Crude salt bought from coastal producers in Cox's Bazar for Tk 8.66 per kilogramme being processed to be labelled as "iodised" for sale at Tk 14.8 per kilogramme. The photo was taken from Kathpatti Road in Jhalakathi yesterday.

PHOTO: TITU DAS

New salt policy aims to encourage eco-friendly production

MD ASADUZ ZAMAN *and* SUKANTA HALDER

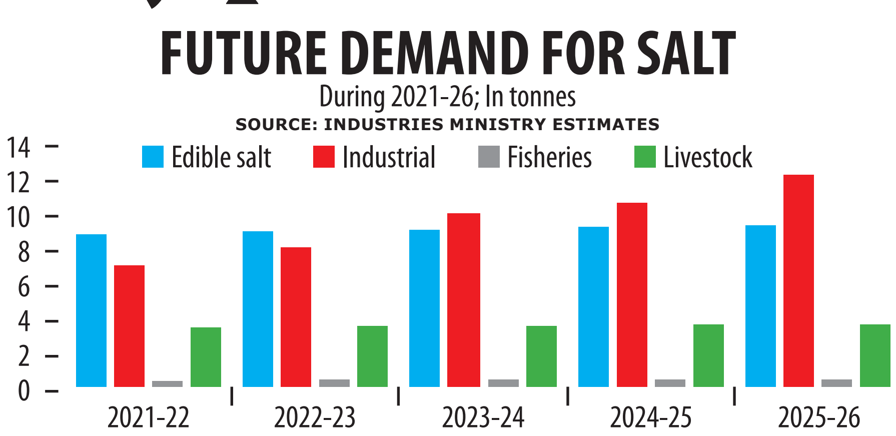
The government has framed a fresh policy to increase domestic salt production through the use of modern and environmentally-friendly technologies and gradually end imports by 2026 when overall demand is projected to reach 25.30 lakh tonnes.

Including 8.76 lakh tonnes of the edible variety, the total demand for salt in fiscal year 2021-22 is estimated to have been 19.38 lakh tonnes, according to National Salt Policy 2022 issued by the industries ministry.

The policy intends to train salt producers and ensure easy loans to increase domestic production of the chemical sodium chloride, an important item for human and animal health.

The latest policy replaces a previous one framed in 2016, which also had a number of objectives.

But HM Shahid Ullah, president of Bangladesh Salt Farmers' Association, said the old policy has not been implemented fully. "...it was not effective," he said, adding that farmers would benefit a lot if the government helps them use modern technology to produce salt.



The new policy, as of the previous ones, also aims to ensure a minimum 100,000 tonnes of buffer stock of salt.

Shahid said the intent of building a buffer stock to tackle emergencies has been limited to paper only. It has not yet been implemented, he said.

The new policy contains previous plans for taking decisions for imports during special circumstances, allocating land, including new ones, for salt production and ensuring supply of adequate salt to preserve hides during Eid-ul-Azha.

Hides from sacrificial animals during the Eid account for most of what the country generates annually.

According to the Bangladesh Small and Cottage Industries Corporation (BSCIC), if the new policy is implemented, the desired goal for salt production would be achieved. After that, there will be no shortage of salt, said Sorwar Hossain, deputy general manager of extension division of the BSCIC.

He said a number of issues had not been made clear in the previous policies.

In the new policy, all those issues such as ensuring easy loans for farmers and land lease have been specified. So this policy will help the farmers involved in this industry to move forward, he added.

He also said the new policy forecast sector-wise annual demand for salt until fiscal year 2025-26. He said proper estimation of the demand was important as it would be instrumental in ensuring domestic production.

Owing to population growth, demand for edible salt will increase to 9.24 lakh tonnes in fiscal year 2025-26 from 8.76 lakh tonnes in the current fiscal year, according to the policy.

Farmers produced 16.5 lakh tonnes of crude salt in fiscal year 2020-21.Till date in the ongoing fiscal year, crude salt production stands at 11 lakh tonnes, said the BSCIC official.

Producers mainly in the southeast coastal districts of Cox's Bazar and Chattogram produce crude salt which was refined in mills. About 500,000 people are directly and indirectly involved in the salt industry, according to the policy.

Bitcoin price boosted by possible Russia gas payment

AFP, *London*

Bitcoin on Friday rose above $45,000, boosted by talk that the Kremlin could accept the world's biggest cryptocurrency in exchange for Russian gas.

It climbed above the key trading level for only the third time this year and remains far below record levels.

President Vladimir Putin on Wednesday said Russia would accept only rubles for gas deliveries to "unfriendly countries", which include all EU members, after Moscow was hit by unprecedented financial sanctions following its invasion of Ukraine. The following day, a member of the Russian parliament reportedly said that countries that hadn't imposed sanctions could use local currencies and even bitcoin in exchange for its gas.

"The news sent bitcoin's price (higher)... yet there are a couple of questions that hang in the air," said Swissquote analyst Ipek Ozkardeskaya.

"China hates bitcoin; will it change its mind to buy cheap Russian oil?" She questioned also whether the West would "tolerate Russia going around sanctions via bitcoin".

European Central Bank chief Christine Lagarde this week spoke of her concern that cryptocurrencies were already being used as a loophole to avoid sanctions against Russia.

Lagarde said she was "most concerned" about the high volume of rubles being converted into crypto assets. She and other central bankers around the world have long been critical of unregulated cryptocurrencies, that are highly volatile and could leave investors exposed to heavy losses as well as gains.

Ukraine war knocks German business confidence

AFP, *Berlin*

The business climate in Europe's top economy worsened in March, German survey data showed Friday, amid fears over soaring energy prices and deepening supply chain woes due to the Ukraine invasion.

"War in Ukraine sends Ifo business climate index crashing," said the Munich-based institute as its closely watched indicator plunged to 90.8 points from 98.5 in February.

"Companies in Germany are expecting hard times," Ifo president Clemens Fuest said, noting that the "historic" 13.3-point drop in the indicator surpassed even the 11.8-point fall at the start of the pandemic two years ago.

Fuest said in a statement that the business climate in the flagship manufacturing industries had never declined so sharply, with "optimism giving way to clear pessimism" in the business outlook as well. Bottlenecks in supply of raw materials and components were already weighing heavily on Europe's largest economy, which draws much of its strength from the export-strong sector.

Moscow's invasion of Ukraine has also sent prices for energy rising, with Germany in particular highly dependent on Russia for supplies of natural gas.

Textile millers want more

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$4 billion worth of garment items over the last six months of this fiscal year.

It is expected that the country will be able to export more than $8 billion worth of garment items at the end of this fiscal year, said Mohammad Ali Khokon, president of the BTMA, at a discussion.

So direct shipping services between Bangladesh and the US will reduce the cost of doing business alongside the lead time in trade, he said.

Many shipping lines do not want to come to Chattogram port because of vessel and container congestions and the long time it takes to load and unload goods, he said.

As a result, some shipping lines have been leaving goods destined for Bangladesh at ports in China and Malaysia, he said.

A BTMA standing committee on shipping will meet the government to propose enabling direct shipping services between Bangladesh and the US, he told the discussion on the textile sector organised by the BTMA at a Dhaka hotel on Friday night.

However, a proposed gas price hike and inadequate supply of gas to the textile mills are posing a threat to the sector, Khokon also said.

The pressure of gas in the supply lines to some areas like Araihazar, Gazipur, Tongi and Shafipur is very low. As a result, the production in the textile mills in those areas is severely being affected, he said.

Many entrepreneurs want to shut down their business as they are having to do with lower production for the low gas pressure, said the BTMA president.

Khorshed Alam, chairman of local spinner Little Group, said he was pondering whether to shut down his textile business as he was not getting adequate gas pressure to his mill for many years.

He said to have incurred a loss of Tk 145 crore for the loss of production from the inadequate supply of gas to the mill.

Alam said he sent 40 letters to state-owned gas distributor Titas Gas Transmission and Distribution Company over the past four years requesting that an adequate supply of gas be provided to his unit but the situation has not improved.

Abdullah Al Mamun, vice president of the BTMA, said the country's textile sector has grown a lot over the last couple of decades thanks to the availability of cheap labour and energy.

But both energy and labour are no longer cheap now, he said.

As a result, many entrepreneurs are now feeling discouraged from continuing their business, he said, adding that the government should discard any plans it might have on increasing gas prices further.

Forex crisis now threatens

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The central bank is providing dollars to the banks with utmost generosity as the taka would face a major fall if the support is not extended.

The exchange rate now stands at Tk 86.20 per US dollar compared to Tk 84.80 a year ago. This means the central bank has allowed the taka to depreciate in a certain range.

But Ahsan H Mansur, an economist who earlier worked at the International Monetary Fund, describes the central bank's move as insufficient to ensure macroeconomic stability from the current global turmoil.

"Bangladesh Bank will have to devalue the local currency by Tk 3 against the dollar immediately," he said.

Higher imports against moderate exports brought down Bangladesh's foreign exchange reserves to $44.29 billion on March 23. This is way down from the $48 billion recorded in August last year.

And economists think the worse is yet to come.

This is because the impact of the global supply chain disruption stemming from Russia's invasion of Ukraine has not fully hit Bangladesh yet.

Businesses usually open letters of credit two to three months before the arrival of imported products. So, the effect of the war will be visible a couple of months later.

"The crisis in the foreign exchange regime will deepen if the increasing imports cannot be contained," Mansur said.

He suggested bringing down the country's import growth below 30 per cent from 46 per cent now or else the reserves will be hit hard by the ongoing instability.

The depreciation risks stoking inflationary pressure to some extent. The official figure of the Consumer Price Index surged to a 16-month high in Bangladesh in February driven by soaring costs of essential food ranging from staples such as rice, edible oil and vegetables to protein items.

"Inflation will increase, but you will have to embrace it for the time being," said Mansur when asked how the government would tackle the situation.

"We don't want to become Sri Lanka, which has long been facing a foreign exchange crisis," he added.

Sri Lanka has been hit with the financial crisis because of a shortfall of foreign currencies. As a result, traders cannot finance imports.

On Tuesday, the country was forced to order troops to petrol stations as sporadic protests erupted among the thousands of motorists that queue up daily for scarce fuel.

"Any delays in taking initiatives to address the existing crisis will deal a fatal blow to the macroeconomic stability," said Mansur.

Remittance flow through the official channel may reduce further as the exchange rate in the kerb market, an illegal trading spot, is higher than in the banking sector.

A foreign currency trader says that people now have to count Tk 91.80 per dollar, way higher than the Tk 86.20 interbank rate.

The foreign exchange regime volatility has even forced a bank to stop publishing US dollar rates in the last few days since the rates are fluctuating abnormally, said an executive of the lender requesting anonymity.

"If the kerb market continues to offer a higher rate, remitters will opt for the informal channel," Mansur said.

"This will bring the reserves to a critically low level. So, the central bank should narrow the gap as the subsidy of 2.5 per cent given by the government to beneficiaries of remittances is not adequate," he added.

Md Habibur Rahman, chief economist of Bangladesh Bank, says the central bank has decided to gradually depreciate the local currency.

He thinks the exchange rate gap between formal and informal markets should be Tk 2.50 per dollar to ride out the ongoing situation.

If his view translates into reality, the exchange rate will have to be depreciated to at least Tk 89 per dollar, which is also supported by Mansur.

"The central bank will bring about quick depreciation of the taka to a certain degree since injecting dollars to keep the exchange rate stable is not an ideal stance for long," Rahman said yesterday.

However, he has not given any hint as to how much depreciation will be allowed.

Another central bank official said the government would try to keep inflation in check in order to protect people from higher prices since the next general election is not far away.

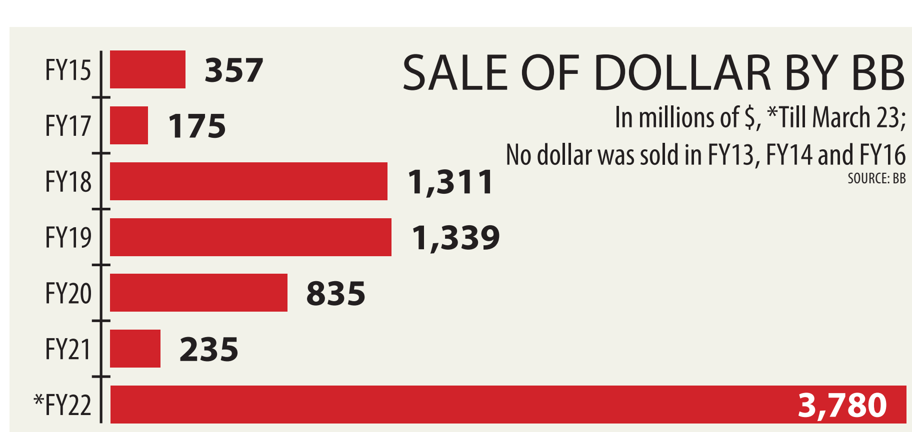
Mustafizur Rahman, a distinguished fellow at the Centre for Policy Dialogue, says the reserves could cover import payments for more than nine months a few months ago, but now it can finance imports for about 5.5 months.

He calls the gradual depreciation of the taka a time-befitting move.

"The depreciation will bring imported inflation. The government can lessen the woes of the common people by giving fiscal supports such as waiving or reducing taxes and value-added taxes, and providing subsidies to expand open market sales," he said.

"But such fiscal measures will have an implication on drawing up the next budget," Rahman added.

Syed Mahbubur Rahman, managing director of Mutual Trust Bank, says the imports of non-essential and luxury items have to be discouraged as some banks now face foreign currency shortages.



Edible oil

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tax paid by consumers, at the production stage and 5 per cent at the trading stage.

Two days later, it cut the VAT on imports to 5 per cent from 15 per cent in response to refiners' claims that prices would not decline to a meaningful extent unless the indirect tax on imports of raw and refined palm oil as well as soybean oil is reduced.

The government reduced the price of soybean oil by up to 5 per cent on March 20 after a meeting with refiners. Processors later cut prices of loose palm oil as well.

Golam Mawla, a wholesaler in Moulvibazar wholesale hub, said prices of oil fell after the government's move.

"Traders here are selling loose soybean oil at Tk 136 per litre," he said.

The government fixed the price of loose soybean oil by reducing it from Tk 143 each litre. It also cut retail prices of bottled soybean oil to Tk 160 per litre and Tk 760 for five litres.

TCB data showed traders were selling five-litre containers of soybean oil for as much as Tk 790 while one-litre bottles for Tk 165 on March 25.

On the other hand, some traders such as Mohammad Rakib Hossain, a salesperson of Al Amin Traders in Karwan Bazar, were selling below the government fixed prices.

He was selling five-litre containers at Tk 740 and one litre bottles at Tk 160.

Mawla said millers should keep the supply chain smooth. "The government should also monitor major points of the supply chain."