

Philippine Sugar Industry Under the Proposed Quotas

Problems the centrals and planters will face in meeting quota limitations in the United States

The inset on this page gives the estimated production of sugar from the cane crop in the Philippines now coming on for harvest. The Coulter conferences now in progress at Washington propose fixing a limit of about 850,000 long tons to the amount of this sugar that may be sold duty free in the United States. The Hawes-Cutting bill proposes about the same thing, to take effect when the commonwealth government provided in the bill is established. That could hardly be earlier than sometime in 1935, granting that the Hawes-Cutting bill will be accepted and will actually go into effect. Meantime the American domestic sugar industry needs relief, pressure for quotas of sugar grown in Porto Rico, Cuba, Hawaii and the Philippines is so insistent that it would not be surprising if they were agreed upon at Washington and put into effect before this paper is printed.

In other words, there is hardly a prospect that Philippine sugar can escape a quota in the United States. There are, on the contrary, prospects that a third of the crop coming on for harvest will be subject to duty when sold in the United States. The estimated crop approaches 1,350,000 long tons. Say it will prove to be no more than 1,200,000 long tons; it is probable at this moment that only about 850,000 tons of it will be sold free of duty, some 400,000 tons will pay duty. If this is not the fate of this crop, at least it may be expected for the next. The industry faces quotas and the question arises as to how it may survive and take the fullest advantage of such an arrangement. The American sugar duty is \$2.50 per 100 pounds, which is ₱7 a picul. To escape it up to a yearly quota of 850,000 long tons, Philippine sugar production must be cut one third.

There looms also the problem of allotting the quota. The Hawes-Cutting bill allots it adversely to new centrals and planters who have not had opportunity to bring up their yields per hectare, by basing it upon the average of sugar from the Philippines sold in the United States in 1931, 1932 and 1933 central by central; and between planters and centrals, on the basis of the sugar to which each is entitled. In his cable to Washington June 24, Governor General Frank Murphy suggested that allocation of a quota that may be fixed for the Philippines by the Coulter conferences be left to the Philippine government. Under such an arrangement, distinctly not in the Hawes-Cutting bill, the newer centrals and the planters associated with them might obtain an opportunity to survive, but only at the expense of the older centrals and planters.

For the islands to have full advantage of a quota, each central must produce its allotment. What one fails of can't be distributed to the others, and what one district fails of producing can't be distributed to the other districts of the islands. This of course under the Hawes-Cutting bill, so it might be better to have a quota fixed by conference.

In one district of the islands where the quota question has been carefully studied the area in cane is 10,000 hectares.

The central's allotment of quota sugar is expected to be about 700,000 piculs, the expected crop is about 1,000,000 piculs. Production of sugar in this district must be cut about 300,000 piculs. Some planters in the district produce 100 piculs or more to the hectare, others no more than 60 piculs. It is expected to average all production at 70 piculs to the hectare. The planter who has 100 hectares in cane yielding 100 piculs to the hectare agrees to put 30 hectares into other crops; or to moderate his efficiency, or at any rate to produce no more than 7,000 piculs of sugar a year. If he confines his cane to 70 hectares, he economizes ₱7,200 in his yearly expenses, for it costs ₱240 a hectare to grow cane. But his share of the crop per hectare is 60 piculs, his profit at this time about ₱2 a picul. His sacrifice of income in putting 30 hectares of cane

land into other crops is therefore ₱3,600 less whatever returns the other crops may make him—also less the expected rise in sugar prices.

The quotas are proposed as a means of bettering the sugar market permanently. The promise is held out that this is likely to be more than a rise of ₱2 a picul. By conforming to a quota the Philippines may lose nothing in actual income from sugar. This planter, too, if the market rises as much as ₱2 a picul, will actually gain from putting 30 hectares of his farm of 100 hectares into other crops than cane; gain, that is, more than he now gains from 100 hectares of cane.

To go on with the arrangement in this planter's district, the neighbor now producing 60 piculs of sugar to the hectare doesn't have the privilege of planting additional land; he undertakes to bring his yields up to the standard district level of 70 piculs to the hectare on the land already in cane. He will be encouraged to do this by the central, which can make up its allotment nowhere else and depends on him alone to keep its allotment full.

In this district, however, and in every district, something more than the allotment must be produced, or planned to be produced, else there will be an inevitable falling below the quota allotments. Plagues and unfavorable seasons are factors that vary production whether man wills or no. To keep the allotments up to quota there must be sugar enough to offset these factors. It is evident enough, too, that under a quota the industry can't go on to that intensive production already reached by Hawaii and Java, 200 piculs or more to the hectare. It would mean a crop of about 4,000,000 long tons a year and the probable wiping out of all quotas. The Philippines being granted a quota, the American industry that is at the bottom of the movement, aided by the Cuban industry so earnestly abetting its efforts, will expect the Philippine crop to be definitely pegged at about the quota figure. To do that with fairness to planter and central, to new central and old, will be no easy task. Above-quota Cuban sugar won't be allowed in the United States. The same rule applied to the Philippines would be another seriously complicating factor in the problem the industry faces here.

SUGAR BY PROVINCES

There are 44 sugar centrals in the Philippines, from which recent reports indicate total production of something more than 1,300,000 metric tons of centrifugal sugar from the 1933-1934 crop now coming on for grinding. It is assumed this estimate is liberal, the crop may not exceed 1,200,000 metric tons. Another fact is that the crop year varies from the calendar year, basis of the quota in the Hawes-Cutting bill.

Eighteen of the centrals are in Negros, where production of more than 700,000 metric tons is expected.

Sixteen of the centrals are in Luzon, where production of more than 425,000 metric tons is expected.

Six of the centrals are in Panay, where production of more than 88,500 metric tons is expected.

Mindoro has one central, expecting production of about 11,800 metric tons.

Cebu has two centrals, expecting production of about 40,000 metric tons.

Leyte has one central, Ormoc, expecting production of about 13,695 metric tons.

It is very early in the season to estimate the expected crop. There is a natural effort on the part of centrals to come out as favorably under a quota as possible by submitting maximum estimates; it seems to the *Journal* that it would be conservative to discount the estimates by 10% and fix upon 1,200,000 metric tons as next season's probable maximum production of centrifugal sugar.