

## **Philequity Corner (February 14, 2011)**

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### **Food for Thought**

We received many feedbacks from our column last week entitled, *The Good, the Bad and the Ugly*. The article dwelt on the effects of rising commodity prices and their impact on our economy. The stock market, as a barometer of investor sentiment and a gauge of future earnings performance of listed companies, has weakened the past trading sessions due to the food inflation scare. Since inflation has widely been the topic of conversation and a general concern among economists and businessmen, we thought of featuring some of the responses we got last week.

#### ***Comment #1***

As a country with a population of nearly a hundred million and growing at a pace of 2% to 3% a year, we are very much susceptible to food inflation. Passing the RH Bill is one important piece of legislation that will certainly help curb population explosion.

#### ***Comment #2***

Even if the economy grows 7% per annum consistently over the next five or six years (which is quite unlikely considering the uncertainties in the global scene), it is not enough to alleviate poverty and to lower unemployment rate.

#### ***Comment #3***

The Catholic Church has hampered the country's economic growth and poverty alleviation because of its adamant opposition to family planning and its insistence of the use of the natural methods of birth control.

#### ***Comment #4***

The church should institute programs that are geared towards helping the poor. Instead of putting their efforts in voicing out how non-Christian the use of artificial contraception is, perhaps the church should be more pro-active in providing education and social support to the poorest of the poor.

#### ***Comment #5***

To increase local food production, rice, for example (i.e., to lessen dependence on rice importation), we need more infrastructures such as farm-to-market roads, irrigation systems, storage facilities, and the like. The current infrastructure program of the government, which is the PPP, is geared towards traffic decongestion and opening gateways but less focused on agrarian infrastructure.

#### ***Comment #6***

The government needs to review the Comprehensive Agrarian Reform Program. The existing CARP is not sufficient enough to increase food production, which would help lessen the country's dependence on imports. The PPP can include a food program to increase food and rice production. Companies like San Miguel, JG Summit, and even First Pacific's Indofood can put up plantations *ala* Del Monte and Dole.

#### ***Comment #7***

In focus at the moment is food inflation, so much so that it has pummelled Asian stock markets. One of the ways to reduce food costs is through the construction and improvement of farm-to-market roads. Not only does it reduce cost, but it also increases the speed at which food is delivered. Taking this a step further, maybe our government can consider the construction of more railways. That way, our food producers need not contend with the traffic in the metropolis.

#### ***Comment #8***

The best way to reduce imported price inflation of a certain good is to become the producer of the said good. In other words, given that we are the largest importer of rice, maybe it's high time that the government improve its agrarian reform program so that large tracts of land can be devoted to the planting of crops. On the other hand, the government can just choose to scrap this altogether and just transfer the burden to private corporations and just incentivize them. Private corporations, anyway, are generally more efficient than government-run institutions.

#### ***Comment #9***

It's time that we, as a country, refocus our efforts in building a strong agricultural sector as well as allied industries and other support systems that will assure food self-sufficiency. Moreover, this may encourage people to stay in the countryside instead of migrating to the cities or other countries. Putting up warehousing and buying centers will help facilitate trade and minimize the risk of perished goods.

#### ***Comment #10***

We should look for other "green" fuel source alternatives apart from corn or sugar. These crops' value as food should be prioritized over its use as fuel.

### **Population and Dependence**

Just as some of our readers pointed out, there are two reasons why our country is very susceptible to high inflation: (1) high population with a disproportionate rate of growth and (2) our over reliance on food imports, particularly on rice which is an essential part of every Filipino meal.

### **Populous Countries Get Hit**

The scenario our country faces is also experienced by other nations. Populous countries with a high degree of dependence on food imports are posting high rates of inflation. We highlight below a chart illustrating the world's most populous countries. China, India, Indonesia, Pakistan, Egypt, and the Philippines are countries dependent on food imports. These countries were also the worst performing stock markets during this period of high inflation. Turning for the worse, Pakistan, Bangladesh, Tunisia, and Egypt are countries which experienced recent uprising as a result of the people's frustration over food inflation and their respective governments' inaction.

### Ranking of Countries with Highest Population

Rank	Country	Population
1	<a href="#">China</a>	1,338,612,968
2	<a href="#">India</a>	1,166,079,217
3	<a href="#">United States</a>	307,212,123
4	<a href="#">Indonesia</a>	240,271,522
5	<a href="#">Brazil</a>	198,739,269
6	<a href="#">Pakistan</a>	176,242,949
7	<a href="#">Bangladesh</a>	156,050,883
8	<a href="#">Nigeria</a>	149,229,090
9	<a href="#">Russia</a>	140,041,247
10	<a href="#">Japan</a>	127,078,679
11	<a href="#">Mexico</a>	111,211,789
12	<a href="#">Philippines</a>	97,976,603
13	<a href="#">Vietnam</a>	86,967,524
14	<a href="#">Ethiopia</a>	85,237,338
15	<a href="#">Egypt</a>	83,082,869

### We will Survive

In retrospect, back in 2008, the country posted an average inflation rate of 10.4 percent, the highest in the past decade. Thereafter, 2009 and 2010 both registered benign rates of inflation of just under 4 percent. Our economy survived the high prices of 2008. Looking ahead with optimism, we shall survive again a threat of another high inflation. Our economy is resilient. The Filipinos are resilient.

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