The Daily Star
BUSINESS

DHAKA MONDAY, OCTOBER 24, 1994

Country's sugar output target fixed at 2.18 lakh tons

JHENIDAH, Oct 23: Country's sugar mills have set a target of producing two lakh 18 thousand 622 tons of sugar by crushing 25 lakh 55 thousand 500 tons of sugarcane during this crushing season (1994-95).

This was stated by State Minister for Industries Lutfor Rahman Khan while inaugurating the 1994-95 sugarcane crushing season at Mobarakgonj Sugar Mills (MKSM) at Jhenidah on Friday, says a press release.

Rajshahi Sugar Mills and Carew & Co. at Chuadanga also went into sugar production from the day. Chairman, Bangladesh Sugar & Food Industries Corporation (BSFIC), Meer Belayet Hossain and Director (production & engineering) Md. Shawkat Ali were also present on the occasion.

Addressing workers, employees and local sugarcane growers, the minister called for attaining autarky in sugar production since the country's sugar mills are fully based on raw material which is locally available.

He also said that nearly 50 lakh people are dependent on sugar industry for their livelihood directly or indirectly. Concerted effort should, therefore, be made to make the sugar mills competitive and profitable. This can be easily accomplished if the workers and management work in union with sincerity and dedication, he said.

He directed the mills' management to properly synchronise the cane procurement and crushing schedule, reduce the yard balance, raise the rate of sugar recovery and curtail the overhead expenditures.

Scheduled dates for other sugar mills to go into crushing are, on October 28 Natore, North Bengal, Kushtia and Faridpur Sugar Mills, on November 4, Panchagar, Thakurgaon and Zeal Bangla Sugar Mills, on November 11, Joypurhat and Rangpur Sugar Mills and on November 18 Setabgonj, Shayampur and Deshbandhu Sugar Mills.

Meanwhile, BSFIC has already imported 26 thousand 165 tons of sugar till last September.

BSFIC has also drawn up an action plan aimed at reaching the break-even between the costs and return in sugar industry during current season.

BSFIC had already reduced the loss in sugar sector by Tk. 60 crore in 1993-94 fiscal year. Cost of sugar production also declined by Tk 1500 thousand per ton in the same year.

The corporation contributed Tk. 112 crore to national exchequer as VAT and other taxes and duties in the last fiscal year.

Sugar production during last crushing season (1993-94) was two lakh 22 thousand tons which exceeded season's production target of two lakh two thousand tons.

BSFIC has earlier disbursed a sum of Tk 32 crore as agricultural loan and other inputs among sugarcane growers in 1993-94 cropping season.

China to set up 15 textile mills in Bangladesh

China will set up 15 textile mills in Bangladesh, leader of the visiting Chinese textile delegation said here yesterday, reports BSS.

The Vice President of Chinese textile corporation for foreign, economic and technical cooperation, Qian Wei Yi, who is leading the delegation during a meeting with Industries Minister Zahiruddin Khan discussed setting up of joint venture projects on the basis of mutual interest.

Qian said his corporation has already set up 86 textile mills in 45 countries including one in Bangladesh. He said another 15 textile mills would be set up in Bangladesh in future, a PID handout said.

During the meeting, they discussed the ways and means to boost trade between the two countries.

Analysts warn

Blue chip stocks most vulnerable to interest rate hikes in US

NEW YORK, Oct 23: Bonds slid this past week on worries that interest rates may move up again, but it's holders of blue-chip equities who should be really worried, reports AP.

Bond prices have already fallen hard this year in response to repeated tightenings of short-term credit by the Federal Reserve.

The Dow Jons industrials have so far managed a soft landing, but blue chips could get hit especially hard if the Fed tightens again, analysts warn.

"Stocks are even more vulnerable than the bond market is to tightening by the Fed," said Joseph McAlinden, chief market strategist at Dillon, Read and Co. "The bond market has already been clobbered."

Indeed, nervous investors have pounded bond prices lower and yields higher with each of five interest rate tightenings so far this year. The yield on the 30 year bond has risen by nearly a third from below 6.20 per cent in mid-January to just over 8 per cent on an intraday basis Friday.

That compares with a little more than 3 per cent drop in the Standard and Poor's 500 list since it reached its 482-point high on February two. The Nasdaq composite has fallen nearly 5 per cent since reaching its high of 803.93 on March, 18.

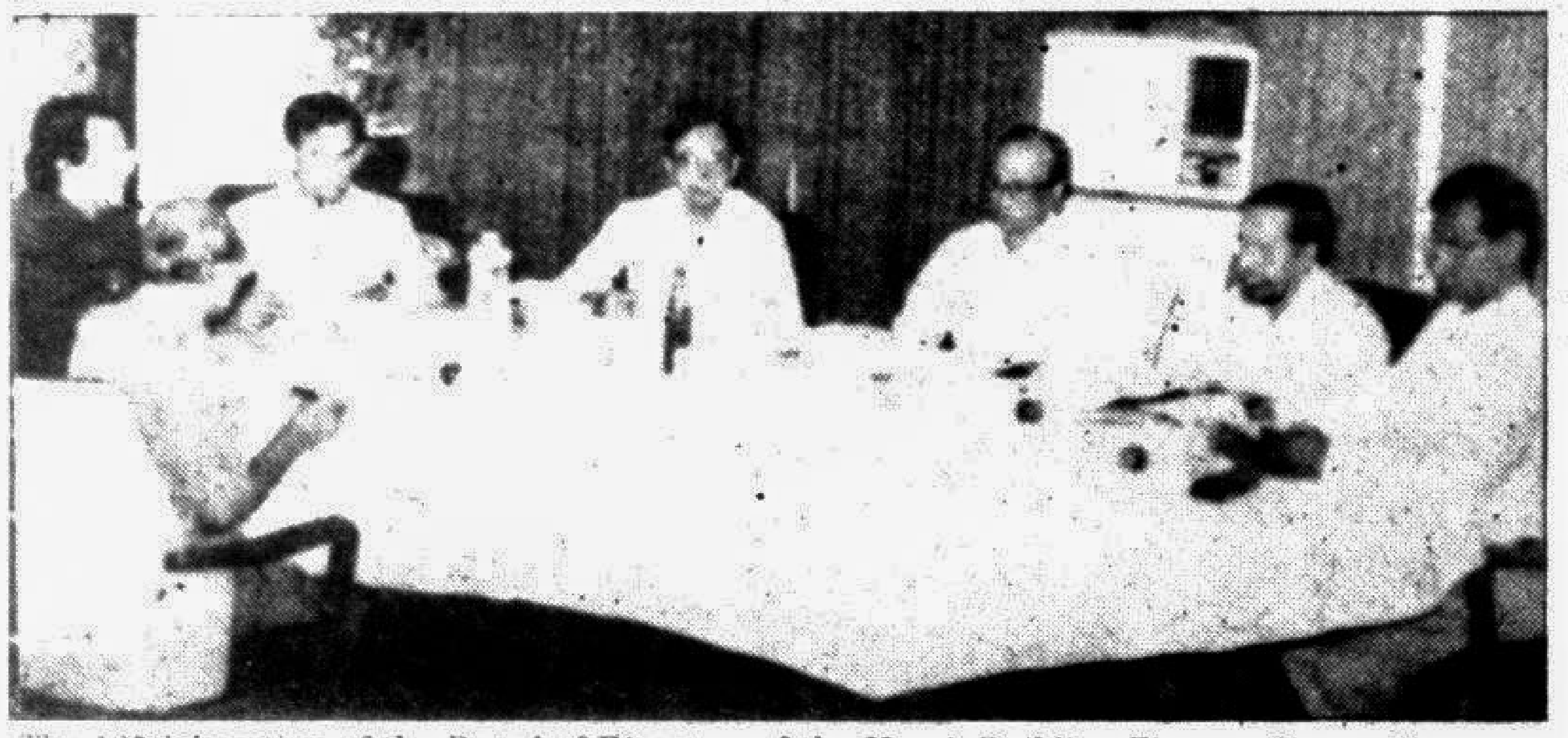
And the Dow average, which is heavily weighted with big industrial names, has lost just 2 per cent since topping out at 3,978.36 on January 31.

Everytime the Fed tightens — or investors think the Fed might tighten — bond yields spike.

Price of hilsa up in Barguna

BARGUNA, Oct 23: The price of hilsa fish which usually floods the local markets during the rainy season has gone beyond the purchasing capacity of the common people due to shortage of supply in last few months, reports UNB.

Local people said, especially the low-income groups in the area are used to buying hilsa for its low price. But random catch of undersized hilsa fish has decreased its supply in the area. As a result, price of hilsa has increased in the local markets.



The 125th meeting of the Board of Directors of the House Building Finance Corporation was held at the Board Room yesterday. It was presided over by Syed Amir-Ul-Mulk, Chairman of the board. The meeting expressed satisfaction at the reducing trend in outstanding dues of the corporation.

Acute problems shatter hopes of growth in most of Africa

GRAND BAY, Mauritius, Oct 23: Finance ministers and central bank heads from eastern and southern Africa said yesterday that a host of acute problems had wrecked hopes of growth in most of Africa, reports Reuter.

"Hopes for the reversal of the adverse conditions of the 1980s and a resumption of growth in the 1990s have not been realised in most African countries," they said in a report.

African countries continue to face acute problems at both economic and social levels that include balance of payments problems, inadequate inflows of foreign capital and long spells of drought which have manifested themselves in economic stagnation," they added at the end of a week-long conference.

They said other problems for their 22 nations included high unemployment and widespread poverty and a rapid deterioration in social welfare, especially public health, education and housing.

"Social conflicts have worsened the problems facing Africa by displacing populations, disrupting economic integration programmes and national development and causing considerable loss of life and other miseries," they added.

Their grim outlook followed a meeting at Grand Bay on the Indian Ocean island of Mauritius of the Preferential Trade Area (PTA), formed in 1981 to promote regional development.

PTA Secretary General Mbingu Wa Mutharika told Reuters that regional trade was still a dismal six per cent of total African trade.

PTA members are Angola, Burundi, Comoros, Djibouti, Eritrea, Ethiopia, Kenya, Lesotho, Madagascar, Malawi, Mauritius, Seychelles, Somalia, Sudan, Uganda, Zambia, Zimbabwe, Namibia, Rwanda, Mozambique, Swaziland and Tanzania.

BFFEA greets Salman

Bangladesh Frozen Foods Exporters Association (BFFEA) yesterday congratulated Salman F Rahman, the first FBCCI president elected by direct votes, reports UNB.

The association hoped that the Federation of Bangladesh Chambers of Commerce and Industry, under the leadership of Salman F Rahman, would play its "due role in bringing about remarkable changes in trade, commerce and industry of the country."

A press release of the association said: "We would like to confirm our full support to his action plan presented to the electorate prior to the election of FBCCI.

EU feud over milk quota

BRUSSELS, Belgium, Oct 23: It was a classic European Union dispute, reports AP.

Italy balked at paying hefty fines for producing too much milk. Britain sued. Then Spain, which had also exceeded milk quotas, threatened to block admission of new members to the union.

"It's all very complicated," said Spanish Finance Minister Pedro Solbes of the battle imperiling expansion of the 12-nation community.

On Friday, Solbes and other finance ministers were called into an emergency session to try to resolve the dispute before it got even more complicated.

Not everyone was happy about that.

"It's quite absurd that the Italians should have got finance ministers meeting on milk quotas," huffed Britain's chancellor of the exchequer, Kenneth Clarke.

After daylong negotiations - which included the threat of another meeting on Saturday — the ministers came up with a deal.

Britain agreed to withdraw its court complaint after Italy - and Spain - swallowed fines.

Italy will have to pay 1.9 billion European currency units (2.4 billion dollars) in fines, and Spain 1.3 billion Ecus (1.7 billion dollars).

"I think it justifies us going to court," said Clarke. "The Italians will . . . have to pay up."

"Compromise was necessary to avoid a serious crisis in the union," said German Finance Minister Theo Waigel, who chaired the meeting.

The dispute had snarled efforts to get member nations to approve higher membership fees so the EU can finance its expanding activities.

The EU wants to become a more powerful body on the world stage. Its new Treaty on European Union calls for a joint foreign and security policy and a single currency, by the end of the decade.

At a 1992 summit in Scotland, EU leaders approved a bigger budget for 1995-99, to be paid by higher contributions. But formal adoption was delayed by the milk dispute.

The fight centered on Italy's refusal to pay fines imposed because its farmers produced more milk than allowed under an EU quota system. Rome argued it deserved a bigger allotment.

Britain filed a complaint with the EU's high court, the European Court of Justice, about a compromise drawn up by the bloc's executive agency. That plan called for fining Italy for cheating on its quota but also raising its output [illegible]. Denmark and the Netherlands sided with Britain.

Spain added to the controversy. It threatened to withhold its approval of plans to admit Austria, Finland, Norway and Sweden next January one until the EU budget was endorsed.

The new budget includes a special fund for the union's poor countries - Spain, Portugal, Ireland and Greece - to help bring their economies up to the level of wealthier ones.

In the end, Britain agreed to withdraw its suit after Italy and Spain agreed to pay penalties for milking too many cows.

This opened the way for action on the new EU budget, which would rise from 72.5 billion Ecus (92.4 billion dollars), in 1995 to 84.1 billion Ecus (107.1 billion dollars) in 1999.

To cover higher costs, members would gradually increase contributions to EU coffers.

Fees would rise from 1.2 per cent of the EU's gross domestic product this year to 1.21 per cent in 1995, up to 1.27 per cent in 1999.

Mahbubur Rahman (L), the out-going president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), seen addressing a press conference at the Chamber Bhaban yesterday to mark the completion of his two-year tenure. — Star photo

Hi-tec train breaks down again under English Channel

LONDON, Oct 23: A hi-tec train designed to speed passengers from London to Paris under the English Channel broke down again on Friday — and this time the bosses of British Rail and Eurotunnel were on board for the embarrassing snarl-up, reports Reuter.

Eurostar, which broke down at London's Waterloo station on Thursday before 400 reporters on a promotional trip, ground to a halt on Friday near the French port of Calais having just made it through the tunnel.

The 400 passengers aboard the 24 million pound (39 million dollar) train were held up for two hours until a replacement train was found to complete their journey to the French capital.

Among those delayed by the second promotional farce to hit the plagued line in two-day was British Rail Chairman Sir Bob Raid and Tunnel operator Eurotunnel's Joint Chairman, Sir Alastain Morton.

Morton has in the past been a sharp critic of the railways involved in the 10 billion pound (16.2 billion dollar) project, criticising them for the late delivery of rolling stock.

Technicians were not sure this time if the fault had been on the line or in the state-of-the-art train.

9-member trade team off to Nirobi

A nine-member Bangladesh trade delegation led by State Minister for Textiles Major (retd) Abdul Mannan left here yesterday for Nairobi on a two-week official visit to five African countries, reports BSS.

The countries are Kenya, Tanzania, Zambia, Zimbabwe and South Africa.

Commodity markets: Prices of base metals take off while tea, rubber fall

LONDON, Oct 28: Prices of the base metals took off on the London market this week under the impetus of large-scale speculative buying, traders said Friday, reports AFP.

Copper, aluminium and nickel all reached two-to-four-year highs thanks to investment funds that decided to take advantage of dollar weakness to invest on the metals market — which is quoted in dollars — a sector the experts generally call promising.

The precious metals also rose on the week, but less, their progress being due to the dollar's downtrend oil firmed to end the week at more than 16.4 dollars a barrel, due particularly to the halt of a pipeline's operation in the United States.

Sugar chalked up strong gains to reach its highest level in more than four years, due to fears of a drop in Brazilian exports. Coffee stayed on a roller-coaster because of drought in Brazil.

Gold: Firmer. Gold's per-ounce price rose by three to four dollars to get about the 390-dollar mark, as an offset to dollar weakness. One operator commented that in the light of the greenback's feebleness against other currencies and higher commodities prices, gold's gains were actually rather limited.

But from the viewpoint of fundamentals, the gold market remains relatively firm all the same, thanks to jewelers' seasonal buying ahead of the Christmas season.

Silver: Irregular. Silver prices fluctuated irregularly within a low range between 5.3 and 5.4 dollars an ounce, little influenced by higher gold.

One trader explained that "a lot of silver is looking for a home, but is not finding it in the cash market" amidst abundant stocks.

Silver reserve in New York has risen steadily since January to hit 256 million ounces. If that rise continues, prices might dip below 5.34 dollars in ounce.

Platinum: Higher. Platinum moved up by around five dollars an ounce on the week to more than 420 dollars, boosted by higher demand in Japan because of dollar weakness.

Copper: Rebounding. Copper jumped by around 100 dollars a tonne to hit 2,585 dollars at the week's high point, due to a substantial amount of speculative buying.

The dollar's weakness encouraged speculators to get into dollar-quoted base metals, looking cheaper because of the greenback's drop. One analyst said that copper, weak the last few weeks, recovered strength in connection with the "speculative raid" to reach a two-year high.

GNI brokerage said prices had benefited from Chinese buying and from a strike at an Australian plant of southern copper, which should cut its output by more than 30 per cent.

Stock on the LME rose by 1,300 tonnes over the week to 338,400 tonnes.

Lead: Higher. Lead prices were helped by the general speculative trend to reach more than 660 dollars, up about 10 for the week.

The International Lead and Zinc Study Group says the lead market will continue to firm, and the use of lead in Western countries will be up five per cent this year to 4.72 million tonnes.

Next year, Western use will rise two per cent to 4.83 million tonnes while US demand will slacken. Western output will be up three per cent this year to 4.55 m tonnes, then two per cent next year to 4.65 m.

LME stocks rose 2,350 tonnes to 370,125 tonnes.

Zinc: Higher. Prices climbed about 20 dollars to end at over 1,090 dollars a tonne, again thanks to speculation.

The study group thinks world supply and demand should become better balanced next year. Western consumption should rise four per cent this year to 5.76 million tonnes, and then by 3.6 per cent in 1995 to 5.97 million.

LME stocks rose by 3,475 tonnes to end at 1,238,575 tonnes.

Aluminium: New jump. Prices surged by 100 dollars to more than 1,770, their highest level in four years.

The market "still looks as strong as ever", said one broker while world reserves dip as production is on a general downtrend and demand is rising.

LME reserves fell by 69,475 tonnes in just one week to end at 2,121,025 tonnes.

GNI brokerage said the lifting of an import tax by India contributed to the higher prices.

World aluminium output averaged 46,000 tonnes a day in September, according to the Ipai Institute. The figure includes Russian production for the first time, so it is not really comparable with the previous month's figure of 38,900 tonnes.

Nickel: Strong rise. Prices climbed more than 300 dollars a tonne due to substantial speculative buying by the investment funds prices broke up through a resistance level to reach more than 7,000 dollars a tonne, the highest level in two years.

Analyst Angus MacMillan at Billiton metals said that, all the same, the metal had not benefited recently from favourable news. Demand will rise next year, but so will output. The two Canadian giants, Inco and Flconbridge, expect to boost production to benefit from higher prices.

LME stocks rose by 1,194 tonnes to stand at 147,966 tonnes.

Tin: Higher. Prices went up by 200 dollars on the week to above 5,600 dollars a tonne, again in line with the general speculative trend in the metals sector.

A small drop in Peruvian output this year, to 19,500 tonnes against the forecast 20,000 encouraged the metal.

Stocks on the LME dipped by 420 tonnes to 31,220 tonnes.

Cocoa: Slightly firmer. Prices began a timid rally from less than 970 pounds per tonne to slightly more than 985 pounds on buying by investment funds.

The dollar's weakness put the London market in an unfavourable position compared with the New York market.

Cocoa from the new crop in Ivory Coast had been affected by heavy rain, an official for the Caistab, the public body responsible for marketing in Ivory Coast, said. "We have had long and late rains. Planters are unable to dry the husks and the cocoa is arriving in deteriorated condition at the ports," he said.

A London dealer said that this amounted merely to "noises" but it was clear that the harvest from this, the biggest world producer, was running late.

Coffee: Rising. Prices rose sharply, as has now become usual, on renewed fears for the outcome of the next Brazilian crop. The reference price rose to more than 3,700 dollars per tonne. The market reacted to publication of a US study showing that during the last six weeks coffee plantations in Brazil had less rainfall than during the last great drought.

As a result of drought in 1985, the Brazilian crop had fallen to 13.9 million 60-kilogramme bags from 33 million the previous year.

"The market is very nervous and totally unpredictable," a dealer said. "Such trading conditions would continue until flowers bloomed on Brazilian coffee plants in two or three weeks' time," he said.

A fall of 10 per cent in the crop in Indonesia, which is the third-biggest world producer, this year, owing also to drought, was another factor behind the rise of prices.

Sugar: Strong rise. Prices shot upwards on an unexpected announcement that Brazilian sugar exports were to be taxed. The price of white sugar rose to more than 340 dollars per tonne, the highest price since the summer of 1990.

The announcement by the Brazilian government on October 14 that a tax of 10 per cent was to be levied on sugar exports had caught the market "completely off guard", an expert at E D and F Man Brokerage House, Angela Mutton, said.

The Brazilian authorities wanted to prevent a return of hyper-inflation, she said. It had recently become more attractive for Brazilian sugar producers to export because international prices had risen.

Consequently the domestic market faced the threat of shortage and a sharp rise in prices, she said, observing that "prices will remain firm until the situation is a bit clearer".

Vegetable oils: Rising. Prices in Rotterdam rose overall. The price of soya rose owing to continuing strong demand and to the outlook for a fall in Brazilian production owing to drought.

The price of palm oil rose strongly, recent estimates showed that stocks in Malaysia, the biggest world producer, remained tight and production in Indonesia, the second-biggest producer, was falling.

Oil: Rally. The price, having fallen to less than 16 dollars per barrel last week, rose here to end the week at about 16.4 dollars per barrel.

Troop movements in the Gulf region were all but forgotten by traders, who were concentrating on technical factors such as a rise in demand in the United States.

A reduction of US stocks of fuel and petrol revealed growth of demand and helped to strengthen prices, which had been boosted by a brief interruption of supplies through one of the main US pipelines owing to a flood.

The Centre for Global Energy Studies (CGES) held that the price of crude oil would rise sharply during the second quarter of next year because of an increase in world consumption and continuing restriction of production by members of the Organisation of Petroleum Exporting Countries (OPEC).

CGES, based in London, said that the eventual return of Iraqi oil to the market even at the beginning of next year would not necessarily depress prices. It said: "Iraqi exports would probably not exceed 0.5 million barrels per day initially, a level the market could easily absorb."

Russia has argued in favour of removal of the international oil embargo against Iraq from May 1995, but the United Nations has yet to take a decision.

Rubber: Fall. Prices fell to about 900 pounds per tonne on profit-taking on the Japanese market.

A London dealer said that despite this the market remained very firm because demand was rising in the United States and in Europe.

Talks in Geneva between producing and consuming countries to draft a new international agreement have not succeeded and have been postponed.

Cereals: Supported. Prices remained relatively high on the London futures market mainly because of prospects that world production might fall.

The price of wheat rose to settle firmly above 104 pounds per tonne and barley was unsteady between 101 and 102 pounds per tonne.

Dealers noted that prices on the French market had firmed because of buying by one trader and in anticipation of a big order from China.

In Chicago, prices fluctuated nervously, falling at first when a Chinese delegation said that China would not buy on the US market before January. Prices then rose because the Russian cereal output in 1994 now looked like only 80 million tonnes instead of 90 million forecast earlier. This would be the most disastrous harvest since 1981.

The Australian harvest, hit by drought, might turn out to be even less than had been expected at 8.5 million tonnes, Australian farmers said.

The US Department of Agriculture (USDA) has said that world wheat reserves for 1994-95 (from July to June), might fall to the lowest level since 1960.

Tea: Fall. The average price of tea on the London auction market fell to 122 pence per kilogramme from more than 125 last week in response to a decline in quality and demand.

Indian Assam quality teas, which are of high quality, fell by 10 per cent to 190 pence per kilogramme. Those of medium and low quality fell by three and four pence to 112 and 84 pence per kilogramme respectively.

Cotton: Rising. The indicator price rose to 0.73 dollars per pound because of delays affecting the US harvest resulting from rains and rumours of buying by China.

Wool: Firming. Prices, which had fallen heavily, rallied to close at 4.38 pounds per kilogramme under the effect of rising demand from China.