

Copra and Coconut Oil

March 16 to April 15

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DURING the period from March 16 to April 15, the copra market was maintained rather firm. There developed an almost continuous demand for nearby shipments both to the United States and Europe, and this had a tendency to maintain local prices on a much firmer basis than would have been the case otherwise. There was practically no forward-buying interest for the United States.

United States buyers' ideas at the opening of this period were \$285 c.i.f. for shipments during April/May, although before the 20th of March, sales were recorded at \$295 c.i.f. Pacific coast, for prompt shipment. Immediately after this nearby demand was filled, the market receded somewhat, but again during the last week of March, it firmed up, although, as a result of the inactivity brought about by the Easter Holidays, the market again receded slightly and by the end of March buyer's ideas were \$285 c.i.f. with some selling interest at \$290 c.i.f.

At this stage, competing oils and fats firmed up to some extent and copra improved slightly. Subsequently, on indications of renewed interest from Europe, the market gradually appreciated, with very little business passing, but just before the close of the period, sales for nearby shipment were recorded at as high as \$315 c.i.f. Pacific coast, and while the bulk of sellers were asking \$320 c.i.f., it was felt that this price was not obtainable and that even \$315 c.i.f. (approximately equivalent to \$329 f.o.b.) was only obtainable for spot or prompt shipment.

There seemed to be no other interest for Europe during the second half of March, except that manifested by the Commodity Credit Corporation which indicated its ideas at \$295 f.o.b. for May/June shipment; at this price approximately 7,000 tons were sold. Subsequently, additional buying-interest was shown by CCC, but sellers' ideas having firmed up somewhat, it was reliably reported that CCC bought at \$300 and subsequently at \$302.50, purchasing a total of 12,500 tons, all for France.

Several exporters who had previously sold short to Europe in expectation of lower prices, found difficulty in getting ready sellers for nearby positions at their ideas of price, and during the first half of April after business had been recorded at \$320 and \$325, additional sales were reported at \$330 f.o.b. which makes the highest point for this period.

While considering the relatively small supplies available, and it can be said that a fair amount of business was transacted during the period under review, it must be realized that between 30 and 40% of the sales were made for forward positions. It is also reported that with sales made for nearby shipment, the old carry-over by exporters has been materially depleted and that the pinch of small production will be felt more acutely in the near future.

Prices in Manila during this period were maintained at higher than export equivalent and, as a result of the keen competition brought about by the activities of desiccated-coconut mills, Manila copra arrivals have been negligible to the point that it is anticipated that at least three of the present four operating Manila mills will have to shut down in the near future, for an indefinite period, as a result of lack of stocks.

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It must be pointed out that the coconut-oil market is still being maintained at a level higher than that of competing oils and fats, hence the reluctance on the part of the large oil buyers in the United States to follow our market and the reason why a majority of purchases made by United States mills were restricted to fill old commitments.

The copra market at the close remains steady, with sellers confident that higher prices are in the offing. This belief is based entirely on the supply-and-demand situation. On the other hand, it is reiterated that the soap business remains disappointing and inventories of the finished products are said to be unusually large, which is not conducive to aggressive buying of coconut oil by soapers and which doubtless is a restraining factor in what otherwise would be a runaway market. The extremely low price of tallow has been another deterrent to coconut-oil buyers, but sellers' optimism knows no bounds, and, in anticipation of United States Government purchases for European nations, sellers continue buying at primary sources at prices which are hardly warranted by the present outlook.

Exports of copra for the month of March totalled 52,838 tons, of which approximately 40% went to the Pacific Coast, 12% to Gulf ports, 46% to Europe, and the rest to Canada. In contrast, during March, 1947, copra shipments from the Philippines totalled 90,499 long tons, or almost 80% over this year's exports.

During this period, coconut-oil prices consistently lagged behind copra equivalents. Nevertheless, there was more interest in coconut oil, chiefly by United States edible buyers, and prices advanced from 22¢ per pound f.o.b. Coast to as high as 24-1/2¢, as the period ended. Buying interest was restricted, and mainly for spot, although a few tanks were sold early in April for June ship-

ment, at a slight discount. Large soapers were generally out of the market, finding tallow more reasonable, but a small amount of Philippine oil was sold to the East Coast at 24 1/2¢ and 25¢ c.i.f. At no time was it possible to sell oil and buy copra to cover on a break-even basis. Coast mills were finding it difficult to operate, and it was reported that some of them planned to shut down, pending a more reasonable relationship between copra and oil prices.

Local oil was in slow demand, and what business there was, passed at between P1 and P1.05 a kilo.

It was almost impossible to sell copra-cake, because of the scarcity of dollars in Europe. A very small amount of business was done on the basis of \$100 c.i.f. Europe, or, say, \$67 f.o.b. Manila. Sellers were looking toward the possibility of shipping to the American market, which indicated a price of around \$80 per short ton c.i.f. At the same time, it was rumored that American mills, in turn, were long on meal and thinking about shipping to Europe if they could find dollar buyers.

At the close of the period, the local markets were extremely firm, with sellers of the opinion that the local shortage of copra and the potential European demand would force prices to higher levels. At the same time, it was clearly evident that copra was far and away too high-priced in relation to other domestic fats, which meant that coconut oil would be disregarded as far as possible in the American market, and that the only real strength, whether supplies be inadequate or plentiful, must come from Europe. Whether this potential demand could be controlled price-wise, was one of the big question marks. Meanwhile, all indications pointed toward continued violent fluctuations, based on the struggle between a bearish American market, and a very bullish potential European demand.



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