India wheat export ban to raise demand for rice

By Luisa Maria Jacinta C. Jocson
Reporter

INDIA's ban on wheat exports may cause wheat-dependent countries to shift to rice, with the resulting demand threatening to pressure rice prices upwards, a Department of Agriculture (DA) official said.

"One of the medium-term impacts is if they cannot access wheat, they might switch their demand to rice, and the problem is that if there's going to be a rush to buy rice, that will lead to increase in demand and increase in prices," Undersecretary Fermin D. Adriano said in an e-mail.

"Russia and Ukraine combined produce about 30% of all the wheat in the world. Any further tightening of the supply will definitely aggravate (the situation). There are quite a number of countries in the Middle East and sub-Saharan areas that are wheat-eating. A lot of things will worsen because of access, especially in wheat-eating countries," according to Mr. Adriano, who is the undersecretary for Policy, Planning and Research.

On May 14, India announced that it was banning wheat exports due to the heat waves which have suppressed crop yields, sending domestic prices upwards.

Earlier in the year, India set a preliminary estimate for exports of as much as 12 million tons in 2022-2023.

"The country's main (wheat import) source was Ukraine, and since the Russian invasion, our country's biggest source is India," Feedmix Specialist II, Inc. Vice-President Norberto O. Chingcuanco said in a Viber message.

"The export ban will definitely pressure global wheat prices. The use of wheat is not all replaceable by corn," he added.

Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said that global wheat prices have increased by 20% due to the Ukraine crisis.

"The impact (of the ban) is already being felt because we haven't found any alternative suppliers," he said.

Cooking oils, cereals and meats hit all-time highs as a result of the Ukraine invasion, pointing to key food commodities becoming 30% more expensive year on year, Mr. Cainglet said, citing a report by the United Nations.

"We have been saying this for a long time. We cannot rely on the vagaries of the international market," he added.

Mr. Adriano also said that the ban will affect the livestock industry, as inferior grades of wheat are primarily used to make animal feed.

"About three million metric tons (MT) of wheat feed is being produced annually to fill the gap. If wheat feed supply is not enough, we would only be able to access it at a very high rate," Mr. Adriano said.

"In other words, the animal feeds sector will be badly affected by it, from hogs, poultry, and aquaculture. If the animal inputs rise, it will affect the final output price. That's the reason why we are saying there's a looming food crisis in the second half of the year," he added.

Mr. Cainglet said the way to mitigate the effects of the global crisis is to support local production, subsidize farm inputs and help farmers across the whole production chain.

"All countries will naturally protect their own domestic markets first. It is truly tragic that in the Philippines, we import first and lower tariffs," he said.

"Up to their final days at the DA, they are still pushing the reduction of tariffs on pork, rice and corn; instead of doubling their efforts in helping local farmers cope with the increasing cost of production," he added.

Economists said that the struggle to procure wheat heralds possible inflation pressures.

"With India being a major supplier of wheat, a ban on wheat exports would hurt the Philippines, which is already struggling to source the staple after the Ukraine war. The Philippines used to import wheat from Ukraine," ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in an e-mail.

He said that energy shortages will also likely drive up the cost of basic commodities.

"Domestic inflation has moved well past its target and is threatening to surge to multi-year highs as food items related to wheat will edge higher. Meanwhile, substitutes for these food items will also become more pricey as Filipinos seek alternatives. This will crimp consumption and slow overall economic activity. With how constrained supply chains are at the moment, we could very well have to brace for faster inflation," Mr. Mapa added.

UnionBank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said Philippine firms might also look elsewhere for wheat supply.

"They can continue to import for their inputs and bear the higher cost that can compress their margins to keep their market share especially at a time when demand is recovering, which I think is what is happening to many producers because of these supply-chain challenges," he said in an e-mail.

World Bank to offer $30B as Ukraine war threatens food security

BONN — The World Bank said it will make $30 billion available to help stem a food security crisis threatened by Russia's war in Ukraine, which has cut off most grain exports from the two countries.

The total will include $12 billion in new projects and over $18-billion funds from existing food and nutrition-related projects that have been approved but have not yet been disbursed, the bank said.

"Food price increases are having devastating effects on the poorest and most vulnerable," World Bank Group President David Malpass said in a statement. "To inform and stabilize markets, it is critical that countries make clear statements now of future output increases in response to Russia's invasion of Ukraine."

The bank said the new projects are expected to support agriculture, social protection to cushion the effects of higher food prices on the poor, and water and irrigation projects.

The majority of resources going to Africa and the Middle East, Eastern Europe and Central Asia, and South Asia. These areas are among the hardest hit by the impact of the war in Ukraine on grain supplies.

Countries such as Egypt are highly dependent on Ukrainian and Russian wheat and are scrambling for supplies as Russia has blockaded Ukraine's agricultural exports from Black Sea ports and has imposed domestic export restrictions.

The World Bank's plans were the largest component of a US Treasury Department report summarizing food security action plans from international financial institutions.

The European Bank for Reconstruction and Development plans to make €500 million available for food security and trade finance for agricultural and food products, out of a €2-billion package for Ukraine and neighboring countries affected by the war, the Treasury report said. — ***Reuters***

PHL Q1 auto output loses ground within ASEAN

THE PHILIPPINES' car and motorcycle output declined 7.5% year on year to 18,137 units in the first quarter, according to the ASEAN Automotive Federation (AAF).

The decline contrasts with growing output in the rest of the region. Indonesian production was up 41.8% at 364,372 units; Malaysia, up 4.8% at 154,160 units; Myanmar, up 73.9% at 1,624 units; Thailand, up 7% at 498,271 units; and Vietnam, up 36.4% at 65,416 units.

Overall ASEAN motor vehicle production in the quarter rose 17.4% year on year to 1.10 million, it said.

In March, Philippine output fell 18.2% year on year to 6,789 units. Joining it in posting a decline for the month was Malaysia, with a 3.7% fall to 59,908 units.

Vietnam posted a 75.1% year-on-year increase in March at 33,226 units, while Indonesia grew 29.1% to 132,872 units, Myanmar output rose 100% to 590 units, and Thai output rose 10.1% to 178,928 units.

In March, AAF said the region produced 412,313 motor vehicles, up 16.2% year on year. — **Revin Mikhael D. Ochave**

BSP pledges to balance growth, inflation concerns

THE central bank will ensure that its exit from an accommodative policy, taken to support the economy during the pandemic, will be balanced in order to address both inflation risks and the need to shore up growth, Bangko Sentral ng Pilipinas (BSP) Governor Benjamin E. Diokno said.

"In deciding on its exit strategy, the BSP will continue to aim for a balance between providing adequate stimulus to fuel the momentum of the economic recovery while preventing the buildup of inflationary pressures and risk to the soundness of the financial system," Mr. Diokno said in a virtual Asian Development Bank Institute forum on Friday.

The Monetary Board decided to raise policy rates by 25 basis points (bps) to 2.25%.

At the same time, the BSP revised upward its average inflation forecast for 2022 to 4.6% from the previous 4.3%, exceeding the 2%-4% target band. For 2023, the central bank's inflation forecast inched up to 3.9% from 3.6% previously.

The start of the BSP's tightening cycle came a week after the release of data showing gross domestic product (GDP) expanded by a better-than-expected 8.3% in the first quarter.

The BSP will ensure that its exit strategy will be gradual, well-communicated, and outcome-based, Mr. Diokno said.

"The BSP will commit to exit when it begins to see evidence of sustainable recovery and/or increasing risks to inflation. And we have started our exit as of yesterday," he added.

Analysts said that the BSP could have raised rates earlier.

Former BSP Deputy Governor Diwa C. Guinigundo, while welcoming the rate hike, said an earlier move could have produced a more gradual normalization of monetary policy.

"After all, even (with a) 50 bps 'tightening' it is still in an accommodative mode. That would have brought the policy rate to only 3.0% while their new inflation forecasts are now 4.6% this year and 3.9% next year," Mr. Guinigundo said in a Viber message.

"These numbers are simply saying we either failed to arrest it on time, or the inflation pressures beyond our control were just too great," he said.

Mr. Guinigundo also said that manifestations of second-round effects coming from high oil prices could have encouraged the central bank to take an early action.

UnionBank of the Philippines, Inc. Chief Economist Ruben Carlo O. Asuncion said the rate hike is already late from the perspective of market participants.

"References rates for the benchmark 10-year security have already risen... more than 150 bps since the beginning of 2022. This number is indicative of what the market thinks where rates should already be," Mr. Asuncion said in an e-mail.

However, Mr. Asuncion noted that the central bank had to ensure its accommodative policy gained solid traction before making its decision.

"The BSP is a careful central bank and it will always be guided by data and corresponding consequences on future inflation," Mr. Guinigundo said. — **Keisha B. Ta-asan**

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OPINION

Redefining growth with humans at the core

SUITS THE C-SUITE
MARIE STEPHANIE C. TAN-HAMED

Companies measure growth by the numbers such as profits, margins, returns, and share prices. They compete and try to win against all odds to meet shareholder expectations with impressive quarterly figures. It is the growth pressure that drives companies and brands to exert tremendous effort to gather data from consumers as they navigate the challenging highways of the digital economy, perhaps oblivious of having regarded the consumers as mere commodities rather than people. All this will have to change if brands are to take the pulse of future consumers who demand more from companies that use digital technology and processes to drive short-term revenue growth.

Consumers now expect more and better from the companies they do business with. They are empowered consumers who are not satisfied with brands that only pay lip service to sustainability and purpose-led growth while conveniently sliding back to quarterly earnings as their barometer for success.

In the latest EY Future Consumer Index survey, 68% of surveyed consumers think a brand's behavior is as important as what it sells, while 69% say brands must behave ethically and according to community expectations. Yet only 38% think the positive actions brands are taking are good enough.

Companies that have taken heed of the call for sustainability and the new growth strategy talk about long-term value that seeks to assess performance beyond financials to include governance, people, planet and prosperity. This redefinition of growth will need to: drive the innovation of environmentally friendly products and services; redesign customer experience; and build an operating model with humans at its core.

GREEN INNOVATION

In the EY Future Consumer Index survey, 68% of respondents think brands have a responsibility to invest in the sustainable production of goods and services. In addition, 70% say that brands must be transparent about the social and environmental impact of producing their goods and services.

This clearly establishes a sense of urgency on fusing planet with profit and rejects the notion that sustainability in product and service innovation can be merely aspirational. Organizations will be better off with commercial, environmental and social sustainability embedded into their purpose, design thinking, prototyping and scaling of products and services.

It begins with a little more effort to thoroughly understand a problem before coming up with a solution. Rapid problem-solving often impedes the company's ability to solve the underlying issue. Staying in the problem longer than one feels comfortable with is a wise step towards driving sustainable innovation that is both planet and profit friendly.

FUTURE OF CUSTOMER EXPERIENCE

In shaping the future of the customer experience, it helps to look at the rapid changes in technology. In the last decade alone, technological advancements have challenged companies to rethink the customer experience, and this will be the case over and over again. There is one thing that will be constant though — the human factor that rises above any technology.

The EY Global Consumer Privacy Survey shows how customers want to believe in and trust the organizations they do business with. Marketing campaigns alone will not do the job though. For brands to win customer trust, they will need to align to customer values and beliefs and demonstrate that in their actions. This trust is built by knowing and engaging with customers, not as statistics but as individual living, breathing human beings.

Engaging with the full spectrum of human needs increases the likelihood of collecting data ethically, and this should result in more trust from customers. This, in turn, enables brands to better anticipate and improve the products and services they deliver to customers, which leads to purposeful growth and the creation of long-term value.

With customer centricity embedded throughout the enterprise, customer interactions are much more likely to be consistent. Familiarity and understanding of customer wants and desires will be spread across the different functions in the organization.

There are a few ways to fast-track an organization's way into this future customer experience while delivering on purpose and driving profit at the same time. One is talking to customers regularly and listening to what they say. Marketing chiefs can sometimes assume they already understand customers based on past interactions, and this deprives them of perspective that can be gained from an ongoing dialogue.

Interactions with customers that trust the organization can uncover more data, allowing for the organization to combine quantitative information with qualitative perspectives.

Marketing chiefs need to shift the mindset of the organization to focus on the desired and organizationally aligned outcome, such as how team members contribute to giving the customer a positive experience, rather than how many gadgets they developed, manufactured and sold.

REINVENTING THE OPERATING MODEL

Organizations should rethink their business and operating models to truly sustain healthy customer relationships. This is called for mainly because most large organizations were designed according to 20th century principles and founded on rigid structures to organize people only — without considering the impact of technology. This created functional silos that result in disconnects that do not help create a positive customer experience.

Based on our EY global organization's track record in helping clients transform their operating models for customer-centricity, a few key actions have been identified that marketing chiefs can take in partnership with leadership. One of these is creating pod teams that align to the customer lifecycle. A pod is a cross-functional team or a group of individuals with complementary skills working toward a common purpose or to accomplish tasks that form part of a larger project. It transcends existing divisions within an organization. A pod, for instance, may be dedicated to delivering a great welcome experience to all new customers in the first six months, regardless of the product or service purchased. Performance measures will then have to be tweaked to focus on the best possible customer outcome.

This cross-functional team needs to be empowered to make decisions for them to be truly effective in delivering the best customer outcome. They are front-facing and therefore capable of seeing how a product or service is performing. Ideally, they should also have the leeway to make data-driven decisions to pivot or shift the direction of a product or service.

Redefining growth requires a shift in mindset — a change in the way the organization looks at things to deliver new results. It requires specific steps that go beyond little tweaks here and there. Purpose-washing, or representing the brand as if it is committed to a larger purpose, does not work. Instead, companies need to reexamine their current definition of growth and redefine it in the context of authenticity of purpose and long-term value.

This article is for general information only and is not a substitute for professional advice where the facts and circumstances warrant. The views and opinions expressed above are those of the author and do not necessarily represent the views of SGV & Co.

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