Effects of European Currency Devaluation

ON September 19, the British pound was devalued by 30-1/2% from $4.03 to $2.80, and sterling area countries immediately devalued their currencies correspondingly. The question at once arose as to how this might affect Philippines copra and oil which are sold in competition with sterling producers. The immediate effect was of course psychologically bearish, and prices started to decline. The decline was short-lived, however, and prices began to stabilize themselves at not very much below predevaluation levels. But this is not a long-range answer, and it will take time to determine the real end-result.

A few points stand out. First, sterling area producers can undersell Philippine producers in both American and European markets. But in the American market they must hurdle the extra processing tax of 2 cents per pound,—about $25 per short ton of copra. If they want dollars badly enough to pass up more profitable European markets, they will do this, but $25 a ton is a weighty deterrent.

Secondly, Europe is still very short of fats and oils, and prospective world supplies of copra and coconut oil this year are somewhat disappointing. It is unlikely therefore that there will be any great pressure of copra on the market. Consequently, Europe will probably be able to take care of outside copra, which because of devaluation has a preference in sterling markets, leaving American buyers still chiefly dependent on the Philippines.

American markets are depressed due to large crops surplusses and threats of industrial unrest. Prices cannot therefore be expected to advance much except for distressed buyers. But in the United States, the laws of supply and demand will ultimately govern, and for minimum requirements prices must follow availability of copra. What this will mean for the Philippines must depend during the coming months on available supplies. Whether European buyers will still look at Philippine copra is problematical, but not impossible, although obviously they will draw on supplies from sterling areas as far as they can. Were it not for ECA dollars when earmarked for purchases from the United States or the Philippines, in which European purchases have largely been made in recent months, Philippine copra would find it hard indeed to supply the European market.

Certainly, there is nothing bullish for copra and coconut oil in devaluation; on the contrary, it is on the whole bearish. Prices should tend to be lower than they otherwise would. In another year, and with increasing world production of fats and oils, it may become a serious factor. But statements to the effect that Philippine copra and coconut oil face immediate ruin from devaluation appear, to say the least, premature.

Desiccated Coconut

HOWARD R. HICK

President and General Manager
Peter Paul Philippine Corporation

THIS report covers the period from August 15 to September 15, 1949. Generally the industry continued at slightly reduced capacity, with the Blue Bar Company remaining shut down in Luzon.

The copra market eased off after remaining quite steady during the first part of the period, and toward the close of the period copra and nut prices became bearish. We can look for a considerable fall in price due to the pound sterling drop as well as the drop in shipping rates for the coming period.

It is too early to say what the drop in copra shipping rates will do to desiccated coconut factories as far as purchasing nuts is concerned, but already indications are that around the coastal areas the middlemen are absorbing a large part of the differential and that the freight drop has not been of much assistance to desiccators. Although it is too early to give a definite opinion, events to date have only proved how definitely the desiccators are tied to copra events and prices.

Labor-management problems remained at a minimum during the period. Standard Coconut Corporation had a flare-up of labor difficulties which to the date of this report have not been settled. The issue has become largely an inter-union squable with the company caught in the middle.

We officially welcome into the ranks of the desiccated producers, Red V's new factory in Oroquieta, which we hear is a fine factory, well planned, and making use of all labor-saving devices possible. This marks a post-war effort to establish multi-plant operations, as did Blue Bar before the war.

The shipping statistics for the month of August are as follows:

Shippers	*Pounds*
Franklin Baker Co.	3,941,560
Blue Bar Coconut Company	218,070
Peter Paul Philippine Corporation	1,014,000
Red V Coconut Product, Ltd.	2,325,600
Sun-Ripe Coconut Products, Inc.	291,000
Standard Coconut Corporation	506,300
Cooperative Coconut Products	599,700
Tabacalera	575,000
Coconut Products, Inc.	186,210
Luzon Desiccated Coconut Corp	237,370
	9,904,810

Sugar

By S. Jamieson

Alternate Secretary-Treasurer

Philippine Sugar Association

THIS review covers the period from September 1 to September 28, 1949.

New York Market. — September opened with sales of Cuban, Puerto Rican, and Philippine sugar at 5.95¢ for September/October shipment. Thereafter sellers held out for 6¢, at which price a fairly large quantity of sugar, mostly Hawaiian, was on offer; but buyers showed little interest, apparently hoping that, to ease the supply situation, Washington would increase the United States consumption quota. This hope was realized on September 13, though not before buyers had paid 6¢ for 10,000 tons of Cubas for October shipment, by the announcement made by the U. S. Secretary of Agriculture that the 1949 United States consumption quota would be increased by 250,000 short tons, making the total quota 7,500,000 short tons. Of this increase, Cuba was allotted 246,600 tons, making her total United States allotment 2,888,735 short tons. This had no noticeable effect, however, on sellers' idea of price, and buyers finally gave up their idea of getting prompt arrivals below 6¢ and purchased about 30,000 tons at that