



Stocks

INDEX	2.98%
3,025.69	
CSCX	2.40%
5,846.45	

Asian Markets

MUMBAI	1.99%
15,185.32	
TOKYO	1.16%
14,183.48	
SINGAPORE	0.45%
3,046.77	
SHANGHAI	1.57%
3,024.24	

Currencies

	Buy TK.	Sell TK.
USD	68.10	69.10
EUR	103.91	108.50
GBP	131.48	136.62
JPY	0.63	0.66

SOURCE: STANDARD CHARTERED

Commodities

Gold	\$ 875.43
(per ounce)	
Oil	\$ 132.46
(per barrel)	

SOURCE: AFP

More News

Budget to stimulate inflation further

Shamunnay, a think tank yesterday described the proposed budget as "populist but reckless" and said the budget will stimulate inflation further.

Biman to build commercially viable structures

Biman will construct various commercially viable structures on its own lands for enhancing its revenue earning, accommodation of layover passengers and minimising operating cost.

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Urea fertiliser price doubles

Move aims to limit ballooning subsidies, says govt

STAR BUSINESS REPORT

The price of urea, the main fertiliser used in crop cultivation, will be doubled with immediate effect, as the government attempts to limit ballooning subsidies.

The rise, the first for 11 years, means urea will cost Tk10,700 a tonne at buffer level compared with the previous price of Tk5,300. Even at this price, the government expects to spend Tk 5,405 crore in subsidies in fiscal year 2009.

Mahbub Jamil, special assistant to chief adviser on industries ministry, said the government has been selling fertilisers lower than the production

costs for the last 11 years with increasing the prices of natural gas, power and other relevant ingredients significantly.

During the past 11 years the government spent Tk 6,052 crore on subsidy, said Jamil at a press conference yesterday in Dhaka.

Economists welcomed the move as necessary due to the surge in fertiliser prices in international markets, but warned the rise could filter through to higher food prices.

They were also surprised that the changes were not announced in the budget speech on Monday.

Jamil said prices of other fertilisers including Diammonium Phosphate, Triple Super Phosphate and Muriate of Phosphate will remain at their previous rates.

He also said two new fertiliser factories are scheduled to go into operations by 2011 with production capacity of 11 lakh tonnes annually. One factory will be set up in Sylhet and the other in the north.



Uttam Kumar Deb, head of Research Division of CPD, said a year ago urea was selling at US\$289 per tonne, but the price reached \$627 in May in international market. "So, the price hike of the item is logical."

Deb said the prices of food may rise as farmers' increased costs filter through. However, this effect will be countered if the government can

ensure a good supply of fertiliser as this will result in increased food production.

Research Director of Bangladesh Institute of Development Studies M Asaduzzaman said the price hike of urea should have been announced in the budget proposal to make the issue transparent to the public.

But he said the move was logical, although the government could have reduced the subsidy more.

"The prices of food items may go up again due to the latest price adjustment of urea. But the prices of food items following the price hike of urea should not go up before September and October as the usage of the item starts during this period," he said.

Jamil said until Tuesday the total consumption of urea in the country was estimated at 26.5 lakh tonnes from the stock of 28.50 lakh tonnes.

At present 17 lakh tonnes of urea is produced locally and the rest of the demand is met through import.

Govt allows more import of hybrid rice seeds

SOHEL PARVEZ

In a move to boost the country's rice production, the government is to allow the import of 11,550 metric tonnes of hybrid rice seeds for the next boro season, a jump of more than 25 percent on last year's allowance.

This will bring the amount of cultivated land using hybrid varieties to between 12-15 lakh hectares, around 30 percent of the expected total, the highest level ever.

Importers, however, expressed worries that they may not be able to import the permitted amount of hybrid seeds due to an embargo set by China on the export of grains. Local importers import all hybrid rice seeds from China.

"We have given the permission quite early so that importers can let their suppliers know about their requirements. We may issue another permission after three months," said Anwar Faruque, director general, Seed Wing Ministry of Agriculture.

He said the government allowed importers to import a higher amount considering the previous year performance. "They only managed to import some 8,000 metric tonnes of seeds even after getting permission of 9,200 MT last year," he said.



A file photo shows farmers harvesting at a paddy field. The government is to allow more import of hybrid rice seeds for the next boro season to boost the country's rice output.

Official sources said some 12-15 lakh hectares of land might be brought under hybrid rice cultivation in the next boro season aiming to attain food security amid surging prices of grains on the global market.

In the last boro season, according to the Department of Agricultural Extension (DAE), hybrid rice cultivation

doubled to more than 10 lakh hectares from 3.90 lakh hectares in the previous boro season.

Government has moved to promote hybrid rice cultivation amid food shortages in both domestic and global market.

However, environmental activists opposed this move saying that the gov-

ernment should first separately disclose the production and disease resistance performance data before bringing more area under hybrid rice cultivation.

"It's against the interest of farmers. There is no logic behind the expansion as our latest experience of hybrid cultivation was not good," said Farida Akhter of Nayakrishi Andolon, working for ecological agriculture.

She said hybrid cultivation has not resulted in a good yield in the last boro season. Rather, insect attacks have affected many farms.

At present, growers and importers are marketing various types of hybrid rice seeds such as Hira, Aloron, Jagoron, Sonar Bangla and Moina, which are said to have about 20-30 percent higher yield than the HYV rice seeds.

"We will try to import the permitted amount. But it all depends on the availability as the Chinese government has put an embargo on grain exports," said Mohammed Masum, chairman of the country's biggest hybrid seed seller-Supreme Seed Company.

Echoing similar concerns, FH Ansarey, executive director of ACI's Agribusiness unit, which was awarded approval for importing 2,200 MT, said the government should first take steps to clear the deadlocks.

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Don't impose same duty on raw material, finished rods

Steel millers urge govt

STAR BUSINESS REPORT

Steel and re-rolling mill owners in a budget reaction yesterday urged the government not to keep the import duty on steel raw material, billet, and on finished rods at the same level to save the industry.

In the proposed budget for 2008-09, the government fixed 7 percent import duties on billet, the main raw material for rod manufacturing, and also on the import of finished rods, which will create uneven competition for the steel industry, the sector leaders said at a press conference in Dhaka.

The press conference was jointly organised by Bangladesh Re-rolling Mill Association and Bangladesh Steel Mill Owners Association at Dhaka Reporters Unity.

"Besides reduced duties on importing rod, the government is also proposing withdrawal of the 15 percent value added tax (VAT) on the import of finished MS (mild steel) rod.

This step will hurt the local industry and especially those who import billet to manufacture rod," said Masadul Alam Masud, general secretary of Bangladesh Re-rolling Mill Association.

The sector people also expressed their dissatisfaction at the government's proposal of fixing Tk 1,500 fixed duty on the import of melting scrap and re-rollable scrap, suggesting that the duty on the products should be Tk 700.

"The duty on scrap vessel has been fixed at Tk 1,000 and duties on melting scrap and re-rollable scrap should be lower than the duty on breakable ship," said Ali Hossain, president of the association.

"A breakable ship gets more valuable items in the vessel which reduces its import costs but we don't get such benefits and that is why the duty on melting and re-rollable scrap should be lower than ship scrap. The level of duty cannot be the same on both the categories," he added.

Used car importers demand duty cut

STAR BUSINESS REPORT

Reconditioned car importers have demanded reduction in supplementary duty (SD) on vehicles so that the use of vehicles increases to 'help the economy grow'.

"As vehicles are used in many economic activities, including agriculture and small business, we require a growth of over 25 per cent in car import to keep pace with the economic growth," Abdul Haque, president of Bangladesh Reconditioned Vehicles Importers and Dealers Association (Barvida), told a press conference in Dhaka yesterday.

"But since the government has proposed an excessive SD on car import it would reduce the import of vehicles," Haque said, adding that the growth rate of car import is approximately 19 per cent till date in the current fiscal.

The Barvida chief proposed that the government fix 20 per cent SD on vehicles of up to 2000cc and 60 per cent SD on vehicles between 2,001cc - 3,000cc to reduce their costs.

In the proposed budget for

the 2008-09 fiscal year (FY) the government has suggested 20 per cent SD on vehicles of up to 1500cc and 60 per cent SD on vehicles between 1,501 and 2,350cc.

The government also suggested 100 per cent SD on vehicles between 2,351cc and 3,500cc.

"As the government is proposing 100 per cent SD on small jeep of 2,400cc, it will discourage the import of these reconditioned vehicles and encourage importing new cars as in the new SD slab the costs of a 2,400cc reconditioned jeep and a new 2,000cc car are almost similar," Haque argued.

He said as small and medium range jeeps are frequently used for business and commercial purposes, SD on vehicles between 2,001cc-3,000cc should be reduced.

The demand for keeping the present commission rate of 30 per cent intact for the dealers was also raised from the press meet. The sector people also sought readjustment of year-wise depreciation rates as 10,20,30 and 40 per cent on first, second, third and fourth year respectively.

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