

# Analysts play down farm subsidy worries

STAR BUSINESS REPORT

Crop production may not be affected because of a cut in the use of urea by farmers in the wake of hike in the prices of the farm input, agriculture experts said yesterday.

The prediction came after Finance Minister AMA Muhith proposed a cut in subsidy for fertiliser and other farm inputs for the budget in fiscal year 2011-12.

Before the budget proposal was made, the government raised the price of urea manure by 70 percent to Tk 20 each kg from Tk 12.

The increase in urea price will give a rise to the total cost for fertiliser by about 4 percent of gross value of production for rice, said economist Mahabub Hossain.

Hossain, now executive director of BRAC, shared the view while

presenting a paper on allocations for agriculture, food security and social protection in the proposed budget for fiscal 2011-12.

BRAC and Bangladesh Rice Foundation (BRF) jointly organised the discussion at BRAC Centre Inn. M Syeduzzaman, former finance minister, chaired the programme, where lawmakers and economists spoke.

Hossain said farmers may respond by reducing the applications of urea.

"The response may not affect production because farmers tended to use more urea than needed as urea was cheaper compared to other fertilisers," he said.

Instead, soil fertility may improve due to more balanced use of fertilisers. It may also lead farmers to invest in production

and utilisation of compost green manure and help maintain soil fertility, he said.

In the proposed budget, the outlay for fertiliser subsidy was reduced to Tk 4,500 crore from Tk 5,700 crore in the outgoing fiscal year.

"The cut in fertiliser subsidy is not a matter of great worry. It is important to decide about where we intend to use the saved money," said Bangladesh Agricultural University Vice Chancellor MA Sattar Mandal.

He suggested providing training and design development support to domestic farm machinery makers.

Mandal also called for investment to increase surface water based irrigation in the north and the southwest to reduce irriga-

tion cost and cut dependence on underground water.

Hossain said the savings from subsidy could have been allocated to research and development within agriculture which is a dire need.

Abdul Awal Mintoo, chairman of Lalteer Seed, said investment in developing better technology, farm machinery and seeds is important to scale up agricultural growth.

Referring to estimate by International Food Policy Research Institute, he said the return against one dollar investment in research and development will be \$9.

To sustain growth in crop production, Hossain suggested providing farmers with incentives through ensuring fair prices for agricultural produce and invest-

ing in capacity enhancement for research and development.

He also recommended developing technologies for combatting and coping with unfavourable environment and supplying credit to small and marginal farmers on reasonable terms.

"Farmers should be organised to form cooperatives to ensure fair prices for their produce," said Professor MM Akash of the Department of Economics of University of Dhaka.

Among others, Israfil Alam, chairperson of All Party Parliamentary Group on extreme poverty, Omar Faruk Chowdhury, a lawmaker, Mirza Azizul Islam, former finance adviser, Z Karim, former secretary, and Fahmida Khatun, head of research of Centre for Policy Dialogue, spoke.



CITYCELL

Mehboob Chowdhury, chief executive officer of Citycell, poses with the Asia Communication Award in Singapore on Wednesday. Citycell Broadband Service has won the award in Emerging Market Initiative category. Taslim Ahmed, head of marketing communications of Citycell, was also present.

## Bharti Airtel says restructuring to have minimal impact on jobs

REUTERS, Mumbai

Mobile carrier Bharti Airtel said it plans to undertake restructuring exercise in its businesses, which is expected to have "minimal impact" on jobs.

Bharti has pioneered the strategic outsourcing model and created efficiency. "Such initiatives wherever and whenever appropriate will find favour," the firm said in a statement without elaborating on the restructuring plans.

Earlier, the Economic Times said Bharti Airtel will merge three separate businesses, which includes mobile, satellite TV, and fixed-line, broadband telemedia business. The businesses jointly account for about 90 percent of its revenues.

The paper estimated the job losses to be more than 2,000 of the current strength of 11,500 employees.

In May, Bharti, 32.3-percent owned by Southeast Asia's biggest phone firm SingTel, had reported a fall in net profit of the fourth quarter to March to 14 billion rupees from 20.44 billion

## "EXCELLENCE THROUGH PEOPLE"



K Mahmood Sattar, managing director of The City Bank, speaks at the C-suite HR Summit 2011, organised by Bangladesh Society for Human Resource Management in collaboration with Bangladesh Brand Forum, at Ruposhi Bangla Hotel in Dhaka yesterday. Story on B1

STAR

## Dhaka moves close to OIC trade deal

DIPLOMATIC CORRESPONDENT

Bangladesh has decided to ratify the rules of origin agreement that would effectively lay the legal foundations of a preferential trade deal among OIC members.

Foreign Secretary Mijarul Quayes disclosed this while addressing a press briefing yesterday.

Officials said the functioning of the preferential trade deal would further boost trade among the countries in Organisation of the Islamic Conference.

The preferential trade system envisages a transition to a three-step tax reduction system among Muslim countries and needs the approval of at least 10 member states.

Nine OIC countries have already ratified the agreement and it would be effective with the ratification by Bangladesh when Foreign Minister Dipu Moni will attend the 38th session of the OIC foreign ministers scheduled for June 28-30 in Astana, the capital city Kazakhstan.

Dipu Moni will lead the Bangladesh delegation at the foreign ministers' meeting and is due to

leave Dhaka for Astana tomorrow.

Officials said the preferential trade agreement would make the biggest contribution to securing a more liberal regime of free movement of goods among the OIC members.

The cooperation was vital in order to keep up with global competition. They said the Muslim world harboured a major potential for economic and social development.

Standing Committee for Economic and Commercial Cooperation (COMCEC) was established in 1981 aiming at developing economic and commercial cooperation among the member states.

Officials said the 38th session of the OIC foreign ministers will discuss several important issues, including uprisings across many OIC member countries, new date for the 57th OIC summit, which was set for Egypt, but it was postponed because of the January uprising.

Kazakhstan assumed the annual OIC presidency in 2011. The 57-member OIC is the largest intergovernmental organisation serving the world's Muslims.

## Stocks pass cheerful week

STAR BUSINESS REPORT

Stocks ended the week higher with newly revived confidence of investors following a decision that relaxed the credit deposit ratio rules and a parliamentary watchdog's plea to the government to allow undisclosed money in the stockmarket.

The week saw five trading sessions: the first session ended in the red and the last four sessions gained moderately.

During the week, the benchmark index DGEN, the yardstick of the Dhaka Stock Exchange, closed at 5,847, rising 71 points or 1.23 percent.

The benchmark index CSCX, the indicator of Chittagong Stock Exchange ended at 10,439, gaining 249 points or 2.43 percent.

The central bank on Monday decided to allow commercial banks to calculate their CDR (credit deposit ratio) including their deposits in other banks as a source of fund. Earlier, Bangladesh Bank had excluded those deposits from the denominator.

The relaxed decision of the

central bank for calculating banks' CDR also boosted investors' confidence in the week as the decision may ease the liquidity crisis to an extent in the market, said a market operator.

An enormous liquidity supply is needed to stabilise the bourses, he said.

AHM Mustafa Kamal, chairman of the parliamentary standing committee on the finance ministry, after a meeting with the leaders of DSE on Monday recommended the government may allow untaxed money in the market in a bid to prop up confidence of the investors and restore stability.

Average daily turnover came down to Tk 442 crore, which was 18.93 percent lower compared to Tk 546 crore in the previous week.

Turnover on the country's premier bourse on Thursday stood at Tk 616 crore, hitting a two-week high.

The market capitalisation was Tk 267,611 crore on the opening day of the week and at the end of the week stood at Tk 270,479 crore, which was 1.07 percent higher.

Of 266 issues traded, 152 advanced, 106 declined and eight remained unchanged during the week on the DSE floor.

Banking issues, which is a third of the total market capitalisation, gained 1.13 percent after 2.48 percent lost in the previous week.

Non-bank financial institutions gained 1.46 percent, telecommunications 2.84 percent, pharmaceuticals 2.45 percent, cement 2.28 percent, mutual fund 0.24 percent, general insurance 0.47 percent, life insurance 2.0 percent and fuel and power, 1.21 percent.

The textile sector lost 1.16 percent, ceramics 0.53 percent, IT 3.02 percent and food and allied lost 0.31 percent during the week.

Banks and non-bank financial institutions sectors were the most traded shares during the week and contributed 32.03 percent and 14.02 percent of the week's total turnover value.

United Commercial Bank Limited topped the week's turnover list with shares worth Tk 109 crore changing hands.

## India raises diesel prices to ease subsidy burden

REUTERS, New Delhi

India raised diesel prices nearly 8 percent on Friday after months of delay, a politically unpopular move that will add to inflationary pressure but also eases the government's subsidy burden and could bolster its image among wary investors.

After a meeting that was delayed by about six hours, a government panel raised the price of diesel by 3 rupees per litre to around 41 rupees per litre. It also raised kerosene by 2 rupees per litre and LPG prices by 50 rupees per cylinder.

The increases, announced by Oil Minister S. Jaipal Reddy, were roughly in line with expectations.

"This is the only window they have for any cutting of subsidies. By the end of the year they will be in (state) election mode," political analyst Mahesh Rangarajan said.

Since it was first elected in 2004, the government of Prime Minister Manmohan Singh has more often than not refrained from pushing through tough reforms in favour of pleasing its predominantly

## Foursquare raises \$50m in new round

REUTERS, New York

Mobile location based start-up Foursquare raised \$50 million in a round of financing lead by venture capital firm Andreessen Horowitz, the company said on Friday.

With this latest round of funding, the New York-based company is valued at about \$600 million, according to a source familiar with the deal.

O'Reilly AlphaTech Ventures, Union Square Ventures and Spark Capital are also involved in the round.

"We're excited to announce that we've closed a round of funding that will enable us to hire more engineers, evolve our merchant offerings and continue our international expansion," Foursquare Chief Executive and co-founder Dennis Crowley



Jim McCabe, chief executive officer of Standard Chartered Bank, Bangladesh, and KM Ahsan Shamim, director of United Group, sign the deal for a \$26 million three-year financing at a programme in Dhaka recently where the fund will be used for a 53 megawatt power plant of United Ashuganj Power Ltd at Ashuganj in Brahmanbaria.



Saifuzzaman Chowdhury, chairman and managing director of Aramit Ltd, Chittagong, presides over the company's 40th annual general meeting in the port city on Saturday. The company declared 40 percent cash dividends for 2010.