P20 rice seen possible late in Marcos term; to require massive investment

By Luisa Maria Jacinta C. Jocson
Reporter

PRESIDENT-ELECT Ferdinand R. Marcos, Jr.'s campaign promise to lowering the price of rice to P20 per kilo can be accomplished later in his presidency, but will require production and subsidies to ramp up dramatically, farm industry officials and analysts said.

"In a regime like the Philippines that is not 100% self-sufficient because of crop failures brought about by typhoons... (P20 rice) is possible within his six-year term," Roy S. Kempis, retired Pampanga State Agricultural University professor, said in an e-mail.

"Any number less than or equal to P30 per kilo can be attained early in his term," he said, adding that approaching the P20 range will come late in the Marcos presidency.

"It is unrealistic though to attain this in 2023 or so. There is a confluence of factors to contend with," he added.

On Monday, the President-elect announced that he would be heading the Department of Agriculture (DA) for the time being, signaling his intent to follow through on agriculture-related campaign promises with an international food crisis looming.

"From the very beginning, I always said that agriculture was going to be a very critical and foundational part of our economic transformation," Mr. Marcos said in a news conference.

Mr. Kempis said bringing down commodity prices, in general, depends on abundant supply.

"To have enough supply, you have to increase production of palay (unmilled rice); to increase production of palay, you either do this with technology, or cluster rice farming, or open new land for rice production, or increase the price of palay so rice farmers or those who paused or stopped producing can be enticed to produce palay again," he said.

"All these can possibly increase production and eventually supply. And still farmers have to contend with the rising cost of inputs, especially those that are dependent on oil or are affected by speculation on the magnitude of price increases of fuel," he added.

RCBC Chief Economist Michael L. Ricafort said that achieving higher yields will require exploring different varieties and investing in more efficient technology.

"Further increasing productivity of rice harvests per hectare through higher-yield rice varieties and further mechanization to also lower costs would help bring down the price of rice and also help increase food security and reduce reliance on imports," he said.

Mr. Ricafort added that bringing down prices might be difficult due to the global supply chain disruptions as a result of the pandemic and the Russia-Ukraine war.

"Given the higher prices of agricultural inputs in recent months largely brought about by the Russia-Ukraine conflict, such as oil, which increased transportation costs, fertilizer, and other inputs, it would be tough to bring down the price of rice. In fact, some rice exporting countries plan to increase prices in view of these," he said in a text message.

"Even importing cheaper rice under the Rice Tariffication Law showed that further lowering of rice prices has been challenging in recent years, even before the Russia-Ukraine war, which sent global commodity prices to elevated levels," he added.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa added that the new administration will need to get creative in finding ways to source inexpensive inputs and increase productivity and efficiency.

Mr. Kempis said that the government will also likely require subsidies if it plans to drastically slash prices.

"We need more production to attain sufficiency, and this is possible, but not instant... there is room for the possibility that Mr. Marcos' promise can happen, but this has to be aided by some government subsidy in the buying price of palay. This subsidy is going to be the government's expense and the National Food Authority may incur more debt," he added.

"It would take a lot of effort to achieve this price goal, such as significantly increasing the yields on rice harvests through greater mechanization and higher-yielding varieties. This would also potentially require huge amounts of subsidies for rice farmers that would also be challenging, given the government's limited financial resources amid wider budget deficits," Mr. Ricafort said.

Agriculture industry associations said, with Mr. Marcos in the Department of Agriculture, they expect more attention to be paid to the sector.

"Agri-fisheries will be the major focus of the (next) administration. We expect him to mobilize the powers and resources of the Presidency to revive and strengthen our long neglected sector. Our main wish is that (he) will place full trust and confidence in the willingness and capability of our farmers and other stakeholders to provide food and jobs for our people," Leonardo Q. Montemayor, chairman of the Federation of Free Farmers, said in a statement.

Current Agriculture Secretary William D. Dar said that he welcomes the President-elect's decision to take control of the department.

"This is the brand of 'political will' that we have been advocating since we assumed office in August 2019. It is a very strategic decision, giving the agriculture sector utmost priority, and thus a bigger budget for the DA in the years to come," he said in a statement.

"The present leadership is ready to brief the President-elect at his most convenient time, and we assure him of our strong support and cooperation, as we truly want him to succeed," he added, noting that a transition report was ready for the next administration.

Sorsogon Governor Francis Joseph G. Escudero said in a statement that Mr. Marcos at the DA will be able to "cut a lot of red tape" and put all the resources needed into the department.

Senator-elect Joseph Victor G. Ejercito said that the decision to become Agriculture Secretary indicates the President-elect's seriousness in addressing the food crisis.

"It's a strong signal to the agencies under DA that they should all get their acts together," he added in a statement.

"It may not be the end-all and be-all solution to all the problems besetting the agricultural sector including the food crisis but for sure decision-making will be really fast and solutions can be undertaken and implemented right away," incoming Senator Jose P. Ejercito, Jr. said in a statement.

A fishermen's association, Pambansang Lakas ng Kilusang Mamamalakaya ng Pilipinas (PAMALAKAYA), said Mr. Marcos may not be able to address issues plaguing the fisheries industry due to lack of experience.

"PAMALAKAYA said that if Mr. Marcos wants to address the industry's problems, he should "renounce the liberalization policies that bankrupt the sector."

Balisacan sees National ID target of 92 million achieved by end of 2022

THE National Identification System will meet its target of 92 million registered by the end of the year, incoming Socioeconomic Planning Secretary Arsenio M. Balisacan said.

The ID target is a component of a broader digitalization effort that hopes to facilitate the accelerated distribution of aid to the poor and vulnerable, he said.

In an interview with CNN Philippines on Tuesday, Mr. Balisacan said: "The rapid increase in prices (is) already here, and are likely to get worse before it gets better... We must protect the poorest and vulnerable groups of our society."

He was conveying the instructions of President-elect Ferdinand R. Marcos, Jr., adding that ramping up digitalization effort would lead to more efficient targeting of the poor and reduce leakage of funds to undeserving recipients.

He clarified that the effort to reach the poor will encompass rural areas as well as urban.

"I understand we have a registry already (for) small farmers, and we have also a registry involving the poor that is with the Department of Social Welfare and Development (DSWD). All we need to do is to (link their ID) with the banks, so that they can access these *ayuda* (cash aid) without the need for intermediaries," which Mr. Balisacan identified as a major source of leakage.

He was referring to the farmers eligible to receive subsidies and other forms of support under the Rice Tariffication Law, and families targeted by the DSWD's Pantawid Pamilyang Pilipino Program (4Ps), whose beneficiaries can receive cash aid if they meet qualifying criteria like keeping children in school and submitting to periodic health checks.

Mr. Balisacan said the 92 million target covers those holding a physical ID as well as those issued an electronic one, with an initial focus on farmers and the poor.

"That's our target. We'll still confirm the logistics with the agencies concerned," he said. "The printing is with the Bangko Sentral (ng Pilipinas), the generation of the e-ID is with the Philippine Statistics Agency. We just need to coordinate these agencies."

Mr. Balisacan noted that social aid distributed during the pandemic was costly in the absence of the means to identify priority groups in most need of the aid.

"Everybody was given *ayuda*, whether you are living in luxury villages, in gated subdivisions, or not, and I do think that is an unnecessary use of limited resources."

The Philippine National Identification System aims to make access to social services, including health, education, and government, easier and more efficient by providing a valid ID accepted nationwide.

As of June 1, the PSA's 92 million target was 72.9% achieved in terms of those who have completed biometrics capture. Some 13.74 million IDs have been dispatched as of June 3, according to the PSA's Philippine Identification System's dashboard. — **Tobias Jared Tomas**

DTI's Lopez supports procurement preference for domestic manufacturers

THE next administration should consider changing government procurement rules to favor domestic manufacturers in some cases, the Department of Trade and Industry (DTI) said.

"Maybe in the next administration, what can be worked out is a refinement of this lowest-bidder rule to make sure that in certain projects, not necessarily in all government procurement programs, there will be a preference that only local manufacturers can participate in the bids, provided that the supply is available and the prices are competitive," Mr. Lopez said during the Manufacturing Summit 2022 on Tuesday.

"There can just be benchmarking with the prices from abroad just to make sure that the prices are within range. That is what we are trying to inject in the current policy," he added.

According to Mr. Lopez, the current rule in government procurement is awarding the contract to the lowest bidder, as spelled out in Republic Act No. 9184 or the Government Procurement Reform Act.

Mr. Lopez said an amendment is needed to grant some preference for domestic manufacturers, in line with a resolution passed by the Task Group on Economic Recovery that is implementing the National Employment Recovery Strategy (NERS).

"You have to amend the law. While the law has yet to be amended, maybe it can be done by changing the terms of reference of some government procurement projects through this NERS resolution that hopefully can be adopted by the President and issue as an executive order," Mr. Lopez said.

Mr. Lopez said that some opportunities for Philippine manufacturers lie in supplying clothing and shoes to the military and police. — **Revin Mikhael D. Ochave**

Council calls higher interest rates, oil prices key risks to financial stability

THE Financial Stability Coordination Council (FSCC) said rising interest rates and oil prices are the key external risks to financial stability and to the economic recovery.

However, the Bangko Sentral ng Pilipinas (BSP) expressed confidence that the economy is in a strong position to endure the headwinds.

"At a time when COVID-19 is no longer dominating the daily headlines, renewed market pressure is being driven by high inflation, rising interest rates, and sharp increases in the prices of commodities. Financial stability risks are then elevated, with macro financial prospects subject to heightened volatilities and broader uncertainties," BSP Governor and FSCC Chairman Benjamin E. Diokno said.

"The FSCC also identified repricing risks and developments in the oil market as the two key external challenges. According to the Council, these risks have far reaching consequences because they may affect leverage, liquidity, the macroeconomy, and the country's climate change initiatives," the BSP said in a statement.

Rising inflation in advanced and emerging economies has led their central banks to raise policy rates to temper economic activity.

In the Philippines, inflation rose to 5.4% in May, the highest in three and a half years, and well past the BSP's 2-4% target range, driven by food and fuel prices.

This may lead the BSP to keep adjusting policy rates until inflation is brought into line with the central bank's target.

The BSP last month raised its average inflation estimate to 4.6% this year from 4.3%.

Rising interest rates benefit savers and investors in financial instruments, but this will also mean higher costs for borrowers, households, businesses, and the government. Holders of marketable assets may also experience losses when their assets are revalued.

"Given the headwinds that we see right now, the primary challenge has to do with valuation in financial assets. So we would grade that as a red box in the schematic that we have, and the rising global interest rates will then change the pricing of risk and will revalue financial assets as well," Senior Assistant Governor and FSCC Technical Secretariat Head Johnny Noe E. Ravalo said.

However, in the FSCC's Statement on the State of Financial Stability, Mr. Diokno reiterated that the Philippine situation is significantly different from the rest of the world.

"The Q1 2022 year-on-year GDP growth of 8.3% reflects a trajectory that is markedly different from the prognosis (of multilateral agencies) for 2022 global growth," Mr. Diokno said.

He added that growth is driven by consumer purchasing power and by economic investments for the future.

"We expect spillovers from the Advanced Economies to Emerging Market Economies through cost-push pressures and higher risk premiums. These are not independent shocks but are interconnected at many levels, creating complex, non-stationary and interlinked cause-and-effect relationships," the outgoing governor, who becomes Finance Secretary next month, said.

Mr. Diokno also cited the Council's Systemic Risk Crisis Management (SRCM) Framework, which indicates how the FSCC continuously manages systemic risk. The SRCM was released earlier this month.

Mr. Diokno said the Council is committed to engaging the public so they can make well-informed decisions.

The FSCC is composed of the BSP, the Department of Finance, the Insurance Commission, the Philippine Deposit Insurance Corp., and the Securities and Exchange Commission. — **Keisha B. Ta-asan**

IPAs on notice from FIRB to file complete data on locators

THE Fiscal Incentives Review Board (FIRB) said it has sent letters to the investment promotion agencies (IPAs) holding incomplete information on their locators, in a bid to bring them into compliance with reporting rules set by the Corporate Recovery and Tax Incentives for Enterprises (CREATE) law.

Finance Assistant Secretary Juvy C. Danofrata, who heads the FIRB Secretariat, said in a statement: "The Secretariat has already sent a follow-up letter signed by the Chairman of the FIRB and Finance Secretary, Carlos G. Dominguez III, to each of these IPAs that had incomplete and missing submissions... All IPAs should understand that these reports we require are important for the FIRB to fulfill its oversight functions on the administration and grant of tax incentives."

Last week, the Department of Finance, which chairs the FIRB, announced that only four IPAs are compliant with the reporting requirements — the Bases Conversion and Development Authority, John Hay Management Corp., Poro Point Management Corp., and the PHIVIDEC Industrial Authority.

IPAs holding incomplete information on locators were identified as the Philippine Economic Zone Authority (PEZA), Tourism Infrastructure and Enterprise Zone Authority (TIEZA), Authority of the Freeport Area of Bataan, Aurora Economic Zone and Freeport Authority, Board of Investments (BoI), Cagayan Economic Zone Authority, Clark Development Corp., Regional Board of Investments-Bangsamoro Autonomous Region in Muslim Mindanao, the Subic Bay Metropolitan Authority, and the Zamboanga City Special Economic Zone Authority.

The information required of IPAs includes the lists of their registered business enterprises, the tax incentives they are entitled to, IPA-approved projects involving investment capital of P1 billion or less, and registered Information Technology and Business Process Management companies that have work-from-home arrangements. — **Tobias Jared Tomas**

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