President Quirino of the Philippines received the first case of Camay Soap. Inasmuch as the President was convalescing in Washington, D.C., this first case of Camay Soap was flown via the Philippine Air Lines to the President. The President immediately wired back to Philippine Manufacturing Company his congratulations for its outstanding achievement in quality and mass production.

The PMC plant has had many visitors from all walks of life, including prominent business men, legislators, and most recently, the Seattle Chamber of Commerce delegation.

F. N. Berry, PMC Vice-President and General Manager, who has spent the major part of his life in the Philippines guiding the destiny of PMC, has recently announced another pioneering move in the form of an employees' pension plan. This pension plan is one more stone in the solid foundation of PMC-employee relationships. PMC employees work enthusiastically toward helping the Philippine Manufacturing Company to maintain its lead as the largest manufacturer of edible oil products and soap in the Far East.

Purico Shortening has been the backbone of the company's business. Since its establishment in 1913, the company has steadily expanded its line of products and volume, except for the war period when its plant was totally destroyed. Its rehabilitation, started in late 1945, and its continued expansion have kept the growth-curve headed upward continuously. The activity of PMC is an already established part of the Philippine industrialization program.

Possibilities for Export of Finished Coconut-Oil Products

LOCALLY produced copra (dried coconut meat from which coconut oil is extracted) is by far the principal raw material used for the Philippine production of soap, shortening, margarine, and refined edible oil. Other items such as hardening oil, resin, caustic soda, and part of the packaging supplies, all of which must necessarily be imported, are a quite small part of the finished-goods cost compared with copra. Thus, the soap and edible oil-products industry is truly a vital factor in any national self-sufficiency program.

It should be noted that edible-oil products made from coconut oil, a vegetable oil, are especially appetizing and overcome some of the difficulties inherent in similar products made from animal fats and oils. In particular, Philippine margarine appears to be much more delicious as a table spread than margarine known to other countries.

There would be many more opportunities to *export* large quantities of these coconut-oil products, were it not for these reasons:—

1. Inter-country trade barriers and restrictions.
2. Widespread lack of dollar exchange.
3. Current high cost of crude coconut oil compared with the cost of tallow, soybean oil, cottonseed oil, and other fats and oils used in competitive products manufactured in other countries.

In the Philippines right now is enough plant capacity—

1. To supply the current per-capita consumption of fats and soap in the Philippines, and
2. To provide substantial quantities of finished products for export.

Local producers want to export, but most countries in the sterling bloc or in countries short of dollar exchange, greatly restrict or prohibit importation of these products from dollar areas, since they have other sources and agreements.

The few countries remaining that can still turn up dollar exchange, find our edible and soap coconut-oil products a luxury as compared with exports from the United States, for example. The reason is simple. The raw materials are a very large part of the entire product-cost. Current quotations in U. S. cents are: Coconut oil 13-1/2¢ (not including 3 U. S. ¢ processing tax), cottonseed oil 12-3/8¢, soybean oil 12¢, lard 9-5/8¢, as edible raw materials, while for soap you can compare coconut oil 13-1/2¢ (not including 3 U.S. ¢ processing tax) and tallow at 6-1/2¢. Some coconut-oil products can command a slight premium, but the spread cannot be that large and still turn up volume export business. In addition, the differential ocean freight costs from the Philippines to many countries widen the gap even more.

Why is coconut oil currently priced so much higher than other fats and oils? Because world demand exceeds world supply for this particular oil. And why is that?

1. War-torn supply areas have not been completely rehabilitated.
2. Some of our own areas were given a bad setback by typhoons and disease in 1947, and have not fully recovered.
3. Apparently some producers and laborers are satisfied to produce less than maximum, as demonstrated by prolonged holidays, absenteeism, held-back production for market-strengthening purposes, and some lack of cultivation and replacement (plus some premature or post-mature picking of nuts).
4. The marketing channels are sometimes complicated.
5. The increase in demand for desiccated coconut has resulted in a situation where it is necessary for desiccated-coconut plants to go after nearby nut production aggressively and they are sometimes forced to reach out to remote parts of the Philippines. This means that both local edible-oil products manufacturers and desiccated-coconut plants are in stiffer competition for supplies than previously.
6. In a few instances, dissident activities have held up production and marketing.
7. While many pre-war foreign coconut-oil users have found substitutes and other sources of supply, it seems that new coconut-oil uses have been developed and new markets have appeared to soak up the decrease of demand from pre-war users.

How does this affect the Philippine economy?

The coconut export industry is of tremendous proportions. In 1949 it is estimated that over $130,000,000 was turned up by this industry as a result of exporting copra, crude coconut oil, desiccated coconut, and copra cake. On a copra-equivalent basis, these exports amount to approximately 750,000 long tons.

How does this affect the local manufacturer?

1. Since more than 85% of the copra made is exported as copra or crude coconut oil, the cost of raw material to Philippine manufacturers of edible oil-products and soap is governed by the whims of the world copra and coconut-oil market (which is currently relatively high). Not only does the situation force up export prices, but it also keeps local costs high.

2. In addition to the 10 or more large edible oil-products manufacturers, there are many "backyard" soap factories and small oil producers that go in and out of business monthly. They operate when the price of copra is low and stop when it gets higher.

The obvious answer to this supply problem is—

1. More production of copra and improvement of quality. Any decrease of price, without increased prodution, will turn up less total dollars of foreign exchange; and
2. Streamlining of marketing channels.

Improvement of these two factors should result in—

1. Lower prices for Filipino consumers of edible oil-products and soap.
2. More opportunity for Philippine manufacturers to compete in the world market for both crude and finished products—expanded exports.
3. Less incentive for present world users of coconut oil to search for substitutes and other sources of supplies.
4. More solid foundation for future maintenance of this important foreign-exchange producing industry.