

Directive to
retrench addl
sugar mill
workers

Commerce and Industries Minister Tofail Ahmed has said it is impossible for the government to run the sugar mills year-after-year by incurring huge losses, says UNB.

The interest of the employees-workers is as important as the interest of consumers and commoners," the Industries Minister said while addressing the biennial conference of Bangladesh Sugar Mills Workers-Employees Federation at BCIC auditorium in the city on Thursday.

He urged all concerned to turn the sugar mills into profitable concerns through stopping extra-expenditure and improvement of management system.

The minister directed BSFIC to take steps to retrench additional workers in every sugar mill. He, however, said workers, who go on voluntary retirement, would get full benefit according to recommendations of Mannan Committee.

Referring to task force report on sugar industries, Tofail said the government would implement the recommendations on short, medium and long-term basis.

He said the workers would get all facilities from July 1997 after announcement of the wage commission report.

The function was addressed, among others, by State Minister for Primary and Mass-Education Satish Chandra Roy, Shamsur Rahman, MP, BSFIC Chairman AS Salauddin Ahmed, president of the federation Mohidul Islam and general secretary Ataur Rahman.

Chinese rice
export may rise
this year

BEIJING, July 30: China may become a net rice exporter this year thanks to its consecutive bumper harvests in the past years and a slight over supply of paddy crops on the domestic market, according to today's China Daily, reports Xinhua.

But experts predicted that demand for rice may shrink this year since major international rice exporters have increased their production and the rice prices on international market are also dropping.

According to sources with the information center under the Ministry of Agriculture, China's grain exports reached nearly 9.06 million tons last year, and China's rice exports hit a record 3.75 million tons.

Economists say that an over supply of rice and rice products on the domestic market is prompting Chinese rice trading companies to sell overseas.

In contrast, China's rice imports from Thailand, Australia and Vietnam amounted to 244,000 tons in 1998, down 25.3 per cent from the previous year.

This year, the central government has accelerated the reforms of the country's grain distribution system by letting the market regulate the price of low-grade early rice, a major crop produced in areas south of Yangtze River.

However, experts say that it is very hard for Chinese grain to get a good price on both international and domestic market this year, and the prospect of Chinese grain export is still unclear owing to the current situation in the country's foreign trade.

HK stock, futures
exchanges reach
merger deal

HONG KONG, July 30: Hong Kong's stock and futures exchanges reached a preliminary agreement today on the terms of a merger, after coming under pressure from the government, says AFP.

The agreement between the two councils of the Stock Exchange of Hong Kong (SEHK) and the Hong Kong Futures Exchange (HKFE) will be put to the members of the exchanges for approval in September, a government statement said.

Under the proposal, the exchanges and their respective clearing houses will be merged to form a new publicly listed entity called Hong Kong Exchanges and Clearing (HKEC), it said.

The stock exchange will hold 70 per cent of the equity in the new company and the futures exchange will hold 30 per cent.

SEHK and HKFE shareholders will be offered shares in the HKEC and the opportunity to receive cash in place of some or all of the shares in HKEC to which they are entitled subject to conditions, the statement said.

Current SEHK and HKFE shareholders will also be able to transfer their eligibility to trading rights, once only, for a period of 10 years.

The HKEC has agreed that no new eligibility to trading rights will be granted for two years from the date that the proposals become effective.

In the third and fourth year, no new eligibility to trading rights will be granted by HKEC for less than three million Hong Kong dollars (389,610 US) for the cash market and 1.5 million Hong Kong dollars for the futures market.

Frozen food exporters tell The Daily Star

Output cost cuts only way to recoup losses

By Inam Ahmed and Monjur Mahmud

As the plummeting trend in shrimp prices in the global market continues,

there seems to be little hope for the country's frozen food exporters to recoup their losses, unless they drastically cuts their production costs.

Although it sounds like an easy solution, the reality may spell different and tough for them. Most frozen food plants now-a-days run at only 30 per cent capacity, a level which can never make any industry viable.

But where does crux of the problem lie? Why cannot the plants utilise their unused capacities?

The answer is more of basics. The plants have been set up with taking the supply of raw material into consideration. Plants mushroomed as the pioneering exporters made fortunes.

But the absence of backward linkage resulted in the closure of 80 plants out of the 123 existing ones. The rest of the units are processing only 30,000 metric tons (MT) of shrimps, while their installed capacity is 90,000 MT.

On the other hand, as prices of shrimp slumped from about \$9 per pound (each pound containing around eight to 12 pieces) last year to around \$6, frozen food exports suffered in dollar terms, falling short of target by about 23 per cent in

the first 11 months of the year. Now, exporters are demanding government actions to see the sector thriving. Many of their demands have remained unmet for a long time.

Against this backdrop, The Daily Star recently invited the members of the Bangladesh Frozen Food Exporters Association (BFFEA) at a discussion on the issues at its conference room.

Because of lower productivity per hectare, shrimp production cost is higher, said Kazi Shahnewaz, President of BFFEA.

The farmers cultivate shrimps by using traditional methods, which results in an average yield of 250 kg per hectare in Bangladesh, while it is 2000 kg per hectare in Thailand and 1000 kg to 1500 kg in India, he said.

The farmers do not know about modern technology and are also unwilling to go for improved shrimp culture. They also do not give us long-term lease of their land and are disinterested in investing in shrimp culture, thinking the return on investment would be low, said Golam Mostafa, former president of BFFEA.

"That's why we asked the government to provide us with 100 acres of khas land for shrimp culture on a pilot basis. Our proposal was approved by the BNP government and the AL

government also agreed to the idea. But we haven't yet received the khas lands."

"To launch modern shrimp cultivation and increase our productivity and capacity utilisation, we need long-term land leases."

Due to higher production costs, the exporters are compelled to continue their exports even at below-production costs to minimise losses," he said.

"A container of shrimps costs between \$250,000 to \$300,000. Despite knowing that prices will increase in the next couple of months, we cannot hold on to our stocks due to our capital crunch," said Golam Mostafa.

So, how do the exporters predict price rises?

This is exactly what happened when prices went down hill last year, he said. "When we bought shrimps for our plants, the market was good and our costing was reasonable. But as prices slid to \$6 per pound, we found our books going red."

But then the sleeping South-east Asian tigers woke up breaking the spell of long slumber, as their currencies were devalued heavily because of the regional crisis. The former BFFEA leader said: "We have strong rivals in countries like Indonesia, Thailand, Malaysia as those they have devalued their currencies heavily over the years."

"When prices go down in the international market, Bangladeshi exporters lose their competitive edge because they cannot lower their shrimp purchasing costs."

But apart from these, exporters are fighting against high interest rates, high electricity tariff, natural disasters and political unrest.

When the European Union imposed a ban on Bangladeshi shrimps, the factory owners faced huge financial losses.

Their factories were closed and yet they had to count bank interests.

Then they took more loans to upgrade their plants with a view to meeting the EU standards, which took two to four months. Even during this period, no offers came from the government or anybody else to suspend their interests.

But during the ban period, the exporters could hardly sell their stocks in the domestic market.

"We cannot sell our products in the domestic market as this is very small and people cannot afford the costly shrimps," said Shahnewaz.

So, the exporters had no other options but to keep their refrigerators running for nothing.

The exporters also lament the peak-hour electricity charges.

The peak hour rate is Tk seven a unit and the usual 15 per cent VAT is also there.

"Our plants do not have any

arrangement from the nationalised commercial banks (NCBs), but they just shrugged them off."

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"Our plants do not have any

peak or off-peak hours. We have to keep them running every second of the day, or else the products would perish. So, the high peak-hour rate should not be imposed on us since we have no options left."

"Even at such abnormally high power rates, we hardly default on our payments. We can assure you that 98 per cent of our electricity bills are paid because we cannot afford power disconnection."

Shrimp exporters now claim they have much better case than many other sectors to get some sort of subsidy or incentives to get their plants on foot again.

"We are 40 factories running with only Tk 300 crore working capital and a earning around Tk 1500 crore a year. Isn't this outstanding? Look at the leather sector, they have about Tk 800 crore non-performing loans."

Shrimp exporters now claim they have much better case than many other sectors to get some sort of subsidy or incentives to get their plants on foot again.

Md Rezaul Hoque, Managing Director of Modern Seafood Industries Ltd, Kazi Belayet Hossain, Managing Director of Sobi Fish Processing Industries Ltd, MA Sattar, Managing Director of Bionic Fish Processing Ltd and Bionic Seafood Exports Ltd, Anisur Rahman, Director of Bangladesh Seafood Industries Ltd, AKM Mursheed Hossain, Director of Maha Fish Processing Ltd, took part in the discussion.

Tea Assoc seeks more govt assistance

CHITTAGONG, July 30: Chairman of the Tea Association of Bangladesh AJG Chowdhury yesterday sought cooperation of the government for the overall development of tea gardens of the country with a view to increasing tea production, reports BSS.

Addressing the 39th annual general meeting of the association held here yesterday he expressed the fear that tea production would be 20 per cent less during the current year on account of the drought at the beginning of the year.

Chowdhury said that Bangladesh produced 55.97 million kgs of tea in 1998, which was 10.79 per cent higher than the previous year. He also said that the internal demand for tea in Bangladesh was 3.81 million kgs, which was 15 per cent more than the previous year.

The Tea Association chairman appealed to the government to grant 99-year lease to tea gardens, improve road communications, supply fertilisers, power and gas and help rehabilitate sick tea gardens. He also called for improving the law and order situation in and around tea gardens.

Chowdhury expressed his gratitude to the government and other agencies for extending help and cooperation to the tea garden owners.

China to finalise proposals for WTO talks with US

HONG KONG, July 30: China's top leaders will finalise proposals to restart talks with the United States on Beijing's ascension to the World Trade Organisation (WTO), the Hong Kong Standard reported today.

Chinese senior leaders will decide on the proposals during their annual summer retreat in the beach resort of Beidaihe, the daily said, citing diplomatic sources.

The leadership has given the green light for the package proposed by Premier Zhu Rongji during his February visit to the United States to be the framework of the WTO negotiations, the sources said.

Zhu made several key concessions including the opening up of the lucrative telecommunications and agricultural sectors.

The bilateral WTO talks ground to a halt after the May 7 accidental NATO bombing of China's embassy in Belgrade plunged ties to a new low.

The United States is still awaiting Beijing's decision to move ahead on the WTO issue.

British economy back on track

LONDON, July 30: Britain's economy leapt decisively back into life in the second quarter, growing by 0.5 per cent over the first three months of the year and banishing all thoughts of recession, official figures showed today, says Reuters.

The Office for National Statistics said the economy grew by 1.2 per cent compared with the same quarter last year.

The buoyant service sector led the way, up an annual 2.4 per cent, but hard-pressed industry also contributed.

US approves Oxy trip to Libya

WASHINGTON, July 30: The Clinton Administration approved a request for Occidental Petroleum OXY.N to visit Libya and check on assets the company was forced to abandon in the mid-1980s, a government source told Reuters yesterday.

The travel licence for Occidental executives was approved last week by the Treasury Department's Office of Foreign Assets Control, the source said.

The licence comes at a time when US oil firms have had to sit on the sidelines while European oil companies begin to make overtures for investing in Libya. Earlier this month, Britain resumed diplomatic relations with the North African country.

Libya plans to revise its petroleum laws and launch an international oil licensing round next year.

But a group of US senators is pressuring Treasury to deny licences to American oil firms wanting to go to Libya.

US firms should not be allowed to go to Libya, because the country is listed as terrorist state and UN sanctions against Libya remain in place, the senators said.

"It is premature to allow American companies to survey assets and perform seismic testing in Libya with an eye toward investing," the lawmakers said in letter on Tuesday to Treasury Secretary Lawrence Summers.

The letter was signed by eight senators, including Democrats Edward Kennedy of Massachusetts, Charles Schumer of New York and Barbara Boxer of California, and Republicans Sam Brownback of Kansas and Gordon Smith of Washington.

A Treasury spokeswoman confirmed a licence was issued to a US oil company, but would not say if it was Occidental.



Leaders of Bangladesh Frozen Foods Exporters Association (BFFEA) at a discussion with The Daily Star recently.

— Star photo

Cash crunch remains the big hurdle

Shrimp exporters see a ray of hope in processing

By Inam Ahmed and Monjur Mahmud

When the going gets tough, the tough gets going. This has also proved to be true for the country's shrimp exporters.

When the market crashed and exports wailed over their losses, some smart entrepreneurs looked for product diversification and value addition to win even a bigger chunk of the global market.

Today, there are seven frozen food plants which are exporting processed shrimps instead of sending the same as raw. They pack shrimps in small poly packs and cook them before exporting to different European and US markets.

Moreover, it requires enough time to market value added products after completing BMRE of a factory, but an exporter has to start paying interest from the day he opens L/C, which is pretty discouraging for them.

If the government extends policy supports to the exporters, it will be possible to add 30 per cent more," said MA Sattar, a leading exporter and Managing Director of Bionic

Fish Processing Ltd and Bionic Seafood Exports Ltd.