DA batting for EO to make hog repopulation effort more permanent

THE Department of Agriculture (DA) is batting for an executive order (EO) to ensure continuity of its African Swine Fever (ASF) hog repopulation effort.

"Bantay ASF sa Barangay" (barangay ASF watch), the department's flagship hog repopulation program, is the main initiative the DA is seeking to make more permanent. Its partners in hog repopulation are local government units, hog raisers, and the private sector.

Currently, 42 provinces have agreed to implement the program, which involves the adoption of strict biosecurity measures.

As of Feb. 17, ASF cases were present in only 20 barangays in four municipalities in three provinces.

The DA's integrated national swine production project allocated P400 million to provide 14,571 sentinel pigs to 5,638 farmer-beneficiaries in 2021.

Sentinel pigs are the initial contingent of pigs sent to repopulate ASF-affected areas. If they fall sick, further repopulation is suspended.

For 2022, the DA has set a P2.97-billion budget for hog repopulation.

Biosecure facilities worth P5.5 million are also being constructed for hog raisers, which include fences, climate-controlled animal barns, waste management facilities, basic farm equipment, feed and biologics support, and piglets.

A DA credit program for the swine industry in partnership with Land Bank of the Philippines (LANDBANK) has P30 billion in funding. The other large government bank, the Development Bank of the Philippines (DBP), has P12 billion available to lend.

As of June 2021, LANDBANK said it approved P295.8 million worth of loans to hog raisers, while DBP approved P300 million. — **Luisa Maria Jacinta C. Jocson**

Feed industry seeking support for local production of agri inputs

By Luisa Maria Jacinta C. Jocson

THE animal feed industry said government policy is currently tilted in favor imports of farm products rather than raw materials for use by manufacturers of farm inputs, placing Philippine producers at a disadvantage to foreign goods.

"The government should ensure easier imports of raw materials than finished goods. It's currently easier to import uncooked fish than the raw materials needed to produce feed for fish," Feedmix Specialist II, Inc. Vice-President Norberto O. Chingcuanco said in a Viber message.

"Our government people tend to say our domestic industry is not competitive. Maybe it's our government that is not competitive against other governments," he added.

Mr. Chingcuaco added that the government should support the Philippine industry in developing fertilizers made from waste materials instead of paying for imported fertilizers.

"Public funds should be spent on domestic development and not on supporting imports. The best way (is) to turn agri waste or food processing waste to fertilizer, which will be a win for our environment and our farmers," he said.

The Fertilizer and Pesticide Authority (FPA) has said that high fertilizer prices are due to high demand, high shipping costs as well as the absence of a domestic fertilizer industry to compete with foreign products.

"We face a problem in supply. With the country's dependence on imported fertilizers, the current global demand greatly affects the entry of fertilizer imports in our country. This caused limited local fertilizer supply that influenced the escalation of local prices," FPA Regional Officer Leonardo A. Bangad said in a statement.

"Transport cost is expensive, and the countries producing fertilizer (are prioritizing) their constituents in domestic agriculture. We are 93% dependent on imported fertilizer, 46% of which comes from China," he said. "The problem now is China has stopped exporting, since it needs to cater more to its (own) farmers, because it needs to feed its population. The rest of the imports come from Qatar, Vietnam, Uzbekistan and Russia."

The Department of Agriculture (DA) said it is conducting bilateral discussions with fertilizer manufacturing firms in several countries to supply the most widely-used grades of fertilizer.

"The department will also promote balanced fertilization strategy and the intensified use of the Rice Crop Manager Advisory Service (RCMAS), a digital agriculture support tool for farmers," Mr. Dar said.

"We will also capacitate federations of farmers' cooperatives and associations (FCAs) so they can import fertilizers directly," he added.

Union of Local Authorities of the Philippines National President Carlo E. Cua, who is also the governor of Quirino province, said that the government should look into enhancing fertilizer production in the provinces.

"Maybe it's time for a long-term program, to plant the seeds of collaboration on fertilizer production with the DA as the lead agency with state universities and colleges, and provincial LGUs," Mr. Cua said.

In partnership with the Bureau of Soils and Water Management, the DA also said it plans to establish 1,000 composting facilities worth P950 million nationwide.

War in world's breadbasket leaves big buyers hunting for grain

RUSSIA'S invasion of Ukraine is threatening shockwaves through two of the world's staple grain markets, prompting countries that rely on imports from the region to seek alternative supplies and heightening concerns about food inflation and hunger.

Grain exports from Russia will probably be on hold for at least the next couple of weeks, the local association said on Friday, after turmoil erupted in the Black Sea. Ukrainian ports have been closed since Thursday.

That means the war has temporarily cut off a breadbasket that accounts for more than a quarter of global wheat trade and nearly a fifth of corn. Major importers are already looking at their options to buy from elsewhere, and prices for both grains swung wildly in the past two days.

The disruptions come at a time when global crop prices have already soared to records, while hunger has surged dramatically in the past two years.

"There will be a big impact with respect to wheat prices and the prices of bread for ordinary people," World Trade Organization Director-General Ngozi Okonjo-Iweala said on Friday.

Russia and Ukraine supply crops to a long list of countries around the world, including large volumes to buyers in the Middle East and Africa, who will have to look elsewhere and probably pay more for both the grain itself and the cost of shipping. Egypt, the top wheat importer, had scheduled a tender on Thursday but canceled it after only receiving one offer — of French wheat.

"It is difficult to plan any transactions at the moment," said Eduard Zernin, the head of the Russian Union of Grain Exporters. "I think it might take a couple of weeks."

Demand is beginning to shift to alternative export origins including India and the European Union, according to two people familiar with the matter.

In Tunisia, the agriculture ministry said it's looking to Uruguay, Bulgaria and Romania for supplies of soft wheat to shield itself from possible supply disruptions, while Indonesian flour mills are also hunting for other origins due to the escalating crisis. A Moroccan millers group said it would turn to Argentina, France and Poland, according to chairman Abdelkader El-Alaoui.

However, the outsized role that the Black Sea plays in global grains markets means that alternatives may be limited. Global grain stockpiles are already declining, making it more difficult to offset lost supply.

"It really does put a squeeze on an already tight market and

BW FILE PHOTO

creates a huge amount of uncertainty for the coming weeks if not months," said James Bolesworth, managing director at UK-based CRM AgriCommodities. "For wheat and corn, it pushes demand to other parts of the world where we know stocks are tight."

In the US, the war in Ukraine may have a modest impact on food costs, though grocery inflation is likely to ease this year regardless of the conflict, said Joseph Glauber, former chief economist for the US Department of Agriculture (USDA). The crisis may have a more severe impact on food prices in the Middle East and Africa, especially if spring planting is disrupted in Ukraine, he said.

The impact on US consumers will be muted because food commodities account for only a small portion of the price Americans pay for groceries — less than 15 cents of each dollar spent, according to USDA. Volatility in global wheat markets has little impact on the supermarket cost of a loaf of bread or a box of cereal.

Where the US will likely be more affected is in the cost of grains such as corn and soybeans used to feed livestock and poultry. It could exacerbate the pressures meat producers are already feeling, with drought in the US plains accelerating the decline of herds.

For Russian grains, in addition to the challenges of shipping in the Black Sea, some of the country's biggest wheat exporters have links to state-owned bank VTB Group, which is now under sanctions from the US.

Overall, the war is likely to have far-reaching effects, the World Food Programme said.

"The food security impact of the conflict will likely be felt beyond Ukraine's border, especially on the poorest of the poor," the Rome-based agency said in a statement. "Interruption to the flow of grain out of the Black Sea region will increase prices and add further fuel to food inflation." — ***Bloomberg***

Asian stocks most affected by the Ukraine turmoil

THE CRISIS in Ukraine is sending Asia's stock investors searching for hedges and shunning names that may get hammered, while they also consider the implications of a drawn-out war.

So far, Asia's commodity and shipping stocks are emerging as safer bets given concerns about shortages of raw materials as Russia is a major exporter. Strategists at Goldman Sachs Group, Inc. advocate a rotation to commodity-heavy Australia and recommend being overweight on the energy sector.

Meanwhile, shares of companies that get a chunk of their revenue from Russia, such as Japan Tobacco, Inc., are at risk of lower profits. The longer-term ripple effects will also be more complex: higher costs of basic goods will continue to squeeze consumers, limiting spending power. It also hurts margins for firms that are unable to pass on costs.

Acknowledging the fast-evolving situation, here's a look at Asian shares that are affected by the Russia-Ukraine conflict.

COMMODITIES

Raw material prices traded higher following the invasion, with the Bloomberg Commodity Index touching 2014 highs this week. In Asia, energy and oil producers continued a rally that started last year given economies reopening following the pandemic. Australia's Woodside Petroleum Ltd. and Santos Ltd., for example, outperformed the broader MSCI Asia Pacific benchmark, which slid about 4% this week. In Malaysia, Dialog Group Bhd was up 1.8%.

A worker uses a motorized harvesting sickle to cut a palm oil fruit bunch from a tree at a plantation in Kapar, Selangor, Malaysia, on Tuesday, Jan. 11, 2022. Palm oil swung between gains and losses as investors weighed weaker demand for the tropical oil against tighter supplies amid weather and labor problems in No. 2 grower Malaysia.

"Higher energy and grain prices bode well for Asia's net exporters like Malaysia, which benefits from record gas and palm oil prices," said Wai Ho Leong, a strategist at Modular Asset Management.

TRANSPORT

Asian shipbuilders and shipping firms are also poised to rally further as European countries may seek seaborne sources of natural gas as tensions escalate. That may mean more business for Korean shipbuilders including Daewoo Shipbuilding & Marine Engineering Co. and Hyundai Heavy Industries Co., which were up at least 10% this week.

Ships sit under construction at the Daewoo Shipbuilding & Marine Engineering Co. shipyard in an aerial photograph taken in Geoje, South Korea, on Friday, June 5, 2020. Qatar has signed a deal worth around $20 billion with South Korean shipbuilders to help cement its position as the world's largest producer of liquefied natural gas.

Meanwhile, large consumers of oil like airlines have already seen sharp declines in share prices. A Bloomberg gauge of Asia's airlines slid more than 5% this week, dragged lower by India's InterGlobe Aviation Ltd., China Eastern Airlines Corp. and Japan Airlines Co.

FOOD

Food stocks may also gain as Ukraine and Russia account for more than a quarter of the global trade in wheat and a fifth of corn sales. Potential supply disruptions mean emerging market food suppliers will see increased demand, said Nirgunan Tiruchelvam, the head of consumer equity research at Tellimer in Singapore.

Firms like Singapore-listed Wilmar International Ltd. and Thailand's Charoen Pokphand Foods may benefit, he added. Shares were down 5.7% and 1% this week respectively.

Shares of companies that count Russia and Ukraine as their end markets have plunged. Russia-based United Co. Rusal International's shares slumped 22% in Hong Kong this week. The company gets about a fourth of its annual revenue from Russia, according to data compiled by Bloomberg.

Among other firms with exposure, Japan Tobacco and Hitachi Ltd. each fell more than 6% this week.

Russia accounted for 7% of Japan Tobacco's sales and 18% of its operating profit in 2021, Citigroup, Inc. analyst Nobuyoshi Miura wrote in a note. The standoff may only have a "limited impact" on sales volumes but ruble weakness could hurt the company's profits, he wrote.

For electronic products maker Hitachi, Jefferies Financial Group, Inc. analyst Bolor Enkhbaatar estimates shares may "overreact" due to its ownership of a unit called GlobalLogic. The subsidiary has software development hubs in Ukraine and accounts for about 1% of its revenue, he wrote in a note.

CHIPMAKERS

Ukraine's status as a major producer of neon gas — used in semiconductor manufacturing — and the UK's ban on hi-tech exports to Russia have made chipmakers vulnerable at a time when pandemic-induced disruptions were already weighing on the supply chain.

The sector's shares have dropped even as the Semiconductor Industry Association said Russia's invasion of Ukraine doesn't represent a threat to chip supply.

The lobby of the Taiwan Semiconductor Manufacturing Co. (TSMC) headquarters in Hsinchu, on Tuesday, Jan. 11, 2022. TSMC reported a sixth straight quarter of record sales, buoyed by unrelenting demand by Apple, Inc. and other customers for chips produced by the world's largest foundry.

Shares of bellwether Taiwan Semiconductor Manufacturing Co. fell more than 5% this week, while Samsung Electronics Co. is down about 3%. Among chip equipment makers, Tokyo-listed Lasertec Corp. and Disco Corp. slid about 3% and 4%, respectively.

BANKS

Bank stocks are also on the traders' radar amid stiffening Russia sanctions given some of the lenders' exposure to the country.

While the definition of exposure varies by bank, Japan's Mitsubishi UFJ Financial Group Inc., Sumitomo Mitsui Financial Group, Inc. and Mizuho Financial Group, Inc. each had about $2 billion to $4 billion at stake as of September, according to data from those banks.

"Banking stocks are likely to be sold with investors growing conscious of a potential pull back in yields due to a weaker economy, and their exposure to Russia," said Nobuhiko Kuramochi, a market strategist at Mizuho Securities Co. — ***Bloomberg***

Iraq shuts down two oil fields, further curtailing OPEC output

IRAQ stopped oil production from two southern fields with a combined capacity of almost half a million barrels a day.

The shutdowns curtail the ability of OPEC's second-largest member to pump crude just as Russia's invasion of Ukraine and tight supplies globally send prices soaring.

Work at the Nasiriya field, capable of producing as much as 80,000 barrels a day, was halted on Saturday because of protests that prevented staff from reaching the site, according to a statement from operator Thiqar Oil Co.

That followed the closure of the huge West Qurna 2 field on Feb. 21 for maintenance. The field, capable of supplying 400,000 barrels a day, is scheduled to resume normal operations on March 14, though the companies that run it are trying to restart output sooner. State-owned Basra Oil Co. said the work will enable production from West Qurna 2 to be increased to 450,000 barrels a day.

The operators of Nasiriya and West Qurna-2 have said nearby fields will be able to produce more to compensate for the temporary losses.

OPEC STRUGGLES

The outages come as many OPEC members, including Iraq, struggle to reach their production quotas, causing global energy markets to tighten as demand recovers from the coronavirus pandemic.

Iraq pumped 4.16 million barrels a day in January, less than its target of almost 4.3 million, Bloomberg reported earlier this month. That was because of bad weather at ports and the country should meet its quota for February, Oil Minister Ihsan Abdul Jabbar said in an interview on Feb. 21.

Iraq has repeatedly said it is able to pump as much as 5 million barrels-a-day.

The Organization of Petroleum Exporting Countries (OPEC) and its partners — a 23-nation group including Russia — meet on March 2 to decide on output for April. Major OPEC members such as Saudi Arabia have come under pressure in recent months to raise production faster and rein in oil prices, which temporarily surpassed $100 a barrel on Thursday after Russia attacked Ukraine.

Brent crude fell 1.2% to $97.93 a barrel on Friday, but is still up 26% this year. — ***Bloomberg***