

Higher food prices, worse living crisis

Govt should have figured out how to rein in food inflation by now

The latest update on inflation from the Bangladesh Bureau of Statistics (BBS) paints a grim picture of exactly how bad the cost-of-living crisis has been in the country. According to the data published on Monday, food inflation rose to a staggering 12.54 percent in August 2023 – highest since October 2011 when it had hit 12.82 percent. The crisis is more intense in the rural areas, where food inflation has shot up to 12.71 percent. This pushed up the country’s overall inflation rate to 9.92 percent in August, close to the 11-year high of 9.94 percent in May.

We are at a loss to understand why Bangladesh is going backwards when other countries are well in the process of relieving inflationary pressure on their economies. Also, we don’t understand why food prices are raised so frequently when, according to government data, we have ample stocks of locally produced grains and vegetables. Export ban in countries from where we import certain food items has reportedly affected their prices in our domestic market. But given the volatility in the global market and risk of external shocks, our policymakers should have been able to anticipate such possibilities and devised alternatives to counter such shocks.

We believe it is the government’s delayed and ineffective responses to the crisis that have pushed us into this mess. Our economic experts have long been warning against deliberate market manipulation by a vested quarter, but the government has been unable to take control of the market and effectively regulate it. In fact, in June, our commerce minister admitted that stern action against market manipulators – “large businesses” – would create a sudden crisis.

This upward trend of food prices is restricting the purchasing power of the country’s people, especially those in the low-income group who have already been struggling to make ends meet over the past year. The inflated prices have served a severe blow to these people’s savings, especially because their earnings have not increased in accordance with the rising expenses. This state of affairs is simply not acceptable. The government must put strict policies in place to regulate the market so that manipulators cannot keep making undue profits. The finance minister said in parliament on Monday that the government was taking various steps to bring inflation under control. At this point, there can be no denying that we need a radical departure from our existing policies to be able to rein in this out-of-control inflation.

Corruption, corruption, everywhere

Planning minister’s comments in this regard should be taken seriously

Planning Minister MA Mannan recently said in parliament that the level of corruption had increased all across the country. As the government seems to be in denial when it comes to corruption, such an admission by none other than our planning minister should serve as a wake-up call for all the government institutions. The minister also termed corruption as a national problem, saying that the spending of public money has doubled, tripled or in some cases quadrupled now compared to the last 30-40 years, which means that the scope for corruption has also increased significantly. Who knows this better than the people of this country, who often have to endure corruption when seeking services from various government offices?

Reports are aplenty in the media on how almost all our public sectors have become increasingly vulnerable to corruption, with hardly any government office or project found to be working with complete transparency and accountability. Citing a few news reports on corruption that were published only yesterday will make it clear. According to one report in *Prothom Alo*, the Office of the Comptroller and Auditor General (OCAG) has found various types of irregularities and corruption in the procurement process of Bangladesh Railway (BR) – the BR has, in fact, purchased a machine for Tk 3 lakh from a contractor, which would cost Tk 19,000 in the market. Another report published in *The Daily Star* has disclosed how a project director of the Department of Fisheries has been using his own car as a leased vehicle for his project and earning money from this. These two reports are just the tip of an iceberg. Corruption in the form of bribery, extortion, embezzlement, deception, negligence of duty, nepotism, etc is rampant across all government sectors, including health, railway, education and other service sectors, which have been widely reported in the media.

Earlier this year, the Transparency International published the Corruption Perceptions Index (CPI) 2022, in which Bangladesh was ranked 147th out of 180 countries. The TIB also conducted a survey on 15,454 households to examine the level of corruption in our service sectors last year and found that around 71 percent of them had to face corruption while trying to avail public services. The graft watchdog also found various forms of anomalies in government procurement and recruitment processes.

It is clear from all these reports, surveys and investigations that corruption has spread like an infectious disease into every sphere of our society, impeding our progress as a nation. Against this backdrop, the comments made by the planning minister should be taken seriously by the government. It should identify all the avenues of corruption and take drastic measures to ensure accountability and transparency at all levels of the government.

How the prices of essentials are manipulated



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In a market economy, the price of a commodity is supposed to be determined by the market’s “invisible hand,” which refers to demand and supply. In Bangladesh, though, the invisible hand is not of the market but of some powerful businesses. This is true for both domestically produced and imported commodities. Given the present reality, let’s look at how the price of eggs, which are produced domestically, is manipulated.

According to the Ministry of Fisheries and Livestock, the production cost of an egg should not exceed Tk 10.50, and the maximum retail price should not cross Tk 12. But our production cost itself is higher than the retail price of eggs in neighbouring India and Pakistan. In West Bengal, the price of an egg is Rs 5.33 (or Tk 7.50) and in Pakistan, a dozen eggs went for 294 Pakistani rupees as of August 17, which translates to roughly Tk 9 per egg. This indicates that, in Bangladesh, the costs of poultry feed and day-old chicks are higher, which are subject to the corporate control of a few big poultry farms.

Apart from this, the retail price of eggs is fixed well above the cost

This mechanism of hiking prices is not new. According to a report by the DNCRP, in August last year, large egg-producing firms appointed agents to manipulate prices during auctions. But no action was taken against the perpetrators and, as a result, this kind of price manipulation is still the norm.

of production. Although small farmers produce 85 percent of eggs, middlemen, large markets, and big farms are playing a greater role in setting the price. Every morning, they inform farm-level producers about the price through SMS or Facebook groups, which the producers must comply with irrespective of their production cost, as eggs cannot be stored for long at farms. For example, North Egg and Kazi Farms jointly



In Bangladesh, the prices of essentials are determined not by demand and supply, but by the syndicate of a few powerful businesses.

PHOTO: SK ENAMUL HAQ

decide the price in Dinajpur. The farmers of Gazipur’s Sreepur have to sell eggs every morning at the price set by traders in Dhaka. Farmers in Bhairab and Kishoreganj also rely on text messages sent from Dhaka for setting prices. Rajshahi Poultry Dealers Association declares the price of eggs in Rajshahi every day.

According to the Directorate of National Consumer Rights Protection (DNCRP), assuming that the daily demand for eggs in Bangladesh is four crore, dishonest traders make an additional profit of Tk 8-12 crore daily by hiking the price of each egg by Tk 2-3.

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Another reason behind widespread manipulation is that the government does not have accurate and reliable data about the commodity’s production and demand. As per the Department of Livestock Services, egg

of eggs, it could have filled in the gaps by incentivising more production or imports. Amid all this, big businesses are taking advantage of the situation.

Even imports are mired in manipulation. The import of essentials is now almost entirely controlled by a few big businesses. They have established control at every stage of the import process through mutual cooperation, rather than competition based on market rules.

The market share of 17 daily commodities (including sugar, pulses, and oil) has been captured by a few big importers. For example, five companies – Deshbandhu, Abdul Monem, S Alam, Meghna, and City – mainly import raw sugar from abroad, then refine and sell it within the country. Four companies – TK, Meghna, City and S Alam – import 88 percent of edible oil. Big importers have colluded and created a situation wherein middle-level traders cannot buy the products according to their own preferences. If a trader wants to buy a product, they have to go to the importer, who will decide which product the trader can purchase from whom and at what price. Even if a trader

the trader to incur a huge loss.

The reasons why some large businesses can establish such extensive control over the market are that they 1) are major importers; 2) own or manage commercial banks, and/or 3) they or their associates own the lighter vessels. Even product dealerships are controlled by people connected with these large businesses.

By establishing complete control over the import and production of essential commodities, these businesses can decide all the variables, often under the pretext of domestic and international situations. They are the reason why prices of essentials like soybean oil, sugar, and lentils have not gone down in the domestic market though international prices have decreased significantly. They are the owners of the invisible hand. The names and identities of these businesses are not unknown to government officials; the commerce minister himself admitted the existence of this syndicate. When no action is taken against market manipulation, it is only natural for the people to wonder whose interests the government is protecting.

Macron’s support for an ‘adaptation pact’ with Bangladesh



POLITICS OF CLIMATE CHANGE

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The second initiative Macron invited Bangladesh to join was the Global Biodiversity Framework Fund (GBFF) that has been created recently to support the conservation of both terrestrial and aquatic biodiversity in different countries. For this, he offered support from France in terms of carrying out nature-based solutions. Macron was particularly interested in supporting the conservation of mangrove forest ecosystems.

to share what the French president had to say to us and what he offered to collaborate on.

Macron first told us that he had had a one-on-one conversation with Prime Minister Sheikh Hasina already in which he’d offered assistance from France to Bangladesh to work on an energy transition partnership. France (alongside other European countries) has already engaged in such initiatives with a number of other developing countries, such as South Africa and Indonesia, wherein France has provided hundreds of millions of euros to help these countries transition

from fossil fuel-based economies to renewable energy-based economies.

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particularly in locally-led adaptation, he was impressed and made an offer to enter into an “adaptation pact” with Bangladesh to support a truly bottom-up adaptation programme involving the government, civil society, and particularly the youth, in order to enable Bangladesh to tackle climate change. He offered to increase the funding that Bangladesh receives each year from France through the French Development Agency (AFD) to support the pact and also promised to get other developed countries to provide funding support as well.

We also had Information Minister Muhammad Hasan Mahmud with us, and were able to promise to get back to President Macron with a proposal to enter an adaptation pact by COP28 in Dubai this December.

The onus is therefore ours to do a quick evaluation and prioritise some of the most promising activities already identified in the various plans that we have developed – including the Bangladesh Climate Change Strategy and Action Plan (BCCSAP), the National Adaptation Plan (NAP), the Mujib Climate Prosperity Plan (MCPP), and the Delta Plan 2100 – to prepare the first bilateral adaptation pact between Bangladesh and France.

Such a bilateral pact could become a replicable model for other developing countries to prepare and pair themselves with a developed country for support in tackling the impacts of climate change.