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Manufacturers see tough time ahead as raw jute prices increase

Steps suggested to stabilise jute goods export market

By Rafiq Hasan

The country's jute goods manufacturers apprehend a tough time ahead in the export market as production cost escalated due to price-hike of raw jute this year compared to that of the previous year.

Representatives from Bangladesh Jute Mills Corporation (BJMC), Bangladesh Jute Mills Association (BJMA) and Bangladesh Jute Spinners Association (BJSA) yesterday held a meeting to find out ways to combat the situation to maintain the international market.

The government should take immediate actions to stabilise the market and avoid the impending "catastrophe" the meeting viewed, sources said.

"A panic situation is prevailing among the jute mills owners as the prices of raw jute rose abnormally this year," Sabbir Yusuf, Chairman of Bangladesh Jute Spinners Association told The Daily Star yesterday.

"If this upward trend of raw jute prices continues, many jute mills may be closed down fearing heavy losses. Buyers are not responding because our prices are higher than the ones offered by our neighbouring countries," he added.

The chairman of BJSA said, the production cost of the jute goods will increase by 100 to 150 dollars per metric ton.

The foreign buyers are diverting to our neighbouring countries mainly India as it can offer cheaper goods due to government subsidy in this sector, he mentioned.

Besides Indian exporters get a 10 per cent external market assistance from the government which we do not get, Sabbir Yusuf said.

According to BJSA sources, India exported 61,000 tons jute yarn last year against 17,000 tons of the previous year proving itself as a tough competitor for Bangladesh.

The prices of raw jute has shot up in the country by 50 per cent on average this year compared to that of last year.

According to the jute market operators, the price increased because the government and trade circle apprehended that the overall raw jute production may face a shortfall of 10 lakh bales this year due to drought and floods.

Prices of different grades of Kutcha White jute range between Tk 500 and 620. Prices of Tossa between Tk 550 and 680 and Mestha between Taka 450 and 550 per maund.

While, according to the recent market report of Bangladesh Jute Association (BJA), prices of different grades of Pucca jute range from Taka 3000 to 4100 per bale. Jute cuttings are being sold between Taka 2000 and 2100 per bale at Narayanganj and Daulatpur wholesale markets.

During the same period of last season, prices of different grades of Kutcha jute were between Taka 200 and 300 less than the present prices.

The prices of Pucca jute varied from Taka 600 to 700 less per bale.

Bangladesh Jute Mills Corporation (BJMC) sources said the prices of jute goods have already shot up in the first quarter of this season.

The quoted price of Hessian (40/10 oz) is now 25 dollars per yard, earlier it was 18 dollars. The price of carpet backing CBC also rose by 18 dollars per ton.

'Keep Ctg Port out of hartal'

CHITTAGONG, Oct 15: Bangladesh Handling Agents' Association President Shahadat Hossain Selim yesterday called upon opposition political parties to keep Chittagong Port out of the purview of hartal and siege programmes, reports BSS.

In a statement here, Shahadat Hossain Selim said export of readymade garments and import of food grains were seriously hampered causing loss of foreign exchange and shortage of foodgrains because of frequent hartal.

He said Chittagong Port has been facing heavy congestion, and indiscriminate hartal and siege programmes are aggravating the situation leading to huge financial loss.

The opposition political parties should reconsider their decision on hartal and keep the port out of the purview of hartal, he said.

A meeting of the Board of Directors of Bangladesh Shilpa Rin Sangstha was held at its head office yesterday with A N M Eusuf, Chairman of the BSRS board and Principal Secretary, Prime Minister's office, in the chair. Al-Ameen Chaudhury, Managing Director, BSRS, is seen on the right of the chairman along with other directors of BSRS.

BASB distributes rickshaws, sewing machines

A number of rickshaws and sewing machines were distributed among the ex-servicemen and members of the deceased soldiers' families of the World War-II by the Bangladesh Armed Services Board (BASB) here yesterday, says a press release.

The fund for purchase of rickshaws and sewing machines was provided by the British Commonwealth Ex Services League, London.

A total of 50 rickshaws and 100 sewing machines were handed over to the recipients.

Riyadh will adhere to strict cost-cutting measures next yr

DUBAI, Oct 15: Saudi Arabia, its fabled wealth eroded by past low oil prices and the costs of the 1990-91 Gulf War, will adhere to strict cost-cutting measures next year and may introduce further rate rises for basic services, reports Reuter.

Diplomats and economists say a long reform process has mostly succeeded so far in keeping spending in check while revenues have exceeded forecasts due to a recent increase in oil prices.

A freeze on new arms purchases as well as on projects that are not self-financing and profit-generating and on taking new sovereign loans will stay in place in 1996, the sources said.

They expect the 1996 budget to be within this year's 40 billion dollars range.

Saudi planners hope a rise in oil revenue will wipe out the 1995 four billion dollar forecast budget deficit. Some diplomats say the country, which has spent more on salaries than predicted, will record a smaller shortfall than the huge deficits seen since 1983, when oil prices dropped after the two shock oil price increases of the 1970s.

A diplomat in Riyadh said the 1995 deficit was expected to drop to five per cent of Gross Domestic Product (GDP) from 10 per cent in 1994, although other sources said it could be lower.

"I think the 1996 budget will be in line with what has been done this year," said the western diplomat." I won't be surprised to see something in the way of price rises but not as wide as this year."

In an uncharacteristic move, the state introduced price rises for basic services along with the 1995 budget and officials at the time hinted they were temporary.

The new prices are aimed at cutting a consumption growth rate running at an alarming 15 per cent in the electricity sector and financing multi-billion-dollar power projects in the next few years.

"You do not hear that frequently now the doomsday scenario which was popular with the (world) media," said an Arab source familiar with official thinking." A country with Saudi's oil reserves can't be bankrupt."

But the 12 million Saudis still have to learn to live on less for several years to come and cut consumption rates.

Saudi planners told Reuters oil revenue, which peaked at 116 billion dollar in 1981, was expected to be calculated in the new budget at a weighted average barrel price of around 14 dollar.

It is similar to the 1995 conservative estimate and an actual 1994 average when Riyadh had a 10.7 billion dollar deficit.

Saudi Arabia has earned around 3 billion dollars above budget so far this year from oil exports. Total revenues were put at 36 billion dollars in the 1995 budget.

Each one dollar change in the price of a barrel of oil means 2.5 billion dollar a year up or down for the revenues of Saudi Arabia — the world's largest oil exporter and producer.

The new budget, diplomats and Saudi planners say, appears so far to be built on the assumption of Iraq not returning fully to the oil market in 1996.

732776 hectares of land under intensive farming in Barisal

BARISAL, Oct 15 : A total of 7,32,776 hectares of land were brought under intensive transplanted *aman* cultivation under Barisal Region of Agriculture Extension Department (BRAED) during the current season, reports BSS.

The districts in the region are Barisal, Jhalakathi, Pirojpur, Bhola, Patuakhali, Barguna, Faridpur, Madaripur, Gopalganj, Rajbari and Shariatpur.

According to an official source, 2,19,890 hectares were brought under *upshi* variety and the rest under local variety.

A total of 19,78,581 metric tons of paddy is expected to be produced in these districts.

Of the total, 1,16,500 hectares were cultivated in Barisal, 70,250 hectares in Pirojpur, 46,720 hectares in Jhalakathi, 2,02,500 hectares in Patuakhali, 1,02,190 hectares in Barguna, 1,55,695 hectares in Bhola, 7,423 hectares in Faridpur, 2,564 hectares in Madaripur, 1,894 hectares in Gopalganj, 20,845 hectares in Rajbari and 6,195 hectares in Shariatpur districts.

Mahbubur Rahman, Chairman, Eastland Insurance Company Ltd, inaugurated the new office of the company's Motijheel branch at 88, Shadhinata Bhaban in the city yesterday. A K M Humayun Kabir, Nasir Ahmed, Ali Akbar Khan and Afzal Khan, directors of the company, and M Azmal Hoque, Executive Director and Chief Executive, and Ghulam Rahman, Director (Planning), also seen in the picture.

Barisal Postal Deptt earns Tk 12 lakh by selling pay-phone cards

BARISAL, Oct 15: Postal Department of Barisal district has earned a sum of Tk 11,72,300/- by selling pay-phone cards of different denominations in last 15 months till September 30 last, reports BSS.

According to Postal Department sources, government set up 11 booths for pay-phone cards call in this district.

Of the total, Tk 21,600/- were earned by selling 54 pay-phone cards of Tk 400 denomination, Tk 5,75,600 by selling 2,878 pay-phone cards of Tk 200 denomination, Tk 5,64,400 by selling 5,644 pay-phone cards of Tk 50 denomination and Tk 10,700 by selling 214 pay-phone cards of Tk 25 denomination.

NAM summit begins Oct 18

Dhaka to highlight LDCs' problems

Finance Minister M Saifur Rahman will lead the Bangladesh delegation to the 11th summit of the Non-Aligned Movement (NAM) beginning on October 18 in Cartagena, Colombia, reports BSS.

As the coordinator of the least developed countries, the Bangladesh delegation will undertake efforts to highlight the problems facing these countries due to adverse development in the world economy during the four-day summit.

Finance Minister Saifur Rahman who is now attending the World Bank and IMF meetings in Washington, is expected to play an active and constructive role in deliberations on all major international political and economic issues.

The Bangladesh delegation includes Foreign Secretary Farooq Sobhan, Bangladesh Ambassador in Washington, the Permanent Representative to the United Nations in New York and senior officials.

The summit meeting will be preceded by the foreign ministers' meeting on October 16 and 17 and the senior officials' meeting on October 14 and 15.

Bangladesh always attached great importance to the NAM. At this period of transition and global interdependence, participation of the high level delegation at the 11th summit will once again demonstrate the country's continued interest in and strong commitment to the principles and objectives of the Non-Aligned Movement.

Tk 25 cr Swedish grant for rural employment

Bangladesh will receive 45 million Swedish Kroner equivalent to Tk 25 crore from Sweden as grant for the financial year 1995-96 under an agreement in continuation to support the Rural Employment Sector Programme (RESP-II), reports BSS.

A press release of the ERD yesterday said development of physical infrastructure in the rural areas including roads, markets and water control for the improvement of the agriculture sector and increase of production and employment for the rural poor are the objectives of the programme.

The programme is being implemented under the productive employment project, the rural poor programme task force and the infrastructure development project, the institutional support project by the Bangladesh Rural Development Board (BRDB) and Local Government Engineering Department (LGED).

An agreement to this effect was signed here yesterday in the conference room of Economic Relations Division (ERD) by AKM Rezaur Rahman, Joint Secretary, ERD and Bjorn I Sternby, Ambassador of Sweden in Bangladesh on behalf of their respective sides.

Prices of tea, sugar, gold up, cotton down, oil calm over the week

LONDON, Oct 15: Aluminium prices plunged this week on the London market, defying dealers' expectations of a massive rally after a strike at the Canadian group Alcan, one of the world's largest producers, reports AFP.

But the market was wrongfooted when the work stoppage at Alcan's Quebec facilities failed to translate into supply problems, and disappointed speculators launched widespread selling.

Aluminium's giddy descent dragged other metals in its wake, such as zinc, while others, such as copper, recovered after a brief moment of weakness.

On the agricultural side, the grains markets were as frenzied as usual, under the effect of disappointing wheat and corn harvests.

And natural fibres, such as wool and cotton, fell in price because of weak demand. The tea market bounced back after many months of gloom.

GOLD: Boost. The price of gold rose by two dollars to 384 dollars per ounce early in the week, after the Washington meeting of central bank governors and finance ministers from the G-7 countries last weekend.

The meeting yielded a statement in favour of a more robust support of the dollar. Traders responded by buying up gold, in the anticipation of a renewed and sustained advance in the dollar, which would increase the import costs of gold.

Later, gold prices fell back under pressure of losses in US stocks on Wall Street.

SILVER: Climb. The price of silver rose slightly to around 5.40 dollars per ounce, on the back of gold. But the metal then faltered, affected by platinum's failure to stage a recovery after last week's crash.

PLATINUM: Weak. The price of platinum and palladium failed to recover, remaining around 415 and 138 dollars per ounce. These two meals are still under pressure from Japanese investment selling.

COPPER: Fall. The price of the metal fell to a low since May this week on the London Metal Exchange (LME), reaching 2,717 dollars per tonne, dragged down by the crash in aluminium.

But the metal later recovered, to end at 2,770 dollars per tonne, only 50 dollars down on the week. The rebound was attributed to the continued lack of supply and robust demand in the United States.

Traders were also concerned that stocks belonging to US investors might be withdrawn from LME warehouses, making supply even more limited.

A LME stocks rise in the metal of only 800 tonnes to 176,350 tonnes was too small to affect the market.

LEAD: Stable. The metal, like copper, held steady in spite of the heavy losses sustained by aluminium. After falling beneath 600 dollars per tonne mid-week, lead recovered to 607 dollars per tonne, the same level as last Friday.

The market continued to be supported by the fall in LME stocks, which declined by 1,400 tonnes to 205,425 tonnes. Over the last year, these stocks have fallen by around 170,000 tonnes.

ZINC: Plunge. The metal suffered more than most from aluminium's rout, losing 30 dollars to 980 dollars per tonne, its lowest point for more than a year.

The market was further depressed by the continued baundance of world stocks. On the LME, however, stocks declined by 5,200 tonnes to 735,175 tonnes.

ALUMINIUM: Plunge. The price of the metal plunged unexpectedly, to its lowest level for a year, just at the moment when analysts had foreseen a surge in prices because of a strike at the giant Canadian producer, Alcan.

The reference price (for delivery in three months) fell below, 1,700 dollars per tonne for the first time since October 1994, under pressure of frenzied selling by investment funds.

The speculators were "disappointed by the lack of market reaction to the strike at Alcan's Quebec facilities," said William Adams at trading house Rudolf Wolff.

The prospect of a strike pushed prices up last week. Speculators had imagined that a stoppage at the Canadian producer would immediately translate into supply shortages. But Alcan has shown since the beginning of the strike action that it can continue to fulfill contracts by dipping into stocks.

Even worse, the company announced that it will restart some stalled production facilities (apparently not in connection with the strike). And the final blow came when, after only a few days of the strike, the workers voted to return to work.

The fall in LME stocks, by 4,900 tonnes to 525,625 tonnes, failed to influence prices.

NICKEL: Seesaw. The price of the metal reacted nervously to the plunge in aluminium, losing over 300 dollars to reach 7,760 dollars per tonne, a low since June.

But then the metal recovered, although not to previous levels, ending the week around 7,900 dollars per tonne. A drop in LME stocks of 3,120 tonnes to 56,070 tonnes, as well as declining stocks of stainless steel (the main destination for nickel) in Asia, supported the market.

TIN: Stable. The metal held steady in the face of aluminium's crash. After a moment of weakness, tin recovered to 6,250 dollars per tonne, only 50 dollars down on the week.

LME stocks fell by 255 tonnes to 14,670 tonnes.

OIL: Calm. The reference price of Brent North Sea crude oil remained more stable than last week, fluctuating between 15.75 and 16 dollars per barrel. A rise in US crude oil stocks at one point put pressure on prices.

The choice of a dual pipeline system for the transport of Azerbaijani oil, one passing through Russia, and the other through Georgia, was greeted with relief by traders. Many had been concerned about the possibility of crude oil supplies from the Caspian being controlled by one country.

The oil fields of the Caspian Sea appear to have enormous economic significance. According to Julian Lee at the Centre for Global Energy Studies, the Azerbaijani fields could produce between "700,000 and one million barrels per day by 2010 to 2015".

RUBBER: Firmer. The reference price advanced by some 15 dollars to 915 pounds per tonne, owing to the high cost of Thai rubber. Heavy rains in Thailand have slowed down the production of this country, which is the number one world exporter.

Japanese buyers, who obtain most of their supplies from Thailand, pushed up rubber prices on the Tokyo futures market, which had a dominant effect on international cash markets.

COFFEE: Fluctuating. The market was hit by early weakness, falling below 2,200 dollars per tonne of roubusta coffee in London, after higher-than-expected exports by Brazil.

The world's number one producer confirmed that it had overrun by 300,000 sacks (100 kilograms each) its export quota for the third quarter, set at three million sacks.

Two weeks earlier, the Association of Coffee Producing Countries (ACPC) announced with much fanfare that its worlwide export limit plan was on course. The Brazilian statement, however, has reinforced market scepticism about the plan.

In the second half of the week, prices recovered significantly, on a wild rumours about the possible imposition of a 40 per cent tax on Brazilian Arabica exports, and the downward revision by the USDA to their forecast for the Brazilian 1995/96 harvest. They now predict it at 16.8 million tonnes, rather than 17.6 million.

COCOA: Progress. While subdued, the market still recovered slightly to reach 930 pounds per tonne by the end of the week. The start of the harvesting season although much anticipated - uncharacteristically failed to influence the market.

But traders were encouraged by the maintenance of the existing official prices paid to Ivory Coast growers. The freeze in prices will dissuade the farmers from over-producing, and should therefore limit surplus output in the country.

Prices held steady despite poor retail consumption data in Britain and Germany. But at the end of the week, the announcement by the USDA of a record Ivory Coast harvest of 970,000 tonnes in 1995/96, from 905,000 tonnes the year before, limited gains.

TEA: Advance. The market was full of activity, and the price of medium-quality tea on the London auctions advanced two pence to 124 pence per kilogram. The high-quality Assan tea has attracted heavy buying for the past few months, and the teas from East Africa have also sold well.

SUGAR: Rally. Prices reached their highest level since early summer, at 326 dollars per tonne, lifted by a wave of speculative buying despite prospects this year of a good harvest in Europe and a large world surplus output.

This unexpected jump in prices was partly due to restocking operations within the European Union. The EU's stocks were depleted last year by a relatively weak harvest.

The rebuilding of the European sugar mountains is expected to drain around 500,000 to 600,000 tonnes of sugar from this year's crop, Chris Pack at the London traders Czarnikow predicted.

This will mean a lower-than-expected supply.

So far, the bumper world harvest has not translated into large quantities of sugar appearing on the markets. The reason, according to Chris Pack, is simple: India, the world's largest producer, also enjoys the biggest consumption. Most of the surplus output has therefore been destined for the domestic market and for rebuilding the country's stocks.

VEGETABLE OILS: Boost. The prices of vegetable oils climbed, on the Rotterdam market, lifted by higher soya prices in Chicago. These in turn were boosted by a rally in US corn and wheat prices and the announcement of a higher Brazilian soya harvest.

The price of soya oil rose by four guilders in Rotterdam to 103 guilders per 100 kilograms. Sunflower oil advanced 15 dollars to 720 dollars per tonne and rape seed 3.5 guilders to 98 per 100 kilograms.

Meanwhile, palm oil jumped over 30 dollars to 630 dollars per tonne, influenced by buoyant prices in Chicago and on the Kuala Lumpur market, which has benefited from the seasonal fall in Malaysian production, the world's largest.

GRAINS: Surge. The announcement by the US Department of Agriculture (USDA) that the country's grains harvest this year would be worse-than-expected sent prices in Chicago soaring towards new heights.

The USDA now predicts a domestic wheat crop of 59.4 million tonnes, down from 63 million last year. The corn harvest will even worse: out put is expected to fall to 191.5 million tonnes from 256.6 million in 1994.

The global picture is no more encouraging: The USDA forecast a world wheat crop of 529.77 million tonnes, with poor harvests expected in Argentina and Australia. This is expected to push world stocks down to dangerously low levels.

Prices were also pushed higher by news of imminent import orders from big buyers such as Egypt, Pakistan and Maghreb countries.

In Europe, the markets failed to react significantly to the frenzied activity in Chicago. Trading continued to be subdues at the end of the summer.

British wheat and barley advanced respectively by two and three pounds to 117 and 111 pounds per tonne.

The Food and Agriculture Organisation, meanwhile, warned that the world grains harvest needs to rise by at least five per cent in 1996 to cope with global demand, due to the depleniished level of stocks after disappointing crops in recent years.

COTTON: Down. Prices on the physical market fell by three cents to 0.91 dollars per pound, while futures prices fluctuated uncertainly.

The market took little notice of the USDA's cut in its estimate of the US crop this year, to 19.14 million tonnes from the previous prediction of 20.26 million.

WOOL: Depressed. The reference price on the market in Bradford, Northern England, continued its steady fall, declining 24 pence to 451 pence per kilogram.

Prices have been affected since the beginning of the season by the poor state of the Australian market, which has suffered from the weakness of Asian demand.