Double agri subsidies in FY27 to cut farm costs: economist

STAR BUSINESS REPORT

The Russia-Ukraine war and the US-Israeli war on Iran, along with the depreciation of the taka, have sharply raised production costs for Bangladeshi farmers, a prominent economist said yesterday, calling for agricultural subsidies to be more than doubled in the upcoming budget.

ASM Golam Hafeez, professor of agricultural finance and banking at Bangladesh Agricultural University, said the government should increase agricultural subsidies to Tk 35,000 crore in the FY2026-27 budget – more than double the Tk 17,241 crore allocated in the current fiscal year.

He was speaking at a seminar titled "National Budget 2026-27: Roadmap for Sustainable Agricultural Development in Bangladesh," organised by the Bangladesh Agricultural Economists Association (BAEA) at the Bangladesh Agricultural Research Council in Dhaka.

The blockade of Hormuz during the US-Israeli war on Iran has disrupted fertiliser imports, increasing subsidy requirements, the agricultural economist noted.

The war has also resulted in rising oil and gas prices across the globe, including Bangladesh, raising energy expenses for irrigation, machinery and transportation, he also said.

Besides, the rising dollar exchange rate has driven up the cost of imported fertilisers, seeds, fuel and machinery, further compounding the crisis. Agriculture received 5.9 percent of the total national budget in the current FY2025-26, the professor noted.

Based on a projected budget of Tk 9.3 lakh crore for the upcoming FY2026-27, he expects Tk 88,350 crore to be allocated to the sector.

To address climate change, he said the agriculture budget should prioritise climate-smart agriculture, the development of climate-resilient crop varieties, and establish climate risk-based crop insurance along with a disaster assistance fund.

The budget should also include support for canal re-excavation, water conservation and solar-powered irrigation, he added.

The professor also called for special adaptation funding for haor, char and coastal areas, and the development of cold storage and resilient supply chains.

Also speaking at the event, Zonayed Abdur Rahim Saki, state minister for planning, mentioned that the government recently approved a Tk 3 lakh crore fund for the FY2026-27 Annual Development Programme, 30 percent higher than the previous year.

The agricultural sector received Tk 10,843 crore, or 3.61 percent of the total allocation.

He identified agro-processing as a key area for expansion, and flagged limited land availability, declining soil fertility, capital shortages for marginal farmers, market access difficulties and a severe labour shortage as key challenges.

Mohammed Amin Ur Rashid, minister of agriculture, said currently, due to the lack of accurate demand data, a significant amount of agricultural produce is being wasted.

The Farmers Card, currently being piloted by the government, aims to reduce this by aligning production with demand, he added.

Sultan Salauddin Tuku, state minister for fisheries and livestock, said developing the agriculture, livestock and poultry sectors while strengthening the economic capacity of marginal communities is essential to bolstering the national economy.

Gold falls

REUTERS

Gold prices fell on Tuesday, but stayed above a 1-1/2-month low hit in the last session, as markets consolidated while awaiting further developments after US President Donald Trump paused a planned attack against Iran.

Spot gold fell 0.5 percent to $4,544.17 per ounce by 0820 GMT.

US gold futures for June delivery lost 0.2 percent to $4,547.70.

Gold prices fell 2.4 percent on Friday in their biggest one-day decline since March 26 and extended losses on Monday to touch $4,479.54, the lowest level since March 30, as mounting inflation fears triggered a rout in the global bond market. Bullion recovered to close Monday slightly higher.

"It seems like an oscillation in this kind of inflation fear trade and a sort of digestion of the fireworks from Friday," said Ilya Spivak, head of global macro at Tastylive, adding that markets are now awaiting broad sentiment markers such as the minutes of April's FOMC meeting to be released on Wednesday.

Garment sector

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It found that 61.5 percent of energy use comes from the national grid and 35.5 percent from captive generation.

A large chunk of respondents, 88 percent, cited high installation costs as a barrier to renewable energy adoption. Another 42 percent pointed to high maintenance costs.

Some 28 percent said a lack of awareness was a factor, while 16 percent blamed unfavourable policies. A further 14 percent cited limited space in smaller factories.

The findings were presented by Md Faizul Islam, senior programme manager, and ANM Ata Ullah, lead stakeholder engagement and collaboration specialist.

The study found that renewable energy adoption is significantly lower in Narayanganj at 0.9 percent compared with 3.6 percent in Gazipur.

The study estimated that total floor space across the surveyed factories stands at 155,065,398 square feet, with about 9,073,089 square feet available for solar panel installation.

It noted that one square foot of solar panel can produce around 1.10 kWh per month. Based on available space, maximum potential electricity generation is estimated at 69,862,278.5 kWh per month, which could reduce carbon emissions by about 9.84 percent, according to the study.

The authors said Bangladesh is moving towards a more ambitious renewable energy transition through the Renewable Energy Policy 2025 and updated climate commitments, including increased renewable energy generation and wider promotion of rooftop solar systems in industrial facilities.

In this context, they said the ready-made garment sector is central to this transition, given its high electricity consumption and importance to export earnings and industrial growth.

Around 80 percent of factories receive less than 1 percent of their total energy from renewable sources, while only 5 percent source more than 10 percent.

According to the report, larger factories show greater diversification in energy use, while small and micro factories remain heavily dependent on grid electricity. In these smaller units, renewable energy use remains below 1 percent.

The surveyed factories consume about 70.2 million kWh of electricity each month, producing an estimated 46.1 million kilograms of carbon dioxide emissions.

Although rooftop solar potential exists, physical constraints remain significant. Only about 5.8 percent of total floor space is suitable for solar installation, and full use of available rooftop space would meet only about 14 percent of total energy demand under current efficiency levels.

The study recommended establishing an RMG green finance window for solar and energy-efficient technologies, introducing energy grading for industrial equipment, and developing factory-level energy and carbon reporting systems. It also suggested using carbon credits and carbon exchanges to finance verified emission reductions.

Other recommendations included forming an RMG energy transition taskforce and creating an independent monitoring body to track progress.

The authors also called for decarbonising the national grid, expanding rooftop solar, enabling offsite renewable procurement, and promoting energy-efficient machinery. They further suggested reducing diesel dependency through hybrid systems, batteries and more efficient captive generation.

Vidiya Amrit Khan, vice-president of the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), said 4.75 percent of electricity is currently generated from renewable sources. She said reaching the 35 percent target by 2035 would not be difficult if government policy support is included in the next budget.

Power, Energy and Mineral Resources Minister Iqbal Hassan Mahmood said duty should be waived on the import of solar panels and other equipment to speed up renewable energy installation.

Dollar edges up in int'l market

REUTERS

The US dollar rose on Tuesday as investors balanced cautious hopes for a Middle East peace deal against concerns that the Federal Reserve could raise rates to curb energy-driven inflation.

US President Donald Trump said on Monday there was now a "very good chance" of reaching a deal limiting Iran's nuclear program.

The dollar jumped in March after Iran's effective closure of the Strait of Hormuz pushed oil prices higher, weighing on oil-dependent economies such as Japan and the euro area while increasing safe-haven demand for the greenback.

Oil prices fell 2 percent on Tuesday after Trump's remarks.

"There are reasons why the dollar has not strengthened back to the levels seen in March," Paul Mackel, global head of forex research at HSBC, said.

"Notably, global risk sentiment has recovered strongly; tension remains in USD OIS (overnight index swaps) markets which have stopped short of pricing an aggressive Fed hiking cycle; and monthly global growth momentum is still positive," he added.

At the same time, investors are now pricing in almost a 48.5 percent chance that the Fed could raise rates in December, and a 98.8 percent chance it maintains current rates at its next meeting in June, according to the CME FedWatch tool.

Don't manipulate

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The interbank exchange rate has been hovering at Tk 122.75 per US dollar for the past one and a half months.

Yesterday, banks were buying US dollars at Tk 122.75 per dollar and selling them at Tk 123.50 per dollar.

To keep the forex market stable, the banking regulator has also continued buying US dollars from the market. Yesterday, it purchased $85 million from six commercial banks at a cut-off rate of Tk 122.75.

As a result, total purchases in the current fiscal year have surpassed $6 billion, according to BB data.

Meanwhile, the treasury heads argued that the forex market has not yet become fully market based.

"The BB still intervenes at times in determining the exchange rate. Even during dollar purchases through auctions, the central bank provides instructions," said one official.

BB Deputy Governor Md Habibur Rahman, Executive Director Sarwar Hossain, Director of the Foreign Exchange Policy Department Md Bayezid Sarker, and other officials of the department were also present at the meeting.

Budget to include

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time to formulate the upcoming budget, which is "a difficult task".

"All indicators of the economy that we received from the previous governments were on the decline. On top of that, there is the war in the Middle East -- we have to face this crisis day after day," said the minister.

"You can certainly understand how hard it can be. But still, we are optimistic," he added, noting that when the BNP had previously come to power, it restored macroeconomic stability and discipline in the financial sector.

"This time too, I hope we can," Khosru said.