IRR draft points to government plan to stockpile food ahead of shortages

THE Department of Agriculture (DA) said that it is drafting implementing rules and regulations (IRR) governing the procurement of agricultural goods ahead of a possible tightening of the food supply.

DA Special Order No. 18 creates a technical working group (TWG) to prepare the IRR for Section 9 of Republic Act 7581, or the Price Act, as they apply to food procurement.

Section 9 of the Price Act gives the DA the power to procure, purchase, import, or stockpile basic or prime agricultural commodities.

The IRR will also set the rules for distributing the commodities during shortages or when there is a need to influence market prices.

In a statement on Tuesday, Agriculture Secretary Francisco Tiu Laurel, Jr. said that he ordered the working group to "develop a clear and concise set of rules to implement Section 9 of the Price Act."

The TWG will also work with the Department of Trade and Industry and other government agencies to develop the IRR.

Consultations will be set with consumer groups and market experts to address their concerns.

"The Price Act was enacted to stabilize the supply and prices of basic necessities and prime commodities, to safeguard consumers against unreasonable price hikes, and ensure fair practices within the market," the DA said.

The DA has been tasked with monitoring the prices of crops, fish and other marine products, fresh meat, fresh poultry, dairy products, fertilizer and other farm inputs during emergencies. — **Adrian H. Halili**

Risks flagged in Maharlika plan to invest in transmission grid

THE Maharlika Investment Corp.'s (MIC) plan to invest in the National Grid Corp. of the Philippines (NGCP) may be too risky given recent issues with the management of the national grid, an energy think tank director said.

"We do not understand the wisdom, if any, behind the decision of MIC to invest in the NGCP, considering that the NGCP is now under siege for its failure to deliver on its commitments to the Filipino people as exhibited by the ongoing rotating brownouts in Western Visayas," Gerry C. Arances, executive director of Center for Energy, Ecology, and Development said in an e-mail.

MIC President and Chief Executive Officer Rafael Jose D. Consing, Jr. has said that he supports Speaker Martin G. Romualdez's proposal for the MIC to invest in NGCP.

Mr. Consing said that the MIC will be able to "leverage its unique financial resources and development expertise to accelerate critical infrastructure upgrades, promote renewable energy integration, and improve overall grid efficiency."

The investment would also help lower energy costs and promote public-private partnerships, he added.

"More money for NGCP will not necessarily solve the policy failure that is deliberately delaying the modernization and upgrade of the transmission system," Mr. Arances said.

"If anything, the proposal will only provide the NGCP access to public funds without the necessary public control that this sector of the power industry demands," he added.

Last week, the NGCP raised a yellow alert for the Visayas grid after several power plants tripped. This caused around 452 megawatts (MW) to be unavailable to the grid.

Senators Ana Theresia N. Hontiveros-Baraquel and Francis N. Tolentino have filed separate resolutions seeking to investigate the power failures.

Ilocos Norte Rep. and the President's son Ferdinand Alexander A. Marcos also filed a resolution to investigate the blackouts. He also proposed that the Energy Regulatory Commission exercise its regulatory power fine the NGCP over the incident.

Mr. Arances said that the government should stop "relinquishing responsibility" for managing the national grid.

Privately-owned NGCP is the sole and exclusive concession and franchise holder for the power transmission network.

"It is high time that we ramp up policy development where decentralization and modernization are the priority to allow Filipinos to tap the potential of renewable energy to lower electricity prices," Mr. Arances said.

"Whether NGCP, Transco, or any other entity is in charge, the grid can only be truly Filipino if it works towards lowering the prices of electricity for consumers," he added.

Ateneo de Manila economics professor Leonardo A. Lanzona said that the MIC should be investing in other priority areas.

"My impression was that the goal of MIC was to pool resources and to invest in exponentially high yielding short-term instruments that private investors are not aware of," he said in an e-mail.

"Instead, it turns its sights on the most obvious investments that everyone with resources would most likely invest in. It does not require financial acumen to know that energy investments are quite lucrative," he added.

Jose M. Layug, Jr., president of the Developers of Renewable Energy for Advancement, Inc., said an MIC investment would help accelerate renewable energy (RE) development.

"In this regard, we appreciate the thrust of MIC to consider investments to foster public-private partnerships in the energy sector. We defer to MIC's collective wisdom and financial resources towards achieving this goal," Mr. Layug said in a Viber message.

Mr. Layug said infrastructure like transmission, distribution, and roads and ports need to improve in order to scale up the installation of power plants and other RE capacity.

"In the past two years, the RE developers have heeded the call of the Marcos administration for more investment. We hope to complete all these projects with collaboration and cooperation among the government agencies and private sector," Mr. Layug added.

The Philippines is aiming to increase the share of renewable energy in its power mix to 35% by 2030 and 50% by 2040. — **Luisa Maria Jacinta C. Jocson**

Philippines pressing for expedited resolution to Japan FTA talks

THE Department of Trade and Industry (DTI) said it has been pushing for a prompt conclusion to renegotiating the bilateral free trade agreement (FTA) with Japan, known as the Philippines-Japan Economic Partnership Agreement (PJEPA).

Asked for the DTI's preferred timeline, Trade Undersecretary Allan B. Gepty said, "There are still many issues and elements that we intend to cover. So, basically, it will really depend on the levels of admission of both Japan and the Philippines."

Mr. Gepty said that the general review of PJEPA is currently ongoing, and that the DTI is pushing Japan to expedite the review.

"Right now, we are really advocating and pushing Japan to hasten the general review so that the pending issues and other interests that we would like to be covered are concluded," he said in a recent briefing.

The Philippines, he said, still has the same concerns, such as improving market access for Philippine bananas and other tropical fruit.

For its part, Japan is seeking better market access for its industrial goods, such as automotive products and parts.

"More than that, there are other areas where Japan is interested in, for example e-commerce. If you take into account the FTAs of developed countries like Japan, the US, and the European Union, they are very particular on digital trade rules, so we expect the same in this bilateral FTA," Mr. Gepty said.

He said that both Japan and the Philippines are lobbying to improve market access for certain product lines by at least lowering the tariffs and gradually slashing them to zero.

"But this will depend on the outcome of the negotiations. Sometimes the landing zone is either you will have a timeline, you will have a reduction or sometimes it will depend on the sensitivity of the products that the tariff will end up positive but very minimal," he added.

Mr. Gepty said the conclusion of the FTA with South Korea may serve to motivate Japan into concluding a similar deal soon.

"They have the same interests, which is automotive products, so we are hoping that this could serve as a wake-up call to Japan to hasten the negotiations. If you will recall, our interest (in South Korea) is also market access for our agriculture products," he said.

Japan is considered a prime export destination of Philippine bananas and continues to be a top choice for producers because it can offer good prices, said Mr. Gepty.

Under PJEPA, bananas from the Philippines are charged a seasonal tariff of 18% between Oct. 1 and March 31 and 8% from April 1 to Sept. 30.

According to the Department of Agriculture, Philippine agricultural exports to Japan amounted to $679 million in the third quarter. — **Justine Irish D. Tabile**

Manufacturing hub status seen as critical to Philippine investment competitiveness

THE Department of Trade and Industry (DTI) said structural changes to the economy are needed to attract more foreign investment, with the Philippines needing to become a manufacturing hub for certain industries to do so.

"What this means is that we will be completely aligned with the eight-point socioeconomic agenda," Trade Undersecretary Maria Blanca Kim Bernardo-Lokin said in a televised interview on Tuesday.

"When you say structural changes, we need really big changes to happen and for this it would mean placing ourselves more aggressively to become the next manufacturing hub of certain industries," she added.

She said the prerequisites for achieving this are upskilling the workforce and investing more on digitalization.

"For the part of our investment promotion agencies (IPAs), they are also preparing by strengthening investment strategies and the ease of doing business," she said.

"IPAs follow Executive Order (EO) 18 and what we are trying to do now is strengthening it; so far, a lot of investments are being endorsed," she added.

According to Ernie Delos Reyes, director for IAS and One-Stop Action Center for Strategic Investments, the Board of Investments has around P930 billion worth of green-lane projects for possible registration.

These include certified green-lane projects worth P370 billion, P360 billion worth of projects which are still under evaluation, and incoming applications worth P200 billion.

The green lanes for strategic investments were established through EO 18, which aims to expedite, simplify, and automate the permit and license application processes for strategic investments.

In separate statements, the DTI and Philippine Economic Zone Authority (PEZA) welcomed the appointment of Secretary Frederick D. Go, saying that his newly created office will boost investment promotion.

"Executive Order 49 is a welcome boost that consolidates all the efforts of IPAs for a whole of government approach in acquiring investments, converting commitments to actual operations, and promoting the country as the prime investment hub in the region," PEZA Director General Tereso O. Panga told *BusinessWorld* via Viber message.

"As such, we recognize the Office of the Special Assistant to the President for Investment and Economic Affairs' (OSAPIEA) primary mandate to ensure effective integration, coordination and implementation of the various investment and economic policies and programs of the government," he added.

In December, President Ferdinand R. Marcos, Jr. signed EO 49, which created OSAPIEA. The President also appointed former Robinsons Land Corp. president Frederick D. Go as the head of the OSAPIEA, granting him Cabinet-level rank and the chairmanship of the Economic Development Group.

"In all his functions, Sec. Go can expect full support from PEZA as we share the same vision of bringing in more foreign direct investment. We look forward to a strong partnership between OSAPIEA and PEZA as we continue to advance the ecozone agenda," Mr. Panga said.

Trade Secretary Alfredo E. Pascual said an official with coordinating powers brings the Philippines in line with the practice in other countries.

"I think, in a way, it is helpful that somebody is coordinating because even other countries have coordinating ministers," Mr. Pascual said.

"It is a welcome move especially that it will help expedite for example the processing of the entry of foreign investors, because one of our big problems is the ease of doing business," Mr. Pascual said.

He said Mr. Go will have enough power to compel local government units and national agencies to expedite the entry of foreign investment. — **Justine Irish D. Tabile**

Rates seen remaining 'higher for longer' on lingering inflation risk — GlobalSource

THE Bangko Sentral ng Pilipinas (BSP) is likely keep interest rates high with inflation expected to spike towards the middle of the year, GlobalSource Partners said.

"We believe that the BSP will maintain a higher interest rate for longer, precisely because first of all, it considers its previous monetary tightening is yet to fully take effect because of the long lags of monetary adjustments," GlobalSource country analyst Diwa C. Guinigundo said in a report dated Jan. 8.

"Secondly, upside risks to the baseline forecasts including global uncertainty remain dominant such that an early reset could trigger a price upsurge and upset inflation expectations," he added.

The benchmark rate is currently at 6.5%, the highest in 16 years. From May 2022 to October 2023, the central bank raised borrowing costs by a total of 450 basis points.

BSP Governor Eli M. Remolona, Jr. has said the central bank is not considering easing policy until inflation settles firmly within the 2-4% target.

"We share the view of the BSP that it is possible for the monthly year-on-year inflation to hit the 2-4% inflation target in the early part of this year. However, positive base effects could cause inflation to hit or even breach the 4% towards the middle of the year," Mr. Guinigundo said.

Headline inflation slowed to 3.9% in December, the first time it settled within the target range in nearly two years.

This brought average inflation to 6% in 2023, in line with the BSP's full-year forecast, but still well above target.

The BSP expects inflation to ease to 3.7% this year.

GlobalSource cited risks that could stoke inflation, such as higher transport fares, power rates, and oil prices.

"Due to these factors, no less than the Department of Trade and Industry announced yesterday that 29% of the items included in the Suggested Retail Prices are bound to rise. Mostly food, such price increases on a weighted basis could be substantial," Mr. Guinigundo added.

To help tame inflation, Mr. Guinigundo said that non-monetary measures must be "vigorously pursued," specifically, support to agriculture and logistics. — **Luisa Maria Jacinta C. Jocson**

Palay output goal of 20M MT deemed insufficient to satisfy growing demand

FARMERS said that the current target for palay or unmilled rice production is not ambitious enough to meet growing demand for rice, signaling that the government is planning to address shortages with more imports.

"A 20-million-ton output will not even be enough to satisfy the increase in demand, and our deficit and reliance on imports will actually increase," Federation of Free Farmers National Manager Raul Q. Montemayor said in a Viber message.

The national daily consumption rate for rice is equivalent to 679,670 bags or 33,983.5 metric tons (MT), according to the National Food Authority.

On Monday, the Department of Agriculture (DA) said it wants production to be no less than 20 million MT, equivalent to the previous year's target.

The DA has said that it is expecting 500,000 MT of imported rice to arrive as the government builds up reserves in preparation for the worst of El Niño.

To bring down the prices of imports, the government also extended the lowered tariffs on rice via Executive Order No. 50. Rates for rice imports were kept at 35%, regardless of the minimum access volume and country of origin.

"We are about the same or higher than last year. So, 20 million MT is not impossible but (will depend on) timing of irrigation and early planting," former Agriculture Undersecretary Fermin D. Adriano said in a Viber message.

Last year, the DA similarly projected that palay production would hit 20 million MT due to the increase in land area planted to rice.

"If the El Niño results is delayed or we receive reduced rainfall in the second quarter, it will reduce available water in dams for irrigation and prevent or delay planting in rainfed areas," Mr. Montemayor said.

Separately, Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said that dry spells occurring in Nueva Ecija would pose a risk to production as the province accounts for 3-5% of national output.

"If Nueva Ecija experiences dry spells, this would have a big impact on production, because (the province) is a major rice producing area," he said in a Viber message.

The government weather service, known as PAGASA (Philippine Atmospheric, Geophysical and Astronomical Services Administration), has said that El Niño's intense phase could run until the second quarter and bring droughts or dry spells to 63 provinces.

Meanwhile, Mr. Montemayor said that wet season harvest starts in May, running until late September or November, and may be vulnerable to El Niño as well.

"This wet season crop will be the most vulnerable to El Niño and we could again experience tight supply and price spikes in August and September like last year if supplemental imports do not come in," he added.

A surge in the price of rice in Philippine markets prompted the government to implement price controls last year.

Executive Order No. 39, capped rice prices at P41 per kilogram (kg) for regular-milled rice and P45 per kg for well-milled rice. Price controls ran from Sept. 5 to Oct. 4, 2023.

President Ferdinand R. Marcos, Jr., who was the agriculture secretary at the time, cited hoarding and price manipulation as behind the higher prices. — **Adrian H. Halili**