

Under-invoicing by importers crowding out country's lone sandpaper maker

MOHAMMAD SUMAN, Ctg

Bangladesh's first and only sandpaper plant is struggling to expand its footprint owing to unhealthy competition from importers, who are allegedly under-invoicing prices of the abrasive paper.

Due to its various applications in the manufacture of furniture and automobiles as well as in the garment and construction industries, several commercial importers bring in sandpaper for around \$1.2 per kilogramme.

As such, local sandpaper makers, including Grind Tech Ltd, a concern of Sheltech Group, are in hot water as their production cost stands at \$7.8 per kilogramme (kg), said Tanvir Ahmed, managing director of Sheltech Group.

"We are becoming uncompetitive because of the cheaper prices of sandpaper imported by traders," he said.

Grind Tech Ltd started its journey in 2020 at an investment of Tk 80 crore, looking to fill a vacuum as the country, which requires sandpaper worth around Tk 1,500-Tk 2,000 crore, was fully dependent on sandpaper imports.

Ahmed said they invested in the sector as the government was encouraging domestic manufacturing by offering reduced import duties for raw materials.

"We wanted to take an advantage by making the first move. However, we cannot profit as we have to sell products for a price far below the cost of production," he said.

He also alleged that commercial importers were under-invoicing imports in order to evade duties.

"We see two different prices for sandpaper in case of import. Industrial importers are bringing it at \$8.11 per kilogramme for their own use whereas the assessment value of sandpaper imported by commercial traders is far lower."



The market for sandpaper is growing because of higher economic growth of the country and infrastructure development.

PHOTO: COLLECTED

Following an application by Sheltech last year, the Bangladesh Trade and Tariff Commission (BTTC) examined the difference in assessment value of sandpaper imported by industrial users and commercial importers.

In its findings, the BTTC reported a massive gulf between the assessment values of sandpaper imported by the two groups.

It also analysed the price of sandpaper in the domestic market and recommended the NBR impose a minimum assessment price of \$5 per kg.

In October last year, the NBR slapped a minimum assessment value of \$2.5 per kg. Customs officials said they had done so because many importers were not declaring the actual value of products.

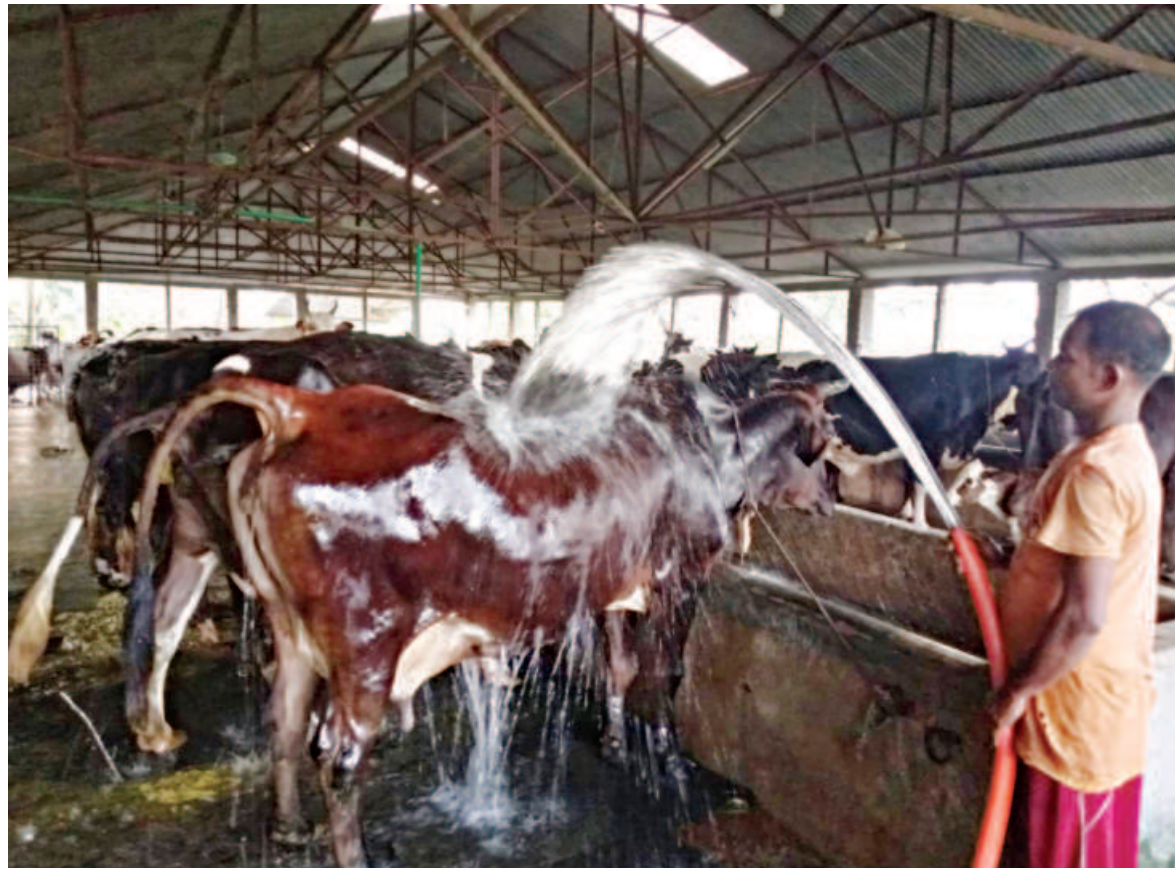
Afterwards, in December last year, Sheltech filed another application, seeking a further increase in the minimum assessment value.

Ahmed added that the government was losing a huge amount of revenue due to under-invoicing.

"The government should fix the minimum import value instead of an assessment value. If it does, the local industry will get protection and more investors will feel encouraged," he said.

"This market is growing because of economic growth and infrastructure construction. The more the construction, the higher the demand for sandpaper."

Ahsan Ullah, deputy commissioner of Custom House, Chattogram, told The Daily Star that they were considering a further increase in the assessment price for sandpaper imports.



Cows have to be given additional showers to keep their body cool in order to protect them from the ongoing heatwave, which has raised the cost of farming for dairy farmers. The photo was taken from Pabna's Faridpur yesterday.

PHOTO: AHMED HUMAYUN KABIR TOPU

Heat stress jeopardises dairy industry

AHMED HUMAYUN KABIR TOPU, Pabna

Lutfur Rahman, a farmer in Jote-Adom village in Pabna's sadar upazila, is preparing four cows with a target to sell them during the upcoming Eid-ul-Azha when millions of sacrificial animals are slaughtered. However, he is now worried whether the animals will survive amid the ongoing heatwave.

He was expecting a minimum 500 grammes to 600 grammes of weight increase daily in the fattening period. However, he is struggling to retain the original weight due to the heatwave.

The dairy farmer and his wife and children are doing whatever they can to keep them alive. Now they make the animals shower at least three times a day.

He has also put in place a table fan for each cow to give them some relief from the sweltering heat. This, however, has added extra expenses for the farmer.

"The cows are going to be fattened, so we need to take special care of them to keep them cool," Rahman said.

He is not the lone dairy farmer in Bangladesh who has been impacted by the current spell of record temperatures.

There are around 2.5 crore cows and 13 lakh to 14 lakh farmers in the country. Of the farmers, 3.5 lakh own large farms, according to the Dairy Farm Owners Association in Bangladesh.

Md Saiful Islam, one of the leading dairy farm owners in Pabna's Faridpur upazila, says the

maintenance cost has increased by Tk 100 to Tk 150 per cow due to a hike in labour and feed costs.

The higher cost comes after the price of wheat bran and other dry feeds has gone up by Tk 100 to 150 per bag in the last few weeks, he said.

During normal times, each cow drinks 18 to 20 litres of water a day. The water consumption has gone up to 25 to 30 litres amid the unprecedented level of higher temperatures.

Each large-sized cow needs more than usual showers a day to keep their bodies cool. This has raised the cost of labour as well.

There are around 2.5 crore cows and 13 lakh to 14 lakh farmers in the country

Islam has 60 cows on his farm and most of them are milk-producing. The farm currently employs six workers, up from four workers before the onslaught of the heatwave.

"The labour cost, electricity bills and feed costs have gone up to maintain the farm," he said, adding that the maintenance cost has risen by Tk 500 to Tk 700 per cow per week.

Md Raju Ahmed, a dairy farmer in Ramkharua village in Shahjapur upazila in Sirajganj, claimed milk production has reduced.

"Normally, we get 22 litres to 25 litres of milk from each cow a day. After the severe temperatures hit the country, each cow is now giving

18 litres to 20 litres of milk."

Regular load shedding has emerged as a major concern for dairy farms trying to tackle the current situation.

Mohammad Imran Hossain, president of the Dairy Farm Owners Association, said due to the strong heatwave, the dairy sector has been badly affected.

The maintenance cost has increased by 10 to 15 percent while milk production has fallen by a minimum of 25 percent, he claimed.

"Our animals are not heat-tolerant. We are mostly farming the local varieties and they are not able to tolerate the extreme hot we are witnessing this year."

Hossain said farms' maintenance cost has jumped up by 10 percent to 15 percent in order to manage heat. "This is an additional burden for dairy farmers."

The risk of miscarriage of pregnant cows is another major concern for the farmers, Hossain claimed.

He warned that if the heatwave persists for a few more weeks, the price of meat will climb and sacrificial animals may be dearer during Eid, which will be celebrated in the middle of June.

Hossain urged the government to breed heat-tolerant cow varieties in order to save the dairy sector since heatwaves might be more common in Bangladesh in the coming years owing to climate change impacts.

Talking to The Daily Star, Md Shahinur Alam, director of the development wing at the

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Expectations for a good budget

MAMUN RASHID

How do you define a good budget? Should it be all-inclusive? Should it be too large? Or should it only focus on the possible future of the nation and allocate more to education and healthcare?

One may also argue for creating more space for the people belonging to the bottom of the pyramid by expanding the social safety net.

With a lot of historic pinches on our revenue earnings as well as earnings from external sources, we all possibly agree on applying a bit more caution while delineating the fund deployment or allocation strategy through budget formulation and management of resources.

Senior citizens and development partners are already talking about maintaining austerity in government expenditures. In a country facing a revenue shortfall, there is no doubt that an all-out drive should be given to revenue generation.

However, as many agencies have recommended, given inflationary pressure, the ceiling for tax-free individual income should be increased. This, on the face of it, may deprive the government from some tax revenue but this can easily be made up by efficient taxation and management and relooking at the tax exemption parameters.

First, the collection should be improved through the adoption of various means followed in similar countries. Second, some sectors have been getting tax exemptions for many years. There should no doubt be an end to that. There must be a sunset clause to end such tax exemption.

This will also help the government to prepare for its graduation from the least developed country category which is due in 2026. Following graduation, such discretionary tax exemption will not be possible.

The tax structure should also be made progressive and reliant more on direct tax rather than indirect tax, which impacts the poorer section largely.

The other part of the budget is expenditure. Given high inflation, the budget for fiscal year 2024-25 should be contractionary. This calls

for prioritising projects that are critically important and employment-creating. Policy-makers should pick only a few high-impact projects and smaller or less important projects should get less attention.

The operational cost should be kept to a minimum by looking more diligently at the wastage side of it. Next comes the mostly politically motivated block allocation. Though I don't have a correct recipe, the time has possibly come to rethink the use of public offices or resources for personal wealth-building or siphoning off money abroad.

Enough allocation must be kept for social safety net programmes for the down-trodden people.

Choosing the right projects with well-trained project managers and getting those revalidated by the expert groups have been discussed for a long time. We need to walk the talk now. It is for the greater interest of public good and better utilisation of hard-earned public money.

The budget for the next fiscal year comes at a critical juncture as the government has targeted higher economic growth. On the other hand, the economy is faced with several challenges, including high inflation, low revenue collection, the volatile exchange rate, and declining forex reserves.

Therefore, the budgetary measures should show the way to overcome these challenges. It is not the time to experiment with too many avenues or to be too hung up on growth phobia.

Like the corporate bodies, the government may also try to follow the norm - earn money, spend money and spend more money to generate investment and thereby employment. Any penny saved should go for future nation-building through education and healthcare.

The author is an economic analyst.



DRU, DUJ call for easy access to BB offices for journalists

STAR BUSINESS REPORT

The Dhaka Reporters' Unity (DRU) and Dhaka Union of Journalists (DUJ) strongly condemned and protested the restriction on journalists' access to the Bangladesh Bank offices.

The two Dhaka-based platforms expressed deep concerns over the restrictions in separate statements.

A statement signed by DRU Acting President Shafiqul Islam Shameem and General Secretary Mohi Uddin was issued on Friday.

In the statement, the DRU said that reporters have always been freely collecting information from the BB and publishing objective news.

It added that the sudden barriers were intentional and went against independent journalism. It said that there would be a risk of wrong reporting about the banking sector because of the restriction, which is not desirable for any party.

Meanwhile, DUJ President Sohail Haider Chowdhury and General Secretary Akhter Hossain in a statement issued yesterday said obstructing journalists from performing their professional duties was a threat to the freedom of the press.

Journalists have been collecting information from the BB for 53 years, it said, urging the governor to ensure journalists' access.

Earlier, Transparency International Bangladesh (TIB) and the Economic Reporters Forum (ERF) also called for immediate withdrawal of the restriction.

The TIB had said that the restriction was an "unethical and authoritarian" step hindering the legal right of people to access information.

The BB recently has restricted the entry of journalists to its offices for the first time in its history. As a result, journalists have not been able to cover the key beat properly in the past month.

US regulators seize troubled lender Republic First and sell it

REUTERS

US regulators have seized Republic First Bancorp and agreed to sell it to Fulton Bank, underscoring the challenges facing regional banks a year after the collapse of three peers.

Philadelphia-based Republic First, which had abandoned funding talks with a group of investors, was seized by the Pennsylvania Department of Banking and Securities.

The Federal Deposit Insurance Corp (FDIC), appointed as a receiver, said on Friday Fulton Bank, a unit of Fulton Financial Corp will assume substantially all deposits and purchase all the assets of Republic Bank, which is the operating name for Republic First, to "protect depositors".

Republic Bank had about \$6 billion in total assets and \$4 billion in total deposits, as of January 31, 2024. The FDIC estimated the cost of the failure to its fund will be \$667 million.

Apart from deposits, Republic also had borrowings and other liabilities of approximately \$1.3 billion, Fulton said in a statement.

Fulton said the deal almost doubles its presence in the Philadelphia market with combined company deposits of



The logo of the Federal Deposit Insurance Corp (FDIC) is seen at its headquarters in Washington.

PHOTO: REUTERS/FILE

approximately \$8.6 billion.

"With this transaction, we are excited to double our presence across the region," said Fulton Chairman and CEO Curt Myers in a statement.

Republic Bank's 32 branches in New Jersey, Pennsylvania and New

York will reopen as branches of Fulton Bank on Saturday or on Monday during business hours.

The decision marks the latest US regional bank failure following the unexpected collapses of three lenders - Silicon Valley and Signature in March

2023 and First Republic in May.

bouyed by a rally in megacap growth stocks and inflation data that showed only a moderate uptick in US prices.

Republic Bank had struck a deal with an investor group that included veteran businessman George Norcross and high-profile attorney Philip Norcross late last year, but the effort was terminated in February.

After that deal collapsed, the FDIC resumed efforts to seize and sell the bank, according to the Wall Street Journal, which first reported the news.

Republic Bank cut jobs and exited its mortgage origination business in early 2023 as it reeled under pressure from higher costs and inability to improve profitability.

The bank's stock price has tumbled from just over \$2 at the start of the year to about 1 cent on Friday, leaving it with a market capitalization below \$2 million.

Its shares were delisted from the Nasdaq in August and now trade over the counter.

Piper Sandler & Co and BofA Securities acted as financial advisers to Fulton, while Sullivan & Cromwell LLP acted as legal adviser.