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Inflation likely eased in October — poll

By Keisha B. Ta-asan
Reporter

HEADLINE INFLATION likely eased to below 6% in October due to lower prices of some food items and a rollback in pump prices, analysts said.

A *BusinessWorld* poll of 13 analysts conducted this week yielded a median estimate of 5.7% for the consumer price index (CPI) in October. This is within the 5.1-5.9% forecast of the Bangko Sentral ng Pilipinas (BSP) for the month.

If realized, October inflation would be slower than 6.1% in September and 7.7% in the same month last year. It would also be the slowest rate in two months or since 5.3% in August.

However, October would still mark the 19th straight month inflation breached the central bank's 2-4% target band.

The local statistics agency will release the October consumer price index (CPI) data on Nov. 7 (Tuesday).

"Although still elevated, headline inflation likely eased to 5.7% from 6.1% in the previous month. Global oil prices have tapered from the peak in September, which led to lower fuel prices domestically," HSBC economist for ASEAN Aris Dacanay said in an e-mail.

In October alone, oil companies cut pump prices for gasoline by P3.1 per liter, diesel by P0.45 per liter, and kerosene by P4.40 per liter, data from the Energy department showed.

"Our latest data show some easing in the cost of essential food items such as rice, meat, and vegetables, as well as reductions in electricity and pump prices this October. While these factors could alleviate inflationary pressures, they may not be substantial enough to warrant diminished vigilance from the central bank given upside risks," Security Bank Corp. Chief Economist Robert Dan J. Roces said.

Data from the Agriculture department showed that prices of beef rump ranged from P390 to P480 a kilo as of Oct. 31, narrower than the P390 to P550 band on Sept. 29. Retail prices of cabbage, white potato and chayote also fell.

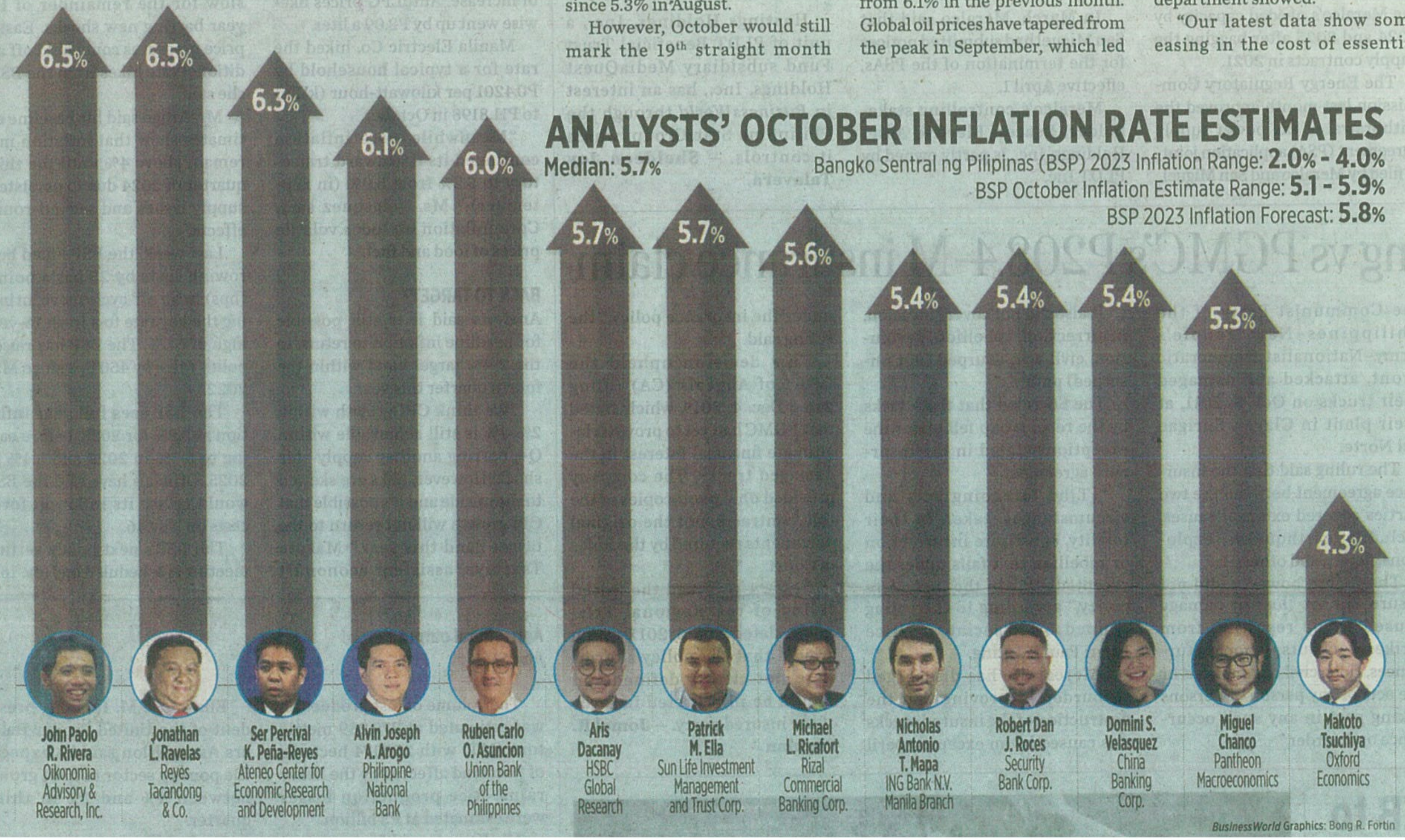
However, Mr. Dacanay noted headline inflation may have remained sticky in October as rice prices remain elevated although easing from their high in September.

"To balance the welfare between producers and consumers, authorities decided to lift the price cap of rice in the first week of October without a corresponding decrease in tariff rates. This likely led to some upward correction in the price of rice, keeping overall inflation elevated," he said.

The prices of local regular milled rice ranged from P41 to P44 a kilo as of Oct. 31, while well-milled rice ranged from P45 to P53.

Prices of rice have steadied after President Ferdinand R. Marcos, Jr. lifted the rice price ceiling on Oct. 4. In September, Mr. Marcos ordered prices to be capped at P41 a kilo for regular milled rice and P45 for well-milled rice.

Inflation S1/2



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Inflation,
from S1/1

Meanwhile, Philippine National Bank economist Alvin Joseph A. Arogo said in an e-mail that higher jeepney fares and recent minimum wage adjustments may have also put upward pressure on inflation in October.

Starting October, traditional and modern jeepneys increased their fares by P1 to P13 and P15, respectively.

Wage adjustments in Cagayan Valley, Central Luzon, and Soccsksargen regions took effect on Oct. 16. Regional wage boards recently approved a P30-P35 increase in the daily minimum wages for Ilocos and Western Visayas regions, which will be implemented on Nov. 6.

China Banking Corp. Chief Economist Domini S. Velasquez said in a Viber message that higher cooking gas prices and an increase in electricity rates in Metro Manila and Batangas likely added to prices pressures in October.

Liquefied petroleum gas (LPG) prices rose by P3.75 a kilogram in October, its third straight month of increase. AutoLPG prices likewise went up by P2.09 a liter.

Manila Electric Co. hiked the rate for a typical household by P0.4201 per kilowatt-hour (kWh) to P11.8198 in October.

"Meanwhile, core inflation continued its downward trajectory to 5.2% from 5.9% (in September)," Ms. Velasquez said. Core inflation excludes volatile prices of food and fuel.

BACK TO TARGET?

Analysts said it is still possible for headline inflation to return to the 2-4% target band within the fourth quarter this year.

"We think CPI growth within 2%-4% is still achievable within Q4, barring another supply-side shock. However, risks are skewed to the upside and it's possible that CPI growth will not return to the target band this year," Makoto Tsuchiya, assistant economist from Oxford Economics, said in an e-mail.

BSP Governor Eli M. Remolona, Jr. earlier said headline inflation may not hit the 2-4% target this year but will instead ease to within target "very briefly" in the first few months of 2024.

He expects inflation will then pick up before easing again in July.

Pantheon Macroeconomics Chief Emerging Asia Economist Miguel Chanco in an e-mail said the BSP chief's inflation projection is "far too pessimistic."

"I still see a half-decent chance that inflation returns to the 4% mark by the end of this year, and it's worth noting that core inflation has continued to fall, despite the recent increase in the headline rate in recent months, underscoring the waning underlying price pressures amid the weakening in economic growth," he said.

Ms. Velasquez said inflation will likely reach the 2-4% target in the first quarter of next year, before rising again through July.

"We anticipate inflation to slow for the remainder of the year barring new shocks. Easing price pressures could hold off additional rate hikes from the BSP," she said.

Mr. Arogo said his baseline estimates show that inflation may remain above 4% until the third quarter of 2024 due to persistent supply issues and second-round effects.

Last week, the BSP hiked borrowing costs by 25 basis points (bps) in an off-cycle move, bringing the key rate to a fresh 16-year high of 6.5%. The BSP has raised policy rates by 450 bps since May 2022.

The BSP sees full-year inflation at 5.8% for 2023, before easing to 3.5% in 2024 and 3.4% in 2025. Officials have said the BSP would revise its inflation forecasts on Nov. 16.

The BSP's next policy-setting meeting is scheduled on Nov. 16.

BusinessWorld

Date: NOV. 03, 2023 Page: S1/1 & S1/2

Agricultural output may have contracted in Q3

THE PHILIPPINES' overall agricultural output likely shrank in the third quarter as bad weather affected crop production and farmers grappled with rising costs, analysts said.

"The third-quarter agricultural performance could be a contraction close to 1% to 2%," Roy S. Kempis, retired Pampanga State Agricultural University professor, said in a Viber message.

If realized, this would be a reversal of the 1.8% increase in the value of production in agriculture and fisheries at constant 2018 prices in the third quarter of 2022.

This would also mark the second straight quarter of contraction, after agricultural production fell by 1.3% in the second quarter this year.

For the first half, the value of production in agriculture and fisheries inched up by 0.4%. The Department of Agriculture (DA) set a 2.3%-2.5% agricultural output growth target for this year.

The Philippine Statistics Authority (PSA) is set to release third-quarter data on farm output on Nov. 8. The agriculture sector contributes about a 10th of the country's gross domestic product (GDP) and provides around a quarter of all jobs.

Mr. Kempis said heavy rains in the third quarter caused widespread flooding, which damaged crops and aquaculture assets in several provinces.

"Lower productive efficiency of livestock and poultry (during this period) is also attributed to weather disturbances during the months of July to September," he added.

The southwest monsoon along with typhoons Egay (international name: Doksuri) and Falcon (international name: Khanun) caused around P12 billion in agricultural damage and losses, the DA said in a Sept. 15 report.

Affected regions with major agricultural losses were Cordillera Administrative Region, Ilocos, Cagayan Valley, Central Luzon, Calabarzon, Mimaropa, Western Visayas, Zamboanga Peninsula, Soccsksargen, and Caraga.

Agricultural output, S1/2

Agricultural output,
from S1/1

The volume of lost production was estimated at 279,289 metric tons (MT) with 250,174 hectares of farmland affected by the heavy rains. Rice production losses were estimated at P3 billion.

Mr. Kempis said farmers were also affected by higher prices of raw materials and rising production costs, as well as elevated interest rates.

"There may be slight production increases in crops, livestock and poultry, given the relatively favorable weather conditions in other parts of the country. However, these may not be able to outweigh the challenges in the fisheries sector. Decline in fisheries seems expected," he said.

Production in the fisheries sector contracted by 14.2% in the second quarter of 2023, and by 4.2% in the third quarter of 2022.

Former Agriculture Secretary William D. Dar said in a Viber message that the crop and poultry sectors may have driven agricultural production expansion in the third quarter.

"Drivers for growth will be crops and poultry while livestock and fisheries will have negative growth," Mr. Dar added.

Elias Jose M. Inciong, president of the United Broiler Raisers Association said he expects the poultry sector to have grown between 4% and 7% in third quarter.

"It could be more, were it not for poor demand and disruptions from imports," Mr. Inciong said in a Viber message.

Meanwhile, Samahang Industriya ng Agrikultura Executive Director Jayson H. Cainglet said palay production likely had a marginal rise for the third quarter due to lower costs of rice seeds. He noted the price of rice seeds dropped between P1 and P2 per kilogram.

"There is a slight increase in rice (production), compared to last year because the cost of inputs decreased and (due to) larger government subsidies. But this will be offset again if the (continued) tariff reduction in rice is approved," he said in a Viber message.

Economic managers urged President Ferdinand R. Marcos, Jr. to extend the lower tariff rates on rice, corn, and pork, which is set to expire on Dec. 31. — **Adrian H. Halili**

THE PHILIPPINE STAR
TRUTH SHALL PREVAIL

Date: NOV. 03, 2023 Page: B3

Speedy passage sought for Salt Industry Dev't Act

By DANESSA RIVERA

Salt industry stakeholders are seeking the speedier passage of a bill that aims to strengthen and revitalize the country's salt industry.

Stakeholders are calling to expedite the passage of the Philippine Salt Industry Development Act, in the amendment of Republic Act 8172 or the Act for Salt Iodization Nationwide (ASIN Law).

Salt industry players are also pushing for a collaborative inter-agency approach in the formulation and implementation of the Salt Industry Development Action Plan and the National Iodization Plan.

They are also asking for the creation of the Philippine Salt Industry Development Roadmap.

These recommendations were passed as resolutions during a National Salt Industry Stakeholders' Consultation with the theme "Reviving the Struggling Salt Industry in the Philippines" held last month.

Conducted by the Philippine Council for Agriculture and Fisheries (PCAF), Bureau of Fisheries and Aquatic Resources (BFAR) and the National Fisheries Research and Development Institute (NFRDI), the consultation aimed to generate policy recommendations and foster collaboration among government agencies, research institutions, and industry stakeholders.

PCAF said over 70 private stakeholders and government representatives from the different parts of the country convened to address the continuous decline in local salt production.

Salt is considered a very valuable commodity in the Philippines since it is one of the oldest goods produced, traded and consumed.

During the meeting, Antique Vice Governor Edgar Denosta highlighted the importance of salt in food preparation, preservation, and processing.

The country has been importing 93 percent of its salt supply, a situation that the DA had described as an "unfortunate circumstance for a country with 36,000 kilometers of shoreline."

The Manila Times®

Date: NOV. 03, 2023 Page: B-2

Corn production up 67% in 3rd quarter

BY JANINE ALEXIS MIGUEL

LOCAL production of corn was recorded at 2.46 million metric tons (MT) from July to September this year, up by 67.42 percent from the previous quarter's 1.47 million MT, the Philippine Statistics Authority (PSA) reported.

Year on year, corn output in the third quarter was also higher by 4.99 percent from the 2.34 million MT recorded in the same period last year.

Majority of the harvest was yellow corn, with an output of 1.72 million MT or 70.09 percent of the total production.

White corn production reached 737,691.57 MT or 29.9 percent of the country's total corn output in the third quarter.

From January to September, the country produced 6.49 million MT of corn, 2.93 percent higher than the 6.27 million MT recorded in the same period last year.

According to the PSA, Cagayan Valley (Region 2) produced the largest volume of corn at 547,640.02 MT; the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) closely followed with 419,546.75 MT.

Soccskargen (Region 12) came next with 365,690.34 MT, while Western Visayas (Region 6) produced 129,176.48 MT.

Ilocos Region (Region 1), meanwhile, had the lowest harvest at 7,129.14 MT; Calabarzon (Region 4A) with 13,653.12 MT; and Central Luzon (Region 3) with 16,429.28 MT.

The Department of Agriculture's National El Niño Task Force said that the dry spell may have caused a production loss of over 800,000 MT of corn.

In a related development, the Philippine Association of Feed Millers Inc. (Pafmi) said that local corn supply and quality issues could further increase the prices of poultry products.

Pafmi President Edwin Mapanao noted that ensuring the country has access to affordable and good quality corn was an issue that not only affects the livelihood of farmers but also has broader implications on food security and economic stability for the rest of the community.

The millers' association is also calling for the imposition of a standard 5-percent tariff on corn imports to strengthen the local production of meat, fish and other poultry products.

This photo taken on Feb. 19, 2023 shows a farmer carrying a bag of harvested corn in Barangay Camiling, Balaoan, La Union. The Philippine Statistics Authority reported local corn production was 2.46 million metric tons between July and September. PHOTO BY VIC ALHAMBRA

BusinessWorld

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Agri council: Salt industry revival to hinge on public, private collaboration

THE Philippine Council for Agriculture and Fisheries (PCAF) said public-private collaboration will be critical in the revival of the salt industry.

In a statement, PCAF said it is seeking to generate policy recommendations to boost salt production from a series of consultations.

The PCAF said the consultations arrived at a consensus supporting the passage of Philippine Salt Industry Development Act.

The proposed measure seeks to implement a Philippine Salt Industry Development Roadmap which will create programs, projects, interventions, and incentives to increase production. — **Adrian H. Halili**

MANILA BULLETIN

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A conversation with Bukidnon's top coffee farmer

AVANT GARDENER

YVETTE TAN

Arnold Abear, 43, from Bagong Silang, Maramag, Bukidnon is a farmer who has found success in planting coffee.

The former rubber farmer switched crops in 2008, after rubber prices dropped during the financial crisis that same year. He was originally from the municipality of Kadingilan, but moved to Maramag because that's where his wife is from. Maramag is mountainous, so many farmers in the area cultivate coffee. "I saw that profit was better so we shifted as well," Abear said in Tagalog.

Bukidon's top coffee farmer

Abear is a partner farmer of Nescafe Philippines' Project Coffee, which aims to help Philippine coffee farmers increase their yield through regenerative agricultural practices. He explained that his yield used to be around 250-350 kg of Robusta coffee per hectare per year. This is not a lot, especially compared to Vietnam's average of 2.8 metric tonnes per hectare. He was already selling to Nestle, Nescafe's mother company, when Project Coffee was piloted where he farmed. "They were the ones who approached us to ask if they could help uplift coffee farmers and the coffee industry," he said.

Now, Abear is Project Coffee's top farmer in Bukidnon, with an average of 1,180kg per hectare last year. His farmland totals eight hectares, though he started with just half a hectare. "All of that came from our sweat and the [profits] from coffee."

His secret? Applying the lessons he learned as a Project Coffee partner farmer, but also not being afraid to innovate when necessary. For example, he sprays organic matter with Effective Microorganism (EM) solution to aid in bacterial breakdown before tossing it into the compost pile.

He also maintains a vegetable garden where the family grows leafy vegetables, gabi, and sitaw, and also keeps livestock such as ducks for personal consumption.

"[What I like about] Nestle is that they'll not only teach [you farming techniques], but also guide you [as an entrepreneur] as well," he said. "You have clear objectives, and you are able to help the environment and also help the industry."

Farmers as business owners

His life is very different from his parents, who owned the land they farmed on but were nonetheless beholden to someone else. "All their farm inputs were borrowed from the financier, and they had to give all their harvests to the financier to pay for their loan," he said. "What we did was we took out a loan from the bank, so we have no problem with buyers. Whoever wants to buy our products at the highest price, that's who we sell to."

He added that as a business owner, he owns his time and makes his own plans for the farm. This, again, is in contrast to his parents, whose financiers dictated what crops to plant per season. "It's like you're being held by the neck," he said, referring to the way his parents farmed. "That's the difference."

An uncertain future

When asked what he liked most about his job, Abear answered, "What's great is that I'm happy. I'm able to sustain my family's basic needs," though he adds that there is still a lot of uncertainty because of the country's current economy, and because none of his four children are in college yet. "All four of them are interested [in farming] because it's what they've been exposed to as the reason for their good lives."

Abear hopes that the state of Philippine agriculture will improve. "[I wish] Filipinos would buy products produced by fellow Filipinos," he said. "Imports are in, and us farmers will die if our fellow Filipinos buy imported [instead of local]. I hope Filipinos buy [local] so the families that depend on the profits from these products can continue to live."

MANILA BULLETIN

Date: NOV. 03 2023 Page: B-2

The mega farm

BUSINESS CORRIDOR

FIL C. SIONIL

The idiom "Put your money where your mouth is" best describes the mega poultry farm that diversified conglomerate, San Miguel Corporation, is putting up, not only as part of its corporate social responsibility (CSR) but more importantly, a step towards boosting food security.

This is a good story to tell and share, particularly at this time when our food security is always on the edge with the prices of basic commodities appearing to be on a never-ending uphill climb, plus the geo-political tensions.

Yes, Virginia, the Philippines, based on the 2020 State of Food Security and Nutrition in the World Report, recorded the most number of food insecure people in Southeast Asia in 2017 to 2019, with 59 million Filipinos suffering from moderate to severe lack of consistent access to food.

Sometime in October, San Miguel launched its first mega poultry in the third-class municipality of Hagonoy, not in Bulacan, but in Davao del Sur. This is the first of the 12 planned mega farms to be constructed in strategic locations in the countryside.

From what I've heard along the corridors San Miguel Avenue in Mandaluyong, the 11 others will be constructed in Pangasinan, Bataan, Quezon, Camarines Sur, Iloilo, Negros Occidental, and down Pagadian, Zamboanga, Cagayan de Oro, Maguindanao, and one in the south of Cebu.

These sites were carefully chosen with the farm's focus on the production of dressed chickens in order to minimize impact on small growers. Also, each structure is strategically located near the San Miguel Foods' poultry processing facility to minimize the risks to the chicken's health and quality after they leave the farm.

It, too, complements San Miguel Foods' existing nationwide contract growing program and provides additional livelihood and business opportunities for local farmers.

For instance, the farm in Hagonoy, Davao Del Sur alone will create approximately 1,000 direct and indirect jobs, benefiting primarily the people in nearby communities. There is also a substantial opportunity for local corn and cassava farmers to directly supply raw materials for chicken feed production.

These mega poultry farms are so-designed to "revolutionize poultry production" in the country by ensuring a more stable and cost-competitive chicken supply. The farm's design promotes healthy chicken growth, eliminating the need for antibiotics.

This is possible as the farm incorporates controlled climate technology, stringent biosecurity measures, an automated feeding and watering system, air quality monitoring, and automated harvesting to minimize human contact and ensure healthy chickens.

And more importantly, the farm integrates rainwater harvesting and a comprehensive waste management system. Specifically, the bird manure will be utilized as fertilizer for cultivating corn and cassava, essential raw materials in the production of chicken feeds.

While this project is a component of San Miguel's CSR as well as its environment, social and governance protocol, in my books, this is a significant step towards bolstering the country's food security.

Talkback to me at sionil731@gmail.com

The Manila Times®

Date: NOV. 03, 2023 Page: B-1 & B2

A peasant-based agriculture

FINER POINTS

FERMIN ADRIANO

WITH an average farm size of just over a hectare and an average education of a farmer no higher than an elementary graduate, the Philippines virtually has a peasant-based agricultural economy. Yet, we have placed the burden of ensuring the country's food security on the back of the peasantry.

But what is peasant-based agriculture? Or in Marxist terms, the peasant mode of production?

In layman's terms, it is a type of production oriented toward subsistence. In Filipino idiom, it is "isang kahig, isang tuka." Meaning that little surplus is produced beyond what the farmer and his family will need for subsistence.

But what is the implication of such a mode of production on the country's development effort?

If little surplus is produced, it means that the country will not be able to adequately feed its people. In terms of nation building, it means that not enough resources can be generated that can finance the equally pressing needs of the country for infrastructure and industrial projects.

Developing economies with a large agricultural sector face this dilemma. A classic example is that of the Russian development effort at the turn of the 20th century during its transition to socialism under Vladimir Lenin. Lenin and his lieutenant, Leon Trotsky, were faced with the task of rapidly developing the Russian economy as the agenda of socialism was threatened by hostile Western capitalist countries surrounding it.

But with the Russian economy highly dependent on agriculture and dominated by the peasant mode of production, Lenin and Trotsky faced the predicament of where to extract the necessary surplus to finance the ambitious Russian industrialization project.

Being Marxists, they have to rely on dogma. In his magnum opus, the three volumes of "Das Kapita" (The Capital) and the accompanying three volumes on the "The Theory of Surplus

➤Finer B2

The Manila Times®

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FINER FROM B1

A peasant-based

Value," Karl Marx had a disdainful view of the peasantry because they produce little or no surplus that could be used for nation building. In fact, so contemptuous was Marx's treatment of the peasantry that David Mitrany wrote a book about it, titled "Marx against the Peasant."

Remnants of feudalism

Marx saw the peasantry as remnants of "feudalism," which he theorized would be superseded by the more superior capitalist system. Hence, he prescribed that the peasant mode of production should be destroyed and replaced by the capitalist mode of production.

Alexander Chayanov, an intellectual during the transition stage of Russia to socialism, wrote a systematic analysis of the peasant mode of production validating Marx's earlier prescription. In his book, "The Theory of the Peasant Economy," he described that the peasant would only produce at a certain level to meet the family's subsistence, and henceforth, there would be no compelling incentive for him to produce more.

If he does, Chayanov explained that his "marginal disutility" rises, or the "drudgery" of work becomes a burden to him. In such a case, the peasant will be better off engaging in leisure while waiting for the next farming cycle to commence.

When Josef Stalin took leadership of the socialist government in Russia, he addressed the atavistic nature of peasant-based agriculture by collectivizing Russian farms. Private land ownership was abolished, lands were placed under state ownership, and all the tillers were treated as factory workers by the state who assigned them to work in their designated collectivized farms.

Besides causing massive humanitarian disaster, the experiment did not work because, first and foremost, the Russian state was an inefficient farm manager or poor entrepreneur, just like many states in the developing economies. And second, even the middle-class farmers (called "kulaks") were eliminated by the collectivization project. The kulaks were the entrepreneurial tillers in Russia who were operating mostly family-based farms. Since they were treated by Stalin as part of the bourgeoisie, their properties became the main targets of collectivization.

The case of China and the Philippines

In contrast, under the Chinese communist experiment, family-based farming was preserved and particularly encouraged during the time of the reformist Deng Xiao Ping despite being part of the commune. These family-based farms, where the concept of private property remained intact, became the basis of the growth of the capitalist system in China.

The Chinese state during the early reform years set production targets for these farms but once those were met, allowed their surplus produce to be sold in the market. This triggered the growth of capitalism in Chinese agriculture, whose surplus (both capital and labor) supported its drive toward rapid industrialization and economic growth.

In the Philippines, due to the protracted implementation of the agrarian reform program and the land ownership retention ceiling of 5 hectares per family, family-based farms or our middle-class farmers have been practically wiped out.

The middle-class farmers could have served as the catalyst for greater farm productivity because they are fairly educated, have access to capital, open to the use of innovative technologies, have a better understanding of the workings of the market, among others. Unfortunately, the current structure of the land ownership system in the country will not allow them to develop.

This partly accounts for the low commercial operations of our farms. While politicians tell us with rhetorical flourish that the goal is to transform farmers into agri-entrepreneurs, the very structure of our land ownership system will not allow this to happen because economies of scale in production cannot be achieved due to our miniscule farm sizes.

The end result is an army of subsistence tillers just barely enough to meet the requirements of a decent existence for their family and whose survival depends on an array of government subsidies that has to be administered continuously for every cropping season.

Just recently, the President declared that much work needs to be done to fix what is wrong with Philippine agriculture. Besides the need to address logistical bottlenecks and provide more production support subsidies, he said nothing about the imperative of addressing bottlenecks in land property rights.

Unfortunately, history informs us that agricultural social transformation leading to agricultural development will not happen without a clear plan and effort in ensuring certainty over land property rights.

BusinessWorld™

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India's smaller rice crop paves way for prolonged export curbs

SITAPUR, India — For the first time in eight years, India's rice output is expected to drop this year, raising the prospect that Prime Minister Narendra Modi's government will extend curbs on exports of the grain to keep a lid on food prices ahead of elections.

Production in India, the world's largest rice exporter, is under unusually intense focus after New Delhi banned exports of non-*basmati* white rice in July, sending global prices surging.

However, the state of the crop is hard to predict following an uneven monsoon. Output could fall as much as 8% from last year's record despite an increase in area under paddy, according to various forecasts.

The weaker output along with persistently high domestic rice prices ahead of five state elections this month and a general election next year have left farmers and traders worried that the government will prolong restrictions on exporting the grain.

Ramkali Bhargav, a farmer in the northern state of Uttar Pradesh, said her paddy fields had recovered from an early season dry spell followed by floods. But just before harvesting, heavy rain and winds flattened her rice crop.

"If the rainfall hadn't occurred for another fortnight, our yields could have been at least 30% higher," she said, slicing a sickle through toppled paddy in Chharasi village.

The crop loss is a problem for governments and consumers across Asia and Africa that have struggled to secure supplies of the staple since prices in the global market jumped to a 15-year high after India restricted its rice exports, which account for 40% of global rice trade.

Prolonged export curbs could further inflate food prices given low inventories in other key exporting countries including Thailand, Vietnam, Pakistan and Myanmar.

"With elections looming, the government's hypersensitivity to food prices makes even a slight production dip sufficient to justify maintaining export restrictions," said a New Delhi-based dealer with a global trade house, declining to be named due to company policy.

A senior government official, also declining to be named, told Reuters that India does not intend to lift restrictions on any rice grades in the near future.

DIMINISHED CROP

In the year to June 2023, India produced a record 135.76 million tons of rice.

Two leading global trade houses, both declining to be named, told Reuters they expect India's rice output for the current crop year to drop by 7% and 8%, respectively, from the previous year.

B.V. Krishna Rao, president of the Rice Exporters Association (REA), told Reuters he expects a smaller production drop of about 2% to 3%, as heavy rain benefited late-planted crops in some areas even as it damaged fields elsewhere.

The US Department of Agriculture expects a 3% decrease in India's rice output, a decline of around 4 million tons, to reach a total of 132 million tons for the year ending in June 2024.

India's Ministry of Agriculture & Farmers Welfare last week said production from the summer-sown crop could fall 4% to 106.3 million tons. It will provide an estimate for total output in its second report, typically published in February.

The soon-to-be planted winter crop is expected to drive a disproportionate share of the year's decline.

In recent years, production from winter-sown paddy has risen significantly, but this year, output is likely to decline by up to 5 million tons or nearly 20% due to lower water levels in reservoirs, said a Kolkata-based exporter, declining to be named due to the sensitivity of crop forecasts.

Water levels in India's main reservoirs were at 71% of capacity in the week to Oct. 26, down from 89% a year ago, government data showed, after a summer monsoon that delivered unevenly spread rains.

ELECTION SEASON

Food inflation is highly sensitive in India, where Mr. Modi's government has also banned wheat exports, restricted sugar and onion exports, and allowed duty-free imports of pulses in efforts to curb prices.

Despite export restrictions, local rice prices remain almost 15% higher than a year ago.

Meanwhile, India is considering extending a program that provides free or subsidized cereals to more than 800 million people, with diminishing wheat stocks forcing increasing reliance on rice.

The government's priority is to ensure ample rice supplies for subsidized distribution, and export considerations will only come after general elections, predicted Himanshu Agarwal, executive director at Satyam Balajee, India's biggest rice exporter.

In response to India's curbs, Thailand and Vietnam have increased exports but have limited surpluses, said Nitin Gupta, senior vice president of Olam Agri India, a top rice exporter.

"If India sticks to the export ban for a while, bridging the supply gap could be difficult, leading to the possibility of even higher prices," Mr. Gupta said.

In the fields, farmer Ms. Bhargav says there's little that can be done about unpredictable weather.

"We are incurring losses from paddy cultivation," she said. "Let's hope the upcoming wheat crop gives us better returns." — ***Reuters***