Poultry needs stimulus

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THE poultry industry has been an integral part of the private sector in the recent past. Growing steadily over the last decade, the sector has successfully been the second highest employment provider in the country. Poultry rearing can play a vital role in a country like Bangladesh where a significant number of people are landless, disadvantaged and/or devoid of formal education or skills to participate in income generating activities. In this respect, the poultry sector has emerged as a saviour in fighting against the evils of poverty as the exercise requires minimum land, short capital and skills.

In addition to the macroeconomic agenda of signifying food security and economic growth, the sector also provides raw materials for products like biogas and organic fertilisers. Besides, it also supplies reasonably low-cost chickens and eggs and ensures quality animal protein.

It is needless to mention that poultry is an essential part of the livestock industry. It contributes fairly to the gross domestic product (GDP) of Bangladesh and plays a pivotal role in the income generation and socio-economic context of the rural and semi-rural households. Investments have soared in the sector since the 1990s. Investments figures were as high as Tk 15,000 crore in 2013 and the sector is creating employment for more than 60 lakh people. Besides, the sector has proved to be an affordable business for many, offering opportunities for fulltime or part-time employment, particularly for women, children or the elderly associated with farm operations.

However, more attention should be diverted to this sector because enhanced investment would exploit further employment opportunities and provide for better GDP realisation.

The recent political instability in the country has taken its toll on the poultry sector. With an annual investment of Tk 25,000 crore and annual turnover of Tk 30,000 crore, this promising industry has now come crumbling down. Consequently, the loss that the farmers had to suffer due to the recurrent spells of strike and violence has been disappointingly very high; it is estimated the loss figures could range from Tk 800 crore to Tk 1,000 crore.

Specifically, disruption of the transport sector has been the most prominent factor behind the huge loss figures. It was reported by Bangladesh Poultry Industry Co-ordination Committee that about 70 to 80 transports carrying chickens, chicks and feed have been burnt or partially vandalised in the last few months (till December 25, 2013). The perishability of the poultry sector products is another reason for the sector to be hampered at such a large scale.

STAR

Poultry farmers were so frustrated with political unrest that they held a protest rally in front of the Jatiya Press Club in December and gave away chicks to people passing by saying they could not feed the chicks anymore.

Unlike other sectors where production can be stopped, stalled or delayed, the case with the poultry sector is that its production is impossible to halt. Chickens are bound to lay eggs and if these eggs are hatched, then the chicks have to be fed. In addition, necessary heating for chicks and their medications, which is very important for their proper growth, have also been disrupted. It is the case that around 60 percent of poultry birds and eggs remained unsold everyday during the last few months.

The loss the poultry feed manufacturing industry has incurred in the last three months is almost irrevocable and paints a very sad picture. With the total loss estimated to be around Tk 1,000 crore, more than 36,000 poultry farms have already been shut down while losses still continue to pile up.

To state a couple of specific examples, breeders made a loss of Tk 382 crore in the production of day-old chicks, production of eggs caused a loss of Tk 630 crore, commercial poultry lost around Tk 975 crore and medicine producers and their subsidiaries bore a loss of Tk 158 crore during the period. In addition, factors like bank interest rates, buying raw materials at excessively escalated prices, transport disruption, port delays and other logistical loss is estimated to be more than Tk 900 crore.

Due to scarcity of necessary medication, feed and proper heat, breeders were bound to destroy approximately 3 million day-old chicks everyday which caused a 30-40 percent loss in production costs everyday. Also, the exorbitant rise in truck fares from an average of Tk 20,000 to Tk 1 lakh during the blockades and medicines worth Tk 15 crore remaining unsold added to the farm owners' frustration and misery.

Chickens had to be sold at almost half the price. For instance, broiler chicken originally costing Tk 110 was later sold at a disappointingly low rate of Tk 70 to Tk 80, eggs having a cost of Tk 6 to Tk 6.5 were sold at a price of Tk 5 only and the day-old broiler chicks were being sold at Tk 25 whereas its production cost stood at Tk 35. Lower sales have also caused a fall in the demand for inputs such as feed, falling by 20-25 percent in the last three months.

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Growing beard popularity shaves P&G sales

AFP, *New York*

PROCTER & Gamble Friday revealed its latest challenge to earnings glory. This time it's a facial issue.

The US consumer giant, fresh off a recent corner office shakeup and already facing a battle for market share in shampoo, said second-quarter earnings were marred by the growing preference of men for moustaches and beards, which hit sales in its "grooming" segment.

But the company said that increasingly popular body-shaving by men had the potential to offset the loss of the facial-hair business.

Flat sales in grooming and a two-percent decline in the beauty segment were drags on P&G's earnings, which fell 15.5 percent from the year-ago level.

Net income for the second quarter of fiscal 2014 came in at $3.4 billion on $22.28 billion in revenue, down from $4.1 billion on $22.18 billion in revenue in the year-ago period.

Still, investors smiled on the results, which equated to earnings per share of $1.21 excluding one-time items, a penny above analyst expectations. The company also confirmed full-year profit growth expectations of 5-7 percent, predicting a "strong" performance over the next six months.

The news helped push up P&G shares 1.9 percent to $79.73 in afternoon trade.

Analysts are keenly awaiting further sign of where Chief executive AG Lafley will take the 177-year-old company after he was unexpectedly reinstalled to the top spot in May. Lafley, who had served as chief executive from 2000-2009, replaced Bob McDonald, who resigned after his turnaround plans fell flat on Wall Street.

Chief financial officer Jon Moeller characterized the latest round of results as on par with expectations.

But he cited three areas in need of improvement: skin care, where P&G's Oil of Olay line has lagged hopes; shampoo, where several campaigns around the Pantene line have underperformed amid discounting by rival Unilever; and grooming.

"Grooming is really a story about the market," said Moeller, who alluded to the mainstreaming of the three-day stubble "hipster" look in the US and other developed markets.

The most recent quarter included the effects of "Movember," a health promotion in November that urges men to grow out their moustaches and beards to raise awarness of prostate cancer.

The beard moving weighed on P&G's Gillette razors and shaving cream and Braun electric razors.

But all is not lost for P&G in grooming, Moeller said.

Major trade powers pledge free trade in green goods

REUTERS

US Trade Representative Michael Froman, *left*, and European Union Trade Commissioner Karel De Gucht attend a session at the World Economic Forum in Davos yesterday.

REUTERS, *Davos*

THE world's biggest trading powers pledged on Friday to work toward a global agreement on free trade in environmental goods, but they gave no timeline for talks intended to support the fight against climate change.

The United States, European Union, China, Japan and several other developed economies said in a joint statement that the agreement would take effect once there is participation by a critical mass of members of the World Trade Organisation.

That gets around the WTO's requirement for unanimity on trade deals. The initiative is in line with new WTO chief Roberto Azevedo's drive to break a decade-old deadlock in world trade negotiations by first tackling the most promising areas for agreement.

Last month, the WTO reached its first trade reform agreement at talks in Bali, potentially adding hundreds of billions of dollars to the global economy.

The WTO estimates that the global market in green goods, technologies and services - ranging from solar panels to wind turbines and water recycling plants - at some $1.4 trillion.

US Trade Representative Michael Froman put the value at $1 trillion, noting that the signatories of the initiative jointly represented 86 percent of world trade.

"We announce our commitment to achieve global free trade in environmental goods and pledge to work together, and with other WTO members similarly committed to liberalisation, to begin preparing for negotiations in order to advance this shared goal," the statement said.

"We are convinced that one of the most concrete, immediate contributions that the WTO and its members can make to protect our planet is to seek agreement to eliminate tariffs for goods that we all need to protect our environment and address climate change."

But it mentioned no date for an agreement and Froman said: "Ultimately the timetable will be determined by the negotiations themselves."

This was just the start of the process and governments now had to consult stakeholders, including the US Congress, before negotiations begin, he said.

Asked whether he hoped to reach a deal in the lifetime of the Obama administration, which leaves office in January 2017, he said: "Yes."

Few developing nations were among the signatories with the exception of Costa Rica, which urged others to join the group. Trade experts said it was particularly encouraging that China was part of the initiative.

"I think it's a significant development in what's now been over a decade-long effort to liberalise trade in these products," said Jennifer Haverkamp, a former head of the environmental section at the US Trade Representative office.

"Environmental goods and services were part of the Doha round ... and basically since then have been held captive to those broader negotiations and the idea of springing them forward and trying to make progress plurilaterally is encouraging."

But some environment groups said including products like incinerators, steam generators, and centrifuges, used in the production of fossil fuels, sent the wrong message.

"If you dig in to the list of products whose tariffs would be reduced or eliminated in this approach, you'll see that many would actually cause more environmental harm than help," said Ilana Solomon, director of the Sierra Club's Responsible Trade Program.

Mexico draws over $7b in foreign investment at Davos

REUTERS, *Davos*

PEPSICO, Nestle and Cisco on Friday announced major investments that together totalled more than $7 billion in Mexico, where the government has pushed through a series of economic reforms that aim to boost foreign investment and growth.

Mexico has embraced free trade policies in recent decades, and has drawn growing investment interest after President Enrique Pena Nieto made a landmark reform drive in his first year in office, pushing major telecommunications, energy, banking and tax legislation through a divided Congress.

"It is very encouraging to see the enthusiasm that has been awoken by our country due to the structural changes that are happening," Pena Nieto said at the World Economic Forum (WEF) in Davos.

Pepsico said it would spend $5 billion in Mexico over five years to strengthen its food and beverage business, adding it planned to expand its production capacity by adding new manufacturing lines and expand delivery routes.

The company said the investment was expected to create 4,000 new jobs.

The Pepsico investment comes despite a new levy on soft drinks and junk foods included in Pena Nieto's tax overhaul.

Nestle said it planned to invest $1 billion in Mexico over five years, building two new factories and expanding a third in its sixth-biggest market.

The world's No. 1 food maker said it would build an infant nutrition factory in Jalisco and a pet-food factory in Guanajuato, as well as expanding an existing cereal factory.

The investment would create 700 direct jobs, Nestle said.

The Mexican factories will produce goods for the wider region. For example, about 40 percent of the output from the baby food factory will be exported to Latin America and the Caribbean.

In the third major investment announcement at Davos, Network equipment maker Cisco Systems Inc said it would direct $1.35 billion into Mexican manufacturing operations and a support centre this year.

AFP

Mexican President Enrique Pena Nieto addresses the World Economic Forum in Davos on January 23. Some 40 world leaders have gathered in the Swiss ski resort Davos to discuss and debate a wide range of issues including the causes of conflicts plaguing the Middle East and how to reinvigorate the global economy.

Pena Nieto has said that foreign direct investment (FDI) in Mexico totaled $28 billion during the first 9 months of 2013.

FDI was boosted last year by the Belgian-based beer giant Anheuser-Busch InBev's acquisition of Grupo Modelo, which went through at the end of May and brought in about $13 billion.

Separately, Mexican state-run company Pemex will sign a cooperation memorandum with Russia's No.2 oil producer Lukoil on Friday, Pemex chief executive Emilio Lozoya told Reuters, as the country is opening up its energy sector in a move to boost production.

Lozoya said that Pemex and Lukoil would share information on the deep water and shale deposits that Mexico currently lacks the expertise to tap.

The planned cooperation between Lukoil and Pemex comes after Pena Nieto last month signed a bill into law that ended the country's 75-year-old oil and gas monopoly.

Under the legislation, which is still being mapped out, foreign companies will be able to enter the sector as Pemex is seeking to bring in expertise and boost efficiency.

"There are dozens of new players who now come and look at the opportunities that are opening up in Mexico," Pemex CEO Lozoya said.

Lozoya said he met with various companies in Davos that expressed interest in exploration and production projects in Mexico as well as refining, petrochemicals and transportation businesses that are now open to private investment.

As a private company, Lukoil is struggling to get large new deposits in Russia, including offshore, and is actively pursuing a foreign expansion to maintain its production levels.