Expansion of the Philippine Manufacturing Company

By Paul T. Millikin
Director of Sales, Philippine Manufacturing Company

The Philippine Manufacturing Company Plant in Tondo, Manila .

ONE of the largest companies in the Philippines, sponsored by American capital, is the Philippine Manufacturing Company,* manufacturer of edible oil products and soap. Known throughout the Philippines as PMC, this organization is a wholly owned subsidiary of the Procter & Gamble Company, largest manufacturer of shortening and soap in the United States. The products of PMC are: Purico and Venus Shortening, Star Margarine, Mayon Edible Oil, Luto and Perla Laundry Soap, and the well-known Camay Toilet Soap. In addition to these products, the company manufactures other brands of edible oil products and soap for export to various parts of the world.

The company's objective is to manufacture and distribute locally large quantities of these products at the lowest possible price. For this reason, the Philippine Manufacturing Company has pioneered in the installation of modern mass-production equipment and has set up an island-wide distribution service by means of a big fleet of Purico trucks which stop at stores, large or small, and a strategically located network of warehouses to back up this service.

The Camay Toilet Soap plant in Manila, which has just been completed and is now producing large quantities of quality toilet soap daily, is an example of PMC's far-sightedness, good planning, and execution, plus a bit of good fortune. At the outset, an installation of this type is an expensive thing. PMC has invested more than ₱1,500,000 in this toilet soap venture. Fortunately, several years ago, before import and exchange control restrictions had become a fact and a new consideration for business decisions, PMC's management had decided that it would be worthwhile to undertake a toilet soap plant installation.

The most modern toilet soap-making equipment was ordered and plans were drawn up to erect the plant at the company's present factory site in Manila under the supervision of local and American engineers. More than one year was required to complete the plant after the decision to invest had been made, but by January 1, 1950, the first cake of Camay Toilet Soap was passing through the paking line. This Camay Toilet Soap is in every respect equal to or better than the Camay Soap marketed in the United States. The same formula, care, and modern equipment are used to make this soap in the Philippines. Locally made Camay is no substitute. Its quality and the method by which it is made are real assets to the Philippine economy.

*PMC started out in 1908 as the Manila Refining Company, established by Edwin Burke and Ernie Young, for the purpose of manufacturing soap. This company was incorporated as the Philippine Manufacturing Company on April 2, 1913, and a new plant was established in its present location, Tondo, Manila. Capitalized at ₱500,000, the objective of the company was to continue the production of soap. In 1914 the company got into the production of coconut oil by crushing some copra. It continued the manufacture of soap, and also started to manufacture candles. Its first edible product, a shortening named Purico, and a brand of edible oil was put on the market in 1920. F. N. Berry joined the company in 1919. In 1935, the Procter & Gamble Company purchased the PMC. During the war, the Japanese operated the plant until they ran out of fuel oil in 1944. The plant was completely destroyed in the fighting for the liberation of Manila. Rehabilitation began late in 1945.

President Quirino of the Philippines received the first case of Camay Soap. Inasmuch as the President was convalescing in Washington, D.C., this first case of Camay Soap was flown via the Philippine Air Lines to the President. The President immediately wired back to Philippine Manufacturing Company his congratulations for its outstanding achievement in quality and mass production.

The PMC plant has had many visitors from all walks of life, including prominent business men, legislators, and most recently, the Seattle Chamber of Commerce delegation.

F. N. Berry, PMC Vice-President and General Manager, who has spent the major part of his life in the Philippines guiding the destiny of PMC, has recently announced another pioneering move in the form of an employees' pension plan. This pension plan is one more stone in the solid foundation of PMC-employee relationships. PMC employees work enthusiastically toward helping the Philippine Manufacturing Company to maintain its lead as the largest manufacturer of edible oil products and soap in the Far East.

Purico Shortening has been the backbone of the company's business. Since its establishment in 1913, the company has steadily expanded its line of products and volume, except for the war period when its plant was totally destroyed. Its rehabilitation, started in late 1945, and its continued expansion have kept the growth-curve headed upward continuously. The activity of PMC is an already established part of the Philippine industrialization program.

Possibilities for Export of Finished Coconut-Oil Products

LOCALLY produced copra (dried coconut meat from which coconut oil is extracted) is by far the principal raw material used for the Philippine production of soap, shortening, margarine, and refined edible oil. Other items such as hardening oil, resin, caustic soda, and part of the packaging supplies, all of which must necessarily be imported, are a quite small part of the finished-goods cost compared with copra. Thus, the soap and edible oil-products industry is truly a vital factor in any national self-sufficiency program.

It should be noted that edible-oil products made from coconut oil, a vegetable oil, are especially appetizing and overcome some of the difficulties inherent in similar products made from animal fats and oils. In particular, Philippine margarine appears to be much more delicious as a table spread than margarine known to other countries.

There would be many more opportunities to *export* large quantities of these coconut-oil products, were it not for these reasons:—

1. Inter-country trade barriers and restrictions.
2. Widespread lack of dollar exchange.
3. Current high cost of crude coconut oil compared with the cost of tallow, soybean oil, cottonseed oil, and other fats and oils used in competitive products manufactured in other countries.

In the Philippines right now is enough plant capacity—

1. To supply the current per-capita consumption of fats and soap in the Philippines, and
2. To provide substantial quantities of finished products for export.

Local producers want to export, but most countries in the sterling bloc or in countries short of dollar exchange, greatly restrict or prohibit importation of these products from dollar areas, since they have other sources and agreements.

The few countries remaining that can still turn up dollar exchange, find our edible and soap coconut-oil products a luxury as compared with exports from the United States, for example. The reason is simple. The raw materials are a very large part of the entire product-cost. Current quotations in U. S. cents are: Coconut oil 13-1/2¢ (not including 3 U. S. ¢ processing tax), cottonseed oil 12-3/8¢, soybean oil 12¢, lard 9-5/8¢, as edible raw materials, while for soap you can compare coconut oil 13-1/2¢ (not including 3 U.S. ¢ processing tax) and tallow at 6-1/2¢. Some coconut-oil products can command a slight premium, but the spread cannot be that large and still turn up volume export business. In addition, the differential ocean freight costs from the Philippines to many countries widen the gap even more.

Why is coconut oil currently priced so much higher than other fats and oils? Because world demand exceeds world supply for this particular oil. And why is that?

1. War-torn supply areas have not been completely rehabilitated.
2. Some of our own areas were given a bad setback by typhoons and disease in 1947, and have not fully recovered.
3. Apparently some producers and laborers are satisfied to produce less than maximum, as demonstrated by prolonged holidays, absenteeism, held-back production for market-strengthening purposes, and some lack of cultivation and replacement (plus some premature or post-mature picking of nuts).
4. The marketing channels are sometimes complicated.
5. The increase in demand for desiccated coconut has resulted in a situation where it is necessary for desiccated-coconut plants to go after nearby nut production aggressively and they are sometimes forced to reach out to remote parts of the Philippines. This means that both local edible-oil products manufacturers and desiccated-coconut plants are in stiffer competition for supplies than previously.
6. In a few instances, dissident activities have held up production and marketing.
7. While many pre-war foreign coconut-oil users have found substitutes and other sources of supply, it seems that new coconut-oil uses have been developed and new markets have appeared to soak up the decrease of demand from pre-war users.

How does this affect the Philippine economy?

The coconut export industry is of tremendous proportions. In 1949 it is estimated that over $130,000,000 was turned up by this industry as a result of exporting copra, crude coconut oil, desiccated coconut, and copra cake. On a copra-equivalent basis, these exports amount to approximately 750,000 long tons.

How does this affect the local manufacturer?

1. Since more than 85% of the copra made is exported as copra or crude coconut oil, the cost of raw material to Philippine manufacturers of edible oil-products and soap is governed by the whims of the world copra and coconut-oil market (which is currently relatively high). Not only does the situation force up export prices, but it also keeps local costs high.

2. In addition to the 10 or more large edible oil-products manufacturers, there are many "backyard" soap factories and small oil producers that go in and out of business monthly. They operate when the price of copra is low and stop when it gets higher.

The obvious answer to this supply problem is—

1. More production of copra and improvement of quality. Any decrease of price, without increased prodution, will turn up less total dollars of foreign exchange; and
2. Streamlining of marketing channels.

Improvement of these two factors should result in—

1. Lower prices for Filipino consumers of edible oil-products and soap.
2. More opportunity for Philippine manufacturers to compete in the world market for both crude and finished products—expanded exports.
3. Less incentive for present world users of coconut oil to search for substitutes and other sources of supplies.
4. More solid foundation for future maintenance of this important foreign-exchange producing industry.