World food prices ease further in Nov., says FAO

PARIS — The United Nations (UN) food agency's world price index fell marginally in November, marking an eighth straight monthly fall since a record high in March after Russia's invasion of Ukraine.

The Food and Agriculture Organization's (FAO) price index, which tracks the most globally traded food commodities, averaged 135.7 points last month, down from 135.9 for October, the agency said on Friday.

The October figure was unchanged from the FAO's previous estimate. Lower readings for cereals, meat and dairy products in November offset higher prices for vegetable oils and sugar, the FAO said.

Last month's agreement to prolong a UN-backed grain export channel from Ukraine for another 120 days has tempered worries about war disruption to massive Black Sea trade.

The slight decrease in November meant that the FAO food index is now only 0.3% above its level a year earlier, the agency said.

The indicator, however, remains at historically high levels after reaching a 10-year peak in 2021 owing to harvest setbacks and brisk demand led by China.

The FAO warned last month that expected record food import costs in 2022 would lead the poorest countries to cut back on shipped volumes.

In separate cereal supply and demand estimates, the FAO lowered its forecast for global cereal production in 2022 to 2.756 billion tons from 2.764 billion tons estimated last month.

The forecast was 2% below the estimated output for 2021 and would mark a three-year low, the FAO said.

The downward revision to the global cereal crop projection mainly reflected weak maize (corn) prospects in Ukraine, with the war making post-harvest operations prohibitively expensive, it said.

Projected world cereal stocks by the end of the 2022/23 season were revised down by 1.1 million tons to 839 million tons, 2.2% below the previous season and the lowest level for three years.

The 2022/23 global cereal stock-to-use ratio, often used as a supply indicator, would drop to its lowest since 2013/14, but at a forecast 29.3% it would still represent a relatively comfortable level, the FAO added. — ***Reuters***

Farmers reject proposal to extend low-tariff scheme for food imports

THE Federation of Free Farmers (FFF) said the government should not extend Executive Order (EO) No. 171, which temporarily lowered tariffs on food imports, and instead address the domestic production side of boosting the food supply.

"It will be ironic and tragic if our government ends up listening to them instead of its own farmers," Raul Q. Montemayor, FFF national manager said via chat in response to a request to comment on the extension of EO 171, which was supported recently by various foreign chambers of commerce.

"It is hypocritical and self-serving for (foreign chambers) to ask us to lower our tariffs and open our markets to sensitive commodities while they restrict or use distortive measures to block other countries' exports," he added.

EO 171 lowered tariffs temporarily on imports of corn, rice, pork, and coal. The EO, issued as an inflation-control measure, expires on Dec. 31. It was signed in May by former President Rodrigo R. Duterte.

On Dec. 2, the American Chamber of Commerce of the Philippines, Canadian Chamber of Commerce of the Philippines, and the European Chamber of Commerce of the Philippines issued a joint statement urging the government to extend the validity of EO 171 until 2023, saying that an extension would help address surging food prices.

According to the three foreign chambers, the extension of EO 171 is needed to address inflation, which accelerated to 7.7% in October from 6.9% in September.

"Inflation has a major impact not only on the cost of doing business, but more dramatically on the expenses of Filipino households who ultimately bear the cost of rising prices. The impact is sharpest for those living near or below the poverty line. It is estimated that the poorest percentile of Filipino households spend up to 60% of their income on food, which has been a major driver of inflation these past months," the three chambers said.

Mr. Montemayor noted that the US and European farm industries are highly protected, with those governments "pouring in billions of distortive subsidies to support their farmers and using various non-tariff measures to control imports. Canada employs a supply management scheme that controls imports through quotas."

"This (EO 171 extension) issue is a crucial indicator of where policy direction is really leading to and whether (President Ferdinand R. Marcos, Jr.) is really serious in promoting local production over imports," he added.

EO 171 imposed a 35% tariff on all rice imports, bringing other supplier countries in line with the rate charged Southeast Asian suppliers. Pork imports within the minimum access volume quota are charged 15% instead of 30%, while pork outside the quota pays 25% instead of 40%.

The order also lowered the tariff corn imports within the quota to 5% from 35% and out-of-quota corn imports to 15% from 50%.

The order also lowered the duty on coal imports to zero from 7%. — **Revin Mikhael D. Ochave**

Argentine exchange says early soy in core farm belt hit by drought

BUENOS AIRES — Prolonged drought has left over a third of early planted soybeans in Argentina's core farming region in regular to poor condition, the Rosario grains exchange said, adding more dry and hot weather was expected in the days ahead.

Argentina is the world's leading exporter of processed soybean oil and meal, but an ongoing drought in the Pampas plains is causing challenges for the start of the 2022/23 soybean season, with planting ongoing.

Drought has already caused significant losses in wheat crops in the same cycle and caused major delays to soybean planting.

The Rosario exchange added that for the first week of December, above normal temperatures and a continued lack of rainfall are expected, bad news for the early planted soy that's already suffering.

"A lack of water and high temperatures in recent weeks left numerous soybean fields in critical condition. Most of these fields are located in the east and southwest," said the exchange, which noted that 4.1 million hectares of early soybeans have been planted so far in the area.

Across the country, the exchange forecasts a total soybean planting area of 17.1 million hectares, with a harvest estimate of some 48 million tons, above the 42.2 million tons harvested in the previous season. — ***Reuters***

Wealth fund,
from S1/1

The NG outstanding debt hit a record P13.52 trillion as of end-September, bringing the debt-to-GDP ratio to a 17-year high of 63.7%.

OBJECTIONS

Under the proposed bill, subsequent contributions to the Maharlika Investment Fund (MIF) would come from other government institutions, including the BSP. The bill requires the BSP to provide funds equivalent to 10% of remittances from overseas Filipino workers (OFWs), 10% coming from the annual contribution of the business processing outsourcing (BPO) sector.

"If they say we will take the central bank's dollars…we will have less ammunition the next time there is international volatility," BSP Governor Felipe M. Medalla said in an interview with Bloomberg TV on Friday.

BSP data showed gross international reserves, which serves as a buffer for liquidity shocks, stood at $94.1 billion as of end-October — the lowest in two years.

Mr. Medalla also said transparency over the governance of the MIF will be crucial, citing the experience of 1Malaysia Development Berhad (1MDB).

Malaysia's 1MDB raised billions of dollars from bond issuances to be spent for projects, but over $4.5 billion were allegedly misappropriated by key officials.

Analysts also noted widespread opposition to the MIF is due to a lack of trust in the government, which has been hounded by corruption issues in recent years.

"My bigger objection is that no amount of so-called 'good governance' principles or independent directors can insulate the MIF from being mismanaged or pillaged given the lack of a rule of law in this country. If big-time crooks aren't sent to jail, there is a risk that those managing the fund may think they can get away with it," Mr. Chikiamco said.

Maria Ela L. Atienza, who teaches political science at the University of the Philippines, said a sovereign fund requires "clear and democratic decision making, transparency and accountability."

"The people who will be responsible for the funds need to be both good managers and accountable," she said.

Under the bill, the Maharlika Wealth Fund Corp., the state corporation that will manage the fund, will be chaired by Mr. Marcos.

"It is imperative that there are sufficient guarantees through strong mechanisms of transparency and oversight in efforts to push for the use of public funds for investment purposes," Francisco A. Magno, who teaches political science and development studies at the De La Salle University, said in a Messenger chat.

Mr. Ridon also noted the fund's leadership structure can potentially allow "political interference" by various financial institutions to lobby for politicians and investment priorities.

"In its place, a Philippine sovereign wealth fund should institute a leadership structure composed of independent finance professionals compensated based on fund performance. This ensures that the fund is free from political interference and fund performance is the most important bottom line," Mr. Ridon added.

Antonio A. Ligon, a law and business professor at De La Salle University, said that safeguards must be put in place to prevent mismanagement.

"Strict accounting internal control should be set in place," he said, adding that caution should be exercised before putting resources in the MIF.

Mr. Ligon also recommended that a trial period be implemented to evaluate the viability and profitability of the fund to its beneficiaries.

Under the bill, the proposed fund shall adhere to the Santiago Principles to "ensure transparency and accountability."

The Santiago Principles are a set of 24 best practices for sovereign wealth funds established by the International Forum of Sovereign Wealth Funds.

John Paolo R. Rivera, an economist at the Asian Institute of Management, said that the government should focus on raising funds through the private sector instead of a sovereign wealth fund.

"The role of the private sector is also critical because they're the ones that have surplus funds. Like I mentioned earlier, most economies invest their surplus funds into their sovereign fund because they want to expand their liquidity further and faster, so the role of the private sector is very important because they are the ones who have surplus funds," Mr. Rivera told *BusinessWorld Live* on Thursday. — *with* **Kyle Aristophere T. Atienza**