

Reduced VAT on edible oil until April 30

STAR BUSINESS REPORT

The National Board of Revenue (NBR) has extended a VAT reduction of 5 per cent on edible oil for four more months till April 30 so that consumers do not feel the burden of the indirect tax on prices, according to a notification yesterday.

The move comes as the value-added tax (VAT) reduction on soybean and palm oil ceased to come into effect on December 31.

The NBR in March slashed the VAT on soybean oil and unrefined palm oil from 15 per cent to 5 per cent during imports and exempted the indirect tax at the production and trading stages until June 30, 2022.

This was amidst a public outcry over the soaring prices of the key essential commodities, slow delivery by mills and stockpiling by a section of traders.

The NBR later extended the benefits until the end of 2022 as prices of the key commodities remained high in the domestic market.

In Dhaka, prices of loose soybean oil decreased 0.86 per cent to Tk 167 to Tk 170 per litre yesterday from that a week before, according to market prices data compiled by the state-run Trading Corporation of Bangladesh.

Packaged soybean oil prices edged up 1.89 per cent to Tk 187-Tk 190 per litre yesterday from a week ago.



Farmers clean and sort carrots at Varoimari village in Pabna's Ishwardi upazila last week. Mostly imported some two decades ago, carrots have now turned into one of farmers' preferred winter season crops. There is constant demand for their ability to improve vision, digestion, kidney function and immunity. Moreover, they can be stored for long periods while their leaves used as animal fodder. Around 27,567 tonnes of carrots were grown on 5,736 acres of land around the country in fiscal year 2020-21, according to the Bangladesh Bureau of Statistics.

PHOTO: AHMED HUMAYUN KABIR TOPU

Vegetable cultivation shows promise in Pabna

Farmers bemoan lack of marketing facility

AHMED HUMAYUN KABIR TOPU, Pabna

Vegetable cultivation is gaining popularity in Pabna as growing profits have spurred local farmers to expand their activities over the past few years, according to the Department of Agricultural Extension (DAE) in the district.

"We once cultivated only mustard and other winter crops but now, we are cultivating carrot and tomato as well," said Md Rojob Ali, a farmer of Varoimari village in Ishwardi upazila.

Ali is growing carrots on one bigha of land while mustard plants cover the rest of the area in his two-bigha plot.

"One bigha of carrot can easily earn Tk 25,000 while the mustard will bring a profit of as much as Tk 15,000," he added.

Like Ali, most farmers in the region are cultivating more than one crop.

Md. Jasim Uddin, another farmer of the same village, said he cultivated a hybrid variety of carrot early in the season

in a bid to get a handsome profit.

"I cultivated the early hybrid variety carrot on one bigha at a cost of Tk 50,000," Uddin said, adding that he planted tomato on one bigha of land as well.

He then said carrots worth TK 80,000 have already been sold and that it is very easy to earn such an amount from the crop, which provides better returns than other vegetables.

As per DAE data, a total of 22,250 hectares of land in the district will be brought under cultivation with a target to produce 5.67 lakh tonnes of vegetables this year.

Already, 20,184 hectares have been cultivated.

"Last year, 22,171 hectares were brought under vegetable cultivation to produce 5.68 lakh tonnes. This year, expect to get more vegetable cultivation," said Md Idris Ali, a development officer of the Pabna DAE.

Some 35 types of vegetables are grown in Pabna with eggplant, cauliflower, pumpkin, radish and carrot being the biggest cash crops.

While some vegetables are grown year-round, most of the crops in Pabna are sown in winter, Idris said, adding that farmers in the district supply their produce to markets all over the country to bring in thousands of crores worth of business each year.

Vegetables are being sold for at least Tk 40 per kilogramme (kg) at retail while the same amount is being bought for Tk 20 to Tk 25 from farmers, DAE officials said.

But despite the handsome profits, vegetable growers believe they could get even better profits if there was a proper marketing facility, in lieu of which they mostly depend on middlemen.

"I sold each maund [37 kgs] of carrot for up to Tk 2,000 in November after the harvesting hybrid early variety, when each kg of carrot was sold for Tk 80-100

at retail," said Rajab ali, another local farmer.

Now, each maund of carrot is being sold for as much as Tk 900 from the field level and Tk 40 per kg in retail markets.

"Like this, all other kinds of vegetables are selling for double the price in retail outlets but the farmers are deprived of the expected price," he added.

Shajahan Ali Badsha, a local pioneer in vegetable cultivation, said farmers are often deprived of their expected prices due to the lack of a marketing facility and excessive transport costs.

"Vegetable farmers do not directly supply the retail markets. Besides, transport costs have doubled in the past year while middlemen continue to take most of the profit," said Sajahan Ali Badsha, an Agricultural Important Person (AIP) of the country.

If the farmers had access to a marketing facility to sell their crops directly, they would get the expected profit, he added.

Capital market expo starts tomorrow

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The fifth edition of the Bangladesh Capital Market Expo-2023 will start in Dhaka tomorrow at the Institution of Diploma Engineers, Bangladesh.

Business-based news portal arthosuchak.com is organising the three-day fair in collaboration with Bangladesh Merchant Bankers Association (BMBA) and DSE Brokers Association of Bangladesh.

The fair's gate will remain open for visitors from 10am to 8pm.

Commerce Minister Tipu Munshi is scheduled to inaugurate the expo as the chief guest, the organiser said at a press briefing held yesterday at the auditorium of Capital Market Journalists' Forum in Dhaka.

Some 35 institutions, including Bangladesh Securities and Exchange Commission, the Central Depository Bangladesh, Bangladesh Capital Market Development, merchant banks, asset management firms, credit rating agencies, audit firms and listed companies, will participate in the exposition.

Saif Powertec, Deshbandhu Group and BBS Cables are the sponsors of the expo.

Four seminars will also be held during the fair where experts and shareholders will discuss how to get out from the current bearish situation of the market.

Ziaur Rahman, editor of arthosuchak.com; Sayadur Rahman, president of BMBA, and Richard D' Rozario, president of DBA, were also present at the press briefing.

Pran to buy 20,000 tonnes of tomatoes

STAR BUSINESS DESK

Pran, one of the leading agro-processors in the country, has started tomato collection from the farmers and pulping activities to manufacture sauce, ketchup, tomato paste and other food items.

The agro processor has set a target to procure 20,000 tonnes of tomatoes, said a press release.

The company already started collecting and pulping the tomatoes in its Barind (Varendra) Industrial Park in Rajshahi from Monday.

They will also collect tomatoes through the Pran Agro Ltd factory in Natore from next week.

"We are collecting tomatoes from Rajshahi, Natore, Chapainawabganj, Dinajpur, Pabna and Naogaon districts. The collection and pulping activities will continue till the availability of tomatoes in the field," said Sarowar Hossain, general manager of Barind Industrial Park.

The company has a capacity to produce 18,000 tonnes of sauce every year, he said.

"Pran's sauce and ketchup have a good market across the world. Currently, Pran exports its sauce and ketchup to many countries, including Malaysia, the UAE, the USA, Italy and Sweden," said Kamruzzaman Kamal, marketing director of Pran-RFL Group.

Imports of key essentials drop

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sugar imports stood at 1.39 lakh tonnes, way lower than the 3.15 lakh tonnes that arrived in the identical period of the previous financial year.

The import of wheat, dates and lentils, which are among the most-consumed items during the fasting month that begins in the middle of March, rose slightly.

About 1.83 lakh tonnes of dates were purchased from international markets in July-November, up from 1.42 lakh tonnes a year ago.

"The opening of LCs has become very tough. Banks are going to open LCs that are lower than what's needed. If a company like ours is in such a situation, it is easy to understand the situation others are facing," said Taslim Shahriar, senior assistant general manager at Meghna Group of Industries, one of the biggest commodity importers and processors.

The products for which LCs are opened in December will arrive in the country in February or in the first week of March. And the items against which LCs will be opened by January 15 will enter the country at the beginning of Ramadan.

So, the prices of the products might be higher before Ramadan, Shahriar said.

The central bank has asked banks to take a minimum cash advance from importers while opening LCs for essential commodities as it looks to keep their prices at a tolerable level during Ramadan and ensure smooth supply.

Importers of eight items – edible oil, gram, lentil, onion, sugar, peas, spices and dates – were initially supposed to receive the advance payment facility, also known as the cash LC margin. Later, rice and wheat were added to the list of concessions in the LC margin.

The cash LC margin should be kept at the minimum level depending on the bank-client relationship, said the Bangladesh Bank in a notice on December 11.

Shahriar claimed, "The directive

has not been implemented yet."

City Group, a commodity importer and processor, is also in a similar situation.

"Due to the dollar shortage, we have been able to open LCs for less than 50 per cent of goods that are usually imported ahead of Ramadan," said Biswajit Saha, director of corporate and regulatory affairs at the group.

A meeting of the government's task force tasked with assessing the price situation of essentials is going to be held at the commerce ministry today.

Senior officials of the Bangladesh Bank, the National Board of Revenue, the public security division, the agriculture, food, industries, and commerce ministries, the Trading Corporation of Bangladesh, the president of the Federation of Bangladesh Chambers of Commerce and Industry, the Consumers Association of Bangladesh, the Bangladesh Vegetable Oil Refiners & Vanaspati Manufacturers Association, and Bangladesh Sugar Refiners Association are expected to attend the meeting, among others.

"Let's see what decisions are taken during the meeting. If LCs can be opened by January, the products can be supplied to the market before the start of Ramadan," said Saha.

Mahbubul Alam, president of the Chattogram Chamber of Commerce and Industry, said the LC margin facility for essential commodities was already there, so the new directive would not help much since it would not resolve the dollar crisis.

"There is a need to fix the dollar crisis as soon as possible and ensure the opening of LCs."

The seven products that are imported on the occasion of Ramadan will involve about \$2.5 billion in import costs, commerce ministry data showed.

M Mofizur Rahman, an importer of consumer goods in Khatunganj, urged banks to treat all traders equally when it comes to opening LCs.

"Large traders can open LCs easily while small and medium traders are facing difficulties," he said.

Md Mezbaul Haque, the spokesperson of the Bangladesh Bank, declined to comment on the troubles confronting businesses while opening LCs.

Ghulam Rahman, president of the Consumers Association of Bangladesh, says consumption of a number of essentials doubles during Ramadan.

"So, the government should pay special attention so that there is no shortage of supply. A crisis can occur if there is not enough supply of essential commodities."

Rahman alleged that some traders create an artificial crisis by taking advantage of the increase in demand, raising prices and making extra profits.

"The government should strictly monitor the issue from now on," he said.

Consumers in Bangladesh have been facing a cost-of-living crisis since March as the prices of almost all commodities have gone up owing to the supply disruptions caused by Covid-19, the Russia-Ukraine war, and the global energy crisis.

Inflation surged to a 10-year high of 9.52 per cent in August before easing to 8.71 per cent in December.

"We are already in serious trouble for the hike in the cost of living. If the prices go up further during Ramadan, the suffering will only deepen," said Ismat Jahan, a resident in the capital's Uttara.

Zahid Hussain, a former lead economist of the World Bank's Dhaka office, said the inflation pain can't be understood unless one suffers from it.

"If you ask a rickshaw-puller, a tea vendor or a restaurant waiter, you will find out how anxiously they pass each night thinking about whether they will be able to afford three meals for the family members the next day, children can be sent to school, and healthcare expenditures can be afforded."

"It is a real livelihood crisis for the low-income groups and the people living below the poverty line," he said last week.

Bangladesh's growth to slow

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"Even countries that are not in recession, it would feel like recession for hundreds of millions of people," she said in an interview on the CBS Sunday morning news program "Face the Nation".

The warnings come at a time when Bangladesh faces various challenges – elevated inflation, dollar crisis, energy shortage and problems in the banking sector – which it has not encountered in recent decades.

Earlier this week, Bangladesh Bank and the Export Promotion Bureau released remittances, balance of payments and export earnings data, which are expected to ease pressure on the country's foreign exchange reserves.

Ahsan H Mansur, executive director of the Policy Research Institute (PRI) of Bangladesh, said the country's situation was not that bad in context to the global scenario.

"But our economic growth will go down to 5.5 per cent to 6 per cent this fiscal year because of the slowing down of economic activities," he said, citing a consistent decline in the manufacturing index for the last three months.

International Monetary Fund (IMF) in October last year cut Bangladesh's growth forecast to 6 per cent for fiscal year 2022-2023 from its previous projection of 6.7 per cent, citing high energy, food

prices and interest rates, inflation and the Russia-Ukraine war.

Mansur said Bangladesh's exports have grown in December while remittance inflow did not decelerate.

However, the foreign exchange market is unlikely to become stable soon until the problems of short-term debt overhang and settlement of letters of credit (LCs) are resolved, he said.

Ahsan H Mansur, executive director of the Policy Research Institute of Bangladesh, said the country's situation is not that bad in the context to the global scenario

"The dollar crisis is likely to continue for more days," he said.

"Secondly, the situation of the banking sector is getting worse. It is not clear where the end of this problem is. Instability in these two sectors is likely to continue," he said.

However, the good thing is that commodity prices are falling internationally, said Mansur.

"We will get some relief. Domestic production of rice and vegetables has been good so far. Overall, inflation is expected to be in the downturn," he said.

Internet subscriber base shrinks

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Many people availed broadband connections in the last two-and-a-half years as they had to rely on the internet to work, communicate, study and get updates on the pandemic, according to industry people.

In February 2020, there were only 57 lakh broadband customers in Bangladesh. The number rocketed to around 1 crore in December the same

year, but growth began slowing at the beginning of 2022.

However, the number of unique internet users is much lower than BTRC data suggests as many people use multiple SIMs.

According to the new population census of the government, about 6.5 crore people aged five or above in the country of 16.51 crore do not use the internet.

"Overall, it would not be wise to think that our crisis will be over immediately," he added.

Mirza Azizul Islam, a former finance and planning adviser to a caretaker government, said he does not see any possibility of a recession in Bangladesh.

"Recession means two consecutive quarters of negative growth. We will not face this sort of situation," he said.

Mustafizur Rahman, a distinguished fellow of the Centre for Policy Dialogue, said the IMF's warning was not good news for Bangladesh as it was connected to the global economy through various ways, particularly exports.

Recession in major economies may also affect foreign aid and foreign direct investment here, he said.

However, as a big portion of the Bangladesh economy is dependent on the domestic market, emphasis should be given on ensuring an adequate supply of gas and electricity to keep production unaffected in factories, he said.

At the same time, the country needs to focus on the Asian and regional markets to diversify destinations of products as chances of a recession in the Asian market are low, he said.

So, production in the export market-oriented factories should be kept uninterrupted, he said.

The GSMA estimates only 31 per cent of people in the country are using mobile internet services, which is lower than the South Asian average.

A total of 38.1 per cent of households use the internet, shows a preliminary report on the "Survey on ICT Use and Access by Individuals and Households 2022" by the Bangladesh Bureau of Statistics (BBS) published on December 28 last year.