

DSEX ▲ 1.40% 4,391.27

CSCX ▲ 1.42% 8,615.93



Gold ▼ \$1,220.50 (per ounce)



Oil ▼

\$93.66

(per barrel)

MUMBAI ▲ 1.17%

20,729.38

TOKYO ▲ 1.94%

16,121.45

SINGAPORE ▲ 0.95%

3,150.65

SHANGHAI ▼ 0.15%

2,044.34

USD ▲ 77.25

EUR ▲ 103.91

GBP ▲ 125.05

JPY ▲ 0.73

BUY TK 77.25

103.91

125.05

0.73

SELL TK 78.25

107.97

129.03

0.76

DHAKA THURSDAY JANUARY 9, 2014, e-mail:business@thedailystar.net

Political turmoil sours dairy farming

SOHEL PARVEZ

Ashok Ghosh always dreamt of owning a dairy farm with 100 cows, and he was cruising towards it, too, until the political unrest bubbled over on October 26 last year.

Sales have been sporadic since, as the large milk processors, most of which are based in Dhaka, are unable to send in their milk tankers to collect the produce from farmers on a daily basis due to the virtually non-stop shutdowns and blockades.

To get by, Ghosh has to sell his produce to local sweetmeat shops and neighbours. But that too has become a struggle for him nowadays due to the excess supply. Prices of milk have fallen to Tk 20-25 each litre, down from the average price of Tk 40 per litre.

"No-one wants to buy milk. How will I be able to continue to feed my cows if things go on like this?" said the frustrated 37-year-old farmer from Jhikorgachha in Jessor last month.

Unable to bear the costs any further, he started selling his milking cows in the middle of December. So far, he has sold 15 of them, leaving him with just three. He also had to lay off one of his two workers.

Ghosh is not alone—thousands of milkmen across the country are in the same boat as him.

Take, Abdul Aziz, a dairy farmer from Debhata upazila in Satkhira. Last month, he sold two of his six milking cows in a bid to reduce the pressure on his wallet for feed purchases.

He has to spend Tk 350 to buy feeds for a cow giving one litre of milk a day. But now, he gets Tk 230 at best by selling the produce.

Provash Ghosh, a farmer from Tala upazila of Satkhira, said regular purchases by the milk processor Brac helped him buy feeds and pay monthly instalment for loans taken earlier for cow rearing.



BANGLA CHOKH/FILE

Dairy farmers of Rangpur pour milk on a highway to protest the blockades and shutdowns that have badly hit their business.

But thanks to the political deadlock which broke down his regular sales cycle, he became a defaulter, prompting him to sell two of his milking cows.

"Even demand from restaurants has fallen as many remain closed during shutdowns. And demand from individual customers is low because of the reduced income for political instability," said Feroz Shah Alam, another farmer from Debhata.

On Tuesday, Alam, who gets 80 litres of milk daily, could not even sell 30 litres.

"I will have to throw away the milk. Unless the political situation improves, we will have no other choice but to quit dairy farming."

This, however, is a deadweight loss, as the milk processors too are suffering, for failure to collect the required amount of milk from suburbs to meet the demand in cities.

"We are incurring massive lost sales everyday as we cannot market milk and milk products at every point," said Mohammad Munir Chowdhury, managing director of Mill Vita, the country's largest state-run cooperative dairy farm.

Around 70,000 litres of milk are brought in to the plant on shutdown or blockade days, down from 150,000 litres on normal days, he said.

Unrest takes toll on telco revenues

ABDULLAH MAMUN

The current state of politics is affecting telecom operators, as their revenues have dropped significantly and will continue falling in the coming months, officials said.

The 3G network expansion plans of the operators also got hampered in recent times due to shutdowns and blockades, they said.

The overall use of voice calls has declined in the last couple of months, as people cannot go about their day-to-day work or business tasks.

The operators usually see a 4 to 6 percent growth in revenue in every quarter, but this time they are facing a drop, said Mahtab Uddin Ahmed, chief financial officer of Robi.

Robi's revenues grew only 1 percent to Tk 1,173 crore in the third quarter (July-September) last year compared to that in the second quarter, he said.

READ MORE ON B3

Banks brought down stockmarket in 2013

GAZI TOWHID AHMED

Banks, which have the highest market capitalisation of 19.5 percent, bled the stockmarket last year, losing 13.5 percent.

Most of the listed banks saw their profits decline last year due to political deadlock and an increased burden of default loans, said Ali Imam, head of research of BRAC-EPL, a leading stockbrokerage.

"The 2013 was a challenging year for the entire financial sector for a number of reasons. We have seen falling corporate profits and weak investors' confidence as reflected in negative returns of stock composites for listed banks, NBFI and general insurance."

Deteriorating asset quality and stringent regulation cut earnings of banks significantly, by 49.6 percent in the nine months to September last year, he said.

"Weak business confidence sapped demand for credit hurting growth."

However, it is the service and real estate sector that lost the highest last year—of 19.7 percent.

Lower credit availability for customers and low single-digit rental yield weakened the real estate demand since 2010. As a result, the stock price of Eastern Housing Ltd, the only listed developer company, could not beat the broader market, he said.

The other large-cap in the sector is Summit Alliance Port, a dry dock service provider whose earnings fell by 50 percent in 2013 from its 2010 peak, according to Imam.

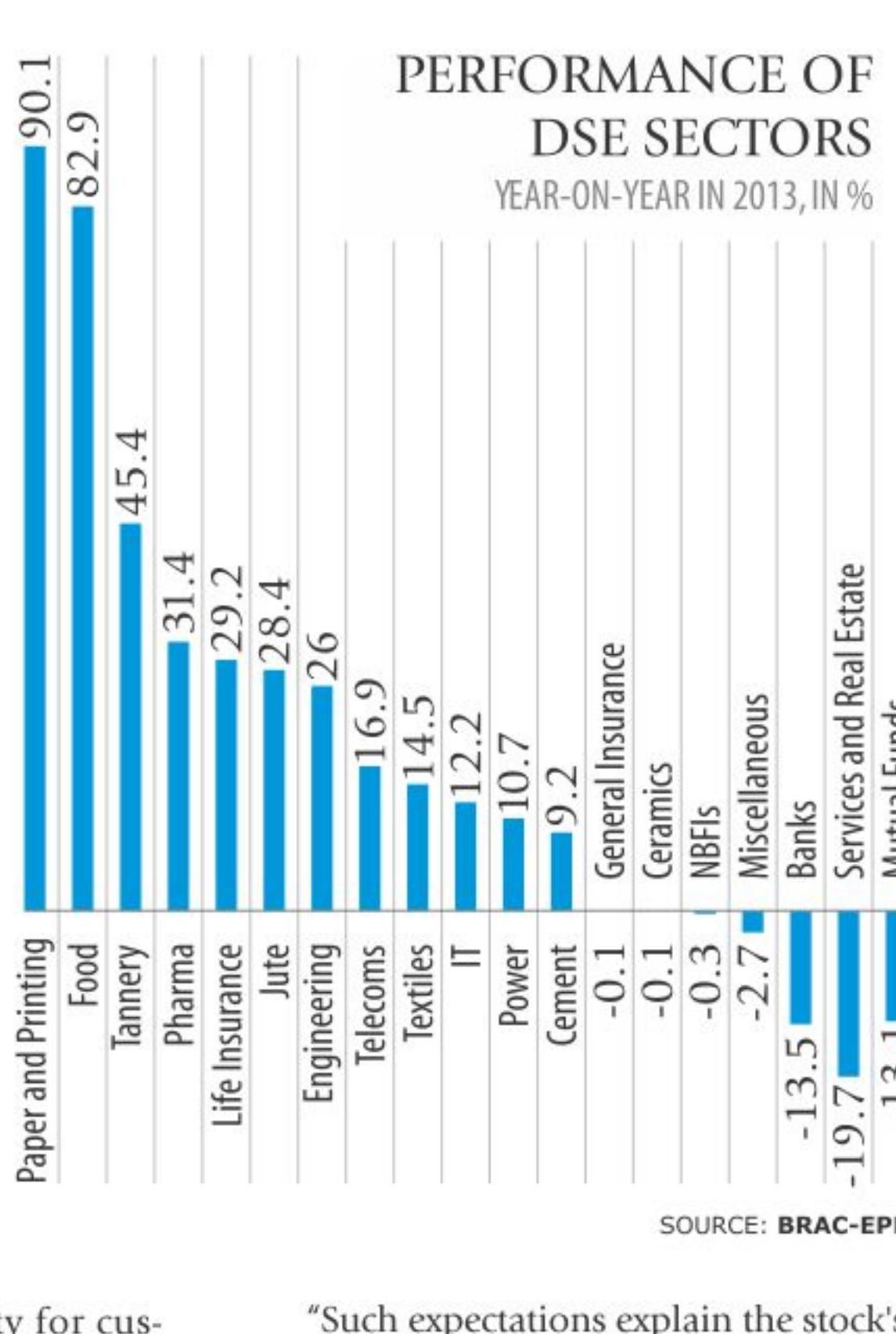
On the other hand, internal demand-focused heavy-weight sectors such as foods, pharma and telecoms

rose 82.9 percent, 31.4 percent and 16.9 percent, respectively, outperforming the benchmark index with significant margin.

British American Tobacco, the largest constituent of the food sector, posted 55 percent earnings growth in 2012 and is expected to maintain more than 20 percent growth over the next two years, he said.

PERFORMANCE OF DSE SECTORS

YEAR-ON-YEAR IN 2013, IN %



Real estate sales dip 60pc REHAB demands stimulus package

STAR BUSINESS REPORT

Apartment and plot sales registered a 60 percent drop in 2013 from the previous year mainly due to political unrest and high lending rates, the apex housing body said yesterday.

"The housing sector has plunged into crisis because of prolonged political turbulence," said Md Sydul Islam Badal, general secretary (current duty) of Real Estate and Housing Association of Bangladesh.

The ongoing political stalemate is responsible for the latest setback to the industry that was already weighed down by high lending rates, he added.

In recent times, the interest rates on loans to buy property have climbed to more than 19 percent. "Customers have almost stopped making new bookings," Badal told The Daily Star.

The sector also witnessed a significant fall in new project registrations last year.

The number of new projects undertaken by developers declined by around 75 percent in 2013 compared to the previous year, according to REHAB.

"The year 2013 has been the worst for the real estate sector," said Toufiq M Seraj, managing director of Sheltech (Pvt) Ltd, a leading housing company.

Sheltech, which has around 40 ongoing projects, usually takes 12-15 projects a year, he said. "The number was only 3 last year."

The company's sales also declined by more than 30 percent last year, he added.

REHAB in a recent study found that a total of 338 companies have 22,572 units of unsold flats worth Tk 21,506.36cr.

The amount of their

unpaid loans is more than Tk 4,181cr

formation of a Tk 3,000 crore fund to extend long-term credit to the low and middle-income buyers at a single digit rate of interest.

Developers also sought assistance for rescheduling their existing bank loans with a one-year grace period without down payments.

The REHAB president said banks and other financial institutions have been reluctant to finance the developers for the last one and a half years after Bangladesh Bank issued a notice identifying real estate and housing as a non-productive sector.

He urged the government not to treat the sector as a non-productive one.

However, Finance Minister AMA Muhiith said there is a need to sit with economists and planners on whether to term the real estate sector productive or non-productive.

"And I'll do it shortly," he said.

On loan rescheduling, Muhiith said he will discuss it with the central bank so that the developers can reschedule their existing bank loans easily.

The minister, however, turned down the REHAB proposal to form a Tk 3,000 crore fund for the low and middle-income buyers.

The unpaid loans of the surveyed 338 companies now stand at more than Tk 4,181.48 crore, according to REHAB.

"But the amount would cross Tk 8,000 crore if the entire sector is taken into account," said the association's

Correction

In a report with the headline "Denim exhibition in March" published yesterday, we mentioned the Chittagong-based Karnaphuli Export Processing Zone with the abbreviation KEPZ.

But as the abbreviation KEPZ has been registered under the name of Korean EPZ (KEPZ) Corporation (BD) Ltd, none other than Korean EPZ Corporation can use the abbreviation, according to a statement.

We regret the error.

"Such expectations explain the stock's 91 percent appreciation in 2013, which also drove up the sectoral composite."

Share price of the other important food processing company, Olympic Industries, also gained 124 percent in 2013, reflecting annual earnings growth of more than 50 percent during the last two years.

Notable here is that Olympic is counted as an engineering sector company in DSE, which is one of the reasons why engineering sector composite was up by 26 percent last year, he said.

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