising food inflation has created demand for supply of rice and other essentials among the poor people at subsidized rates.

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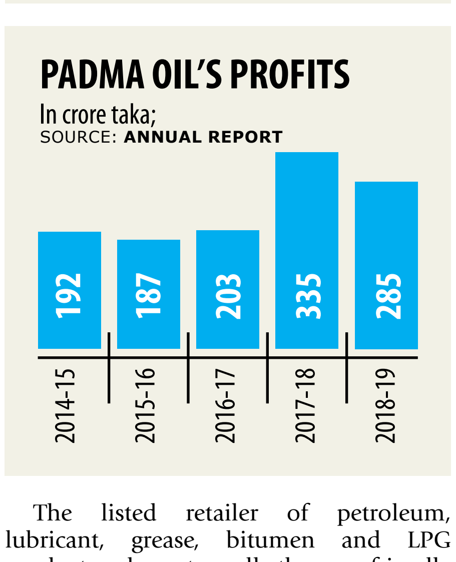
Padma Oil joins hands with Energypac to widen LPG distribution

Ahsan Habib

The Padma Oil Company, a statutory organisation under the power, energy and mineral resources ministry, has stepped forward to make liquid petroleum gas (LPG) more available as a primary fuel source for vehicles in Bangladesh.

The move comes as part of the government's ongoing efforts to increase LPG consumption in the country, where reserves of natural gas are depleting rapidly.



The listed retailer of petroleum, lubricant, grease, bitumen and LPG products plans to sell the eco-friendly alternative to fossil fuels through their registered filling stations.

As of fiscal 2018-19, Padma Oil, a subsidiary of Bangladesh Petroleum Corporation, had 695 active filling stations across the country, according to the company's annual report.

In this regard, a deal was signed with Energypac Power Generation Company on Tuesday, allowing the leading supplier of electrical equipment to set up LPG pumps and conversion workshops at Padma Oil's registered filling stations.

As per the agreement, Padma Oil will receive a Tk 0.50 royalty for each litre of LPG sold by Energypac through the state-run company's numerous filling stations.

Md Masudur Rahman, managing director for Padma Oil, signed a deal in this regard with his Energypac counterpart, Humayun Rashid, recently.

"This deal is a part of the government's endeavour to expand LPG use in the country," said Abu Sayed Raza, general manager of Energypac.

LPG is a by-product of refining natural gasses and crude oil. In the past, it was deliberately wasted as people did not recognise its value as a low-carbon fuel.

Currently, Energypac operates 30 LPG gas stations at various private filling stations, Raza said, adding that the company is permitted to establish up to 300 LPG filling stations.

"So now, we have a target to cover nearly 200 of Padma's registered filling stations," he continued.

The company mainly aims to bring the northern and southern regions of Dhaka under LPG coverage despite already having the capacity to supply the whole country.

Similarly, Energypac plans to continue its LPG expansion by bringing other private companies under its umbrella.

"The government wants to see LPG pumps at all the filling stations belonging to the Padma, Meghna and Jamuna companies so that the eco-friendly fuel source becomes available for all," Raza said, adding that the deal was signed with consent from Bangladesh Petroleum Corporation.

In regards to the total investment required to establish LPG filling stations, Raza said it will depend on how big an investment the owners of any given filling station wants to make.

Meanwhile, the Bangladesh Securities and Exchange Commission has allowed Energypac to seek a cut-off price for its shares through bidding among eligible investors, which is required to go public under the book-building method.

Through its shares, Energypac aims to raise a Tk 150 crore fund that will be used to expand the company and repay loans.

In fiscal 2018-19, the company's consolidated earnings per share was Tk 3.13.

"When all the filling stations of state-run petroleum products sellers would feature LPG gas, then price discrimination will be run out," Raza said.

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Pandemic puts electric vehicle plant in the slow lane

Jagaran Chakma

The target of Bangladesh Auto Industries Ltd (BAIL) to market the country's first locally manufactured electric vehicles will be delayed by up to one year as the ongoing coronavirus pandemic has halted development work of its factory.

"We missed the target as the suppliers could not ship the required equipment on time even though we opened letters of credit earlier on," Mir Masud Kabir, managing director of BAIL, told The Daily Star.

BAIL now faces three challenges due to the Covid-19 fallout: a shortage of steel, equipment and workers, he added.

The company initially aimed at completing development works of the project by April before going into full production in June earlier this year.

Now though, BAIL has targeted the same time next year to bring 'made in Bangladesh' cars to the public.

According to the managing director, local steel suppliers have been unable to provide the necessary steel within the stipulated timeframe.

In light of these adversities, BAIL urged Bangladesh Economic Zones Authority (Beza) to consider reducing the rent of land leased for the project at Bangabandhu Sheikh Mujib Shilpa Nagar in Chattogram by 50 per cent for a three-year period.

Besides, banks seem reluctant to provide loans against the project as the investors of economic zones do not own the land on which their business operates.

Automobile manufacturing requires huge setup, skilled manpower, massive investment, research and development.

To make matters worse, BAIL has been unable to send its technical recruits abroad for foreign training due to the ongoing pandemic, Kabir said.

"We were on track before the Covid-19 crisis hit but the prevailing situation has not been favourable for us. Regardless, we are maintaining correspondence with our foreign partners via digital platforms to keep the project alive," he added.

The managing director also said the cost to fully develop the factory could increase due to delays in implementation.

Of the planned $200 million investment for the project, 80 per cent will be sourced locally while the remainder will come in the form of foreign direct investment.

Total investment in the project could reach $1 billion within the next five years, Kabir said.

BAIL will manufacture two and three wheelers alongside sedan, hatchback and sport utility vehicles (SUV) at the plant before expanding their production base to include pick-ups, mini-trucks and multipurpose vehicles.

Foreign partners from China, Hong Kong, India and Italy are providing technical support for the facility in the meantime, Kabir added.

AT A GLANCE

- Initial investment planned: $200 million
- Investment to be sourced locally: 80%
- Investment to reach: $1 billion
- Total land required: 100 acres
- Vehicles to be made: SUV, sedan, hatchback, three-wheelers, mini truck and motor cycles
- Fuel cost to go down: 90%
- Energy cost: Tk 2/kilometre

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City Bank QR code enables payments by global card brands

Star Business Report

City Bank yesterday announced launching an interoperable QR code-based payment solution bringing together cards of global brands UnionPay, American Express, VISA and Mastercard under a single roof.

This service will not only do away with customers needing to scan separate QR codes of different payment networks but also let merchants display just one QR code at the storefront, effectively avoiding cluttering of space.

Moreover City Bank QR code can be scanned by customers visiting Bangladesh from other countries, making it a global interoperable solution.

Customers will need to download City Bank's mobile banking app Citytouch and set any of their credit, debit or prepaid cards as the default payment option to scan QR codes displayed at merchants to make payments.

"This will eliminate the huge investment that banks make in deployment of POS (point of sales) terminals," said Managing Director and CEO Mashrur Arefin.

"Our QR payment solution is an example of interoperability which is also aligned with Bangladesh Bank's vision."

Interoperability with multiple schemes coupled with no-contact payments will not only pave the way for Bangladesh's transition to a cashless society but also play an essential role in maintaining health safety codes during this pandemic, says a press release.

"Electronic payments have a long runway in Bangladesh and American Express is committed to bringing new, innovative payment capabilities to the market to support this growth," said Divya Jain, vice president, global network services, South Asia, American Express.

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