

Japan injects \$76b more to calm post-quake chaos

AFP, Tokyo

Japan pumped more funds into its shaky financial system Thursday after stocks fell and the yen surged to a record high, which Tokyo blamed on currency speculators following a huge earthquake.

The central bank injected another six trillion yen (\$76 billion), increasing to 34 trillion yen the total amount of funds added to money markets since Monday to soothe jitters after last week's devastating quake and tsunami.

Finance chiefs from the G7 rich nations were set to hold telephone talks on the crisis on Friday Tokyo time, as market talk grew that Japan might be preparing measures to rein in the soaring yen.

"There is intensifying market speculation the Bank of Japan will soon intervene to cap support of the yen," said NAB Capital analyst David de Garis.

Dealers said some market players appeared to be buying the yen on expectations that Japanese companies will repatriate funds to pay for reconstruction.

"Under thin market conditions there are various speculations and nervous movements," Finance Minister Yoshihiko Noda told reporters. "Based on this I will closely watch the market situation."

Investors welcomed news that army helicopters dumped water on the crisis-hit Fukushima nuclear power plant



A man buys tempura food at Tsukiji Market in downtown Tokyo yesterday. Despite the shortage of some specific products such as snack, instant noodles and bottled water in supermarket and convenient stores, fresh Markets in Tokyo are still selling their products.

AFP

in a bid to douse radioactive fuel rods as part of efforts to prevent a release of radiation.

Stocks recovered some of their early losses to end down 1.44 percent, having sunk more than four percent in early deals.

Tokyo's Nikkei share index suffered the biggest two-day sell-off for 24 years on Monday and Tuesday, plunging 16 percent, amid the world's worst nuclear crisis since Chernobyl in

Ukraine in 1986.

The yen struck a record high of 76.52 per dollar in early Asian trade, but later pulled backed, easing worries about the impact of a strong currency on exports. The yen was quoted at 79.14 against the greenback in late Asian trade.

Japanese officials declined to comment on the possibility of intervention, but their silence did nothing to dampen market speculation.

"Given the extraordinary circumstances in Japan, there should be no real opposition to foreign exchange intervention from key global partners, including the US and the eurozone," Nomura Securities analysts wrote in a report.

All eyes were on the Fukushima plant northeast of Tokyo which has suffered a series of blasts and fires after it was rocked by the record 9.0 magnitude quake on Friday

that triggered a 10-metre tsunami.

Japan relies on its nuclear plants to provide around 30 percent of its energy needs and shutdowns in the wake of the massive earthquake have led to rolling outages that have forced companies to suspend production lines.

The government warned of a threat of major power blackouts unless electricity use is reduced.

"The demand-supply balance is already very tight," Economy, Trade and Industry Minister Banri Kaieda said in a statement.

"If this situation continues, demand will far exceed supply today from the evening to night when daily power demand peaks, and unpredictable major blackouts are feared," he added.

Damage from the earthquake and tsunami could potentially amount to tens of trillions of yen (hundreds of billions of dollars) and trigger a sharp fall in output at factories across the world's third largest economy, analysts say.

Risk assessment firm EQECAT said Wednesday that the twin disaster had resulted in estimated insured losses of between \$12 billion and \$25 billion.

But history suggests that industrial production could quickly rebound as it did after a massive quake in 1995, which levelled much of the Japanese port city of Kobe, while reconstruction spending should also help to foster a recovery.

India hikes key interest rates 25 basis points

AFP, Mumbai

India on Thursday hiked interest rates for the eighth time in a year as concern about high domestic inflation overpowered fears that the global recovery could be increasingly fragile.

The central bank raised its repo, the rate at which it lends to commercial banks, by 25 basis points to 6.75 percent. The reverse repo, the rate it pays to banks for deposits, was also hiked by a quarter point to 5.75 percent.

"The underlying inflationary pressures have accentuated, even as risks to growth are emerging," Reserve Bank of India governor Duvvuri Subbarao said in a statement after the bank's regular policy meeting in Mumbai.

The bank said it was too early to assess the "macroeconomic consequences" of the devastating Japanese quake and nuclear crisis but warned that a shift from nuclear power could further push up already elevated petroleum prices.

India imports 80 percent of its crude oil, so rising fuel prices increase not only inflation but also the country's already wide current account deficit.

The bank added turmoil in the Middle East and North Africa was "adding uncertainty to the global recovery" on top of high food and other commodity prices.

Prime Minister Manmohan Singh has called inflation a "serious threat" to India's economic growth, which is projected at nine percent for the next fiscal year to March 2012.

Inflation has been one of the biggest problems for the embattled Congress-led government, which is also reeling from a slew of corruption scandals.

Poorer households, the backbone of the Congress party's support, have been especially hard hit by the rising cost of living.

India's central bank has been the region's most aggressive in raising rates as the South Asian giant powers out of the financial downturn.

The latest hikes come as central banks across Asia including China, South Korea, Thailand and Vietnam have tightened monetary policy to counter rising prices.

While food inflation in India has fallen from peaks of 20 percent in early 2010, it remains high at 9.42 percent, according to data released Thursday, causing hardship and resentment among the public as it erodes purchasing power.

China urges Japan openness as panic buying hits

AFP, Beijing

China urged Japan on Thursday to release "timely and precise" information on its unfolding nuclear crisis as uncertainty over the situation fuelled panic buying of salt by Chinese fearing radiation.

"We hope the Japanese side will release information, as well as its evaluation and prediction of the situation, to the public in a timely and precise manner," foreign ministry spokeswoman Jiang Yu told reporters.

Jiang had been asked for comment on the deepening peril in Japan, where last Friday's 9.0 earthquake and ensuing tsunami have left a nuclear power plant on its east coast leaking radiation and in danger of meltdown.

Jiang did not specifically criticise Japan's level of openness.

But China, the United States and France have taken steps to remove their citizens from Japan -- despite Tokyo's assurances that the situa-

tion did not pose a major health threat outside an evacuation zone near the plant.

China has moved thousands of its citizens in Japan to Tokyo for evacuation from the country, and two Chinese airlines have added flights to accommodate extra demand.

China has also stepped up radiation monitoring of passengers and goods from neighbouring Japan, ordered safety inspections of its own nuclear facilities and temporarily suspended approval for new nuclear projects.

On Thursday, Beijing was forced to issue a public call for calm at home after shoppers flooded supermarkets to buy salt in the belief that the iodine it contains can ward off the effects of radioactivity.

The National Development and Reform Commission (NDRC), the country's top economic planner, issued a notice assuring the public that China had ample salt stocks.

It urged shoppers to "consume

rationally, buy reasonably, and don't believe or spread rumours".

The government has repeatedly said that China itself faces no imminent threat of radiation contamination from the Fukushima nuclear plant, 1,000 kilometres (621 miles) east of the nearest part of northeastern China.

Iodine, which is found in most salt in China as part of a national policy to prevent iodine deficiency disorders, helps to protect a person's thyroid and glandular system from radiation damage if exposed.

However, large amounts of normal table salt would need to be ingested to have any impact.

"Salt sold out early this morning," an employee at a branch of French supermarket chain Carrefour in Shanghai told AFP, declining to give her name.

She added that many customers reported salt prices at other shops in the city had risen as much as six-fold.

The rush for salt was so acute that dozens of individual and corporate merchants on China's largest retail website, Taobao, were offering free packs if customers bought their goods.

The NDRC ordered authorities to immediately check market prices and prevent hoarding, price-gouging, and the spreading of rumours "to safeguard market supply and price stability of daily necessities and maintain market order".

The panic buying sent the share prices of salt producers soaring on Chinese stock markets Thursday.

Border inspection authorities in Shanghai -- the world's biggest container port -- said Wednesday they were checking all incoming travellers, luggage and imports of food and other goods from Japan entering the city's airport or port.

Air passengers arriving in Beijing were being monitored for radiation, but officials said this was routine even before Japan's disasters.

Record food prices to spur planting, investment

REUTERS, Singapore

Farmers will sow more acres and pour more funds into agriculture this year to boost yields across the top producer nations as record high food prices jolt markets and send buyers scurrying for supplies.

While crops in top grain exporter the United States will battle for acres in the upcoming spring planting season, the developing world is expected to deploy resources to expand agriculture and improve stagnating productivity.

Analysts told the Reuters Food and Agriculture Summit they expected more land in Latin America, Africa and the Black Sea region to be planted with crops such as corn, wheat and soybeans, whose prices have climbed to multi-year highs on the benchmark US markets in recent weeks.

"There still remain significant tracts of land in South America which can be readily brought on steam," said commodity strategist Luke Matthews of the Commonwealth Bank of Australia.

"There certainly is potential for improved land utilisation in other parts of the world, including Africa and the former Soviet Union, where we can see additional land come online."

Global food prices, measured by the UN's Food and Agriculture Organization (FAO), hit record highs in February, as countries from Asia to the Middle East stepped up grain imports to ensure ample supplies in the face shrinking stocks.

The head of FAO this week warned that surging global prices of basic foodstuffs raise the risk the food crisis of 2007-2008 in developing countries will be repeated.

Brazil and Argentina - the world's second- and third-largest soybean producers -- are already on track for a second straight year of bumper production to feed rapidly growing demand led by Asian giants China and India.

With more untilled arable land than any other country on earth,



AFP

A worker carries away watermelons at a wholesale fruit market in Hyderabad.

Brazil may be the world's best hope to boost global supplies to contain rising food prices, analysts say.

The nation is expecting historic-high soybean output of around 70 million tonnes and farmers have benefited from lofty \$14-a-bushel market prices. Analysts say producers' profit margins have nearly doubled from last year, to 50 percent.

The Black Sea region -- which was responsible for igniting a rally in wheat prices after a devastating drought last year and -- could have better yields in 2011.

"We expect yields to improve in the former Soviet Union bloc in particular," Matthews said.

Russia, worried by soaring food prices and a shortage of grain to feed its livestock, may extend its ban on grain exports until the end of the year, Deputy Prime Minister Viktor Zubkov said earlier this month.

Analysts said there are expectations of higher spending on technology to raise productivity in developing nations where food demand is rising rapidly.

"One thing the developing world has not done in to increase productivity, things like mechanisation and production efficiencies in agriculture," said Brett Cooper, a senior manager of markets at FCStone Australia. "So one thing the high price does is also allow further investment in those areas."

China's Banking Regulatory Commission has called on banks to offer more financial support to boost farm output. The government plans to increase farm subsidies and implement projects to grow genetically-modified crops to try and maintain self-sufficiency in grains.

As part of efforts to boost farm output and productivity, India's finance minister wants loans to the sector to grow to 4.75 trillion rupees in 2011/12 from 3.75 trillion a year ago.

"Higher prices will make governments focus more on agriculture, through looking at irrigation potentials, and increase food supply in the economy, through better supply chains," said Sonal Varma, an economist with Nomura in Mumbai.



AFP

Shoppers look at empty shelves at a supermarket after salt sold out in Beijing yesterday. Chinese retailers reported panic buying of salt, partly because shoppers believe it could help ward off the effects of potential radioactivity from Japan's crippled nuclear power plant.