

Stocks

DGEN 1.41%
2,633.69

CSCX 1.46%
5,815.99

Asian Markets

MUMBAI 0.23%
14,874.91

TOKYO 0.27%
9,704.31

SINGAPORE 0.18%
2,375.82

SHANGHAI 0.11%
2,724.30

Currencies

	Buy Tk	Sell Tk
USD	68.45	69.45
EUR	94.93	100.51
GBP	110.63	116.30
JPY	0.70	0.78

SOURCE: STANDARD CHARTERED BANK

Commodities

Gold ▼
\$972.50
(per ounce)

Oil ▼
\$67.90
(per barrel)

SOURCE: AFP

(Midday Trade)

More News

PPP needs more homework



Loads of talks have been centring public-private partnership (PPP) programmes over the months that the government has decided to implement from the next fiscal year, mainly to improve the country's poor infrastructure.

B-4

International

India oil company plans IPO in sign of govt reforms

India's second-largest state-run oil and gas explorer said Tuesday it hoped to launch an initial sale of shares in September as the newly elected government moves into privatisation mode. Oil India Ltd said it had begun talks with financial advisors about the exact timing of the sale, which comes as analysts forecast the government will fast-track privatisation to help close a yawning fiscal deficit.

Switzerland enters recession in first quarter

Switzerland officially entered a recession in the first quarter when its economy shrank by 0.8 percent from output in the previous quarter and exports fell sharply, official data showed on Tuesday. "Negative growth impulses emanated in particular from the foreign trade sector," the Swiss economy ministry said in a statement.

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Contact Us

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Women return from a tea estate in Srimangal after work. Growers are trying hard to keep up supply in line with growing demand for tea. A demand-supply gap has opened in the industry as tea exports are increasing by the year.

AMRAN HOSSAIN

Tea growers struggle to keep up supply

REEFAT ULLAH MIRDHA

Growers now struggle to maintain supply of tea in line with its growing demand, which ultimately pushes the beverage price up.

Tea is widely consumed nowadays, from urban to rural areas, with around 7 percent domestic growth a year, says a senior official of the Tea Traders Association of Bangladesh (TTAB).

According to the trade body, around 55 million kilograms (kg) of tea is the annual domestic demand against the total output of 58 million kg. A demand-supply gap has been created because around 4.5 million kg are exported.

The country produced only 0.87 million kg up to March against the target of 59 million kg for 2009, Bangladesh Tea

Board (BTB) data showed.

It further showed that total tea production was 58.75 million kg in 2008, 57.95 million kg in 2007 and 53.40 million kg in 2006.

"We need a total production of 65 million kg at the moment to meet domestic and export demands for the item. Otherwise, we have to import tea rather than export," the TTAB official said.

Export Promotion Bureau (EPB) says Bangladesh exported tea worth \$11.71 million in July-March of the outgoing fiscal year against a target of \$11.87 million. The annual export target of tea has been fixed at \$16.38 million for FY 2008-09.

During 1978-2007, tea crop yield marked a 35 percent rise. In the same period, major tea growers like James

Finlay Ltd increased production by 44 percent, Duncan Brothers (BD) Ltd 48 percent and MM Ispahani Ltd 85 percent, industry insiders said.

However, tea production by the state-owned National Tea Company Ltd (NTCL) tea estates declined sharply on a year-on-year basis, due to corruption, mismanagement and fund constraints.

Over the last few years, political party stalwarts have been tipped as the NTCL head, but mismanagement and corruption became the order of the day.

NTCL tea production stood at 44,43,517 kg in 2008, 42,55,063 kg in 2007, dropping from 47,65,668 kg in 2006 and 56,21,856 kg in 2005, according to M Naufel Karim Khan, the NTCL secretary.

Denying any corruption and mis-

management, the company secretary identified fund constraints as the main obstacle to growth.

Khan said NTCL could not even replant the required 2.5 percent of tea plants every year because of such fund constraints. "No new plantation was done since 1978."

Furthermore, NTCL had to use high priced fertilisers and pesticides to yield from the old trees in the company's 12 tea estates.

Khan attributed the low output in the tea growing regions in the last two years to draught.

To raise production, he said, the NTCL Board of Directors approved a 10 yearlong development project worth Tk 146 crore this year.

NTCL, a public limited company, was formed with 51 percent shares vested in

the government. The government presently owns 54 percent of shares and the private sector 46 percent shares of the 6,60,000 shares. The face value of each share is Tk 100.

The company started operations with nine estates, which were declared abandoned by the government. These 9 estates were the finest of the approximately 42 estates that were taken over by the Bangladesh Tea Industry Management Committee in the post-liberation period.

The tea gardeners were in favour of private management for NTCL, to improve management, production and maintain quality in the interest of meeting growing demand in domestic and export markets.

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Crop insurance can boost farm credit

Say bankers on eve of budget

SAJJADUR RAHMAN

Agriculture or crop insurance, if introduced, will encourage banks to lend more to the farm sector on which the majority of the country's 150 million population depends for their livelihood, according to top bankers.

They said the objective of the insurance will be to provide insurance coverage and financial support to farmers in case of crop damage caused by natural calamities, pests and diseases.

The bankers said the insurance scheme will not only help the farmers with financial security but will give the banks a sort of guarantee. "Commercial banks will come up with agriculture credit if crop insurance is introduced," said Muhammad A (Rumee) Ali, former deputy governor of Bangladesh Bank (BB) and incumbent chairman of BRAC Bank.

Shahjahan Bhuiyan, managing director of United Commercial Bank, said real farmers in fact do not get any credit. It goes to land-

owners.

"The landowners do not cultivate now and the real farmers are landless. The banks will never go to lend the landless unless there is a crop insurance scheme," said Bhuiyan.

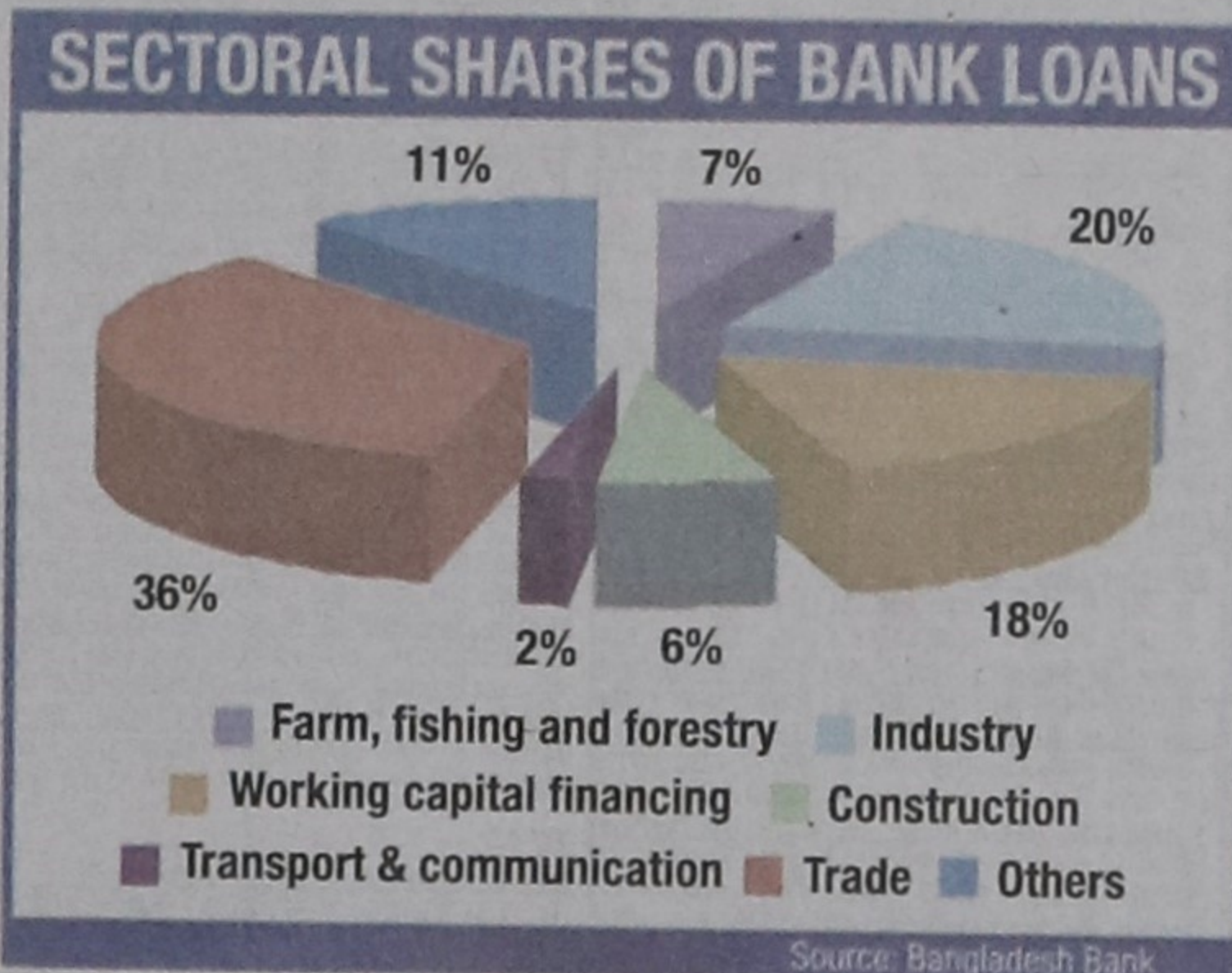
Ehsanul Haque, managing director of Prime Bank, said: "We'll be encouraged and motivated if crop insurance is introduced."

Most of the developed countries have different types of schemes on crop insurance. Even some South Asian countries such as India, Pakistan and Sri Lanka have such scheme. India experimentally launched crop insurance in 1979 and introduced it formally in 1985.

Pakistan has a crop insurance scheme, which not only gives protection to crops but offers farmers life insurance coverage.

But top bankers said Bangladesh talks more than taking any actions to safeguard the farmers from the risks that affect agricultural producers and agribusinesses.

Although the BB has recently made agriculture credit mandatory for all banks, many are yet to lend the farm sector, saying that they do not have branches to



reach the rural farmers.

The bankers also fear losing their money as Bangladesh is a highly natural disaster-prone country. Cyclone Sidr in 2007 caused damage worth \$1.7 billion, mostly to the agriculture sector. They believe crop insurance can give the private commercial banks a sort of guarantee.

Good news is that BB Governor Dr Atiur Rahman, who promotes developing the agriculture sector, has given special emphasis to the issue.

Rahman has already disclosed that the BB would announce an agriculture credit policy in July this year to boost farm credit.

In papers, agricultural credit is rising. According to BB data, a total of Tk 7,729 crore was disbursed during July-April period of fiscal 2008-09, an increase of nearly Tk 1,000 crore from that of the same period in previous fiscal year.

Some Tk 8,580 crore was disbursed in fiscal 2007-08.

But the bankers question about the quality of the credit.

"The banks give credit to a conglomerate for its agro-based industries and mention it as farm credit," a managing director of a private bank said requesting not to be named. He cited example of Pran Group.

The central bank could offer banks incentives, including reduction in cash reserve requirement (CRR) with the BB and tax benefits as well.

"A bank can also be given a district-wise target for lending to the farm sector," suggested Shahjahan Bhuiyan.

To reach the rural farmers, Rumee Ali said banks can partner with non-government organisations.

The bankers said if a bank fails to lend real farmers, it can be punished by not giving authorised dealership, permission for new branch opening and remittance transaction.

Bangladesh is an agrarian country with nearly 60 percent of its population depending on agriculture for their livelihood. Crop insurance has got importance with large-scale damage caused by pest attacks, crop diseases and the will of the weather, bankers said.

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PRE-BUDGET QUIPS

What is meant by block provision in the budget, the finance minister is so fond of making?

It is an ingenious device under which parliament decides on the size of the cake and executives mix ingredients before distribution. An equitable sharing of power between the legislative and the executive branch of the government.

NIMI

ACI rolls out plans to expand retail business

SOHEL PARVEZ

ACI Logistics has rolled out plans for expansion in major cities in its strides to emerge on the top of retail chain business, dominated by tens of thousands of small and medium retailers across the country in an unorganised fashion.

The company will expand outside Dhaka and targets such cities and big towns as Narayanganj, Chittagong, Comilla, Sylhet, Khulna, Barisal, Rajshahi, Rangpur and Jessore.

"We are here to bring about changes in consumers' lifestyle and establish consumer rights by offering them fair price and weight as well as hygienic foods," said Asif Iqbal, chief operating officer of ACI Logistics, one of the sub-

sidaries of ACI Limited.

The ACI Logistics executive made the statement after the company launched 12 retail outlets in different corners of Dhaka city under the brand, Shawpno, to venture in retailing where a few biggies such as Rahimafrooz, Gemcon Group and Nandan are now catering.

Industry insiders linked the entry of corporate giants such as ACI with the business potential in the retail and wholesale trade, contribution of which has been more than 13 percent to GDP since fiscal 1999-2000.

"We want to offer products to consumers within their purchasing capacity. We charge prices for almost all the products including perishables like vegetables below the prices charged in wet

markets," said the ACI official yesterday.

"Our aim is to give consumers a relief from their unpleasant shopping experiences through these neighbourhood stores," he said.

Making debut in retailing both the perishables and fast moving consumer goods in October last year, ACI now has the highest number of outlets among all the retail chain store operators, although the size of its stores is relatively small than those of others.

ACI entered the scene at the time when a section of urban consumers, attracted by flourishing superstores in the last eight years, are shifting to the chain stores from wet or kitchen markets.

Officials said the aim of ACI is to open more than 50 outlets this year.

ACI says its each outlet shelves around 5,000 items in an area between 1,500 square feet and 6,000 square feet in its aspiration to emerge what it terms as 'neighbourhood retail chain outlets' by concentrating on the vicinities with everyday needs of consumers.

"We carry out our operations keeping in mind the interests and rights of farmers, small suppliers and consumers," Iqbal said, "As a part of our aim, we are now procuring essential food items like vegetables directly from the farmers."

The company now endeavours to collect vegetables directly from the farmers by appointing a small supplier from the farmers' community.

One of the suppliers, the company has already managed, is Mohammad

Asad, a small farmer from Raipura in Narshingdi.

Asad is not only supplying his produce -- eggplant and cucumber -- directly to ACI but also has organised around 30 of his mates to supply vegetables.

"I get better price compared to the local market price by selling vegetables to ACI. We fix price by comparing the prices in different wholesale markets including in Dhaka," said Asad.

Tota Mia, another farmer, said he now gets higher prices than he got earlier by selling at local markets.

"It has helped increase my earnings and reduce my costs of transportation as I can supply the produce from my doorstep," said Tota.

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