

# Safe food has a cost

ACI Logistics Executive Director Sabbir Hasan Nasir says

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**G**OODNESS has a value and a cost and consumers should understand this and be willing to pay extra because companies have to spend more when they follow good practices with a view to ensuring safety in the value chain of foods.

"Then, we can actually work for them and serve them," said Sabbir Hasan Nasir, executive director of ACI Logistics Ltd, the operator of Shwapno in an interview with The Daily Star recently.

Since the beginning of the country's biggest superstore chain in 2008, the ACI has opened 61 Shwapno outlets on its own and 67 franchisees, known as Shwapno Express, mostly in Dhaka and Chattogram.

The chain, apart from selling groceries, fresh food and fish, also caters various lifestyle products.

Today, it serves more than 50,000 customers every day and projects to become a half-a-billion dollar company within five years from \$120 million now.

In its efforts to meet the growing demand for safe food, the chain began to train farmers last year on safe application of pesticides on vegetables and waiting period before harvesting their crops.

Today, it directly collects vegetables from 150 growers, cutting out the middlemen in the value chain in the process.

"Experiences are very interesting. Farmers have become very happy," said Nasir.

Shwapno buys 50-60 percent of its required vegetables and fish directly from farmers and the rest from wholesale markets.

The direct purchase by Shwapno increases productivity of growers as this saves time they would have otherwise needed going to markets selling the produce. It also eliminates the middlemen, who are responsible for 11-15 percent extra cost of prices of perishables.

Shwapno, Nasir said, transfers a portion of the extra cost to the farmers during the direct procurement.

On average, it buys 7-8 tonnes of vegetables and 2 tonnes of fish daily from producers mainly in Bogura,



Sabbir Hasan Nasir

Jashore, Khulna, Satkhira, Bagerhat, Manikganj, Savar, Bhairab and Mymensingh.

"This has created a revolutionary impact although our volume is very low," he said, adding that the positive impact for farmers would be massive if the chain could account for 10 percent of the \$16 billion annual wholesale and retail trade.

Direct procurement from growers also establishes transparency in the value chain.

"All, including regulators and consumers, can see from where and from whom we have bought, what types of pesticides have been used, and whether those are harmful for health. I think it is possible to create transparency in the entire value chain and we are moving towards that," said Nasir.

He, however, said the cost of Shwapno increases if it implements the global good agricultural practices (GAP). However, consumers are still not aware of this and thus are not willing to pay extra for safety.

He urged consumers to come out of what he terms "contradiction" regarding the reluctance to pay extra while remaining concerned about food safety.

Shwapno has had to give up some of its earnings margin because of the

unwillingness of the consumers to pay higher for safe food.

"But we are doing this because if consumers know about our efforts on safe food, they will come to us and buy from us. If the sales volume goes up, we will gain ultimately."

He said Shwapno has been able to make supermarkets a part of the daily life for people from all walks of life and it would continue to grow in the years ahead.

The supermarket chain has improved its margin in the last three-four years as consumers in increasing numbers are shopping at Shwapno.

"I think we are becoming more relevant to consumers. We are getting the results of the learning curve of understanding the consumers' need," he said.

He said consumer confidence in Shwapno is growing. As a brand, Shwapno is much more powerful now than before.

"If we can follow our promise of everyday life as a mantra, financial issues will not only be sorted out, Shwapno will also create a huge impact for Bangladeshi consumers."

There is concern about the losses of Shwapno. But Nasir said the growth of consumers and other indicators, such as gross margins,

earnings before interest and taxes, have improved.

He says the problem of Shwapno is that its financing structure is not right.

The company borrowed a lot when it was formed and for bankrolling its losses, he said, adding that the debt should be reduced and equity should be injected.

"If equity is injected, Shwapno will become profitable," he said.

He said the company is not too much worried about profitability.

"Because we know it will be profitable in future. The management and the board are rather worried about how much of the annual retail and wholesale market we can manage to get."

Shwapno joined organised retailing after Agora, Meena Bazar and the evolution of the supermarkets in an area dominated by millions of small unorganised stores.

The industry grew close to 17 percent annually in the last five

years. Shwapno's compound annual growth rate is 25 percent.

"This year, the growth trend is very good," he added.

However, the journey for supermarkets in Bangladesh has not been smooth and they had to overcome ordeals.

There was a time when people were very concerned about formalin. Now many say that there is nothing like formalin in fruit and vegetables and there was nothing like this in the past, said Nasir, who joined the ACI as the executive director in December 2011.

Nasir, who studied mechanical engineering at the Bangladesh University of Engineering and Technology and obtained an MBA degree from the Institute of Business Administration under the University of Dhaka, also touched upon the impact on businesses of rumours and drives and statements from agencies and individuals related to food safety.

He said a lot of things are

published in the media and spread by general people although they don't have adequate information and understanding on the issue.

In many cases, steps taken by government agencies and comments made by researchers, academicians and responsible persons give the impression that all the people in the private sector have gone bad and are greedy.

"This creates an anti-business stance although many of the allegations were not based on facts," he said.

He said Bangladesh's economy has come this far also because of the contribution of millions of private sector businesses.

He, however, said dishonest businesses should be brought to justice.

Nasir urged academicians, researchers, regulators, bureaucrats and other stakeholders to talk sensibly on food safety issues.

"The issue of food safety should be dealt in a systematic way."



Shwapno outlets serve more than 50,000 customers every day.

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## Japan, US ministers meet for trade talks as hopes for early deal fade

REUTERS, Tokyo

**J**APAN and the United States will seek to narrow gaps on trade when their top negotiators meet this week, but hopes for a deal in September are fading as both sides fail to make concessions on agriculture and automobiles, sources say.

Japanese Economy Minister Toshimitsu Motegi and US Trade Representative Robert Lighthizer will hold two-day talks in Washington D.C. from Wednesday, which will be their second meeting this month.

The talks aim to lay the groundwork for a possible meeting between Japanese Prime Minister Shinzo Abe and US President Donald Trump on the sidelines of a Group of Seven summit later this month in France, where the two could discuss trade.

As separate trade talks with China and Europe have made little headway, Trump is keen to clinch an early deal with Japan that would open up its politically sensitive agriculture sector, as well as curbing Japan's US-bound auto exports.

Japan also hopes for a timely deal to avoid being slapped with up to 25 percent tariffs on automobile exports to the United States. Trump threatened to do so on national security grounds in May, but put off imposing the duties by six months.

During previous round of talks, Motegi and Lighthizer had agreed to aim for a broad deal by the time Abe and Trump are scheduled to meet on the sidelines of a U.N. General Assembly meeting in New York in late September.

But progress toward reaching a deal has been slow, Japanese government officials with knowledge of the negotiations say.

"It will be a very tough negotiation," said one of the officials, who spoke on condition of anonymity due to the sensitivity of the matter.

"If there is to be an 'agreement'



REUTERS/FILE

**Japan's Minister of Economic Revitalisation Toshimitsu Motegi speaks during the agreement signing ceremony for the Trans-Pacific Partnership (TPP) trade deal, in Santiago, Chile.**

we need to have something we can formally announce, which is tough," said another Japanese official, adding that it will be difficult to agree on a deal in September unless Washington makes more concessions.

The US Trade Representative had no immediate comment on the meetings.

The key sticking points are agriculture and automobile.

Under his "America First" policy, Trump has been urging Japan and other trading partners to take steps to fix what he sees as unfair trade imbalances with the United States.

Washington is targeting Japan's auto exports, which account for about two-thirds of the US trade deficit with Japan at roughly 7 trillion yen (\$65.82 billion) a year.

Trump also wants to open up Japan's market for agriculture goods and beef. One demand Washington is making is for Tokyo to cut tariffs on US beef and pork imports.

US beef and pork farmers have been lobbying Trump to push Japan

to agree to the same low tariffs for their products applied to imports from Trans-Pacific Partnership (TPP) signatory countries like Australia and Canada. Trump pulled the United States out of TPP when he took office in 2017.

Japan, on the other hand, wants the United States to cut tariffs on imports of car parts and industrial goods - something Washington is reluctant to.

US auto industry officials said this week the deal is likely to involve Tokyo offering US farmers new access to its market, in return for Washington reducing tariffs on certain Japanese auto parts.

US automakers are also urging the US Trade Representative to include in the deal with Japan a provision prohibiting both countries to engage in currency manipulation.

Japanese officials are opposed to adding such language in the deal, for fear of having their hands tied in battling any unwelcome yen spike that hurts the country's exports.

## Alibaba postpones up to \$15b Hong Kong listing amid protests

REUTERS, Hong Kong/New York

**C**HINA'S biggest e-commerce company Alibaba Group Holding Ltd has delayed its up to \$15 billion listing in Hong Kong amid growing political unrest in the Asian financial hub, two people with knowledge of the matter told Reuters.

Alibaba's Hong Kong-listing plans are being closely watched by the financial community for indications on the business environment in the Chinese-controlled territory and provides a window into Beijing's reading of the situation.

While no new timetable has been formally set, Alibaba could potentially launch the deal as early as October, still seeking to raise \$10 billion-\$15 billion, depending on whether political tensions had eased and market conditions became more favorable, one of the people said.

The decision to postpone the deal, initially set to launch in late August, was taken at a board meeting before Alibaba's earnings release last week, the second person said.

The delay was due to the lack of financial and political stability in Hong Kong, the people added, following more than 11 weeks of frequently violent pro-democracy demonstrations which have plunged the city into turmoil.

Police have fired over 1,000 rounds of tear gas while more than 700 people have been arrested, followed by an unprecedented airport shutdown last week.

Hong Kong's benchmark Hang Seng index fell to seven-month lows last week.

"It would be very unwise to launch the deal now or anytime soon," the first person said. "It would certainly annoy Beijing by offering Hong Kong such a big gift given what's going on in the city," the source added.

Preparations for Alibaba's listing, potentially the world's biggest equity deal this year and the largest follow-on share sale in seven years, have been underway for some time.

Earlier this year, Altaba, the Yahoo

offshoot holding the company's stake in Alibaba, announced plans to sell up to its entire 11 percent stake - an event Alibaba would want to see completed ahead of its Hong Kong float to stabilize its US trading volumes before investors need to adjust to the two prices that would be available following a Hong Kong listing.

The Altaba sale has been completed, the second person said.

Both people declined to be identified as they were not authorized to speak to media. Altaba did not immediately respond to a request for comment outside regular business hours.

Alibaba declined to comment on its Hong Kong deal plans.

The second source, however, said Alibaba views the Hong Kong deal

InBev canceled a planned up to \$9.8 billion Hong Kong IPO of its Asia Pacific unit.

"It won't be too bad for investors as long as Alibaba is going to Hong Kong, sooner or later," said Connie Gu, a tech analyst at BOCOM International.

The delay could in fact temporarily benefit rival Chinese tech stocks such as Tencent Holdings Ltd and Meituan Dianping if it meant investors would hold off withdrawing their capital from those companies in preparation for investing in Alibaba's Hong Kong listing, Gu added.

The city loosened its rules last year specifically to lure overseas-listed Chinese tech giants to list closer to home.

Alibaba would be the first to test the new system.



REUTERS/FILE

**The company sign of Alibaba Group Holding Ltd is seen outside its Beijing headquarters in China.**

as a way to "diversify its access to capital markets", but not as core to its business. Alibaba "does not see the postponement as a blow", the person added.

Meanwhile, a listing by Alibaba is a big deal for the Hong Kong stock exchange, which is lagging behind its New York rivals in the annual battle to be the leading global listings venue.

Just last month, Anheuser-Busch

Asked last week whether Hong Kong's turmoil would affect Alibaba's listing, Hong Kong stock exchange CEO Charles Li avoided directly acknowledging the company's application, which is still technically confidential.

But Li added: "I am confident that companies like that ultimately will find a home here, because this is home and I think they will come. I don't know when though."