

# Cassava gives a fresh boost to farming

# Asian bankers will shift from deals to distress



Farmers are harvesting cassava in Tangail.



A liquid glucose plant of Pran in Habiganj.

STAR BUSINESS REPORT

**C**ASSAVA, a tuber native to South America, could be the next big thing in changing farmers' lives by adding to their incomes in an anxiety-free way.

Thousands of farmers in Tangail, Mymensingh, Comilla, Habiganj and Khagrachhari districts are enthusiastically farming the woody shrub, locally known as Shimul potato, to boost their incomes under a special scheme by Pran, a food processor and agribusiness company.

Khokon Miah, a farmer from Fulbaria in Mymensingh, said he grew cassava, an easy-to-grow crop, on three acres of his land, and earned Tk 40,000 in profit from the crop.

"I was struggling to maintain my six-member family. I could not meet my family needs despite having sufficient land. Now I can earn more," he said.

Khokon said cassava cultivation is cheaper and more profitable. "It requires very little irrigation and small amounts of fertilisers and insecticides. It is also less affected by natural calamities."

He was among the 9,000 beneficiaries of a contract-farming programme by Pran, which supplied free seeds, training, technical and monetary support to farmers, with financial assistance from the Asian Development Bank (ADB).

The Manila-based lender gave some \$12.5 million to Pran to boost cassava farming in Bangladesh.

Pran is trying to encourage local farmers to grow cassava, leading to 1,271 acres of cassava cultivation in the hilly lands in 2014.

In 2014 and 2015, the company purchased 40,000 tonnes of cassava from farmers directly.

According to farmers and agriculturists, the weather and soil in the hilly areas are particularly suitable for cassava cultivation. Cassava allows farmers to utilise fallow or less fertile lands, like in the hilly areas, for cultivation, leading to a greater income opportunity, said Kamruzzaman Kamal, director of marketing at Pran-RFL Group.

Pran took the initiative to change livelihoods and generate employment opportunities for marginal farmers, especially in the hilly areas, and has been working to

help farmers improve agricultural practices and develop their communities, he said.

Farmers said that the crop is gaining popularity as it led to an assured income, as they did not face losses even amid natural calamities.

"I feel no anxiety over growing cassava as there is no chance of incurring losses," said Abdul Khalek, a farmer from Madhupur in Tangail.

Pran offers a 100 percent buy-back guarantee, which is attractive to the farmers, said Mahtab Uddin, chief operating officer of Pran Agro Business Ltd.

Farmers also get Tk 17,000 in loans, which is interest-free, for every acre of cassava cultivation, he said.

Pran initiated cassava farming to produce starch and glucose, a raw material for textile, pharmaceuticals and processed food industries, Kamal said.

The company has also set up a large plant in the northeastern district of Habiganj. The plant can produce 135 tonnes of liquid glucose and 120 tonnes of starch a day. But it is running below the production capacity as it does not have enough supply of cassava.

Bangladesh currently depends on imports of starch and glucose, meaning the local production from cassava will help save a chunk of foreign currency.

"We see a big future for cassava in the country," Kamal said.

Pran has targeted to expand cassava cultivation to 10,000 acres by next year, said Mahtab.

The company is also working to expand cassava farming by collaborating with the Central Tuber Crops Research Institute, an Indian organisation dedicated to research on tropical tuber crops.

The institute has agreed to provide Pran with seeds for cultivation in Bangladesh.

Pran is also doing its own research on the tuber, at its laboratory in Narsingdi, to develop a variety of the crop that can be harvested twice a year to increase production, Mahtab said.

Cassava is now harvested once a year. "It has no adverse impact on environment. The green plants help maintain ecological balance in the area," he said.

He also said byproducts of cassava can be used as compost fertiliser, as it would be completely organic.

PETER THAL LARSEN

Investment bankers in Asia will switch from presiding over corporate marriages to arranging funerals in 2016. Cheap credit helped drive a merger boom in the region. As growth slows and debt becomes more expensive, dispensing restructuring advice looks like a growth business.

Bankruptcy experts have had a quiet time in Asia recently. Low interest rates and capital inflows limited distress. Of the 101 corporate defaults recorded by rating agency Standard & Poor's by the end of November, just 21 were in emerging markets – a designation dominated by Asian countries. Companies that failed to repay creditors often did so for peculiar reasons. Chinese property developer Kaisa, for example, defaulted after its chairman suddenly stepped down at the end of 2014, but he returned to the helm a few months later.

Yet as US interest rates rise and capital flows out, many Asian groups look vulnerable. Moody's reckons average debt at 251 riskier companies it tracks in the region reached 4.9 times EBITDA in 2015, from 3.8 times in 2011. Barclays analysts expect the default rate for high-yield corporate borrowers in emerging markets to almost double to around 7 percent in the coming year. The stronger US dollar puts extra pressure on groups whose debt is denominated in the American currency.

This means bankers, lawyers and investors who specialise in debt workouts will be busier in 2016. Some global investment banks are setting up dedicated Asian restructuring units. Bankers who spent years orchestrating mergers and acquisitions are now touting their services to corporations in need of debt relief.

The transition can be tricky, though. Investment banks face fewer restrictions in Asia than in the United States. Even so, acting for a company in bankruptcy can throw up conflicts of interest, or strain relationships with other clients.

Underdeveloped bankruptcy laws in many Asian countries mean restructurings can drag on. Local banks and politicians are unpredictable. Troubled companies can also be reluctant to pay for counsel: advisers on this year's restructuring of PT Berau ended up suing the Indonesian coal miner for fees. And even if corporate distress proves lucrative for Asian bankers, it will never have the glamour of helping to arrange big deals.

The author is a Reuters Breakingviews columnist.

# Automakers woo tech enthusiasts to revive electric car sales

**V**OLKSWAGEN AG and General Motors Co are expected to disclose new details of their electric vehicle strategies at the Consumer Electronics Show in Las Vegas this week, highlighting efforts to stoke consumer enthusiasm for battery-powered cars to match growing regulatory demands to build them.

new Chevrolet Volt plug-in hybrid starting next year.

However, beyond technology enthusiasts represented by CES attendees, demand for hybrid and electric vehicles is slumping thanks to cheap gasoline.

US sales of hybrid and all plug-in electric vehicles through the first 11 months of 2015 totaled 452,338, down 16 percent from the same period in



The plug of an electric car lies on the ground at an electric car exhibition in west Sydney.

Herbert Diess, head of the Volkswagen brand, is expected to reveal at CES on Tuesday a prototype electric vehicle offering "affordable long-distance electric mobility," the company said. VW watchers expect it will be a variant of a microbus - linking the German automaker's plans to launch 20 battery-powered or plug-in hybrid vehicles by 2020 to a beloved model from the past.

VW's redoubled bet on electrification is part of an effort to repair damage done by revelations that it sold millions of diesel vehicles worldwide that used software to cheat emissions tests and run dirty on the road.

GM Chief Executive Mary Barra, scheduled to give a CES address on Wednesday afternoon, is expected to promote GM's vehicle electrification efforts. Barra is expected to show a production version of the Chevrolet Bolt electric car, which GM has said will offer a 200-mile (320-km) range and sell alongside a

2014, according to data reported by the Electric Drive Transportation Association, a trade group. Plug-in vehicles accounted for less than 1 percent of the market during the first 11 months of 2015.

Still, regulators around the world are pushing manufacturers to sell more electric cars to curb greenhouse emissions. California and several other US states want automakers to hit certain electric vehicle sales quotas or risk restrictions on more profitable trucks and sport utility vehicles. Cities in Europe and Asia are considering limiting petroleum-powered vehicle access.

China's interest in electric cars is encouraging Chinese investor groups to back challengers to global automakers and Silicon Valley's Tesla Motors Inc. One of them, Faraday Future, said it will reveal its electric luxury car at CES on Monday evening. Faraday says it has plans to invest \$1 billion in a factory near Las Vegas.

# Oil and gold prices rise on Middle East tensions

BBC News

**O**IL prices have jumped as worsening relations between Saudi Arabia and Iran raised concerns about possible supply disruptions. Brent crude prices rose more than 3 percent on Monday, before easing to \$38.10 a barrel, still up about 2 percent.

The price of US crude was up more than 2 percent to \$37.81 a barrel.

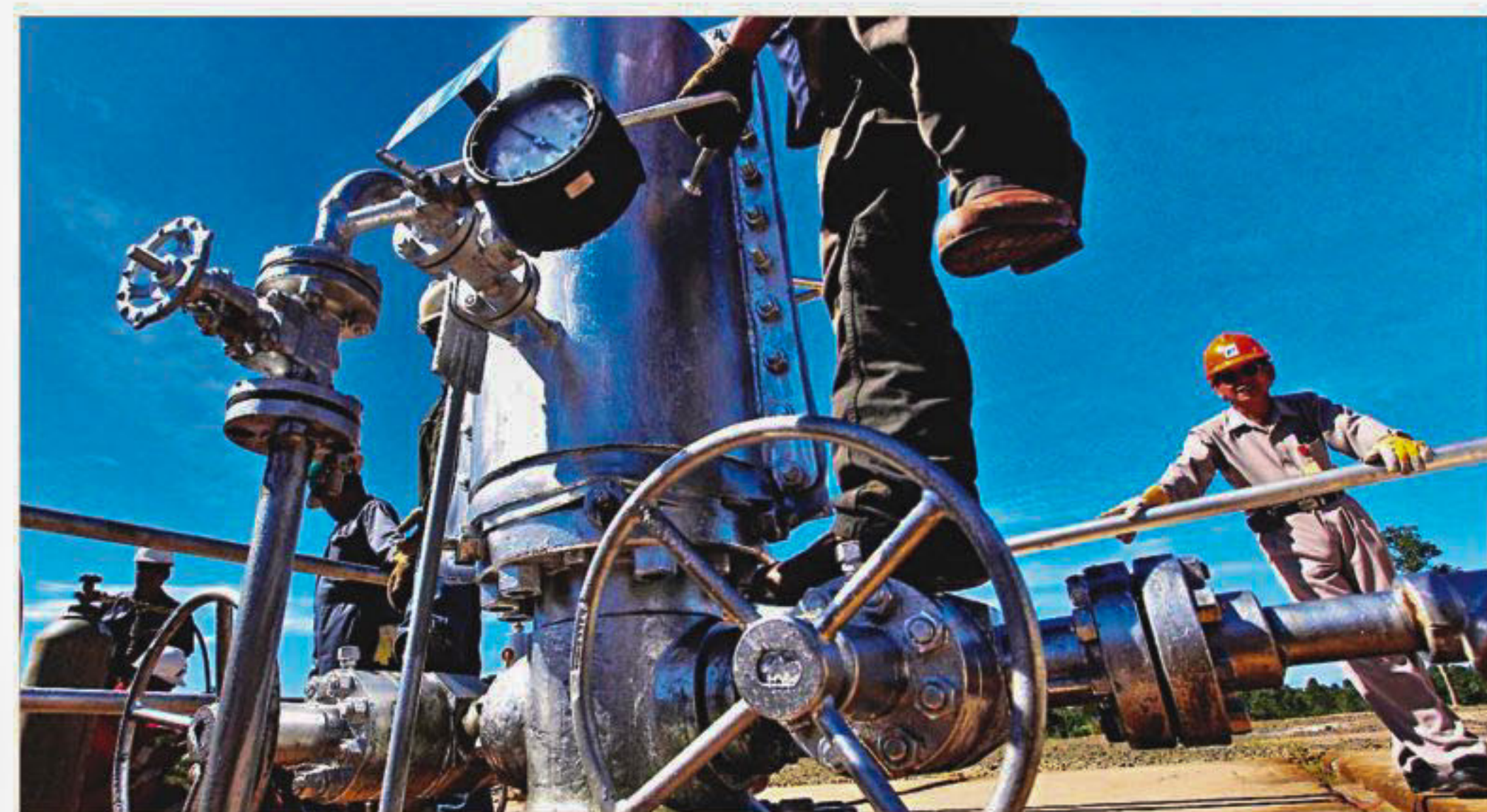
Share markets were also rattled by rising tensions after Saudi Arabia executed a Shia cleric, and the price of gold rose 1 percent.

"With increased geopolitical tensions between Saudi Arabia and Iran, the market has put a premium on prices just when markets opened (in 2016)," brokerage Phillip Futures said in a note. Saudi Arabia has cut diplomatic ties with Iran. Protesters in Tehran ransacked the Saudi embassy following the execution of Sheikh Nimr al-Nimr.

Saudi Foreign Minister Adel al-Jubeir said Iranian diplomats had 48 hours to leave the country. Iran's supreme leader warned Saudi Arabia it would face "quick consequences" for the execution. Fearing further upheaval in the already volatile Middle East, the US has urged regional leaders to try to ease tensions.

Despite the oil price rise, Bernard Aw, market strategist at IG Markets in Singapore, said global crude oversupply would continue to weigh on prices over the longer term.

"Unless we see a convincing drop in oil output from these two nations, and the broader oil-producing community, the supply glut issue will persist, which means oil prices would remain under pressure for a longer period," he



Oil prices rose as worsening relations between Saudi Arabia and Iran raised concerns about supply disruptions.

told the AFP news agency.

Oil prices are down by two-thirds since mid-2014, with analysts estimating that producers are pumping between 0.5 million and 2 million barrels of oil every day in excess of demand.

Worries about the impact of Middle East tensions were underlined in the gold price, which rose more than 1 percent on Monday to \$1,070.20 an ounce.

Gold is frequently seen as an alternative investment during times of geopolitical and financial uncertainties. The gold price lost 10

percent last year. Another traditional haven is the Swiss franc, which gained about 0.8 percent against both the dollar and the euro in early trading on Monday.

In Asia, share markets fell heavily, driven lower by a manufacturing survey that pointed to more bad news for the Chinese economy. The Caixin/Markit purchasing managers' index (PMI) slipped to 48.2 in December, marking the 10th consecutive month of shrinking factory activity in the sector. A reading below 50 indicated contraction.

# Nokia gains control of Alcatel-Lucent

AFP, Paris

Finnish telecoms giant Nokia has gained control of nearly 80 percent of its French-American rival Alcatel-Lucent, France's stock market regulator said Monday.

Nokia now holds around 76 percent of shares and voting rights in Alcatel under its public exchange offer, the French financial market authority, AMF, said in an interim report. The minimal requirement for Nokia to control at least 50 percent of shares and voting rights has been "satisfied", it added. "The offer therefore is proceeding positively," the French regulator said, adding its final report was due by Tuesday at the latest.

Once the world's top mobile phone maker, Nokia hopes the merger will help it become the world's number one network equipment and service provider.

The acquisition will allow Nokia to expand from telecoms networks to Internet networks and "cloud" services to better compete with its global rivals, the Swedish group Ericsson and Huawei of China.

The merged group eyes a combined revenue of nearly 25 billion euros (\$27.3 billion).

"We are delighted that the offer has been successful, and that Alcatel-Lucent's investors share our confidence in the future of the combined company," Nokia's chief executive Rajeev Suri said in a statement.

# China cuts yuan to weaker than 6.5 against dollar

AFP, Shanghai

China cut the yuan's value against the greenback Monday, making it weaker than 6.5 for the first time in more than four-and-a-half years, with pressure mounting as the world's number two economy from a growth slowdown.

The People's Bank of China (PBOC) says it is seeking to make the unit more market-oriented, and has succeeded in a long campaign to have the International Monetary Fund include the yuan in its Special Drawing Rights basket.

Nonetheless Beijing rigidly controls the unit, including only allowing it to move up or down two percent against the US dollar from the mid-rate set daily by the central bank.

The PBOC set the daily reference at 6.5032 yuan to the dollar on Monday, the weakest since May 24, 2011, the China Foreign Exchange Trade System showed.

A surprise devaluation in August saw China lower the normally stable unit

nearly five percent against the greenback in a week, sending tremors through global markets on concerns Beijing was struggling to control a slowdown in growth.

A falling exchange rate makes exports from the world's second-largest economy more competitive against other countries' products in global markets, but also makes its imports more expensive in yuan terms.

"The trend for the yuan to weaken is continuing in the new year as the People's Bank of China weakens the currency's fixing," Eddie Cheung, a Hong Kong-based currency strategist at Standard Chartered, told Bloomberg News.

"The currency will drop further in the first quarter as China makes the exchange rate more market-driven."

After the IMF inclusion, the country's central bank signalled it may loosen the yuan's peg to the US dollar, measuring it instead against a basket of currencies of its major trading partners.