Falling crop prices worry farmers

SOHEL PARVEZ

THE low prices of agricultural crops have put strains on small and marginal tenant farmers as they find it difficult to repay the loans they have taken for farming.

Farmers said the fall in prices of rice, jute, potatoes, onions and vegetables reduced their incomes and spending in the last one year, although production costs rose.

"I did not feel any pressure in repaying loans until early last year because rice prices were better. Now that comfort is no more," said Abdul Hai, a small farmer in Pabna.

Hai grew rice, wheat, jute and onions on 3 acres, including 1.5 acres of rented land, last year.

However, the gradual decline in the prices of rice and onions has squeezed the farmer's income.

He is one of the thousands of small producers and tenants who have borrowed from BRAC. The development organisation extends finance to sharecroppers based on a Tk 500 crore revolving fund set up by Bangladesh Bank (BB) to encourage tenant farmers to grow food.

In 2009, BB opened the fund to ensure low-cost loans for tenant farmers, whose role in food production has grown in the past years.

Of cultivated land, the area under tenant farming has increased to 38 percent in 2005 from 23 percent in 1996, according to the Sixth Five Year Plan 2011-2015.

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Fall in prices of rice, jute, potatoes, onions and vegetables reduced the incomes and spending of farmers in the last one year. SK ENAMUL HAQ

Hai borrowed Tk 10,000 as a sharecropper from BRAC early last year.

He said he could have managed the monthly repayment sum of money by selling a small portion of jute, rice and onion; now he has to sell greater quantities to collect the instalment amount.

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The last blow for Hai came after onion prices fell amid a supply glut because of an increase in the production of a variety of onions.

Onion prices fell by 45 percent to Tk 10-18 per kilogram in Dhaka markets early last week from a year ago, according to Trading Corporation of Bangladesh.

Hai made good profits by selling onions in 2010.

"This year, prices will allow me reach break-even at best," said the farmer, who counts production costs without considering wages for his own labour and preserved seeds.

"My earnings have declined and expenses increased," said Hai, citing an increase in labour wages, tiling, and irrigation and fertiliser costs.

Arif Chowdhury, another small farmer, said he sold a maund of onion at Tk 250 in Shyambazar in Dhaka last week, down from Tk 1,100 the previous year.

The farmer, who cultivated onions by borrowing Tk 50,000, feared a loss of Tk 20,000 on each bigha of land (33-decimals) for the slump in onion prices.

"Not only onions, the prices of garlic have also dropped," said Arif. "The situation is so bad that we are not able to buy good and nutritious food for our family like before."

Matiur Rahman, a sharecropper in Chatmohar Pabna, said inundation of water on the fields damaged aman and jute crops last year.

He got four maunds of jute from the field and had to sell at prices lower than the year before.

"I have been affected in both ways -- in terms of price fall and a low production of jute," said Rahman, also a borrower from BRAC.

Mahabub Hossain, executive director of BRAC, said many farmers cannot recover their production costs because of a decline in prices of various crops and vegetables.

He said sharecroppers mostly grow rice for their own consumption and sell a small portion of surplus in the market. Hence, the drop in rice prices will have a smaller impact on them.

"But increased production costs will be a major problem for them," he added.

He said BRAC's loan recovery from sharecroppers has not dropped as farmers repay in monthly instalments instead of repaying a major portion of loans after the harvest.

We have a 98 percent recovery rate so far, said the official of BRAC that lends to 300,000 lakh small farmers.

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Pakistan textiles lifted by WTO trade waiver

AFP, *Karachi*

IT makes a change, but Pakistani textiles boss Asghar Hussain is pleased. A year ago, recession, power cuts and poor security forced him to sack most of his workers.

Now he's hoping for a major improvement in garment sales after the World Trade Organisation approved unprecedented waivers allowing 75 Pakistani products duty free access to markets in Europe for two years.

The European Union is Pakistan's largest trading partner, receiving nearly 30 percent of its exports -- worth almost 3 billion euros ($3.9 billion).

"It means we should expect good gains... as Europe is a huge market for Pakistani readymade garments," said Hussain.

The signs are so good that Hussain has re-hired some workers, bringing his total staff to 50.

It is a fraction of the number he employed before devastating floods in 2010, but he expresses hope it could be a pointer to rosier times ahead.

The WTO passed the waivers as an unprecedented concession in order to help Pakistan recover from the floods, yet in 2011, the business climate had already started to improve.

Cotton prices rose to an all-time high of 229.67 cents a pound in March, and although they have since retreated to a modest 87 cents a pound, it is good news for Hussain, who says he exports 25 percent of his goods to Britain and Germany.

There was also a fall in Islamist and sectarian violence in the second half of 2011 and power cuts also diminished owing to priorities being given to industry.

An employee adjusts spools of thread at a textile factory on the outskirts of Pakistan's eastern city of Multan. AFP

"The situation isn't ideal. Cotton prices have decreased again, but power supply is better and industrial peace is there," said Hussain.

Textiles dominate Pakistan's trade with the EU, accounting for more than 70 percent of its exports to the trading bloc.

The products chosen for the waiver, which needs to be ratified at the WTO general council meeting on Tuesday and Wednesday, would amount to around 900 million euros in import value, about 27 percent of EU imports from Pakistan.

Pakistani textiles are currently hit with a 7.19 percent import duty in the European Union. If approved, the waiver will apply until end-2013.

"Such concessions will bring life to our dying industry," said Shehzad Salim, Chairmen of Pakistan Readymade Garments Manufacturers and Exporters Association (PRGMEA), without providing precise figures.

"Our value-added textile industry's exports have suffered a lot because of electricity and gas shortages, devaluation of rupee and many other factors. The EU's package is promising and seems a breather for a choked economy."

Mirza Ikhtiar Baig, textiles advisor to the prime minister, revised down an initial estimate that the EU package may increase exports by 400 million euros, agreeing with independent analysts who forecast a slightly lower figure.

Most believe the waiver will equate to a 0.7 percent increase in Pakistan's overall exports and a 1.5 percent increase in its textile exports.

"This package would increase Pakistan's exports by $175 million a year," said Furqan Punjani of Equity Research, a market research firm.

The package includes over 30 products of non-value added textiles -- items such as grey cloth, cotton yarn and fabric -- 23 of textile garments and the rest made up of home textiles, value-added leather, footwear, raw leather and ethanol and vegetables.

"We estimate an increase of 0.7 percent in Pakistan's overall $25 billion exports for the year while it would contribute 1.26 percent to our $13.8 billion textile exports," said Baig.

"The increase is a good positive for our economy, yet it should not be called significant given the fact that a ceiling has been imposed on our 15 quality products."

A.B. Shahid, an independent analyst, was more cautious.

"The WTO waiver is a positive development, yet it is too little to handle the increasing negatives the economy is accumulating," he said.

That caution is something that skilled garment worker Mohammad Wahid understands only too well. When he was sacked two years ago, he struggled to feed his family of five until he was rehired 10 months later.

"Life is better now," he said.

"Concessions in Europe are good, yet no-one knows how long this job lasts. In Pakistan, the feeling of insecurity never bites. It stings fatally."

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