Profitability in farming on the decline: study

SOHEL PARVEZ

Farmers are registering reduced profitability from paddy cultivation due to tightening of the rural labour market and declining real prices for the cereal grain, according to a joint study by two international research organisations.

The study found that real agricultural wages have been rising gradually as people are moving out to non-farm sectors.

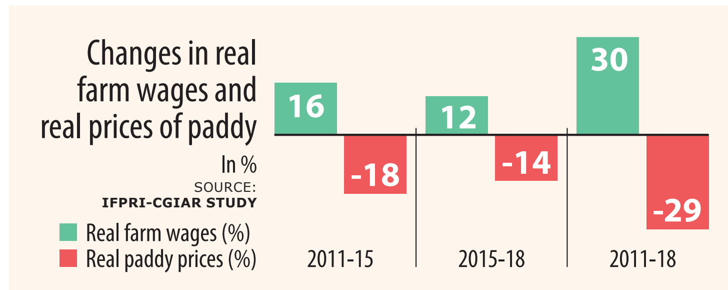
Between 2011 and 2018, the real agricultural wage soared 30 percent whereas real prices of paddy fell 29 percent, as per research of the International Food Policy Research Institute (IFPRI) and CGIAR.

CGIAR is a global research partnership working to provide a food-secure future, reduce poverty, and enhance human health through nutrition.

"Wage rates and paddy prices are moving in opposite directions," said IFPRI Research Fellow Ben Belton while presenting the preliminary findings of the study at a workshop on Tuesday.

IFPRI and CGIAR, with support from the Bill and Melinda Gates Foundation, organised the event at the Six Seasons Hotel in Dhaka.

Co-authored by IFPRI Research Fellow Mehrab Bakhtiar, the study on agricultural mechanisation found that profitability of paddy cultivation has been declining



since 2011.

For example, the margin from cultivation of rice during Boro season was Tk 9,717 per acre in 2011, but fell fell to nearly one third -- Tk 3,080 per acre -- in 2015.

In 2018, the margin turned negative, according to the findings of the study.

The researchers also found that most farm machineries are rented, with land preparation, irrigation, spraying, and threshing having become highly mechanised in Bangladesh. Researchers found that the rental market is key for small farmers to access to agricultural machinery.

As of 2018, some 98 percent of land is prepared by machines. In the same year, Rice farmers used pumps to irrigate 87 percent of their Boro land.

The extent of using machines for threshing Boro paddy has reached 87 percent as the machines provide convenience and speed while and enabling farmers to avoid drudgery.

However, there was an extremely low rate of mechanised planting and harvesting, according to the research.

It showed that 0.1 percent of Boro seedlings were transplanted by seed transplanters and 0.9 percent of the grains were harvested by machines in 2018, indicating the need for mechanisation in these labour-intensive areas.

"Mechanising harvesting and planting has the potential to reduce labour constraints, improve productivity, free-up labour and reduce costs," the study said.

The study also said there is limited scope for productivity gains and cost-saving from the high level of mechanisation in irrigation, land preparation, and threshing.

In another study presented at the workshop on the financial behaviour of midstream actors in the rice and potato value chains, it was found that the extent of value addition by large rice processors is higher than smaller processors and traders.

In the case of both rice and potato, transactions are overwhelmingly conducted through cash.

Many intermediary actors have limited access to digital financial accounts, it said, adding that digital technologies can enhance traceability, a process that helps trace the history, application or the location of an item or activity by means of recorded identifications.

It can also help understand the exact margin required by processors to make a profit.

"Well-crafted regulations can foster digital traceability," it said. "Digital transactions can also potentially make transactions and the value chain more efficient."

At the event, Akhter Ahmed, country representative of IFPRI in Bangladesh, said a recent IFPRI study found that agriculture-led growth is three times more effective in alleviating poverty than growth in other sectors of the economy.

He said farm mechanisation could play a critical role in improving farmers' profitability, particularly amid rising rural labour wages.

Md Mahmudur Rahman, joint secretary of the agriculture ministry, said the government focuses on thorough programme evaluations and evidence-based policymaking.

Dhaka stocks bounce back after five-day decline

STAR BUSINESS REPORT

Stocks listed on the Dhaka Stock Exchange (DSE) bounced back yesterday, snapping a five-day losing streak.

The DSEX, the key index of the country's premier bourse, added 35 points, or 0.57 percent, to end at 6,166 points.

The DSES, an index that represents shariah-based firms, edged up 0.19 percent to 1,343 points while the DS30, which comprises blue-chip stocks, closed 0.41 percent higher at 2,106 points.

However, the DSE's daily turnover slipped 13.4 percent to Tk 730 crore.

Of the issues traded, 176 advanced, 155 declined and 65 did not see any price fluctuations.

Market movement was driven by positive changes in the market cap of food and allied, telecommunication, and paper and printing scrips amid negative changes in the market cap of travel and leisure, engineering and cement scrips, according to market research by Shanta Securities Ltd.

Asiatic Laboratories took pole position on the top gainers' chart with an increase of 10 percent followed by Paramount Insurance Company with 9.90 percent.

Businesses should reduce reliance on subsidies

NBR chairman says

STAFF CORRESPONDENT, *Rajshahi*

The NBR chairman urged businesses in Rajshahi to reduce their reliance on subsidies as such a tendency contradicts the country's aspiration to become a developed nation by 2041.

"The extensive reliance on subsidies is incompatible with Bangladesh's goal of becoming a developed nation," said Abu Hena Md Rahmatul Muneem, chairman of the National Board of Revenue (NBR).

"As we progress towards our graduation to a developed nation by 2041, the international community expects us to move away from subsidies. So, the government will naturally remove the subsidies gradually," he added.

Muneem, also a senior secretary of the Internal Resources Division, made these comments while addressing a daylong pre-budget discussion with the business community of Rajshahi at the auditorium of the Rajshahi Chamber of Commerce and Industry (RCCI) on Wednesday.

In the discussion, the business leaders argued subsidies are crucial for industrial growth in the region, which is less developed compared to the eastern part of Bangladesh.

RCCI Vice President Sultan Mahmud proposed expanding the tax base instead of imposing new taxes in the next budget.

In reply, the NBR chairman said: "A developed nation thrives on its capabilities, its ability to fight odds and survive. So, shift away from your mindset of seeking subsidies while taking up business ventures."

The number of return submissions doubled and the number of VAT registrations increased by 2.5 times in the last four years, Muneem said.

Chaired by RCCI President Masudur Rahman Rinku, the discussion was attended by businessmen and chamber leaders from Rajshahi, Chapainawabganj, Naogaon and Bogura.

Md Miarul Haque, managing director of DHL Express Bangladesh, cuts a ribbon to inaugurate a retail agent point at Kumarpara, Ghoramara in Rajshahi recently.

PHOTO: DHL EXPRESS BANGLADESH

DHL Express opens retail agent point in Rajshahi

STAR BUSINESS DESK

DHL Express, an international express service provider, has opened a new retail agent point at Kumarpara, Ghoramara in Rajshahi.

Md Miarul Haque, managing director of DHL Express Bangladesh, inaugurated the point, read a press release. Speaking about the expansion, Haque emphasised the company's commitment to meeting the evolving needs of its customers.

"DHL Express is dedicated to enhancing the overall customer experience as a customer-centric organisation. The opening of the retail agent point in Rajshahi shows how we want to provide our customers with accessibility and convenience as they ship internationally," he said.

"We understand the importance of being present where our customers are, and the new agent point signifies our investment in the communities we serve," Haque added.

This outlet will enhance DHL Express's presence in Rajshahi and serve the needs of businesses and individuals in the area. The new service point is equipped with trained employees, digital tools and security measures to assist customers with their shipping needs.

Rajshahi's growing economic significance and thriving business environment make it an attractive market.

Inflation fell in February

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In 2022, while global commodity prices started to decline, the significant deficits in Bangladesh's current account balance and overall balance of payments led to a sizeable depreciation of the taka.

In the past two years, the currency has lost its value by about 25 percent owing largely to a 30 percent decline in the foreign currency reserves.

The pass-through of a sharp depreciation of the local currency accounted for half of the inflation surge in FY23, according to the International Monetary Fund.

The depreciation raised import prices, contributing to inflationary pressures. Additionally, second-round effects from adjustments in energy prices and imperfections in the commodity market further compounded high inflation, said the Bangladesh Bank in January.

The central bank has embarked on a tighter monetary policy to curb higher prices.

Besides, Mujeri said, the government has taken some corrective measures like conducting drives in the market to stop illegal hoarding and price gouging.

"But the moves have not proven to be adequate yet."

"Only some raids will not help rein in inflation. We will have to ensure smooth supply in the market."

The former chief economist of the central bank also thinks only the monetary policy would not be able to contain inflation successfully.

He underscored bringing in structural changes to the market management system and identifying weaknesses and addressing them.

Sugar prices edge up

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Traders who have Supply Orders (SO) to take delivery of sugar from mills are showing reluctance to sell the orders to others, said Alauddin Ali, a wholesaler at Khatunganj.

SO holders can take delivery of the commodity from the issuer or mills by showing the receipt.

The retail price of sugar has risen to Tk 145-146 per kg, up by Tk 2 to Tk 3 per kg within a day, Ali added.

The wholesale price increased in Dhaka, too, said Abul Hashem, a trader at the capital's Moulvibazar, a wholesale hub for sugar and edible oil.

The spike in the price of sugar is a reflection of the fire incident at S Alam's refinery, said Aminul Haque Amin, a wholesaler at Karwan Bazar, one of the largest kitchen markets in Dhaka.

However, Saiful Alam Masud, chairman of S Alam Group, told reporters on Tuesday afternoon that there was no damage to the factory even though the warehouse was damaged in the fire.

Production can be started within a day or two, he said, adding that there is still enough stock to meet demand for Ramadan.

"There is no possibility of price hikes ahead of Ramadan," he added.

The fire broke out at a warehouse of S Alam Refinery on Monday and came under control after 18 hours.

Between January 1 and March 4 this year, sugar imports increased 46 percent year-on-year to 4.74 lakh tonnes, data of the National Board of Revenue showed.

Biswajit Saha, director of corporate and regulatory affairs at City Group, one of the biggest commodity processors, said they did not hike their sugar price and are selling the sweetener at Tk 134.8 per kg from the mill gate.

"We have no shortage of sugar and vessels with sugar are coming although we face problems in opening letters of credit for import. So, there is no reason for the price to rise," he added.

Taslim Shahriar, deputy general manager of the Meghna Group of Industries (MGI), echoed the same.

"There will be no dearth in the supply of sugar during Ramadan," said the official of MGI, which runs one of the five sugar refineries in the private sector.

Bangladesh consumes roughly 20 lakh tonnes of sugar each year and the month of Ramadan accounts for 3 lakh tonnes. The nation has to meet about 98 percent of its requirement through imports of raw sugar because of scanty domestic production.

US to look into

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Given that Bangladesh still largely manufactures basic items, the average price level is well above the global average import price per unit paid by the US, he said.

Hassan also said recent geo-political tensions have added woes to global supplies, which were already struggling, and to the added dynamics of diesel prices, resulting in record hikes.

"In recent years, our cost of production has gone up exorbitantly. Price of electricity has risen by 25 percent, gas by 286.5 percent, diesel by 68 percent, and similar impacts on transport and other factors are notable," he said.

Inflation has pushed cost of finance further up, leading to increased cost of production and cost of goods, he added.

Also, bank charges and municipality and city corporation fees, including different registration and certification fees, have significantly increased, said Hassan.

In the past decade, the industry invested millions of dollars to remediate factories, and is constantly investing in greener manufacturing, emission reduction and resource efficiency to meet emerging due diligence requirements, he said.

He hoped that the USITC would view the overall scenario instead of considering only cost and efficiency-based competitiveness.

At the same time, drawbacks such as a lack of local raw materials and absence of foreign direct investment in this industry also need to be taken into consideration, the BGMEA chief added.

Park Young-sik, ambassador of the Republic of Korea to Bangladesh, inaugurates a "Korea Business Desk" designed by Eastern Bank for Korean companies, investors and individual customers at the bank's head office in Gulshan yesterday.

PHOTO: EASTERN BANK

Eastern Bank launches Korea Business Desk to facilitate bilateral trade

STAR BUSINESS DESK

Eastern Bank has opened a dedicated Korea Business Desk in a bid to facilitate cross-border business transactions between Bangladesh and the Republic of Korea.

The desk will provide one-stop banking services designed for Korean companies, investors and individual customers.

Park Young-sik, ambassador of the Republic of Korea to Bangladesh, inaugurated the desk at the bank's head office in Gulshan yesterday, read a press release.

The Republic of Korea, popularly known as South Korea, is Bangladesh's 20th largest export partner. The bilateral trade between the two countries crossed the $3 billion mark for the first time in 2022, up 38.71 percent from the previous year's $2.188 billion.

The bank also launched an EBL-KBCCI co-brand credit card during a seminar, titled "Investment services by using OSS (One Stop Service)", at the Sheraton Dhaka in Banani.

Bangladesh's growing prowess

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"Sales are good and the demand is rising."

At the inauguration of the showcase, Faruque Hassan, president of the Bangladesh Garment Manufacturers and Exporters Association, said Bangladesh has the highest number of green garment factories in the world and this has brightened the image of the sector and the country and given a boost to buyers' confidence.

"2024 will turn out as a good year for us as retailers and brands are coming up with a higher volume of orders."

Bangladesh, the second-largest apparel supplier globally, is already the biggest denim exporter in Europe and the US, which highlights the sector's strength.

Amin Helaly, senior vice-president of the Federation of Bangladesh Chambers of Commerce and Industry, said Bangladesh imports more than $10 billion worth of fabrics from China per year.

"So, an opportunity has been created for Chinese investors to invest in the textile and garment sector in the country."

Lokman Hossain Miah, executive chairman of the Bangladesh Investment Development Authority, also spoke at the inauguration.

Trade with Myanmar thru Teknaf

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in Maungdaw and Sittwe that receive foreign demand drafts from Sonali Bank and AB Bank of Bangladesh don't have access to the telecommunication network.

Sittwe is the capital of Rakhine while Maungdaw is a town in the state.

"We are importing goods under the demand drafts opened in January. When the demand drafts are all used up, there will be no way to import goods from the country," Ali said.

Owing to inadequate local production, Bangladesh has to rely on imports to meet the demand for onions and gingers, among other vegetables and spices.

Reserves may drop

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exchange for local currency till the end of February.

However, the currency swap is not helping raise net reserves because mobilising foreign currency through swap deals is a liability.

The forex reserves have continued to fall for the past two-and-a-half years as the nation has been contending with a US dollar crisis.

The central bank has also continued to sell US dollars from its reserves, but only to settle import bills of state-run enterprises.

In the post-pandemic period in 2021, the country's import payments started to rise faster than remittance earnings and exports, leading to a shortage of US dollars in banks.

The forex crisis intensified in the middle of 2022 due to the price increase of essential goods and other commodities in the global market, an impact of supply chain disruptions caused by lingering impacts of the pandemic and Russia-Ukraine war.

In order to help banks settle record import bills, the central bank pumped more than $28 billion into the banking sector from its reserves, a development that caused the reserves to halve in just two years.