Star BUSINESS

SOYBEAN OIL

Refiners' price cuts taking effect in retails

SUKANTA HALDER *and* MOHAMMAD SUMAN

Refiners in Bangladesh have cut the price of soybean oil and the new rates have started to take effect in the kitchen markets of Dhaka.

On October 3, they slashed the retail prices of soybean oil by Tk 14 a litre after its prices in the international market dropped and the government decided to maintain a reduced value-added tax on it.

The new prices came into effect on October 4, said the Bangladesh Vegetable Oil Refiners' and Vanaspati Manufacturers' Association.

As per new rates, refiners will sell each litre of bottled soybean oil at Tk 178, down from Tk 192. The retail price of a five-litre container will be Tk 880, down from Tk 945.

On October 3, refiners slashed the retail prices of soybean oil by Tk 14 a litre after its prices in the international market dropped

Yesterday, wholesale and retail traders, however, said that it would take another three to four days for the new prices to fully come into effect.

Now some traders are selling the previously bought soybean oil at the new prices. But the products with a maximum retail price in line with the new rates have not hit the market yet.

During a visit to Karwan Bazar, one of the largest kitchen markets in the capital, and the Mirpur 1 kitchen market, it was found that a one-litre bottle of soybean oil whose price was printed to be Tk 192 is being sold at Tk 170 to Tk 175 and a five-litre bottle of Tk 945 being sold at Tk 880.

Abdul Jabbar, owner of Jabbar Store in Karwan Bazar, said it would take two to three more days for the products under the new rates to arrive at the market.

"But buyers do not understand that anymore. So, we are selling the products bought earlier at the new prices. There is no other way," he said.

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AT A GLANCE

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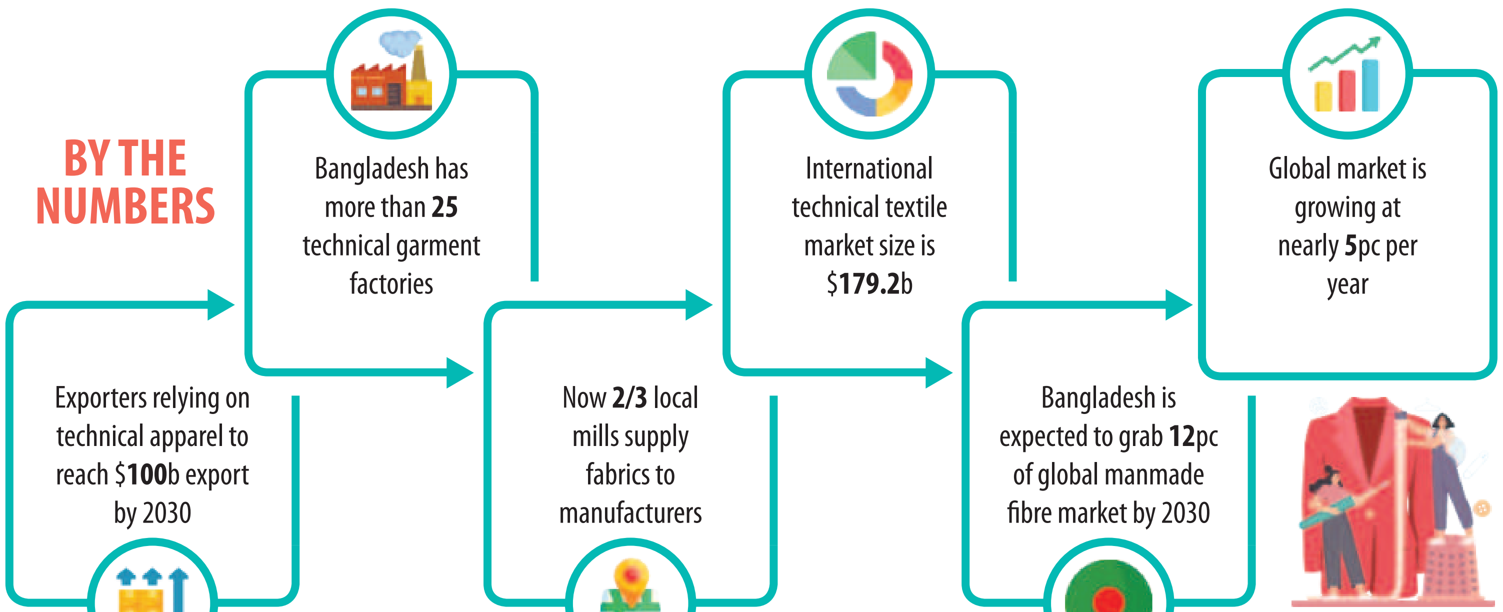

Exporters expand capacity to make technical garments

REFAYET ULLAH MIRDHA

Local garment manufacturers are pumping money to expand their capacity to produce technical garment items such as activewear and workwear since their demand is rising in the western markets.

A few years ago, Bangladesh had one or two technical or functional clothing factories. The number has already crossed 25 as industry people are making significant investments in the segment to grab more of the global market share.

Currently, the size of the global technical textile market is $179 billion and it is growing at nearly 5 per cent a year to reach more than $224 billion by 2025, as per a study by the Bangladesh Garment Manufacturers and Exporters Association (BGMEA) and German development agency GIZ last year.

BGMEA members are increasingly moving towards the technical textile and garment markets as the association plans to export $100 billion worth of apparel items by 2030.

The trade body is drawing up a roadmap to hit the target from $42.61 billion in the last fiscal year and expects that a major portion of the $100 billion will come from the shipment of technical textile and garment items.

Snowtex Group exports $300 million worth of mainly activewear, workwear and other garment items a year. Of the sum, nearly 90 per cent are technical clothing items, said SM Khaled, managing director of the apparel exporter.

The firm, which has been producing technical garments mainly for European and US customers for the last two decades, plans for further expansion to meet the growing demand internationally.

In recent years, the inflow of work orders for technical clothing items has risen fast in the local garment factories mainly because buyers are moving away from China, the largest supplier of garments worldwide.

China is suffering from a shortage of skilled workforce in the garment sector as a majority of workers are switching to better-paying industries like electronics. The dragging trade tension between China and the US has also contributed to the shifting of orders from China to Bangladesh.

Russia was a major market for Bangladesh's technical wear but the outbreak of the war in February has slowed the export growth a bit since shipments can't be sent directly to the country. Garments are exported to the country through third parties.

Although China is losing its market share in the finished technical clothing items segment, it is still the biggest player when it comes to raw materials, fabrics and accessories needed to produce the products, Khaled said.

Local weavers can meet only 5 per cent of the fabric demand. And fabrics are mainly imported from China, Korea and Vietnam.

In the case of accessories, domestic millers can supply 50 per cent of the items, Khaled said.

Narayanganj-based Fakir Apparels started the production of technical garments such as workwear, hunting and maintenance wear four years ago since they fetch higher prices compared to regular garment items.

For instance, if a piece of normal garment is sold at $7, the price of technical garment items is $15 per piece, Bakhtiar Uddin Ahmed, chief operating officer of the company, told The Daily Star. It has a target to expand the production lines to 50 by 2025 from 16 now.

"We are exporting more than $1 million worth of technical garments a month. But the export value will double within two or three years," Bakhtiar said.

He thinks the future of the country's garment sector lies in the technical garment items as the prices of fashion garment items are not going up to the level expected.

Mohammad Ayub Khan, managing director of Debonair,

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Roaring dollar hits local producers

Cost of production soars

JAGARAN CHAKMA

Bangladesh's entire business sector, particularly the producers focused on the domestic market, is facing troubles due to an unprecedented hike in the US dollar price as their cost of production has witnessed a sharp spike.

This is because businesses are now having to settle import bills by buying each American greenback at Tk 108 whereas they opened letters of credit when the US dollar was trading at Tk 84 to Tk 86, a jump by at least 28 per cent.

The dollar has strengthened against most currencies because of the interest rate hike by the US central bank to fight runaway inflation, the Russia's war in Ukraine, and global sanctions on Russia. Currently, it is at its strongest level in two decades.

The soaring dollar has made import of most of the commodities dearer, directly hurting the producers reliant on external markets for raw materials

In Bangladesh, by contrast, the local currency has lost its value by at least 21 per cent on the interbank foreign exchange market, driven by a shortage of US dollars after import bills rocketed to feed an economy rebounding from the coronavirus pandemic.

The soaring US currency has made the import of most of the world's commodities, priced in dollars, dearer, thus directly hurting the producers that are reliant on external markets for raw materials whether they are in the pharmaceuticals, paper or steel industries.

In fact, almost all industries in Bangladesh are dependent on imported raw materials, so their cost of production has increased abnormally in the last six months due to the continuous increase of the dollar price.

Partex Paper Mills Ltd, a subsidiary of Partex Group, opened LCs at Tk 86 against per dollar to import pulp six months ago. The company is now settling them at Tk 107 to Tk 108.

"This means we are settling LCs paying Tk 20 in addition for each US dollar. This has raised the cost of our production," said MM Nurun Nabi, general manager of the paper manufacturer.

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STOCKS (AS ON TUESDAY)

DSEX ▲	CASPI ▲
0.40%	0.46%
6,544.83	19,288.83

COMMODITIES

Gold ▼	Oil ▲
$1,710.09 (per ounce)	$87.22 (per barrel)

ASIAN MARKETS

MUMBAI	TOKYO	SINGAPORE	SHANGHAI
▲ 2.25%	▲ 0.48%	▲ 0.46%	▼ 0.55%
58,065.47	27,120.53	3,153.23	3,024.39

The Russia-Ukraine war continues to have far-reaching consequences as local consumers are having to pay record-high prices for wheat flower in the face of reduced imports from the two countries. Retailers in Dhaka were selling wheat flour for as much as Tk 55 per kilogramme yesterday, up 10 per cent from a month ago. The picture was taken from an eatery at the Daulatpur Central Eidgah in Khulna yesterday. PHOTO: HABIBUR RAHMAN

Wheat flour price soars to record high

SOHEL PARVEZ

Bangladeshi consumers are paying the highest ever prices to buy wheat flour as supply and private stocks of the grain slumped in the domestic market in the wake of a dip in imports since the beginning of the Russia-Ukraine war.

Retail prices of wheat flour, which is consumed by many as flatbread or "ruti" in Bangla, hit Tk 50.10 per kilogramme in Dhaka in September this year, the highest since July 2008, according to data from the Food and Agriculture Organization.

September's price was 62 per cent higher than what it was a year ago.

On October 4, retailers sold loose wheat flour at Tk 54 to Tk 55 per kilogramme in Dhaka, which was 10 per cent higher than that a month ago and 62 per cent above the prices a year ago, shows market prices data compiled by the Trading Corporation of Bangladesh.

Importers and processors said the prices of wheat, used extensively by biscuit and bakery makers, soared driven by increased prices in the international market, rising cost of the US dollar and depleting stocks.

The situation turned worse after India, which became a major source of wheat for Bangladesh's private sector since 2020, restricted the export of grain to contain prices in its local market in May 2022.

The Indian ban came after imports from other sources, Russia and Ukraine, came to a halt in the wake of the war in February.

Bangladesh's wheat imports fell to its lowest in six years in fiscal year 2021-22.

Public and private imports fell 25 per cent year-on-year to 40 lakh tonnes in fiscal year 2021-22, according to food ministry data.

And until August 25 of fiscal year 2022-23, which began from the first day of July, the total wheat import stood at 1.62 lakh tonnes, down 35 per cent from 2.48 lakh tonnes in the same period a year ago.

"There is an inadequate supply of wheat in the market. But when we get supply, prices are high," said Deluar Hossain, general secretary of the Ata (flour) and Maida Mill

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