

# Remove barriers in supply chain to stabilise rice market

*Says a leading importer and miller*

Price of staple food rice has been rising since the first week of April this year, triggered by crop damage for flood in haor areas. And retail prices of the coarse grain, consumed mainly by low and fixed income people, shot up to Tk 54 per kilogramme, the highest ever in the history of Bangladesh.

The soaring prices have hit the poor and low income people. To contain the spiral, the government took several measures including import duty withdrawal and importing through the Directorate General of Food. Recently, the government also started anti-hoarding drives.

The Daily Star (TDS) recently talked to Citta Majumder, managing director of Majumder Group of Industries, on the rice market. The group runs two automatic rice mills with 44 tonnes of combined milling capacity per hour. It is also active in importing rice from India.

**Sohel Parvez, a senior reporter of The Daily Star, took the interview.**

**TDS: Rice market has suddenly become unstable recently. In your opinion, what are the reasons behind it?**

**Majumder:** The demand supply mismatch is the main reason behind the price spiral. Prices rise when supply falls. And the market only declines when supply increases.

Rice production in the boro season fell owing to flood in haors, excessive rainfall and blast attack on boro, the biggest rice crop. The problem began to deepen after prices of newly harvested boro paddy began to rise.

Because of high prices of paddy, expenditure at mills went up to Tk 38-40 per kilogramme, which was higher than the government's procurement prices.

We, from our association, urged the government for slashing import duty on rice to increase supply and achieve procurement target. Otherwise, procurement target cannot be achieved. But the government did not pay heed to our appeal.

As a result, the government failed to reach its procurement target and the effect can be seen in the market now: a rush of people to buy rice.

The demand was so high that people did

not bother about the quality of rice. We have seen new customers, whom we did not see in the past. From the demand, we realised that there was a huge deficit of rice this year.

After the government slashed duty substantially, prices of rice were supposed to fall. Local importers usually buy from India's Bardhaman and Arambagh as the quality of rice there is similar to rice grown in our north.

After duty cuts, local importers rushed to Bardhaman and Arambagh in India to buy rice at any cost. As a result, prices shot up to Rs 3,050 per quintal, which was Rs 2,300-2,400 before Eid-ul-Azha. Rs 1 is equivalent to Tk 1.26.

Initially, we sold rice at Tk 36.5 per kilogramme and then had to sell at Tk 40-41 per kilogramme because of increased costs. Then prices went up further.

The biggest damage was done after panic spread fast because of fake news on rice export ban by India. The extent of panic was such that people feared there might not be any rice in the future.

We saw the spread of such panic during the tenure of a caretaker government when rice prices rose to Tk 32 per kilogramme from Tk 22-24.

What I feel is that the shortage originated from various factors -- slump in import due to the imposition of 28 percent import duty, dwindling carry-over stock and crop losses for flood and excessive rainfall. Now it has become a very big problem.

**TDS:** There are allegations that a section of traders made hefty profits cashing in on the fake news on rice export ban by India.

**Majumder:** This may happen, nothing is impossible. This cannot be denied that there are both fair traders and profiteers in the market. But not all are the same. Some bought in much higher quantities than their requirements and stocked warehouses on expectation of further spike in prices.

**TDS:** Rice prices have come down after the



Citta Majumder

government's meeting with millers. Is it going to be sustainable?

**Majumder:** Prices surged Tk 3-5 per kilogramme at importers' level, although there was no logical ground. Prices shot up because of panic.

The recent drive by the government also had an impact on prices. But the decline may not sustain if we cannot ensure adequate supply in the market.

The government has to increase supply of the staple through imports to bring stability in the market.

**TDS:** Although you millers say there is a shortage, the government said there is one crore tonnes of rice in stock. What do you say about that?

**Majumder:** I have no idea. But the maximum amount of stock would be of fine varieties of paddy -- BR-28, BR-29 -- and large millers release these fine varieties slowly until

summer when these varieties are harvested again. They do this to keep their business running. But there is a shortage of coarse grains which were mainly harvested nine months ago.

Cultivation of coarse grain, such as swarna and hybrid, has also declined. Import is the main source of coarse rice.

**TDS:** It is said that large rice millers and importers have stocked rice and they control the market. How many big rice millers operate in the market?

**Majumder:** It is estimated that there are about 400 semi-automatic and fully automatic rice mills in the country. Of that, there might be 50-60 large mills.

These mills have brands and they have to keep supply chain of these brands intact by ensuring regular supply to the market.

**TDS:** There are allegations that millers and traders are hiking prices artificially by hoard-

ing paddy and rice.

**Majumder:** From my past experience, there was a shortage of rice during the tenure of the BNP-led government after 1991 election. The then commerce minister sat with us on several occasions. There were allegations of syndication and profiteering by importers. Such allegations also came in successive periods.

The truth is crop production falls when there is a natural disaster. As a result, supply declines leading to a price spiral.

**TDS:** Do you mean that there is no effect of hoarding on rice price?

**Majumder:** Hoarding had occurred in the past. This is also present now and will be in the future. There are some people who stock to profit from sales later. But I personally think this does not influence the market too much.

On this point, let me tell you that we had to sell swarna rice at Tk 22 per kilogramme whereas it cost us Tk 32 each kilogramme. We hoarded the grains for eight months to raise its price, but we failed. Our capital just halved. The year 2014-15 was a 'black year' for us and our existence was at stake. All suffered because of the fall in prices. At that time, supply was higher than demand. Now, supply is low but demand is high.

**TDS:** What can the government do to bring down the prices of rice?

**Majumder:** The media should not report anything that prompts people to panic and rush to buy rice. I do not see anything to panic given the current stock in the country and imports in the pipeline.

To stabilise the market we have to increase supply. And bottlenecks in the supply chain should be eliminated. Railway should be given priority to import rice from India and foodgrains should be given priority among other import items.

Overall, supply has to be increased and problems in the supply chain should be removed. Creating panic or fear would not bring any good. This rather does the opposite.

## SBI Life's \$1.3b IPO, India's biggest in seven years, draws strong demand



REUTERS/FILE

A man walks past a podium set up at the venue of a news conference to announce the launch of initial public offering by SBI Life Insurance Co in Mumbai, India on September 13.

REUTERS, Mumbai

SBI Life Insurance Co Ltd's initial public offering to raise 84 billion rupees (\$1.3 billion), India's biggest IPO in seven years, was subscribed more than 3.5 times on the closing day, strengthening the outlook for share sales in what is expected to be a record year.

Ahead of SBI Life's IPO, companies have raised \$4.4 billion from IPO sales so far in 2017, surpassing last year's \$4 billion fund-raising, data compiled by Thomson Reuters showed.

With several more IPOs in the pipeline, some market participants expect IPO sales this year to exceed record \$8.5 billion raked in 2010.

Three more insurers -- HDFC Standard Life Insurance Co Ltd, state-run GIC Re, and New India Assurance Co Ltd -- have filed for IPOs, which bankers expect to raise a combined more than \$4 billion, although all three may not list by December.

Strong inflows from funds coupled with more retail participation in stocks have powered the main share index to a string of record-highs this year. The index has gained nearly 22 percent so far in 2017.

That optimism is also helping IPOs, analysts said, although they warned of high valuations.

"There is liquidity in the system and

money is chasing stocks...It is the right time for IPOs," said Jignesh Shial, a vice president of equity research at brokerage Quant Capital.

"Valuations for the insurance company IPOs are looking slightly stretched. So there may not be major listing gains," Shial said. He noted that the scope to expand in the Indian market for insurance products made the stocks "very good" bets from a mid-to-long-term perspective.

SBI Life, which will be the second life insurance company after ICICI Prudential Life Insurance Co. Ltd to list, saw bids for about 29.5 million shares, or 3.56 times the 8.8 million shares on offer, stock exchange data as of 1215 GMT showed.

Anchor investors including Canada Pension Plan Investment Board and Singapore state investor GIC have already committed to subscribe to 22.26 billion rupees worth of shares.

In SBI Life's IPO, its two main shareholders State Bank of India and BNP Paribas Cardif are selling 8 percent and 4 percent stake, respectively.

Earlier this week, ICICI Lombard General Insurance Co Ltd's IPO to raise 57 billion rupees was subscribed almost three times.

SBI Life's IPO was the biggest since state-run Coal India's 155 billion rupee IPO in 2010. The shares are scheduled to start trading on Oct. 3.

## Carmakers face hefty CO2 fines from 2021: study

AFP, Frankfurt Am Main

Big-name carmakers including Volkswagen and Fiat Chrysler face fines running into the billions for failure to meet tough new European carbon dioxide emissions limits slated for 2021, a study has found.

"Only four out of 11 carmakers are forecast to meet the EU 2021 CO2 emission target, with the rest facing significant fines," researchers from British firm PA Consulting said in a statement Friday.

European Union nations agreed in 2014 that carmakers should limit CO2 emissions to 95 grams per kilometre across their entire model range within seven years.

The figure for 2015 stood at some 130 grams per kilometre on average.

If the target is not met, the groups must pay fines of 95 euros (\$114) per gram over the limit, multiplied by the number of cars they sell in 2020.

"Most carmakers will face penalties," especially German manufacturers which often offer larger, more polluting engines, the study authors forecast.

"There is nothing less than a revolution facing the car industry and those manufacturers who fail to keep up face potential fines in the billions," PA auto expert Thomas Goettle said.

Germany's BMW, Volkswagen and Daimler, US-based Ford, Italian-American Chrysler, France's PSA and South Korea's Hyundai will be unable to get their emissions under control by the deadline, according to the study.

## Around the world, a muted launch for Apple's iPhone 8



REUTERS

The first customers arrive to purchase a new iPhone 8 at the 5th Avenue Apple store in New York City, US on Friday.

REUTERS, San Francisco/Sydney/Tokyo

APPLE Inc's launch of the iPhone 8 kicked off with less fanfare on Friday than new models in previous years in the United States, Asia, Australia and Britain, as fans held out for the premium iPhone X, due out in early November.

In San Francisco's Union Square, 50 miles from Apple's Cupertino headquarters, just 80 people were lined up at the company's flagship store, a sharp contrast to years past when lines stretched for blocks when new products were released.

In Australia, hundreds of people usually gather at Apple's Sydney city store, with queues winding down George Street in the central business district. But there were fewer than 30 people lining up before the store opened on Friday, according to a Reuters witness.

Apple's flagship store in London's Regent Street also experienced a slim turnout, according to several British newspapers. Shares of the company were down 1.3 percent to \$151.39 in afternoon trading. The stock has lost 6.3 percent since closing at \$161.50

on Sept. 11, a day before its new products were announced.

While the number of people queuing up outside Apple stores has dropped over the past several years with many buyers choosing to shop online, the weak turnout for the latest iPhone has partly been due to poor reviews.

Mazen Kourouche, who was first in queue in Sydney after lining up 11 days outside the store so he could buy and review the product on YouTube, said there were modest refinements.

"(It) is pretty similar to the iPhone 7 but it shoots 4k 60 frames per second and it's got a new glass back instead of the metal which is apparently more durable," he told Reuters. "There aren't too many new features to this one."

In China, a loyal Apple customer said the improved camera was one of the reasons she had bought the new device.

"I waited until midnight to watch the launch event with my boyfriend to learn what's new with this iPhone. Its photograph function is pretty good. So I think I must change with no hesitation," said Ta

Na, a 29-year-old consumer in Shanghai. Mentions of iPhone 8 and iPhone X on the popular Chinese social media platform Weibo, an indicator of consumer interest, were less than seen for previous launches.

In San Francisco, customers waiting in line were evenly split between those interested in the iPhone 8 and those looking to buy the Apple Watch Series 3. The latest watch includes standalone cellular data connectivity for the first time, meaning it can be used to make phone calls without an iPhone nearby.

Chayce O'Neal, 27, said he had come to buy the new watch and wasn't discouraged by reviews that mentioned connectivity problems. But he was skipping the iPhone 8 and holding out for the iPhone X.

"I like being on top of the cutting edge of technology," he said.

Indifferent reviews of the iPhone 8, which comes 10 years after Apple released the first version of the revolutionary phone, drove down shares of the company to near two-month lows of \$152.75 on Thursday, as investors worried pre-orders for the device had come in well below previous launches.