

# The Excise Tax on Coconut Oil

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A GOOD deal of confusion exists regarding the excise or processing tax on coconut oil, the repeal of which has been unsuccessfully sought recently by the Philippine Government and entities interested in copra and coconut oil both here and in the United States. Let us try to explain the matter briefly.

This excise tax was imposed by Congress in 1934 as a protection to American farmers who felt that prices for their crops, their dairy products, and their tallow were menaced by low-cost imports of foreign oils, particularly coconut oil. The tax is 3¢ per pound on oil imported as such or on the coconut-oil content of copra figured at 63%. As a protection to the Philippines, this tax was made 5¢ on all oil imported from countries other than the Philippines. However, the Philippines still being United States territory, the sums collected in this manner were returned to the Philippine Treasury for Philippine Government expenses, but were expressly not to be used to subsidize the copra industry.

With the independence of the Philippines in 1946, the return of excise-tax collections ceased. The Philippine Trade Act of 1946, however, provides for a continuance of the 3¢ tax and the 2¢ preference until 1974. That is where we stand today.

Meanwhile agricultural prices have advanced the world over and the American farmer no longer needs to fear competition from Philippine imports of coconut oil, for he has the full support of his Government. Margarine is no longer made from coconut oil, but from American-grown cottonseed- and soya oil. Only the tallow renderers object to coconut oil, and they, we feel, merely from failing to understand that coconut oil complements rather than competes with their sales of inedible tallow. And so coconut oil is no longer feared; in fact it is welcomed in sufficient quantities to fill the needs for which it is peculiarly valuable.

But fuller use of coconut oil is hampered by the excise tax which automatically adds 3¢ per pound, \$67.20 per

ton, to its cost. Without this tax, it would be more in demand, which is particularly important in these days, when detergents are biting so severely into the American soap business, the largest users of coconut oil.

Consequently efforts have been made to have the 3¢ tax abolished. It has outlived its usefulness, it is no longer needed, and it returns no money to the Philippine Government. A simple amendment to the "Customs Simplification Act of 1951" would have turned the trick. But this amendment was ruled out of order as not being germane to the Bill. Special legislation has been suggested, and it is felt such legislation might have the support of, and certainly no opposition from, various departments of the United States Government, as well as some of the interests which used to oppose us so bitterly.

The Customs Simplification Act (Bill) of 1951, as approved by the Ways and Means Committee of the House, (H.R. 5505) calls for the conversion of processing taxes to duties. To comply with the Philippine Trade Act, these duties would be considered as internal taxes until 1974. From the Philippine viewpoint, while making no increase in the tax, this change is undesirable. Therefore the Government is working to have the provision rescinded when this Bill comes to vote. But the real solution of course is to get entirely rid of the 3¢ tax once and for all.

It is estimated that between \$15,000,000 and \$20,000,000 annually is at stake in excise-tax collections. If the tax could be abolished, it should mean cheaper coconut oil for the buyer, resulting in more demand, higher prices for the copra producer, resulting in better incomes, and more dollar exchange for the Government. On this basis the Philippines has nothing to lose and much to gain. Continued pressure for the proposal and passage of acceptable legislation in the next session of Congress would seem to be clearly indicated as in the best interests of an improving Philippine economy. The ground work is already laid.

## Land Reform\*

By WILLARD L. THORP

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IN all probability, there have never before been so many dissatisfied people in the world. This is not because there is more starvation, more pain, or more misery than at other times. The facts are quite to the contrary. The rising discontent is rather because of knowledge—the increased knowledge of how other people live. When people lived in isolated communities, completely ignorant of the world beyond the horizon, they had only local standards of comparison. But today, they have information, and misinformation, about the delights of distant green pastures. This becomes the basis of resentment against their lives and their surroundings. The resulting discontent is responsible for much of today's political instability and economic unrest.

The answer lies in large part in further increasing the flow of knowledge. If greater knowledge has contributed to the creation of discontent, it can also be an instrument for dealing with it. The discontent also creates an opportunity. Periods of complacency are never periods of progress. Given a desire for improvement, streams of knowledge can flow back to these people in many countries, and they can benefit from the experience of others who have made greater progress.

In this general context, no one can possibly over-state the importance of the problems which you have come to Madison to consider, those relating to land and the people on the land. You will be talking about two-thirds of the world's population. There are many countries where more than three-fourths of the people are on the land. In no country can their problems and attitudes be disregarded. In many countries, the future will depend in large part on their future. This

conference, and each of you individually, can contribute greatly to the development and flow of knowledge so essential to the process of economic and social betterment.

There are tremendous differences in the lives and productivity of the people on the land, throughout the world. Let me describe the kind of situation which presents the greatest problems. Let us consider a farmer who has to support his family of six on the produce of less than two acres. He does not own the land. He rents it from an absentee landlord who takes two-thirds of the crop for rent. He has no security of tenure. He doesn't know how long he can work on this farm. Another tenant may come along next year and offer even higher rent. This farmer has had to borrow money from a professional money-lender. He pays 40% interest and his debt is bigger now than it was a year ago. He has friends who pay 60% interest—one who borrows at 80%.

This farmer of ours is tired and discouraged. He has to farm on worn-out soil with the most primitive tools. He can never allow any land to be fallow, and he has never even heard of commercial fertilizer. He uses seed saved from his own crop of the year before. His two acres are divided into three plots, all widely scattered. It takes him almost two hours to go from his home to the nearest plot. That part of his crop which he sells he takes to market on the back of a donkey. And when he gets it to market, he must take whatever price is offered—he has no method of storage.

\*Opening address, Conference on World Land Tenure Problems, University of Wisconsin, October 9.

Last year he had nothing to market. He gave all his surplus to the money-lender in partial payment of his interest charges. I need not describe his standard of living—it can hardly be called subsistence. The problem of the farmer is not that he does not work hard enough, although his energies may be sapped by bad health conditions and malnutrition. As a matter of fact, he works from dawn to dark. His difficulty is that he is enmeshed in an archaic economic and social system. He is the victim of a state of technological ignorance and of the absence of the help which might be provided by capital, equipment, marketing organization, and the like.

Some have suggested that the solution for a country where such conditions prevail is to disregard the situation of farmers like this, and place emphasis upon industrial development. I do not wish to deny the importance of industrial development, but it is a tragic conclusion to insist that it is the exclusive path to economic betterment. Surely the improvement of agriculture must be a prime objective of economic development.

In the development of the United States, agriculture has been one of the strongest contributors. Until 1870, we imported more foodstuffs than we exported. However, our own production expanded rapidly and was the basis for the rapid development of internal trade within the country. In more recent years our exports of foodstuffs have been an important element in our balance of payments. In fact, agriculture has always been a major component in our economic strength.

Today, we have about 5,500,000 farms in the United States, with a farm population of about 100,000,000 people. The real estate, livestock, machinery, crop-inventory, and other financial assets in our agriculture represent a capital accumulation of about \$130,000,000,000. The net equity is \$115,000,000,000. Total income from agriculture represents almost 10% of our national income. In terms, therefore, of jobs, national income, foreign trade, capital accumulation, and even of scientific management and application of modern technology, agriculture is a major element in our economy. Add to this the processing industries which flow out of agriculture—milling, slaughtering, canning, refining, and the like—and the role of agriculture is even more impressive.

Land and its related institutions are significant to a country not merely for economic reasons. They are also important in terms of the character of individuals which is developed, which in turn, bears upon the nature of the prevailing political institutions. There can be no doubt but that in the United States the extent of land ownership in the form of small individually owned farms has had much to do with strengthening the notions of freedom and democracy. The owner of a farm has a stake in the community. He is concerned with the quality and behavior of his government. He belongs to that great middle class, those individuals who are relatively independent yet not able to control any important operation, who are so essential in any democracy. It is interesting to note that in the United States, most of our so-called progressive political movements have arisen and have had their principal strength in the heart of our farming country.

But we must not limit our assessment of the importance of these problems even to economic and political terms, important as they may be. We must remember that we are not discussing statistical units or mass phenomena. We are talking about individual human beings and their very real and pressing problems. We cannot disregard poverty and misery, wherever it may be. It is in terms of human values, of the effort to extend personal opportunity and security, that we find the ultimate justification of this conference and of your untiring efforts.

A general program to alleviate land problems is frequently—though not always—referred to as land reform. This assembly is called a conference on world land tenure problems. The United Nations General Assembly and the Economic and Social Council have used the label "land reform" in their resolutions on the subject. I do not wish to quibble over words, but sometimes labels are misleading, and I wish to sound a note of caution. In some parts of the world, the term "land reform" has been widely used as a cover for the ruthless confiscation of the land by the state and the liquidation of private holdings and the alien of private holders as well. The propaganda appeal of the label is great, but such a process is not land reform in any sense. It begins with the promise of land to the farmer. Very quickly it becomes merely the transfer of ownership from private owners to the state. There is no improvement in the status of the worker on the land. Instead, in many instances harsh production quotas and delivery deadlines make the farmer's condition worse—often desperate. A story in the *New York Times* a few days ago (September 26, 1951) confirms this fact. It is of desperate Soviet farmers who are being driven out of the land from the collective farms. As a result, new regulations have had to be established requiring that the books and accounts of collective farms be audited six times a year by communist party and government officials. This is not land reform. Nothing can be called land reform which does not have as its basic and primary concern the improved welfare of the man who works the land. The economic and social institutions surrounding his life on the farm must be improved to bring him a higher standard of living and increased psychological satisfactions.

There are many who think of land reform primarily in terms of redistribution of the land—as the breaking up of large land holdings into small ones. This may be a part of a land reform program but certainly only one part—and not the most important one at that. In fact, there are certain crop and land conditions where large-scale enterprises may be the most efficient, although there still may be opportunities for economic and social improvement.

The United Nations Economic and Social Council at its recent meeting in Geneva adopted a resolution which indicates quite clearly the broad range of objectives that must be sought in a genuine land reform program. The resolution, which was introduced and strongly supported by the United States, covers efficient size of farm units, security of tenure on the land, the right to ownership of land by the man who works it, clear titles to land and water, adequate credit at reasonable rates, more efficient marketing methods, and equitable taxes on land and its produce. The resolution also suggests the development of farm cooperatives for cultivation, marketing, and processing agricultural products.

The recommendations relate directly to agricultural matters. But there are other problems which do not arise from defects in the agrarian structure itself. These too must be remedied if the strictly agricultural programs are to succeed. The Economic and Social Council recognized this important fact in its resolution. It recommended diversification of economies so that agriculture might be better integrated into general economic development. It recommended the establishment of small-scale and cottage industries. It urged nations to develop literacy programs, to engage in research, and to extend education through extension services. It might well also have noted the relevance of public health programs.

These many elements in a genuine land reform program must of course be spelled out in much greater detail. They will vary in their form and applicability from country to country. However, in one respect they will be similar everywhere—they often will require political action. There are many countries where there are many competent persons who understand the economics of land reform. There are many who know the techniques. But frequently these talents cannot be put to work. The required legislation may be lacking. Necessary funds are not appropriated. Substantial progress often requires political decisions, and there are often strong vested interests which stand in the way. There may be opposition from local businessmen, lawyers, doctors, school teachers, and newspapers. And there is always inertia, the dead hand of custom and tradition.

This problem may have to be solved before considerable economic benefits can be realized. Where this is true, a long and careful educational program may have to be instituted. Widespread public education through discussion may be necessary. The benefits of an improved land system will have to be made clear at every level—national, state, and local; in the cities as well as on the farms.

This is a difficult problem, but one not without hope of solution. Each one of us has with him on our own governmental structure the means of solution through our own established processes. It requires work and imagination, but it can be done. In fact, it must be done.

The United States has been actively engaged in improving the lot of the farmer on the land—land reform, if you will—since the very beginning of its national existence.

We recognize, of course, that our land problems have been different from those of many other countries. In many respects they have been less acute. We were most generously endowed with fertile soil. We have never experienced severe population pressure on the land. We have had large areas of public lands to dispose of, but, nevertheless, we have had problems to solve. In common with others, we will continue to have problems. This is not a reason for complaint. It is the pattern of any evolving and progressive society.

For ourselves, we in the United States have been firm believers in the farmer-owned family-sized farm. We consider it one of the bulwarks of a healthy agriculture and a vigorous democracy. For this reason we began very early in our national life to make it relatively easy for farmers to purchase government-owned lands in parcels of moderate size. Back as far as 1800 public lands were sold at \$2 an acre. Later we encouraged the family farmer by selling 80 acres at \$1.25 an acre. And this liberal tendency continued through the passage of the Homestead Act of 1862. This act gave without charge 160 acres to anyone who would reside upon and cultivate the land for 5 years. As a matter of fact, we made purchase of these lands too easy. Out of this policy arose one of our most difficult problems, the careless and wasteful use of land.

It soon became clear to us that ownership and proper size of farm unit were not in themselves enough for a sound land policy. A happy and prosperous farmer and a healthy agriculture could be assured only with the addition of agricultural education and research, adequate financial and marketing arrangements, good transportation at reasonable rates, a fair tax structure, and so on. In 1862 our Congress passed a law giving public lands to each state to endow and support a college where instruction was to be given in agriculture and the mechanical arts. In 1887 another act provided funds for the establishment of agricultural experiment stations in the various state colleges. Additional programs have provided funds for distribution among the state agricultural colleges for short-term winter courses, correspondence courses, lectures and publications dealing with land and related problems.

Agricultural education was augmented by the creation of a Federal Commissioner of Agriculture to collect and disseminate agricultural information among the people of the United States. This Bureau later became a government department whose head, the Secretary of Agriculture, is a member of the President's Cabinet.

We have had to pass laws to provide credit for the farmer. Some needed money to buy lands, others needed funds to tide them over from one crop to another. Ordinary commercial banks did not meet this need, so in 1916 we established a system of Federal land banks.

Later we organized the Farm Credit Administration which provides a coordinated system for the extension of both short- and long-term credit to farmers. This was helpful to the established family farmer but it didn't solve the problem of the farm tenant or the hired farm worker who wanted to buy a farm. To encourage this development, we enacted legislation to authorize loans which could be repaid over a period of 40 years. Small farmers can get loans to enlarge their farms or to build them up with livestock and equipment.

These then are some of the things we have done to improve the position of the farmer on the land in the United States. These, together with others such as encouragement and aid to cooperatives and the Inter-County Act to assure fair and equitable land and mortgage rates, constitute our "land reform" program. We still have problems, especially those involving the tenant farmer, the sharecropper, the hired farm worker, and more recently, the migratory farm worker. We are still struggling with these problems, but even in such difficult fields, substantial progress has been made.

OUR interest in solutions to land problems has not only persisted through the years but it has extended to the problems of our neighbors in the world community. This is indicated in part by our strong support last fall of the United Nations General Assembly resolution on land reform and of our active role in promoting the land reform resolution adopted by the Economic and Social Council in Geneva this summer.

It has been further demonstrated in Japan where under the Allied occupation we encouraged the Japanese Government to initiate and assisted it in the execution of extensive land reform measures. This program, which I understand will be discussed in detail during the course of this conference, achieved notable changes in a centuries-old uneconomic and anti-democratic land system. It brought substantial benefits to 3,000,000 Japanese farmers, 50% of the total. Only 30% of Japanese farmers, were full owners of the land which they cultivated before land reform. Today approximately 85% are full owners of the land they work. The percentage of land operated by full tenants has been reduced from 46% to 12%. Absentee ownership has almost completely disappeared. All of this was done in a little more than two years in a thoroughly orderly and democratic way.

There are other examples of active land reform programs in other countries, most of which you will be discussing later in the conference—India, the Philippines, Italy, Turkey, and many others. We can all learn much from each other's experience. All of them deserve our closest study and friendly encouragement.

I HAVE spoken at some length about the experience of the United States with land problems. I do wish to make it clear, however, that I am not suggesting that the form and structure of American land institutions and practices provide the solution to the problems of other countries. Certainly, form and structure suitable to the American economy may not be suitable elsewhere. Each nation must find solutions to its own problems within the framework of its own cultural and institutional background. United States experience will be helpful principally as it can be modified and adapted to other situations.

But while we hold no special brief for American form and structure, we do feel a sense of pride in the motives and methods of land reform as applied by the United States and by other nations of the free world. We feel this because in both motives and methods, there is a critical difference between land reform as practiced in the free world and what has been improperly called "land reform" in the Soviet dominated world. With respect to motives, we seek the economic and social welfare of the farmer, rather than the consolidation of the power of the state. With respect to method, we have followed an orderly constitutional process rather than rely upon the confiscation of property and the liquidation of land owners, with all its attendant hardship. The results of our motives and methods have been just as revolutionary, but they have achieved the goal of genuine improvement in a thoroughly practical and democratic way.

The report on land reform by the United Nations Secretary General, published in June of this year, is an important new document in this field. It reveals land problems of almost frightening proportions. It shows the terrific job ahead of us. In another sense, however, the report presents a picture of promise. It records that a large number of countries have recognized the importance of their land problems and have set about to solve them. It reveals what amounts to a worldwide movement to improve the life and output of the farmer on the land.

The important question is: How can this movement toward land reform be encouraged? Again there must be national answers. It is basically the job for the people of each nation. They must want it. They must see the importance of land problems to their own national development. They must become aware of the promise which land reform holds for their future. They must define their own goals and shape their programs in the light of their own institutional backgrounds. They must set about the task of training their own technicians. They must create a political environment favorable to the development of an improved land system.

It is only upon this foundation that the encouragement and assistance of others can be built. The United Nations and its agencies can render great assistance. The FAO, UNESCO, the ILO—each within its own field of special competence—can help by accumulating technical "know-how" and by making it available to interested nations. They should be requested to do so. The United Nations and its agencies can and should be urged to arrange their meetings to assure the full exchange of land experience among nations.

Great good and much encouragement can come from non-governmental conferences like this one. I can visualize regional conferences of this kind being organized in the future—one in Asia, one in Latin America, another in Europe, still another in the Middle East. Wider participation throughout the area and a sharper focus on the problems discussed, would provide mutual assistance of immense value.

The United States has no special responsibility for and no unique competence in solving land problems the world over. Solutions to these problems do not lie in the heads or hands or pockets of any one nation. We have, however, encouraged and supported the land reform programs of other nations. We will continue that encouragement and support. You may be sure that we will continue, as we have in the past, to support land reforms through international organizations such as the General Assembly, the Economic and Social Council, and the Food and Agriculture Organization.

We want to do more than this to encourage genuine land reform. In the past the United States Government has provided technical aid in connection with problems of economic and social organization, as well as the technological problems involved in land tenure and related fields. We have provided both technical and financial assistance to drain, irrigate, and otherwise reclaim lands not under cultivation. We have provided technical and financial aid to industrialization and other worthy projects which have also served the purpose of providing employment for surplus farm populations. We will continue to do these things. We will do whatever else we can appropriately do to encourage and assist programs which show promise of bringing lasting benefits to farm people and of enhancing the role of agriculture in the national economy.

I have great hopes for this conference, as I am sure each of you have. We do not, of course, expect final solutions to the problems or even to segments of problems. Land problems arise only in part from the land itself. They arise more from the relationship of people to the land, the dependence of people upon the land and their attitudes toward it. As one goal is reached or approached, another goal emerges. The solution to one problem sows the seed of still other problems. The continuous quest for a better life itself creates fresh problems.

Likewise it is true that the solution of one problem contributes to the solution of the next. Through an increase in the productivity of the land under cultivation, the whole economy is rendered stronger and more prosperous, and more attention can be paid to improving agriculture. More food often means stronger and healthier farm workers who can then produce more food. Improved agricultural conditions mean more purchasing power and expanded opportunities for industrial development. In short, no economy can be stronger than its parts, and its parts can and will weaken or reinforce each other.

You have undertaken to explore a problem of tremendous significance. Undoubtedly it is a major contributor to the unrest so prevalent in the world today. The problem is difficult and complex. The stakes are high. The rewards of a successful attack upon the problem are immeasurable. They will come in terms of a happier and more humane life, a more efficient economy, a more vigorous democracy, and a stable and lasting peace. On behalf of my Government I welcome you to Madison and am happy to extend to you our very best wishes for a successful and fruitful conference.

FOREIGN TRADE OF THE PHILIPPINES DURING THE FIRST HALF YEAR, 1951-1950, BY PORTS OF ENTRY  
Bureau of the Census and Statistics

Port	Total Trade		Imports		Exports (dom. & re-exp.)		Domestic exports		Re-exports	
	1951	1950	1951	1950	1951	1950	1951	1950	1951	1950
<b>TOTAL</b> .....	897,098,154	661,030,460	409,888,038	379,489,074	487,210,126	281,552,366	483,438,666	275,665,214	3,771,450	5,887,172
Manila.....	515,532,223	400,528,184	361,215,036	328,530,548	154,317,187	71,997,636	152,524,659	67,163,370	1,792,520	4,834,316
Cebu.....	137,269,273	121,102,230	31,612,166	35,246,506	105,655,747	85,855,774	103,752,318	84,852,639	1,905,089	1,003,085
Iloilo.....	99,250,477	64,535,649	9,810,278	12,407,932	89,439,199	52,727,717	89,440,139	52,518,746	—	8,971
Davao.....	2,046,610	24,408,617	1,022,686	761,130	761,130	761,130	761,130	761,130	—	—
Tabaco.....	39,064,417	8,927,227	684,936	7,640	38,379,481	8,919,587	38,379,481	8,919,587	—	—
Jolo.....	793,600	3,547,870	13,454	26,486	780,146	3,521,384	780,146	3,521,384	—	3,300
Zamboanga.....	20,790,200	13,845,800	1,022,686	504,372	19,767,514	12,821,428	19,767,514	12,821,428	—	—
Jose Panganiban.....	95,409	3,998,882	—	64	95,409	3,998,818	95,409	3,998,818	—	—
Tandag.....	3,300	1,022,686	—	—	3,300	1,022,686	3,300	1,022,686	—	—
San Fernando.....	14,030,576	7,691,529	3,289,804	2,001,576	10,740,772	5,599,953	10,740,772	5,599,953	45,753	37,500
Cagayan de Oro.....	31,601,410	—	1,983,788	—	29,617,622	—	29,617,622	—	—	—

Opened October, 1950.