

Some Vietnam coffee farms thrive despite drought, but may not stop espresso price hikes

PLEIKU, Vietnam — Vietnamese coffee growers have been hit hard this year by the worst drought in nearly a decade, raising concerns of pricier espressos across the world, even as some farmers keep yields healthy with clever countermeasures.

Domestic forecasts for next season's harvest in Vietnam, the world's second biggest coffee producer, remain grim. The Mercantile Exchange of Vietnam expects a 10-16% fall in output because of the extreme heat that hit the Central Highlands coffee region between March and early May, according to deputy head Nguyen Ngoc Quynh.

However, a return of rains in recent weeks has improved the outlook, boosting confidence among farmers and officials. But it remains unclear whether the improved weather will help boost output and drive down prices of robusta beans, the variety most commonly found in espressos and instant coffees, of which Vietnam is the world's top producer.

"I expect the country's output to fall by 10-15%, but my farm will increase production," said Nguyen Huu Long, who grows coffee in a 50-hectare plantation in Gia Lai, one of the top coffee-producing provinces in Vietnam.

To protect his trees during the heatwave, he kept the soil around the plants moist by covering it with leaves. Contrary to the local practice of cutting trees after a few years to boost soil quality, he keeps his growing for decades. As a result, plants have deeper roots and broader access to underground water reserves.

Farmers in his plantation also soften the soil around plants to improve absorption of rainwater and fertilizers, said Doan Van Thang, 39.

Tran Thi Huong, a tenant farmer who works in another plantation 20 km from Pleiku, Gia Lai's capital, resorted to using more water than usual.

Thanks to abundant reserves from canals built by local authorities, she could keep her plants sufficiently irrigated during the heatwave.

Coffee cherries are smaller than in previous years, but she expects the overall output to be unaffected. It also helped that she timely intervened with biopesticides against bugs that were more numerous than usual because of the extreme weather.

That is in line with the forecast from the US Department of Agriculture which estimates Vietnam's next harvest would be roughly steady versus the current season's output — far less pessimistic than domestic projections.

Whatever the impact on the harvest will be, coffee prices for drinkers around the world are likely to rise. Wholesale prices in Vietnam and London-traded robusta futures have risen to record highs earlier this year mostly after an underwhelming harvest in Vietnam and because of fears over the country's next harvest after the drought, according to multiple traders and analysts.

Record wholesale prices have so far had a limited impact on consumer prices, with coffee inflation up by only 1.6% in the 27-country European Union (EU) in April, according to the latest Eurostat data, and 2.5% in robusta-loving Italy.

While well below price rises from a year earlier, it was higher than 1% in the March EU reading, a sign roasters may have started to pass their higher costs on consumers.

Besides, worries about Vietnam are far from over, as insufficient rains after the drought or excessive downpours before the upcoming October harvest season could further reduce output, warned a Vietnam-based trader.

The high wholesale prices may also be there to stay, as robusta demand is growing globally and farmers have boosted their leverage in the current circumstances, with many having also replaced coffee plants with pungent smelling durian, a tropical fruit experiencing huge demand in China.

"They have the financial ability to hoard and hold on to goods, so they will not be in a hurry to sell," said Le Thanh Son, of Simeco, one of Vietnam's biggest coffee exporters. — *Reuters*

Sustainable farm tech seen raising agri competitiveness

By **Beatriz Marie D. Cruz**
Reporter

THE GOVERNMENT must make it easier to trade agricultural commodities within the region while introducing sustainable farming practices to raise the competitiveness of its farms, according to the Asian Development Bank (ADB).

"I think this is something related to how we can balance the process. We, of course, need to be aware about the interests of the local farmer organizations, but same time, this is also related to the consumer side," Qingfeng Zhang, senior director of the ADB's Agriculture, Food, Nature, and Rural Development Sector Office, told *BusinessWorld*.

He cited the need for stronger regional and international cooperation through joint ventures to

"scale the adoption of new technology, enhance it, reduce the cost. Then your competitiveness will increase."

President Ferdinand R. Marcos, Jr. has ordered the reduction of rice import tariffs to 15% from the current 35% until 2028, in the face of opposition from farmers' groups.

"When we reduce the import tariff, we also need to increase competitiveness of producers," Mr. Zhang said. "And in the end, we can manage inflation and the rice (price) spike."

Continued upticks in global rice prices will pose upside risk to Philippine inflation, Mr. Zhang said, noting the impact of export bans imposed by rice producing countries, climate change, and Russia's withdrawal from the Black Sea Grain Initiative.

Rice accounts for 8.9 percentage points (ppts) of the consumer price index (CPI) basket, while food overall makes up 34.78 ppts

of the CPI, according to the Philippine Statistics Authority.

"This type of trend will continue for some time before we see some change. We always say that we need to learn from the 2008 food crisis," Mr. Zhang said.

"We should encourage open trade. Otherwise, we are going to see this continued disruption and rice price increases," he added.

Competitiveness in Philippine agriculture has been hindered by climate risk, land disputes, and slow modernization.

Regional cooperation should not only facilitate better trade, but also help promote low-carbon and climate-resilient agriculture, he said.

"That means we're not only just looking at production itself; we also need to look at the farm-to-fork food system," he said.

Low-carbon and climate-resilient farming practices include water-saving technology in rice

production, social protection measures for vulnerable farmers, digital methods to cut fuel waste, and the decarbonization of transport systems, cold storage warehouses and other facilities, Mr. Zhang said.

Better rural roads and flood risk facilities, restoration of wetlands and grasslands, would also help make agriculture competitive and resilient, he added.

The environmental cost of current food systems worldwide is estimated at \$3 trillion annually, according to ADB.

Establishing a natural capital accounting system, which measures the stock of a country's natural resources, would help bring in "more financing globally to support good agricultural practice," Mr. Zhang said.

Mr. Marcos signed Republic Act No. 11995 or the Philippine Ecosystem and Natural Capital Accounting System last month.

Denmark will be first to impose CO₂ tax on farms

COPENHAGEN — Denmark, a major pork and dairy exporter, will introduce a tax on livestock carbon dioxide (CO₂) emissions from 2030, making it the first country to do so and hoping to inspire others to follow, the government said.

A tax was first proposed in February by government-commissioned experts to help Denmark reach a legally binding 2030 target of cutting greenhouse gas emissions by 70% from 1990 levels.

The centrist government reached a wide-ranging compromise with farmers, industry, labor unions and environmental groups on policy linked to farming, the country's largest source of CO₂ emissions. — *Reuters*

FULL STORY

Read the full story by scanning the QR code with your smartphone or by typing the link <tinyurl.com/2lscdh7m>

US food safety regulators expand bird flu testing in milk products

THE US Food and Drug Administration (FDA) has begun testing more dairy products for evidence of the bird flu virus as outbreaks spread among dairy herds.

More than 120 dairy herds in 12 states have tested positive for bird flu since March, according to the US Department of Agriculture (USDA). Federal officials have warned that further spread among dairy cows could heighten the risk of human infections.

The risk to the general public from bird flu remains low, federal officials have said, though it is higher for workers on dairy farms, who should wear personal protective equipment to reduce the risk of infection.

The focus of additional testing, which will sample 155 products, is to ensure that pasteurization inactivates the virus, said Don Prater, acting director of the FDA's Center for Food Safety and Applied Nutrition, on a call with reporters.

Prior FDA testing of 297 retail dairy samples came back negative for evidence of the virus. The agency continues to strongly advise against consumption of raw milk products, Mr. Prater said.

No infected dairy cow herds are known to be contributing to the raw milk supply, said Eric Deeble, USDA's acting senior adviser for its bird flu response.

More than 690 people who were exposed to infected or suspected infected animals have been monitored for flu symptoms, and 51 people who developed flu-like symptoms have been tested, Demetre Daskalakis, director of the US Centers for Disease Control and Prevention's (CDC) National Center for Immunization and Respiratory Diseases, said on the press call.

Three dairy farm workers have tested positive for the virus with mild respiratory or conjunctivitis symptoms, and all have recovered.

The CDC is providing technical support to the state of Michigan as it begins serological testing of farm workers for signs of prior infection by the virus and will ensure the testing can be completed in other states, Mr. Daskalakis said.

The USDA is conducting research on how dairy cattle contract the virus through contact with infected milk or respiratory droplets, Mr. Deeble said.

The development of a bird flu vaccine for dairy cows "is going to take some time," and the agency hopes to eradicate the virus in dairy cattle without the use of a vaccine, Mr. Deeble said.

Agriculture Secretary Tom Vilsack told Reuters on June 12 that the agency is in talks with two dozen companies on the development of a bird flu vaccine for cattle. — *Reuters*

Israeli companies see PHL as attractive destination — envoy

By **John Victor D. Ordoñez**
Reporter

ISRAELI companies, particularly startups, view the Philippines as a viable gateway to Southeast Asian markets, according to the Israeli Ambassador and the head of Israel's economic mission in Manila.

"Asia is a growing market, and Israeli companies are becoming more and more interested in the markets here," Ambassador Ilan Fluss told *BusinessWorld* on the sidelines of an Israeli tech startup pitch event at his residence in Makati City.

"The Philippines is also an entry point to the Association of Southeast Asian Nations," he added.

He said the embassy is working closely with the Anti-Red Tape Authority to find ways to make it easier to do business in the Philippines.

"I think the important thing for an Israeli company is to have a good Filipino partner that will be able to guide them (in navigating) the economy," Mr. Fluss said, noting the difficulties posed by bureaucracy.

Tomer Heyvi, head of the Israel Economic Mission to the Philippines, said more Israeli startups are showing interest in seeking investors from the Philippines.

"The Philippines is a rising star and there is a lot of inter-

est from the Israeli companies in trade, commerce, but also, of course, in investment," he told *BusinessWorld*.

Mr. Heyvi said there are more than 9,000 startups in Israel that are seeking partnerships to help them break through in various global markets, including the Philippines.

"Every year, we see an increase in the interest of Israeli companies. So, for me, it's already an indication that they find this market interesting."

According to the Central Bureau of Statistics of Israel, trade between the Philippines and Israel amounted to \$532 million last year.

Israel's Ministry of Economy and Industry said on its website that business services between both countries last year were mostly provided by Israeli startups and tech companies engaged in artificial intelligence-based platforms, cybersecurity, and financial technology solutions.

Dotan Sagi, chief executive officer of Israeli software development company Cinten, called for more support for tech accelerators.

"If the government invests in accelerators, hubs for young people that can work and understand the tech way of thinking and how to build a startup, it will be easier to work here," he told *BusinessWorld*.



AUTHORITY OF THE FREEPORT AREA OF BATAAN
Freeport Area of Bataan (FAB), Mariveles, Bataan 2106

AMENDMENT ON DOMESTIC SALES REGULATORY FEE (DSRF) FOR FAB REGISTERED ENTERPRISES (FREs) UNDER THE FOOD AND BEVERAGE INDUSTRY

In order to aid in the loss of tax exemption for the DMEs based on the provisions of the CREATE law, particularly those enterprises under the Food and Beverage Industry and, more importantly, to extensively promote local manufacturers/suppliers and farmers in support of building a more sustainable economy in the country, the Authority deemed the amendment on the DSRF for FREs under the Food and Beverage Industry **based on the percentage of raw materials that are sourced locally.**

Percentage of Raw Materials that are sourced locally	Fee x Number of Transactions
25% and below	P1,000 or 2% of selling price whichever is higher but not to exceed P5,000
26% to 50%	P1,000 or 2% of selling price whichever is higher but not to exceed P4,000
51% to 75%	P1,000 or 2% of selling price whichever is higher but not to exceed P3,000
76% to 100%	P1,000 or 2% of selling price whichever is higher but not to exceed P2,000