



Each kilogramme of broiler chicken was selling for Tk 175 to Tk 200 in Dhaka yesterday, while a set of four eggs was selling for Tk 50 to Tk 53. The photo was taken from Habirkathi village of Jhalakathi district yesterday. PHOTO: TITU DAS

Chicken, egg prices rise on supply shortage, higher production costs

SUKANTA HALDER

The prices of broiler chicken and eggs, staple sources of protein for many middle and low-income groups, have increased in the country's markets over the past week due to shortages in supply and an increase in production costs.

Over the past week, the price of eggs has increased by 5 percent and broiler chicken by 7 percent, according to the data collected from three kitchen markets in Dhaka and the Trading Corporation of Bangladesh.

Yesterday, each set of four eggs were selling for Tk 50 to Tk 53 whereas each kilogramme of broiler chicken for Tk 175 to Tk 200.

Businesspeople said farmers had incurred huge losses during recent heatwaves, when many chickens died while many others fell sick. Fearing further losses, many farmers then moved away from raising day-old chicks.

At the same time, those who continued to raise day-old chicks did not rear enough to meet the current market demand, they said.

Moreover, demand for broiler chicken always drops ahead of Eid-ul-Azha, which is set to be celebrated in mid-June this year, they said.

Besides, the cost of production has also increased significantly. Consequently, a gap has been created between supply and demand. All these factors have contributed to the price hike, said Mahbubur Rahman, president of the Breeders Association of Bangladesh.

Rahman said prices of day-old chicks have been falling since early May, when each sold for Tk 60 to Tk 70. Now, each day-old chick is being sold for Tk 28 to Tk 32.

Ahead of Eid-ul-Azha, demand for chickens usually falls as the religious festival centres on sacrificing cattle and goats. Due to this, the demand for day-old chicks has also decreased considerably, he added.

Akram Hossain Ripon, a poultry farmer of the Kalma area in Savar, around 25 kilometres northwest of capital Dhaka, said he incurred severe financial losses due to the heatwave that has engulfed the country since the start of April.

He said he had bought 1,000 layer chickens but 160 died due to the heat, causing losses of

around Tk 40,000.

Ripon said, "Afterwards I opted for raising another 1,000 day-old chicks, buying them at Tk 62 per piece around 17 days ago. Of these, 250 again died due to heat."

"I am worried over whether I will be able to get back my investment," he said.

He said the price of feed was Tk 3,200 per sack a year ago and it has now increased to Tk 3,500. The farm faces power cuts for most of the day and night, for which diesel powered generators must be used, said Ripon.

Moreover, he said the price of medicine has also increased. For instance, one type of medicine that was Tk 200 a year ago now costs Tk 300. The price of another was Tk 500 and has now increased to Tk 700 to Tk 750, he said.

Businesspeople said farmers had incurred huge losses during recent heatwaves, when many chickens died while many others fell sick

Farmers Lokman Hossain and Rehan Uddin of Kapasia upazila of Gazipur made similar observations. Kazi Zahin Hasan, director of Kazi Farms Group, said they were selling chickens and eggs at prices declared by the Department of Agricultural Marketing.

He said at present demand was high but supply relatively low. During the recent heat wave, production of chicken and eggs fell, because in hot weather chickens eat less feed, he said. Low supply pushed up the market prices, he added.

"There is another reason why prices are high. For two years, Bangladesh Competition Commission has been harassing poultry companies with baseless accusations of collusion," he said.

This harassment by the government has discouraged investment, he added.

Investment is needed every year as demand increases every year. As there has been low investment over the last two years, production of chicken and eggs is now lower than demand,

he said.

The rise in prices of the US dollar has had a huge impact on feed costs, he said, adding that high electricity and fuel prices raised production and transportation costs.

Since the government is fixing low prices of chicken and eggs, compliant farmers can no longer generate large enough profits to justify the risky business of poultry farming. If the prices are not raised, many farmers will stop production, he added.

On the other hand, people are withdrawing their investments. A large company which was in this business for 30 years has recently sold its assets. Some smaller companies are also trying to sell their assets, he claimed.

Mohammad Akram Hossain, general manager for feed and breed sales of CP Bangladesh Company, said the production of layer birds has decreased over the last couple of years in Bangladesh due to disease outbreaks and bad weather.

So, automatically there is a shortage of eggs in the market and now the price has become higher than before as supply is lower than demand, he said.

In the poultry sector of Bangladesh there is a lack of data centring demand and supply, for which proper estimates cannot be reached. For this, prices of broiler chickens fluctuate, and it is not due to collusion of the companies, he said.

Investments have decreased this year compared to last year due to economic uncertainties. If the situation does not improve, it will decrease in the future, he added.

Kayser Ahmed, managing director of Diamond Egg, one of the largest producers and marketers of eggs, said those who set the prices of eggs do not themselves produce eggs.

They do not know the real picture and how much it costs to produce an egg, he said, adding that he has reduced production due to the high costs.

At this time last year, his farm was producing 15 lakh eggs per day and now it has come down to 6 lakh eggs.

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A post-election defining moment

ZAHID HUSSAIN

The finance minister and his team must have trotted slippery slopes as they formulated the about-to-be-announced FY25 budget. The slopes are slippery because of the extraordinary economic compulsions on the one hand and the expectations of re-election friendly forces on the other. Ignoring either of the two imperils life in government.

The economy has been in a rough patch since 2022 like never before in the past decade and a half. Growth slowed, inflation surged, real wages fell, foreign exchange reserves dwindled, financial sector stressed, private investments stagnated, and the external environment did not help. The budget cannot solve it all but, being the first after election, it constitutes a defining moment to signal a resolute commitment to put the economy back on a stable and growing trajectory.

The government has turned to the development partners for cash support to stay afloat in troubled waters a large part of which owes to failure to respond in time. Support is obviously not a freebee. You have to commit to measures that have the promise of addressing the underlying causes. The urgency of doing so can hardly be overstated.

The measures include bold decisions to keep the budget deficit low enough to relieve pressure on prices and foreign exchange reserves; plug revenue draining holes in tax policy; rationalise public expenditures by curtailing failed subsidies and development projects; and roll out structural reforms to relieve financial distress, resuscitate structural transformation, and face the music after LDC graduation.

None of these can be done without risking displeasure of the sources of political power of the current regime.

Every government faces tough decisions about the appropriate measures: how much to tighten, when, for whom to loosen policies, where money will be spent and how it will be raised

They have already voiced their concerns in no uncertain terms even while recognising the economic compulsions. They say tax expenditures are a problem, but this is not the time shunning them; increasing taxes on carbonated beverage manufacturers can be good for both the government purse and public health, but this would reduce investments; taxing capital gains is desirable for enhancing progressivity of the tax system, but the stock market is not ready for it; export subsidies have not produced the desired results, but this means you have to do more rather than less until WTO rules kick in; cutting public spending may be necessary, but it will hurt "people"; spending more on education and health is critical, but this must not be at the expense of prolific contracts in transport and energy and so on and so forth.

An iron law of protection to business is that it tends to become a necessity. A specific interesting case in point is duties on imported mobile phones. Local mobile manufacturers have benefited from tax exemptions and lately the large devaluation of taka which has made imported phones more expensive. Yet they complain devaluation has put financial pressure on them without bestowing any competitive

advantage! They want continuation of the existing taxes on imported phones for another three years.

Yet another case is export subsidy. The government's cash incentive against export receipts has soared over the years although it brought limited, if any, results in export diversification. Currently, 43 sectors receive cash support, which amounted to over Tk 8,600 crore in FY23 alone. These cannot be continued after 2026 as WTO rules do not allow cash incentives to exporters.

The government cut the subsidy for almost all sectors in February reducing the highest cash incentive rate from 20 to 15 percent. The export lobby raised concerns about hurting small and medium enterprises and power tariff hikes to oppose the subsidy cuts.

Never mind the 26 percent depreciation of taka since end June, 2022 which enhanced revenues way more than costs.

It is not just the interest groups outside the government who exhibit cognitive dissonance by supporting change while opposing it at the same time. Government officials at the upper echelons have been living a "don't worry, be happy" delusion ever since the onset of economic distress. They continue to harbor the belief that things will turn around by "December", one that never came in last two years.

Policymakers have evidently found it difficult to invest the time and political capital to address a crisis that was never abstract.

The policy response has continued to be tempered by political realities. Business interests have pressed for subsidies and bailouts on grounds of times difficult for all even though many benefited from the same difficult times.

Policymakers diverted resources away from developmental priorities under pressure from these constituents. As the saying goes, "where you stand depends on where you sit."

Some members of the public, and some policymakers, have resisted the recommendations of experts until they came with money from the IMF.

Every government faces tough decisions about the appropriate measures: how much to tighten, when, for whom to loosen policies, where money will be spent and how it will be raised. These decisions have to consider economic and political fallouts. Any policy that is good for society as a whole can in principle be made good for everyone in society by taxing the winners just a bit to compensate the losers.

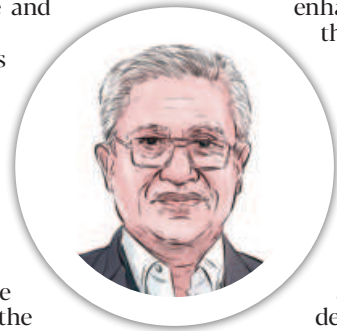
The problem is that the winners don't like sharing any of the wins. The battle is rarely over what is best for society but rather over who will be the winners and losers. What is best for the country may not be best for my district, or coterie, or industry, or class.

The golden rule of policy is that those with the gold make the rules. Bangladesh is no exception. Special interest groups play an outsized role. Concentrated interests win over diffuse interests.

Will this budget be different? One can still hope because even authoritarian regimes have to pay attention to at least some part of public opinion. They are called the "selectorate," that portion of the stakeholders, local or otherwise, whose support matters to policymakers to stay in office and to the elites to keep their seats.

We will find out which selectorate has mattered in this budget!

The writer is former lead economist of the World Bank's Dhaka office.



Zara owner Inditex posts big profit

AFP, Madrid

Zara owner Inditex, the world's largest fashion retailer, on Wednesday reported a record net profit for the first quarter, even as the Spanish group faces growing competition from Chinese-founded online rival Shein.

Inditex, whose other brands include Bershka, Massimo Dutti and Pull&Bear, has posted solid earnings and seen its share price soar in recent months despite inflation and geopolitical headwinds.

Its net profit reached 1.3 billion euros (\$1.4 billion) in the quarter ending April 30 – an 11 percent increase from the same period last year and an all-time high for a three-month span usually marked by weaker earnings.

Sales rose seven percent to 8.2 billion euros. The profit and sales figures were close to those forecast by analysts surveyed by financial data firm FactSet.

"Inditex continued with a very robust operating performance due to the creativity of the teams and the strong execution of the fully integrated business model," the company said in its results statement.

The company said sales remained strong at the start of the second quarter, rising 12 percent between May 1 and June 3 when compared to the same period a year ago.

Inditex announced it would invest 900 million euros per year in 2024 and 2025 to expand its logistics capacities, "in view of the strong future growth opportunities".

The fashion giant, which since early 2022 has been headed by Marta Ortega, daughter of billionaire founder Amancio Ortega, has seen its share value grow by more than 40 percent over the past year.

But Inditex, H&M and other retailers are facing increasingly tough competition from online fast-fashion platform Shein, which is expected to pursue a multi-billion-pound listing on the London stock market.

'Modi premium' in India's financial markets set to erode after weak victory

REUTERS, London/New York

Indian voters' tepid endorsement of Prime Minister Narendra Modi leaves a weakened mandate for business-friendly reforms and has foreign money managers thinking twice about unleashing another wave of investment in the world's fastest-growing economy.

Modi's Hindu nationalist Bharatiya Janata Party (BJP) secured a third term in government but without a majority of its own for the first time since sweeping to power a decade ago.

India's stock market weathered its heaviest selling since the onset of the pandemic as the votes were tallied and net foreign selling was a record \$1.5 billion on Tuesday. Stocks recovered some ground on Wednesday.

With the party losing most ground in rural areas, investors say land and labour reforms, that had been expected to unlock value and growth, will probably fall by the wayside while leaders focus on shoring up rural support which had faltered.

For global fund managers, who despite strong buying last year are generally underweight on India according to HSBC research, the uncertainty is reason enough for caution.

"You have the feeling that while the government was really geared towards



Indian Prime Minister Narendra Modi gestures at the Bharatiya Janata Party headquarters in New Delhi on June 4.

PHOTO: REUTERS

business, there are other parts of the country that felt left behind," said Alessia Berardi, head of emerging macro strategy at Amundi Investment Institute – the research arm of Europe's biggest asset manager.

US stocks ended slightly higher on Tuesday following softer-than-expected jobs data that fueled hopes of rate cuts this year from the Federal Reserve.

"So a more inclusive economy, a more efficient economy is important," she said.

In the market, stocks trading richly in anticipation of growth driven by infrastructure and manufacturing spending fell heaviest and those exposed to rural demand, such as Nestle India and in motorcycle maker Hero MotoCorp rose. Bonds weakened as traders priced risks

that welfare spending goes up and budget consolidation is delayed. The tightly-managed rupee skidded to a seven-week low.

"Over the past decade, India has been rewarded with a valuation premium for government stability...some of that valuation premium came out today," said Vikas Pershad, who manages India and Asia equities portfolios for M&G Investments.

"I think priorities might shift a little in the short-term...so more benefits for the rural consumer, the rural working poor."

Investors have prospered under Modi, 73, as India's equity benchmarks have more than tripled since he started as leader in May 2014. Earnings growth drove annualised total return for the MSCI India index to 7.1 percent over the period, against 1.3 percent for MSCI's Asia ex-Japan index.

To be sure, investors say the election outcome – with Modi's alliance winning 293 of 543 lower-house seats – is unlikely to derail this trajectory, nor is India's broadly stable currency and attractive debt market likely to be unduly ruffled.

"We're still seeing strong growth coming from India...I think it's a buying opportunity," said Kristina Hooper, chief global market strategist at Invesco in New York.