

COPRA AND ITS PRODUCTSBy **KENNETH B. DAY**
AND **LEO SCHNURMACHER**

As is to be expected at this time of year, copra arrivals in January were very much lower than those in any of the previous six months. This combined with a fair amount of optimism on the part of buyers would normally have resulted in increased business at better prices and the tendency was actually in this direction until political developments in the United States entirely upset our calculations, resulting once more in a stagnant and depressed market.

COPRA: On January 1st copra was steady at P4.00 per hundred kilos rescada. Light arrivals gradually firmed up the market to a point where buyers were willing to pay in cases up to P4.30 with provincial prices on an even

higher scale. Export markets were particularly good, and we know of sales made which would net dealers here over P4.50. This continued until about the 26th of the month when a proposal was made in the House of Representatives in Washington to place a duty of 5 cents per pound on all coconut oil, either in the form of copra or oil itself, put into consumption in the United States. This immediately caused American buyers to withdraw and while the mills here continued to buy to protect their customers, the market sagged off and was weak at P4.10 at the end of the month. Arrivals in Manila during January totaled 224,680 sacks and in Cebu 206,216 sacks. Both of these figures are approximately 60% of December totals and while Cebu receipts are 6,000 bags in excess of 1933, Manila ran behind nearly 18,000 sacks. The prospects were, however, that February arrivals would pick up and actually exceed 1933 deliveries.

Pacific Coast buyers were considerably interested in early shipment during the first half of the month. While the highest quotation available was 1.37-1/2 cents per pound, business was possible on direct shipments from outports and a fair volume was done out of Cebu as well. As soon as the excise tax came into the picture, buyers immediately withdrew and while nominal quotations of 1.30 cents were available at the end of the month there was little if any business passing.

The European copra market kept very well in line with the American market. European quotations at the beginning of the month were as high as £7.13.9 for F.M.M. c.i.f. European ports. This figure declined until at the end of the month buyers could not be found over £7.7.6. The reasons for this decline were first—the strengthening of the dollar in foreign exchange and with it the peso, second—import prohibitions placed on copra by the Spanish government, together with the threat of similar prohibitions by the French government and third—at the very end of the month the flattening out of the American market. Inasmuch as the greatest European market for copra is Marseilles, any restriction in this market will definitely effect the Philippines.

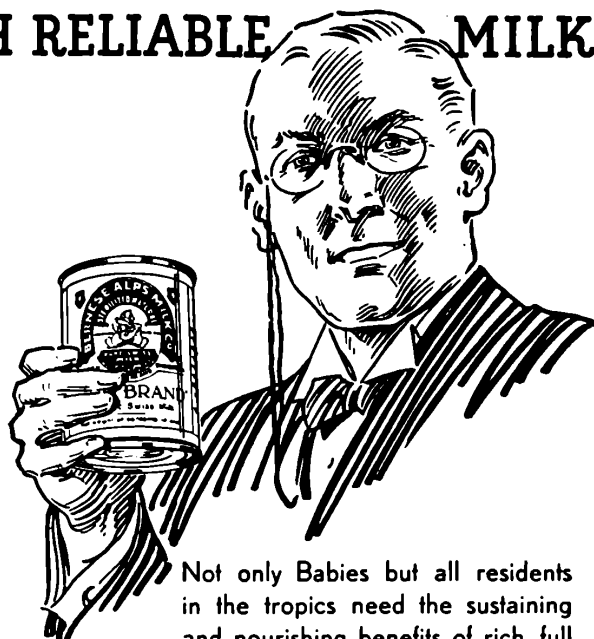
January shipments of copra totaled 21,500 tons of which over 13,000 tons went to the Pacific Coast, 5,400 tons to Europe, 2,000 tons to New Orleans and 500 tons each to the Atlantic Coast and to Japan. Cebu exports were unusually low totaling only 8,000 tons of this total, the balance being scattered among eleven different loading points. Manila stocks of copra on January first were approximately 67,000 tons, and with 23,000 tons more in Cebu, we may conservatively estimate that there was approximately 100,000 tons of copra on hand in the Islands at the end of January, a tremendous cushion.

COCONUT OIL: The oil market, coming into the first of the year, was quiet at 2-5/8 cents per pound c.i.f. New York with inquiry chiefly for position six months ahead. Enough interest developed to make it possible to sell April-May shipment at this price and all indications were that the market might advance one-eighth until the excise tax question came up which immediately put all buyers out of the market, where they remained at the end of the month. The Pacific market was a trifle better than the East Coast with business done up to 2-1/2 cents f.o.b. but this market also has now left us temporarily. In view of the heavy December shipments, January shipments were naturally curtailed totaling only 11,800 tons. Of this amount 8,300 tons was routed to the East Coast, 1,700 to the West Coast, 1,500 to the Gulf and the small balance to China. Mills were operating normally throughout the month to reduce copra stocks and at the end of January, with 20,000 tons of oil in Manila, oil stocks were for the first time slightly under those of a year ago.

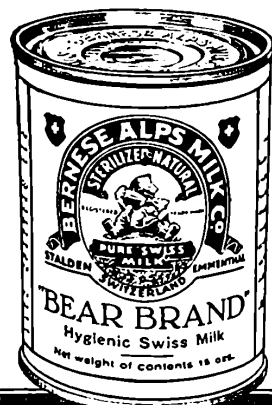
COPRA CAKE: Copra Cake was very quiet during the month. Some few sales were made on the basis of P18.30 f.o.b. Manila but in general sellers have nothing to sell for prompt shipment and buyers were not particularly interested in second quarter deliveries. Buyers would take June-August shipment but sellers were holding back. The Hamburg price ranged from \$18.00 to \$18.75, with prospects that there would not be much doing for the moment. Some little meal business was done with the United States at prices better than the above, but the demand was limited. Nearly 11,000 tons of cake and meal was shipped out during the month with over 9,000 of it destined for Europe.

DESICCATED COCONUT: The desiccated business was quiet but satisfactory during the month. Prices showed no change from December. Although not so very cheaply priced at this time, the American market does not have sufficient capacity to justify mills in operating heavily. Shipments for the month totaled just over 1,000 metric tons.

GENERAL: The future of copra and coconut oil was never so uncertain as on December 31st. The excise tax referred to several times above gives us a striking illustration of how dependent

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this industry is on American markets. If the tax as projected is actually put into effect, it may well mean a severe blow to the copra industry and practically a death blow to coconut oil. Copra will, of course, continue to flow to Europe under any conditions and a certain amount will have to go to the United States, but with the elimination of the greater part of our total present market, this will mean prices so low that it is difficult to see how the industry can exist and do business successfully. On the other hand, if the excise tax does not go on, business should react favorably, but it is to be expected that in some way or other, Philippine exports of oil and copra to the United States will have to be limited. We are very fortunate in having a Governor General who is actively interesting himself in this serious problem and doing all he can to save our business, if not in whole, at least in the greater part.

A Manila firm carrying an open account

with a correspondent in Germany acted as his agent in effecting the dispatch of purchases of copra cake in the Philippines to him, and on his account paid for this copra cake, the transactions necessarily running through the Manila firm's books. Actual sellers of this copra cake to the purchaser in Germany paid the merchant-sales tax here. This tax was also exacted from the agent-firm, Behn-Meyer & Co., who paid under protest and brought suit to recover. The trial court allowed them to recover, and the supreme court has now confirmed this decision holding that but one sale was involved in each transaction and that any profit the agent-firm made was not subject to the sales tax, there being no sale by them, but only to some other tax; for example, the income tax. The decision was penned by Associate Justice Antonio Villa-Real and subscribed by all the other members of the second division of the court: Chief Justice Ramon Avanceña, Associate Justices George A. Malcom, John A. Hull, and Carlos A. Imperial.

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(To be continued)

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