Copra and Coconut Oil

November 16 December 15, 1947

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OUR last report was written when the copra and coconut-oil markets were in a very excited condition, with a firm tendency but with prices so high that sellers were becoming nervous. Indications were that while markets might advance further, the rise had been too rapid and must be checked before very long. That is exactly what happened.

Copra was selling at $255 c.i.f. Pacific Coast on November 15. The market remained at about that level for the best part of the week while buyers digested President Truman's speech and his program for curbing inflation. This program was considered less drastic than had been anticipated and buyers again became anxious, with the result that the market was bid up to a high of $280 by the 1st of December, with rumored confidential sales at $285 c.i.f. marking an all-time high. Oil buyers also became nervous, fearing restrictive measures which might become effective in the Spring, and refused to buy anything except spot or prompt oil. This in its turn took the edge off the copra market about the time when a heavy December crop was assured, with the usual result that sellers began to offer the market down and buyers promptly withdrew. Very few sales to the United States were made after the first days of December and the market was offered down to $240 and to as low as $235 without more than temporary interest being shown on the part of the buyers.

On December 10, however, SCAP came into the market for 10,000 tons of prompt copra for Japan, and bought at an average price of $258.64 f.o.b. Subsequently, SCAP decided to buy more copra, and on the 15th was in process of buying an additional 9,000 tons at approximately the same level. These purchases served the double purpose of relieving the market of heavy December stocks and of stiffening sellers' ideas, and so at the close of the period the market looked considerably steadier than it had a few days earlier and it closed nominally with sellers at $250-$255 c.i.f. Pacific Coast, with no buyers.

Meanwhile, other foreign markets which had been lagging behind in October remained quiet, with only a few sporadic sales reported, chiefly to France at $255 and $250 f.o.b. to fill their 1947 allocations. Toward the end of November, however, there was a little more European interest, and some business was done during the last days of November and early December at as high as $290 f.o.b. About this time, other copra sellers came into the picture. The Netherlands East Indies sold 10,000 tons to Rotterdam; East African copra was sold to various destinations in small quantities; and the Straits decided to sell half of their production from now on outside the United Kingdom, to take advantage of world prices and perhaps accumulate dollar balances. None of these transactions were very important in themselves, but the cumulative effect was to take the edge off in Philippine copra-interest. This reflected itself in transactions at decreasing prices, ranging from $280 f.o.b. down to $260, at which price copra was sold on December 15, with further sellers at this price and with buyers reserved.

Locally, copra followed the trends of the market. Starting at ₱50 per 100 kilos on November 15, prices were bid to over ₱57 early in December, which made the Manila copra market the highest priced in the world. With outside copra markets breaking, however, the market commenced to decline and by December 15 local quotations were between ₱45 and ₱46, with supplies fair but with the prospects of light arrivals in January.

Preliminary figures for copra shipments for November totalled 87,808 tons, of which 73,987 tons were shipped to the United States and the rest to European and other destinations. This brought total shipments for the year up to 867,654 long tons.

As usual, the American coconut-oil market lagged behind copra. At the beginning of the period buyers were willing to pay 21¢ a pound f.o.b. Pacific Coast for futures, with a premium of 2 to 3¢ for spot oil. As copra prices increased, oil advanced to 23¢ a pound for futures for January/February/March with the corresponding spot premiums. About this time it was rumored that chemicals might be rationed next year, including caustic soda, and large soapers immediately retreated for oil except for prompt business, fearing that their soap production might be limited. Only small refiners were interested thereafter. As in April, coconut-oil buyers, instead of buying the market down, withdrew completely and stayed withdrawn. By December 15, nominal quotations were 18¢ to 19¢ f.o.b. per pound for future shipments, but with no buying interest at any figure. It was felt, however, that large buyers are not completely covered for first-quarter requirements of 1948 and may be expected to buy when they think the market has been deflated sufficiently.

Local coconut oil followed the general advance. Starting at a price of ₱0.82 to ₱0.84 per kilo, prices increased to ₱1.00 to ₱1.02 and later sank to ₱0.93 to ₱0.95. Although the demand was brisk for December oil until copra weakened, thereafter the market was nominal with buying interest almost completely dried up.

There was very little expeller-cake traded during the period. Prices eased a little in the beginning, but improved slightly at the end to a figure of around $77 per long ton f.o.b. European buyers were having difficulty in finding dollars with which to buy cake, but hoped for better things next year. The situation was aggravated by a sale of 100,000 tons of linseed- and peanut-cake by the Argentines to Europe, which satisfied much of the demand.

During the month, outside markets alternately sagged and reacted. Perhaps the most significant item was tallow, with which the price of coconut oil is closely allied. Starting at 23¢ per pound, tallow rose to a high of 27¢ but weakened rapidly toward the end of the period to a low of 21¢. This decline may be significant in figuring copra prospects.

Of local interest is the announcement that the import duty on coconut oil into the United States will be reduced from 2¢ per pound to 1¢ on January 1. Philippine coconut oil enters the United States duty-free and is not affected, but there is a possibility that foreign coconut oil, particularly that produced in sterling-bloc areas, may be able at times to hurdle this 1¢ duty. There being no excise-tax preferential at the moment, this is something to watch.

The Philippine Government, through the Bureau of Commerce, is proposing the establishment of fixed classifications of copra under government control, with the intention of offsetting the criticisms recently leveled at Philippine copra and of improving the general quality of copra. This plan has been proposed before, but has never met with success. Undoubtedly, there are definite ills to be remedied, but the functioning of a classification plan such as proposed is dependent on its simplicity, inflexibility, and efficient administration. Such a plan will require a great deal of thought, time, and work before it can be successfully applied under present conditions.

At the close of the period, the market looked stagnant. The prospects were that there would not be much business before the New Year, first because of the holidays, and second, because the situation in Washington is such that merchants cannot foresee what is going to happen.

It is expected, however, that after January 1, the situation may be a little clearer. Meanwhile it was expected that buyers, especially those in the United States, will mark time. Whether the New Year will bring better prices or lower prices or whether the market will stabilize itself at any reasonable level, was anybody's guess. Opinions differ radically. One thing appears certain, however, and that is that Philippine copra exports for 1947 have hit a high-point which will not be duplicated in 1948 and perhaps for several years thereafter.

Desiccated Coconut

By Howard R. Hick

President and General Manager

Peter Paul Philippine Corporation

THIS report covers the calendar month of November 1947. During this period, copra prices and equivalent nut prices reached the highest point in history, and toward the end of the period, nuts could not be purchased for equivalent copra prices; sellers were holding, requesting premiums over copra values. This was the first time since the war that sellers took such a stand and is a mark of the degree of competition existing today in the raw-material market.

This month has shown a marked increase competitively, as all present producers worked near the 100% capacity and new producers broke ground or hastened the erection of new factories. Red V Coconut Products, Inc., a British-controlled firm, broke ground in Mindanao for the purpose of erecting a second factory. Their plans include the use of the most modern and most efficient equipment available and their future production capacity will be larger than their pre-war production.

Mr. W. H. Stopford, formerly Provincial Manager for Franklin Baker Company and now General Manager for Red V Coconut Company, recently returned from London to take over his new duties.

It is reported that several newcomers are entering the field. A company is being formed and some machinery is being installed at Pagsanjan, Laguna. Also, another factory is being erected in Lopez, Quezon province, and a second one in Gumaca, Quezon. This marks the development of a new producing area and a trend to minimize the concentration of factories in one large district.

SHIPPING STATISTICS OF MANUFACTURERS OF DESICCATED COCONUT FOR THE MONTH OF NOVEMBER, 1947

Blue Bar Coconut Products Co....	1,632,800
Canlubang Sugar Estate.........	Shipped by Franklin Baker Co.
Cooperative Coconut Products....	205,000
Franklin Baker Company........	3,514,780*
Marsman and Company, Inc......	155,100
Peter Paul Philippine Corp.......	1,680,000
Philippine Desiccated Co.........	Shipped by Blue Bar Co.
Red V Coconut Products........	1,212,500
Sun-Ripe Coconut Products......	935,000
United Coconut Products, Inc.....	235,200

*San Pablo production..................	28,582 bags	2,673,780 lbs.
Canlubang production..................	8,410 "	841,000 lbs.

Sugar

By G. G. Gordon

Secretary-Treasurer, Philippine Sugar Association

At a recent conference between sugar shippers and representatives of the Associated Steamship Lines, it was agreed that the sugar freight rate to Atlantic Ports be established for a period of six months at $18 per long ton, net weight delivered.

Following a public hearing held on October 20, 1947, the War Damage Commission has issued the following ruling:

1. Claims for milled sugar should be filed by the owner of the sugar whether it be the central, planter, or a third party.
2. Claims for sugarcane, whether standing or cut, will be recognized only when filed by the planter who held the sugar marketing-allotment in connection with that cane.
3. The value of milled sugar for the purpose of payment of war damage claims shall be fixed at the average of the 1939-1940 ex-bodega Manila prices.
4. The value of sugarcane at the time of loss shall be established in each case on the basis of evidence submitted by the claimant or otherwise obtained by the Commission.

The members of the Executive Committee of the Philippine Sugar Association were the luncheon guests of Mr. Jose G. Sanvictores at the Canlubang Sugar Estate on Sunday, December 14, 1947. Advantage was taken of the opportunity to observe the various experiments being conducted at Canlubang.

On the invitation of President Roxas, a delegation of sugar planter and millers conferred with him in Baguio on December 5, 1947. Among matters discussed were the means by which the Government could assist in the rehabilitation of the sugar industry, the Government's desire to keep the price of domestic sugar at a reasonable level, and the possibility of selling export sugar from the 1947-48 crop to the U. S. Army.

Following this conference, Philippine Sugar Order No. 4 was issued, raising the quota for local-consumption sugar to 150,000 short tons and ordering the release of 50% of all sugar milled to the local market as from December 1, 1947. This has resulted in a drastic decline in the wholesale price of local-consumption sugar, and sugar is now being sold much nearer pre-war value than any other food-commodity locally produced.

Following the conference in Baguio, Philippine sugar producers negotiated with a representative of the U. S. Army for the sale of a large proportion of the 1947-48 export sugar on the basis that all sugar covered by this transaction would be recognized by the United States Government as having been delivered against the Philippine export quota, and that such a transaction would in no way prejudice the quota rights in the United States market of Philippine sugar. These negotiations are still in abeyance, pending further advices from U. S. Army authorities.

Quotations on the New York Sugar Exchange for the period from the second half of November to the first half of December ranged as follows:

	High	Low	Close	Sales
May, 1948..............	5.46	5.20	5.45	57,300 tons
July, 1948..............	5.49	5.20	5.47	28,950 "
September, 1948.........	5.50	5.21	5.48	12,100 "
December, 1948.........	5.38	5.18	5.49	600 "
March, 1949...........	5.20	5.00	5.20	4,300 "
Total Sales..............................				103,250 tons

Manila Hemp

By Murray Cook

International Harvester Company of the Philippines

November, 1947

STARTING with a firm opening, the market for Manila hemp during the first week of November remained steady. Davao opened at ₱51 per picul for "J1", with exporters content to purchase at this price any hemp offered by dealers.

Offerings in the New York market on the basis of DA/F at 25-1/4¢, DA/I at 24¢, DA/J1 at 23-1/2¢ were ignored by United States buyers. During the middle of the second week, buyers appeared at these prices, and New York sellers quickly raised their ideas of price. This was promptly reflected in Davao and exporters advanced their price of DA/J1 to ₱52. Buyers in the United States continued to follow the market, creating a firm situation in Davao. By November 25, sales were made in New York,