VENTURE CAPITAL along with good engineering in the *selection* of promising mining prospects, created the mushroom growth and brought a new major industry into being. That was what unlocked nature's vaults and brought to light the prospects which later became producing mines.

Today, we have lost that combination. There is no VENTURE MONEY, consequently, nature's vaults remain locked.

Lumber

By Luis J. Reyes

Philippine Representative, Penrod, Jurden & Clark Company

LAST month we reported the passage in Congress of H. B. No. 2816 and H. B. No. 2818, the former setting aside ₱400,000 for taking an inventory of our forest resources, the latter amending Section 1833 of the Revised Administrative Code concerning licenses for cutting timber for mining purposes. Both bills were vetoed by President Quirino. In the opinion of the writer, H. B. No. 2816 was a wise piece of legislation that would have enabled the Government to develop a more comprehensive system of timber administration with the aim of protecting future timber supply. H. B. No. 2818 was intended to clarify certain provisions of the Revised Administrative Code. As it is, mining companies are privileged to cut timber from public forests free of charge even after development work has ended and production started, a privilege not enjoyed by any other industry, not even by the lumber companies, which pay for all timber used in their operations from the time licenses are issued to them.

Exports for the month of May amounted to 3,114,857 bd. ft., as compared to 2,540,725 bd. ft. for the previous month. Most of these exports, as usual, consisted of Philippine mahogany (tanguile and red and white lauan) of which 59% was sawn lumber, the rest round veneer logs. The May exports included some 250,000 bd. ft. of dao. The United States took about 70% of our exports, the rest went to South Africa, Canada, Hongkong, China, Japan, Formosa, Netherlands East Indies, and Belgium.

Prices ranged from about $100 to $130 for the Common grades, f.o.b. Philippine ports, up to $140 to $170 for FAS and CLEARS. These prices are the lowest since liberation and seem to have reached a point when local producers will no longer consider it profitable to cut lumber for export. The quality of export stock is much higher than that sold in the local markets, and not only is export stock given an allowance of 1/8 of an inch for every inch of thickness, but it must also be 60 days dry before shipment is allowed. The records of mills cutting for export show that only from 25% to 35% of their production is of the grade suitable for export. In spite of the low prices, however, the demand in the United States continues sluggish. Importers continue to be cautious and, lately, reports have been received from the United States to the effect that a shipment of Philippine mahogany was sold at $40 below the current market price, to the consternation of all Philippine exporters! However, most producers anticipate a bigger demand and believe that the present condition is the result of the general business recession.

Philippine producers realize the need of greater and more vigorous efforts to re-introduce woods in the United States market. Among the measures to be taken is the placing of more advertising in lumber and trade journals. As a preliminary move, two of the older and larger associations have amalgamated and have adopted the name, Philippine Lumber Producers' Association, the members of which are responsible for about 85% of all lumber produced in the Philippines. The new Board of Directors of the Association are Antonio de las Alas, President; H. C. Pope, First Vice-President; Carlos Fernandez, Second Vice-President; A. W. Robertson and Tomas Morato, Directors, and Luis J. Reyes and Manuel Diaz, alternates.

IN the local market, wholesale prices were reported at ₱137 to ₱140 per M for white lauan and apitong, and ₱150 to ₱160 for tanguile and red lauans. At these prices, only those mills advantageously located and efficiently managed can hope to make a margin of profit. Some producers operating under less advantageous circumstances find it impossible to compete in Manila and other bigger markets and prefer to send their product to smaller centers of population.

Reports coming from Korea state that the price quoted by the winning bidder in a tender under SCAP for about 4,000 cubic meters of red and white lauans was $71.00 c.i.f., Fusan, Korea. This is $3.50 higher than the price of the logs sold to Japan earlier this year.

On June 9, 1949, President Quirino issued Executive Order No. 221, lifting the ban on exports. This means that anybody may now export timber anywhere, the only requirement being that the quality and grade must be certified by the Government through the Bureau of Forestry. In other words, all timber exported from the Philippines must be under a Certificate of Inspection of the Bureau of Forestry.

Copra and Coconut Oil

By Manuel Igual

General Manager, El Dorado Trading Company, Inc.

and Kenneth B. Day

President, Philippine Refining Company, Inc.

May 16 to June 15, 1949

WE left the last period with buyers gradually backing away from copra at $175 c.i.f.P.C. and $170 f.o.b., all for nearby shipment. Sellers were offering sparingly at about $5 higher, but were playing safe anticipating light supplies in June. The feeling among sellers was that until the heavier crops of July there might be a tight position for prompt deliveries, thus maintaining or improving prices.

Unfortunately, however, demand for oil and consequently for copra slacked off alarmingly. While prices maintained fair levels until nearly the end of May, copra was unable to stand the pressure of increasing surpluses of domestic oils and fats in the United States plus prospects for bumper crops this year, and the record of the first half of June is one of steady decline to the point where by June 15 copra could not be sold for better than $140 c.i.f.P.C. with sellers as usual asking $5 more. In spite of the fact that supplies actually were light, there was nothing to hold the market up, for European buyers were not interested in Philippine copra, and European business was chiefly confined to speculators covering in earlier commitments.

Thus in one month we have a 20% drop in prices, a truly serious matter for the Philippine economy. Sellers for once were not generally caught long, and most of them sold sparingly on the decline and tried to keep in a slightly oversold position. For while hopes of reaction were real, sellers had lost much of their confidence.

Nearly all the trading, which was on the whole desultory, was for immediate or early shipment, and what few future sales there were did not reach beyond mid-July. It was generally felt that July forward copra would sell on a further declining market. Producers tried to stall the tendency by holding off harvesting nuts and making copra, but it was recognized that this can be but a temporary expedient. All in all as the period ended, the outlook was extremely discouraging.

WHAT is the trouble with Philippine copra and oil? Immediately after the war, the world was starved for fats, and the Philippine copra crop, largely through the efforts of the Copra Export Management Corporation, was the first large fat supply to be rehabilitated. Thus our copra commanded unheard of prices, for everybody needed it. Times have changed, and more quickly than anticipated. Successive bumper crops in the United States, the rehabilitation of the Dutch East Indies, the French colonies, and British commonwealth nations, good whale catches, as well as other factors, have brought the world to a point where American supplies of oils and fats are actually greater than pre-war. Europe alone is still below 1941 levels. But Europe is short of dollars, and is depending more and more on supplies from within the sterling bloc. The Philippines can only sell in dollars, and its customers are therefore limited. Consequently, it must rely on the American market where coconut oil is still selling at 5 cents a pound, excise-tax paid, above cottonseed and soya oils and 10 cents a pound over tallow, which can largely substitute for coconut oil. Therefore, users of coconut oil are buying minimum quantities and awaiting the day when coconut oil prices are what they consider reasonable, and more in line with competing fats. When that time comes, demand for copra and coconut oil will increase sharply, but there is a considerable and rough road ahead before then. Meanwhile, the current price-recession in the United States is a contributing factor toward lower prices.

Under these conditions copra prices must depend on the oil market, and during our period oil declined, even for prompt delivery, from 14½ cents f.o.b.P.C. to 12-3/4 cents, with futures selling down to 10-1/2 cents and 11 cents for August delivery. But there is very little oil in the United States today, and consequently buyers, even on a hand-to-mouth basis, have had to cover immediate requirements with tank-car purchases at premium prices, there being sometimes a spread of 4 cents between spot and future quotations. This is an abnormal state of affairs and results only from the scarcity of spot stocks. Philippine mills are generally unable to take advantage of spot sales, but must sell bulk tanks for future delivery. But Philippine mills did sell fair quantities of oil for July and early August arrivals at fair but not particularly profitable prices.

LOCAL markets held fairly firm for copra at about ₱32 until the end of May. In June, however, both Manila and Cebu prices gradually sank to about a ₱26 level by the 15th. There was rather more copra available than expected in the Manila area, due to less consumption by desiccators, but the Cebu district remained short, as predicted.

For the first time this year, exports of copra in May were greater than the corresponding 1948 month, to totaling 59,604 tons as contrasted with 42,836 in May, 1948, and distributed as follows:

United States		
Pacific Coast	27,813	
Atlantic Coast	1,679	
Gulf Coast	3,803	
Total	33,295	
Japan		500
Europe		20,850
Africa		4,504
Balboa		455
Grand total—		54,604 tons

Exports of coconut oil totalled 7,716 tons as contrasted with 2,106 tons in May, 1948, the distribution being as follows:

United States	
Pacific Coast	297
Atlantic Coast	5,801
Europe	1,115
Africa	503
Total	7,716 tons

Copra cake and meal remained steady during the period at $54-55 c.i.f.P.C. and $36-37.50 f.o.b. for Europe. Some small buying interest for Denmark was in evidence as the period closed, particularly for July shipment, but indications from the United States pointed to, if anything, an easier market.

Although the immediate market is undeniably narrow, and subject to reaction on the slightest pressure, if there are any signs in evidence pointing to better prices for copra during the third quarter, they are well hid at present. As long as American buyers are in the driver's seat, and as long as coconut oil is out of step with tallow and other oils in American markets, it will be hard to move the Philippine crop without serious prices concessions. Undeniably, cottonseed, soya, and tallow are very cheap. But the tallow production is nearly twice pre-war and these other oils are substantially above any previously known levels. Thus, while these oils and fats may advance, the chances for a decline in coconut oil are better. But, as we have seen so many times, markets these days are not governed by logic alone, and it is still highly possible that wholly unanticipated factors may come in, and completely upset the present pessimistic outlook. For the good of Philippine economy, this is something to be hoped for.

ON June 13 the copra and coconut oil industries lost one of its most stalwart and experienced friends in the death of Earle A. Seidenspinner, formerly of the Visayan Refining Company, the Copra Milling Corporation, and the Philippine Refining Company of the Philippines, and in late years, President of El Dorado Oil Works of San Francisco. He will be missed by a great many of us out here, who have known him and dealt with him for over 30 years.

Desiccated Coconut

BY HOWARD R. HICK
President and General Manager
Peter Paul Philippine Corporation

THIS report covers the period from May 15 to June 15, during which time copra reached the lowest values since late 1946. This reflects a healthy market condition in that copra is now following fats and oils all over the world.

The raw-nut market followed copra steadily and supplies remained quite plentiful, which aided the market decline. Contractors and planters made efforts to resist the falling market, but they have had to be satisfied with present prices, which, while not lucrative, do provide fair profits and have taken them out of the profiteering class.

These new low prices in copra and raw-nuts will certainly affect the economy of the Philippines, and