

Forward sales causing a large gap in onion's import and retail prices

Market insiders think

MOHAMMAD SUMAN and SOHEL PARVEZ

Over the first nine days of the current month, importers brought more than 2,500 tonnes of onion from four countries -- Myanmar, China, Pakistan and Turkey.

And except for Myanmar, the average import cost for the popular vegetable was Tk 27 per kilogram (kg). In the case of Myanmar, the import price was Tk 48 per kg.

There was a similarity in the nearly 210,000 tonnes of onion that were imported in between July and September of the current fiscal year -- average price of each kg was Tk 27.

However, those bulbs retailed at almost double the import price at a time when there was no export ban in India, the main source of onions for Bangladesh.

The scenario changed after India implemented a ban on outgoing onion shipments on September 14.

Soon after, the price of onion shot up at local markets with traders citing a shortage of supply.

The imported bulbs were sold at three to four times its import value as the frequency of forward sales or contracts among importers and traders increased owing to the prospect of higher profitability amid a supply deficit.

Importers and wholesalers said the price of onion goes up before it even reaches the wholesale markets as shipments change hands twice or thrice through an informal or paperless trade, termed as forward sale.

Md Asaduzzaman, proprietor of Welkin, a clearing and forwarding agent at Benapole land port, said the practice of forward sales for perishable commodities has been ongoing for several years.



This is a kind of advance sales under which import consignments are sold ahead of the arrival of the goods, he said.

"The extent of forward sales goes up when there is shortage in the market as middle men enter the supply chain. In case of onions, we see that retail prices are going up to Tk 100 per kg," he added.

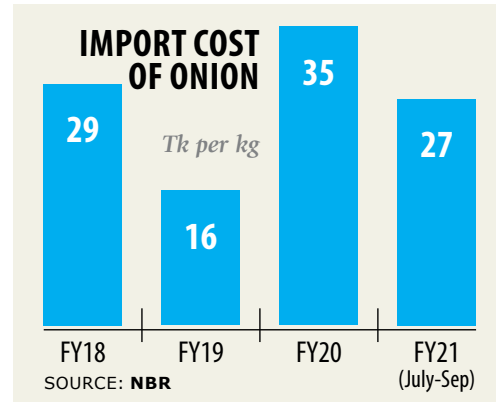
An importer at Sonamasjid land port in the northern district of Chapainawabganj said consignments of onion change hands several times after arriving at the port.

"Prices also go up because of wastage," he added.

As a result, there is a big difference between the wholesale, retail and import prices, said market insiders.

Yesterday, the retail price of imported onions was Tk 90 per kg in Dhaka, up 78 per cent from about Tk 50 per kilogram a month ago, as per data from the Trading Corporation of Bangladesh (TCB).

Meanwhile, locally grown bulbs retailed for Tk 95 per kg.



"Due to the export ban in India and the onion crisis in the local market, it is changing hands two or three times before being released from the port," said Mintu Sawdagar, an onion wholesaler at Khatunganj, Chattogram.

He went on to say that Khatunganj's wholesalers sell onions at prices fixed by importers and get 2 to 3 per cent as commission from a sale.

So, they have no influence over the price hikes or drops for onion in the market, Sawdagar added.

Seeking anonymity, an onion wholesaler at Shyambazar, a wholesale market in Dhaka, said he bought onions imported from Pakistan at Tk 110 per kg at a time when the prices had been moving upward following India's ban on the kitchen staple last year.

"Prices eventually fell and I had to sell onions at about Tk 60 per kg. I urged numerous importers to readjust their prices but they refused," he added.

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Country gets first hydraulic elevator dam

STAR BUSINESS REPORT

The agriculture ministry yesterday inaugurated the country's first hydraulic elevator dam in Chattogram's Anwara upazila to retain surface water for farming, specifically crop irrigation, said a press release.

Hydraulic elevator dams resemble sluice gates in series, each operable individually, in combinations or altogether using hydraulic power.

Chinese firm IWHR Corporation constructed the 38-metre-long dam on Bharashank canal under a Tk 21 crore project implemented by Bangladesh Agricultural Development Corporation.

The dam will enable irrigation of 3,000 hectares of land and be instrumental in protecting crops and plants in a 10-kilometre area from intrusion of saline water during the January-May period, said the press release.

The ministry said the modern technology was in use in China, making it possible to retain fresh water from upstream and prevent intrusion of brackish water from downstream to protect crops.

Virtually inaugurating the first ever hydraulic elevator dam, Agriculture Minister Muhammad Abdur Razzaque said groundwater was depleting for use in irrigating boro rice and other crops.

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Cement sales rise slightly

But manufacturers don't expect any profit this year

JAGARAN CHAKMA

The cement makers are finally getting some respite from the Covid-19 fallout thanks to a slight increase in sales but they believe it will not be possible to book any profit this year.

By the end of 2020, sales could reach 80 per cent of what it was last year.

"Sales in the sector grew by 7 per cent in September compared to the month before, which gives hope of recovery in the future," said Asadul Haque Sufyani, chief operating officer of Bengal Cement.

Bulk orders for cement are coming as the construction work on the government's major development projects resumed in July.

Besides, expatriate workers are going back to their jobs, leading to a ripple effect on the rural economy that will impact the cement sector, Sufyani said.

According to the chief operating officer, it takes at least two months to start disbursing funds for the development projects after a new budget is passed.

For this reason, it is taking a bit of time for sales volumes to return to pre-pandemic levels.

The various development projects will start in full-swing in the coming days as the monsoon season is about to end and the following dry weather is peak season for the cement sector.

In a bid to cover all the development activities which were put on hold during the two-month lockdown between March

AT A GLANCE

- Per capita cement consumption: **181 kg**
- Market size: **Tk 25,500 cr**
- Active cement factories: **37**
- Total investment: **Tk 30,000 cr**
- Direct employment: **60,000**
- Indirect employment: **1,000,000**
- Consumption per year: **33m tonnes**
- Production capacity per year: **58m tonnes**

26 and May 30, the government is going to float new tenders.

And apart from this, the Covid-19 situation will likely.

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FOR WINTER VEGETABLES

Hundreds of acres of coastal areas are now under cultivation of vegetables, especially those suited for the winter climate. Here a farmer tends to his tomato plants in Chattogram. The photo was taken on Saturday.

PHOTO: RAJIB RAIHAN

Contribution to central fund for garment workers falls 14.2pc

MD FAZLUR RAHMAN

The contribution of garment factories to the fund set up to provide financial support to garment workers fell 14.20 per cent to Tk 55.83 crore last fiscal year due to the coronavirus pandemic and some banks' negligence.

The Central Fund for the Readymade Garment Sector received Tk 65.06 crore from apparel exporters in the fiscal year of 2018-19.

The government formed the Central Fund in 2016 and it is managed by the labour department. Since the inception, about Tk 238.99 crore has been deposited by the garment exporters, said Md Amir Hossain, the director-general of the Central Fund.

So far, about Tk 85.39 crore has been distributed among the eligible garment workers, their heirs or children in grants.

The beneficiaries include heirs of 3,988 deceased workers, who received a total of about Tk 79.41 crore.

Workers of seven member factories of the Bangladesh Garment



A garment worker or their heirs would get Tk 3 lakh from the fund in case of death or grave injuries at the workplace.

PHOTO: STAR/FILE

Manufacturers and Exporters Association (BGMEA) which had closed down got about Tk 1.40 crore in compensation.

The workers of another factory belonging to the Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) received Tk 51.56 lakh.

Some 1,006 workers who fell ill received Tk 2.85 crore. Besides, 602 meritorious students who are children of the workers were paid Tk 1.20 crore in stipends, Hossain said.

However, the parliamentary standing committee on the ministry of labour and employment has alleged recently that the volume of the fund has not increased in keeping with the country's export earnings due to the negligence of some lenders, according to a letter of the labour ministry to the BB.

Apparel exports stood at \$28.14 billion in FY17, \$30.61 billion in FY18, \$34.13 billion in FY19, and \$27.83 billion in FY20.

On October 5, Bangladesh Bank asked banks to deposit 0.03 per cent

of the encashed export earnings at the central fund.

In June 2016, the central bank instructed lenders to deposit the money to the fund but there is an allegation that some banks have not followed the instruction properly.

The lenders have not deducted the amount of the export earnings as per the rules. Against the backdrop, the volume of the fund has not increased as expected, the BB said in a notice.

"We request the garment workers to apply to the central fund through the BGMEA and the BKMEA for the financial support," said Hossain.

There are 3,608 garment factories in Bangladesh that export products, he said, quoting data from the Export Promotion Bureau. But the central fund does not know how many are contributing to the fund, Hossain said.

About Tk 45.91 crore was deposited in the fund in the fiscal year of 2016-17. No money was distributed in grants in the first year of the fund.

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