

Copra and Coconut Oil

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THIS was a period of comparative inaction in the copra market. Sellers, sensing a temporary shortage of supplies, were holding what copra they could command for higher prices. Buyers, with almost complete lack of consumer-interest for oil, could only see lower copra prices. Hence a comparative stalemate until near mid-February, when the situation began to ease. The record shows a tight market through most of the month with buyers interested at \$185 c.i.f. to \$190 c.i.f. depending on position, and sellers asking \$2.50 to \$5 more. Occasionally trades went through at compromise prices, but there was no great volume; clearly there was no real money in the business for buyers, nor was there much copra for sale because arrivals were light and bade fair to continue so for some months, and sellers did not wish to go short under these circumstances. Toward the end of the period, however, buyers began to lose interest and reduced their ideas to \$175 to \$180 c.i.f. Sellers, sensing the possibility of heavier production next month, in turn revised their ideas downward to \$182.50, possible \$185 for spot, and some trading was done at the lower levels.

Meanwhile, some little interest developed in Europe and business was done, thanks to reduced freight rates, at as high as \$190 f.o.b., perhaps a shade more, Philippine copra at this stage being the world's cheapest copra. But as the period wore on, European dollar demands were filled and at the close buyers were indicating \$180, with sellers some \$2.50 higher. Japanese and Central American interest faded out of the picture temporarily.

All of this took place in the face of gradually increasing prices of competing fats and oils, notably cottonseed oil and tallow, but the spread was still so great that normal users of coconut oil turned more and more to substitutes, and coconut oil usage was at an all-time minimum. It is very interesting to note that coconut oil usage in soap declined 33% during 1949, partly due to the upward surge of detergents, but more to the unreasonably high comparative price of coconut oil. But Philippine sellers cannot be blamed for this, for their entire copra crop was marketed without difficulty at top prices.

THE oil market was far from satisfactory. With demand at a minimum, sellers could trade only on a hand-to-mouth basis and for immediate or near positions. Large soapers were generally uninterested, and what demand there was came from small buyers for edible usages who bought what they had to when they had to. Coast prices ranged from 14-1.4 cents f.o.b.P.C. down to 13-1.2-13-3/4 cents at the end, with trading light and confined to small lots. While a few immediate bulk parcels were sold at 15-15.1-4 cents c.i.f. New York, large buyers were generally uninterested over 14 cents or a shade more. On any such basis, current copra prices were unjustified, and as the period closed Coast mills and some Philippine mills were generally inactive and thinking of shutting down. East Coast buyers were particularly reluctant to buy because of the opening of a new crushing mill near New York, which they thought might mean lower prices for oil. This may or may not prove true.

Philippine mills, as usual, were handicapped by indiscriminate export loadings, a state of affairs which bids fair eventually to result in a showdown as to whether the

Philippine Government values industrial enterprise sufficiently to make it possible for it to operate on competitive terms—a hard decision for the Government to take at this time, but one it must face sooner or later.

UNDER these conditions, Manila base prices for copra held steady at ₱36 to ₱38 and higher for reseeded, all for domestic usage, with Cebu consistently ₱1-₱2 lower. These high prices resulted from the shortage of copra, and seemed likely to be chronic for the first half year.

Copra shipments for January, always a light month, totalled only 36,708 tons, as against 43,160 tons for December, but comparing favorably with 23,778 tons for January, 1949. These shipments were distributed as follows:

United States	
Pacific Coast Ports	20,439
Atlantic Coast "	2,339
Gulf Ports	7,000
Europe	3,000
Canada	500
Central America	3,450
TOTAL	36,728

Oil exports also dropped to 2766 tons, as against 6279 tons in December, but were still above the 1633 tons shipped in January, 1949. These shipments were distributed as follows:

Atlantic Coast	2,528
Central America	238
TOTAL	2,766

Meal markets on the Pacific Coast were good during the month, working up above \$55 c.i.f. per short ton, equivalent to better than \$47 f.o.b. At the close, the market showed some signs of softening, which it generally does as the spring advances. European buyers were still dollarless.

In general there was a feeling of uncertainty as the period ended. Everyone knew that copra and coconut oil were too high, although supplies of copra were small and buyers still had minimum demands to meet. But the premium over other oils was ruinously large, and gradually Philippine copra was pricing itself out of the market. This kind of thing cannot go on forever, and the true impetus to Philippine trade will come only when, comparatively, coconut oil can be sold on a near equivalent to competing oils and fats—which may come either from an increase in the prices of competing oils and fats or a decrease in copra prices, and probably will finally work out as a compromise between the two. But how soon this will happen, is a question.

FROM the Philippine viewpoint we would like once more to point out the increasing incidence of *kadang-kadang* infestation in Southern Luzon. Unless prompt and effective remedial action is taken, a few more years of this will mean a tremendous loss to the national wealth by ruining the copra groves of this area, as well as increasing the sphere of its malignant influence. Already, in some districts production is reported down up to 75%. This is something the Government should think about if it wishes to maintain and increase its copra exports. It is a serious matter.

As we swing into mid-February, copra and oil markets look softer, and buyers of oil and copra are holding back. Lower prices may easily come, but if they do it will be in spite of light production, for there should be no great copra surplus for some months to come, and it is not generally felt that dealers are holding back substantial stocks at this time. And so, as usual, one man's guess as to what may happen this next month is about as good as another's, although certainly the general tendency is against higher prices.