International Business News

High wheat prices raise US grocery costs

AP, *Texas*

If you think the cost of gassing up your car is outrageous, wait until you need to restock your pantry.

The price of wheat has more than tripled during the past 10 months, making Americans' daily bread and bagels and pizza and pasta feel a little like luxury items. And baked goods aren't the only ones getting more expensive: Experts expect some 80 percent of grocery prices will spike, too, and could remain steep for years because wheat and other grains are used to feed cattle, poultry and dairy cows.

"It's going to affect everything ... impact on every section of the grocery store," said Michael Bittel, senior vice president of King Arthur Flour Co. in Norwich, Vt.

Consumers such as Maria Cardena feel trapped by the prices. She said the bread she buys has jumped from 69 cents a loaf to $1.09 in recent weeks.

"You have to buy it," said the 29-year-old mother from Lubbock, Texas. "You can't go without it. Everything has gone up."

The wheat market has been pushed higher by a combination of agricultural, financial and energy issues.

Poor wheat harvests in Australia and parts of Europe and the U.S. have caused China and other Asian countries to buy up more American crops, which are especially attractive because of the weak U.S. dollar.

At the same time, the American crop is shrinking because of federal incentives to grow corn for ethanol. And skyrocketing gas prices make it costlier to get any wheat to market. Those same pressures have also made it more expensive to supply feed grains for livestock.

AFP

Baker Christoph Stucker takes freshly-baked bread from the oven at King Arthur Flour Co. in Norwich, Vt., Wednesday, March 12, 2008. The company recently posted a letter to customers apologising for price increases.

India not to allow any FDI in retail sector

ANN/ THE STATESMAN

The government of India is not considering any proposal to allow foreign direct investment (FDI) in retail sector, agriculture minister, Mr Sharad Pawar said.

"There is no proposal to allow FDI in retail (and) the government is not thinking of it because it wants to protect the interest of retailers," he said replying to supplementaries during Question Hour in Rajya Sabha on Friday.

He said the International Council for Research on International Economic Relations will submit its report on impact, if any, of domestic organised retailing on the unorganised retail sector by May-end.

The study on The Impact of Organised Retailing on the Unorganised Retail Sector was commissioned in March 2007. ICRIER was to submit its report in July 2007 but the schedule was changed to enable additional survey.

It would cover "effect of organised retailing on small retailers and vendors in the unorganised sector keeping in mind the likely growth in the overall market and effect on employment," he said.

The recommendations and findings of the study would help the government take a view on the need to have a policy on the issue, he said.

Pawar said the Centre does not regulate retailing and it falls under the jurisdiction of the state governments. State governments can allow or disallow setting up of retail establishments.

China union calls for regular wage hikes

ANN/CHINA DAILY

National union leaders said on Friday they would to secure regular pay rises for workers across the country to counter the effects of surging consumer prices.

Zhang Mingqi, vice-chairman of the All-China Federation of Trade Unions (ACFTU), said it has been working with government departments on a mechanism to ensure stable pay rises for workers so they can benefit from the country's economic boom.

A recent survey by the federation found that more than 26 per cent of China's workers had not received a pay rise in the past five years, despite the economy growing at an averaged 10.6 per cent annually.

"We are trying to bring pay rises in line with economic growth," Zhang told China Daily.

"Trade unions should speak up for workers and protect their rights."

China's inflation surged to a 12-year high of 8.7 per cent last month, and people across the country, especially those on low incomes, have felt the strain.

National think tank, the Chinese Academy of Social Sciences, said in a recent report that years of paying low wages had helped Chinese firms boost their profits and increase their competitiveness. The report said the ratio of overall labor costs to GDP fell to 41.4 per cent in 2005, from 53.4 per cent in 1990.

"We are facing many problems in income distribution," Zhang said.

TELECOMS

Nokia keeps connecting

MD HASAN

On the ground floor of Gulshan's Shopper's World groups of people finger the Nokia handsets on display, poking buttons, flipping lids and caressing the plastic.

In the branded mobile store, models range from Tk2,500 to more than Tk80,000, providing for the needs of every user, from the harassed taxi driver to the well-to-do garment factory owner.

Four stories up by a smooth elevator sits Prem Chand, managing director of Nokia in Bangladesh. In his 18 months in the country he has seen business at the store below, and at other outlets throughout the country boom.

For, if Nokia is the world's undoubted handset leader, with a global market share of almost 40 percent, in Bangladesh it is a giant. Government and industry sources estimate that the Finnish group accounted for around 75 percent of all new handsets sold here last year.

Perched on a light blue sofa and surrounded by coulourful and stylish corporate images, Prem Chand was in a relaxed mood and happy to chat about his work.

Indeed Chand has cause to relax. Since the inception of the Nokia country office in May 2006, Brand Nokia has gone from strength to strength.

"Three out of four people in Bangladesh now use a Nokia brand handset," Chand states enthusiastically.

"No one has the same range of handsets in the market that Nokia has. We are the only manufacturer with such a diverse range of products," he said. From simple talk and text budget phones to music products and internet handsets, the idea is to hit all market segments.

"In Bangladesh, our strategy has been consumer education through direct above the line communication, localising the product and making it relevant for the Bangladesh market", he said.

Nokia conducts continuous local research, "and then we select the sets for a country's people based on the research findings what the customers actually want," Chand said.

One example of this has been the introduction of the Bangla interface. The Nokia survey found that Bangladeshis, especially lower income people, liked the Bangla font in the mobile set menu and on the keyboard in order to allow them to easily operate the handset. Therefore the company added the font to its 1200, 1108 and 1109 model sets with Bangla phones targeting the lower income segment.

On top of the Bangla interface, providing the right distribution structure has been an important step, with Nokia Care Centres for after-sales-service also helping Nokia brand to achieve its high popularity.

In 2007, a total of 6.8 million mobile handsets were imported to Bangladesh through legal channels, of which 5.1 million were Nokias. In 2006, out of the 5.5 million, Nokia imported 3.2million, according to government sources.

Initially the brand had to fight hard with grey market imports. The grey market consists of phones imported illegally, and fake models mainly produced in China. While this market has shrunk it is still common for businesses to import handset from neighbouring countries and escape tax by calling them computer accessories.

"It is certainly a challenge for us, because Nokia is a very valuable brand," Chand said, adding that customers who purchased on the grey market were missing out on Nokia features and guarantees. In some cases they were also buying poor quality products.

The Nokia's MD suggested that in order to tighten up the import of counterfeit models the government should check with the manufacturer to ensure the real products were being sent.

AMRAN HOSSAIN

Prem Chand, managing director of Nokia in Bangladesh, in relaxed mood. Nokia, the Finnish mobile giant now has 75 percent of the Bangladesh handset market.

Chand said growth in the mobile handset market will come down. A customer can buy SIM (Subscriber identification module) cards from different operators to enjoy lower tariff offers during peak and off peak hours. "But in case of buying a new handsets, customers think twice," he said.

But the existing tax structure on both SIM (Subscriber identification module) and handset is not helping the government achieve the target of reaching 50million mobile phone customers by end of 2008.

A customer usually spend 20 percent cost for holding a handset and rest of the cost has to pay for mobile phone services. Therefore tax on the handsets should come down, Chand said.

Bangladesh is rated in the top ten countries in terms of subscriber base and has been identified as one of the fastest growing markets in the last two years.

"We expect continued growth but at a slower pace. However, there are potential opportunities to review the taxation and tariff structure so that the industry can sustain the growth it has enjoyed the last two years," he said.

The current subscribers base is 36 million and penetration is 23 percent. Over the last 12 months there has been an additional 1 million subscribers every month. And here, Nokia estimated that at least 60 percent of these subscribers would acquire a new handset. But it will depend on the country's political stability and food prices as well, observed Chand.

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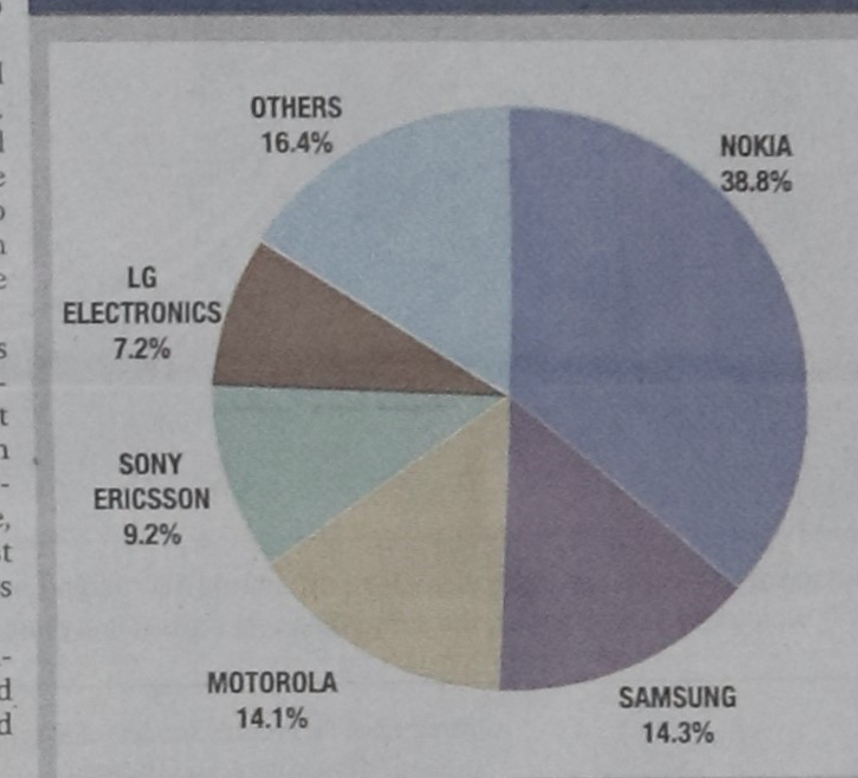
GLOBAL MARKET SHARE FOR MOBILE HANDSETS PRODUCERS IN 2007



CURRENCY

Falling dollar costs Vietnam's exporters

ANN/VIETNAM NEWS

The continued strengthening of the Vietnamese dong against the US dollar is costing Viet Nam's exporters dear.

Garment and textile enterprises are a prime example.

Viet Nam Garment and Textile Group (Vinatex) managing director Le Tien Truong estimates an export revenue drop of 4-5 per cent since the Viet Nam Government allowed the trading band for exchange rate between the dong and the US dollar to widen in a bid to tame inflation.

The executive puts the loss from exports to the US market at up to 20 per cent.

The losses are exacerbated by the increased price for imported materials between 15 to 30 per cent.

Some HCM City-based textile and garment firms dare not sign new contracts because of the potential losses, says the city's Textile, Garment and Knitting Association deputy chairman Pham Xuan Hong.

Textile workers busy at a factory in Vietnam. The weak US dollar is costing Viet Nam's textile and other exporters losing revenue.

"Otherwise, they must negotiate higher prices in new contracts. But it's not easy," he says.

The Sai Gon Textile and Garment Company No 3 reports that it is losing about US$100,000 on the 800,000 tonnes of products it exports to the US each month.

The toll for the An Giang Fisheries Export and Import Company is about 450 million dong ($28,373) for each delivery because there is often a 60 day interval between the signing of a contract and payment.

Enterprises which have not signed forward or future contracts collect in dollar of lesser value.

Cashew processors have reportedly lost 2.5-2.7 million dong for each tonne while their costs have jumped 40 per cent since late 2007.

Most exporters of agricultural produce, including fish farmers, tell a similar story.

With almost 80 per cent of the population relying on agriculture for their income and more than 80 per cent of exporters using the dollar as their principal currency of payment, the implications for the entire society are stark.

The official trading band now ranges from plus to minus 1 per cent of the inter-bank exchange rate, effective from Monday.

Previously, it was from plus to minus 0.75 per cent.

On Thursday (Mar 13), the central bank set the inter-bank rate at 16,021 dong per US dollar, with the commercial banks allowed to trade above a floor price of 15,860.79.

In Vietcombank's Ha Noi headquarters the buying price was 15,861 meaning that the dong had appreciated 0.84 per cent against the greenback so far this year.

The currency has risen 1.07 per cent based on Vietcombank's listed US$/VND exchange rate since December 24.

But in the unofficial market the dong has gained 5 per cent against the dollar since December.

So while export revenue falls as the dong appreciates against the dollar, banks have added to exporter woes through their reluctance to exchange dong for the enfeebled greenback.

The reluctance began several weeks ago but has since become more acute.

Commercial bank representatives say that as the central bank has not bought many of the dollars in circulation, they dare not buy them either.

"We set a limit of US dollars we buy each day because we must balance our capacity to buy and sell," Vietcombank Treasury director Nguyen Thanh Ha told Viet Nam News.

The director did not reveal how much in US dollar was bought Wednesday.

Export and Import Commercial Bank (Eximbank) deputy general director Dao Hong Chau says: "The value of the US dollar on free market is much lower than the officially listed price so banks must consider both its volume and price each day."

An employee at a commercial bank in Ha Noi told Viet Nam News that the bank traded the US dollar only with institutional clients.

And this was done at the negotiated price, not the listed price.

On Thursday (Mar 13), the negotiated price was about 15,500 dong.

Currency exchange shops on Ha Noi's Ha Trung Street would only accept the greenback at about 15,480 dong, 2.4 per cent lower than Vietcombank's listed price and 3.37 per cent lower than interbank rate.

The uncontrolled open-market and the negotiated exchange rates between the banks and their institutional clients reflect the true value of the dong and the dollar.

And both banks and their customers shrewdly use the euro and the yen that have appreciated heavily against the greenback as bridging currencies.

It means that to change the US dollar into dong, customers have to accept the global price of the greenback and then exchange euro or yen to dong.

The fee for this service is 2 per cent of the total.

Such creativity allows the banks to peg the dong at its true market value and smile as they change US dollar into dong for their hard-pressed customers.

Commercial banks have raised the interest paid for US dollar deposits to calm savers seeking to withdraw the depreciating greenback to exchange for stronger currencies.

On Wednesday, VIB Bank increased its interest rate by 0.6-1.3 percentage points, taking the rate for a 6-12 month term-deposit to 6.1 per cent.

Sai GonHa Noi Bank increased its yearly interest rate for a 12-month term to 6.47 per cent and 6.45 per cent for a 3-6 month term.

Deposits have to be at least $500 and customers agree not to withdraw their money early.

But if the dollar continues to fall, it's too early to say the higher interest rates will stop the withdrawals, especially as the interest for dong deposits is 12 per cent.

Gains on dollar deposits will be even lower if the trading band is widened still further.