Brazil to pass US as world's top corn exporter

AFP, *Rio Janeiro*

Brazil is set to pass the United States this year as the world's top corn exporter, ending years of US dominance thanks to a bumper harvest, officials said Wednesday.

The South American agricultural giant, already the world's top producer and exporter of soybeans, is on track to export 50 million tonnes of corn in 2023, "surpassing US exports," the state-run National Supply Company (Conab) said in its latest production report.

The forecast roughly aligns with projections from the US Department of Agriculture, which had said in an August report that Brazilian corn exports were on track to reach 56 million tonnes this year, surpassing the United States, at 41.3 million.

However, the US remains the world number one corn producer, at 348.8 million tonnes, more than double

The South American agricultural giant, already the world's top producer and exporter of soybeans, is on track to export 50 million tonnes of corn in 2023

Brazil's forecast of 131.9 million.

Brazil's claim to the corn export crown comes largely thanks to a climate that allows its farmers to harvest three times a year, with particularly good weather conditions this year fueling a bumper crop.

Productivity gains also played a big role.

Brazil's corn harvest is set to increase by 16.6 percent this year, boosted by an increase in productivity per hectare (acre) of 13 percent, including record-breaking levels in the key central-western grain-producing state of Mato Grosso, Conab said.

The country's farmers planted a record 22.3 million hectares (55.1 million acres) of corn this year, up 3.2 percent from last year.

Brazil had only broken US farmers' decades of dominance in corn exports once previously, in 2013.

Brazil also has a record soy crop this year, with 154.6 million tonnes harvested, up 10.9 percent from the previous record, in 2020-2021.

Production of feature phones more than doubled in July as consumers seek cheaper alternatives to smartphones amid the rising cost of living. However, a hike in prices due to increased costs of production has seen sales decline. PHOTO: STAR/FILE

Feature phone production doubles in July

Sales still low due to rising price, inflation

MAHMUDUL HASAN

Feature phone production has more than doubled month-on-month in July as consumers turn to more affordable alternatives to smartphones amid sustained high inflation.

Local manufacturers produced 17.29 lakh feature phones or 2G phones in July, a 104 percent increase compared to June, according to data from the Bangladesh Telecommunication Regulatory Commission (BTRC).

Meanwhile, smartphone production dropped by 7.35 percent month-on-month in July to 5.92 lakh.

Of the 23.21 lakh phones manufactured in July, feature phones accounted for 74.48 percent while smartphones made up the other 25.52 percent.

Industry insiders said smartphone prices had been steadily climbing for the past one-and-a-half years due to increased prices of raw materials on the international market. The depreciating rate of the taka against the dollar caused import costs to soar further.

Consumers in the nation, who are facing hardships due to inflation and an economic downturn, have turned to either feature phones or low-cost smartphones that are smuggled into the local market.

However, sales of feature phones are still drastically low compared to the first quarter of 2022, when the global economic downturn gathered steam.

"Our sales are very low," said Md Asraf Uddin, managing director at Anira international, a manufacturer that primarily produces feature phones. "At the beginning of 2022, we would sell about two lakh phones per month. Now it has dropped to 70,000."

Production of handsets has made impressive strides in Bangladesh in recent years, aided by huge tax benefits unveiled by the government in the 2017-18 fiscal year. Since then, 15 factories have been set up, creating jobs for around 15,000 people.

But Asraf blamed recent tax and VAT increases for the downturn in business.

Prior to the last fiscal year that began on July 1, 2022, there was a 58 percent tax on smartphone imports. On the other hand, tax on locally-assembled and manufactured handsets was between 15 to 20 percent.

Local manufacturers made 17.29 lakh feature phones or 2G phones in July, a 104 percent increase compared to June, according to BTRC data.

But now, taxes on locally-assembled and manufactured handsets stands between 30 to 35 percent due to the imposition of five percent VAT on each of the three stages of sales, encompassing factories, distributors and retailers.

In a further blow to manufacturers, the National Board of Revenue has imposed more VAT on the production stage.

Additionally, two per cent VAT was imposed for the first time on production that made use of wholly locally-manufactured components from this fiscal year. Moreover, the VAT applicable on handsets produced with at least two components made locally was increased from three percent to five percent.

Similarly, VAT on handsets assembled wholly with imported components increased from five percent to 7.5 percent.

On top of that, import costs have increased due to the taka's sharp depreciation against the US dollar while the foreign reserve crisis has made it challenging to open letters of credit.

All these combined factors have led to an increase in the price of locally-manufactured phones.

A major factor behind falling sales is the fact that a section of unscrupulous businesses have swarmed the market with phones imported through unauthorised channels.

Rizwanul Haque, vice-president of the Mobile Phone Industry Owners' Association of Bangladesh, told The Daily Star that a key factor in the smartphone market's downturn was an expansion of the grey market.

Representatives from the industry have appealed to the government, suggesting that if reducing taxes appears impractical, measures should be adopted to curb the prevalence of the grey market.

One proposed solution is the implementation of the National Equipment Identity Register (NEIR) to safeguard the domestic smartphone manufacturing sector.

Established by the BTRC in 2021, NEIR is a system designed to ensure the usage of legitimate mobile devices within the country by linking their International Mobile Equipment Identity (IMEI) numbers with the customer's national identification and SIM card details.

However, as of now, some of its essential functions, such as the ability to block counterfeit, unauthorised, or cloned handsets on the network, have not been put into practice.

Mohammad Mesbah Uddin, the chief marketing officer of Fair Electronics, Samsung's local assembly partner, noted that while Bangladesh had taken an early lead in the establishment of NEIR, other nations were already implementing it.

For instance, both Pakistan and Nepal are actively using NEIR to combat illegal trade and encourage local manufacturing opportunities.

He further emphasised that the government had already invested in NEIR infrastructure, but has yet to initiate the process of blocking unlawfully imported mobile phones.

Family business: echoes of a cracking tower!

MAHTAB UDDIN AHMED

Property disputes are nasty, but it is particularly distasteful when it follows the death of a parent. And this phenomenon of fighting over inheritance continues to be a part of human history, no matter which part of the world you are in.

According to a study by John Ward of Loyola University in Chicago, 40 percent of inheritance survive through the second generation, 15 percent gets to the third generation, and only 1 percent makes it to the fourth generation.

A survey by PWC in 2019 suggests that 91 percent of family businesses in Bangladesh have plans to pass on management and/or leadership to the next generation. In 72 percent of cases, both management and leadership are passed on to the next generation, and not to the board or a professional management body. This is significantly higher compared to the global average of 57 percent.

Since my column last year titled "Is the next generation ready to take the baton", the situation at business giants in the country has further deteriorated with several more business empires joining others on the threshold of collapse. All these are billion-dollar companies, including a listed company with a large market cap, and a giant conglomerate with its presence in commodity and manufacturing.

Another perceivably stable group of companies with close friends in partnership also got into a legal battle.

Most of these big groups date back to either the post-liberation period or the eighties and have a single individual's hard work behind their success. When it is a "one-man show" the collapse is predictable, for death and old age don't spare even legends.

The key problem lies in succession. Unfortunately, the next generation never seems to be ready to take the baton. Unlike their parents, they remain aloof from local culture, being raised in the lap of luxury and sent abroad for the best education. From my knowledge, only a few companies like Square, Transcom, Apex, BSRM and Pran could transition reasonably well through generations. But in most cases, the legend only seems to leave behind echoes of a cracking tower.

Factors that contribute to the poor succession of family businesses commonly include a lack of preparation of the next generation, family conflict, inadequate succession planning, and external factors. What is too often ignored is the importance of early planning for succession and getting everyone concerned involved in the process.

It is also very important to bear in mind that what made one generation successful in the last 50 years may not guarantee success in the next 10 years. Hence, the next generation should be transformational with a professional attitude, with a new set of skills and competencies.

The most common reasons for failure include family problems, informal professional culture, absence of formal coaching and counselling of both generations, waning family talent, weak succession planning, and a lack of practical bearing of the new generation. Successful parents often dent their children's motivations and self-esteem with their high expectations, leaving them feeling intimidated and overshadowed, although the opposite can also occur. Some children may try to emulate or surpass their parents, while others may rebel or find comfort in distancing themselves.

When a family business empire starts to crack, its impact can be felt all the way from the top to the bottom. Hence, it is important for families to have clear foresight, act much beforehand on a succession plan, and manage risks effectively. Clear communication among the family members is key to solving many problems. At the same time, it is very important to have the right attitude to impending changes with a clear vision of success and seek professional help sincerely, if required, for after all Rome was not built in a day.

The author is founder and managing director of BuildCon Consultancies Ltd

ECONOMIC CHALLENGES

Why Chinese response is not working

AFP, *Beijing*

Data from China on Thursday showing falling exports fanned more fears about a slowdown in the world's second-biggest economy, which has struggled with its post-Covid recovery.

Governments and markets alike are concerned about these indicators -- the size of China's economy and its connections with the rest of the world mean any ups and downs are felt far and wide.

Here is a rundown of the problems facing China's economy, and why analysts believe Beijing is not doing enough to fix them:

The abandonment of tight pandemic restrictions in December set off a gradual resumption of consumer activity in China as people started dining out, shopping and using public transport more frequently.

But the highly anticipated economic rebound was weaker than expected and did not reach all sectors -- industrial production, for example, is still struggling. And a post-Covid rally has since completely run out of steam.

As many other major economies grapple with inflation, consumer prices in China fell by 0.3 percent year-on-year in July to enter deflation -- a sign of sluggish demand.

Youth unemployment rose so high in June that authorities suspended the publication of that data, while traditional growth engines such as exports, real estate and consumption remain stalled.

READ MORE ON B2

China exports, imports fall again

AFP, *Beijing*

China's exports and imports sank again in August, data showed Thursday, adding to growing pressure on authorities to introduce fresh stimulus for the world's number two economy even as the figures showed some sign of improvement.

The threat of recession in Europe and high inflation in many major economies has contributed to a plunge in demand for Chinese goods, which has been compounded by tensions with the United States and a move by parts of the West to reduce dependence on Beijing.

On top of that, a much-anticipated strong recovery following the lifting of painful zero-Covid rules at the end of last year has run off the tracks, while the gargantuan property sector continues to teeter.

All of which has given leaders a headache as they try to reinvigorate growth while at the same time trying to recalibrate the economy from one driven by state investment to one that is consumer-led and more sustainable.

Customs figures Thursday showed they have a long way to go to achieve the latter, with imports shrinking 7.3 percent on-year last month as consumers remained reluctant to purchase while prices fell in July for the first time in more than two years.

Exports -- which have historically served as a key growth engine for China -- sank 8.8 percent.

Still, the pace of contraction in both was slower than the previous month and was better than the nine percent drop forecast by economists in a survey by Bloomberg News.

Shipments to Western countries in August fell significantly on-year, with US-bound goods diving 17.4 percent and those to the European Union 10.5 percent lower.

At the same time exports to Russia remained robust -- surging 63.2 percent -- demonstrating the continued strength of economic ties between the neighbours despite Moscow's war in Ukraine.

The drop in trade was "in line with expectations", given persistently weak external demand, economist Zhiwei Zhang of Pinpoint Asset Management said in a note.

"The focus of the policymakers is on the domestic economic challenges, particularly the property market," wrote Zhang.

China's property sector remains in turmoil, with major developers failing to complete housing projects, triggering protests and mortgage boycotts from homebuyers. Authorities have come under increasing pressure to introduce fresh support after months of debilitating data.

Rather than adopt a broad but costly stimulus, Beijing has so far adopted more targeted measures such as easing restrictions on mortgages and cutting key interest rates.

But that has left investors and observers frustrated and warning the economy could fall into a period of stagnation similar to that experienced in Japan since an economic bubble burst at the start of the 1990s.

A worker assembles an engine at an engine manufacturing factory in Qingzhou, in China's eastern Shandong province, recently. PHOTO: AFP