Coconut output likely little changed this year

COCONUT output in 2023 is expected to remain little changed, with the industry currently cultivating a large proportion of old trees, the Philippine Coconut Authority (PCA) said.

"Our coconut trees are really ageing, and as they get older their yield decreases," Bernie F. Cruz, PCA administrator said in a media briefing last week.

Mr. Cruz said the industry requires massive replanting to raise yields.

"In terms of nuts we are a little less than 15 billion (nuts) per year; unfortunately, it's not going up. It is decreasing annually (little by little)," he said.

The 14.98 billion coconuts produced in 2022 represented a 1.4% rise from a year earlier, according to the Philippine Statistics Authority.

He noted rising demand from coconut processors who require volumes of about 18 to 20 billion nuts.

"(We are lagging by) 5 to 6 billion nuts, and need to produce more coconut each year," he added.

The PCA has announced plans to replant about 100 million trees by 2028.

The Palace has ordered the agency "to reinvigorate the industry by using new technology and replanting massively," Mr. Cruz said.

He added that about 3.16 million hectares of coconut farms have already been planted.

Mr. Cruz said the average yield in the industry is 44 nuts for each tree per year, which is expected to improve with replanting efforts.

"If we increase their yield from 44 nuts to 80-100, even if you don't increase the price the farmers will get more than twice their average income," he said, "If you plant the hybrid variety, it will yield around 100 to 140." — **Adrian H. Halili**

Palay farmgate price rises 9.4% in June

THE average farmgate price of palay, or unmilled rice, rose 9.4% year on year to P19.23 per kilogram in June, according to the Philippine Statistics Authority (PSA).

"All regions, except Eastern Visayas, continued to record positive year-on-year growth rates in the average farmgate prices of palay in June 2023," the PSA said in a report.

The highest farmgate price of palay was recorded in Central Luzon at P20.98 per kilo, up 18.8% from a year earlier.

Western Visayas followed with an average of P20.69, up 7.9% from a year earlier.

The Ilocos Region average was P20.23, up 5.9% year on year.

The highest year-on-year rise took place in Caraga, where the average price rose 19.6% to P18.37 per kilo.

The lowest farmgate price was in Eastern Visayas, where palay fetched P17.62 per kilo at farmgate, down 3.2% from a year earlier.

On a month-on-month basis, the PSA said that the average farmgate price rose 0.9% from May.

"Ten regions recorded increases in the average farmgate prices of palay, while six regions posted decreases during the month," it said, referring to month-on-month comparisons.

The PSA said Caraga recorded the highest month-on-month increase of 5%, while Northern Mindanao saw a 5.1% drop to P20.17. — **Adrian H. Halili**

Agriculture damage from 'Goring' hits P898.4 million

AGRICULTURAL damage caused by Typhoon Goring (international name: Saola) has been estimated at P898.4 million, the Department of Agriculture (DA) said over the weekend.

In a bulletin, the DA said 24,457 farmers reported damage to their crops, with lost volume at 39,011 metric tons (MT) of crops across 34,979 hectares of farmland.

The weekend bulletin contained updated reports from the Cagayan Valley and the Western Visayas, raising the tally from P504.4 million as of Sept. 1.

Damage to the rice crop was valued at P751.5 million, volume losses were 29,337 MT across 29,255 hectares. Rice losses accounted for 83.6% of the damage caused by the typhoon.

Corn damage was estimated at P139.2 million from volume losses of 9,466 MT spanning 5,693 hectares.

High-value crop losses were estimated at P5.5 million on volume of 207 MT; livestock and poultry P2.3 million, including 916 animals and birds.

The DA said that P100 million worth of rice, corn, and assorted vegetable seed was ready to be disbursed to farmers, in addition to medicine for livestock and poultry.

Meanwhile, the department said that it will also provide up to P25,000 in zero-interest loans payable over three years in affected areas. — **Adrian H. Halili**

PLDT-Smart Digital Farmers Program seeking more participants

PLDT Inc. and its wireless subsidiary Smart Communications, Inc., said they are seeking out more participants in their Digital Farmers Program (DFP).

DFP is being offered in partnership with the Department of Agriculture's Agricultural Training Institute (ATI).

"Through our partnership with the ATI, we aim to reach more farmers and share with them potential livelihood opportunities from technology," PLDT and Smart Head of Stakeholder Management Stephanie V. Orlino said in a statement over the weekend.

"This program also highlights the tangible benefits that the infusion of technology can provide and how it can increase profits over time," Ms. Orlino added.

The company said that the program had conducted 56 training sessions attended by 1,951 farmers, youth, agricultural extension workers, and farm field school representatives in the first half of 2023.

"To date, DFP has extended the benefits of using technology in agriculture to 8,506 Filipino farmers under 312 training sessions rolled out," it added.

The sessions cover smartphone and internet fundamentals and the use of e-commerce platforms. Participants include local government representatives, farmer associations, farm field schools, and cooperatives.

"The DFP has been our platform to ensure that we are on-course in our goal to capacitate and empower every Filipino farmer especially in navigating a highly digital environment" ATI Director Remelyn R. Recoter said. — **Adrian H. Halili**

Rice,
from S1/1

The move would also significantly affect rice farmers, who are expected to lower farmgate prices, they said.

While the order may cool prices temporarily, it "may result in the emergence of inefficiencies with regard to supply and demand, which may result in shadow or black-market trading," ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said in a Viber message.

Leonardo A. Lanzona, who teaches economics at the Ateneo de Manila University, said the price ceilings on rice can prove disastrous for both farmers and traders.

Traders might hesitate to buy rice from farmers, who will be left with no choice but to cut farmgate prices, he said via Facebook Messenger chat.

"Its immediate effect is to pull down production and reduce supplies in the market," Mr. Lanzona said.

Raul Q. Montemayor, national manager of the Federation of Free Farmers, said palay prices immediately went down by P3 per kilo in some areas after the order was announced on Friday.

"If the price ceilings are too low, retailers will just stop selling rice instead of losing money or being fined for overpricing," he said in a Viber message. "Both farmers and consumers could end up losing."

An artificial control like price capping normally creates a gap between consumer demand and actual supply, said Enrico P. Villanueva, a senior lecturer of money and banking at the University of the Philippines Los Baños, noting that the move will only favor a lucky group of consumers who are able to buy rice at the capped price "while leaving other consumers disgruntled as there is no supply left for them."

Mr. Villanueva said raw grain buyers may use the retail price for milled rice as leverage to push down farmgate prices.

"Big traders may hoard in response to a price cap," he added. "The unscrupulous ones may pass off regular rice as premium rice to evade the cap."

Mr. Lanzona said the price ceiling can only be implemented in the long run if the "government would increase government subsidies and thus reinstate the National Food Authority, which had virtually been defunct in the last few years."

"The only way to justify these price regulations is to establish that a monopoly exists. While various market failures exist in the rice market, the market is not a monopoly," he said, noting that the problem seems to be the "huge transaction that allows middlemen and scrupulous traders to jack up the retail prices above the farm gate prices."

The solution then, Mr. Lanzona said, is to enable more players to engage in the rice market, such as micro, small and medium enterprises and farmers, who can transact directly with the consumers.

THE PHILIPPINE STAR/ EDD GUMBAN

THE Philippine government is imposing price ceilings for regular and well-milled rice starting Sept. 5.

Mr. Villanueva, meanwhile, said the government should fulfill its promise of boosting local production and make importation more competitive over the medium term.

"It's unfortunate that despite the law shifting importation policy from quotas to tariffs, the DA still effectively imposes a quota by setting import volume limits," he said. "Importation should be free and competing, with market players competitively assessing demand and supply factors."

The Foundation for Economic Freedom (FEF) called on the government to cut import tariffs on rice from Association of Southeast Asian Nations (ASEAN) countries to 10% from the current 35%.

"This will have an immediate effect on lowering rice prices. The government can afford to lower rice tariffs because the mandatory P10-billion allocations for the Rice Competitiveness Enhancement Fund (RCEF) as stipulated by the Rice Tariffication Law (RTL), has already been achieved," it said.

Citing data from the Bureau of Customs, collections from rice tariffs have reached P16.8 billion as of Aug. 26.

"The government may restore the tariff rates back to 35% when the demand and supply situation stabilizes and if the onset of the harvest season results in falling rice prices," the FEF said.

The FEF also called on the government to amend the Comprehensive Agrarian Reform Law (CARL) to increase the farmland retention limit to "an economically viable" 24 hectares.

"Because of CARL, average farm sizes have fallen to one hectare or less. The country needs bigger and better-managed farms to increase agricultural productivity thereby increasing supply and reducing food prices," it said.

Meanwhile, Rizal Commercial Banking Corp. Chief Economist Michael L. Ricafort said that the price cap could help ease inflationary pressures.

"The latest rice price ceiling will help curb inflation, if implemented well in terms of compliance by market players," he said in a Viber message.

Headline inflation eased to 4.7% in July, bringing the seven-month average to 6.8%. The Bangko Sentral ng Pilipinas said inflation likely settled within the range of 4.8% to 5.6% in August, due to the sharp increase in rice and fuel prices.

The Philippine Statistics Authority is set to release August inflation data on Tuesday.

Inflation,
from S1/1

The peso closed at P56.595 on Aug. 31, depreciating by 3% or P1.715 from the P54.88 finish on July 31. Year to date, the peso depreciated by 1.5% or P0.84 from its P55.755 close on Dec. 29.

Makoto Tsuchiya, assistant economist from Oxford Economics Japan, noted that domestic pump prices have been rising since mid-July, and this will be reflected in the August inflation data.

In August alone, oil companies raised pump prices by P5.90 per liter for gasoline, P9.90 per liter for diesel and P10 per liter for kerosene.

"Although the current diesel pump price is significantly lower than the P75 per liter average recorded in June of the previous year, food and fuel prices continue to be the main drivers of inflation," Security Bank Corp. Chief Economist Robert Dan J. Roces said in an e-mail.

HSBC economist for ASEAN (Association of Southeast Asian Nations) Aris Dacanay attributed the sharp increase in local pump prices to the supply output cuts done by the Organization of the Petroleum Exporting Countries (OPEC).

OPEC and its allies (OPEC+) earlier said it plans to extend its oil production cuts, with top exporter Saudi Arabia expected to extend its one-million-barrel-per-day voluntary supply cut for another month.

"Additionally, the price of LPG (liquefied petroleum gas) also ticked up in August," Ms. Velasquez said.

Cooking gas prices rose by P4.55 per kilogram in August, while prices of AutoLPG were up by P2.54 per liter.

The implementation of higher toll fees in key expressways may have contributed to food inflation as these added to transport costs of agricultural commodities.

"Offsetting these increases was a sizeable 2.5% downward adjustment in electricity rates and a continued normalization of vegetable prices such as that of onions," Mr. Dacanay said.

Manila Electric Co. lowered rates by P0.29 per kilowatt-hour (kWh) to P10.90 per kWh in August from P11.19 per kWh in July.

"Despite the projected higher headline rate in August, core inflation is expected to continue its downtrend to around 6% in August," Ms. Velasquez said.

Core inflation, which excludes volatile items of food and fuel prices, slowed to 6.7% in July from 7.4% in June. For the first half, core inflation averaged 7.6%.

Mr. Roces also noted that the increase in August inflation is more moderate compared with the inflation spike from December 2022 to February 2023.

"While there is a noticeable increase in the price of rice, the overall inflation rate for August 2023 remains within a reasonable area and is significantly lower than the surge experienced earlier this year," Mr. Roces said.

DISINFLATION TO RESUME

Despite the uptick in August, analysts expect consumer prices to continue easing for the rest of the year due to base effects.

"Beyond August, we expect disinflation to resume, reaching the BSP's 2%-4% target by the end of the year. However, supply-side developments are highly uncertain, and so this outlook comes with risks," Mr. Tsuchiya said.

According to Ms. Tan, El Niño is one of the key risks that could keep inflation higher for longer.

"Top of the list is the potential El Niño weather pattern which brings about a dry spell to the country and damage local agricultural produce. This will add stress to the already tight supply," she said.

Pantheon Chief Emerging Asia Economist Miguel Chanco said inflation may return to the central bank's 2-4% target in October, but downside risks are increasing due to the El Niño.

"The direct impact of this year's hotter-than-expected temperatures is still unclear, but governments around the region are already taking preemptive measures to secure food supplies — largely by restricting exports of key foods — posing an indirect inflation risk to net food importers like the Philippines," he said.

If inflation rose in August from its 4.7% clip in July, the Monetary Board may not immediately react with higher policy rates, Ms. Velasquez said.

"Shocks for the month of August were largely supply side but has not, so far, detailed the inflation path towards the target range in the fourth quarter. We still expect inflation to fall within the BSP's target by November," she said.

The BSP currently sees inflation returning to the 2-4% target band by the fourth quarter. It sees inflation averaging 5.6% in 2023 before easing to 3.2% in 2024.

"Looking ahead, we still see that inflation will fall into the BSP's target range of 2-4% by the fourth quarter of this year, barring sustained spikes in rice and fuel in the remaining months of 2023; these remain considerable upside risks to the inflation projections," Mr. Roces said.

ING Bank N.V. Manila Senior Economist Nicholas Antonio T. Mapa said any sharp upticks in rice, electricity, and transport could "spell a renewed flareup for Philippine inflation."

"We had originally penciled in a BSP rate cut by the first quarter of next year given the disappointing second-quarter GDP (gross domestic product) report," Mr. Mapa said.

The Philippine economy grew by 4.3% in the second quarter, weaker than the 6.4% growth in the first quarter and 7.5% a year ago.

"However, if we continue to see rice and energy prices tick higher in the coming months, we could see BSP delaying its planned easing to mid-2024," Mr. Mapa said.

To tame inflation, the BSP hiked benchmark interest rates by 425 basis points from May 2022 to March 2023. This brought the key policy rate to 6.25%, its highest level in nearly 16 years.

The Monetary Board will have its next policy review on Sept. 21.