

Balatoc and Benguet Mines

• Casual Studies of These Developed Properties

Balatoc is the Philippines' largest gold mine on a basis of current mill production, mill runs having averaged 1217 tons a day during the first half of this year. This mine is Benguet Consolidated's twin, at Baguio. It has paid dividends since 1929. Its gross return from 220,236 tons of ore treated during the first half of this year was P6,470,454. This included silver at mint value. It is P29.38 per ton of ore treated. At the old gold price of \$20.67 an ounce, the ore would have averaged P18.75 a ton, with the silver counted at mint prices. At P70 an ounce for gold and silver at mint price, Balatoc realized a net profit of P3,050,509 during the first half of the year. The mine is well established in all departments; during the halfyear's operations ore reserves with slightly higher average values were increased 76,497 tons.

Positive and probable ore reserves stood on July 1, at 1,333,968 tons at P17.76 a ton, silver disregarded and gold counted at \$20.67 an ounce, a total of P23,698,214; but if at P70 an ounce, then a total of P40,127,598.

Against this you have two interesting statements in the semiannual report:

"The main ore bodies of the mine are being rapidly depleted . . . more and more of the tonnage mined originates in narrow split veins around the fringes of the main ore shoots, we must expect increased mining costs unless offset by the improved mining methods now being instituted.

" . . . In general we believe that your company has a distinctly favorable outlook at this time. An increasing ore

reserve with higher average value indicates that the mine is still growing and has not yet reached the peak of its possibilities, in spite of the depletion of the main ore bodies; the mine is now so organized that it can easily supply all demands of the mill at a minimum cost per ton; mill extraction is constantly improving."

Casual inquiry into this situation begins of course with the query as to what Balatoc could now do with gold at the old price of \$20.67 an ounce. The halfyear's gross output with small supplementary profits brought P6,476,920 of which P3,050,509 was net gain. Actual expenses were P3,426,110 including P50,000 bonus to the management, P300,162 for depreciation, and P82,407 for ore depletion. If the ore treated, 220,236 tons, has sold on the basis of \$20.67 an ounce for gold recovered and the silver at mint prices, bullion returns would have been P18.75 a ton or a total of P4,134,424. Taxes during the halfyear were P527,167; as this charge is chiefly 5% on the bullion income and would be accordingly lower at the old gold price of \$20.67 an ounce, it appears that Balatoc could, as it long actually did, operate profitably at the old gold price while its millheads remained at their existing average level and other factors remained about what they now are.

Of course, the first fellow you meet on the Escolta knows that the old gold price will never come back, and so no worry on that score; but the next fellow you meet expects the old

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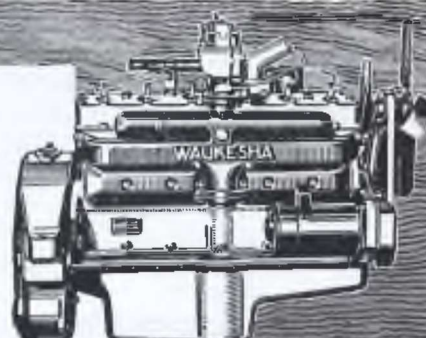
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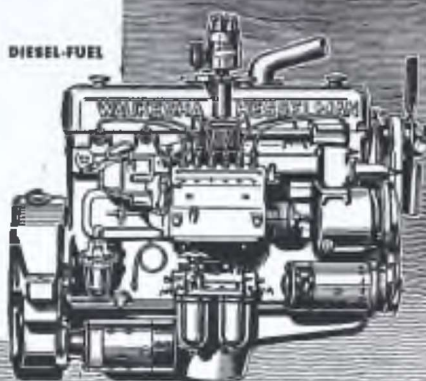
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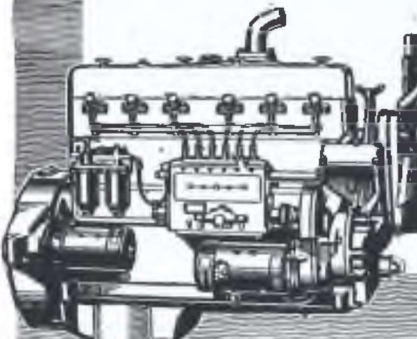
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Balatoc & Benguet Mines

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price back at any time, and without overnight warning, and no one really knows--not even Henry Morgenthau or Montagu Norman. But if the old price did come back, Balatoc, we see, could weather it. Of its surplus of ₱2,192,410 chiefly in form of supplies, mine openings, mining and milling equipment, ₱2,000,000 is being taken up in another stock dividend making the capital ₱6,000,000 at par ₱1 a share. Roughly, as the mine is running now, at the old gold price of \$20.67 an ounce, net of more than ₱2,000,000 a year could be earned.

Further casual study of such a sound mine is its gross costs, ₱3,426,110 for the halfyear, ₱15.55 a ton of ore treated. The difference between this cost and the ₱18.75 a ton the ore would bring at the old gold price and the mint price of silver is ₱3.20 a ton. None of these figures can be taken as absolutes, they are at most approximations.

Labor is another interesting item. This well established mine paid out ₱1,113,923 for labor during the halfyear. This is 17.2% of the gross income, 32.2% of gross costs, or in round figures, a third of the gross costs.

Balatoc is a settled little village that management under the chief owner, the company's president, Judge John W. Haussermann, does not neglect. Maintenance of a good general store is no burden, since it makes a small profit, but there are schools and the hospital besides. How much, after a rich mining project has once settled down to business at Baguio, do schools and hospital accommodations, quite adequate and quite above common standards, cost? Balatoc's halfyear report lists ₱3,541 for schools, ₱17,756 for the hospital, a total of ₱21,297 for these services for the halfyear, about 2.3 of 1% of the total expense of operations.

Such data may be compared, if anyone knows how, with similar data for established mines in other goldfields of the world. Better yet, new companies in the Philippines who actually feel they are bringing projects into permanent pro-

duction, ought to know from such data something of what certain of their continuing charges will be.

Benguet Consolidated is thirty-five years old, has paid dividends steadily since 1915, and is measurably better established than Balatoc, whose majority stock it owns and who paid it ₱1,676,401 by way of dividends during the half-year. Casual study of Benguet Consolidated shows 919,645 tons of positive and probable ore in reserve on July 1, averaging ₱17.72 a ton at the old gold price, a total of ₱16,295,240, and at the current price, ₱70 an ounce, ₱30 a ton, a total of ₱27,592,330. Almost 30,000 tons of ore were added to the reserve during the halfyear in addition to 145,879 tons of new ore squaring off what was milled during the period.

The ore treated, 145,879 tons, would have yielded gold and silver worth ₱20.66 a ton at gold's old price and the current mint price of silver. Benguet's costs ran ₱18.12 a ton including the management bonus ₱101,426, and depreciation ₱198,308. Benguet, aside from its Balatoc dividends and profits, chiefly prospective, from other operations, could, as from 1915 to 1934 it did, turn a profit at the old gold value of \$20.67 an ounce. This mine's actual bullion returns for the halfyear were ₱4,723,368; its gross income including ₱1,708,924 interest and dividends was ₱6,467,111.

But because we study the mine as apart from the company, let us keep to its bullion, ₱4,723,368. Out of this take costs, ₱2,643,676. In costs reckon taxes ₱375,254, and schools and the hospital ₱19,730, comparing with Balatoc; and now labor ₱774,671. These three items sum ₱1,169,655 and are a margin below 50% of total costs. Labor alone runs about 30% of total costs, taxes about 50% as much as labor. The fact that mining costs at Baguio tend to rise is inescapable. It affects the older mines, going deeper and farther for their ore, and the newer ones too, paying higher prices for timbers from the lowlands or imported from the United States, and more for their accustomed supplies of American manufactures for which prices are rising and on which freight charges across the Pacific are going up.

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