

International Business News

Oil price holds near record highs

AFP, London

Oil prices held near record levels Thursday after gains overnight to nearly 124 dollars as speculators dived into a market concerned about potential supply disruption, traders said.

New York's main oil futures contract, light sweet crude for June delivery, eased three cents to 123.50 dollars a barrel. On Wednesday, New York crude had struck a record high 123.93 dollars.

London's Brent crude contract hit a record high of 122.79 dollars in early trade Thursday before easing back to 122.40 dollars, up eight cents on Wednesday's close.

Sueden analyst Michael Davies said Thursday that for investors, "risks still remain and given recent comments from Goldman Sachs... anything is possible in the oil market at the moment."

US investment bank Goldman Sachs this week forecast that prices could hit 200 dollars in the next two years. The bank had famously and correctly predicted three years ago that oil would break through 100 dollars -- which it did in January.

Oil prices have crashed through records every day this week, jumping by about seven dollars in total.

"Clearly the current spike in oil prices has been sharp and furious, and with little in the way of fresh impetus and lack of supporting (supply/demand) fundamentals a retracement must surely be on the cards," said Bank of Ireland analyst Paul Harris.

Indian steel makers to roll back prices

ANN/The Statesman

Days after the Indian Union finance minister, P Chidambaram, asserted that the runaway steel prices, along with cement prices, was the single largest driving factor behind the current rise in consumer price index, the country's leading steel makers on Wednesday acknowledged such concerns and decided to roll back prices of the alloy after securing an assurance from the government that it would look into their demand for not imposing duty on steel exports.

Steel makers, both private and state-run, including Tata Steel, SAIL, JSW, Ispat and Essar and RINL, decided to cut their prices by up to 4,000 rupees (US\$96.72) a tonne and hold them for the next three months.

Ispat Industries vice-chairman and managing director Vinod Mittal said after Wednesday's meeting of captains of the steel industry with the Prime Minister, Dr Manmohan Singh, the government has assured the industry of putting on hold the notification for implementing the export duty on steel.

On 29 April, while replying to the debate on the Finance Bill in Parliament, Chidambaram had announced the imposition of up to 15 per cent duty on steel exports as a measure to de-incentivise the metal and increase its domestic supply of steel. The duty is, however, yet to be notified.



AFP

A customer checks a vehicle at a Toyota showroom in Tokyo yesterday. Toyota Motor warned it expects the first drop in annual profits in nine years because of a weak US economy, a stronger yen and soaring raw material costs.

China aims to keep grain output above 500m tonnes in 2008

AFP, Beijing

China has vowed to keep grain output above 500 million tonnes in 2008 as the world's largest producer and consumer of rice struggles to cope with rising global grain prices, state media said Thursday.

"We will strive to stabilise full-year grain output at more than 500 million tonnes," said Agriculture Minister Sun Zhengcai, according to the China Securities Journal.

In 2007, China produced more than 501.5 million tonnes of grain, almost level with the nation's annual consumption of 510 million tonnes, official data showed.

Sun also pledged to strictly control the development of biofuels to protect the country's grain supplies and arable land banks, according to the China Daily Thursday.

Biofuels, transformed from corn, wheat, soy beans and sugar cane, are accused by experts and international organisations of snatching food out of the mouths of the poor.

"China will never develop biofuels at the cost of grain supplies or arable land," Sun was quoted by the report as saying.

WTO sees no ministerial meeting in May

AFP, Geneva

The World Trade Organisation said Wednesday it is highly unlikely that a ministerial meeting will be held this month given the scant progress in talks on liberalising agriculture and other thorny issues.

"It would be extremely difficult under this time constraint and given the importance of substance to this process to have such a meeting in May", WTO spokesman Keith Rockwell told reporters.

The WTO's Doha round of talks to reduce trade barriers was launched in the Qatari capital in November 2001 with the aim of reaching a deal by 2004.

It has foundered ever since, principally due to disputes between developed and developing countries on agricultural subsidies and industrial tariffs.

SOARING FOOD PRICES

No relief in sight for farmer suicide zone

AFP, Hamirgarh, India

Unlike his father and brother who hanged themselves, Labh Singh gulped down pesticide to end his misery, leaving his wife to look after five children and pay off the family debts.

His widow Saroj was at her parents' home and by the time she heard the news last November, Singh had already been cremated.

"There was never enough to eat in the house, so the debt kept piling up," Saroj said at her home in Hamirgarh village in the Punjab, a region long known as India's breadbasket.

Singh joined the thousands of farmers and labourers who have killed themselves in the affluent state in the past decade because of a crisis blamed on official neglect of the farming sector.

Experts say the government must pay immediate attention to agriculture if it is to save the situation, even as the price of the food grown by the farmers surges rapidly.

While suicides in India's other states have been extensively recorded and acknowledged by the federal government, alarming numbers in Punjab have drawn far less attention.

"The government refuses to admit there's a crisis here as Punjab has always been the showpiece agricultural success story," said Inderjit Singh Jaijee, a former legislator who works on farmers' suicides.

As the majority of suicides are recorded with police as natural deaths because of fear of harassment, there is little official data on the Punjab cases.

Jaijee's non-profit Movement Against State Repression estimates that more than 60,000 debt-ridden Punjab farmers have killed themselves in the past two decades.

More conservative estimates put the number at 20,000 since the mid-1990s.

"Today, the farmers are killing themselves. Tomorrow, they will kill others if something is not

done," Jaijee warned.

Punjab farmers labour under a collective debt of 100 billion rupees (2.5 billion dollars) -- three times the average for farmers in the rest of India, according to the non-profit Agricultural Heritage Mission.

Rising pesticide and fertiliser costs, shrinking land holdings, declining soil fertility and heavily-subsidised farming in rich countries are some of the factors blamed for the tragedy.

In the past five years, 400,000 Punjab farmers have become labourers after selling their land to pay debts, said farmer Ram Daya Singh, who collects information on the suicides.

Village money-lenders, who charge up to 25 percent interest in the absence of institutional finance, shrug off any blame.

"If a farmer earns 10 rupees and spends 20 on his daughter's wedding, what option do you think he will have but to kill himself," said money-lender Samukh Singh at the local grain market, where tonnes of wheat arrived as harvest ended.

THE COST OF INDIA'S 'GREEN REVOLUTION'

Ironically, Punjab was one of the states that spearheaded India's "Green Revolution" in the 1960s which led to a four-fold increase in staple food production.

It was hailed as one of the world's most successful agricultural stories as high-yield varieties of wheat and rice were introduced, chemical fertilisers and pesticides promoted and irrigation intensified.

Though it brought food security and decades of prosperity to Punjab, many of those decisions are today blamed for the dismal state of agriculture.

Farmers were urged to grow paddy which is not natural to the northern region and requires intensive irrigation, said activist Jaijee.

"The state has more than one million tubewells. At this rate, Punjab will become a



AFP

Indian farmer Saroj (C) poses with her children (L to R) Virpal (aged 4), Rani (6), Ranjit (5 months), Kirma (9) and Jagseer (2) during an interview in the village of Bhatuan, some 150 kms west of Chandigarh, in India on April 22, 2008. Saroj's husband (photograph at R) committed suicide in November 2007, leaving behind a debt of the equivalent of about \$3,000. Saroj works cleaning cow dung in farms making an average of 350 Indian rupees (8.70 USD) a month.

desert in a few years," he said.

Indeed, Punjab's water table has fallen rapidly, leading to rising costs amid the need to dig ever deeper wells and increased contamination of ground water caused by rampant use of pesticides.

"We don't need agriculture with greed. We don't need technology which is not ecologically, economically and socially justifiable to our surroundings," said activist Umendra Dutt, who promotes natural farming at the Heritage Mission.

"The Green Revolution was based on hybrid seeds, chemicals, machines and water-guzzling crop systems," said Dutt.

Punjab, which has 1.5 percent of the country's total area and 2.5 percent of the agricul-

tural land, consumes 18 percent of total pesticides used in India.

It also uses the highest percentage of chemical fertilisers and has the highest rate of ground water exploitation.

All this leads to far higher costs amid declining productivity, in turn leading to increasing losses and heavy borrowing by farmers.

Paradoxically, to preserve Punjab as India's wheat basket, the government did not promote industry, resulting in little alternative employment.

"In the 1950s, the government kept Punjab as the granary of India, and deprived it of industry," Jaijee said.

HEADING TOWARDS A FAMINE

This year, the federal government has predicted a

record wheat harvest of 76.78 million tonnes -- up five percent -- and ruled out wheat imports after buying from abroad for two years.

The government has also raised to 1,000 rupees (25 dollars) a quintal (220.5 pounds, 100 kilogrammes), from 750 rupees last season, the minimum price at which it buys wheat from farmers for distribution to the poor.

But some experts said that if the government is to avert a famine, it must change many policies which they say benefit seed, fertiliser and grain trading corporations at the cost of farmers.

"The rate of growth of food output in the 1980s was 3.8 percent per year. It has come down to 0.5 percent per year in the past six years," said S.P.

Shukla, a former member of India's Planning Commission.

The farm sector -- which supports nearly two-thirds of India's 1.1 billion people -- grew at 3.2 percent in the quarter ended March 2008, while the economy expanded by 8.4 percent.

"The large-scale diversion of fertile land to special economic zones (for industry) has to stop or we will have a massive famine in two years," said food expert Vandana Shiva, founder of the non-profit Navdanya (nine seeds) based in New Delhi.

She said many pro-market policies -- boosting export-oriented cash crops, promoting bio-fuel production and importing grain at high prices -- were pushing farmers to the brink.

Price spike hits HK shoppers

AFP, Hong Kong

Shoppers and food suppliers in Hong Kong have been feeling the pinch in recent months as food prices have skyrocketed, showing the port city's vulnerability to global shifts in commodities markets.

Hong Kong's staple foods of pork, rice and cooking oil have all seen dramatic cost increases, placing huge pressure on shoppers, butchers and wholesalers.

The southern Chinese city relies almost entirely on imports for its food supply and the recent rises have left the poorest in the city struggling to afford even the basics.

One housewife, who only gave her surname as Shen, said that one morning her local shop had simply run out of her normal purchase of four bottles of cooking oil, normally priced at 73.9 Hong Kong dollars (9.5 US).

She returned after lunch to find the supply replenished, but the price had jumped to 109 Hong Kong dollars, a rise of 47 percent in a few hours. Shen refused to pay the extra, preferring to go without.

"We eat less than before, waiting for the prices to decrease," she told AFP.

Percy Ma, a salesman, said the Thai rice he normally bought had jumped in price by a third in the past three months.

"I changed to cheaper rice from mainland China, but that is no longer that easy to find," he said.

Ma has started shopping in different markets around the city for different vegetables to try and keep his weekly bill down, he said.

A survey by the Hong Kong Neighbourhood and Workers Service Centre found that 97 percent of people had felt the impact of the rapid price increases, according to a report in Ming Pao.

The survey found shoppers were now heading to markets at closing time to take advantage of bargains and were also simply eating less meat.

The city's Consumer Council issued a report into the increase in food costs for shoppers earlier this year, urging people to compare prices whenever possible.

The price of pork increased 59.1 percent year-on-year in March, the latest figures released by the Census and Statistics Department showed. Beef was up 50.8 percent and eggs were up 19.4 percent.

Food remains the biggest driver of inflation here, with food excluding meals bought away from home increasing 17.2 percent year-on-year over the same period.

But the sudden increase in prices has not just hit shoppers.



AFP

A stall owner sells fruits at a market in Hong Kong on May 7, 2008. Shoppers and food suppliers in Hong Kong are feeling the pinch in recent months as food prices have skyrocketed, showing the port city's vulnerability to global shifts in commodities markets.

Rice importers, who provide huge quantities of the staple to restaurants, schools, hotels and hospitals across the city, are struggling as their supply contracts failed to account for the spike.

Paddy Chan, managing director of Chung Shun Hong Rice Trading Company, said he had now stopped signing long-term contracts because the

deals he had made three months ago had left him selling rice under cost.

"There is a new price for any kind of rice every day," said Chan, who is also the deputy president of the Hong Kong Rice Suppliers' Association.

"I have to fulfill the contract to supply rice to them. In the meantime, I am losing money."

Most of the rice sold in Hong Kong comes from Thailand. Thailand's benchmark Pathumthani fragrant variety was priced recently at 998 US dollars per tonne for export, up from 512 dollars in January, the Thai Rice Exporters Association said in a survey.

Despite assurances from governments in Thailand, Hong Kong and China that the

supply here would not be affected, Yeung Shing-song, manager of Sun Wing Loong Rice Trading Company said provisions were dwindling.

"We ordered 100 tonnes for the last three months and have gotten only 50-60 tonnes," he said, adding that the company only avoided bankruptcy because of large reserves.

He said the price of rice had doubled in the past two months.

"Like the stock market, when the price goes extremely high, few deals can be made," he said.

For some businesses, the rise in prices has forced them to work harder to outdo rivals.

The New Yung Cheng pork supplier in the busy Wanchai market area has gained new customers despite the increases, a butcher at the store said.

"This is because our price is relatively lower than others and we do more work to attract more shoppers", said the butcher, who only gave his surname, Bian.

Bian and his colleagues head to the slaughterhouse at 6:00 am to select the best pork, but despite the effort, customers are still reducing their weekly shop.

"The shoppers used to buy one catty (600 grams) each while they now buy ten liang (375 grams)," said Bian's colleague Lui Tin.