

Rice and the Warehouse Law

By PERCY A. HILL

Prices offered for the new crop have registered a substantial decrease being from P2.50 to P2.70 per cavan of paly; with tendencies to further decrease. Rice prices on consuming points are slightly lower than last month's, but as soon as stocks acquired at high prices are disposed of they should be better. It is expected that there will be little fluctuation in prices this year, in spite of the dislocation of the market by the warehousing law and the holding back of supply in producers' camarins.

Estimates of the coming rice crop are very favorable. The Central Luzon provinces which supply interprovincial requirements are analyzed as follows:

The 1929-1930 area planted was approximately 622,800 hectares of which some 45,000 registered a decline in yield due to plant pests. The very favorable season since July and the ideal pollenization conditions mean a bumper crop for all years. Rainfall was well distributed, averaging some 25% more in volume than last year's, or in the ratio of 62 to 87 inches approximately.

Province	Tonnes	Cavans
Nueva Ecija	27	8,696,000
Pangasinan	46	7,774,000
Tarlac	17	2,531,000
Bucan	23	7,200,000
Pampanga	20	1,574,000
Totals	133	22,775,000

This gives us approximately some 2,000,000 more cavans than last year. Requirements for the above five provinces is placed at one and a third million cavans, the balance being available for sale. Imports, as a consequence, will be slight—unless undue dislocation of the supply be forced upon the distantly located areas, or spotty but in the aggregate should come close to those of 1927, the greatest crop ever produced in the islands.

Part of the increased area was due to favorable price offerings of last year, but offerings this year will in all likelihood be reduced by 25%, thus making a much smaller volume of money available to the producer and falling into the normal channels of trade. The question of price is always important to both producer and consumer, but lack of warehousing facilities, forfeited by legislation, will work adversely to the producer this year.

Beginning with January, business interests engaged in the rice industry find that profits accruing to them are so small that they are unwilling to add unnecessarily to the burden. The law goes into effect on January first. Boiled down, the filing of bonds to cover deposits in the amount of P2.50 per cavan, with the idea of protecting paly depositors, has resulted in the loss of the entire deposit function, the millions of pesos of credits normally extended the producer, the sacks delivered to him free, and his consequent price enhancement. In this case business which supplied all the things free to the producer has decided that the burden is too great and they will therefore simply buy outright, mill and sell rice to the consumer.

A depositor was of course not protected by insurance, but this could have been accomplished by attending the insurance, the depositor paying the premium, which is the way it should have been done. The deposit function, built up with great care during the last fifteen years, was a godsend to the producer. He paid no fees or shrinkage if the crop was sold before October. He was given the privilege of storing his surplus in warehouses close to terminals. A large crop was supplied him on his deposit, without interest, by way of bank. Sacks were supplied him free, and money advanced him on his deposit, not only in advance of the delivery of his crop. There is not a single entity, governmental or philanthropic, which would do this, and no other industry enjoyed this benefit. It is therefore the highly competitive Chinese interests obtained the stabilizing of supply to fill their

filling contracts, which in turn supplied interprovincial requirements.

The way the warehousing law reads may sound good, but in its attempt to cull the ears of fewer, less-reboussemen in Bulacan, it lends a knock-out blow to the producer. As a consequence, the greater part of the crop will be bought up at market prices, which generally register low at the time of deposit. The other portion goes to the warehouses on consignment, awaiting demand. This demand will not materialize if high prices are requested, and imports will be utilized to meet the demands of the consumer. All the blah-blah about the Chinese fixing prices is merely bunk.

At times business cannot be done at a profit under laws which penalize it. In this case the road is open to everyone who desires to enter the warehousing business under present conditions. If this is favorable they should immediately embark in it, without further chest-thumping, searched propaganda, or begging the question. As to success, let us say nothing. As to the ambition, it is legitimate. If profits are to be forthcoming, now is the time, as the crop is going into conditions favorable. They need fear no competition under the present law as to date we have heard of no one who cares to embark in the business of storing paly. But there should be less careless talk and more action on the part of the rice producer in general, no brief for either. All he wants is a fair price for his product and the enjoyment of as many favorable mechanisms as are reasonable. Like the consumer, neither race nor color bother him, and he will take the price. So far he has not heard of any bouquets to be presented to the chap who has deprived them of some millions of pesos, but they are beginning to think.

No matter how we deplore the inability of the producer to enter business, through cooperatives, we cannot deny his function and his contribution in production and its consequent yields. Anyone with a third grade knowledge of arithmetic can see by the daily papers exactly the spread between the raw and processed material—paly and rice. This should be reduced to the level of the ordinary individual, but we have the untrified with us as of yore. The idea of the cooperative is to control supply with an idea of collective bargaining. What about the other end of the business, the consumer? He will be getting what he has to pay the price added upon him by monopolies, in addition to the tariff which itself is ample protection.

Cooperatives have not always been successful, and most certainly not in the daily food requirements of the people. The pool is an arbitrary proposition dealing not with domestic supply, but with export surpluses, and not all pools are successful. Those familiar with cooperation know full well that if applied to consumers it requires a business man to head it, and we have no better business men than the ones who have built up the rice industry, who extend credits without interest, who distribute efficiently and cheaply. There is nothing happening, the dark as regards the rice industry except, perhaps, legislation, which never understands business. The idea of scrapping a perfectly good machine for an inadequate one is nothing but pure lunacy.

If cooperatives are desired, why not concentrate on lines which show a profit, rather than on those which show such small spreads, and then hire a business man to run the business. If they can compete with present mechanisms they will stop doing them. As for the rice industry, there would be no bond required of a cooperative; instead, they would have to build their own warehouses, invite deposits, pay a host of ignorant operatives and take a chance on the market. If they went into the processing of their product it would mean a high capital investment without an adequate outlet. If they extended it to take in the distribution funds they would face a market which is expected to advance credits to the depositors they would have to look up a banking connection,

and they could not distribute to their patrons the profits until their entire stock had been disposed of for the year. With these requirements in mind, the way is open for cooperatives!

No cooperatives we know of have ever flourished if not from the top, or if forced upon producers against their will. The mere registration of firms makes little difference if they cannot function at a profit for business is not built that way. Nor can it be said that one man or one group of men have the ability to outguess the market every time. The Chinese here in the business for centuries have not been able to do that, nor anyone in the United States, either. A number of fact producers have only one way to sack solid gains, and that means higher yields from the lands they own. It means concentrating on production rather than on distribution, a very different thing. The processing of their product has been the rock upon which far too many have been wrecked, for generally speaking producers are not business men.

The whole trouble in the Philippines is the urge to build from the top. Too many movements are started with the desire to run before they can walk. Too much ignorance prevails as to just what business is, and too much envy prevents a cool consideration of actual facts. It may not be known to our Patrick Henrys that the average price of a sack of rice at a loss of thirty centavos a sack, to enable them to mobilize cash for the new crop and to clean off the old crop accounts. We can imagine the howl of a cooperative faced with this, but we cannot imagine them doing it. The way, however, is open to all who desire to enter the business.

With regard to the irrigation facilities supplied by the government, we may say, taking into consideration present projects functioning, annual annual and annual, that the irrigation, that a limit has been reached. It is true that a certain amount of irritation exists against these projects but this urge is due in part to ill-considered estimates, the annual payment of irrigation fees and, last but not least, the hope held out by politicians of exempting beneficiaries from payments altogether and saddling the government with the cost—as in other countries. Irrigation increases yield by approximately 8%, but its function of crop insurance is a much more important phase of production from a national standpoint. The amount of fees collected is small as against the benefits received. As no government is stronger than its producers, it might be that a way out would be to make a flat rate per hectare, under the name of service, that would repay over a long period the costs of its interests, collected with the ordinary land tax. Where the land is so poor that the growing of rice rarely pays, the extension of irrigation to that area is not feasible. Furthermore, as in good years we are practically self-sufficient in rice, the extension of irrigation is simply forcing the rice industry into the status of the sugar industry, with the exception that sugar has a market and rice has none, being a protected crop.

The above is worth while thinking over, before raising any more bonds for irrigation, as further expansion is approaching the danger line.

Short Short Story

Once there was a clever little girl named Susie Scruggs. Well, Susie Scruggs learned to dance and so Suzanne Scruggs went to New York. And, happy to relate, Suzanne Swan made good. So a rich man married her and she became Mrs. Swann and now Mrs. Harry Smith lives abroad.—Life.

I have never jumped out of an aeroplane with a parachute that was slow to open, but one time I returned from a week-end trip and saw a telegram under my name.—Life.

I know why auto drivers are always in such a big hurry. They are speeding up to get in front of you so they can slow down.—Life.