

## Don't shoot the messenger

The market is trying to convey some serious messages and it would be a mistake to ignore it for too long and pursue wrong/inconsistent policies. There is no general food shortage, given the relatively low level of wheat price globally and the bumper potato output at home.

AHSAN H. MANSUR

IT has become customary in Bangladesh to blame the functioning of markets, traders in particular and the business community in general, for any upward movement in prices. The popular characterisation is that the market is manipulated by the business community, either as syndicates or as hoarders, to create artificial crises and jack up prices.

The blame game reached its peak during the food price surge of 2007/08 under the caretaker government and reappeared every time prices of edible oil, sugar, etc. went up under the current government. As rice prices are again flirting with record highs, the blame game has become louder.

It may be politically expedient to put the blame for the price hike on to the business community, but the point I would like to make is that such an approach may lead to adoption of wrong policies, further undermining price stability and consumer interests. In most cases market prices are reflections of existing or emerging imbalances in supply and demand locally or globally, and the market is simply the messenger of that news. When the news is good and prices come down, the messenger does not get any commendation, the credit generally goes to the government. However, when the news is bad and prices go up, the media and politicians blame the traders without analysing the underlying factors.

The most glaring example of this mass trial through media was seen during the price shock of 2007/08. Public anger against the surging prices and the government response led to the adoption of counterproductive measures like raiding of warehouses, threatening of importers and holders of grain inventories with jail terms, adoption of ad hoc measures like deployment of Bangladesh Rifles for distribution of essential food etc.

These measures were adopted primarily because the government had to show that it was working hard in the interest of the affected masses. Nobody questioned the appropriateness of the approach. In the event, we all know that those actions did not bring prices down and may have even further destabilised the already unsettled market.

In recent weeks we have been experiencing a surge in rice prices, domestic price of rice almost reaching the levels recorded in 2007-08. Despite earlier pronouncements by the government that farmers reaped a bumper *aman* harvest and there was a large stockpile of food grains in public godowns, domestic rice prices have already crossed what is considered an acceptable threshold. Open market sale (OMS) of rice at below market prices has been reintroduced to protect the poor and also to stabilise prices. The market seems to be shrugging off these interventions, and trying to project its implied message.

Are we ready to listen to this message that the rice market is trying to convey, and take it seriously? Maybe the market is reflecting the possibility that the *aman* crop was not as good as pronounced by the government. Many experts who reviewed *aman* production in different regions of Bangladesh observed that output was probably one million tons lower than last year. In addition, the market may also be factoring in the possibility that *boro* yield may suffer from the stunted *boro* sapplings due to colder winter in many parts of Bangladesh.

Maybe the market is questioning the wisdom and sustainability of the current policy of de-linking domestic rice prices from internal price developments. If domestic demand for foodgrains is growing faster than the projected growth of domestic supply, which is a realistic possibility, the policy of keeping domestic rice prices well below the international price levels may indeed be questioned. This policy is sustainable as long as domestic production keeps pace with growing domestic demand.

With growing population, income elasticity induced high demand growth, and arable land shrinking by one percent every year, how long will domestic supply catch up with domestic demand through increased productivity? Rice is not the only option available to farmers; they can allocate their land for jute, tobacco, mustard, lentils, vegetables, and orchards. How long the government will be able to meet the growing gap between the demand and domestic supply, given that the private sector import will be precluded by lower domestic prices, is a burning question.



Only shortage does not cause price hikes.

Finally, the price developments may be signaling that, in addition to some specific issues relating to the rice market, there may be general inflationary pressures in the economy fueled by an expansionary monetary policy. Inflationary pressures are visible in both the goods and the asset markets: the surges in inflation (from 2.4% in June to 8.4% in December) and in stock prices (more than 90%) are clear manifestations of these phenomena. Certainly, we cannot blame the CPI and asset market inflation to the same syndicates and take our eyes away from inconsistencies in the objective of price stability and monetary targets.

Policy makers should look for the real reasons and not find a convenient scapegoat. Deploying intelligence officials to monitor rice stocks and shortening the tenure of loans to two months for rice millers and traders are examples of wrong populist actions. Bank credit extended to rice millers helps stabilise rice prices through the year; by allowing purchase of large quantities of rice at the time of

harvest, it prevents a collapse of rice prices in the period immediately after the harvest; and by allowing the millers to release the stock steadily over the intra harvest period it ensures balanced supply of foodgrain throughout the year.

The market is trying to convey some serious messages and it would be a mistake to ignore it for too long and pursue wrong/inconsistent policies. There is no general food shortage, given the relatively low level of wheat price globally and the bumper potato output at home. Consumers have the choice in their carbohydrate basket (comprising rice, wheat and potato), and the government should help them through education campaign and the strong relative price signal sent by the market. We must not shoot the messenger (market), but take the message coming out of market developments seriously, and adopt the right policy even if the measures are not politically appealing in the short run.

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## Pro-farmer banking system

If BB distributes loans, farmers will not have to go to the middleman and the profit will remain in their hands. However, to make this happen, BB has to create a database of the farmers and peasants so that no fake farmers can avail the facilities.

SULAV CHOWDHURY

THE recent initiative of Bangladesh Bank (BB) to allow farmers to open an account at commercial banks by depositing just Tk. 10 is indeed laudable. A country, where pretty much seventy-five percent of the population lives by cultivation and farming, can't afford to stick to the orthodox banking system. An innovative and pro-poor approach is needed to ensure at least a modest life for them. I salute BB for taking a pro-poor approach that many had never thought of before, or had the courage to start.

Farmers have not got the apposite attention of the concerned departments and ministries since Bangladesh came into being. They have had to purchase chemical fertilisers at exorbitant prices, been unable to irrigate arable lands due to shortage of power, and have been forced to sell the paddy at lower cost due to the clout of profiteers. Those who cultivated on others' lands have had to dole out two-thirds of the total production to the landlord. Thus they have been victimised and made impecunious over the years. Though we have ventured to establish an industry-based economy, we cannot ignore the farmers as they constitute the majority of our population.

The farmers have never been able to open accounts in banks. They never imagined of putting money by for their future. Here, BB had a huge responsibility to come up with new ideas to reach out to them. But it has not been done for long, and the sufferings of the farmers have built up. So, the decision is indubitably a milestone in helping the farmers out. Now the farmers will be more aware of their rights and have the courage to approach banks for loan and suggestions.

Rice is the staple food of Bangladesh, and we have no other alternative but to cultivate it. The farmers don't have enough money to till the land. We have seen that they have been running after the profiteers for cash during the season. Once they get trapped, the whole shebang of producing rice becomes a horrible job for them. BB should look into the matter seriously and consider loan disbursement without interest during the cultivating period. It can be a three month bank-farmer agreement as sowing to reaping paddy takes about 3 months.

If BB distributes loans, farmers will not have to go to the middleman and the profit will remain in their hands. However, to make this happen, BB has to create a database of the farmers and peasants so that no fake farmers can avail the facilities.

Fertiliser distribution and irrigation management can be done under direction of the ministry of agriculture, BB and local administration to negate the illegal profitmaking mechanism of the dealers and middlemen. Farmers, being uneducated and ignorant of governmental initiative, tend to be swayed. The dealers take advantage of this and make a killing! A proper monitoring system should therefore be developed, and BB's intelligence wing can be given the responsibility of documenting the illegalities in this respect.

Rotating crops is ideal for maintaining the fertility level in the fields, but farmers aren't aware of this method. BB should expand its pro-farmer initiative and start a farmer-teaching scheme to acquaint them with modern cultivation methodology and agricultural techniques. This will help the government attain the goal of being self-sufficient in food. To date, no scheme has been initiated that is genuinely dedicated to farmers. I think that, since BB has extended its hands to help the farmers, it can go even further and bring in an agricultural revolution through educating by scientific means.

I strongly believe that farmers are the backbone of our rural economy. If their hands can be strengthened, rural areas will experience a dynamic change. It is true that rural economy will bring forth no result unless a change takes place. Hence, BB has a chance to pioneer pro-farmers activities and be a role model. We want the banking system to work for people, not trap people in banking rules.

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## Budhdha Pudi Chakma and our collective conscience

We hope that the government will be able to hold a very quick, fair and impartial probe into the incident, bring the criminals to book and redress the grievances and damages of the sufferers on either side, thus ensuring peace and stability in this repeatedly troubled region.



AUDITY FALGUNI

MOST of us are now aware of the recent turmoil and bloodshed that took place in CHT. Despite all the statistics on casualties and political analyses published in various places, I have been most haunted by the photo of three mourning children of Budhdhapudi Chakma, a simple and young Jumma mother from a village in Baghaichari, who died in the attacks on the indigenous people on February 19. The photo and the news were published in *Dainik Prothom Alo* (February 21).

According to the report, the young mother's husband went out to work on the morning of the fateful day. When the Bengali

settlers set fire to the Jumma houses of the Guchchagram of Baghaichari, Budhdhapudi along with her three children began fleeing for "safe" shelter. A bullet, however, struck her in the chest and the dying mother requested her children to run for their lives instead of wasting time in trying to save her.

It is impossible for one to measure the pain of these three young children. Can we blame them if they turn out to be "anti-Bengali" or "secessionist" later on in their lives? A photograph published in *The Daily Star* (February 27) shows an indigenous woman trying to pick up rice from her burnt homestead. It nullifies all the so-called "development projects" in CHT carried out by hundreds of development organisations.

What will be the "image" of our nation across the world if such heinous incidents take place very near to army cantonments? Already, Amnesty International has called on the Bangladesh government to probe into the deaths caused allegedly by army firing.

As reported, the Bengali settlers further set fire to the procession carried out by the indigenous people on February 23. This procession was organised to protest the atrocities of February 19 in Baghaihat.

The settlers are also alleged to have launched attacks on 37 indigenous households in the Khagrachari town. The indigenous people, as revenge, committed arson attack on 29 Bengali houses.

Four journalists have been injured in these attacks. More than 100 Jumma people have been arrested and many others are still missing. Local Rab and army officers are reported to have arrested more than 100 indigenous people from different localities in Khagrachari on the morning of February 24.

The hill people are afraid to go to the police stations or army check-posts to search for their missing relatives and dear ones. Amnesty International sources informed us

that the Jumma people who rushed to hospitals for medical aid were also detained.

The local administration and Bengali settlers are also barring the journalists or press representatives from visiting the vulnerable hilly spots on pretext of their safety. But, the human rights activists of the CHT region consider this to be an attempt to hide the real situation there.

Today, when we see photographs on the internet of demonstrations by expatriate Jumma people in London seeking for UN peacekeeping troops in CHT, the image of our nationhood is a little shaken. Our acceptability as a democratic state cannot enhance itself through news of demonstrations in New Delhi, Korea or Japan.

Amnesty International, in a recent statement, called on the Bangladesh government to carry out an impartial and independent investigation into these attacks to identify those who set the houses on fire and the army personnel who may have used excessive force, and bring those responsible to justice in a fair trial without resorting to death penalty.

They asked the government to ensure that the indigenous detainees have access to lawyers of their own choice, can challenge the legality of their detention, have access to family visits and medical treatment, and are not at risk of torture.

Unfortunately, the attacks took place at a time when the party that had signed the CHT Accord of 1997, the Awami League, is the one in power. Some political analysts consider the Baghaichari carnage to be an evil conspiracy of the collaborator Jamat-e-Islami and its sister organisations to destabilise the government.

This incident may be the outcome of a blue print to challenge the government's decision to withdraw army troops in phases from the CHT. Home Minister Sahara Khatun said that such atrocities could never happen in a truly democratic state and that the war criminals and fundamentalist circles had instigated them.

We hope that the government will be able to hold a very quick, fair and impartial probe into the incident, bring the criminals to book and redress the grievances and damages of the sufferers on either side, thus ensuring peace and stability in this repeatedly troubled region.

Audity Falguni is a writer and development activist.



Banks to the rescue.