



Farmers who brought their produce to Jorgach market on the banks of the Brahmaputra river in Kurigram's Chilmari upazila were left disappointed by the poor price of peanuts this year as they had hoped to make better profits this time around. Many farmers are now withholding their stocks in hopes of better prices. PHOTO: S DILIP ROY

Farmers frustrated by poor price of peanuts

S DILIP ROY

Peanut farmers in the greater Rangpur region have been left disappointed this year as prices for their produce are far below the expected level of Tk 7,000 to Tk 7,500 per maund (37 kilogrammes).

The legume crop is currently selling for Tk 5,000 to Tk 5,500 per maund in local markets, down by at least 30 per cent compared to Tk 6,500 to Tk 7,000 during the same period in 2021.

Amjad Hossain, a farmer who brought 12 maunds of peanuts for sale at the Durakuti Market in Lalmonirhat sadar upazila, said he was able to sell just 4 maunds of his produce.

Hossain had grown 30 maunds of peanuts on 6 bighas of land last year, when he sold the entire harvest for Tk 2.10 lakh at Tk 7,000 per maund.

This year though, Hossain got a total of 31 maunds of peanut from the same

amount of land but is having to sell it for just Tk 5,200 per maund.

"I had hoped to sell peanuts at a slightly higher price this year, but I am disappointed as the price is lower," he added.

Nazir Hossain, a farmer of Chalbala village in Kaliganj upazila of Lalmonirhat, said each bigha of land produces about 5 maunds of peanut at a cost of Tk 15,000 to Tk 18,000.

He went on to say that although peanut is usually a profitable crop, not all farmers can engage in cultivation as it required high, flat and fertile land.

Nazir produced 32 maunds of peanuts on 7 bighas of land this year at a cost of Tk 1.12 lakh. He has sold 10 maunds of the crop for Tk 5,000 per maund so far and plans to withhold the remaining 22 maunds until prices improve.

According to sources at the Department of Agricultural Extension (DAE), peanut was cultivated on 19,800 hectares of

land across 5 districts -- Lalmonirhat, Kurigram, Gaibandha, Nilphamari and Rangpur -- with a production target of 32,600 tonnes this year.

Many peanut farmers had increased their acreage in anticipation of better prices. The peanuts produced in Rangpur are sent to different parts of the country, including the capital Dhaka.

Nader Ali Sarkar, a farmer of Jorgach village in Kurigram's Chilmari upazila, said he cultivated 64 maunds of peanuts on 13 bighas of land this year after getting the expected prices for his produce in 2021.

And while the increased price of fertilisers, pesticides and wages paid to labourers have added to the cost of peanut cultivation this year, market prices for the produce are lower than what they were previously.

"There is a lot of supply of peanuts in the market but not many wholesalers," he

said, adding that farmers are being forced to sell the legumes at lower prices in order to meet their daily needs.

Sagir Hossain, a trader at Jorgach market, said the demand for peanuts has decreased in different wholesale markets across the country, including Dhaka, Bhairab, Noakhali, Bogura and Faridpur.

"As most big merchants are buying peanuts from wholesalers at cheap prices, the wholesalers themselves are paying less to farmers," he added.

Suresh Chandra Das, a wholesaler from Bhairab, said they still have last year's peanuts in stock and so, they are not buying much this year.

"Apart from this, the price is low as the supply has increased due to good yields," he added.

Biplab Kumar Mohanta, deputy director of the DAE in Kurigram, said peanut farmers got good yields this year due to favourable weather.

Envoy gets \$11m ADB loan

STAR BUSINESS REPORT

Asian Development Bank (ADB) has provided a €10.8 million (\$11.2 million) loan to Envoy Textiles to construct a second yarn spinning unit in Jamirdia of Mymensingh.

The fund will also finance the purchase and installation of energy efficient spinning machinery and other equipment to expand sustainable textile production and create local jobs, said a statement from the ADB yesterday.

The new automated and more energy efficient unit will have an annual yarn production capacity of 3,600 tonnes mainly used for in-house production of denim fabrics.

Construction and operation of the new spinning unit is expected to create 250 new jobs, the statement also said.

"The ready-made garment industry is a key driver of Bangladesh's economy, accounting for over 80 per cent of the country's total export earnings, and Envoy is the leading denim fabric manufacturer," said ADB Vice-President for Private Sector Operations and Public-Private Partnerships Ashok Lavasa.

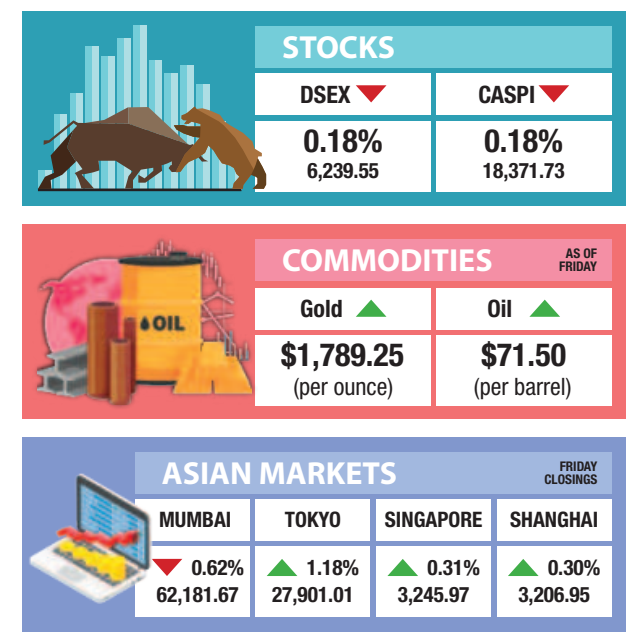
"Modern spinning equipment will increase yarn production capacity, reducing reliance on imported yarn and enhancing the industry's efficiency, sustainability, and energy efficiency," he also said.

"This project marks the ADB's return to financing Bangladesh's textile sector after two decades, and it will help to crowd in much-needed financing to this strategically crucial part of the economy," he added.

The project will reduce electricity consumption and greenhouse gas emissions through the use of energy efficient and modern equipment.

Additionally, the ADB will help Envoy develop a gender action plan that will increase career opportunities for women employees, promote gender-inclusive procurement and promote gender inclusion in the workplace, the statement said.

"We are delighted to receive our first ever financing from an international lender, and it is even more meaningful that it comes from ADB as we share the same vision of quality of service, inclusivity, and sustainability," said Envoy Founder Kutubuddin Ahmed.



Bangladesh, Japan agree

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Retaining the preferential trade benefits is important because of the country's total export of more than \$52 billion last year, more than 73 per cent was induced by the Generalised System of Preferences (GSP).

In other words, more than 73 per cent of the country's exports were under duty preferences as a least developed country (LDC).

However, the LDC trade benefit will come to an end with the LDC graduation of the country in 2026 and in 2029 in the European Union (EU) as the EU has offered a grace period of three years to prepare for the graduation.

Trade experts and analysts said more than \$7 billion worth of exports from Bangladesh may be affected due to erosion of the preferential trade.

This is due to the fact that local exporters will face more than 9 per cent in duty on shipment of goods to different countries, except to the US, after the LDC graduation.

However, another school of thought said Bangladesh's exports would not be affected after the graduation as the local garment exporters have been performing strong in the US markets.

This was in the face of one of the highest tariff rates of 15.62 per cent to the US where garment shipments grew by 50 per cent last year. This rate is still persisting.

Moreover, Bangladeshi goods are still competitive in terms of prices compared to goods of other countries.

For instance, if the sales value of a garment item of Bangladesh to the EU is at \$2, the EU retailers and brands are buying the same item at more than \$5 per piece.

This indicates that there is still room for negotiations over prices for Bangladeshi exporters, said experts.

So, the export of Bangladesh may not be affected even after the LDC graduation, they added.

Japan is the first country among Asian nations where the value Bangladesh's annual shipments has already crossed the \$1 billion mark nearly a decade ago, buoyed by

garments.

So more than 85 per cent of the nearly 338 Japanese companies operating in Bangladesh want an FTA to be signed for a boost to bilateral trade and investment, according to a survey by Japan External Trade Organization (JETRO) in June this year.

According to the survey outcomes, both governments have started negotiations for signing the FTA.

A memorandum of cooperation for signing the deal was supposed to be signed during the visit of Prime Minister Sheikh Hasina in November this year but unfortunately the tour was postponed.

Last fiscal year Bangladesh exported goods worth \$1.35 billion, a year-on-year rise of 14.40 per cent, according to data from the Export Promotion Bureau (EPB). Of it, \$1.10 billion was from garments.

A Japanese Special Economic Zone at Araihaazar at Nayranganj was inaugurated on December 6 to facilitate Japanese investments in Bangladesh.

Shipment of garment items to Japan from Bangladesh started leapfrogging since April 2011, when Japan relaxed its Rules of Origin for the LDCs and for knitwear sector.

Earlier, Japan did not allow zero-duty on shipment for knitwear to protect its indigenous knitwear sector.

Recently, Japanese Ambassador to Bangladesh ITO Naoki said the apparel shipments were expected to rise tenfold to reach \$10 billion by 2030.

Bangladesh mainly imported \$2.34 billion worth of capital machinery, textile and garment accessories, food and beverage, logistic materials and electronic home appliances from Japan last year.

Md Anwar Shahid, secretary general of the Japan Bangladesh Chamber of Commerce and Industry, said they want an FTA to be signed between the two countries as soon as possible.

"Because we have a very big potential of increasing trade with Japan if the FTA is signed," he told The Daily Star over the phone.

BB relaxes LC requirements

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lentils, crude edible oil, sugar and wheat in the four months to March, when the fasting month is scheduled to begin, according to a paper of the commerce ministry recently.

Three items -- crude soybean oil and seed, refined, bleached, and deodorised palm oil, raw sugar and wheat -- will require \$2.1 billion out of the total projected cost.

The central bank does not usually set any margin on the import of commodities. Rather, it is determined based on the bank-client relationship. Banks can even decide to impose no margins.

BB to return to biannual monetary policy

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Zahid Hussain, a former lead economist of the World Bank's Dhaka office, does not see the return to a sixth-month monetary policy statement as a significant development.

"The monetary policy is not working since its main instrument -- the lending rate -- is capped. If the arrangement remains the same but the monetary policy is unveiled twice a year or four times a year, what difference will it make?"

In July, he said, it was said that the central bank would move to a contractionary policy but such a policy stance is not being seen.

He pointed out both public and private credit growth.

Private credit growth stood at 13.91 per cent last month against the BB target of 14.1 per cent for the current fiscal year, which began in July.

The growth in government's net borrowing was 32.11 per cent in October.

"In the public sector, the central bank is providing 100 per cent finance. Where is the contraction then? There is no contraction anywhere. Rather, expansion has taken place," said Hussain.

"So, the monetary policy is not

But in July, the BB asked banks to take up to 100 per cent of import payments in advances from businesses while opening LCs for luxury and non-essential items, including fruits, in an effort to keep the foreign exchange reserves stable.

This means importers would have to keep a 100 per cent margin while opening LCs for dates, one of the most consumed items during the fasting month.

Emranul Huq, managing director of Dhaka Bank, welcomed the central bank initiative, saying it would help keep the commodity market stable during Ramadan.

He, however, says banks usually have to clear import bills for food items immediately. So, the opening of LCs for the items with zero margins usually does not provide any big support to businesses and banks.

He suggested the central bank provide the deferral support facility to banks to settle the LCs as banks are still facing the shortage of the US dollar.

Bangladesh's dollar shortage has intensified amid a sharp increase in import bills compared to lower-than-expected remittance inflows and to some extent, exports, the two cheapest sources of foreign currencies for the country.

The reserves fell from \$39.60 billion in July to \$33.92 billion on December 7, owing to higher imports.

The central bank has so far supplied the American greenback around \$6.50 billion to the market in order to help banks clear their import bills.

Taslim Shahriar, senior assistant general manager at Meghna Group of Industries, says that the central bank should provide dollar support to banks to settle import bills for food items centring Ramadan.

"Banks don't have adequate US dollars to settle LCs. So, the injection of the greenback into the market is important."

Prof Raihan said recently, many scams have surfaced in the banking sector and there are examples of influential business groups controlling banks and taking up a large volume of loans through irregularities.

"The January monetary policy statement should clearly state the issue of governance in the banking sector so that it sends signals about the good intention of the government and the central bank. Otherwise, it would be a bookish statement and it will not be useful."

Recently, BB Governor Abdur Rouf Talukder held meetings with noted economists and hinted that the concerns raised by the think tanks would be addressed within two to three months, said an official of the central bank.

The lending rate cap on consumer loans has been relaxed and it may fluctuate between 9 and 12 per cent.

The decision on withdrawing the ceiling on two other types of loans -- working capital and industrial loans -- would be taken and the exchange rate would be made market-based when the time is right, the governor said at a conference in Dhaka on December 1.

on track. The main challenge for the central bank is to bring the monetary policy on track."

According to Hussain, deficit financing of the budget is the main challenge for the government.

In order to meet the budget deficit, the government used to borrow from the banking system in the past. Now, 100 per cent of it is coming from the central bank. The monetisation of the deficit would not lessen the pressure on the reserves, he said.

Selim Raihan, executive director of the South Asian Network on Economic Modeling, however, welcomed the move to switch to the biannual monetary policy stance.

"Given the current volatility in the global and local economies, it is important to make a time-to-time adjustment of the monetary policy," he said.

He, however, said if the central bank keeps the interest rate on loans fixed, then it is left with no instrument.

"Allowing the central bank to apply its instruments properly is more important than announcing the monetary policy once or twice. It has to be given that independence."

Local economists and the IMF have called for lifting the cap on

the lending rate to address the two challenges of runaway inflation and depletion of the forex reserves.

"I hope these would be addressed in the next monetary policy," said Raihan.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, thinks stabilising the macro situation is the main priority, by way of getting rid of the dollar shortage and mitigating the liquidity crunch in the banking system.

"The BB will have to make it clear the steps it has taken to eliminate scams at some banks."

He also questioned the logic of extending liquidity support to troubled Islamic banks.

"It has been done in a business-as-usual manner. It seems that nothing has happened. No steps have been taken against the board or management. Will there be no accountability?"

He alleged that the injection of the funds from the depositors would give embezzlers another chance to take money out of banks.

The former IMF economist said partial measures such as reining in imports have been taken.

"But we have not seen any serious effort in overcoming the challenges