# Farmers lose appetite for wheat

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STAR

**Wheat farming loses its popularity in the country, as other winter crops now ensure higher profits for farmers.**

WHEAT acreage as well as production has come down to almost half over the past decade as farmers shifted to other winter crops for higher profits.

The shift is also meant for minimising the risk of crop losses due to the vulnerability of wheat to increased temperature. A rise in temperature affects the production of wheat which is a cold loving crop, said analysts.

Wheat cultivation area declined to 9.23 lakh acres in fiscal 2010-11 from 9.29 lakh acres the previous year as farmers are gradually shifting to cultivation of maize, potato and others vegetables in the major wheat growing areas -- northwest and central districts.

The latest acreage of wheat is half of the total wheat growing areas at 19.09 lakh acres in fiscal 2000-01 when production was 16.06 lakh tonnes, according to Bangladesh Bureau of Statistics (BBS).

Since then, both acreage and production of wheat declined gradually although consumption of the cereal increased, leading to a surge in imports due to growing consumption of flour for making bread, chapati, biscuits and other snacks.

Bangladesh now requires more than 40 lakh tonnes of wheat annually. Of which, more than 30 lakh tonnes are imported as production fell below 10 lakh tonnes in recent years.

High yielding hybrid maize is one of main factors behind reduced wheat plantations and production, said Naresh C Deb Barma, principal scientific officer of Bangladesh Agricultural Research Institute (BARI).

Now maize is grown in more areas, he said, adding that farmers are showing interests to plant rice and winter vegetables such as potato for higher profits.

Yield of maize is double than that of wheat. Hence, maize is more profitable to farmers than wheat, said Mahabub Hossain, who follows agriculture and rural economy.

Presently, per hectare yield of maize is 5-5.5 tonnes, while that of wheat is 2-2.5 tonnes, said Hossain, now executive director of BRAC that markets hybrid seeds of rice, maize and vegetables.

"Our weather is also more favourable to maize cultivation than wheat," he said, "A prolong winter is required to get a better wheat output. But in our country, winter does not stay on long while temperature also fluctuates."

"Wheat is a risky crop. A better yield of wheat depends largely on how long cold spells prolong," said Hossain.

On the other hand, maize grows well here and farmers earn higher from cultivation of maize which has demands in poultry industry, he said.

In the face of waning interest of farmers to grow wheat, BARI is likely to release two new high-yield varieties of wheat seeds.

One of the varieties, likely to be named as BARI Gom-27, will have good resistance to stem-rush fungus that wiped out fields in Kenya.

International Maize and Wheat Improvement Centre (Cimmyt) has provided the new wheat variety, named Francolin, to Bangladesh. The seed is tolerant to stem-rust fungus and is now under trial in farmers' field in Bangladesh.

The new seed will give higher yields than the existing varieties grown in Bangladesh. It can also be harvested 4-5 days earlier than those varieties presently cultivated by farmers, said Barma of BARI.

"The variety (Francolin) fits well in our local condition," he said, "We want to put the new variety for cultivation in fiscal 2012-13."

BARI also carries out trials to introduce a short duration variety of wheat to be named as BARI Gom-28. Farmers may be able to harvest this early variety wheat in 100 days than present 115-120 days, said Barma.

The state-run research agency has so far introduced 26 high yielding varieties of wheat. Of them, 4-5 varieties have received popularity among farmers.

The last high-yield variety of wheat was heat tolerant and moderately stem-rust tolerant. The variety, BARI Gom-26, has become popular among farmers, according to the BARI scientist.

Before releasing the heat tolerant seed variety, BARI introduced a saline tolerant seed in a bid to promote cultivation of wheat in the Southern coastal region.

"We are trying to introduce seeds that will give higher yields than the existing varieties. If these seeds, including the recently released ones, become popular, total production will increase."

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# RMG exporters fear slowdown

STAR BUSINESS REPORT

APPAREL exports may slow in the coming days as a sluggish world economy has depressed demand in major markets, garment makers said yesterday. They urged the government not to impose any new tax on them.

"With the global economy being in turmoil and demand for garments declining, there may be a slowdown in future exports," said Shafiul Islam Mohiuddin, president of Bangladesh Garment Manufacturers and Exporters Association (BGMEA). The trade body represents one of biggest export earning sectors.

"Our selling price and volume of exports have declined," Mohiuddin said after a meeting with National Board of Revenue (NBR) Chairman Nasiruddin Ahmed at the NBR.

Mohiuddin said his association informed the NBR of the current scenario of international markets, urging the tax authority to refrain from imposing any new tax so that garment makers can face the challenge ahead.

"Our risk factors have increased while profit margins have shrunk," Mohiuddin said.

The plea from BGMEA comes as industrialists are counting increased costs of doing business because of a hike in bank interest rates on loans and electricity and fuel prices.

Export earnings remained higher in July-March. But on a monthly basis, export receipts have declined.

During July-March of fiscal 2011-12, exports receipts from the clothing sector, which accounts for 80 percent of the total export earnings, grew 12 percent to $14.10 billion from a year ago.

In March, apparel exports fell 6 percent in value from the same month a year ago, said the BGMEA president.

"The biggest concern is the fall in exports in terms of volume. Real exports have dropped."

Exports of woven and knitwear clothing fell 8.7 percent to 607 million pieces in volume during July-December period of fiscal 2011-12 from 665 million pieces in the previous year, according to BGMEA.

Mohiuddin linked the slowdown in exports to demand weakened by a bleak global growth outlook resulting from the debt crisis and austerity measures in Europe where 15 economies now suffer recession.

As a result, sales in EU countries have declined as consumers in those countries have become cautious in spending and tightened their belts.

"Apparel imports in European Union have declined alarmingly in volume during the October-December period," he said, adding that imports from Bangladesh to EU countries dropped 15 percent.

Demand for apparel in the USA, another major destination for Bangladesh garment makers, remains weak, although retail sales in the USA improved in March, he said.

However, there are doubts whether the current demand will last long, said Mohiuddin, referring to slow growth in the USA and lack of job creation.

"The world economy is in turmoil and global growth is predicted to be sluggish," he said, citing forecasts that growth in EU countries might be zero in 2012.

New markets such as Latin America, Turkey, China, Korea and India have emerged as a respite for garment makers who feel the impact of reduced demand in Europe less because of opening of these new export destinations.

# India cuts interest rates for the first time in 3 years

PALLAB BHATTACHARYA, *New Delhi*

THE Reserve Bank of India (RBI) yesterday drastically cut interest rates for the first time in three years by 50 basis points to boost the flagging economic growth but warned that there is limited scope for further rate cuts.

Unveiling the central bank's annual credit policy, RBI Governor D Subbarao slashed the short-term lending rate by 0.50 percent to 8 percent, a move that will reduce the cost of home, auto and corporate loans.

The reduction in the repo rate, at which RBI lends to banks, has been prompted by a deceleration in growth and softening of inflation.

The cut is aimed at spurring growth to the 9 percent level seen before the global financial crisis that began in 2008, Subbarao told the media in Mumbai.

"The reduction in the repo rate is based on an assessment of growth having slowed below its post-crisis trend rate, which, in turn, is contributing to the moderation in core inflation," the governor said.

RBI has pegged India's economic growth rate for 2012-13 at 7.3 percent. The economy grew at 6.1 percent in the December quarter, its slowest in almost three years.

Subbarao, however, ruled out further reductions in the immediate future, citing persistent upside risks to inflation and possible fiscal slippages driven by higher oil subsidies. It expects the inflation to be around 6.5 percent by March 2013.

"It must be emphasised that the deviation of growth from trend is modest. At the same time, upside risks to inflation persist. These considerations inherently limit the space for further reduction in policy rates."

The decision is likely to prompt the banks to cut lending rates for home, auto and corporate loans, financial sector analysts said.

RBI had raised lending rates 13 times between March 2010 and October 2011 to contain inflation that had been hovering near double-digits, sparking an outcry from the Indian industry to cut rates and spur industrialisation.

Investors cheered the rate cut, with bond yields and swap rates falling sharply and stocks extending gains.

# Asian economies to weather global storms: IMF

REJAUL KARIM BYRON, *from Washington*

THE International Monetary Fund yesterday raised its global growth forecast, with the US boosting the outlook but Asian emerging economies facing slower economic expansion.

The world economy will expand 3.5 percent this year and 4.1 percent in 2013, the IMF said in its April 2012 World Economic Outlook yesterday ahead of the Spring Meetings of the IMF and the World Bank in Washington.

Prospects for the global economy are slowly improving again, but growth is expected to be weak, especially in Europe, and unemployment in many advanced economies will stay high, according to the IMF's latest forecast.

"For the past six months we've been on a rollercoaster ride," said IMF Chief Economist Olivier Blanchard. "Our baseline is that growth is going to be slow in advanced economies; sustained, but not great, in emerging market and developing economies. But the risk of things turning bad again in Europe is high."

US economic growth is projected at 2.1 percent in 2012 and 2.5 percent next year, reflecting ongoing fiscal consolidation and continued weakness in housing prices.

On Asia, the report said, weaker external demand has dimmed the outlook for Asia. But resilient domestic demand in China, limited financial spillovers, room for policy easing, and the capacity of Asian banks to step in as European banks de-leverage suggest that the soft landing under way is likely to continue.

Overall, growth in Asia will average 6.0 percent, with China slowing to 8.2 percent and India to 6.9 percent.

The region's emerging economies suffered spillover effects in 2011 from the euro zone crisis, which hit exports to Europe and also pinched trade credit and project finance as European banks were forced to retrench, the report said.

An escalation of the Eurozone crisis could lower emerging Asia's output by 1.25 percent, said the IMF, which also warned of the risks of an oil price spike from tensions in the Middle East.

"The fragility of the external outlook highlights the need for the region to rebalance growth by strengthening domestic sources of demand over the coming years," it said.

The report said many Asian economies could also advance their plans to boost social safety nets and increase investment in infrastructure if another round of fiscal stimulus is warranted.

Another flare-up of the Eurozone sovereign debt crisis or sharp escalation in oil prices on geopolitical uncertainty could easily undermine confidence and disrupt the improving growth path for world economy, the IMF said.

"With the passing of the crisis and some good news about economy, some optimism has returned. It should remain tempered," said Blanchard.

"Even absent another European crisis, most advanced economies still face major brakes on growth. And the risk of another crisis is still very much present and could well affect both advanced and emerging economies," he said.

The IMF said the most immediate concern is still that further escalation of the euro-area crisis would trigger a much more generalised flight from risk. "Geopolitical uncertainty could trigger a sharp increase in oil prices."

A 50 percent increase in the cost of oil would reduce global output by 1.25 percent, according to the report.

The report said that governments should strengthen policies to solidify the weak recovery and contain potential risks that can weigh on consumer and investor confidence.

Advanced economies should implement medium-term budgetary savings, but not in a way that could undermine the recovery. In developing countries and emerging markets, policies should be geared toward ensuring a soft landing for economies that have seen sustained, very strong credit growth, it said.

The IMF also said Asian nations face elevated price pressures that will constrain monetary easing even as the growth outlook for the region dims.

"Although monetary tightening has been appropriately paused in many Asian economies, and cautiously reversed in some, room for further easing is constrained in economies where underlying inflation pressures remain," it said.

**IMF world growth forecasts**

| GDP growth (in %) | Forecast 2012 | Change on previous forecast* | Forecast 2013 | Change on previous forecast* |
|---|---|---|---|---|
| World | 3.5 | △ | 4.1 | △ |
| Developed economies | 1.4 | △ | 2.0 | △ |
| United States | 2.1 | △ | 2.4 | △ |
| Japan | 2.0 | △ | 1.7 | △ |
| Eurozone | -0.3 | △ | 0.9 | △ |
| Germany | 0.6 | △ | 1.5 | = |
| France | 0.5 | △ | 1.0 | = |
| Italy | -1.9 | △ | -0.3 | △ |
| Spain | -1.8 | ▼ | 0.1 | △ |
| Britain | 0.8 | △ | 2.0 | = |
| Canada | 2.1 | △ | 2.2 | △ |
| Newly industrialised Asia | 3.4 | △ | 4.2 | △ |
| Emerging and developing economies | 5.7 | △ | 6.0 | △ |
| Central, Eastern Europe | 1.9 | △ | 2.9 | △ |
| Russia | 4.0 | △ | 3.9 | △ |
| Developing Asia | 7.3 | = | 7.9 | △ |
| China | 8.2 | △ | 8.8 | = |
| India | 6.9 | ▼ | 7.3 | = |
| L. America, Caribbean | 3.7 | △ | 4.1 | △ |
| Brazil | 3.0 | △ | 4.1 | △ |
| Middle East, N. Africa | 4.2 | △ | 3.7 | ▼ |
| Sub-Saharan Africa | 5.4 | ▼ | 5.3 | = |
| South Africa | 2.7 | △ | 3.4 | = |

Source: IMF    *Forecast made in January 2012    AFP