KK Tea wins a spot in top superstores

MD FAZLUR RAHMAN

KAZI & Kazi Tea, the country's first and only organic tea producer, made a successful foray into global markets in less than a decade with a diverse range of premium teas.

Kazi & Kazi Tea Estate Ltd, owned by Gemcon Group, has also pinned Bangladesh as a quality tea producer on the world map.

Founded by Kazi Shahid Ahmed, the company had to embrace a number of critical challenges -- Bangladesh had never before produced organic tea and tea was never planted in the north, and that too on plain lands.

Cracking the export market was another challenge, as the country was unknown for producing quality tea, despite growing tea for centuries. The country's only presence was in the low category, non-premium segment.

A lack of skilled workers in impoverished Tentulia in Panchagarh, where the garden is located, was another hurdle for the company.

The company was also unsure of how people would adopt the concept of organic tea.

KK Tea, its brand name in Bangladesh, has overcome all the hurdles and it is now the lone organic tea producer in the country and one of the largest tea producers as well.

"It is a small brand but I think it has had an impact in the market. We have shown that Bangladeshi tea can be, in terms of quality, international tea," said Asma-ul-Roxana Sylvia, head of operations of KK Tea.

Back in 2000, when the group was known for its operations in construction, media and retail, it stepped into sandy, arid lands of Tentulia.

"It was not an easy task. It's not that you come, set up factories and start production," said Sylvia.

KK Tea planted the first tea saplings in its garden in 2000, while the tea made a debut in the market in 2006.

Growing from strength to strength, the then 60-acre garden now spans over 900 acres, with the estate spread over 4,000 acres and the entirety of it free from chemical pesticides and artificial fertilisers.

The tea is now sold in countries like the US, UK, New Zealand and Malaysia.

Asma-ul-Roxana Sylvia

In the UK, Teatulia, its international brand name, is currently sold exclusively through Holland & Barrett, which has more than 800 stores, becoming the only Bangladeshi product to be sold upmarket. The tea is also being sold in other leading superstores in London.

In the US, the tea is being sold at superstore chains: Whole Foods Market, Target, Kroger, Raley's Supermarkets, Sprouts and Natural Grocers by Vitamin Cottage.

At 26 percent year-on-year in 2014, the growth rate is very good in the US, Sylvia told The Daily Star in an interview last week.

"Many international brands are nowhere close to our rates. Bangladeshi tea can be sold in the western markets with such a premium price -- this is what we have wanted to achieve."

KK Tea's annual production stands at 3 lakh tonnes. Its exports make up 60,000 kilograms with each kilogramme selling for $7, and the rest being sold at auctions and local markets.

The tea garden has been certified 100 percent organic by the US Department of Agriculture and by SGS organic production standards in accordance with EU standards.

KK Tea is currently only available in all the major districts, but efforts are on to reach out to 3,000 stores across Bangladesh.

"Every year, we are increasing the farm area. We hope that in five years, we will be able to cover the whole Bangladesh market."

Consumers are willing to pay a bit more to ensure quality as they are becoming more health conscience, she said.

KK Tea has also helped to develop the communities near the estate. "When it was set up 14 years ago, people in the area were very poor with no industrialisation and mainly collecting and selling rocks from river beds."

"We strongly believe that a good brand needs to have a good story behind it."

READ MORE ON B3

Same storyline, different bottom-line

ZAHID HUSSAIN

BANGLADESH Bureau of Statistics (BBS) has provisionally estimated FY14 GDP growth at 6.12 percent and revised down the final estimate of FY13 growth to 6.01 percent (preliminary growth estimate was 6.18 percent)

Considering the losses incurred by the economy due to political turmoil in the first half of FY14 and the decline in business and consumer confidence in general, the increase in growth in FY14 relative to FY13 is remarkable.

The consensus forecast earlier was that GDP growth in FY14 would dip below 6 percent. These forecasts were based on a storyline that hinged on weak growth in private consumption and stagnant or even declining private investments. These two account for nearly 93 percent of GDP.

There were solid reasons to expect growth in private consumption to slacken considerably. Domestic consumers could not spend as much as they would under normal circumstances as streets became unsafe and shops and restaurants could not stay open.

Demand for consumer goods, including durable consumer goods, suffered badly during the prolonged political unrest. Most people postponed purchases of these items, hurting their domestic production, import, distribution and marketing.

Sales of consumer goods like clothing, shoes, cosmetics, personal hygiene products, packaged foods and drinks were also badly hurt in the first half of FY14.

In part, consumers faced a suppressed demand situation, where services were just not available due to blockades and hartals. The 3.5 percent drop in workers' remittances during the first 10 months also contributed to the softening of domestic demand.

Private investments have been stagnant even before the deepening of political instability in 2013. The turmoil added to pre-existing political uncertainties and lack of significant progress in improving the investment climate in choking private investments.

This was evident from various indicators such as disbursement of industrial term loans for large, medium and small industries, advances other than working capital financing for the manufacturing sector, import of capital goods, FDI and trends in new real estate projects.

The credit growth rate in the private sector increased slightly in April from the previous month but still remained very low as investors maintained their wait-and-see stance because of continued political uncertainty.

So what was the forecast on the sources of growth in FY14?

It was expected that public expenditure would provide some boost. ADP implementation during the first half of the fiscal year tends to be slack because of the time-consuming processes.

Only 33.2 percent of the FY14 ADP was spent in the first seven months, compared with 38.3 percent during the same period the previous year.

Expenditure of ADP allocations increased significantly in February-May, with the utilisation rate rising to 66.6 percent compared with 69.2 percent during the same period the previous year.

Public consumption expenditures were also expected to increase because of the 20 percent Dearness Allowance given to all public sector employees later in 2013.

The other expected source of growth was net exports, which were projected as the major driver of FY14 growth from the demand side. Export performance remained resilient to a series of adverse developments on the domestic front.

Total exports in the first 11 months of FY14 increased by 12.6 percent. The European Union continues to remain the largest destination of Bangladeshi exports, primarily due to RMG products.

Imports have remained fragile. Following less than 1 percent growth in FY13, merchandise import payments have remained flat in the first 10 months of FY14 relative to the same period in FY13. Consequently, net export growth was projected to exceed last year's pace.

How does this storyline compare with the national expenditure estimates prepared by BBS for FY14?

READ MORE ON B3

Financing the bulging budget

A tax rate hike for individuals is not the answer

MD MATIUL ISLAM

THE coming year's budget is virtually a crash programme for development, which includes a number of expensive and impressive mega projects, including the much-talked-about Padma Bridge.

Mobilising resources, its allocation against competing demands and project execution are all on a war footing. Even between Prime Minister Sheikh Hasina and Finance Minister AMA Muhith, the battle line is well demarcated. While Hasina's favourite grazing ground has been foreign turf for resource mobilisation for mega projects, Muhith has been left to mobilise an enormous amount of back-up local funds needed for execution of these projects and for financing the bulging non-development budget.

Through her own initiative and state visits abroad, she has been able to mobilise billions of dollars for a dozen or so mega projects. From a billion dollar credit line from India on soft terms, addition of 500 MW of imported power into the national grid, $2 billion or more from Russia for modernising the armed forces, a 1,000 MW of Atomic Power Plant, several billion dollars from Japan and China for such mega projects as Deep Sea Port, coal based large power plants, four-lane Dhaka-Chittagong highway, Dhaka-Sylhet highway, underground tunnel across Karnaphuli River, a second Padma Bridge to connect the northern region, to a special economic zone for attracting Chinese investment speak volumes about the tireless effort being made by the prime minister to develop Bangladesh into a modern state. She is a prime minister in a hurry. At no time in the history of Bangladesh has so much been attempted in such a short time.

The finance minister responded to the challenge by pitching the development budget to a record high of Tk 86,000 crore and presenting to the nation a total budget of Tk 250,506 crore, creating another record. With an overly friendly parliament, devoid of a hostile opposition, the budget is expected to breeze through parliament despite open criticism outside that the budget is unrealistic. The demands for grants moved by individual ministers will be voted without any opposition or any serious cut motions.

However, in their enthusiasm and euphoria, what the members of parliament are likely to overlook are the finance bills, which detail the amendments to the existing tax-laws, upward revision of tax rates and introduction of new taxes to mobilise resources to match the high demands for grants. The small prints on the finance bills circulated along with voluminous budget documents are likely to go unnoticed.

This year, there has been an upward revision of direct taxes for individuals that will result in putting some individual taxpayers in tax-brackets higher than that of corporates. Whereas the maximum corporate tax is now fixed at 35 percent for non-listed company and 27.5 percent for listed companies, the tax liability of individuals with taxable income of Tk 1 crore and a net worth of Tk 10 crore, is likely to be around 29 percent of the taxable income. With a taxable income of Tk 2 crore and a net worth of more than Tk 20 crore, the applicable rate is expected to be around 32 percent.

There is need to have a second look at the proposed rate structure.

READ MORE ON B3

Chinese consumers switch gears from cash to credit for car buys

REUTERS, *Shanghai/Hong Kong*

IN a country where owning a car has long been a symbol of luxury and success, around 85 percent of Chinese car buyers still buy cars with cash.

But people like Chinese accountant Grace Mi and her peers in their 20s and 30s are changing the car financing game and are the ones catching the attention of global carmakers looking to boost revenue and defend margins in an increasingly competitive market.

These young people are willing to buy big-ticket items like a car on credit - a behaviour unheard of some 15 years ago in China - and have led carmakers to boost their financing units in the mainland.

The push by automakers to steer more people to buy on credit comes as part of their broader efforts to make up for sliding margins on new-car sales in China where more companies are cutting prices to entice buyers. Other key revenue sources include maintenance and repairs, vehicle leasing and sales of accessories and parts.

Mi, a 27-year-old accountant in Beijing, did not have enough cash on hand to outright buy her dream car, a Nissan Sylphy, with a price tag of about 150,000 yuan ($24,200). Instead, she saved enough money for a down payment and took out a loan.

"I didn't want to take a penny from my retired parents," Mi said, adding that owning a car had become increasingly important for her personal and work life. "I didn't have to wait for years to own a car."

Mi has been repaying 2,500 yuan, or one-fourth of her monthly wage, since November for her Sylphy. While the loan payments are not small, she says she doesn't feel burdened.

"Accountants are needed everywhere so I'm not worried about job security. I don't think I am enslaved by the car loan."

REUTERS

Women walk past Volkswagen and Honda cars on display at an automobile market in Beijing. In a country where owning a car has long been a symbol of luxury and success, around 85 percent of Chinese car buyers still buy cars with cash.

Around 70 percent of car buyers in the United States and other developed countries take out loans, according to a Deloitte report in 2012 and the reason global carmakers are trying to seize on the rise in auto financing in China is because the sector is highly profitable.

The financing unit of Ford Motor Co contributed nearly a quarter of the Deerborn, Michigan-based company's overall profit last year while rival GM saw 12 percent of its profit come from its finance unit.

"China's car market remains primarily a cash market, but it is starting to move to credit," John Lawler, head of Ford's operations in China, told Reuters in an interview. "It's a demographic and generational phenomenon. Those people who finance cars are primarily younger buyers."

China's central bank gave the sector a boost in early June when it cut the amount of money auto financing firms need to set aside as reserves in a bid to stimulate the economy which is showing signs of slowing.

India to raise import duty on sugar, promote exports

REUTERS, *New Delhi*

INDIA will raise its import duty on sugar to 40 percent from 15 percent, as the government tries to revive business at mills that owe farmers around $1.84 billion, the food minister said on Monday.

The climb in import duty will make overseas purchases nearly unviable for refiners in the world's biggest consumer of the sweetener, hitting shipments from suppliers such as Brazil, Thailand and Pakistan.

"We have reached a consensus to raise the import duty to 40 percent," Ram Vilas Paswan said after meeting senior government officials.

Local sugar prices, which had been stifled by rising stockpiles, jumped 1.5 percent following the announcement and are likely to rise further if monsoon rains stay subdued as expected in the next few weeks, dealers said.

Paswan also told reporters the subsidy on raw sugar exports would be extended until September. India increased the subsidy for raw sugar earlier this month to boost output and exports.

But large-scale exports are unlikely in the short term, as most of this year's raw sugar output has already been shipped.

India is likely to export more than 2 million tonnes of sugar in 2014/15 as the top consumer is set to produce a surplus of the sweetener for the fifth straight year despite chances of reduced rainfall, a commodities executive said earlier this month.

The government has also decided to raise the mandatory level for blending ethanol in gasoline to 10 percent from 5 percent, Paswan said.

Trying to emulate the success of Brazil's booming biofuel industry, India launched its ambitious ethanol blending programme in 2006, but disagreements between sugar mills and oil companies over pricing stymied progress.

New Delhi is now trying to promote ethanol blending that could help it in reducing its current account deficit and also boost mills' earnings. Indian mills produce ethanol from molasses, a byproduct of sugar production.

The government is also considering extending the duration of repayments of interest free loans made to mills against excise duty to five years from three years, Paswan said.

Shares of sugar makers such as Bajaj Hindusthan Ltd, Shree Renuka Sugars, Balrampur Chini Mills and Dhampur Sugar Mills jumped more than 10 percent following the government announcement in a weak Mumbai market.