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Stocks

DGEN	▼ 0.51%	2,506.89
CSCX	▼ 0.70%	5,309.49

Asian Markets

MUMBAI	▼ 1.22%	11,872.91
TOKYO	▼ 2.64%	9,093.73
SINGAPORE	▼ 2.89%	2,122.11
SHANGHAI	▼ 0.89%	2,639.89

Currencies

	Buy Tk	Sell Tk
USD	68.50	69.50
EUR	90.92	95.92
GBP	101.80	107.15
JPY	0.70	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold	▼	\$924.69	(per ounce)
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Oil	▼	\$57.69	(per barrel)
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SOURCE: AFP

(Midday Trade)

More News

Motorcycle assembling to be developed: Minister

Leaders of the International Business Forum of Bangladesh (IBFB) yesterday put forward a set of recommendations for the development of motorcycle-assembling sector. They sought tax rebate for importing raw materials used to manufacture spare parts for motorcycles.

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International

Pump-priming steps needed



As the world economy is on a downturn with massive job losses, and exports and remittances being hit hard in most developed and developing countries, Asian economies, like the West, are devising plans for pump priming. In the first quarter, Singapore's GDP shrank 19.7 percent quarter-on-quarter in its fourth consecutive fall, dismaying many, although there has been some good news on the jobs front.

Wal-Mart reports \$3.02b first quarter net income

The world's biggest retailer Wal-Mart reported Thursday a 3.02-billion-dollar net income for the first quarter of 2009, the same as a year ago. Proving it could weather the economic downturn markedly better than its competitors, Wal-Mart reported first quarter net sales for the first quarter (February to April) as 93.4 billion dollars, a decrease of only 0.6 percent from the first quarter last year.

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If you have views on Star Business or news about business in Bangladesh, please email us at business@thedailystar.net

Dairy farmers hurt by low-cost milk powder

SOHEL PARVEZ and GOLAM MOSTAFA JIBON

Dairy farmers are in trouble as milk processors are cutting down prices and slowing purchase, as the consumption of locally produced milk has dropped amid falling prices of imported milk powder.

The crisis forces many of the farmers to clear their unsold stocks at a nominal price as the consumers, mainly sweetmeat makers, are now opting for low-cost imported milk powder.

"It's a worse situation. I sold one of my cows last month to pay micro credit instalment as my weekly income from milk sales dropped by Tk 6,000 because of the price cut. If it continues, I will have to sell another cow this month to pay instalment," said Md Waz Ali, a dairy farmer at Shahjadpur upazila in Sirajganj, a major dairy hub.

Ali, who owes around Tk 40 lakh to microfinance organisations, vented frustration as he gets Tk 25.95 for a litre of milk, down from Tk 26.95 in the first week of May. Early this year, he and many others received as much Tk 33 a litre.

"I sold milk worth around Tk 24,000 a week before the price cut. Now my income falls to around Tk 18,000 a week," he said. "Whatever the bill I am getting is spent for buying feeds and rearing cows."

His total production cost stands over Tk 26 a litre and he gets below Tk 26. "It's hard to survive," said Ali, who has a farm of 23 cows, among which 11 provides around 100 litres of milk a day.

A melamine scare centring the imported milk powder also helped boost demand for local milk last year.

But the situation started to turn bad as prices of imported milk powder fell close to \$2,000 a tonne this year from more than \$4,500 a tonne last year.

Processors said the price fall on the global market has made the milk powder cheaper than the local ones with sweetmeat makers, who consume bulk of the milk, shifting to imported milk powder.

Local milk processors blamed smuggled and imported cheap powdered milk from India and other parts of the world for the fall in demand for local dairy milk. A 12 percent duty on import also allowed imported milk powder to enjoy price advantage over the local milk, processors said.

"This has affected demand for local dairy milk and forced us to cut price," said Mohammad Ali, general manager of BRAC Dairy and Food Project that processes and markets Aarong brand milk.



Dairy farmers now face trouble as milk processors are cutting down prices and slowing purchase, with low-cost imported milk powder roping in a large number of customers.

To cope with the competition, some of the processors, mainly private ones, have also reduced their purchase of liquid milk from farmers. Some processors like Milk Vita selling organisation Bangladesh Milk Producers Cooperative Union Ltd (BMPCUL) buy a fixed quantity of milk from the farmers' cooperatives.

The result: many farmers find a portion of their produce unsold and incur losses.

In the recent months, hundreds of farmers threw tonnes of liquid milk on highways in the main dairy hubs in Pabna and Sirajganj in a mark of protest never seen in the country before.

"It's for around three months we have been suffering from price cuts and low quantity purchase by the processors," said Md Arifuzzaman, another dairy farmer at Barabil, Shahjadpur in Sirajganj.

Arifuzzaman, also president of 600-member Barabil Primary Milk Producers' Cooperative Society Ltd, said many cooperatives members now struggle with unsold milk almost everyday as their buyer Milk Vita brand seller BMPCUL maintains quota restriction in purchase.

MA Barik, general manager of BMPCUL, said the organisation has to increase its milk collection volume in the wake of the cut in procurement by other processors.

Amjad Khan Chowdhury, chief executive of Pran-RFL Group that markets Pran brand milk, said the company had to cut its purchase volume due to a fall in demand.

"We can't sell in losses. Earlier we

bought milk at higher price. But what can we do if we can't sell now?" said Barik of BMPCUL that supports around 10 lakh dairy farming families directly.

To stand up in the competition, both the processors and farmers want protection in terms of increase in the duty on imported milk powder and subsidy to bring down the cost of feeds.

"Unless the government imposes higher tax and duty on imported milk powder, it will be tough for us to survive," said Waz Ali.

Arifuzzaman echoed the same, seeking subsidy to get quality feeds at lower price that will help them sell milk at lower price.

Milk processors also want the government to once again impose the supplementary duty and increase other duties on imported milk powder. The duty was withdrawn when powdered milk price shot up on the global market.

They also urged the government for tax exemption for locally produced dairy products.

But the responses from the government on the issue seem lukewarm. Except for a call to processors to stand by the farmers in time of their bad days, no assurance has come yet.

Ministry of Fisheries and Livestock Secretary Mohammad Shah Alam told The Daily Star that the ministry is concerned about the issue and going to hold an inter-ministerial meeting soon.

"We are going to convene an inter-ministerial meeting to firm up the government position regarding the matter," he said.

Govt stand not against privatisation

Muhith clears Barua's earlier remarks

REJAUL KARIM BYRON

Differing with a recent statement of the industries minister that the government will no more go for any privatisation, the finance minister told donors yesterday at a meeting that the government has not taken such a stand, according to the officials who attended the meeting.

Finance Minister AMA Muhith was speaking at the meeting with Local Consultative Group (LCG) comprising representatives of the multilateral and bilateral donors at the National Economic Council (NEC) auditorium at the planning ministry.

Towards the end of April, Industries Minister Dilip Barua at a workshop on the draft industrial policy had said the government would no longer take up any privatisation plan. The draft industrial policy also mentioned that no more state-owned enterprises would be handed over to the private sector.

In his first meeting with the donors, the finance minister asserted that it was the industries ministry's own opinion, not the government's, the officials said.

The government will make an industrial policy on consultations, Muhith was quoted as saying.

World Bank Country Director Xian Zhu and Economic Relations Division Secretary M Musharraf Hossain Bhuiyan co-chaired the meeting.

In the LCG meeting, the finance minister and Planning Minister AK Khandker put forward the government's priorities and policies, and sought more donors' supports to implement the government programmes.

The donors suggested Bangladesh Development Forum convene a meeting, which was not held after 2004.

The meeting is now expected to take place in early next year.

The LCG meeting agreed on holding sector-based specific discussion with the donors and the ministers concerned would be present in the meeting.

The donors will discuss soon with the government about civil service reform, energy sector, digital Bangladesh, climate change issue and transport and communications.



Finance Minister AMA Muhith

Officials said the donors stressed that the government's concerns should come to the donors from a single high level of the government. Normally the government priorities are conveyed to the donors through the finance ministry.

A minister sent a letter to the prime minister of a country regarding a project keeping the finance minister in the dark, which embarrassed both the finance minister and the country concerned. More similar incidents occurred recently, donors indirectly raised the issue.

When the donors raised question about what the government would do about corruption, the finance minister said, they would show zero tolerance to corruption and take action against graft.

The finance minister also said the government is going to bring more changes in the public procurement regulations.

The donors expressed frustration over implementation of ADP and said if the government fails to implement ADP, disbursement of foreign aid will be difficult.

The planning minister said the government is working on developing a 'Perspective Plan' for the period of 2010-2021. He said: "I assure you that the reintroduction of the five-year plan is not going to dislodge our development strategies."

After the meeting Xian Zhu told reporters that the government has projected its vision, priorities and strategies and sought assistance from the development partners in light of those.

BD Online plans to merge with Beximco

SARWAR A CHOWDHURY

Bangladesh Online (BD Online) is likely to merge with its parent company Beximco Ltd, as part of the new business strategy by Beximco Group, a business conglomerate in the country.

The group, which has several industrial units in the same sector, plans to reshuffle its companies in a sector-wise pattern.

"We want to bring all the similar units under one sector. Accordingly, all of our companies will be categorised in four or five sectors," Salman F Rahman, vice-chairman of Beximco Group, told The Daily Star yesterday.

Under the latest merger plans, he said, the objective is to strengthen the balance sheet and increase profitability.

In line with the amalgamation plan, 1 Beximco ordinary share will be offered for every 2.82 BD Online share, according to the Dhaka Stock Exchange website.

The companies will apply to the High Court Division of the Supreme Court, for approval of the amalgamation.

Prior to that, the boards of directors of the two companies will have to approve the draft scheme of the amalgamation.

Beximco Textiles (Bextex), another industrial unit of Beximco Group, plans to repay loans by issuing ordinary shares.

In regards to repaying loans through the issue of shares by Bextex, Rahman said their first step was to negotiate with the lenders, who suggested Beximco take necessary approval from shareholders and the stock market regulator, before undertaking any such arrangement.

"To take approval of the general shareholders, we put the issue on the agenda of the annual general meeting," he said. The issue will have to be approved by the Securities and Exchange Commission.

The annual general meeting will be held on June 18, 2009.

"As debt exceeds equity for Bextex, we want to alter the situation with loan repayment through shares," he said.

As of December 31, 2008, Bextex has a loan liability of Tk 33 crore to Commonwealth Development Corporation of the UK, Tk 32.5 crore to DEG of Germany, Tk 214 crore to Marubeni Corporation of Japan and Tk 173 crore to Beximco Group Companies.

The amalgamation is not a new strategy for Beximco Group. Last year, three industrial units of Beximco Group were merged to form one. In August 2006, the group merged four of its textile units into one.

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Three-year export policy drafted

KAWSAR KHAN

The Export Promotion Bureau (EPB) has prepared draft proposals for the 2009-12 export policy with several new recommendations to expedite exports.

The present 2006-09 export policy will expire in June. The draft paper includes 156 proposals from business houses, chambers and trade bodies, and government offices.

It recommended to the government to offer cash incentives for the export of some items, including plastic products, decoration items, environment-friendly herbal products, buttons made from coconut crust, coir products, toys and products made from bamboo and cane.

Presently, these agro-based products do not enjoy such cash incentives, it added.

Recommendations include formation of a number of industrial parks across the country, shifting outdated industries outside the metropolitan cities, developing a six-lane Dhaka-Chittagong express highway and delivering cash incentives within 30 days of export.

To facilitate the software and IT related services sector, the draft proposal recommended to the government to provide high-speed internet connections across the country and rent out the internet infrastructure of Bangladesh Telecommunications Company Ltd to the private sector.

It also suggested publication of an export policy in the form of a gazette, so that the government bodies concerned have an easy access to information.

EPB sent the draft paper to the Ministry of Commerce, which is now working to finalise the three-year policy paper. It will come into effect following the cabinet's approval.

Sources said authorities are still chalking out the details for the new export policy and it will not be finalised till June 2009. Until then, the present export policy will be effective.



Cargo containers being handled at Chittagong Port. The country's export promotion body has prepared proposals to expedite exports

However, drafting of the new export policy paper has turned into routine work and recommendations of such policy papers largely remain unrealised.

There have been several credit worthy recommendations in previous export policies, but most remain in writing only, said an official concerned.

In the present export policy, agro and agro-processing products, light engineering products, leather and leather goods, pharmaceutical products, software and ICT products, and

home textile were declared top priority sectors.

But the sector people said they did not receive any special facility.

"Being under coverage of such priority, we are supposed to receive facilities, such as easy access to loans, preference in power and other utility services, and government assistance to find new export markets. But we were not given such services," said Abdur Razaque, president of Bangladesh Engineering Shilpa Malik Samity.

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RAK Ceramics to float Tk30cr IPO

STAR BUSINESS REPORT

RAK Ceramics (Bangladesh) Pvt Ltd, a Bangladesh-UAE joint venture, will float Tk 30 crore worth primary shares through an initial public offering (IPO).

The tiles and sanitaryware manufacturing company will be the first to use the book-building method to discover each share price.

RAK has appointed IDLC Finance Ltd and Equity Partner Ltd as issue managers.

"We signed an agreement today [yesterday] with RAK to this effect," said a senior official of IDLC Finance.

Although two institutions will manage the issue, IDLC will be the lead issue manager, he said.

The existing paid up capital of RAK is Tk 65 crore, which will be increased to Tk 130 crore soon.

Presently, foreign entrepreneurs own 90 percent of the company's stake, while local entrepreneurs own the remaining 10 percent. However, local ownership will become 20 percent after the IPO.

A delegation of RAK, led by Managing Director Ekramuzzaman, visited the Dhaka Stock Exchange yesterday.

RAK started business in Bangladesh in 2001. Presently, the company holds 80 percent market share in the sanitary ware market and 35 percent in the ceramics market.