

Perhaps We Erred: More About Philippine Timber

Forestry bureau asks wharfage tax on logs exported: buying our logs, Japan exports Philippine lumber in competition with Philippine lumber mills

Looking into the Philippine timber business last month, the *Journal* aroused many critics, among them Director Arthur F. Fischer of the forestry bureau, who contend that more stress should be put on the injury the steady exportation of timber in the log does our well established lumber industry. This may be true, we may have erred; though the tabulated matter and the narrative together carried every fact essential to the conclusion that the Philippine lumber industry needs more effective backing from the government, it was taken as obvious that if Japan might not buy logs here she would not buy lumber here, but would seek logs in Borneo and perhaps at other sources.

The log export trade was taken as supplementary of the lumber export trade. It is now represented to be something more, nothing less than directly harmful of the lumber export trade and of minimum benefit to the government and to loggers. At the bottom of the question lies the Japanese mercantile marine, and the want of such commercial aid in the Philippines. When Japan makes a surplus of lumber for export from Philippine logs, she can deliver that lumber to foreign ports at rates consistently lower than the Philippines are charged. Against this and other disadvantages, the Philippines might have recourse to a wharfage tax.

The rate at which Japan is buying logs here is set out in the accompanying table. Of total Philippine timber exports, Japan now takes nearly 61%, nearly every board foot in form of logs. Last year it was 62%, only 920,432 board feet in form of lumber; it was 49,713,152 board feet out of a total export, logs and lumber together, of 80,244,968 board feet. This year, January to July, it ran proportionately higher, 34,226,552 board feet; for the year, contracts cover a minimum of 70,000,000 board feet, contrasting with the 7-month quota of 14,000,000 board feet allocated to Philippine lumber in the United States.

Existing measures governing our timber industry thus permit Japan (or any other country so minded, as China might become) to exploit our forest resources. Correction in part is sought in a wharfage tax of \$1 a ton on exported logs, which according to weight of the timber would run, it is explained at the forestry bureau, from P1.50 to P2 per cubic meter. At Philippine mills, where the whole run of the cut must be sawed, charges being against stumpage, a cubic meter yields about 212 board feet of lumber of which 20% to possibly 30% may be fit for export. In Japan, from selected logs, it will yield at least 300 board feet and 50% or 60% will be fit for export.

Japan selects the logs she buys here; in her small steamers of 2,000 to 3,000 tons, she gathers a good many cargoes of them at minor shipping points. The proportion of 85% of

a shipment must be logs 24 inches or more in diameter, 15% from 18 inches to 23 inches. Philippine mills saw the whole run of logs. Japan pays low prices for logs, P6 to P8 a cubic meter, according to her scale, about 30%* lower than the Philippine scale. In other words, *f. o. b.* the Philippines, she buys 1,000 board feet of lumber for about P20, and in this quantity finds 600 board feet or more fit either for export or the manufacture of veneers, cream of the whole lumber business. She has this 1,000 board feet of lumber, 600 board feet or more of it prime, for about the manufacturing cost

at first rate mills in the Philippines. But the Philippine mill, saving the whole run of logs, finds in 1,000 board feet no more than 200 to 300 fit for export.

The proposed wharfage tax of \$1 a ton on logs exported from the Philippines would add P4.50 to P6, more or less, to Japan's cost of lumber per 1,000 board feet. Should this cause Japan to stop buying Philippine logs and return to buying Philippine lumber, it would aid materially the Philippine lumber industry and add to the general tax revenues of the government. Japan is buying logs at the rate of 4,757,946 board feet a month. Sawn in the Philippines, the sales tax on this timber would be P26,400. There would also be additional sales taxes. The monthly mill expenditure would be about P38,000; the yearly, P456,000. The additional employment provided would be for 500 men, a community of 2,500 people.

These calculations are by the forestry bureau, where it is not desired to bring an abrupt stop to Japan's buying of Philippine logs or to the general export of logs, but to curtail the tendency and to place Philippine mills in better position to hold the markets abroad which their efforts and those of their correspondents and agents have, through many years and at great cost, established for Philippine lumber. These mills got the trade name, *Philippine mahogany*, established; and they, with the forestry bureau, had a long fight for it in the United States, where one, the Insular Lumber Company, put through the courts a long expensive case.

It was an effort of these mills, too, that secured domestic classification for Philippine lumber under the quota law, and an allocation under that classification of 28,000,000 board feet a year in the American market. This meant the salvation of the industry. Foreign classification would have specified the foreign price, at which Philippine mahogany could not have competed. Yet the export of large quantities of logs from the Philippines works a severe and direct hardship on these mills, subject to all the taxes the governments lays against their industry and the use of the forests. *It throws back upon the local market, for use in inferior lumber*

*Some authorities reduce this to about 10%.

(Please turn to page 17)

Exports of Logs and Sawn Lumber To Japan From 1920 to 1934.

Year	Logs		Sawn Lumber	
	Bd. Ft.	M. Cu.	Bd. Ft.	M. Cu.
1920.....	9,328	6,360*		
1921.....	No record	72,928*		
1922.....	13,144	269,644		
1923.....	561,800	4,007,224*		
1924.....	6,683,512	5,370,384*		
1925.....	3,923,696	2,811,541*		
1926.....	6,108,144	5,012,104*		
1927.....	6,048,360	12,946,416*		
1928.....	8,306,584	11,638,376*		
1929.....	22,904,480	9,051,128*		
1930.....	21,384,016	4,044,416*		
1931.....	33,873,360	1,924,960*		
1932.....	35,755,672	264,576*		
1933.....	49,620,720	92,432*		
1934.....				
(January to July)	33,305,624	920,928*		

Statement Showing Amount of Lumber and Timber Exports to Japan as Compared with Exports to all Countries.

Year	Total Timber and Lumber Exports to Japan		Total Timber and Lumber Exports to all Countries		Per Cent of exports to Japan based on Total Exports
	Board Feet	Cu. M.	Board Feet	Cu. M.	
1920.....	15,688	13,852,256			0.1
1921.....	72,928	11,790,168			0.6
1922.....	282,800	18,285,000			1.5
1923.....	4,569,024	36,949,904			12.4
1924.....	12,053,896	50,746,864			23.8
1925.....	6,735,240	32,216,872			12.9
1926.....	11,120,248	62,709,000			17.7
1927.....	18,994,776	72,034,632			29.1
1928.....	19,944,960	85,897,736			23.2
1929.....	31,955,608	104,275,920			30.6
1930.....	25,426,432	82,351,824			30.9
1931.....	35,798,320	17,333,760			50.2
1932.....	36,019,648	50,628,144			71.1
1933.....	49,713,152	80,244,968			62.0
1934.....					
(January to July)	34,226,552	56,949,984			60.9

Loggers' View of Log Export Commerce Here

For this paper setting forth Philippine loggers' views in contrast, in some respects, to the stand of the Philippines' important lumber industry expressed in interviews with Director Arthur F. Fischer of the forestry bureau, a number of men were interviewed to whom the overseas demand for our logs is very important—particularly the demand in Japan. Brief effort will be made to combine their views. They begin by saying that except for the overseas trade in logs, the domestic lumber market would be far more depressed than it now is. It would be called upon to take much larger quantities of logs. This would be far from lucky, because, they say, wholesale lumber prices in the islands are already too close to the cost of manufacture.

Of the mill run of lumber, 80% or 85% is not exported and comes on the domestic market.

Some loggers contended that logs exported could stand a wharfage tax of \$1 a ton, proposed either to check the commerce or bring the government more revenue from it. Others say that if the buyer bore the tax, all right; but that more probably buyers would shift the tax to the loggers, and reduce their gains from the business by that much. Some say the price of logs is so low that the tax would kill their business. They add, however, that buyers of logs not accommodated here would procure logs just the same, from Borneo and the Dutch East Indies. Their position, admittedly self-interested, is that it is better for the Philippines to sell timber in form of logs than to sell nothing by way of timber—to countries wanting logs.

They cite the plywood industry, not functioning here, which needs logs rather than boards. Such an industry exists in Japan, also in China and Australia; all markets buy Philippine logs, and the same industry in the United States begins wanting them. Nor did any logger talked with, agree in the opinion that Philippine logs are beyond danger of competition from logs got farther south in the tropics. One said it is true enough that southern timber is softer, but added that some markets for veneer woods prefer the softer timber, or at least don't discriminate in price against it. Reports seem reliable, too, of repeated efforts by Japanese timber interests to establish in Dutch Borneo—to date without success. But logs are shipped from 5 points in the Dutch East Indies to Japan. From British North Borneo, shipments of logs to Japan during the first half of this year had the invoice value of nearly a million pesos. The logger citing this fact from a formal trade report, connected it with the opinion that logging is not well established in Borneo.

Such is the consensus on this question among loggers.

Wealth of Nations...

(Continued from page 4)

ing first place among Far Eastern markets. As a market for steel mill products the Philippines fell from 3rd place in 1932 to 6th place in 1933, when it was preceded by Canada and 4 Latin American countries.

"The Philippines, however, continued as the first oriental market for steel mill products, as well as for iron and steel advanced manufactures, taking considerably more than twice Japan's purchase of the former and nearly twice China's purchase of the latter.

"Of dairy products and cigarettes, the Philippines were second to Japan, while they ranked first in the Orient as an outlet for meat products." (They were 3rd in buying electrical goods, China and India being ahead of them.)

Spokesman for commerce department is C. K. Moser, No. 1 in the Far Eastern section of the regional information division of the depart-

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ment. He reminds America that the Philippines are an important source, and in some cases practically the only one, of American imports of coconut oil imports were from the islands, as they will be indefinitely, and 99% of all her abead imports. Under tariff protection, the Philippines have taken the desiccated coconut market in America away from Ceylon, selling America 97% of her desiccated coconut requirements; and the islands also sell America 98% of her imported cigars (by value, 92%); 75% of her saved cabinet woods; 42% of her sugar requirements, only 13% less than Cuba last year. A second of Mr. Moser's tables is reprinted with our summary because of its bird's-eye survey of essential economic factors here. His circular is a courtesy from the trade commissioner, C. Grant Isaacs. Copies sell at 10 cents each at the Department of Commerce, Washington.

Perhaps We Erred . . .

(Continued from page 6)

competing with their own, all logs rejected by buyers for the export trade. This depresses an already sluggish market.

It is contended at the forestry bureau that the selected logs exported from the Philippines could readily make shift under a wharfage tax of \$1 a ton, which would be, as stated, P1 50 to P2 per cubic meter. (That this is true seems reasonable. Besides Japan and Australia, China is now buying Philippine logs and hints of increasing her use of them. This puts logs squarely before the government. The forestry bureau dismisses the suggestion that if Japan could not get Philippine logs at attractive prices she would get logs elsewhere, perhaps in Borneo, she would not buy Philippine lumber. Borneo has no lumber industry worth speaking of, the Philippines are the only part of Malaysia that has. Backbone of such an industry is a steady domestic market, and sparsely settled Borneo has no such market—can develop none.

Borneo's woods of species and varieties identical botanically with those of the Philippines, are softer and coarser than those of the Philippines: the Philippine product is preferred in the market. It is held that if logs could be got advantageously in Borneo, they would be got there now—Borneo's logging industry would already engage Japan's industry and capital. On the other hand, the trade here understands Bornean logs to be in every way inferior to Philippine logs, though they are cheaper. If therefore Philippine logs could be got at no

advantage over Philippine lumber, Philippine lumber would be taken even in Japan—as it once was taken.

Director Fischer of the forestry bureau contends that even if his proposed wharfage tax on exported logs caused loss of sales of logs abroad, not at once made up by greater sales of Philippine lumber, in the long run no harm would be done. The demand for Philippine lumber over the world is clearly reviving. The government could well let the timber stand uncut for 10 or even 15 years, while demands expanded and until overseas markets should be willing to be supplied with lumber instead of logs. At the same time, there is, of course, in the veneer industry, a legitimate demand for logs that sawn lumber will not supply. This demand, Director Fischer says, could always be supplied with Philippine logs; and such is their quality that the wharfage would be no burden on their ready sale. Less worthy is the demand of foreign mills, the mills of Japan, for Philippine logs to be sawn into lumber exported to the very markets where Philippine export lumber must be sold—markets effort in the Philippines has with difficulty and many setbacks got established.

The government must choose.

LUMBER REVIEW

By ARTHUR F. FISCHER
Director of Forestry



The fairly active demand of Philippine lumber and timber in foreign markets continued during July. There were 9,493,784 board feet of lumber and timber exported during the month as compared with 8,647,056 board feet for the corresponding period last year, or an increase of about 10%. Shipments to Japan consisted mostly of round logs, as usual. Inquiries and orders continued to be received from China and Australia and Philippine producers seem to be hopeful for increased demands in these markets in the near future. Much, however, will depend on how the first shipments by the individual companies getting the orders will be received in the said countries. The trade with South Africa remained comparatively active, which is a reflection of the favorable economic condi-