An independent agricultural price commission can help check the locally-generated factors causing price hikes in our domestic market.
FILE PHOTO: RASHED SHUMON

We need an agricultural price commission to regulate prices

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"Child mortality rate rises" – this headline in this newspaper caught my eye last month, and I read the news report with a sense of dismay. The data came from the Bangladesh Sample Vital Statistics (BSVS) 2022, conducted by the Bangladesh Bureau of Statistics (BBS). The first question that crossed my mind after reading the report was: are we facing a setback to the phenomenal progress made in reducing child mortality rates in the country since the 1970s? The report shows that different indicators of child mortality have registered marked increases since 2021. In the span of just one year, under-five mortality has gone up by almost 11 percent while post-neonatal mortality rate (mortality between one month and less than a year of age) has increased by more than 13 percent. The causes are reported to be morbidities (such as pneumonia, diarrhoea, acute respiratory infection, etc), malnutrition, and drowning.

Earlier this year, the Bangladesh Demographic and Health Survey (BDHS) 2022 found that the under-five child mortality rate had reduced from 43 to 31 per thousand between 2017 and 2022. Although the under-five mortality rates in 2022 are identical in the two reports, the SVS report provides the most recent development, while the BDHS provides a five-year change.

That these results have much to do with the lack of access to quality health services is well-understood. But let's focus on another factor – one that relates to malnutrition. What we eat primarily depends on what we can afford. Affordability, in turn, is a function of incomes and prices. Prices, of both food and non-food items, have been spiralling in Bangladesh, as in many other parts of the world. The BBS-computed food inflation in the last month of FY23 stood at 9.73 percent, while average inflation in the year was a 12-year high, at 9.02 percent. In May, general inflation was close to double digits (9.94 percent). Not just the poor, everyone in society is now feeling the pinch of escalating prices.

The reason for these persistent price hikes has been largely attributed to the disruptions in supply chains caused by the pandemic and further aggravated by the Russia-Ukraine war. As witnessed earlier this year, global and regional prices have dropped. But in Bangladesh, prices continue to remain high, given the depreciation of the taka against the US dollar, and the constrained foreign exchange reserves.

The current situation that has led to rising inflation is an unusual one, much beyond our control. But a look at the pre-pandemic scenario will reveal that food prices in Bangladesh have been rising faster than non-food prices for more than a decade. In particular, prices of nutrient-dense foods have been escalating much faster than those of energy-dense foods, primarily rice. A 2019 World Bank study found that, relative to staples, the prices of nutritious foods such as pulses, meat, fish, eggs, milk, fruits, and vegetables were much higher in Bangladesh than in India, Nepal, and Pakistan. Given the high costs of a nutritious diet, people have been unable to afford a diversified food basket. Thus, although many people may not be hungry as such, they still remain deprived of quality food. Such scarcity of food is bound to have a negative impact on children's normal growth and development. The consequences of this on our human capital development, which defines our demographic dividend, can be damaging.

The FY2023-24 budget is the concrete manifestation of the government's choice of policies to deal with the issues it faces. But while ambitious in certain sectors, the budget seems to engage little in addressing food inflation, apart from the increased support for marginalised people, subsidised food distribution among low-income groups, and a scale-up of subsidy spending. These measures are temporary relief efforts, some of which often exact substantial time and energy costs on the recipients. One entity that is currently mandated to keep prices of essentials stable is the Price Monitoring and Forecasting Cell under the commerce ministry. Several other bodies such as the Department of Agricultural Marketing and the Directorate of National Consumer Rights Protection also have price control as a direct or indirect responsibility. We even have a Competition Commission. But, as is evident, these institutional mechanisms are yet to live up to their mandates.

Temporary relief measures must be backed by meaningful long-term initiatives that will put a check on the unaccounted-for rises in essential food prices. Unaccounted, because we have been privy to many reports that point to a rise in prices well beyond cost-push inflation. Predominant factors include cartelisation, "greedflation" (price rises dictated by higher profit margins) and a lack of enforcement of existing rules and regulations. Between May 2022 and March 2023, soybean oil prices registered a 29 percent fall in the international market, but in the local market, the fall was less than 10 percent. Broiler chicken prices went up by almost 70 percent in 45 days, when the production cost did not register any significant change. Onion prices, despite going down by 25 percent in the global market, continued to rise in Bangladesh under the pretext of a shortfall in supply. In early June, when the government allowed onion imports, onion prices fell by Tk 10-15 in the local market the next day. Interestingly, data from the ministries of commerce and agriculture showed that domestic onion production is 36 percent more than the demand.

While there is little we can do about unforeseen occurrences beyond our control, there is much we can do to check the locally-generated factors causing price hikes. A meaningful step towards this could be setting up an agricultural price commission. Such a body, through its critical role of maintaining a stable price environment, would look into the interests of producers, consumers and the overall economy. In India, for instance, the Commission for Agricultural Costs and Prices has been operating since 1965 to ensure a remunerative and stable price environment for 23 agricultural commodities.

Given the vagaries of nature, the agriculture sector is inherently volatile with no guarantee for the quantum of produce, even with the uptake of best available technologies. When prices escalate, the sad and unfair part is that the farmers who grow the food do not benefit from the high amounts coughed up by the helpless consumers, often resigned to the machinations of middlemen. The disincentivising effect of this on the vulnerable farmers is obvious and with recurring losses, farmers may be forced to abandon commercial crop production and produce only for subsistence. Such an artificially induced phenomenon, coupled with the omnipresent external threat of climate change, would be destructive for our society and economy.

An independent agricultural price commission, entrusted with the responsibility of recommending viable prices for all commodities under its mandate, is something the government must seriously consider. This technical body would be able to adopt a scientific approach to provide its recommendations by considering a comprehensive set of factors in the domestic market as well as in the international market, keeping in mind the consequences on both producers and consumers.

The suggestion to set up a price commission is not new. In the past, we have heard from experts, including policymakers, about the need to set up an independent price commission. Never has the need for a price regulatory body been so direly felt than now. The enormity of such an exercise is well-understood, and one could hope that the government can successfully undertake this endeavour. It would help to bear in mind that setting up an agricultural price commission is essential for a 52-year-old, largely agrarian country on the brink of LDC graduation. Even if the latest budget did not touch upon this, some of the extensive work needed for this must start now.

What could be behind Yellen's dovish gesture in Beijing?

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Deng Xiaoping, a geopolitical genius and the architect of China's rise in the 1980s, once said, "The Middle East has oil. China has rare earth metals." Beijing has just reminded the world what that means in geopolitics by imposing export restrictions on germanium and gallium effective from August 1, sending shockwaves all over. Germanium is essential for high-speed computer chips, plastics, military applications such as night-vision devices, and satellite imagery sensors. Gallium is a crucial material for radio frequency chips for mobile phones, satellite communication, and other semiconductors. Rare earth elements, including these two, are indispensable for today's high-end economies and advanced military machinery. Any supply shortage may seriously jeopardise the production of electric vehicles, missiles, fighter jets, and super-fast AI chips.

Beijing holds 40 percent of the global rare earth reserve, but produces 70 percent of the raw supply. In the technically complex and environmentally hazardous downstream processing, it has near total control – 90 percent. With over 94 and 83 percent grip on germanium and gallium, respectively, the recent restriction is only a warning shot, and stricter regulations may follow, as *The Wall Street Journal* puts it. This is understandably a retaliatory measure in response to the sanctions Washington and its allies imposed on their technological, economic, and strategic rival – Chin, an emerging and assertive power.

Let's revisit the recent events that led Beijing to take a path of confrontation.

It began in 2018 with the Trump administration banning US agencies from using any systems, equipment, and services from Huawei, a Chinese telecommunications giant. It also cajoled the allies into dropping Huawei from their 5G networks. In July 2020, it sanctioned specific Chinese officials and their immediate families for gross human rights violations in Xinjiang.

In August 2020, Washington imposed sanctions on Hong Kong's Chief Executive Carrie Lam and 10 other officials for "undermining its autonomy and restricting the freedom of expression of the citizens." It extended the sanctions to 14 vice-chairpersons of China's National People's Congress in December.

In November of the same year, Trump prohibited all US institutional and retail investors from investing in or buying from Chinese companies that the Department of Defense listed as "Communist Chinese military companies."

The Russian invasion of Ukraine in February 2022 triggered further sanctions against several businesses in China, such as Sinno Electronic for supplying Russian military networks, and most recently against Spacety China for providing satellite imagery to the Wagner Group. The Biden administration doubled the sanctions in October 2022, cutting China off from semiconductor chips made worldwide with US equipment.

In December, Washington imposed further sanctions on Chinese nationals and 10 entities in response to human rights abuses connected to "illegal, unreported and unregulated (IUU) fishing."

In January 2023, the Netherlands' ASML stopped sales of crucial equipment to China's chipmakers under pressure from the US. Washington proposed to withhold even more Dutch equipment from specific Chinese fabrication plants.

Beijing's first formal retaliatory measure came in February this year, when it added Lockheed Martin Corporation and Raytheon Missiles & Defense to its Unreliable Entity List. Geopolitical changes and increasingly restrictive measures from Washington and its allies since 2018 have led Beijing to develop its own sanction policy tools on a priority basis. Before that, Chinese actions appeared more like expressions of displeasure.

In 2009, China responded to then French President Nicolas Sarkozy's planned meeting with Dalai Lama only by cancelling its annual summit with the EU. Since it has taken active steps to control rare earth materials export, has it decided to deal with Washington's sanctions head on? If so, what might be its ramifications for the ongoing geopolitical rivalry?

Weaponising control over rare earth materials may strengthen China's geopolitical position and increase its leverage over other countries. By manipulating the supply, China could exert pressure on nations heavily reliant on these minerals, using them as bargaining chips in negotiations or diplomatic disputes.

This is, however, unlikely to change the balance of power in international relations or any shifts in alliances and geopolitical strategies. Countries would reduce their dependence on China by fostering domestic production, exploring alternative sources, and strengthening international cooperation. But that may be a challenge.

One thing is certain: the sanctions war will only intensify as China has threatened more retaliatory measures against US export controls unless Washington follows a more reconciliatory path, which Treasury Secretary Janet Yellen appears to have shown. She told Chinese Premier Li Qiang that the US wanted healthy economic competition, not a "winner-take-all" fight, with China. Just before her, Secretary of State Antony Blinken flew to Beijing and discussed Taiwan and Ukraine without consensus. Blinken proposed direct communication between the two militaries, but received no positive response. A day after Blinken's meeting with Xi, Biden called the president a dictator, pouring cold water on any possibility of warming up on the other side.

Beijing, the emerging power, will naturally gain from a peaceful relationship with Washington. But that path won't be easy for Washington to follow for fear of losing control. However, the alternative way of conflict is more destructive, and there will be no winners – a message China wants Yellen to convey to Washington.

Is Yellen's dovish tone a genuine gesture following China's latest restrictions, or is she only the "good cop" in this strategic negotiation game? A "From Washington with Love" message just seems way too friendly.

Is Yellen's dovish tone a genuine gesture following China's latest restrictions, or is she only the 'good cop' in this strategic negotiation game?
PHOTO: REUTERS

CROSSWORD BY THOMAS JOSEPH

ACROSS
1 Humbled
7 Noah count?
11 Fight
12 Columbus setting
13 Iron's target
14 Like some cheese
15 Rodeo rope
17 Stare stupidly
20 Ranch animal
23 Tough wood
24 Door-opening phrase
26 Runner on snow
27 Rival
28 Top pitcher
29 Watches another's dog, say
31 Was a pioneer
32 Cuss
33 Pub brews
34 Wild laughers
37 Traveling
39 Put in a box
43 Magnet end
44 Hot
45 Sinuous fish
46 Like lords

DOWN
1 Jackson 5 hit
2 Soap unit
3 Put away
4 Celery serving
5 "Frozen" queen
6 Some bucks
7 Soup choice
8 Tire type
9 Well output
10 Lawn material
16 Archipelago makeup
17 Shocked sounds
18 Crooked
19 British government
21 Game host
22 Oboe parts
24 Burning
25 Building site
30 Be agreeable
33 Fancy neckwear
35 High home
36 Opposed
37 Clumsy one
38 Misery
40 Completely
41 View
42 Put a stop to

8-3

YESTERDAY'S ANSWERS

C	A	R	E	T		B	A	R	K	S
A	L	I	A	S		U	S	U	A	L
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