

COMMODITIES		ASIAN MARKETS				CURRENCIES						
DGEN	CSCX	Gold	Oil	MUMBAI	TOKYO	SINGAPORE	SHANGHAI	USD	EUR	GBP	JPY	
0.47%	0.42%	\$1,767.20 (per ounce)	\$109.32 (per barrel)	2.67%	0.14%	1.05%	0.30%	81.50	107.86	126.58	0.99	
4,521.32	8,319.88			17,445.75	9,633.93	2,946.78	2,447.06	BUY TK	82.50	111.99	130.63	1.06

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star BUSINESS

DHAKA TUESDAY FEBRUARY 28, 2012, e-mail:business@thedailystar.net

Falling rice prices put farmers in tight corner



HASIBUR RAHMAN BILU

Farmers plant paddy shoots in a field in the northern district of Bogra. Growers are doubly disappointed by the falling prices of rice and increasing production costs.

SOHEL PARVEZ

Millers, stockists and large-scale farmers of rice are in a fix as their profit margins have been squeezed by falling prices of the commodity.

The price fall however comes as a relief to consumers battered by high inflation.

Thanks to consecutive good crops and continuous market intervention by the government, the retail price of coarse rice fell by 10 percent to Tk 28-32 in the past one month due to an increase in supply.

The wholesale prices of coarse rice has stayed put at just over Tk 26 a kilogram for the last two months, down from Tk 27 and above in October-November last year, showed data from the Food Planning and Monitoring Unit (FPMU).

"We are in a tough situation this year. Prices usually go up during this time of the year. But prices are on the downturn this year," said Nirod Boron Saha, a paddy and rice trader in Naogaon, a wholesale hub in the north for medium and fine quality rice.

The current situation in the rice market is the opposite of the situation at the same time last year when millers and traders were raising prices and banking on low stocks of food grain in government holds.

This year the picture is different. Prices of all categories of rice have slumped in the last one month as the government continues to intervene in the market with safety net schemes, including open-market sales at subsidised rates.

Coarse rice prices declined by 17

percent in the past one year, according to Trading Corporation of Bangladesh.

Meanwhile, wholesale prices of coarse rice fell 18 percent from Tk 32 a kilogram from the previous year, shows FPMU data.

Saha said the fall in prices became as a blow to those traders and millers who stocked rice from the previous boro season to sell during this off-season.

At Naogaon, wholesale prices of the BR-28 rice variety, grown in the Boro season, was Tk 30.81 Tk 32.15 a kilogram yesterday.

"Costing for the rice was Tk 32.15 - Tk 33.49 a kilogram," said Saha, also a rice miller.

"The government is supplying rice in the market against the backdrop of bumper aman crop. In recent weeks, millers and large farmers also began releasing their stocks ahead of the boro harvest two months away," he added.

Prices of rice and paddy began falling as prospects of good aman harvests became bright after a record output of the principal crop boro.

Huge stocks at public go-downs along with continuous intervention by the government added to the price downturn, narrowing the scope for millers and stockers to raise prices by squeezing supplies during the off-season.

"Huge imports by the government last year put farmers and traders in trouble," said Saha.

Food division data show that the current retail price of coarse rice in Dhaka is Tk 1-2 higher than the gov-

ernment procurement price from millers at Tk 28 a kilogram for the immediate aman season.

Meanwhile, wholesale prices in Dhaka remained Tk 1.5 higher than a government estimate of production cost for aman.

Naser Farid, director general of FPMU, said the decline in rice prices would be beneficial for consumers. The recent fall will also not hurt small growers, he said.

"It will help reduce inflation."

Except for rice, the prices of most food and non-food items have increased in the last one year, straining consumers.

Inflation rose to 11.59 percent in January from 10.63 percent in December in the face of a sharp spike in non-food costs along with a hike in food inflation.

Mahabub Hossain, who follows agriculture and the rural economy, said the decline in rice prices has contributed to the hardship of the farmers.

Referring to a fall in prices of paddy after aman harvests, he said millers bought paddy at Tk 550-600 a maund (40 kilograms) at mill gate.

Based on the purchase price of paddy, the processing cost of rice for millers should not exceed Tk 22 a kilogram, he said.

"Proceeds from sale of the by-products (husk and bran) should cover the processing cost," he said. "So millers can still make a substantial profit if they sell at Tk 25 a kilogram."

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Businesses want further cut in lending rate

Bankers say they are trying

STAR BUSINESS REPORT

Businessmen yesterday called upon banks to bring down interest rates on term loan and working capital.

However, bankers who were attending a meeting with the businessmen did not agree on the demand, saying they have already self imposed a cap of 15.5 percent on lending rate (term loan and working capital).

The bankers also said they are trying to bring down the lending rate within the cap.

If the interest rate on deposit comes down and inflation is eased to some extent, they will try to bring down the cap further, they said.

As the banks were charging high interest rates on credit, the central bank brought the bankers and businessmen face-to-face at the meeting.

The businessmen said they wanted the interest rate on term loan to be 12 percent and that on working

capital at 14 percent.

Both the sides presented their arguments in the meeting but it ended without any consensus, said a high official who attended the meeting.

Bangladesh Bank Governor Atiur Rahman presided over the meeting.

Representatives of all major business bodies led by AK Azad, president of the Federation of Bangladesh Chambers of Commerce and Industry (FBCCI), attended the meeting.

Representatives of the Association of Bankers Bangladesh (ABB), a platform of the chief executives of the banks, and Banks Association of Bangladesh (BAB), a platform of the bank owners, were also present.

The central bank officials told the meeting that they are closely monitoring the situation so that the spread (difference between lending and deposit rates) remains within 5 percent.

After the meeting, BB Deputy

Governor SK Sur Chowdhury told journalists that the central bank cannot force any bank to lower its rate of interest.

However, he said they are keeping an eye on the situation so that no bank charges high interest.

Chowdhury also said some banks are still not going by the cap.

ABB representatives said if any businessman can produce documentary evidence that any bank is charging interest higher than the cap, the association will take steps.

On January 4, the central bank withdrew the 13 percent interest rate limit on bank loans, prompting the private banks to increase their lending rates.

In early February, the banks self imposed the cap of 15.5 percent on lending rate.

But only 16 banks among 30 private banks could abide by the cap, while the others still charge between 17.5 percent and 18 percent.

Foreign lender to raise credit limit for BPC to \$2.5b

REJAUL KARIM BYRON

Responding to a request from the government, Islamic Trade Finance Corporation (ITFC) has decided to raise the credit limit for Bangladesh Petroleum Corporation (BPC) to \$2.5 billion from this year.

Normally the limit for Bangladesh is about \$1.5 billion from the ITFC, the trade-financing window of Islamic Development Bank (IDB).

The BPC has told the central bank that it will require foreign currency of \$6.78 billion for fuel import in 2012, while the requirement was \$4.48 billion last year.

Before 2011, Bangladesh used to pay \$2 billion to \$2.5 billion in fuel import bills annually.

Additional fuel has to be imported to meet the demand by the quick rental power plants that run on diesel.

The BPC will have to import 70.38 lakh tonnes of fuel this year, according to a projection by the government organisation, which imported around 48 lakh tonnes of fuel last fiscal year.

A Bangladesh Bank official said, initially the government requested

the ITFC to increase the credit limit to \$2 billion.

But the state-owned banks are facing a dearth of foreign currency now and a huge amount of their dues was pending with the BPC. So, the government requested the ITFC to raise the ceiling by another \$500 million, said the BB official.

A finance ministry official said the BPC will soon sign a final agreement with the ITFC in this regard.

Besides the ITFC, the BPC has taken loans of \$200 million from international market through foreign banks for fuel import.

The petroleum corporation has also deferred payments of fuel import bills of different countries including Malaysia by six-eight months.

The state banks have again started opening letters of credit for the BPC after a let-up in the last one month.

The BB official said, in the last few days three state banks have opened LCs worth around \$210 million for import of fuel.

Some other LCs are in the pipeline, he added.

An official of state-run Janata Bank said the BPC owes three banks

more than Tk 10,000 crore on account of fuel import.

In this context, the International Monetary Fund has advised the central bank not to give any dollar support to the nationalised banks for fuel import. It said the nationalised banks will have to buy dollar from the market to open LCs for fuel import.

The finance ministry official said the Finance Division has already started working to pay some of the dues of the BPC.

The official said there have been a number of anomalies in the BPC's projection, accounting system and expenditure statement.

He said BPC conducts transactions of several thousand crores of taka every year, but they do not have any professional chartered accountant.

Against this background, a committee was formed last month with Additional Finance Secretary Syed Manjurul Islam as its head to review the BPC's demands and projections from time to time, the central bank official said.

The committee will submit a report to the government every 15 days.

Two firms get nod for merchant banking

20 more companies seek approval from SEC

STAR BUSINESS REPORT

The Securities and Exchange Commission yesterday gave the green light to BD Finance Capital Holdings Ltd and Citizen Securities Investment Ltd to operate merchant banking in the capital market.

The commission sent a letter to the managing directors of the companies with approval for merchant

banking.

The approval came as the SEC sought to increase the number of institutional investors in the market, an SEC official said.

Twenty more companies have applied to the SEC, seeking approval for merchant banking, the official added.

The regulator approved the merchant banking activities of Bengal Investments Ltd on February 15.

Presently, 51 merchant banks operate in the stockmarket.

Among the banks, 43 are full-fledged merchant banks, which simultaneously perform the functions of an issue manager, a portfolio manager and an underwriter.

The remaining eight merchant banks carry out the functions of either an issue manager or a portfolio manager or both.

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Chinese company to invest \$9.3m in Dhaka EPZ

UNB, Dhaka

Young Optics (BD) Limited, a Chinese company, will set up a lens manufacturing industry in the Dhaka Export Processing Zone.

The fully foreign owned company will invest \$9.3 million in setting up their unit and will manufacture lens items.

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Huda's South Skyline
Rd. 39, Plot 45
(Corner plot) Gulshan-2
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