The SCAP fiscal year ends June 30, and as the funds available for purchasing abaca have been fairly well depleted, it has bought rather less during the period than usual, despite the reduced prices asked by exporters. During the first half of the period there was some demand from Europe for June shipment to complete ECA allocations for the first half of the year. Once this demand was filled, European interest faded away, and at the time of writing, a weak and uninterested market rules in London.

In the Philippines, the market declined on the average about ₱2.50 a picul, in line with reduced prices in consuming markets. Provincial dealers, however, continue reluctant to accept lower prices, and talk up the angle of small production. What producers fail to take into account is the fact that abaca cannot escape the general deflation of all raw materials. At the close of the period, provincial markets became distinctly nervous and sellers began to lower their ideas.

The following figures give an indication of the price changes recorded during the month:

Philippine provincial quotations, June 15:

	Per Picul Basis Loose	
Davao I	₱61.00	— Down ₱3.00 per picul from May 15.
Davao J1	₱60.00	— Down ₱2.50 " " " " "
Davao G	₱53.00	— Down ₱2.50 " " " " "
Non-Davao I	₱62.50	— Down ₱3.00 " " " " "
Non-Davao G	₱45.00	— Down ₱3.00 " " " " "
Non-Davao K	₱27.50	— Down ₱1.50 " " " " "

New York quotations, June 15:

	Per lb. c.i.f. New York	
Davao I	28¼¢	— Down ¾¢ per lb. from May 15.
Davao J1	27¾¢	— Down ¾¢ " " " " "
Davao G	25¢	— Down ½¢ " " " " "
Non-Davao I	28⅛¢	— Down ⅝¢ " " " " "
Non-Davao G	21⅝¢	— Down ⅝¢ " " " " "
Non-Davao K	15¢	— Down ¼¢ " " " " "

Production for May, 1949, was 41,174 bales—a decrease of 6,949 bales from April, 1949. Non—Davao balings totaled 22,907 bales—down 6,791 bales from April. Davao balings were 18,267 bales—down 158 bales from April. Exports for May amounted to 38,986 bales. Production for the first five months of the year amounted to 235,794 bales, against exports of 220,965 bales for the same period.

Tobacco

By the Conde de Churruca
President, Manila Tobacco Association

ON the 10th of this month (June), Secretary of Industry and Commerce Balmaceda and Sugar Quota Administrator Bunuan held a special meeting with businessmen to discuss the export situation and the possibility of filling the Philippine export quotas, some of which have hardly been used at all.

Two points were unanimously brought forward; the present high cost of production and the high shipping rates which combined make competition in foreign markets practically impossible for some producers.

In the case of a manufactured product like cigars, the high cost of labor is an especially important factor, the more so as the time is not judged ripe for the introduction of a greater mechanization. The situation will remain difficult at least until the price of rice has been sufficiently reduced. Rice plays a double role in the tobacco industry because the tobacco planter, when the price of rice is high, has either to sell his tobacco at a higher price to live or to devote a larger part of his land and time to raising rice himself. At that, he is in a much better position than the workers in the factories who have only their wages to depend on.

And if the price of native tobacco is high, the tobacco factories find it more difficult to compete not only with imported cigarettes but with imported leaf. There are so many workers involved that their fate must be taken into consideration if the price of native tobacco remains as high as it has during the past few years.

As to the quota situation, the factories now in operation have the capacity to fill their individual quotas, but there are a number of non-operating factories which together hold more than one-half of the total quota. The figures follow:

Cia. Gral. de Tabacos de Filipinas	Quota:	31,255,534	cigars
La Flor de la Isabela	"	58,227	"
La Colonial	"	804,535	"
La Alhambra	"	29,369,257	"
	Total - Quota:	61,487,553	cigars

Those not in operation:

Helena Cigar Factory	Quota:	123,803,897	cigars
El Oriente	"	2,378,434	"
La Flor de Intal	"	760,917	"
La Yebana	"	804,535	"
	Total - Quota:	127,747,883	cigars

It will be seen that the operating factories cover around 30% of the quota, (which amounts to about 200,000,000 cigars) so it is obvious that the quotas owned by factories that could not employ them *even if conditions were favorable,* represent 70% of the total.

Leaf and Stripped Tobacco

As per Order No. 27 of the Quota Administration, dated January 17, 1947, the yearly quota is distributed as follows:

Helena Cigar Factory	1,794,124
Alhambra Cigar and Cigarette Factory	1,376,909
Aguado Hermanos	53,667
Bunning & Co., Inc.	2,201,542
Go Fay & Co.	113,311
Manila Tobacco Trading	824,637
Minerva	20,653
By Mail	1
Government Disposition	115,156
	6,500,000

Against these quotas the following shipments were made:

	1947	*1948*	*1949*	*Total*
Helena Cigar Factory	336,495	28,128	22	364,645
Alhambra Cigar and Cigarette Factory	3	—	—	3
Aguado Hermanos	—	—	—	—
Bunning & Co., Inc.	817,907	186,096	330,605	1,334,608
Go Fay & Co.	—	—	—	—
Manila Tobacco Trading	13,500	—	—	13,500
Minerva	—	—	—	—
By Mail	—	—	—	—
Government Disposition	53	9	1,000	1,062
TOTAL SHIPPED				1,713,818

From this it can be seen that in about 2½ years during which a total of 16,250,000 lbs. should have been shipped in order to fully cover the quota, only 1,713,818 lbs. were delivered, or 10.55% of the total.

The reasons for the inability of the quota holders to fill their quotas were:

1. United States buyers are almost exclusively interested in stripped tobacco from Cagayan and Isabela.

Weather conditions in these provinces during the past three years were so unfavorable for tobacco that only 1/3 to 1/2 of the normal crops were produced although farmers put out enough seedlings for harvesting crops of from 250,000 to 300,000 quintals.

These crop shortages together with the fast-diminishing stocks of previous crops caused prices to rise beyond those which American buyers were willing to pay. In other words, Philippine tobacco priced itself out of the American market.

2. Ocean freight charges were increased to such an extent that the charges to the U.S. East Coast are now 40% higher than those to European North Atlantic ports, which fact contributed to the high c.i.f. costs which Philippine producers had to ask for their stripped tobacco.

3. Stripped tobacco pays 3 different government fees:

a. ₱0.50 *per 100 kilos* Internal Revenue Inspection fee *before* the tobacco is stripped.

b. ₱1.00 *per 100 kilos* Internal Revenue Inspection fee when the stripped tobacco is exported.

c. ₱0.55 *per 100 kilos* License fee to the Philippine Sugar Administration.

The outlook for covering the quota for 1949 is not encouraging.

Advance information received from United States buyers indicates a substantial reduction in prices which would force the Philippine producers of stripped tobacco to buy at considerably lower prices than last year. Whether this will be possible, is difficult to say at this moment.

As every quota holder, old or new, has to face the foregoing facts, we believe that the inability to cover the entire quota, or a large part of it, cannot be met simply by a redistribution of the quotas, but only by adjusting the price of leaf-tobacco to the realities of the world market.

Food Products

By C. G. Herdman
Director, Trading Division
Marsman & Company, Inc.

THE principal item of interest in imported foodstuffs at present is the very heavy arrivals of wheat flour and canned milk in the Islands during the month of June. Visible flour stocks today are sufficient to cover consumers' requirements until the end of September at least. The market is very heavily overstocked. There has been very little ordering done by importers these several weeks and it is unlikely there will be any ordering in volume before late August. The very considerable disparity in price between Canadian and American flour is also to be noted. Canadian flours are being offered, after making allowance for Customs import duty, at prices from $0.25 to $0.50 per 100 pounds cheaper than equivalent American grades. The government loan value on wheat in the United States maintains an artificial price so much higher than in other wheat-producing countries that American export flours are being priced out of the market, and unless some method of subsidy or other protection for American flour exporters is arranged, it is apparent that a very large portion of the business they have previously enjoyed will pass to Canada.

As regards canned milk, the stock situation is very much the same as in flour. There have been