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New firms step into pesticide business, despite health risks

SOHEL PARVEZ

More firms are lining up to grab their shares in pesticide business, lured by increased sales of pest-control chemicals.

But entomologists warned that an increased use of toxic pesticides on crops and vegetables will deepen the risks to public health and ecological balance. They stressed the need to increase awareness among farmers and adopt integrated pest management (IPM) practices to cut the use of toxic pesticides.

Some pesticide marketers said the use of pesticides may not increase in future because of growing awareness among farmers about pesticide's negative impacts.

In the recent years, a number of firms entered the pesticide business to profit from the farmers' desire to protect their crops against pest infestation and disease, which, analysts say, account for at least 25-30 percent of crop losses every year.

These new entrants include some big firms, such as Lalteer of Multimode Group, Getco, Runner and Partex Star Group.

"We are already in seed business and preparing to enter the pesticide market because the market size is reasonably good and some companies are doing well," said KM Ali, chief executive of Partex Star Group.

The investment frenzy takes place as sales of chemical pesticides have more than doubled since 1999, buoyed by a rise in crop production, credit-based sales by firms and farmers' interest to take preventive measures to save their crops.

The ineffectiveness of adulterated pesticides against the resurgence and immunity of pests boosted demand for pesticides, mainly insecticides that account for more than 60 percent of the pesticide market.

The biggest leap was recorded in 2008 when sales of toxic chemicals rose by 29 percent to 48,690 tonnes/kilolitres and helped the domestic pesticide market climb 70 percent to Tk 1,156 crore from a year ago, according to Bangladesh Crop Protection Association (BCPA) data.

Sarwar Ahmed, managing director of Syngenta Bangladesh, linked increased sales to rising rice prices after the 2007-08 global food crisis.

"Whenever prices of farm produce go up, consumption of pesticides increases," he said. Syngenta is the market leader in the pesticides arena.

In the last two years, prices of rice, the staple



The file photo shows a farmer spraying pesticide in a potato field in Rangpur.

that uses the bulk of pesticides, remained high keeping demand for crop-protection chemicals close to 45,000 tonnes/kilolitres. Active ingredients of pesticides are imported mainly from China and India.

MA Khair, general secretary of BCPA, said the prospects of expanding the use of chemicals on crops attract new entrepreneurs. The body awarded membership to 21 new firms in the last six months, he said.

"We can protect 32 percent of the total rice area from insect infestation, 39 percent from disease and only 16 percent against weeds. So, there is enough scope for business to expand," he said.

If all croplands come under pesticide coverage, yields will increase, Khair said.

The entry of new marketers coincides with the government's move to protect crops through biological pest control and works with farmers to make them aware of integrated pest management practices.

Smarajit Roy, assistant general manager of Runner Agro Products, said the attempt to enter pesticide business is part of the goal of business diversification of the owners of Runner Group of Companies.

"Although the government and some NGOs are focusing on IPM to protect crops, there are some pests that can not be prevented through IPM," he said.

Operators said entry of more firms in the trade increased the competition, which thus benefited the farmers.

"Prices are not increasing due to a healthy competition. Margins are not as attractive as before," said Ahmed of Syngenta.

He said business is expanding, but new entrants will require efficiency in credit management to be successful as the trade is mostly credit-based.

Syed Nurul Alam, principal scientific officer of the division of entomology of Bangladesh Agricultural Research Institute (BARI), linked the rise in sales of chemical pesticides to unavailability of their alternatives such as bio-pesticides.

"Farmers' awareness should also be raised so that they shift from chemical pesticide whenever they get an alternative and effective pest control instrument," he said.

Alam said IPM practices should be expanded to discourage the use of synthetic chemical pesticides as residual effects of some of them linger actively for two weeks.

"No vegetables should be consumed before five days have elapsed following an application of the chemicals," he said, citing that the intensity of use of toxic chemical pesticides is higher for vegetables than that of rice.

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Analysts oppose MJL listing

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Stockmarket experts say a cancellation of the initial public offering (IPO) by MJL Bangladesh Ltd is better than a conditional listing of the fuel company on the bourses.

They argue that if MJL is listed on conditions, set by the exchange authorities or the market regulator, the debate on the legality of the company's listing will continue.

The experts made the observations after the Dhaka Stock Exchange indicated that it may give approval to MJL for a listing if it agrees to issue 30 percent bonus shares, referring to the Companies Act.

It is not a good practice, said the market analysts. They opposed the recommendation that the company should issue 30 percent bonus shares for shareholders as a listing requirement.

"The listing should be cancelled as it has been creating huge complexities in the capital market," says Mirza Azizul Islam, former adviser of caretaker government.

Islam, also former chairman of the Securities and Exchange Commission, says: "There are two major problems: one is overpricing and the other is listing complexities. The authorities should advise the company to go for a new IPO subscription."

"It is simply an unusual practice for a company to give bonus shares before getting listed in the bourses," he says.

"Around Tk 609 crore has been stuck in the MJL IPO as the authorities failed to list the company," he added. "It is also a matter of concern as to why the SEC

approved the overpriced IPOs."

Fakhor Uddin Ali Ahmed, president of Chittagong Stock Exchange, says: "It will be better if the MJL IPO is cancelled by the regulator. We are confused, and we have to think about the investors' interest."

If the company offers 30 percent bonus shares, the price per share will be Tk 116.92 and the price-earnings ratio will still be higher, he says.

Ahmed says, "Ultimately shareholders will not be benefited if the company offers bonus shares." However, if the company performs better in the future, the shareholders would be benefited, he adds.

Prof Salahuddin Ahmed Khan, who teaches finance at Dhaka University, said it is not a good process that the bourses suggested MJL Bangladesh issue bonus shares in order to be listed on the bourses.

It will raise problems when the company will declare dividends for the shareholders, says Khan. It would be the best for MJL Bangladesh if the underwriter of the company buys shares at offer price within six months of trading, he says.

The underwriter should place a buy-order at the offer price, as offer price cannot drop within six months, he adds.

A stalemate was created over the listing of MJL that used the book building method for its IPO after the stockmarket regulator suspended the method in January following a government instruction.

A volley of criticisms came from economists, market experts, analysts and stakeholders over the misuse of the mechanism.

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Hasina to check up on liquidity, remittance flow

M ABUL KALAM AZAD

Prime Minister Sheikh Hasina yesterday directed the finance ministry and Bangladesh Bank (BB) to submit a report on the country's overall economic situation, incorporating the actual status of bank liquidity and inward remittance.

She made the directive while presiding over the weekly cabinet meeting, which had a lengthy discussion on the unrest in the Middle East countries and the adverse impacts it might put on Bangladesh and its economy.

"She asked for a full report with all the facts and findings to know the current economic situation and assess its future state," a senior minister told The Daily Star after the meeting held at the cabinet division of the secretariat.

Senior ministers took part in the discussion where Local Government and Rural Development (LGRD) Minister Syed Ashraful Islam informed the cabinet about media reports on liquidity crisis and impending economic crisis due to the Middle East unrest.

"The banking system also came up in discussion as many commercial banks recently increased lending rate by 1 percent," said the minister, adding that the banks are also taking various types of service charges while lending money.

Some banks have increased the lending rate after the government recently withdrew the ceiling on rate in some specific areas. Businessmen have expressed concern over the rise in lending rate.

Many banks also hiked the deposit rate to attract clients.

"The prime minister wanted to know the reason behind the rate hike," said the minister. "A couple of ministers told the cabinet that all the banks have made profits this year, although they are increasing the interest rate saying that their business was not going well."

The banks do not have any uniform deposit rate which was also discussed in the meeting, said the minister.

"The PM wanted explanation about it from the finance ministry and the Bangladesh Bank," he said.

Talking to The Daily Star, another cabinet minister said that all of them should know the facts and findings of the country's economic situation so that they can tell that in different forums to



Sheikh Hasina

avoid confusion.

Labour and Expatriate Welfare Minister Khandaker Mosharraf Hossain informed the cabinet that Bangladesh would not face any crisis due to the unrest in the Middle East. He said the number of Bangladeshi manpower was on the rise.

In absence of Finance Minister AMA Muhiith, the Prime Minister's Finance Adviser Moshirul Rahman took part in the discussion and assured of submitting the report to the cabinet.

The cabinet also ratified the "framework agreement on the promotion and liberalisation of trade in services" among the APTA nations.

The framework agreement was initiated by United Nations Economic and Social Commission for Asia and the Pacific (ESCAP) and was formerly known as 'Bangkok Agreement'.

The Bangkok agreement was signed in 1975 in Bangkok by Bangladesh, South Korea, Sri Lanka, India and Laos.

The framework agreement aims at promoting economic development through expansion of trade among the developing member countries of ESCAP and to foster international economic cooperation by adopting mutually beneficial trade liberalisation measures consistent with their respective present and future development and trade needs.

Hasina also directed all concerned to raise awareness about National Women Development Policy to remove confusion about it.