In South America's Andes, farmers pray for rain to end drought

TIHUANACU, Bolivia — High in the mountains of the Bolivian Andes, farmer Alberto Quispe has one thing on his mind: rain.

In the rural area of Tihuanacu, around 100 kilometers (62 miles) south-west of highland city La Paz, locals say there has been little rain this season during a dry spell across the Andean regions due to a third straight La Niña weather pattern.

"When we raise our hands, we ask God to forgive us our sins and to ask for rain for our crops, because in the fields we don't have water, nor for the cattle," said Mr. Quispe, who climbed into the hills with community members to pray for rain.

Around Bolivia, many areas have declared an emergency due to the drought, which Bolivia's National Meteorology and Hydrology Service expects will last until 2023, when the intensity of the La Niña is expected to wane.

The drought has hit crops in Bolivia as well as in Argentina, Paraguay and Peru. Mr. Quispe and others climbed Lloco lloco hill with their evangelical shepherd to ask for rain from both God and the local indigenous Aymara mountain deities, or Achachilas, raising hands to the skies while on their knees.

Just across the Bolivian border with Peru, the situation in similar. "The sun is burning, it's very strong, one can't even walk anymore, the heat in the countryside is even worse, and we don't have water either," said Rosa Sarmiento from Desaguadero in Peru near the banks of the mighty Lake Titicaca. "All the people are very worried." — ***Reuters***

Ukraine grain export plan to ship food aid to vulnerable countries

KYIV — Ukrainian President Volodymyr Zelensky hosted a summit in Kyiv with allied nations Saturday to launch a plan to export $150 million worth of grain to countries most vulnerable to famine and drought.

The "Grain from Ukraine" initiative demonstrated global food security was "not just empty words" for Kyiv, he said.

The Kremlin says food exported from Ukraine's Black Sea ports under a United Nations-brokered plan has not been reaching the most vulnerable countries.

Mr. Zelensky said Kyiv had raised $150 million from more than 20 countries and the European Union to export grain to countries including Ethiopia, Sudan, South Sudan, Somalia and Yemen.

"We plan to send at least 60 vessels from Ukrainian ports to countries that most face the threat of famine and drought," Mr. Zelensky told the gathering.

The summit was attended in-person by the prime ministers of Belgium, Poland and Lithuania and the president of Hungary. Germany and France's presidents and the head of the European Commission delivered speeches by video.

A joint statement issued after the summit said that since Russia's Feb. 24 invasion of Ukraine, the world had received 10 million tons fewer agricultural products than in the same period in 2021.

"This means that the food security of millions of people around the world is seriously threatened," it said, blaming a Russian blockade of Ukrainian ports earlier in the conflict.

"We are convinced that we will jointly overcome the grave humanitarian and economic consequences of the global food crisis caused by Russia's aggressive war against Ukraine," it said.

The gathering coincided with Ukraine's annual memorial day for Holodomor, the manmade Stalin-era famine that killed millions of Ukrainians in the winter of 1932-33.

In a video address, French President Emmanuel Macron announced a contribution of 6 million euros ($6.24 million) for the transport and distribution by the World Food Programme of Ukrainian grain to Yemen and Sudan.

"The most vulnerable countries must not pay the price of a war they did not want," he said. — ***Reuters***

End of cheap money for US farmers plows trouble into food production

CHICAGO — Montana farmer Sarah Degn had big plans to invest the healthy profits she gleaned for her soybeans and wheat this year into upgrading her planter or buying a new storage bin.

But those plans have gone by the wayside. Everything Ms. Degn needs to farm is more expensive, and for the first time in her five-year career, so is the interest rate on the short-term debt she and nearly every other US farmer relies upon to grow their crops and raise their livestock.

"We might have made more money this year, but we spent just as much as we made," said Ms. Degn, a fourth-generation farmer in Sidney, Montana.

The interest rate on her operating note doubled this year and will be higher in 2023. "We can't get ahead."

Most US farmers depend on short-term, variable-rate loans they take out after fall harvest and before spring planting to pay for everything from seeds and fertilizer to livestock and machinery. Farmers repay these loans after harvest with cash from their crops before repeating the process.

Often, farmers seek to secure loans by yearend or early January to take advantage of suppliers' early-pay discounts and to ensure they won't be caught short as global supplies of fertilizers and chemicals remain tight.

Now, producers are wrestling with how to pay for that debt as interest rates rise headed into the next planting season, according to interviews with two dozen farmers and bankers, as well as data from the US Department of Agriculture (USDA) and the Kansas City Federal Reserve.

This rising cost of credit is straining some producers' liquidity and prompting them to look at reducing fertilizer or chemical use, or plant fewer seeds next spring. That, in turn, could reduce crop yields, and place upward pressure on the cost of producing that food.

All this comes as crop prices and global demand are strong. US grain and oilseed producers reaped a boon this year when crop prices hit decade- or all-time highs, as the conflict in Ukraine disrupted grain exports from the Black Sea region.

But that financial windfall came as widespread drought hobbled crops in the US Plains and caused cattle slaughter rates in Texas to soar. Fertilizer and fuel costs have risen, as have farmland prices and cash rents.

Farming "is a highly leveraged business, so about everything is financed," said Casey Seymour, who manages a farm equipment dealership in Scottsbluff, Nebraska and runs the Moving Iron podcast. "There's a lot of money out there being paid in interest."

The US farm sector's total interest expense — the cost of debt carried — is forecast to hit $26.45 billion this year, nearly 32% higher than last year and the highest since 1990, when adjusted for inflation, according to USDA data.

That sum is double or more the amount incurred by other US industries, including the retail and pharmaceutical products sectors, where interest expense historically has been similar or higher, according to US Census Bureau data.

Farmers are taking on bigger loans due to higher costs, despite the financial burden it puts on their operations. The average size of bank loans for operating a farm has surged to a near five-decade high in outright dollar terms, according to Kansas City Fed data.

The average interest rates of such loans are the highest since 2019, the data show. Most farm operating loans tend to be variable, rather than fixed. Variable-rate financing carries lower rates than fixed-rate financing, but exposes borrowers to the risk of higher costs if rates go up.

That's exactly what happened when the US Federal Reserve started raising short-term rates to quell surging inflation. The short-term federal funds rate is now in a range of 3.75% to 4%, from a range of 0% to 0.25% in early March, just before Fed policy makers began raising rates.

Inflation is still high, however, and demand is strong, and Fed policy makers have signaled they will continue raising rates until they see broader evidence of their effect.

In agriculture, the pinch is already here: The average interest rate of all farm operating loans is 4.93%, according to the latest Kansas City Fed data. Many farmers are paying more.

Ohio corn and soybean farmer Chris Gibbs signed up for a $70,000 operating loan on May 1 with a 3.3% variable interest rate with his local lender at the Farm Credit System, a government-sponsored enterprise.

Rising fertilizer and chemical prices forced him to borrow more to cover those expenses, even as Farm Credit continued to increase costs each time the Fed hiked rates.

Now, his interest rate is 7.35%, and he expects it could reach 8% by year's end - a 142% increase in eight months.

Mr. Gibbs raced to pay off the bulk of his loan by liquidating his crop, rather than store it and sell for potentially higher prices next summer.

Machinery purchases are on hold, and he's trying to pay for inputs with cash. "I have the highest gross value for my crop in my history of farming," said Mr. Gibbs, 64. "If I didn't, I would have difficult decisions to make and looking at what I can sell."

The financial hit is being felt on equipment dealers' lots, where farmers are forgoing buying equipment on credit, according to interviews with four dealers. Dealers said they are seeing banks tightening underwriting standards, which can be a hurdle for newer and smaller farm operators seeking capital to purchase equipment.

"It's easier to get financing when interest rates are cheap because are willing to take more risk," said a CNH Industrial dealer representative, who declined to be named.

Authorized dealers from equipment manufacturers Deere & Co., AGCO, and CNH Industrial told Reuters that financing rates that the machinery manufacturers themselves offer also have more than doubled in six months. — ***Reuters***

GOCC,
from S1/1

The National Electrification Administration was the only major nonfinancial GOCC that did not receive subsidies.

Other government corporations that received no subsidies during the month were the Bases Conversion and Development Authority, the Civil Aviation Authority of the Philippines, the Cagayan Economic Zone Authority, Duty Free Phils. Corp., the National Tobacco Administration, the Philippine Crop Insurance Corp., the Social Housing Finance Corp., and the Sugar Regulatory Administration.

In the first 10 months, PhilHealth received the biggest amount of subsidies at P64.088 billion, followed by NIA at P36.365 billion and the NHA at P13.658 billion.

In 2021, government subsidies to GOCCs amounted to P118.77 billion, a 19.3% decline from the previous year. Last year, PhilHealth received P80.98 billion or nearly 44% of the total. — **Luisa Maria Jacinta C. Jocson**

TRO,
from S1/1

Meralco Chairman Manuel V. Pangilinan said that the power distributor will now seek guidance from the Energy Regulatory Commission (ERC) regarding its next step.

"I believe they (Meralco) have to talk to the ERC and get guidance from them. We have not heard, as far as I know, from San Miguel on what their next steps are going to be. I think the best is to consult the government," Mr. Pangilinan said in a chance interview on Friday.

To recall, SMC Global Power's petition stemmed from the ERC's denial of its joint petition with Meralco, the buyer and distributor of its electricity, for a temporary rate hike.

In August, SMC Global Power announced that it sought temporary relief from the ERC to recover part of P15 billion in losses suffered by its units SPPC and San Miguel Energy Corp. (SMEC), the administrators of the natural gas-fired power plant in Ilijan, Batangas, and the coal power plant in Sual, Pangasinan, respectively.

However, the ERC rejected the petition, saying there was no basis and that the PSA is a fixed-rate contract.

Jose Ronald V. Valles, Meralco's first vice-president and head of its regulatory management, said the company is following up its request with the Department of Energy (DoE) for an exemption from competitive selection process (CSP) of some emergency PSAs.

In a Viber message, Mr. Valles said the emergency PSAs are "ready to be implemented to shield our customers against volatile and potentially higher WESM (Wholesale Electricity Spot Market) prices."

ERC Chairperson and Chief Executive Officer Monalisa C. Dimalanta said on Friday that the CA decision could lead to an increase in the monthly power bills of Meralco customers as the PSAs "have been shielding Meralco consumers for the past several months from the volatility of prices from WESM and automatic fuel pass-through PSAs."

She expressed "grave concern on the instantaneous effect" of the TRO on the supply agreements, warning that it may expose about 7.5 million Meralco customers in Metro Manila and nearby provinces to higher electricity prices as the fixed rates in the current PSAs are no longer implemented.

Terry L. Ridon, convenor of think tank InfraWatch PH, said in an e-mail on Friday that the TRO will pave way for discussions on "fair and reasonable rates" in Meralco's franchise area.

"This provides a way forward towards a determination on whether the price proposal in the joint petition constitutes as the least cost to consumers in comparison to other prospective proposals extraneous to the current power supply agreement, such as prices through emergency procurement or the spot market," Mr. Ridon said.

Meanwhile, Maria Ela L. Atienza, a political science professor at the University of the Philippines, said Mr. Marcos should refrain from making statements that may influence the Judiciary.

"If he respects the separation of powers principle and the independence of the Judiciary, he should not make these kinds of statements. He can just consult his legal adviser or the Solicitor General if there are allowable actions within the legal processes that the Executive branch can do regarding the issue," Ms. Atienza said via Viber.

Meralco's controlling stakeholder, Beacon Electric Asset Holdings, Inc., is partly owned by PLDT, Inc. Hastings Holdings, Inc., a unit of PLDT Beneficial Trust Fund subsidiary MediaQuest Holdings, Inc., has an interest in *BusinessWorld* through the Philippine Star Group, which it controls. — **Kyle Aristophere T. Atienza** *and* **Ashley Erika O. Jose**

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