

- *Fluctuations of Copra prices and their corresponding underlying causes within the last two decades reviewed.*

# COPRA PRICE FLUCTUATION IN TWO DECADES (1921-1940)

**C**OPRA price fluctuations in two decades had affected in many ways and instances the modes of life in the leading coconut provinces. In the prosperous peaks and unusual bulges of the copra trade, possession of a few coconut groves was more than adequate for the sustenance of an average-sized family, with enough to spare for the luxuries of the modern world. During the lowest ebbs of the market, about a quarter of the populations of the country led a niggardly way of life, the vast majority clamoring for government aid and support. Hence, for those whose fortunes were made or whose life-long plantations were lost, the gyrations of the copra market during the 1921-1940 period provide an interesting chapter for retrospection.

The major trends of the copra market may be grouped, as follows: (1) That post war readjustment period of 1921-1925; (2) The steady decline from 1926 which culminated in the bearish days of 1934; (3) The abnormal bull of 1935-1937; and (4) The incidence of the present European War.

**The post war readjustment period of 1921-1925.—**

The declaration of armistice in Europe on November 11, 1919 brought a welter of readjustment problems to the economic world. Activities which were geared and set up to cope with the needs of the warring countries were hampered. Demand for materials vital to the ends and purposes of the war slackened. Prices of commodities the world over slumped as an aftermath. Factory hands were gradually laid off; unemployment problems arose everywhere, the situation being sooner aggravated by the return of soldiers from the battle front to their respective countries and later mustered out from active service.

Copra, which had been riding high while the 1914-1919 war was intensified with fury, toboganed at an accelerated pace. Coconut oil, too, was no exception and followed the general downward trend. A number of local oil mills were gradually shut down, some haunted with insolvency proceedings. Financial stringency became more felt. That was in 1920.

The slump in 1920 was carried over in 1921 oscillated between a high of ₱21.07 and a low of ₱14.04 per 100 kilos, Resecada basis, the annual average for the year being made at ₱16.95. This average was more than 50 per cent lower than the prices which prevailed during the war. Values in 1921 would have been lower were it not for the scarcity of free parcels at the closing months of the year. Some mills were caught short of supplies and

hence were compelled to pay better terms, the improvement in exchange rates and lower freight schedules to Europe being regarded as contributory factors which prevented further declines in values.

The year 1922 was no better. In fact, the annual average for 1922 was 5 centavos less than that for 1921. Day to day fluctuations of the market were narrow as the trend closely followed that of 1921. The interisland shipping strike of 1922 did not materially contribute to the enhancement of values, despite lower copra arrivals from the South. The American market was on the downward grade; ocean rates to the Pacific Coast were hiked from \$6.00 to \$7.00. Local mills were unable to work on the oil market profitably. Several Philippine oil mills were forced to withdraw from the market either by closing temporarily or by working on part time basis.

The year 1923-1925 marked a reversal of the trend in 1920-1922. The copra market reacted as the European outlets began to absorb enormous quantities. Heavy buying for Europe's account inflated prices, and as coconut oil in the United States gained strength, local oil mills were forced to move values above the parties in the consuming centers overseas.

As the foreign markets continued to offer substantial encouragements, price peaks were established in 1925. Resecada per 100 kilos averaged ₱23.12, the high for the same year being ₱26.34. The lowest price at which copra was traded in 1925 was ₱20.63.

**The steady decline from 1926 which culminated in the bearish days of 1934.—**

The years 1926-1934 witnessed gradual yet unprecedented declines in the copra market. From one year to the other, average prices hit lower marks, culminating finally in 1934 when Resecada average price dipped to as low as ₱4.28. Disappointing were the factors that intervened and influenced the slide in values.

Large arrivals of copra in 1926 weighed heavily on the market. Offerings outstripped the demand by a wide margin as the American market fell off. Average prices in 1926 netted a 2-peso loss compared with the preceding year. The highs and lows in 1926 were beginning to dishearten the copra traders. The market at its best could do no better than ₱25.91, Resecada basis, the lowest price for the same year slipping to ₱17.39.

The situation turned from bad to worse in 1927-1928. Large stocks of fats and oils in the United States were more conservative in their commitments. There was less demand from the soap kettle. Local

copra production was more than abundant, despite the insufficiency of rainfall in 1928.

The unsettled position of the oil market became more acute in 1929. Heavy sales of palm kernel oil at lower prices depreciated other oils. Exportation of copra from Philippine outports were abandoned. Wall Street finally crashed in October, 1929. Stocks and securities fell off violently, casting a pall over the markets throughout the world. The slogans "a chicken in every pot" and "two cars in every garage" which catapulted Herbert Hoover to the Presidency faded away as "breadlines" were formed throughout industrial America. Copra prices slipped in succession. The 1928 average at ₱19.69 gave way to ₱16.65 in 1929 for a further loss of about three pesos.

Uncertainty of tariff legislation in the United States in 1930 made American buyers hesitant. Stocks of fats and oils were fairly heavy for the depressed business condition everywhere. And as oil seeds and oils both in London and the United States receded in endless procession, heavy selling pressure in the foreign markets steadily pulled down the price of F. M. M. Drastic cuts were effected locally in the price of copra, coconut oil, cake and meal. The 1929 average was penetrated, 1930 annual average falling off to ₱13.59. The highs and lows for 1930 were recorded at ₱16.60 and 10.67, respectively.

Pessimism still prevailed in 1931 as the local market continued to struggle against the force of the depression. Demand for copra and coconut oil in the United States was still negligible. Coconut oil receded sharply as attempts to get business failed in most instances. Supply of whale oil and tallow was enormous. London traced a downward curve, the fall of the pound sterling giving an unsettling effect to the market. While local mills bought sparingly, many a producer lost hopes when copra changed hands as low as ₱5.13, the best done during the year being ₱10.67, Resecada basis. The average price for 1931 was ₱7.78, which was barely half of the annual average ten years earlier.

Coconut oil made on hearway in 1932 either in price or volume. Exports of copra and coconut oil dropped abruptly. In fact Philippine copra exports in 1932 totalled only 136,078 metric tons, the lowest made since 1921. Coconut oil shipments also declined to 113,614 metric tons or about a decrease of 30.51 per cent as against 1931. Important buyers overseas were aloof. America presented no encouraging aspect, while London was quiet and uninterested.

The United States market was still in the doldrums in 1933. Exports of copra were heavier but at no price advantage. The slight recovery in the shipments of coconut oil placed one difficulty after another in moving coconut oil at profitable terms. Support was lacking in the price movements of other fats and oils. London market fluctuations were sharp due to the rates of exchange. Prices locally drifted to lower levels, the annual average being made at ₱5.02, or about ₱1.50 less than that of 1932,

New lows were touched at ₱4.00, while prospects continued dim.

A hostile American congress despressed the market in 1934. The levy of a 3-cent excise tax on coconut oil coming from the Philippines produced a telling effect on copra prices until a little over the mid-year. Resecada in July was scrapping bottom at ₱3.30 and then improved in the last quarter as a severe drought penalized continental United States. Tapering supplies at the closing months of the year steadied the market. The destructive typhoons of October and November, 1934 curtailed production and in the struggle to have copra, Resecada leaped to ₱7.20, the average for the year being made at ₱4.28.

#### The abnormal bull of 1935-1937.—

The pendulum swung back and extra-ordinary appreciations in values transpired in 1935-1937. The severe droughts in the United States, accentuated by crop failures in other parts of the world, lifted copra and coconut oil prices, aided materially by the low production locally which reflected the effects of the 1934 typhoons. Shortage of fats and oils in the United States was felt.

In 1935 Resecada's annual average was more than twice of the previous year. The scarcity of local supplies was so acute that local mills had to import about 3,000 tons of copra from the Dutch East Indies. Buying activity on the part of local de-siccators lent support to the copra market.

Local prices scored advances in swift succession as the United States Congress failed to act on the Kleberg Bill which proposed a 10-cent tax on margarine containing non-domestic oils, but passed a compensatory tax on free fatty acids. Threats of a major war in Europe reflected the oscillations of London.

Shortage of edible fats and oils in America in 1936 made itself felt with increasing stringency. Relief, bonus money, and increased wages enhanced the purchasing power of the American people and recovery made a rapid pace. Sustained demand from Europe augmented the deficiency of edible fats and oils in America. High prices were maintained locally as the market featured a continuous dearth of offerings. The Bailey amendments which placed excise taxes on oils theretofore exempt exerted bullish influences. Average prices made further upward strides. Resecada was traded as high as ₱20.50 in 1936, the lowest being ₱7.00, which was still higher than the lows of the previous five years.

The shortage of edible fats and oils were still felt at the beginning of 1937 and the Pacific Coast shipping strike enhanced the scarcity of coconut oil in the United States. Prices of copra and coconut oil early in the year went beyond the levels, of competing oils. Resecada was successfully sold as high as ₱23.00.

Under the stimulus of high prices at the beginning of 1937, increased plantings of oil seeds throughout the world set in. This resulted in larger exportable surpluses in the producing centers. The United States alone produced record crops of cot-

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tonseed and soyabeans, which later influenced copra price movements at the close of the year in the face of obscure international situation and legislative uncertainties in the United States.

Europe in the meanwhile remained uncompetitive, being more pre-occupied with the tense political atmosphere. Shortage of space to the Mediterranean ports made it difficult to market F. M. M. in Europe. Periodic increases in ocean rates to European points entailed the necessity of selling Philippine copra and coconut oil in the United States.

The inability of the American market during the last quarter of the year to absorb Philippine offerings except at declining prices in view of the abundance of domestic fats and oils depressed the copra market. Values locally dropped, hastened further by the general political uncertainties in the United States. The Sino-Japanese conflict in China generated a slight influence over the market. Resecada averaged ₱12.93.

**The incidence of the present war**

The sharp break of the American commodity and security prices scared away oil buyers in 1938. Europe sympathized with the decline. The meal and cake market was deteriorated, while the fundamental aspects of the fats and oils situation over America remained weak. Copra prices fell off. Average values suffered abruptly. 1938 annual average was less than half of 1937 as it staggered to ₱6.02. The best price obtainable for that year was ₱8.25, while trading was made as low as ₱5.00.

European support was lost in 1939, while coconut oil in the United States labored under the influence of surpluses of fats and oils. As the European tension tightened, the London market was disturbed, accompanied by the violent drop of the pound sterling. The minor ups and flurries in 1939 were the results of speculative activities which swept the markets everywhere as war broke out in September. No sooner, however, the wave of speculation died away as large buyers failed to respond. Shipping losses mounted and gradually bottoms became scarce. War risks and marine insurance rates were revised upwards; freight schedules hiked. With London closed due to the war, the United States remained as the only outlet of our coconut products. But as the American market writhed under a plethora of various fats and oils, Resecada average price for the year dropped to ₱5.87.

The year 1940 was the darkest period of the copra trade. Allied reverses in France as well as the invasion of the Low countries and the successful closure of the Scandinavian area constituted direct blows to the industry. Normal outlets of cake and meal were barred, plugged. Large quantities of feedstuffs glutted the American market. Huge stocks of lard unsettled the entire fats and oils situation in the United States. Space situations became more stringent. Freight schedules suffered further revisions.

The intensification of war in Europe failed to

boost copra and coconut oil prices. The trend of prices was quite the contrary of that which prevailed during the first world war. Large American buyers were withdrawn. The related markets were inactive. Copra touched unprecedented record lows. At no time in the entire history of the trade was the condition of the market so drepressed. Resecada moved to levels lower than those of the bearish days of 1934. Quotations were as low as ₱2.50 per 100 kilos. People in the provinces, in certain cases, gave their coconuts to the hogs, instead of making copra. There were even instances recorded where the people in remote barrios of coconut provinces failed to have three square meals. Resecada in 1940 averaged ₱3.87 as day-to-day price variations hit starvation levels. In fact, coconut growers almost lost their shirts in 1940, and not a few threw up their hands in despair. The 1940 prices were the lowest on record.

The fluctuations of the copra market during the last twenty years should teach coconut planters one lesson: They should not be dependent on copra alone. Copra and coconut oil are sold largely in the world's markets. Prices are governed by factors over which we have no control. A legislative fiat cannot stabilize the price of export commodities such as copra and coconut oil. Hence, the need for the utilization of all the by-products of the coconut industry. There is more money in these by-products. The manufacture and use of these coconut by-products, under the guidance and direction of the National Coconut Corporation, constitute nothing but a short tail of the copra industry at present.

YEAR	COPRA PRICES, RESECADÁ PER 100 KILOS (*)		
	ANNUAL average	HIGHS	LOWS
1921	₱16.95	₱21.07	₱14.04
1922	16.90	19.75	15.36
1923	19.17	22.83	16.67
1924	20.40	23.71	18.22
1925	23.12	26.34	20.63
1926	21.52	25.91	17.39
1927	19.73	20.55	18.18
1928	19.69	20.94	17.78
1929	16.65	19.36	14.62
1930	13.59	16.60	10.67
1931	7.78	10.67	5.13
1932	6.44	7.80	5.40
1933	5.02	5.90	4.00
1934	4.22	7.20	3.30
1935	8.89	13.50	6.00
1936	10.78	20.50	7.00
1937	12.93	23.00	7.00
1938	6.02	8.25	5.00
1939	5.87	8.25	4.80
1940	3.87	6.00	2.50

(x) Prices from 1921 to 1931 were adjusted to conform to Resecada basis per 100 kilos.