

# Food inflation threat tops Asia policy agenda

REUTERS, Singapore

Record high food prices are moving to the top of the agenda for many Asian policymakers as the prospect of higher inflation in 2011 poses a major threat to the region's strong revival from the global financial crisis.

The United Nations' food agency (FAO) said on Wednesday that food prices hit a record high last month, moving beyond the levels that prompted riots in 2008 in countries as far a field as Egypt, Cameroon and Haiti.

Food inflation in many Asian countries, including China and India, is already in double digits, raising fears that the price pressures could spread more broadly to other sectors and pose a threat to both economic and social stability as millions of Asians live in poverty.

Surging food prices have proved a trigger for social protests in the past, forcing governments to cave in to demands for action. They were a factor in the fall from power of Indonesia's long-term autocrat Suharto in 1998.

"Food price inflation could really go into double digits across the region and rise to such an extent that it undermines the purchasing power of households and as a result then slows consumer demand and overall economic growth," said Frederic Neumann, regional economist at HSBC in Hong Kong.

"And that's a problem for Asian economic growth. But really it's also a problem for the rest of the world because as the Asian consumer increasingly is helping to stabilise world demand, it's actually a challenge of wider global significance."

Indeed, South Korean authorities sounded the alarm on Thursday over rising commodity prices.

The finance ministry said it would make an effort "on all fronts" to curb price pressures, which it blamed on surging oil and commodities prices and the central bank signalled rate rises to come by saying it would keep inflation within its target zone of 2 percent to 4 percent.

Illustrating the food price pressures, wheat rose 47 percent last year, buoyed by



Labourers sleep on sacks of onions at a wholesale market in Hyderabad.

REUTERS

a series of weather events including drought in Russia and its Black Sea neighbours. U.S. corn rose more than 50 percent and U.S. soybeans jumped 34 percent.

There is little reason now to expect any let up in the price rallies, said Luke Matthews, a commodity strategist at Commonwealth Bank of Australia.

"We do believe that the structural drivers behind high food prices are likely to persist for some time," he said. "We have tight stocks in the corn and sugar markets, we have world wheat stocks susceptible to turn lower with forecasts of La Nina to persist for the next 3 months or so."

La Nina is a weather pattern that brings cooling temperatures, resulting in higher rainfall in Australia and parts of Southeast Asia.

The structural drivers make food commodities and the stocks of food companies hot investment sectors this

year, said Terence Wong, an analyst at brokerage DMG in Singapore.

He cited vegetable grower and processor China Minzhong and animal drug maker China Animal Healthcare as his top tips in the local market.

Fan Cheuk Wan, head of Asia Pacific research at the private banking division of Credit Suisse, favours Indonesian palm oil firm Indofood Agri Resources and suggested investors avoid companies that could get hit by price controls.

The FAO said sugar and meat were at their highest since its records began in 1990, but that wheat, rice and corn were at their highest since 2008.

However, benchmark Asian prices for rice suggested a different picture. The region's staple food now stands at half its 2008 levels of more than \$1,000 a tonne that prompted several governments at the time to impose curbs on exports to protect their domestic markets.

World Bank President Robert Zoellick urged governments in a newspaper opinion column to avoid protectionist measures as food prices rise and called upon the Group of 20 leading economies to take steps to make sure the poor get adequate food supply.

Still, Asia's rapidly rising consumption as developing economies such as India, China and Indonesia emerge on the world stage is a major factor behind the rise in food prices.

China is expected to buy 60 percent of internationally traded soybeans in 2010/11, double its purchases of four years earlier.

Several countries have implemented measures to try to keep food prices under control, worried about a repeat of the inflation spiral in 2008, when a surge in world commodity prices prompted inflation to jump and left many countries with a deep trade deficit.

## Indian oil giant optimistic over Iran supply problem

AFP, New Delhi

India's biggest oil refiner said Thursday it did not expect any supply shortages because of a payments problem between India and Iran, but other refiners are making contingencies in case of disruption.

In December, India's central bank said payments to Iran -- India's second biggest supplier of crude -- could no longer be settled through a long-standing clearing house system because of sanctions.

The abrupt move to block the Asian Clearing Union (ACU) mechanism, which was run by the central banks of India and other south Asian countries, left Indian oil companies without a way to pay for their supplies.

A temporary arrangement has been found using the State Bank of India and the European-Iranian Trade Bank, or EITB Bank, but both countries are seeking a long-term solution.

Asked about possible problems, S.V. Narasimhan, the finance director of IndianOil, the largest refiner in India, said Thursday: "We don't anticipate any disturbances."

Another refiner, Mangalore Refinery and Petrochemicals Ltd (MRPL), has begun making contingencies, however, and has floated four tenders for supplies in the short-term from other sources.

MRPL is India's biggest buyer of Iranian crude, with more than half its supply coming from the Islamic republic.

Supplies from Iran are still normal, "but there's no guarantee (that normal supplies) will continue," a senior MRPL executive, who didn't wish to be named, told Dow Jones Newswires on Wednesday.

Indian Oil Minister Murli Deora has said India expects to resolve the issue permanently in the next few days.

"We can look at making the temporary arrangement more permanent if it works out. An Indian delegation will be visiting Tehran soon to discuss the issue," a finance ministry official said.

In June, the United Nations approved a fourth round of sanctions against Iran over its disputed nuclear programme, while the United States and the European Union imposed additional restrictions.

## China says yuan not main cause of trade imbalance



REUTERS

A 100 yuan banknote (bottom) is placed next to \$100 banknotes in this picture illustration taken in Beijing.

AFP, Beijing

China said Thursday the value of the yuan was not the main cause of the Sino-US trade imbalance, after Washington said it would raise the issue when Chinese President Hu Jintao visits this month.

Foreign ministry spokesman Hong Lei instead named the "international division of labour" and US export restrictions on high-tech products as contributing factors to China's trade surplus with the United States.

Hong told reporters that China would continue to advance reform of its exchange rate mechanism, adding it had taken measures to increase imports from the United States and promote balanced trade.

"That proves that the renminbi exchange rate is not the main cause of the China-US trade imbalance," he said, referring to the yuan by its official name.

His comments come as Hu prepares for a state visit to Washington on January 19. US President Barack Obama is expected to raise the sensitive issues of trade and currency reform with Hu during their talks.

Washington wants Beijing to allow the yuan to appreciate more quickly. Critics say China keeps it artificially undervalued to gain an unfair trade advantage that has cost thousands of US jobs.

China pledged in June to allow the yuan to trade more "flexibly" but it has appreciated about three percent since that time.

"China plays an enormously important role in our global economy, and China has to take steps to rebalance its currency," White House spokesman Robert Gibbs told reporters on Wednesday.

"And the president will continue to make that point when President Hu is here," Gibbs said.

Before Hu heads to Washington, US Defence Secretary Robert Gates will visit China from Sunday -- one year after Beijing cut military ties with Washington in protest against US arms sales to rival Taiwan.

The two nations have since resumed low-level military contacts at a technical level and Gates will visit at the invitation of his Chinese counterpart, Liang Guanglie.

## Probe may push Facebook to early stock offering

AFP, New York

A US probe into Goldman Sachs's 450-million-dollar investment in Facebook could drive the hugely popular social networking site to go public earlier than planned, analysts said Wednesday.

The investment has exposed the thin line between private and public markets and underscored companies' reluctance to enter the stock market, drawing the attention of regulators.

"Companies are doing everything they can do to avoid going public. Facebook is a prime example," said James Angel of the McDonough School of Business at Georgetown University.

"We've made it much more difficult in the United States to be a public company. We've made it much more expensive, the legal

risks and the trading environment have also changed."

US media earlier this week said that in addition to Goldman's investment, Russian investment firm Digital Sky Technologies sank another 50 million dollars into the social networking site.

Goldman evaluated Facebook at a whopping 50 billion dollars, more than longstanding giants such as Boeing, Time Warner and Yahoo!.

The deal allowed Facebook to tap capital markets, while avoiding some of the constraints of trading publicly.

"The big incentive to be a public company is that it is easier to have a trading market for your shares, but if there is a shadow market that provides as much liquidity as the public trading market than companies will not be interested in

going public," said Adam Pritchard of the University of Michigan Law School.

But the investment -- which was reportedly part of a move by Facebook to raise three times that sum outside the regulated market -- has raised questions about the fairness and safety of such deals.

"Some people might (ask) 'why should only Goldman's savored friends get the chance to invest in Facebook?'" said Angel.

There are also concerns the investment could create a shadow exchange market beyond the scrutiny of regulators, exposing investors to potential risks due to the lack of transparency rules.

"Facebook may not necessarily want to disclose a certain amount of what they are doing. Part of the price of being public is the need to disclose finances and aspects of

business and they might not want to disclose all their trade secrets," Angel said.

News of the deal has sparked a swift response from the US market regulator, the Security and Exchange Commission, which has begun examining disclosure rules for private firms, according to media reports.

"One potential consequence of the SEC investigation would be the SEC filing an enforcement action compelling Facebook to register as a public company," said Pritchard.

"If that were a possible consequence, Facebook would rather do an IPO than be forced to go public."

The fast-growing Facebook website has more than 500 million active users per month worldwide as subscribers "friend" their contacts and share their activities.

## Asiana to buy six Airbus A380s

AFP, Seoul

South Korea's Asiana Airlines said Thursday it had agreed to buy six Airbus A380 superjumbos in a deal worth \$1.8 billion as it tries to cash in on booming demand from China and the rest of Asia.

The country's second-largest carrier said the European manufacturer had agreed to deliver the planes between 2014 and 2017, adding they would be used on routes to Europe and the United States.

The agreement, worth 2.04 trillion won (\$1.8 billion), comes as an easing of visa rules on South Korean visitors to the United States and an ever-growing number of Chinese travellers fans demand for lucrative trans-Pacific flights.

"Long-haul flights are expected to grow by more than five percent each year due to free trade agreements (with the United States and the European Union) and the visa waiver programme," CEO Yoon Young-Doo said in a statement.

### এইম্‌স ফার্স্ট গ্যারান্টিড মিউচুয়াল ফান্ড

ডিভিডেন্ড ওয়ারেন্ট এবং রাইট এন্টাইটেলমেন্ট বিতরণ সংক্রান্ত ঘোষণা

এইম্‌স ফার্স্ট গ্যারান্টিড মিউচুয়াল ফান্ড এর ডিভিডেন্ড ওয়ারেন্ট এবং রাইট এন্টাইটেলমেন্ট সার্টিফিকেট ও আবেদনপত্র যে সকল ইউনিটধারীগণ নির্ধারিত সময়ের মধ্যে নিজ উদ্যোগে সংগ্রহ করেন নাই তাদের ওয়ারেন্ট এবং রাইট এন্টাইটেলমেন্ট সার্টিফিকেট ও আবেদনপত্র কুরিয়রের মাধ্যমে নিজ নিজ ঠিকানায় পাঠানো হয়েছে। এতদসত্ত্বেও যে সকল ইউনিটধারীগণ আগামী ১৬ জানুয়ারী, ২০১১ তারিখের মধ্যে যে কোন কারণে উহা প্রাপ্তিতে ব্যর্থ হবেন তারা এইমস অব বাংলাদেশ লিমিটেড এর অফিস থেকে কেবলমাত্র রাইট এন্টাইটেলমেন্ট আবেদনপত্রের অনুলিপি ২০ জানুয়ারী, ২০১১ পর্যন্ত সংগ্রহ করতে পারবেন। তাছাড়া আবেদনপত্র [www.aims-bangladesh.com](http://www.aims-bangladesh.com) ওয়েবসাইট থেকে ডাউনলোড করা যাবে পারবেন। উল্লেখ্য, ২০ জানুয়ারী, ২০১১ তারিখের মধ্যে রাইট এন্টাইটেলমেন্ট আবেদনপত্র দি সিটি ব্যাংক লিমিটেড, এর দেশব্যাপী যে কোন শাখায় এসটিডি হিসাব নম্বর- ৩১০১২২৮৩৯৯০০১ এর মাধ্যমে জমা দিতে হবে।

এইম্‌স অব বাংলাদেশ লিমিটেড

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