

Minister tells JS

Steps taken to stabilise food prices

Food Minister Abdul Mannan Bhuiyan yesterday informed the Jatiya Sangsad that the government had taken various steps including introduction of open market sale (OMS) of rice and flour to stabilise the prices of foodgrains, reports BSS.

Replying to a question from M Golam Rabbani (Joypurhat), the minister said OMS has already been started in some areas and it will cover the whole country within a day or two.

He further said the government also has taken initiatives to import foodgrains as well as encourage two private

sector to do so. Import duty on rice has been withdrawn and it has been reduced from 15 per cent to 7.5 per cent on wheat. He said movement of vehicles carrying foodgrains has been given priority and the provision for radiation tests on rice has been withdrawn if it is imported from Asian countries.

In reply to another question from M Niamat Ullah (Dhaka), the minister said present stock of foodgrains with the government was 6.74 lakh tonnes which was 18 thousand tonnes less than the stock in the corresponding period last year.

In reply to another question from Sarder Sakhawat Hossain Bakul (Narsingdi), Bhuiyan said the government has a plan to import two lakh tonnes of rice in the 1994-95 financial year.

In reply to a supplementary question he said Bangladesh embassies in India, Pakistan, Myanmar and Vietnam have already contracted at the government level to arrange purchase of rice from these countries and finally it has been agreed that 25,000 tonnes rice will be imported from India and Vietnam.

In reply to another supplementary question, the Food Minister

said that there was enough wheat in the country and the shortage of rice has already been overcome. The government is also considering total withdrawal of the remaining 7.5 per cent import duty on wheat to encourage private sector import, he added.

He further said there were enough foodgrains at the public and private godowns. If some traders try to manipulate the market price by resorting to hoarding and creation of artificial crisis then the government may consider re-introduction of foodgrain trading licences, he cautioned.

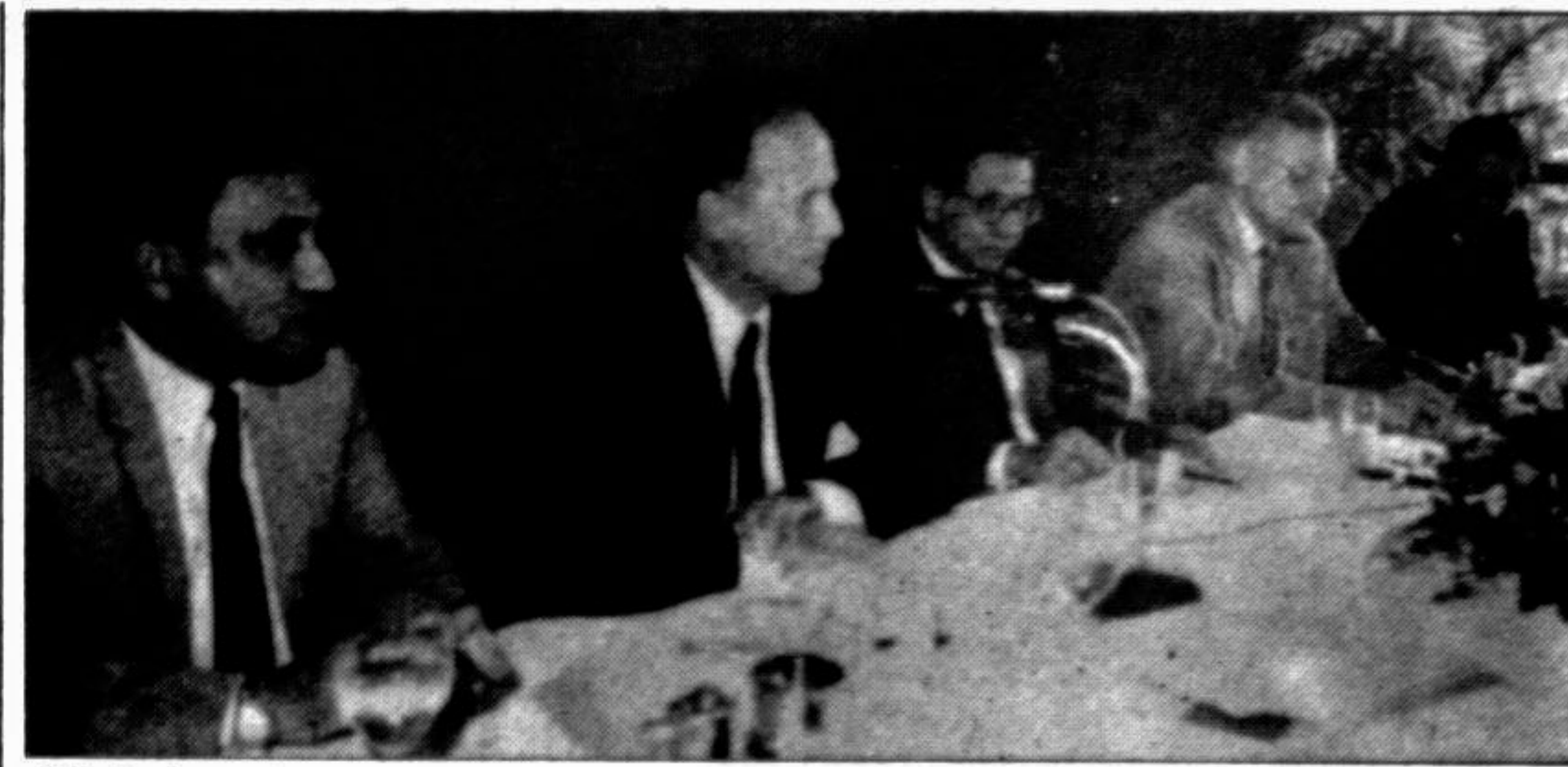
Islamic Foundation earmarks Tk 20 cr for developing projects

Islamic Foundation will spend an amount of Taka about 20 crore during the current financial year for implementing different development projects, reports BSS.

This was informed at a meeting of the Board of Governors held yesterday at the Islamic Foundation with Minister for Religious Affairs Muhammad Keramat Ali in the chair.

Members of the Board Al-Haj Mohammad Nizamuddin Khan MP, Moulana Ataur Rahman Khan MP, Anwarul Islam, Secretary, Ministry of Religious Affairs, Justice Ruhul Islam, Prof Dr M A Hamid, Vice-Chancellor Islamic University, Prof Abdus Salam Khan, Chairman Bangladesh Education Board, Alhaj Moulana Obaidul Hoque, Khatib, Baitul Mokarram National Mosque, Moulana Aminul Islam, Khatib, Lalbagh Shahi Mosque, Pirzada SM Ruhul Amin and Daud-uz-Zaman Chowdhury, Director-General Islamic Foundation attended the meeting.

Development and reconstruction of Anderkilla Shahi Jame Mosque and its attached market in Chittagong were discussed at the meeting.



US Ambassador in Bangladesh, David N. Merrill, addressing the luncheon meeting of the Foreign Investors' Chamber of Commerce and Industry at a city on Tuesday. FICCI President Mahbub Jamil presided it over.

BKB Barisal region managers' confce held

BARISAL, Feb 1: A day-long managers' conference of Bangladesh Krishi Bank of Barisal region was held at the conference room of the Circuit House here on Thursday, reports UNB.

The various problems faced by the Managers and Field Workers in performing their duties on lending and banking business were discussed in the conference.

Presided over by the Regional Manager, Md Yusuf, it was attended by the divisional officers, 22 branch managers and field workers. Managing Director of the Bank Khandaker Ibrahim Khaied attended the conference as chief guest.

The Managing Director emphasised the need for credit diversification and highlighted on sustainability of the bank. He also called for imposing punishment and reward measures for the good and bad performance of the staff members.

Earlier, the Managing Director attended the managers' conference held in Patuakhali on February 25 where he asked the managers to fulfil their lending target by June next.

Fowler calls on tourism minister

British High Commissioner to Bangladesh Peter Fowler called on State Minister for Civil Aviation and Tourism Major (Retd) Abdul Mannan at his office here yesterday, reports UNB.

The State Minister apprised the High Commissioner of the different aspects of the Biman Bangladesh Airlines.

They also exchanged views on various development issues of air service and tourism of both the countries, said PID handout.



Wahur Rahman, Managing Director of Social Marketing Company, seen addressing the company's 1994 annual sales conference held at a city hotel recently.

Tk 710.63 cr earned from jute sector in six months

Bangladesh earned a sum of Taka 710.63 crore by exporting 1.35 lakh metric tons of raw jute and 2.55 lakh metric tons of jute products during the July-December period of the current financial year, Jute Minister ASM Hannan Shah informed the Jatiya Sangsad on Tuesday, reports BSS.

Replying to a question from Sarder Sakhawat Hossain Bakul

(Narsingdi), the minister said the earning from export of jute and jute products in the first six months of this fiscal year was Taka 88.75 crore more than that of the corresponding period in 1993-94.

In reply to a supplementary question, he said Bangladesh had earned Taka 1020.08 crore by exporting 4.66 lakh metric tons of jute products and Taka 224.70

crore by exporting 11.88 lakh bales of raw jute in 1993-94 financial year.

In reply to another supplementary question, he said, internal demand of raw jute was 30 lakh bales while 12 to 15 lakh bales are exported per annum.

He said that the export target of raw jute had been fixed at five lakh bales in the current fiscal year.



Ahbab Ahmad, Managing Director, Biman, and Philippe de Saint Aulaire, Regional Group Director, Contracts Division of Airbus Industrie, signing the purchase contract for two new Airbus A 310-300 at Biman Bhawan in the city on Tuesday. Secretary, Civil Aviation and Tourism, Nooruddin Almasood, and French Ambassador to Bangladesh Jean-Michel Lacombe, are also seen in the picture.

Country exports Tk 838.91 cr frozen food

Commerce and Information Minister M Shamsul Islam yesterday said that Bangladesh had exported frozen food worth Taka 838.91 crore during the 1993-94 financial year which was 30.6 per cent more than that of the fiscal 1992-93, reports BSS.

He was replying to a question from Begum KJ Hamida Khanam (women 20) at the Jatiya Sangsad.

In reply to a supplementary question, he said the government has been giving various support for the development of the shrimp cultivation fields in the coastal areas as well as for the development of frozen food processing plants. There are 115 such processing plants in KHULNA, Chittagong and Dhaka, he informed the Jatiya Sangsad.

Call money rate

Money rates in the call money market during the week ended yesterday ranged from 1.20 to 5.50 per cent, a Bangladesh Bank press release said, reports BSS.

During the same week interest rates offered by the bank on certificate of deposits varied from 3.00 to 8.25 per cent.

The bank rate, however, remained unchanged at 5.50 per cent.

Tea prices up at Ctg auction

CHITTAGONG, Feb 1: The weekly tea sale was held here on Tuesday marked by up trend for overall improvement in prices following more demand from exporters and internal buyers, reports UNB.

Bold and large broken were readily absorbed by the buyers for Poland and other out-markets. Pakistan and the internal market were more active this week on fannings and smaller broken.

CTC: Bold and large broken met with a strong demand and generally sold at firm to dearer rates advancing up to Taka one

per kg. Medium and small broken were firm and occasionally dearer following quality. A few popular types available were well supported selling between Tk 47/50 and Tk 56/80.

Fannings met with more demand and were firm to slightly dearer up to Tk 1 especially for the good liquoring types. Popular types sold well between Tk 47/50 and Tk 58/90.

GREEN TEA: 155 chests on offer met with a good demand at dearer rate. Hyson sold between Tk 60 and Tk 66 while

stalky types were withdrawn without bids and only a small quantity was sold at Tk 39. Green teas sold at Tk 32.

DUST: 3,326 chests on offer once again met with less demand at generally irregular rates. Clean good liquoring teas sold well at firm rates while all others were at lower market following quality, particularly CD's which eased further. Only internal buyers operated in this section of the catalogue.

There were 18,034 chests on offer for auction. Next sale will be held on January 7.

KLM freighter service likely in Bangladesh

By Staff Correspondent

KLM Royal Dutch Airlines may increase its frequency or may introduce freighter service in Bangladesh if the present trend of cargo movement continues, KLM's Regional Cargo Manager said in Dhaka yesterday.

"I can not specify the date right now. It depends on demand. What I can say this destination has a good potential," Meera Juneja, Cargo Manager for India, Nepal, Bangladesh and Bhutan told The Daily Star.

She was on a business trip to Dhaka.

She said that because of Bangladesh's new economic policy, the country has opened up increasing movement of both passengers and cargo, although there is a wide imbalance between inbound and outbound cargo, she said.

The KLM which started its operation in Dhaka just three months ago, currently carry 22 tons of cargo every week, 90 per cent of it are readymade garments. Finished leather and perishable items are also included in the export cargo, she said.

But on an average three tons of inbound cargo is car-

ried by the airlines for Dhaka.

Seventy per cent of outbound cargo are now booked for European countries while 12 to 13 per cent are for USA and Canada and the perishable items are mainly booked for Middle East.

Juneja said "both passengers and cargo departments are doing well in Bangladesh." The Dutch airline has some 100 agents in Bangladesh but around 15 are doing good business.

The warehouse facilities should be increased at the Zia International Airport, she pointed out.

At present KLM operates twice-a-week flights in Dhaka by wide-bodied 747 aircraft which has a cargo capacity of 15 to 16 tons.

It has freighter service in India where the airlines also has daily flight.

The regional cargo chief said that her company invested a huge amount for cargo handling. KLM has cargo hub in Dubai, linked up with Singapore, Hong Kong and Japan, she added.

Group discussion on specialized textiles held

A group discussion meeting on specialized textiles was organized by Business Advisory Services Centre (BASC) yesterday at its training hall, says a press release.

The meeting was attended by textile experts, businessmen, representatives of textile and garment industries and NGOs.

It discussed the opportunities for small business development in high valued handloom products, garments accessories manufacture and waste recycling and dyeing and finishing of fabrics.

The meeting identified 100 pc cotton fabric, Jamdani saree, silk saree, bed sheet, upholstery and furnishing fabrics etc. as high value handloom products; and determined button, collarbone, interlining, butterfly, shoulder pad etc. as garment accessories which can be manufactured locally.

It also focussed on garments waste recycling for producing coarse count yarn for rugs and upholstery and pulp for mini paper mills.

Problems which currently inhibit development of these areas included adverse tariff structure, lack of technical knowledge etc.

(Following is the remaining part of the article published on page 6 of our yesterday's issue.)

Prospects of the Leather Industry

The future face of the leather industry will be determined by two major factors:

The High Growth Areas of the Industry.

The Geographical Configuration of the Industry.

In order to address these factors one has to examine the supply of raw hides and skins, the processing capacity to convert raw hides and skins to finished leather and of course the demand for finished leather and leather goods. Obviously there exists a strong synergy between these factors as matters relating to the quantity and price of supply of raw materials affect ultimate demand.

The leather industry in Bangladesh has been a "Sleeping Tiger" compared to the competition in India and Pakistan. In India the industry has enjoyed 25 per cent annual growth for the past 3 years and has been the highest growth sector in the economy. Chart No: 1 compares the export earnings from leather of Bangladesh with those of India and Pakistan for 1990-91.

It is obvious from the chart that the leather sector in Bangladesh has not yet lived up to its promise and is still very much in its infancy viz-a-viz India and Pakistan.

Today the leather industry is one whose time has come in Bangladesh. In 1993, world supplies of raw material were 29 per cent lower compared to 1977 but demand had risen 33 per cent compared to 1977 and has continued to grow 10-15 per cent per annum. Rising global purchasing power, particularly in the South has increased demand for luxury

Leather industry: The present and future

Syed Manzur Elahi

goods and leather has always occupied a "quality/luxury/fashion" market niche: the athletic footwear boom and of course the growing world population have all created strong demand growth.

Agricultural subsidies and strong farm lobbies have helped keep the livestock population in the US, ANZ, and EC well above domestic requirement levels. So even in the face of the pressure on pasture land as populations grow, supply overall will not fall drastically. The deterioration in the overall quality of raw hides and skins is however a global phenomenon.

Introduction of uniform anti-pollution laws from January 1, '93 in the EC have seriously affected the competitive position of the remaining producers in Italy, Spain, and Portugal.

Against this global backdrop Bangladesh has the key ingredients for success in this industry:

Bangladesh has a domestic supply of good quality-fined grained raw hides and skins that enjoys a premium in Western Europe and Japan. Countries such as Hong Kong and Korea had to develop their industries without any real domestic supply of raw materials.

Geographical proximity to India with its religious restrictions on the consumption of beef combined with the growing meat consumption in Bangladesh as per capita income rises, has assured an alternative supply source from India.

Lack of subsidies or cash incentives such as those that

were provided in India and Pakistan forced the local leather industry to be more competitive. As global trade today takes a more free market stance, Bangladeshi producers have not been protected and lulled into complacency.

The leather industry is one of the 3Ks — Kiken, Kitana, Kitsui — industries in Japan, which means dangerous, dirty, and difficult. Working conditions especially upto crust leather are uncomfortable and labour content is high. Bangladesh with over 120 million people concentrated in an area the size of Wisconsin has an abundance of people willing to work in such industries. Wage levels at about US\$550 per worker per annum in 1993 are amongst the lowest in the world.

Liberalization of trade, especially imports, has already allowed duty free import of capital machinery for export oriented units. Furthermore, it is believed and fervently hoped that the tariff structure on all input materials for the leather and leather goods industry will be revised by the government to make them zero based, that is, duty free. This will throw open the floodgates of growth in this sector. The stated government policy of pursuing value addition in exports, for example, banning of wet blue exports, have also set the stage for the push towards finished leather. Preferential access of leather footwear and goods to EC and Japan will create demand pull for finished leather as modern producers realize the homegrown advantages of Bangladesh.

Environmental concerns in Bangladesh are already being

addressed with plans for relocation of the industry outside Dhaka, where it is currently located, as well as efficient treatment facilities in order to minimize negative social impact and engender a long-term future for this industry.

With these driving forces already in play the leather industry requires a catalyst for combustion and that catalyst is a mixture of Transfer of

Technology (TOT) with capital, and strategic marketing.

Transfer of technology: As explained earlier the level of technology involved in finishing leather is much more involved compared to that for making crust leather. Italy leads the world in the process technology and has begun to take over the lead in chemical technology as well from the Germans. The need of the day

is a transfer of the know-how that exists in Italy, Japan, Korea, and Taiwan. This technology is mature and not very expensive but what is critical is the managerial and technical ability to complete this transfer. This will not only allow maximum utilization of domestic resources but also allow Bangladesh to enter new market segments such as low cost garment suede leather or expensive heavy nubuck leather based on imported raw hides and skins. The Korean example is illustrative where in 17 years from 1973-1990, technical know-how allowed them to become a major player in the global industry based completely on imported raw materials.

Capital: Technology has its price and therefore access to capital will be critical not only for increasing output capacity but also to acquire know-how. As environmental pressures mount even in the least developed countries, investment in effluent treatment facilities will be necessary to create the environmental-friendly "green" tanneries of the future. Also the nature of the industry requires holding large inventories of raw hides and skins as well as imported chemicals due to seasonal variations in supply. This creates the need for very large working capital requirements as well.

Strategic Marketing: It is true that producers of developing countries such as Bangladesh tend to be associated only with the manufacturing and exporting, they do not have much control over downstream operations. Lack of power in dictating final prices, reduces margins.

Therefore in the long term there has to be a balance or integration in the process of supply of raw hides and skins, manufacturing of finished leather and leather goods, and marketing of such goods. Bangladesh's current low position on the manufacturing-marketing chain implies that short term rapid growth will occur in the "copy-cat" industry with lower priced mass-market products being sourced from Bangladesh. However the success of Bangladeshi firms in attracting brand names such as "Puma", "Pikolinos", and "Hugo Boss" that there is ample scope for upward mobility. The industry must look towards quality and product differentiation for its future in order to avoid being branded as just the low cost producer of the day!

CONCLUSION

Leather is a by product of the meat industry. As long as people continue to consume meat, raw hides and skins will be made available for tanning. Even in the developed world livestock population should decline due to changed dietary habits, two entire continents mainly Africa and Asia have very low meat consumption due to low per-capita income. As per-capita incomes increase in these two regions more than half the world's population will continue to consume more meat for a long time before they have to cut back due to health reasons! Therefore any fall in supply due to lack of demand in the West should be more than compensated from growing

demand in the East. Modern cultivation and farming methods are also targeted at optimizing yield both in terms of land utilization and return.

Secondly, as consumption power increases in the East, demand for consumer items including fashionable/luxury leather goods is also growing. Therefore derived demand for leather will be created to feed the leather goods industry, which have also shifted from the West.

High manual labour content in this industry and the fact that it is not possible to completely automate this process will keep the industry in labour rich ones.

As Western markets approach saturation, markets in China, South Asia, and the NICs will only begin to take off. Access to these industries is easier both geographically and through the creation of regional trading agreements such as South Asian Preferential Trade Agreement (SAPTA).

As the market leaders of this industry for the last decade realize the gradual phasing out of mass production capacity in their own nations, they too must adapt or face extinction. And the process has already begun in Bangladesh. As production capacity in finished leather and leather goods is developed in Bangladesh, new jobs will be created, markets will be accessed, and the consumer will be benefited. The 3K industry in Japan will be replaced by the 3L industry in Bangladesh — Leather, Labour and Liberalization.

(The author is the immediate past President of Bangladesh Employers' Association and former President of MCCI. He is the Chairman of Apex Tannery Ltd.)

EXPORT EARNINGS FROM LEATHER INDUSTRY IN BANGLADESH

