

# Our Hardwood Business

Year	Total Production of Mill Sawn Lumber in U. S.	Domestic Consumption in B. F.	Export in B. F.	Percentage Consumption	
				Domestic Consumption	Export
1927	189,162,898	125,914,597	63,188,296	66.58	33.42
1928	227,069,862	156,162,742	70,916,120	68.76	31.24
1929	252,273,182	177,408,550	74,864,832	70.32	29.68
1930	208,371,888	152,173,227	56,198,656	73.02	26.98
1931	132,978,804	96,909,638	36,069,256	72.87	27.13
1932	147,542,973	133,404,693	14,138,280	90.41	9.59
1933	172,305,205	145,892,373	26,422,832	84.66	15.34
1934	221,543,216	182,084,548	39,258,668	82.26	17.74
1935	247,913,516	202,381,004	45,532,512	81.63	18.37
1936	202,106,215	237,139,375	54,975,840	81.17	18.83
Total	2,091,906,879	1,609,441,247	481,565,632	77.02*	22.98*

\* Relative importance of Domestic Consumption and Export of Mill Sawn Lumber for the ten-year period 1927-1936.

In this commonwealth, the south makes the money and the north gets it. Larger production is in the south, larger consumption here on Luzon, with Manila the big clearing port for exports and the only material financial center. The central Luzon valley can honestly boast of growing most of the country's bread, and exportable tobacco qualities come from Cagayan and Isabela, but the south comes through with the great cash crops marketed mainly overseas, mainly too in the United States: copra, Manila hemp, sugar. Lumber is no exception, the hardwood production of the Commonwealth is chiefly south of Luzon. On Negros, at Fabrica, Insular Lumber's potential of 65 million board feet is the largest hardwood unit in the world. Findlay Millar's mill in Lanao, at Kolambugang, northern Mindanao, can cut 3-1/2 million board feet a month.

The Joseph S. Johnston group of small mills in Zamboanga have a respectable total output per month, and there are numerous other large and small mills definitely placing the major production of Commonwealth lumber south of Luzon despite the importance of timbering and lumbering in Benguet and Camarines Norte for uses of the mines.

Lumbering is not currently prosperous here. The table making the subhead of this review shows that 80% of the cut has to be sold in the domestic market. The greater profit always derives from the 20% of the cut sold overseas, where the going is currently far from good. This may change for the better before the end of the year, because the American market for Philippine mahogany is the best in the list and recent provision by Congress for easier and better organized financing of much needed new building throughout the country should revive demand for materials.

But it is always to be remembered that lumber is but one of many popular building materials nowadays, and that domestic lumber has the edge over ours: not of course in quality, but in price, available supply, and the fact that it is a local product. A court fight for use of the term *Philippine mahogany* in the American market was won by the Philippine Hardwood Manufacturers Export Association at cost of more than \$400,000. But new objections have been filed and the fight has necessarily been renewed. In the British Empire, imperial lumber has an edge

of 10% over ours. This affects such good markets as South Africa and Australia. You simply can't get into such a market as Hongkong, supplied, chiefly with logs, from Borneo.

There is no nearby market, in fact, Japan taking logs exclusively. Shanghai, if rebuilt, will be a possibility, but the prediction is reasonable that even should that market reopen, competition from exploitation of new tropical forest regions will be surprising—especially from Borneo. Distant markets, including both American coasts, involve high freight charges: To Atlantic or Gulf ports \$24 per 1000 board feet; to Pacific ports \$16; to Europe (base rate) \$28.75; to South Africa \$25; to Australia \$21.75; to Shanghai \$6, and to Hongkong \$4.80. When ocean rates upped a year or so ago, new rates on our exported lumber rose higher than the average.

Borneo charges including taxes on 1000 board feet of sawn lumber are P3.93. Philippine charges are 44% more, P5.67. Borneo lumber is like our southern lumber and the mere statement of these comparative charges precludes additional charges on all Commonwealth lumber sold overseas. It is quite enough for the industry to manage against the duty advantage that Borneo has in British Empire markets and to pay the Commonwealth P1.74 per 1000 board feet more than Borneo charges lumber. It is equally apparent that Commonwealth lumber sold locally, four parts in five of the whole cut, should be charged no more taxes than are now levied; any such charges would affect export prices and hinder sales overseas, besides affecting local consumption adversely.

When the local market is active, a condition that at all times needs encouragement, mills have more leeway in quoting for export at a margin of profit.

Currently the local market is in a funk, lauans and

NAME OF COMPANY	Capital Investment	Total Dividends Paid 1931-37	Average Percentage Dividend Per Yr. 1931-37	Total Forestry Charges and Taxes Paid 1931-37	Percentage of Capital Investment in Form of Taxes & Forestry Charges 1931-37
Cardwallader-Gibson Lumber Co. . . . .	P1,815,653.47	none	none	P 827,474.33	45%
Findlay Millar Lumber Co. . . . .	1,500,000.00	7111,150.	4.25%	1,130,919.67	76%
Insular Lumber Co. . . . .	2,616,830.83	747,410.	2%	1,783,285.68	68%
Atlantic, Gulf & Pacific Co. . . . .	2,004,225.93	none	none	1,083,319.38	54%
Port Lamson Lumber Co. . . . .	1,816,713.06	30,273.33	0.21%	539,623.47	29%
Philippine Lumber Mfg. Co. . . . .	1,020,639.32	50,000.	0.7%	498,057.14	49%
North Camarines Lumber Co. . . . .	(not in business since 1937)	none	none	figures not available	
Laeoma Lumber Co. . . . .	none	none	none	51,595.8	86%
Anakan Lumber Co. . . . .	1,517,018.61	none	none	569,095.94	37%

\* In 1937 this company for the first time in the last 10 years paid a dividend on its common stock (15%). Therefore, it had paid dividends on its preferred stock only and never in excess of 10%.

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occasion or opportunity to get away from Manila and actually see the provinces of the Commonwealth that are producing the greater portion of its wealth—its sugar, its hemp, its copra, its rubber and lumber—there is probably not a route in the list that would fail either your business designs or your pursuit of sheer recreation and personal pleasure. A number of the routes, and the ships plying them, offer returns veritably enviable. Nor will yesterday's knowledge of the Philippines suffice; changes are swift, some of them acute, and the salvation of the knowledgeable man is to keep his observation abreast of the swing forward.—W. R.

### Our Hardwood . . .

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tangle, apitong and all the commoner woods are delivered to Manila by the mills and actually sold to the yards at P32 to P45 per 1000 board feet, with the freight and incidental delivery charges running an average of P10 per 1000 board feet. On 1000 board feet of lumber, a mill pays forestry charges on at least 5 cubic meters of logs, often 6, these charges summing according to classification P2.50 to P6 and coming out of the P32 to P45 per 1000 board feet the yards pay the mills. What the mills get just now is therefore P32 to P45 per 1000 board feet in the local market, less P12.50 to P16. Labor employed is considerable, lowest wages P1.50 per day, graders getting P150 to P500 a month, and with such prices current locally and a very indifferent overseas demand, mills do not turn a profit.

Lumber in this Commonwealth is eminently an industry in which studies in taxation should look beyond the surface. It is

not enough that a large plant looks thriving and usually manages to keep operating, the fundamental question is the net return on invested capital during a period of years sufficiently extensive to average better times with bad times.

This has been done for the legislature by Messrs. DeWitt, Perkins, and Ponce Enrile (a work of Mr. Ponce Enrile's) in behalf of the Philippine Hardwood Manufacturers Export Association that has spent so liberally of its common funds to establish Philippine mahogany in the United States. It shows that no respectable income is being earned on the P52,696,775 invested in the industry. It also shows the forestry administration well remunerated, in the table on page 8.

Of capital in the milling industry, 31% is Filipino and 38% American; almost 70% is Filipino and American. This is vital in tax research, exploitation of Commonwealth forests by alien interests is absent from the situation altogether: if some Japanese capital gets out logs to sell in Japan, apparently this is but an additional sale of timber with almost no effect on domestic milling and the fortunes of the domestic mills. *Japan will no buy lumber*, but inclines to buy logs here to close the gap a bit between all she sells by way of manufactures and all she buys by way of products. But she won't buy lumber, and if forced away from our logs would find other logs equally suitable to her needs somewhere nearby, as in Borneo. We learn that she, like Australia, utilizes 75% of the logs she buys in veneers—the Philippines makes no veneers.

Last year exports of lumber and logs measured 593,620 cubic meters of which 429,657 went to Japan in form of whole

logs; only 163,693 cubic meters left the Commonwealth for other markets, and probably this went mainly in form of lumber. Forestry charges paid by logs taken by Japan and Australia contributed materially to costs of administration, a way in which a business in logs where lumber can not be traded helps maintain lumber in other markets actually accessible to the manufactured product. This is one of the reasons why higher charges on logs for export should be rejected by the legislature. Since a foot of lumber sold overseas is matched by 4 feet sold locally, using approximations, from metrage sold overseas as lumber last year a total cut for the year may be estimated at about 800,000 cubic meters. This is something less than twice the log exports to Japan *sapra*; so it is good to export logs, to markets where lumber will not be taken, the logs paying a third of the total forestry charges and taking up a charge of 33-1/3% that otherwise would be laid against lumber alone. Forestry charges topped P3,000,000 last year; that logs paid more than P1,000,000 is favorable to the lumber.

It is now only necessary to refer back to Borneo's distinctly lower charges in order to conclude that neither our lumber nor our logs should be taxed more than each now is. The lumber industry in its Ponce Enrile brief to the legislature goes farther, contending that scaling should be corrected to conform to what average log yield in sawn lumber actually is. There is now estimated 2-1/2 cubic meters of log to 1000 board feet of sawn lumber, but the industry claims that more than 6 cubic meters go into the production of 1000 feet of lumber; only 40% of the scaled measurement comes out as merchantable product, 60% is waste. (Here is no doubt a point on which administration and manufacturing will never reach an accord. If the forestry charge sums no more than the administration needs and actually uses in forest benefactions, the point is unimportant).

To preserve overseas lumber markets and foster log markets, and find new ones up to the total yearly cut the forests will provide without depletion of permanent stands where these are at all advisable, should deeply concern the Commonwealth administration. It is a big factor in the prosperity of our southern islands, and of great social import on Luzon. Last year, logs cut into lumber sold in the American market brought P31.05 a cubic meter, the customs report shows; and logs sold overseas to Japan brought only P8.14 a cubic meter. This difference of almost 300% in returns per cubic meter, in favor of lumber as against logs, largely went into additional employment of local labor. Finally, to an industry as hard put to it as our lumber industry clearly is, may be left, with all advisability, the problem of grading its own export product and disciplining its own members if any one of them grades deceiv-

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ingly and endangers the commerce.

Buyers will set the requirements in every case, and to add something to forestry charges in behalf of official grading would be merely to provide more public employment and saddle every unit of logs and lumber with a higher total cost in order to do it. Buyers would still lay down their particular requirements, and pay accordingly, and come back on mills and loggers as they do now with complaints against everything not to their liking. The industry says official grading would be superfluous. This seems fully evident.

There comes up the sales tax on lumber consignments abroad. Last year it must have summed below P70,000 or 1-1/2% of a total of some P4,200,000. It is not much, but it is a tax on an export enjoying no favored market. We make it about P1.15 on every 1000 board feet, logs of course excluded. We think the industry should be consulted, and if this tax is sometimes a barrier in closing sales at a net profit, or is otherwise objectionable, it amounts to almost nothing by way revenue and therefore should be crossed off, the tax on domestic sales continuing as it is. This would be in line with the practice of charging lumber exports no wharfage. We believe the industry would tell the government frankly whether the 1-1/2% ad valorem on its export invoices is a factor of any importance in quoting for sales. Were we the government, we would abide by what the industry said. It is an industry that right along has been ready to lay its cards on the table. Of late we have seen the term Philippine mahogany flashing out as casual allusions in periodical literature, as in *Notes & Comment in the New Yorker* a week or two ago, as casual as a mention of Brooklyn, the Garden, or Hester Street would be. We take this as most encouraging on the main point; in a lit le while it should be worth the half-million it has cost the industry, because then it will be intruding regularly into building specifications and will be the guaranteed trade term that the lumber behind it deserves.

**Taxation of . . .**

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has been said about hemp applies as well to coconuts, and copra, the other distressed crop in the south that is the subject of this month's researches. Both productions will come to be more the means of the poorest subsistence of many small farmers and to a much lesser extent the occupation of capital on large estates. We discuss in another paper the inadvisability of the export levies on copra.

Quiapo	132,648	39,690
San Miguel	18,000	236,987
Intramuros	—	61,656
Sta. Mesa	15,000	16,601
Pandacan	5,398	2,537
	<b>P1,454,413</b>	<b>P3,302,679</b>

**MANILA HEMP**  
By H. P. STRICKLER  
Manila Cordage Company

The short-lived period of foreign demand experienced the latter part of June resulted in a dull and weak market for the first eighteen days of July. At this point both London and New York buyers became interested and prices advanced with a fair volume of sales being reported. The market remained strong until July 22, when New York showed signs of weakening and London followed the trend on the next day. The market remained quiet and dull for the balance of the month with closing prices of Manila grade up slightly over the opening, while Davao grades closed at fifty centavos under the opening price.

**REAL ESTATE**

By P. D. CARMAN  
BOULEVARD HEIGHTS



July real estate transfers greatly exceeded any similar month on record (with the one exception of July 1935) the total being swelled heavily by one very large transfer in Sampaloc to the Government and sales exceeding P50,000 in the following districts; three in Binondo, two in San Miguel and one in Malate. Even without the large transfer to the Government, the total would exceed that of any July since 1918 except in 1926, 1931 and 1935.

**Sales City of Manila 1938**

	June	July
Sta. Cruz	P 585,657	P 141,529
Sampaloc	155,367	1,633,840
Tondo	105,932	104,897
Binondo	25,000	538,011
San Nicolas	29,000	132,467
Ermita	570	12,538
Malate	239,128	268,835
Paco	76,978	85,807
Sta. Ana	65,735	27,284

**Nominal Prices of Loose Fiber in Manila**

Per Picul		Per Picul	
July 1st.		July 31st	
F	P12.00	F	P12.75
I	8.00	I	8.50
J1	6.75	J1	7.00
G	6.75	G	6.50
H	6.50	H	6.50
K	6.25	K	6.25

**Nominal Prices of Loose Fiber in Davao**

Per Picul		Per Picul	
F	P10.00		
I	8.00		
J1	7.00		
G	6.75		
F	P 9.50		
I	7.50		
J1	6.50		
G	6.25		

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