Govt issues first batch of special bonds

STAR BUSINESS REPORT

The government yesterday issued special bonds, the second time after fiscal 2012-13, worth of Tk 3,016 crore to two banks in order to clear arrears on behalf of fertiliser importers.

The importers had opened letters of credit with the banks to bring over fertilisers, the payment for which is long overdue from the government.

A four-party agreement was signed for the payment and the bonds were issued against state-owned Sonali Bank and privately-owned IFIC Bank at the policy rate or repo rate, which is now 7.75 percent.

The repo rate is the interest rate at which the central bank lends money to commercial banks.

The finance ministry issued bonds worth around Tk 2,557 crore to Sonali Bank on behalf of Bangladesh Chemical Industries Corporation (BCIC) and Bangladesh Agricultural Development Corporation (BADC).

Besides, bonds worth around Tk 459 crore were issued to IFIC Bank on behalf of four private sector fertiliser importers.

These bonds will remain effective for three periods -- eight, nine and 10 years.

Earlier, the government decided to issue these special bonds, worth a total of around Tk 26,000 crore, to clear arrears with independent power producers (IPPs) and fertiliser importers that have remained unpaid for months.

The bonds, a debt instrument, will be used as loan repayments to 40 banks on behalf of power producers and fertiliser suppliers.

A finance ministry official said the rest of the arrears would gradually be cleared through the issuance of special bonds.

A Bangladesh Bank official said interest would be paid every six months as per the policy rate against the bonds.

Besides, the banks will be able to incorporate the bonds in their calculation of statutory liquidity ratio (SLR), which is the minimum percentage of deposits that a commercial bank must maintain.

Moreover, with the bonds, the arears with the banks will be cleared, the official added.

In fiscal year 2012-13, the government had first issued such bonds to pay subsidies outstanding with Bangladesh Petroleum Corporation.

It took the decision for an International Monetary Fund (IMF) condition over a $987 million loan which barred the government from borrowing from banks to pay dues with the BPC in the form of subsidies.

Workers are seen sowing onion seeds at a farm in Sujanagar upazila of Pabna. After enjoying good prices for the bulb last year, farmers are scaling up production in hopes of securing higher profits this season.

PHOTO: AHMED HUMAYUN KABIR TOPU

Onion production on track to topple previous records

AHMED HUMAYUN KABIR TOPU, *Pabna*

Onion production in Bangladesh could reach a record high this year as increased prices for the crop are encouraging farmers to expand cultivation, according to the Department of Agricultural Extension (DAE).

"Most onion farmers enjoyed good profit thanks to higher prices in 2023. So, they aim to maximise their output this year," said Sharmin Akter, deputy director (crops wing) of the DAE headquarters in Dhaka.

"We have fixed the annual cultivation target at 36.73 lakh tonnes from 2.6 lakh hectares of land, which would be a record-high in terms of yield and acreage," she added.

Akter informed that around 1.36 lakh hectares of land across the country were brought under onion cultivation over the past few weeks, nearly a month ahead of the traditional sowing season.

This is because farmers are jumping at the bit to benefit from higher onion prices, she said.

As per DAE data, a total of about 2.49 lakh hectares of land were brought under onion cultivation to produce 33 lakh tonnes of the bulb in 2023.

Md Rafikul Islam, deputy director of the Faridpur DAE, said they set a target to cultivate onion on 42,890 hectares of land to produce 5.53 lakh tonnes of the crop this year.

However, the total production could exceed 6 lakh tonnes as farmers have already prepared enough onion seed to cultivate more than 50,000 hectares of land, he added.

Md Hyder Haque, a farmer in Koijuri village of Faridpur sadar upazila, said most farmers got their expected profit last year as

market prices were good.

"So, we are preparing to cultivate more onions this year," he added.

But while onion farmers in other major areas, such as Rajbari and Pabna, are also eyeing bumper yields, their profits could be constricted by the rapid rise in production costs.

"For example, workers' wages have increased to about Tk 700 per day while it was Tk 500 previously," said Md Kamruzzaman, a leading onion farmer in Durgapur village under Sujanagar upazila of Pabna.

"It currently costs up to Tk 35,000 to grow onions on one bigha of my own land. Meanwhile, leasing land for onion cultivation drives up the cost by roughly Tk 15,000 per bigha," he added.

Md Arif Hossain, a farmer of Padmabila village in Sujanagar upazila, said although onion growers are expanding cultivation in hopes of higher profit, prices may fall when harvesting begins in March-April.

At wholesale, each maund (37 kilogrammes) of early-variety onion is currently selling for Tk 2,500 to Tk 3,000 but the price may drop to between Tk 1,200 and Tk 1,500 when new stocks arrive, he added.

"We get up to 60 maunds of onion per bigha. So, we need prices of Tk 1,800 to Tk 2,000 per maund to get sufficient profit," said Md Mozammel Haque, a farmer of Mothurapur village in Sujanagar upazila.

According to the Pabna DAE, they aim to cultivate onion on 44,665 hectares in the district to produce 6.45 lakh tonnes of the crop.

However, they also confirmed that there has been an excessive rise in production costs due to the price hike of labour and other inputs, such as fertiliser and pesticide, amid ongoing inflationary pressure.

Md Abul Kalam Azad, deputy director of the Rajbari DAE, said a sufficient winter spell is needed to ensure good onion production.

So, while the recent spell of cold weather is well suited for growing onions, the overall production will depend on climate conditions throughout the cultivation cycle, he added.

Rajbari is a major onion producing hub, where they aim to cultivate the crop on 36,000 hectares of land to produce 4.8 lakh tonnes of the crop this year.

However, the total onion acreage may reach 40,000 hectares and produce 5 lakh tonnes of the crop as farmers have taken necessary preparations in this regard, Azad said.

Pabna, Rajbari and Faridpur are Bangladesh's biggest onion producing districts, accounting for more than half the country's annual production.

From crisis to success: a guide to business turnaround

MAHTAB UDDIN AHMED

The balance sheet says it is a "crisis", bankers and shareholders say "no fund", but some motivational speaker insists it's all "part of the journey". The journey to what, exactly? A suicide note, a resignation letter, or a bonus cheque? I undertook the role of CEO of Robi in 2016 when its business hit rock bottom while a merger with Airtel was taking place. And above all, the ROIC (return on invested capital) was double-digit negative.

The group was uncertain about the competency of a newcomer CEO to handle such a complex situation. And hence I was given a one and a half years contract and not the traditional three-year one, along with a massive target despite the operational merger-related challenges.

While I was given a big welcome by the nation as the first local CEO of a multinational telecom, I was battling an internal situation that was far worse than it looked from the outside. Cost cutting was at the top of my predecessor's agenda in clearing up the existing crisis, and within hours of my first day, I found myself mentally crossing out the abundant supply of tea and biscuits in the office. It reminded me of Hodja's donkey story.

Once, Hodja was going through a severe financial crisis, which forced him to ration his donkey's food. Despite the cut on food, the donkey continued to work as hard as before.

Encouraged, Hodja decided to reduce it further in the second month. This time, the donkey got weaker but could still work half a day. Happy with the result, he rationed further in the third month, and it turned out the donkey got so weak that he remained sitting all day.

Hodja reasoned that at least the donkey was still alive and continued with his rationing in the fourth month. But this time, the donkey perished. When I took over as CEO, the company was in the early stages of the fourth month.

Strategising helps identify business strengths, weaknesses, opportunities, and threats and formulate policies to address them. A clear strategy enables a company to create value for its customers, stakeholders, and society and achieve competitive advantage and sustainable growth.

In any business turnaround journey, the first focus should be on hard parametres like revenue and profit. In my case, I had to focus on both the hard and soft (people) parts, for the team was already deflated in the absence of incentive bonuses, cost-cutting, and deteriorating company performance.

In every crisis, choose the path of compassion, courage, understanding and love. Sometimes, we need a crisis to help us realise our potential to face a bigger crisis. No crisis is similar. Hence, never try to replicate past formulas to address today's crisis.

My approach to strategising in that crisis was no different, notwithstanding my experience with the company's failure during my role as chief financial officer and chief operating officer, which helped tremendously. Retrospectively, we made several mistakes, like not being ready for 3G (the basic requirement was transmission readiness). Even a week before the auction, the group and the board were debating on whether to go on or not with 3G, rolling out almost a thousand 2G sites in the north and south of Bangladesh when 3G had already been launched by the competition.

Overdependence on Chattogram, Cumilla and Noakhali made the business vulnerable and susceptible to the competition attack. The other disaster was the poor handling of mandatory SIM registration in early 2016.

To make a good turnaround, a company needs to excel in both strategy and execution and corporate people need to learn better how to turn around a business in a crisis. We can expect more such crises in the coming days, considering the local and global challenges.

The author is founder and managing director of BuildCon Consultancies Ltd

US job openings near 3-year low

REUTERS, *Washington*

US job openings fell to nearly a three-year low in November as the labour market gradually cools, which could pave the way for the Federal Reserve to start cutting interest rates this year.

Americans are also feeling the shift in the labour market, with the report from the Labour Department on Wednesday showing the number of people quitting their jobs, most likely for higher paying positions, dropping to the lowest level since February 2021. With fewer people job-hopping, wage growth could continue to moderate and ultimately contribute to lower inflation.

But labour market conditions remain fairly strong. There were 1.4 job openings for every unemployed person compared to 1.36 in October. Layoffs were at the lowest level since December 2022. Financial markets are betting the US central bank will begin cutting rates as early as March.

"The Fed is likely in a sweet spot as they prepare markets for an upcoming cut in rates," said Jeffrey Roach, chief economist at LPL Financial in Charlotte, North Carolina.

Job openings, a measure of labour demand, were down 62,000 to 8.790 million by the last day of November, the Labour Department's Bureau of Labour Statistics said in its monthly Job Openings and Labour Turnover Survey, or JOLTS report. That was the lowest level since March 2021.

Data for October was revised slightly up to show 8.852 million unfilled positions instead of the previously reported 8.733 million. Economists polled by Reuters had forecast 8.850 million job openings. Vacancies have declined from a record high of 12.0 million in March 2022 following 525 basis points worth of rate hikes from the Fed.

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'Polluter pays' doctrine will take on new meaning

REUTERS, *Milan*

Companies will learn the hard way that polluting the world has a cost. Ten years after the deadly Rana Plaza factory-building collapse that killed more than 1,000 underpaid textile workers in Bangladesh, cheap polyester clothes from Shein, Boohoo or Primark continue to fill our wardrobes before hitting the landfill. Meanwhile, more than 350 million metric tons of Coca-Cola bottles, Mars wrappers and other plastic items are discarded each year. This may change as a crackdown on fossil fuel-based waste takes shape in 2024.

Plastic, a range of wonderfully versatile and resistant materials derived from petroleum, has become ubiquitous in sectors ranging from food products to fashion. Its success is linked to the fact that it's seemingly cheaper than more sustainable alternatives.

For example, containers in biodegradable plastics, like those produced by CJ Biomaterials, owned by Korean food and biotech company CJ CheilJedang can be three to five times more expensive than those made of fossil fuel-based virgin plastics. Polyester yarn tends to cost less, and last longer, than natural fabric.

Yet the environmental cost of regular plastic is 10 times higher once waste management, greenhouse gas emissions and the damage to the ecosystem are factored in. The additional economic burden, which the World Wildlife Fund calculated at over $3 trillion per year in 2019 against a market cost of $370 billion for all plastics produced that year, is currently borne by governments and consumers rather than companies.

A woman passes by a local store with discounts during the holiday season in New York City on December 10. California is currently discussing a bill that would require textile companies to design, fund and implement the collecting, sorting and recycling of the garments they produce.

PHOTO: REUTERS

Plastic polluters will soon have to start to pay their fair share. California is currently discussing a bill that would require textile companies to design, fund and implement the collecting, sorting and recycling of the garments they produce.

The European Union proposed in July that fashion companies either collect a gradually increasing percentage of clothes, linen or shoes or pay a fee towards the cost of managing waste. That seems sensible given that 85 percent of discarded shirts and dresses end up in landfills.

The approach, known as extended producer responsibility, is also at the centre of discussions around a United Nations treaty to end plastic pollution, to be finalised in 2024. To be effective, however, the "polluter pays" doctrine has to impose sufficiently high financial contributions to deter overproduction.

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