

Mr. Pope's sojourn, he attended the Annual Convention of the Philippine Lumber Import Association held in Colorado Springs, Colorado. Mr. Pope spoke highly of the firms handling Philippine products. One of the plans approved in the convention is to launch a more vigorous advertising campaign in favor of Philippine woods, although some importers are of the opinion that it is mostly a matter of price adjustments and that our woods will sell if sold at a lower price. Perhaps something could be done along both lines simultaneously, and in this connection, the co-operation of the Government in lowering certain levies is being solicited, also a revision of freight rates is being sought by a committee of the Lumbermen's Association.

At the request of the Philippine Lumber Producers Association, Mr. Tamesis, Director of Forestry, planned for the United States on August 27, to help boost Philippine woods. Mr. Tamesis timed his departure so that he could be in Chicago by September 26, when the National Hardwood Lumber Association opens its convention. Mr. Tamesis is scheduled to address the Convention on September 29. During the trip, Mr. Tamesis will likewise visit hardwood and furniture centers throughout the United States in the interest of the Philippine woods.

The local price of lumber has been more or less stationary since last month. Small and medium-size mills continue closed down. With the advent of the dry season, it is believed greater building activity will follow which may bring some relief to the lumbermen in the form of higher prices.

It might be of interest to mention here that the local manufacturers of plywood have petitioned the Government to put a ban on the import of plywood for the reason that the mills now in production are more than capable of supplying the market requirements. According to the Bureau of Commerce, a total of 7,810,638 sq. ft. was imported from various countries in 1948. This amount together with plywood manufactured locally during the same year, consisting of 2,621,394 sq. ft., gives a total of 10,432,032 sq. ft. consumed during the year. Based on the 1948 figures, the probable consumption for 1949 is 1,000,000 sq. ft. per month. This demand can be supplied at present and by the end of October, more than double this amount could be produced.

## Copra and Coconut Oil

BY MANUEL IGUAL

*Executive Vice President, El Dorado Oil Works*

AND KENNETH B. DAY

*President, Philippine Refining Company, Inc.*

*August 16 to September 15*

**F**OR the first half of the period under review copra prices were steady and gradually advancing, particularly for nearby shipments. Then came a few days of uncertainty, followed by what appeared to be the start of a fairly substantial decline toward the end. In the absence of substantial ECA allocations, American markets and American prices controlled.

Starting with a market where buyers solicited offers at \$170 c.i.f. P.C. and sellers were holding for \$180, prices advanced in erratic trading to a point

where limited sales were continually made at \$185, and sellers were beginning to think optimistically of the possibility of \$200 copra once more. But the advance was too rapid, with supplies considerably greater than in many months, and with a good volume of business done at the higher levels, demand started to ease off, and an accelerating decline continued to a point where on September 15 buyers would not look at anything over \$155 c.i.f. and were freely predicting that lower prices were in the offing.

European buyers, while purchasing sterling bloc commodities whenever possible, felt that Philippine copra was not relatively overpriced, and a few trades were made on the basis of \$160 to \$165 f.o.b. chiefly for Scandinavian destinations. France was out of the market and Bizonal Germany, a hard-currency buyer, was undergoing a reorganization of its buying system and deferred replacement purchases.

The main reason for a strong copra market in the very heart of the copra season was the spectacular rise in the prices of domestic oils and fats, caused by shortage of supplies, particularly for prompt de-

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livery. The new crops of cottonseed and soya were still unavailable and inventories were low for hand to mouth consumers. Buyers who could not wait were forced to pay through the nose. The advances in these oils carried coconut oil and consequently copra along with them.

LOCALLY, the copra market was very much confused and unpredictable due partly to day by day fluctuations but more to a very unsatisfactory freight situation. As predicted last month, the Conference declined to cut rates \$3, and shippers began to charter, chiefly for September loadings, at savings reported to be as much as \$7.50 to \$10 per ton. Chartering became so general that the Conference was forced to act, and finally, after conferring with West Coast mills, Pacific lines reduced their rates on copra, oil, and meal by \$8.50 effective September 6, good until November 30, with reconsideration October 15. This unilateral action was not followed by Atlantic lines until September 14, the rate adjustment being retroactive to the 6th. The new rates appear unprofitable to carriers, and were only adopted to fight cheap charters in an overtonnaged market. It is not impossible that they may be adjusted upward in October, unless some agreement can be reached with shippers to improve loading conditions and despatch.

Uncertainty regarding freight rates thoroughly mixed up local markets, and further resulted in variations of contract terms in many cases from straight c.i.f. landed weights per short ton to f.o.b. landed weights per long ton. Moreover, with lower freights clearly coming, the age-long struggle began as to who should get the benefit of the drop, sellers through higher local copra prices, or buyers through lower c.i.f. purchases. A middle course result appeared likely.

COCONUT oil buyers were quite active during August, supplies being very short for early deliveries. In fact spot sales of a few tank cars were registered as high as 17¢ f.o.b. P.C. But the discount for futures was heavy, and large Eastern users of coconut oil refused to pay fancy prices. The best East Coast sales of Philippine oil were at around 15¢ c.i.f. N.Y. for August/September shipment. Philippine mills did a fair business in August, but in September buyers went on strike once more, and, as the period ended, were entirely out and waiting for the bottom of the market again, their supplies being adequate through October. Also, as prices declined, premiums for spot oil began to fade away, to the disadvantage of Coast mills, which had been doing very well with small uncommitted stocks.

Local copra markets fluctuated with export quotations, advancing in Manila from 31 to 24 pesos, then dropping to 29, then back to 31, and eventually ending the period at 28. Cebu prices were about the same. But there was never any great selling pressure, and outport shipments, especially by charters, kept provincial prices at extremely high levels, — generally too high for Manila and Cebu buyers.

Copra shipments for August were the highest since February, 1948, totalling 62,390 tons distributed as follows:

United States	
Pacific Coast	38,404 tons
Atlantic Coast	2,226 "
Gulf Coast	3,764 "

Canada .....	2,000 tons
Europe .....	14,902 "
Africa .....	204 "
	<hr/> 62,390

Some of this copra should have been applied to July, as explained last month. Shipments in August, 1948, totalled 37,114 tons. It can be seen therefore that current prices were sufficient to encourage full production.

Oil shipments declined from July, partly owing to freight difficulties, and totalled only 5300 tons distributed as follows:

<i>United States</i>	
Pacific Coast .....	464 tons
Atlantic Coast .....	4,763 tons
	<hr/> 5,227 tons
China .....	73 tons
	<hr/> 5,300 tons

This, however, contrasted favorably with the 3,095 tons exported in August, 1948. Total August copra and oil shipments in the form of copra exceeded 71,000 tons, a very good month, indeed.

While European cake markets held steady at the equivalent of \$34 to \$35 per ton f.o.b. the American meal market declined from \$51 to \$46 per short ton c.i.f., the decline being primarily due to large available supplies of feed stuffs on the Coast. Some of this decline was absorbed by the new freight rates.

**L**OOKING at the copra market in mid-August, we find the position statistically weak with buyers looking for lower levels. The new bumper crops of cottonseed and soya were beginning to come to market, big hog and cattle slaughters were anticipated, and the domestic situation seemed inherently very easy. Prices were dropping daily, spot premiums had largely vanished, and buyers were generally disinterested.

Some market authorities felt, however, that perhaps the decline was again being overdone, and predicted that markets might soon steady themselves at around current levels for the remainder of the year. Coconut oil was expected to be tied more or less to domestic oils and divorced temporarily from tallow.

The real answer to coconut oil prices, however, lay right here in the Philippines, and depended on the amount of copra produced and offered for sale. If declining prices serve to curtail production, if bad weather sets in, or if there should be any considerable buying interest from Europe, prices may well steady up again. If copra continues abundant and supplies exceed demand, the market may weaken further. Or any one of several unanticipated contingencies may upset the present picture one way or another, including acts of government. That is why dealers in general are trying to maintain a fairly balanced position, and pure speculation as such is at its lowest ebb for the year. For the country as a whole, this is a healthy state of affairs, it does lend itself to spot fluctuations if outside markets move suddenly, because uncommitted stocks, which normally act as cushions against spot requirements, are very limited, particularly for this time of year.

As usual, then, we leave the copra market on September 15 in a very confused and unpredictable condition, but subject to considerable downward pressure from United States buyers, who find themselves in a substantially better position than a month ago.

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*Effects of European Currency Devaluation*

ON September 19, the British pound was devalued by 30-1/2% from \$4.03 to \$2.80, and sterling area countries immediately devalued their currencies correspondingly. The question at once arose as to how this might affect Philippines copra and oil which are sold in competition with sterling producers. The immediate effect was of course psychologically bearish, and prices started to decline. The decline was short-lived, however, and prices began to stabilize themselves at not very much below pre-devaluation levels. But this is not a long-range answer, and it will take time to determine the real end-result.

A few points stand out. First, sterling area producers can undersell Philippine producers in both American and European markets. But in the American market they must hurdle the extra processing tax of 2 cents per pound,—about \$25 per short ton of copra. If they want dollars badly enough to pass up more profitable European markets, they will do this, but \$25 a ton is a weighty deterrent.

Secondly, Europe is still very short of fats and oils, and prospective world supplies of copra and coconut oil this year are somewhat disappointing. It is unlikely therefore that there will be any great pressure of copra on the market. Consequently, Europe will probably be able to take care of outside copra, which because of devaluation has a preference in sterling markets, leaving American buyers still chiefly dependent on the Philippines.

American markets are depressed due to large crops surpluses and threats of industrial unrest. Prices cannot therefore be expected to advance much except for distressed buyers. But in the United States, the laws of supply and demand will ultimately govern, and for minimum requirements prices must follow availability of copra. What this will mean for the Philippines must depend during the coming months on available supplies. Whether European buyers will still look at Philippine copra is problematical, but not impossible, although obviously they will draw on supplies from sterling areas as far as they can. Were it not for ECA dollars when earmarked for purchases from the United States or the Philippines, in which European purchases have largely been made in recent months, Philippine copra would find it hard indeed to supply the European market.

Certainly, there is nothing bullish for copra and coconut oil in devaluation; on the contrary, it is on the whole bearish. Prices should tend to be lower than they otherwise would. In another year, and with increasing world production of fats and oils, it may become a serious factor. But statements to the effect that Philippine copra and coconut oil face immediate ruin from devaluation appear, to say the least, premature.

**Desiccated Coconut**

HOWARD R. HICK

*President and General Manager  
Peter Paul Philippine Corporation*

THIS report covers the period from August 15 to September 15, 1949. Generally the industry continued at slightly reduced capacity, with the Blue Bar Company remaining shut down in Luzon.

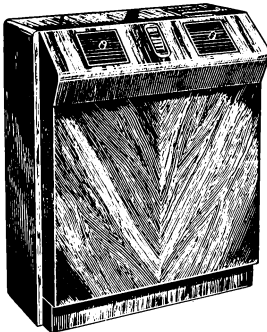


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