India sees wide scope for rice-seed trade with Bangladesh

SAJJADUR RAHMAN

A seminar on addressing the barriers to rice seed trade between India and Bangladesh raised an important issue; if China could export rice seeds to Bangladesh, why can't India?

Bangladesh is a net rice seed importer with an estimated market size of $5.9 million in fiscal 2010-11, while India is a net exporter of the product with an exhibited export capacity of $17.3 million in 2011. But India's export to Bangladesh remains negligible at less than 3 percent of its total rice seed exports.

Experts and policymakers tried to identify the bottlenecks at the project launch organised by CUTS International, an NGO, and funded by Bill and Melinda Gates Foundations. The discussion was held in Kolkata last month.

"Farmers in Bangladesh are more concerned with rice yield than the quality of grains," said Sudhir Chandra Nath, head of agriculture and food security programme at BRAC.

Nath said there is scope for rice seed trade between the two nations. He wants India to be reciprocal.

"Bangladesh is good at production of boro variety (BIRI28/29), India is good at aman variety (Swarna)," he said. To improve bilateral trade in rice seed, there is a need for political commitment from both ends, he said.

Dr Sushil Pandey, former consultant of Manila-based International Rice Research Institute, emphasised two issues -- uniqueness and comparative

STAR

Analysts say political commitment from both Bangladesh and India will improve bilateral trade in rice seeds.

advantage -- that influence trade.

"The review done so far confirms the comparative advantage," said Pandey.

Bipul Chatterjee, deputy executive director of CUTS International, said there is a potential for rice seed trade between the two countries, but it is not happening.

Chatterjee said Bangladesh's per unit import cost from India is much lower than that from other nations. In 2007, price of Indian exports was $0.16 a kilogram, while Bangladesh's import price was $1.59 a kilogram, said Chatterjee.

Despite a huge comparative advantage in price, India cannot export rice seed to Bangladesh. "Perhaps, the on-going informal trade is a barrier in this regard," said Chatterjee. Regulatory challenges may be the other area of concern, he added.

He said the project will analyse and identify the problems and also understand the issues and challenges of the stakeholders involved in the supply chain.

The seminar did not discuss overall bilateral trade, or the opportunities and challenges that the neighbours face.

Two-way trade stood at $5.242 billion in fiscal 2011-12 with India's exports to Bangladesh accounting for $4.743 billion and imports $498 million.

Some of Bangladesh's imports from India include cotton, vehicles and parts, cereals, animal feed, boilers, machineries, iron and steel, mineral fuels, chemicals, vegetables, jute seeds.

In addition, Bangladesh imports 80 percent of its jute seed requirement from India.

Yet, one item -- rice seed -- is not on Bangladesh's import list that has concerned analysts in India.

"I find no reason for India to be concerned about rice seed exports to Bangladesh as it already imports so much from them," said a Bangladeshi participant requesting anonymity.

Bangladesh's annual demand for rice seeds is estimated at 350,000 to 400,000 tonnes. Of this, the country imports only around 7,000 tonnes, mostly hybrid seeds, from China. Bangladesh also imports a small amount of seeds from Thailand and the Philippines.

According to Nath of BRAC, rice yield in China is 6 tonnes a hectare, which is 3.5 tonnes in Bangladesh.

"Indian yield is lower compared to China," said Nath. But India's Swarna variety has a yield of 3.5 to 4 tonnes a hectare, he said. Moreover, Chinese experts stay in Bangladesh to help farmers, from cultivation to harvesting, he added.

Abida Islam, deputy high commissioner of Bangladesh to Kolkata, also addressed a session at the two-day seminar. Bilateral cooperation between the two countries is very important amid the challenges of climate change and food security, she said.

Political and regulatory barriers to rice seed trade needs to be addressed, which might help in formalisation of the informal trade taking place due to some known and some unknown factors, he added.

Chatterjee said the project will be completed in one and a half years. Later, the recommendations based on the findings would be sent to both the governments.

sajjad@thedailystar.net

Global economies on the mend, OECD says

AFP, *Paris*

GLOBAL economies are on the mend, but growth is likely to remain below trend in India, the OECD said on Tuesday.

Looking at major global economies, an OECD statement said that "growth is returning to trend" in China, while in the United States the OECD's composite leading indicator (CLI) "continues to point to economic growth firming."

In the 17-nation eurozone, the CLI indicated "a gain in momentum," although no detailed growth forecasts were issued.

The Organisation for Economic Cooperation and Development encouraged Portugal meanwhile to pursue "ambitious and courageous reforms to restore the sustainability of public finances, reduce external imbalances, and put its economy back on a path of strong, jobs-rich growth."

The OECD's leading indicators are mainly designed to point to turning points in economic activity.

"In Japan, it indicates that growth should remain above trend," the OECD said, while in Germany, the biggest European economy, growth was tipped to return to its trend rate.

One less favourable outlook was issued for India, where the CLI "continues to indicate growth below trend."

In Italy, the third biggest eurozone economy, the data indicated a positive change in momentum.

A separate statement said: "Despite the hardships brought about by the crisis, Portugal is now faced with a unique opportunity to modernise its economy, as well as building a fairer, more cohesive society and a more efficient, dynamic public administration."

The OECD noted that the country has "recorded one of the sharpest reductions in fiscal and external imbalances in the OECD since 2009."

That has come at a cost however, with unemployment hitting a record 17.7 percent in the first quarter of 2013 amid widespread public discontent with political leadership in Lisbon.

After suffering an economic contraction of 3.2 percent in 2012 and faced with a forecast decline of 2.3 percent this year, Portugal could nonetheless benefit from an expansion of business activity on the order of 3.5 percent by 2020, the OECD estimated.

"Further reforms could bring even higher gains," it added.

Japan's electronics giants still bleeding

AFP, *Tokyo*

JAPAN'S electronics giants suffered another dreadful earnings season with Panasonic and Sharp saying they lost a combined $12.8 billion last year as they scramble to staunch the bleeding.

Rival Sony emerged as a bright spot, saying it had turned a profit after four years in the red, but its jump back into the black was largely due to fluctuations in the value of the yen and gains from a string of asset sales -- including unloading its Manhattan office building for more than $1.0 billion.

Underlining the industry's desperation, Sony chief financial officer Masaru Kato told reporters last week that years of losses had left management with one mission. "We were determined to report a profit no matter what," he said.

But the one-time market leader's television and electronics business continues to struggle, a plight shared by its domestic competitors as they compete against the likes of Apple and South Korea's Samsung Electronics.

The sector has been hammered by credit rating downgrades and is awash with record losses as its struggles in the low-margin TV business where foreign rivals have proved tough competition.

Sharp, which said Friday it lost 545.3 billion yen ($5.4 billion at current exchange rates) in the year to March, its worst-ever shortfall, warned that television sales "fell drastically" over the latest fiscal year.

The maker of Aquos-brand electronics blamed the downturn on sluggish demand at home and in key market China, where a consumer boycott of Japanese brands erupted last year over a territorial spat between Beijing and Tokyo.

The diplomatic dispute has weighed on a slew of other Japanese firms, including the country's still hugely profitable automakers.

Slowing demand in key export markets, strategic mistakes and a strong yen have also pounded the electronics sector, forcing firms to launch wide-ranging and expensive restructuring plans to turn around their ailing businesses.

"But they could plunge back into the danger zone if they don't change their product portfolio or focus enough on their strengths over the next few years," said Koki Shiraishi, an analyst with SMBC Nikko Securities.

"Their South Korean and Chinese rivals are getting stronger so the challenges are real. Japanese firms have taken drastic measures but their actions were too late."

Analysts have long been urging firms such as Sony to axe money-losing divisions, but the industry has been wary of slicing up vast businesses which often include household staples such as washing machines and refrigerators.

US hedge fund billionaire Daniel Loeb, whose firm Third Point has been amassing a stake in Sony, is pressuring the firm to launch a partial share offering of its entertainment arm which includes a major Hollywood film studio and music label.

In response, the company said that "the entertainment businesses are important contributors to Sony's growth and are not for sale".

Meanwhile, a tumble in the Japanese currency in recent months has helped exporters, making their products more competitive overseas and boosting the value of repatriated foreign income, inflating their bottom line.

In Bangladesh rubble, the prices of profit

REUTERS, *Madrid*

ORDER dockets found in the rubble of a Dhaka garment factory where over 1,100 workers died show just why it pays foreign stores to buy from Bangladesh - clothes made for as little as a tenth of what they sell for in the West.

Rana Plaza, which collapsed three weeks ago, supplied big names in global retail; documents plucked from its ruins by labour activists and seen by Reuters bring into sharp focus the price of putting shirts on the backs of cost-conscious shoppers.

In one case, polo shirts of a brand sold in London for $46 were offered for sale from Rana Plaza for just $4.45, a typical transformation in an industry where manufacturers across Asia and retailers in Europe and North America are locked in war to get catwalk trends ever

STAR

Garment factories at Rana Plaza, which collapsed last month killing 1,127 people, supplied big names in global retail.

faster, and ever cheaper, to consumers.

Found at the site, where rescuers dug out bodies of hundreds of seamstresses and factory hands, were orders from Spanish chain store Mango to Phantom Tac, a supplier based in Rana Plaza, where owners are accused of sacrificing safety to profit.

It is no secret that retail price labels, whether for a $5 T-shirt or a $5,000 suit, reflect manufacturing costs that are a fraction of what the wearer eventually pays. But the mark-ups revealed by the Rana Plaza documents - of 5 to 10 times from factory gate to store window - offer a precise insight into the relationship of one end of a global supply chain to the other.

One order form, a copy of which was shown to Reuters by activists, bore Mango's letterhead logo and was dated January 23 this year. It specifies 12,085 polo shirts for a men's autumn/winter range in five colours - black, off-white, royal blue, burgundy and straw - in six sizes, from XS to XXL, and in 100-percent cotton at a weight of 220 grams per square metre.

The price to Mango: $4.45 each. The chain currently offers similar shirts for sale in Spain for 26 to 30 euros and for 26 to 30 pounds at its branded stores in Britain.

A Bangladeshi garment worker, typically paid less than half the wages of counterparts in China, the world's biggest clothing exporter, would have to spend two or three weeks earnings just to buy one polo shirt at Mango in Madrid. A Spaniard on the minimum wage could afford the same shirt for a day's labour.

Other costs - shipping, shop wages and rents, advertising and so on - eat up the mark-ups retailers make in a ferociously competitive business where consumers demand the lowest prices.

Operating profits of 15-20 percent are common, however; many firms insist they do also try to ensure suppliers do not abuse poor garment workers - as seen in moves this week to sign up to a new code of practice in Bangladesh to try to improve safety.

Mango, which has over 2,600 outlets in 107 countries, said it had not finalised the order found in the rubble. The company, based in Barcelona, said that it would have gone ahead only had a trial sample been found to be up to standard and had Phantom Tac passed Mango's checks on its labour practices and safety.

"The documents found refer to an order that wasn't confirmed and that we would not have confirmed until we had finished the social audit with a positive result," a spokeswoman said.

Another set of documents retrieved from the dusty wreckage shows an order, complete with pattern sketches, for long-sleeve, checked shirts under the Danish brand Jack's, owned by retailer PWT Group. The unit cost was $5.08, and tags to be attached to each shirt listed a retail price of 24.90 euros.

"A good product - at a competitive price," runs the slogan for Jack's menswear, sold in Scandinavia, Russia, Britain and Ireland. Its owners said they were shocked by the loss of life.

"We are very moved by this and feel deeply with the wounded and families of the victims," said PWT marketing manager Brian Borsting, adding that the firm planned to offer financial help.

Bangladesh ranked bottom in minimum pay for factory workers in 2010, according to World Bank data. Business owners told Reuters average wages were around $64 a month. The minimum wage for the lowest skilled in the clothing industry is 3,000 taka - about $38. It was nearly doubled in 2010 after violent protests, but most workers earn above the minimum, limiting its impact.

The government has again responded to pressure after the Rana Plaza disaster by calling this week for new regulations on wages and calling on private employers to raise pay levels. But as clothing accounts for 80 percent of exports, employers have persuasive political arguments against eroding competitiveness.

U.S. aid agency USAID found in 2009 that a pair of chinos using $4.60 of materials left a Bangladeshi plant for $5.37, 92 cents less than a Chinese competitor. Nearly all the Bangladeshi advantage, for a garment made in 40 minutes, came from a labour cost of just 32 cents an hour, compared to $1.44 in China.

Mango, with sales last year of 1.69 billion euros, does not disclose its margins. Among listed competitors, Spanish rival Inditex SA, the world's largest clothing retailer and owner of Zara and Massimo Dutti, most recently recorded a 58-percent gross margin - the excess of revenues over the cost of the goods it sold - according to Thomson Reuters data; Sweden's H&M Hennes and Mauritz AB had a margin of 55 percent.

After accounting for other costs, taxes and so on, these two had net margins of 16 percent and 9 percent respectively.

Activists argue that global chains should do more to share their profits with the people who make their products:

"More than low prices for clients and the safety of its workers, retailers have been focused on achieving high margins," said Ruben Sanchez, spokesman for Spanish consumer group FACUA.

"They have the room to spend more on workers' conditions." Fashion retailers have been criticised on social media, too.

Benetton's Facebook page shows a stream of comment about working conditions in Bangladesh that drew a response from the Italian company: "We intend to play our part and this is why we are providing a fund for the victims," it said in a posting.

British discount fashion retailer Primark, owned by Associated British Foods Plc, and Canada's Loblaw Cos Ltd also offered compensation to families of victims who were working for their supplier at Rana Plaza.

The factory collapse was one of four deadly incidents in six months in Bangladesh and retailers and authorities in the European Union and United States are looking at stricter codes.