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Asif Ibrahim

Commodity
exchange
need of
the hour

Says CSE chair

AHSAN HABIB

A commodity exchange is needed for Bangladesh as it will ensure fair prices for both producers and consumers, said Asif Ibrahim, chairman of the Chittagong Stock Exchange (CSE), as it is set to appoint a consultant to establish the market.

Commodity exchange refers to an organised market where enforceable contracts to deliver goods, such as wheat and paddy, are bought and sold.

The CSE recently got the nod from the Bangladesh Securities and Exchange Commission to this end and plans to launch the market by 2022.

“The beauty of the exchange is that someone like a corn farmer can lock in a price for his crops months before harvest.”

“The beauty of a commodity exchange is that someone like a corn farmer can lock in a price for his crops months before they are even harvested,” Ibrahim said in an interview with The Daily Star.

This increases the farmers' chance of economic survival as the market always makes sure there is a buyer for every seller, provided the prices are acceptable for both parties.

“So, an organised commodity exchange is the need of the hour for Bangladesh,” said Ibrahim, who is also vice-chairman of Newage Group of Industries.

Besides, the market would play a key role in price discovery, and help develop an efficient

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WHAT IS A COMMODITY
EXCHANGE?

A commodity exchange is a legal entity that determines and enforces rules and procedures for trading standardised commodity contracts and related investment products; traders rarely deliver any physical commodities through a commodities exchange.



HISTORY

- The earliest recognised futures trading exchange is the Dojima Rice Exchange, established in 1730 in Japan for the purpose of trading rice futures
- The largest commodity exchange in the world is the Chicago Board of Trade founded in 1848
- Among the neighbouring countries, India and Nepal have a number of commodity exchanges.

TARGETS FOR LOCAL EXCHANGE



Trade gold, cotton and crude oil



Run the exchange within current year

OBJECTIVES



Reducing price gap between producer and consumer levels



Finding a price discovering mechanism



Managing risks



Building an organised gold market

CURRENT STATUS



CSE got nod from the BSEC last year to establish the local exchange



MCX of India will be appointed as a consultant tomorrow



Maiden commodity
exchange by this year

Aims to cut price difference between production-consumption levels

AHSAN HABIB

The Chittagong Stock Exchange (CSE) is planning to launch the country's first commodities exchange, or futures market, this year, aiming to reduce the price difference of commodities between what consumers pay and what producers get.

Insiders say the opening of the commodity exchange may enable buyers and producers to buy and sell goods at competitive prices and reduce the scope of manipulation in the commodity market now alleged to have been rampant in domestic trades.

“Our producers lament that they don't get fair prices while consumers are paying far too much. Such disparities may dissipate through the commodities exchange,” said Shaikh Shamsuddin Ahmed, commissioner of the Bangladesh Securities and Exchange Commission (BSEC).

Sometimes, farmers throw away their potatoes, tomatoes and other agricultural products in anguish over the low prices stemming from inefficient market mechanisms.

To make the market efficient

and ensure proper export and import, a commodities exchange is necessary in Bangladesh, he said, adding that for this the BSEC was planning for a futures market.

A commodities exchange is a legal entity that determines and enforces rules and

According to experts, a commodity exchange allows farmers to lock in prices using forward contracting. This also reduces the risk of a drastic price drop.

An exchange helps increase the liquidity for farmers since it assists them to access

in India.

It provides a platform for price discovery and risk management across varied segments, including industrial metals, energy and agricultural commodities.

MCX will recommend bylaws and regulations based on generic regulatory compliance and international best practices, products, clearing and settlement methods, trading and surveillance systems and warehousing, delivery infrastructure and partnership models.

It will also suggest reference pricing mechanisms, setting of spot price and functionalities of a price advisory committee; employ third-party data and practical market trends; train stakeholders on the market; and develop a five-year consolidated business plan.

MCX will share sample business rules so that the CSE can develop or customise that of its own to expedite the project.

In Bangladesh, the government took an initiative to establish a commodity exchange in 2007. But the initiative did not translate into

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procedures for trading standardised commodity contracts and related investment products.

Traders rarely deliver any physical commodities through a commodities exchange.

Instead, they trade futures contracts, where the parties agree to buy or sell a specific amount of the commodity at an agreed-upon price, regardless of what it currently trades at in the market at predetermined expiration date.

funds without any interest. As a result, they don't need to borrow at higher interest rates from sources such as banks or usurers.

In order to launch the market, the port city bourse is scheduled to sign a memorandum of understanding (MoU) with the Multi Commodity Exchange of India (MCX) tomorrow to appoint it as a consultant.

In 2003, MCX became one of the first exchanges to open

RMG exports to
Russia withstand
war headwinds

Exporters find alternative routes, paying in China currency

REFAYET ULLAH MIRDHA

Despite the Russia-Ukraine war and a ban on some banks on the use of global payments messaging network SWIFT, apparel shipment from Bangladesh to Russia has largely remained unscathed because of the use of alternative routes and payment channels, exporters say.

When the war broke out on February 24, it was largely anticipated that Bangladesh's garment export to the emerging country would come to a halt owing to supply chain disruptions.

The uncertainty deepened when the European Union excluded seven Russian banks from the SWIFT (Society for Worldwide Interbank Financial Telecommunication). The US has also announced sanctions on some large Russian banks.

Russian importers are also placing higher number of orders with Bangladesh to fill up the vacuum created after some large American and European retailers pulled out

What is more, SWIFT asked Bangladesh's banks to suspend transactions with the Russian lenders since they are facing sanctions from the US and the EU over Moscow's invasion of Ukraine.

But the garment export has not faced any major disruption since shipments are being made via alternative routes such as China and Hong Kong and the suppliers are receiving payments from China in the renminbi, the Chinese currency.

There is no ban on exports to Russia. However, most of the shipments now going to Russia have been against the orders placed before the beginning of the conflict.

Russian importers are also placing a higher number of orders with Bangladesh to fill up the vacuum created after some large American and European retailers and brands pulled out of the market.

Russian buyers are making advance payments to Bangladeshi garment exporters as well as the demand for apparel items has increased in the market.

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STOCKS	
DSEX ▲	CSCX ▲
0.31%	0.21%
6,662.45	11,725.99

COMMODITIES		AS OF FRIDAY
Gold ▲	Oil ▲	
\$1,947.57 (per ounce)	\$97.92 (per barrel)	

ASIAN MARKETS				FRIDAY CLOSINGS
MUMBAI	TOKYO	SINGAPORE	SHANGHAI	
▲ 0.70%	▲ 0.36%	▼ 0.62%	▲ 0.47%	
59,447.18	26,985.80	3,383.28	3,251.85	

TOURISM-HOSPITALITY

Pandemic costs
Tk 60,000cr

BIDS study finds

STAR BUSINESS REPORT

The adverse effects of Covid-19 were profound in Bangladesh's hospitality and tourism sector as it lost about Tk 60,000 crore in gross value added during the pandemic, according to a survey by the Bangladesh Institute of Development Studies (BIDS).

The research organisation estimates that the sector would have contributed about Tk 150,000 crore in terms of gross value added in absence of the pandemic, but it was ultimately reduced to around Tk 95,000 crore by the coronavirus fallout.

The transport sub-sector endured more than 40 per cent of the loss while hotels and resorts accounted for about 29 per cent.

Meanwhile, restaurants bore 25 per cent of the loss in gross value added while other related businesses made up the rest.

Gross value added is an economic productivity metric that measures the contribution of a corporate subsidiary, company, or municipality to an economy, producer, sector, or region.

The BIDS conducted the primary survey with enterprises and employees drawn from 200 hotels and resorts, 138 travel agencies and tour operators, 200 restaurants, and 63 tourism SMEs across the eight divisional cities and Cox's Bazar.

The survey, styled “The COVID-19 Pandemic and Hospitality and Tourism Sector in Bangladesh”, was

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An array of boats awaiting passengers are seen docked on the banks of Dholai River in Companiganj upazila of Sylhet. The area is a popular tourist destination due to its signature white stone beaches but almost no travellers came to visit during the height of the Covid-19 pandemic last year.

PHOTO: STAR/FILE

UK clothing
retailer sued
over dues

REFAYET ULLAH MIRDHA

Four local garment exporters have filed a case against British clothing retailer Edinburgh Woollen Mill (EWM) claiming Tk 5.98 crore in payments for goods they had shipped.

“We have filed the case with the lower court in Dhaka on March 14,” lawyer Mohammad Shah Poran, who is representing the four, told The Daily Star over the phone yesterday.

“...the company did not pay the local suppliers although it had generated profits through its sister companies,” he said.

Poran also said nearly 30 local garment manufacturers shipped goods to the EWM before and at the height of the pandemic in 2020 but the company did not pay for it.

The EWM had also cancelled work orders placed in Bangladesh worth \$8.2 million due to the Covid-19 outbreak, according to the BGMEA.

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