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Potato farmers lose Tk 2,500cr a year: FAO
Unsold surplus, post-harvest losses to blame

STAR BUSINESS REPORT

Potato farmers in Bangladesh lose at least Tk 2,500 crore every year due to unsold surplus production and post-harvest losses.

The Food and Agriculture Organization of the United Nations (FAO) yesterday revealed the information in a press release quoting data from the Department of Agricultural Extension (DAE).

According to the DAE, more than 4.8 lakh hectares of land were brought under potato production this year.

The yield is expected to be more than 11 million tonnes this year but domestic demand is only 7.7 million tonnes

The yield is expected to be more than 11 million tonnes but domestic demand for potatoes is only about 7.7 million tonnes, said the FAO.

"Of the surplus, only around a quarter can be stored for sale. Therefore, the loss of the farmers due to unsold surplus production and post-harvest losses is estimated at between Tk 25 billion to Tk 35 billion (\$290 million to \$400 million)," it said.

In order to prevent this significant loss, the government encourages potato exports, it added.

Aiming to reduce the losses, farmers inaugurated potato export at a ceremony at Pairabandh and Mithapukur upazilas in Rangpur recently, the FAO said in the press release.

The event was organised under a "Missing Middle Initiative" project jointly initiated by the FAO and Sara Bangla Krishak Society (SBKS), a national network of farmers' organisations.

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FIVE CRITICAL AREAS OF ECONOMY

	Prices of essential commodities
	Pressure on foreign exchange
	Banking sector facing higher NPLs
	Budget management
	High energy and power prices in global market

SOURCE: CPD AND OTHER ESTIMATES

PROBABLE RISE IN SUBSIDY

if govt doesn't hike prices of fuel

Diesel: Tk 14,400cr
Electricity: Tk 3,915cr
LNG: Tk 17,200cr
Family cards: Tk 430cr
Total: Tk 35,945cr
Govt's ability to spend on subsidy:
From Tk 28,500cr to Tk 94,900cr

Govt's ability to spend on subsidy:

From Tk 28,500cr to

Tk 94,900cr



RECOMMENDATIONS

- Introducing strong market intelligence
- OMS should increase
- OMS activities should be free from corruption
- Providing direct cash support to poor
- Extending stimulus to small businesses
- Govt should maintain adequate food stock
- The main focus should be curbing inflation
- Continuing subsidy on fuel and power for next few months

CPD, economists against fuel price hike in FY22

STAR BUSINESS REPORT

The government should not raise fuel prices in the current fiscal year despite their record spike in global markets to give some respite to the people buckling under pressures for rising costs for essentials, said the Centre for Policy Dialogue (CPD) and economists yesterday.

They argued that since there is fiscal space for the government to absorb the international price shock, it would not be tough for Bangladesh if it decides not to adjust the fuel price in line with the global markets.

"The government should not take the risk of raising the prices of fuels in the current fiscal year as people are under pressure because of the price hike of essential goods," said Zahid Hussain, a former lead economist of the World Bank's Dhaka office.

"The government has enough fiscal space to absorb the shock emanating from the global market volatility."

He spoke at a media briefing on Bangladesh's economy in the changing global scenario, organised by the CPD at its office in the capital.

If the government doesn't

increase the prices, Hussain explained, it would need to take an additional subsidy burden of Tk 35,945 crore.

He said though the budget for 2021-22 was expansionary when it was unveiled, it became a contractionary one in the first six months owing to slow

the conflict in Ukraine. The Russian invasion of Ukraine sent crude oil prices rocketing close to record levels of \$140 per barrel before falling to \$107 last week.

And Hussain described the oil price surge as abnormal, saying it would come down.



implementation.

Taking the budget implementation and the experience of the previous fiscal year into consideration, the fiscal space might be a maximum of Tk 94,900 crore and a minimum of Tk 28,500 crore, according to a calculation of Hussain.

"Therefore, it will not be difficult to absorb the extra burden at least in the current fiscal year."

Crude petroleum prices were creeping up even before

"If the price keeps upward trend, the government can think of adjusting it in the upcoming fiscal year."

The economist also called for formulating a mechanism on how the price adjustment would take place.

This is because if a mechanism is put in place to adjust the oil price in line with the global market, businesses will be happy since it would help them make an informed investment decision as the price movement is a major concern.

M Tamim, a professor of the Department of Petroleum & Mineral Resources Engineering at the Bangladesh University of Engineering and Technology, blamed the managerial error for the disproportionate price hike of fuels in Bangladesh compared to international markets.

"The bus fare has also risen disproportionately to the price hike of fuel in the country. We are now suffering owing to the higher fuel price because of mismanagement, not because of the war between Russia and Ukraine."

Fahmida Khatun, executive director of the CPD, said any hike in the fuel prices would have multiplier effects on inflation so the government should not pass on the cost to consumers now.

"A price hike now may increase the production cost and stoke inflationary pressure," she said, adding that Bangladesh is already suffering from increased prices of essentials compared to that of the international market.

Apart from oil, commodities such as aluminium, coal, copper, natural gas, nickel, tin, wheat and zinc have hit historic highs on supply fears globally.

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Stocks slump, turnover hits 11-month low

STAR BUSINESS REPORT

Bangladesh's stocks fell yesterday amidst thin participation of both retail and institutional investors with the turnover at Dhaka Stock Exchange (DSE) touching the lowest in 11 months.

The benchmark index, DSEX, shed 67.55 points or 1 per cent to close at 6,698.04 yesterday. All the indices of Chittagong Stock Exchange (CSE) declined too.

Turnover slumped 26 per cent to Tk 616 crore yesterday at the main bourse of the DSE from Tk 835 crore the previous trading day.

Yesterday's turnover was the lowest since April 18 last year when it was Tk 602.7 crore, according to the DSE data.

Market participants said a number of large investors stayed aloof for a 2 per cent cap on share price freefall imposed by the Bangladesh Securities and Exchange Commission earlier this month.

The restriction came in the wake of apprehensions of what effects the Russia-Ukraine war would have on the economy.

Besides, participation of institutional investors were low because of demand for funds for implementation of annual development programmes by the government agencies.

Other factors included a lack of injection of fresh funds by retail investors ahead of Ramadan, the month of fasting.

"Historically, a bearish trend prevails in the market in the March to April period of the year," said Ershad Hossain, CEO of City Bank Capital Resources.

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The price of tea has increased due to a hike in prices of ingredients such as sugar, milk, tea leaves, kerosene, lemon and ginger. The photo was taken from Paltan area in Dhaka on Saturday.

Fund transfer to be instant for NBFIs, forex transactions

AKM ZAMIR UDDIN

Lenders and clients in Bangladesh are set to get the opportunity to settle transactions instantly as the central bank has moved to expand the facility of real-time gross settlement (RTGS) to non-bank financial institutions and the foreign exchange operations of banks.

The move will also help widen money circulation as funds will move immediately in the financial sector instead of remaining stuck in the banking system for two to three days.

In order to facilitate a safe, secured and efficient interbank payment system, the central bank introduced the RTGS platform in October 2015 as part of its digitalisation drive.

The electronic settlement system allows interbank fund transfer on a real-time and on a gross basis. As a result, transactions are settled as soon as they are executed.

The minimum limit of a transaction is Tk 1 lakh and above, whereas there is no ceiling in the case of government payments.

The RTGS replaced a paper-based transaction system and it has gained traction since its inception.

More than 10,000 branches of 60 banks are currently connected to the system.

Clients settled transactions to the tune of Tk 355,183 crore in February through the RTGS system, up 12.4 per cent from a month earlier.

Transactions totalled 543,730 last month, down 6 per cent from the month prior.

Currently, the platform allows settlements in the local currency inside the country. But the latest central bank move would allow banks to settle foreign currency transactions domestically as well.

The central bank is set to roll out the foreign currency transaction from June 1, a BB official said.

The initiative will ease banks' operation of settling transactions related to export and import.

For instance, employees of banks now have to come to the central bank to place a foreign

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STOCKS	
DSEX ▼	CSCX ▼
0.99% 6,698.04	0.84% 11,791.20

COMMODITIES	
AS OF FRIDAY	
Gold ▼ \$1,935.60 (per ounce)	Oil ▲ \$107.93 (per barrel)

CURRENCIES STANDARD CHARTERED BANK			
BUY TK	SELL TK	USD	EUR
85.05	86.05	93.92	111.62
		13.13	13.81

ASIAN MARKETS FRIDAY CLOSINGS			
MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 1.84% 57,863.93	▲ 0.65% 26,827.43	▲ 0.24% 3,330.63	▲ 1.12% 3,251.07

Tea prices rise in Dhaka's roadside stalls

SUKANTA HALDER

Mohammad Dulal, a tea seller at Teacher-Student Centre (TSC) of the University of Dhaka, used to sell tea made of condensed milk for Tk 6 per cup a month ago. At present, he has increased the price to Tk 10.

Similarly, he used to sell a cup of tea without milk for Tk 5, but now the same drink costs Tk 6.

The price of tea has increased due to a rise in prices of its ingredients such as sugar, milk, tea leaves, kerosene, lemon and ginger.

Dulal has been selling tea at TSC for a decade.

"The prices of all kinds of ingredients have gone up. That's why I increased the prices," the tea seller said.

"A month ago, I used to buy a small tin of condensed milk for Tk 60 while it is now Tk 75. Half a kilogramme (kg) of tea leaves was earlier sold at Tk 150 while it is now Tk 155 to Tk 160."

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