

The Excise Tax on Coconut Oil

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A GOOD deal of confusion exists regarding the excise or processing tax on coconut oil, the repeal of which has been unsuccessfully sought recently by the Philippine Government and entities interested in copra and coconut oil both here and in the United States. Let us try to explain the matter briefly.

This excise tax was imposed by Congress in 1934 as a protection to American farmers who felt that prices for their crops, their dairy products, and their tallow were menaced by low-cost imports of foreign oils, particularly coconut oil. The tax is 3¢ per pound on oil imported as such or on the coconut-oil content of copra figured at 63%. As a protection to the Philippines, this tax was made 5¢ on all oil imported from countries other than the Philippines. However, the Philippines still being United States territory, the sums collected in this manner were returned to the Philippine Treasury for Philippine Government expenses, but were expressly not to be used to subsidize the copra industry.

With the independence of the Philippines in 1946, the return of excise-tax collections ceased. The Philippine Trade Act of 1946, however, provides for a continuance of the 3¢ tax and the 2¢ preference until 1974. That is where we stand today.

Meanwhile agricultural prices have advanced the world over and the American farmer no longer needs to fear competition from Philippine imports of coconut oil, for he has the full support of his Government. Margarine is no longer made from coconut oil, but from American-grown cottonseed- and soya oil. Only the tallow renderers object to coconut oil, and they, we feel, merely from failing to understand that coconut oil complements rather than competes with their sales of inedible tallow. And so coconut oil is no longer feared; in fact it is welcomed in sufficient quantities to fill the needs for which it is peculiarly valuable.

But fuller use of coconut oil is hampered by the excise tax which automatically adds 3¢ per pound, \$67.20 per

ton, to its cost. Without this tax, it would be more in demand, which is particularly important in these days, when detergents are biting so severely into the American soap business, the largest users of coconut oil.

Consequently efforts have been made to have the 3¢ tax abolished. It has outlived its usefulness, it is no longer needed, and it returns no money to the Philippine Government. A simple amendment to the "Customs Simplification Act of 1951" would have turned the trick. But this amendment was ruled out of order as not being germane to the Bill. Special legislation has been suggested, and it is felt such legislation might have the support of, and certainly no opposition from, various departments of the United States Government, as well as some of the interests which used to oppose us so bitterly.

The Customs Simplification Act (Bill) of 1951, as approved by the Ways and Means Committee of the House, (H.R. 5505) calls for the conversion of processing taxes to duties. To comply with the Philippine Trade Act, these duties would be considered as internal taxes until 1974. From the Philippine viewpoint, while making no increase in the tax, this change is undesirable. Therefore the Government is working to have the provision rescinded when this Bill comes to vote. But the real solution of course is to get entirely rid of the 3¢ tax once and for all.

It is estimated that between \$15,000,000 and \$20,000,000 annually is at stake in excise-tax collections. If the tax could be abolished, it should mean cheaper coconut oil for the buyer, resulting in more demand, higher prices for the copra producer, resulting in better incomes, and more dollar exchange for the Government. On this basis the Philippines has nothing to lose and much to gain. Continued pressure for the proposal and passage of acceptable legislation in the next session of Congress would seem to be clearly indicated as in the best interests of an improving Philippine economy. The ground work is already laid.

Land Reform*

By WILLARD L. THORP

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IN all probability, there have never before been so many dissatisfied people in the world. This is not because there is more starvation, more pain, or more misery than at other times. The facts are quite to the contrary. The rising discontent is rather because of knowledge—the increased knowledge of how other people live. When people lived in isolated communities, completely ignorant of the world beyond the horizon, they had only local standards of comparison. But today, they have information, and misinformation, about the delights of distant green pastures. This becomes the basis of resentment against their lives and their surroundings. The resulting discontent is responsible for much of today's political instability and economic unrest.

The answer lies in large part in further increasing the flow of knowledge. If greater knowledge has contributed to the creation of discontent, it can also be an instrument for dealing with it. The discontent also creates an opportunity. Periods of complacency are never periods of progress. Given a desire for improvement, streams of knowledge can flow back to these people in many countries, and they can benefit from the experience of others who have made greater progress.

In this general context, no one can possibly over-state the importance of the problems which you have come to Madison to consider, those relating to land and the people on the land. You will be talking about two-thirds of the world's population. There are many countries where more than three-fourths of the people are on the land. In no country can their problems and attitudes be disregarded. In many countries, the future will depend in large part on their future. This

conference, and each of you individually, can contribute greatly to the development and flow of knowledge so essential to the process of economic and social betterment.

There are tremendous differences in the lives and productivity of the people on the land, throughout the world. Let me describe the kind of situation which presents the greatest problems. Let us consider a farmer who has to support his family of six on the produce of less than two acres. He does not own the land. He rents it from an absentee landlord who takes two-thirds of the crop for rent. He has no security of tenure. He doesn't know how long he can work on this farm. Another tenant may come along next year and offer even higher rent. This farmer has had to borrow money from a professional money-lender. He pays 40% interest and his debt is bigger now than it was a year ago. He has friends who pay 60% interest—one who borrows at 80%.

This farmer of ours is tired and discouraged. He has to farm on worn-out soil with the most primitive tools. He can never allow any land to be fallow, and he has never even heard of commercial fertilizer. He uses seed saved from his own crop of the year before. His two acres are divided into three plots, all widely scattered. It takes him almost two hours to go from his home to the nearest plot. That part of his crop which he sells he takes to market on the back of a donkey. And when he gets it to market, he must take whatever price is offered—he has no method of storage.

*Opening address, Conference on World Land Tenure Problems, University of Wisconsin, October 9.