Priority access to government land proposed for aquaculture as industry calls for limits on seafood imports

By Luisa Maria Jacinta C. Jocson
Reporter

THE fisheries industry has proposed that the government expand tenure for public land used in aquaculture, and called for limits on fish imports that compete with domestic products.

"I think the government should further support the increase of production of the fisheries sector by enacting support policies that will encourage the private sector to produce more. There should be a more secure tenure for cage operators, not the annual permits that are currently being given," Asis G. Perez, co-convenor of the food advocacy group Tugon Kabuhayan, said in a text message.

"Priority should be given to cage operators in lease of government land for use as nurseries for fish which will be stocked in the cages," he added.

Mr. Perez said that the government should also avoid unnecessary imports of fisheries products to ensure the aquaculture industry is sufficiently confident in investing in expansion.

"The government should facilitate and not unnecessarily prevent the entry of equipment and feed ingredients needed to produce finished products," he added.

Pangingisda Natin Gawing Tama Network Representative Dennis F. Calvan said that to address the rising prices of fish, the government should provide support to increase the output of the domestic fishery and aquaculture industry. He proposed government purchases from the industry at reasonable prices for eventual sale to the market.

"The DA should continue its fuel support in order to help municipal fisherfolk continue their fishing activities," he added in a Viber message.

In July, headline inflation rose 6.4% year on year with prices of food and beverages accelerating by 6.9% month on month. Price growth in fish and other seafood was 9.2%, against 6.7% the previous month.

"The bulk of our aquaculture commodities consist of *bangus* (milkfish) and tilapia. The combined volume of these two primary commodities is roughly between 85 to 90% of our total production. Prices of these two main items are very stable and reasonable compared with other fish items," Mr. Perez said.

"If prices of various commodities continue to increase, we can rely on these two commodities to provide the volume and stable prices," he added.

The DA has said it is working to increase and stabilize the production of food and bring down prices. It also recently launched the Comprehensive National Fisheries Industry Development Plan, a five-year plan to expand fisheries output.

Between 2021 and 2025, the DA targets a 10% reduction in post-harvest losses and an 80% compliance rate with hygiene and sanitation standards for all fish processing establishments.

Food prices fell again in July, UN agency says

LONDON — The United Nations (UN) food agency's world price index declined again in July, edging further away from record highs hit in March.

The Food and Agriculture Organization's (FAO) food price index, which tracks the most globally traded food commodities, averaged 140.9 points last month versus a revised 154.3 for June.

The June figure was previously put at 154.2.

The July index was still 13.1% higher than a year earlier, pushed up by the impact of the invasion of Ukraine, adverse weather and high production and transport costs.

"The decline in food commodity prices from very high levels is welcome, however, many uncertainties remain," said FAO Chief Economist Maximo Torero.

A bleak global economic outlook, currency volatility and high fertilizer prices — which can impact future production and farmers' livelihoods — all pose serious strains for global food security, he said.

The vegetable oil, sugar, dairy, meat and cereal price indices all fell month on month in July, with wheat slumping 14.5%, partly due to a deal reached between Ukraine, Russia, Turkey and the United Nations to unblock grains exports from Black Sea ports.

The maize price index fell 10.7% in July, also due in part to the Russia-Ukraine deal as well as increased seasonal availability from key producers Argentina and Brazil, the FAO said.

Three ships carrying a combined 58,041 tons of corn were authorized to leave Ukrainian ports on Friday, the organization arranging the operation said. A first vessel carrying Ukrainian grain set sail from Odesa Monday last week. — ***Reuters***

Imports of fish feed materials from ASF-hit countries cleared

THE Department of Agriculture (DA) said it is authorizing imports of processed animal proteins (PAPs) used in fish feed from countries affected by African Swine Fever (ASF).

"Aquaculture is one of the biggest contributors to the Philippine economy with more than two million registered fisherfolk nationwide and that to sustain the local aquaculture industry, adequate supply of feed products such as PAPs, used as raw material in aquaculture feed manufacture, is crucial," the DA said in a memorandum order.

In March, the department banned imports of processed porcine or pork meal for animal feed use from countries affected with ASF.

According to an import risk assessment conducted by the Bureau of Animal Industry (BAI), the risk of the virus entering via PAP shipments from ASF-affected countries is deemed to be medium, while the risk of exposure is estimated to be low.

The order also cited the World Organisation for Animal Health code, which indicates that the ASF virus is inactivated when meat is subjected to heat for at least 30 minutes at a minimum temperature of 70°C.

"Therefore, the risk of transmission of ASF virus through the inclusion of PAPs in aquatic feed diets is low, given that the feed ingredient is subjected to several manufacturing processes with a temperature sufficient to inactivate the ASF virus," according to the order.

"To prevent further serious impact on the aquaculture sector, President Ferdinand R. Marcos, Jr. authorized the BAI to prescribe the guidelines on the importation of porcine PAPs from countries affected with ASF, as alternative source of this commodity solely for aquatic feed use," it added. — **Luisa Maria Jacinta C. Jocson**

Dollar,
from S1/1

"On the other hand, our reserves are comfortable but not excessive. This is not the time to waste our bullets," Mr. Medalla said.

The BSP is expecting a GIR of $108 billion for this year and $109 billion for next year.

The country's foreign exchange buffer hit a record high of $110.12 billion in December 2020.

Also on Friday, Mr. Medalla signaled the possibility of a 50-bp increase in policy rates at its Aug. 18 meeting, as inflation quickened in July. — **Keisha B. Ta-asan**

Taxes,
from S1/1

Domestic debt inched up 1.2% month on month to P8.77 trillion as of end-June.

External debt jumped 5.1% to P4.02 trillion due to "the impact of local currency depreciation against the USD amounting to P186.94 billion and the net availment of external financing amounting to P43.18 billion; offsetting the P35.72 billion effect of net depreciation against the US dollar on third-currency denominated obligations."

"The economy is in a precarious situation — inflation untamed until 2024, debt exploding, and no assurance of revenue increase amidst the crisis," University of the Philippines Professor Emeritus Rene E. Ofreneo said in an e-mail.

The country's debt level reached 63.5% of gross domestic product (GDP) at the end of the first quarter, exceeding the 60% threshold prescribed by multilateral lenders for developing markets. The debt-to-GDP ratio surged from 39.6% as of end-2019 after the government ramped up its borrowings for infrastructure projects and pandemic response.

NEW TAXES

"There is a need to intensify tax collections based on existing tax laws, new taxes, higher tax rates, and other tax reform measures, as well as other fiscal reform measures such as disciplined spending, rightsizing the government, preventing leakages in government spending, as well as anti-corruption measures," Mr. Ricafort said in an e-mail.

The government targets revenue to increase annually from 15.2% of GDP in 2022 all the way to 17.6% by 2028. It also aims to reduce the budget deficit from 7.6% of GDP in 2022 to just 3% in 2028.

President Ferdinand R. Marcos, Jr. in his State of the Nation Address urged Congress to approve a tax on digital service providers, which is estimated to generate P11.7 billion in revenues in 2023.

The Finance department has also pushed for a tax on single-use plastics, which may generate P1 billion in annual revenues.

The Treasury has estimated that the government needs to raise P249 billion annually in incremental revenue to avoid new borrowing and reduce the debt load.

"New taxes and higher tax rates need to be fair, equitable, and progressive, especially targeted to those that can afford them or those from the higher income brackets or at least prevent adding burden to the poor, most vulnerable sectors, and those hit hard by the pandemic," Mr. Ricafort said.

For Mr. Lanzona, the government should pursue taxes on the wealthy, with the poor shouldering less of the tax burden.

"The best way is to tax income directly in order not to distort their investment decisions. But unfortunately, this can prove difficult and can cause them not to reveal their true incomes. Taxes on consumption may cause them to divert their investments but are easier to impose," he said in an e-mail.

Mr. Ofreneo suggested several forms of wealth taxation, including a tax on windfall profits, a one-off emergency tax, or the institutionalization of a progressive taxation schedule.

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link
<bit.ly/Taxes080822>

GDP,
from S1/1

Nicholas Antonio T. Mapa, senior economist at ING Bank N.V. Manila, estimated 8.8% growth in the second quarter as household spending were driven by election-related expenditures.

"Relaxed mobility curbs may have helped accommodate expenditures on items related to revenge spending: hotels and restaurants and recreation & culture. Capital formation also expected to provide a boost with imports of capital equipment posted solid gains for the quarter," Mr. Mapa said in an e-mail.

However, this may have been offset by the ballooning trade deficit and elevated inflation, he added.

Ruben Carlo O. Asuncion, chief economist from UnionBank of the Philippines said GDP likely expanded by 7.2% in the April to June period, mainly due to strong consumption growth.

"We think that previous quarter's economic growth and recovery have spilled over in second quarter even amid rising inflation and monetary policy hikes," said Mr. Asuncion in an e-mail.

The BSP began its tightening cycle in May with a 25-basis point (bp) hike in May, followed by another 25-bp rate increase in June and an off-cycle 75-bps rate hike in July. The Monetary Board has raised benchmark interest rates by a total of 125 bps so far this year.

Mr. Asuncion also noted manufacturing recovery continued in the second quarter, and that overseas Filipino workers' (OFW) remittances' purchasing power remained intact.

"Overall, people movement have continued to be positive and above the baseline as the economy proceeds to more reopening," he said.

Most parts of the country remained under the most lenient alert level during the second quarter.

OFW cash remittances grew 2.5% to $12.592 billion as of May, while the S&P Global Philippines Manufacturing Purchasing Managers' Index showed continued expansion in June.

Miguel Chanco, chief emerging Asia economist of Pantheon Macroeconomics, said he expects a modest slowdown in year-on-year growth to 8.1%.

"The largely trivial slowdown from 8.3% in Q1 owes largely from a favorable base effect — remember that the economy contracted marginally in Q2 2021 — which we think will mask yet another contraction in the quarter just passed," Mr. Chanco said in an e-mail.

"Underlying our projection for a quarter-on-quarter contraction is a marked slowdown in the momentum in household spending, a significant pullback in government spending (related mainly to the natural pause button hit by the election), and a much larger drag from net trade."

The country posted a trade deficit of $24.922 billion in the five months to May, with imported goods growing by 29% versus the 8.4% growth of merchandise exports in the same period.

Domini S. Velasquez, chief economist at China Banking Corp., who pencilled in an 8.2% GDP growth, said in an e-mail that the economy continued to gain momentum as it recovers from the pandemic.

"Revenge spending and domestic travel were clearly evident in second quarter as COVID-19 (coronavirus disease 2019) cases due to the Omicron variant in the preceding quarter waned," she said in an e-mail.

Ms. Velasquez said the second-quarter figure may have received a boost from election spending, the return of business process outsourcing workers to offices and "very favorable" employment rates.

"Robust domestic tourism and mobility gauges in retail spots also appear to confirm that revenge spending and retail therapy will likely be behind a potentially strong print despite headwinds emanating from the Russia-Ukraine war and the cumulative 50-bp BSP rate hikes in May and June," Bank of the Philippine Islands Lead Economist Emilio S. Neri, Jr. said in an e-mail.

Headline inflation averaged 4.7% from January to July, settling above the government's 2-4% target but below the 5% forecast for the year.

RATE HIKES

Economists, however, warned the country's economic output growth for the rest of the year may be tempered by the impact of the BSP's aggressive policy tightening.

"We expect year-on-year growth to moderate over the course of the year given the less favorable base effect. Sequentially momentum will also be moderate given higher prices, weaker global trade, and less scope for catch-up as most restrictions are now removed," Makoto Tsuchiya, assistant economist from Oxford Economics Japan, said in an e-mail.

"We expect the effect of monetary tightening to start kicking in towards the end of the quarter, with the impact to be more evident in 2023," he added.

BSP Governor Felipe M. Medalla has already signaled another rate hike of 25 or 50 bps at the next meeting on Aug. 18 to tame inflation.

Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said rising long-term and short-term interest rates would be a drag on domestic economic growth in the next few months. He estimated GDP growth to settle at the lower-end of the government's 2022 target at 6.5% this year.

"We expect economic growth in second half of 2022 may be softer than first half because of higher inflation impact and rising interest rates," he said.

Security Bank Corp.'s Chief Economist Robert Dan J. Roces said the spillover effects of inflationary pressures and geopolitical headwinds may be felt in the third quarter.

"(This may) continue to constrain private consumption's full potential and thus slow down growth. However, recent trends have shown commodity prices settling in a new, lower range, and as such may provide price relief by fourth quarter in time for the peak consumption season," Mr. Roces said.

Economic managers are targeting 6.5-7.5% GDP growth this year.

The World Bank pencilled in a 5.7% full-year growth for the Philippines; while the International Monetary Fund expects 6.7% expansion. The Asian Development Bank and Fitch Ratings see 6.5% growth for the Philippines this year, while Moody's Investors Service gave a 7.2% projection.

"For the rest of the year, we think that despite challenges of high inflation and weaker external demand, the economy is still poised to post a healthy growth of around 7%," Ms. Velasquez said.

Mr. Neri said his full year GDP growth estimate remains at 6.7%.

"However, the stepped up COVID-19 booster rollout will likely soften the blow of external headwinds. The return of primary school students to face-to-face classes will likely underpin a stronger-than-expected consumption recovery. This can somehow mitigate the negative impact of elevated prices, policy rate hikes, global growth slowdown, among others on domestic consumer confidence during the second semester," he said.