Onion being packed for transport to markets at Sujanagar upazila of Pabna. An early variety called "Murikata" is fast running out and with harvests of the year-round one set to begin mid-March, consumers would have to consume the key cooking ingredient at a higher price for at least the next two or three weeks until the new crop becomes available in the market. Data from the Trading Corporation of Bangladesh showed on Friday that the price of the local variety of the kitchen item rocketed 72.73 per cent to Tk 45-50 a kg at various markets in Dhaka from Tk 25-30 a month ago. The photo was taken recently. PHOTO: AHMED HUMAYUN KABIR TOPU

Higher onion price to persist until new crop arrives

Poor supply to blame for the latest price hike

AHMED HUMAYUN KABIR TOPU, *Pabna*

The price of onion has been surging in Pabna for the last couple of weeks as the level of stock at the farmers' end is fast-depleting owing to the lack of storage capacity for the perishable item.

As a result, consumers would have to consume the key cooking ingredient at a higher price for at least the next two or three weeks until the new crop becomes available in the market.

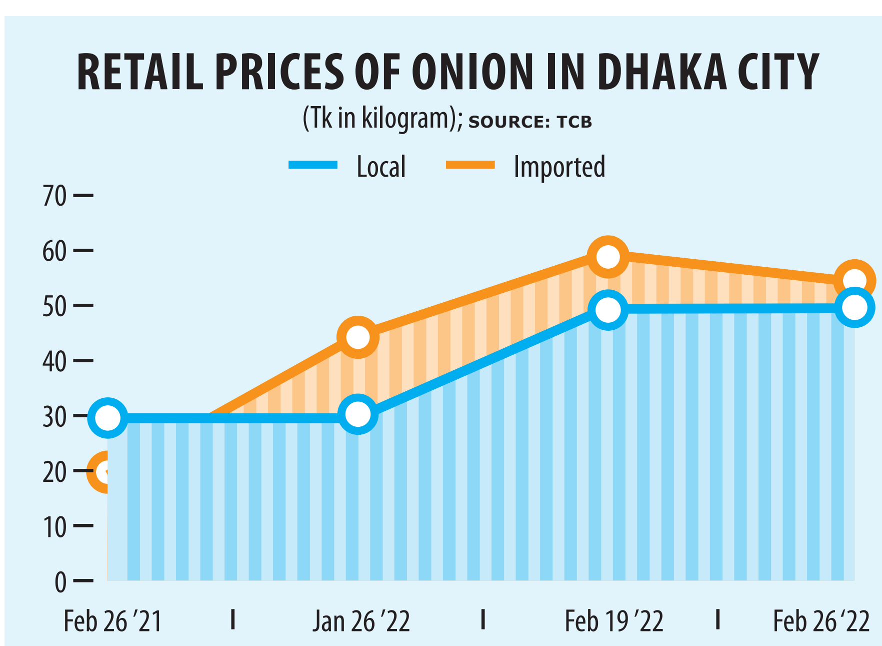
In Pabna, each kilogramme of onion is selling at Tk 50 to 55 in the retail market, up from Tk 30 to 35 in early February, according to traders.

The north-western district is not the lone district that is witnessing a sudden spike in onion price.

Data from the Trading Corporation of Bangladesh showed on Friday that the price of the local variety of the kitchen item rocketed 72.73 per cent to Tk 45-50 a kg at various markets in Dhaka from Tk 25-30 a month ago.

The imported variety is selling at Tk 50-55 a kg, up from Tk 40-45 a month ago.

A month ago, the Sujanagar wholesale market, the biggest wholesale hub in Pabna, used to get a supply of 3,000 to 4,000 tonnes of onion each haat day. Now, the supply has dwindled down to 1,000 to 2,000 tonnes, according to Md Abdur Rashid, a wholesaler.



"Due to the poor supply, the price has gone up by Tk 300 to Tk 400 per maund in the last two or three weeks."

Md Selim Hossain, a wholesaler at the Pabna Boro Bazar, also blamed the lack of adequate supply for the upward trend of the vegetable in the wholesale market.

Mohammad Montu, a retailer at the Abdul Hamid Road Market in the district headquarters, bought a maund of onion at Tk 1,100 to Tk 1,200 a couple of weeks ago. He is now buying the same item at Tk 1,500 to Tk 1,550.

"The price has been soaring for the last couple of weeks. As the price has gone up in the wholesale market, we are bound to sell a kg of onion at Tk 50," he said.

Despite the higher price of the crop, many farmers have missed out on the opportunity to make higher profits.

One of them is Mohammad Kamruzzaman, an onion grower at Durgapur village in Sujanagar. He cultivated the Kondo variety of onion this year on five bighas of land.

He completed harvesting in January. And because of the lack of a storage facility, he has had to sell his entire crop by the middle of February.

He sold a maund of onion at Tk 800 to Tk 900 in the wholesale market a month ago. "The price has rocketed just after I had sold all of my produce."

"Many farmers have also done the same as I did as they don't have any storage facility."

An estimated 1.80 lakh tonnes of Kondo variety of onion were produced on 8,505 hectares of land in the district, according to Md Idris Ali, a development section officer of the Department of Agricultural Extension in Pabna

The Kondo variety meets the demand for onion before harvesting the main crop.

A total of 44,810 hectares of land have been brought under the cultivation to grow the main crop with a goal to produce 6.35 lakh tonnes of onion, said Ali.

"The harvesting will begin in the middle of March. Once the new crop hits the market, the price will fall."

Pabna is the largest onion producing district in Bangladesh, accounting for a third of the local production.

Scale effect of domestic market, tipping point and paths of industrialisation

KAZI IQBAL

The size of the economy matters. The size of the domestic market, popularly known as the "scale effect" in growth theory, has a strong bearing on the paths of industrialisation of an economy.

Although in an open economy, production structure does not necessarily correspond to the preference patterns of the consumers, we observe a strong association between them in Bangladesh's economy.

This is largely due to the emergence and growth of domestic enterprises and conglomerates in recent years, producing a wide range of products for the local economy, thanks to the burgeoning consumer class.

I hypothesise that the size of the consumer class has crossed a tipping point or a threshold when the growing local demand has started to support a large number of industries – the Malthusian curse may have turned into an opportunity.

Two factors determine the effective demand for industrial products of an economy: the size of the population with "purchasing power" (N) and their per capita income (Y).

Suppose that the size of the local industry M increases with the size of the effective demand, which is the product of N and Y: M(NY). This M(.) is nonlinear and after some critical value, (NY)*, M grows at a faster rate.

Bangladesh's economy has now come to the point where the benefits of large market size have begun to materialise. We need to think hard about how we can use the market size more effectively in our favour

I believe our economy has surpassed this (NY)* and this has occurred over the last five years or so. Because of the economies of scale, firms can now produce at lower average costs than before competing with the imported goods. The massive investments in plants, machines and technology have become profitable due to the sheer size of the market.

I believe foreign investors always look for such thresholds in deciding where to invest and when to invest. An increase in foreign direct investment (FDIs), which are characterised by "jumping tariff", also indicates that Bangladesh may have crossed such thresholds.

If a sector is protected but the size of the sector is large then foreign investors locate their plants in the protected country to avoid the trade barriers. This type of FDI can be of both joint-venture with local partners or purely foreign-owned.

The mobile phone set market of Bangladesh comprising 170 million subscribers is an example of such a protected sector which is subject to about 58 per cent tariff rate for the imported smartphone. But the locally assembled and manufactured handsets bear about 15 per cent taxes.

Samsung, Nokia, Xiaomi, Vivo and a few other global mobile phone set manufacturers have invested in Bangladesh in recent years to assemble and manufacture sets in order to avoid tariffs.

The market for automobiles, which is subject to very high tariff rates, has also been receiving "jumping tariff" FDI by Hyundai Motor Company,

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NOT SO SWIFT

EU energy concerns spark Russia sanctions rift

AFP, *Berlin*

The West has agreed an onslaught of sanctions over Russia's invasion of Ukraine, but resistance from key EU nations fearful of severing their power sources has resulted in them holding off on deploying the "financial nuclear weapon" of banishing Moscow from the SWIFT banking transfer system.

Ukraine has expressly called on Western allies to expel Moscow from the system that banks rely on to transfer money.

But US President Joe Biden revealed this week that while it remains an option, "right now that's not the position that the rest of Europe wishes to take".

Former European Council President Donald Tusk lashed out at EU capitals over their failure to agree on the toughest sanctions such as cutting Russian banks off from SWIFT, exposing a rift within the bloc over its response.

"In this war, everything is real: Putin's madness and cruelty, Ukrainian victims, bombs falling on Kyiv. Only your sanctions are pretended (sic)," Tusk tweeted.

"Those EU governments, which blocked tough decisions (i.e. Germany, Hungary, Italy) have disgraced themselves."

But German Finance Minister Christian Lindner laid out starkly the preoccupation of Europe's biggest economy: suspension of SWIFT "would mean that there is a high risk that Germany will no longer receive gas, raw material supplies from Russia".

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European gas imports from Russia would be at risk if the country is cut off from the SWIFT bank transfer system. PHOTO: AFP

Western banks face Russian triple whammy

REUTERS, *Milan*

Western executives watched with horror as Russian tanks rolled into Ukraine on Thursday. Bank bosses like Frédéric Oudéa of Société Générale and UniCredit's Andrea Orcel have more to fear than most.

The 8 per cent fall in the STOXX Euro 600 Banks Index on Thursday and a 3 per cent decline in share prices of American lenders like JPMorgan reflects a triple whammy of risks. The selloff is partly down to a gloomier economic outlook. A protracted conflict could push up energy and food prices, dampen consumer confidence and slow the pace of central-bank rate hikes. Money market prices suggest investors now think the US Federal Reserve is less likely to raise policy rates by 50 basis points in March. Delays would postpone a much-anticipated windfall for Western banks, whose lending margins improve with higher interest rates.