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The American Chamber of Commerce OF THE PHILIPPINE ISLANDS

(Member Chamber of Commerce of the United States)

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getting the United States senate to quash the proposed tax of 5 cents a pound on coconut oil imported into the United States and oil expressed there from imported copra; with the result that the worst we probably shall have is the so-called compromise commonwealth (or if you will, independence) bill giving 850,000 tons of sugar, 2,000,000 pounds of coconut oil, and 3,000,000 pounds of cordage from the Philippines annually free entry into the American market. This until under the terms of the bill some impost applies.

Such advantages are tangible, say what you will.

The table above illustrates how badly the Philippines need the American market. Our population now approaches 14,000,000. The land we might farm, and we are predominantly a farming community, comprises 61,966 square miles. The land we actually farm comprises 14,335 square miles, or 23.1% of our farmable land. Of 5 measures of crops produced on the land we farm, America buys 3.2 measures and all other overseas markets buy about 8/10 of 1 measure. We manage to buy the other measure, mostly rice home-grown for home consumption. For lumber the domestic market is the primary one, but of lumber we have potential large surpluses to sell overseas and currently the industry languishes because there is comparatively little buying overseas.

Essentially we produce for overseas trade. This trade brings us cash with which to buy imports. It is consumption of these imports that keeps our heads above the coolie level: when the Philippines lose the American market they will be a coolie country and not a country of citizens rising all the time to higher standards of living, education and prosperity. This being axiomatic, opinion here should begin understanding the true and permanent basis on which Philippine trade with America rests. Since 1909 the basis of this trade in tariff privileges has been confused with constitutional rights of trade. The trade rests on no such rights, that don't exist; it is a grant of congress only, and therefore it may be withdrawn.

This makes the contemplated visit of a congressional delegation to the Philippines this summer very significant. Time should be taken by the forelock. The congressional delegation should be shown, when it arrives here, all unquestionable advantages of commerce with the Philippines; it might well be given suggestions as to how these advantages could be nurtured and increased. But delegation or no delegation, acts and laws or none, we could learn here, as we should, how to do things advantageous to America in our commerce with her. In trade based on privilege—or at most, on moral rather than on constitutional grounds—mutual advantage is paramount.

We undertake now, therefore, to say a word or two more about our coconut oil and copra in the American market. The coconut industry is the livelihood of some 4,000,000 of our people. Coconut lands are generally owned by those who cultivate them, in small farms. A tax that would kill this industry would destroy more than 4/14 of the Philippine market for American manufactures, the population of the coconut-farming areas standing in about that ratio to the whole population. The locale of the larger land-transport companies is enough to indicate this, where the brisker transportation business thrives is where money is most plentiful. Now the pioneer land-transport company was established in a leading coconut-producing region of Luzon, the Ammen Transportation Company, and there its main lines are even today. Of all the larger companies since established, most of them are in coconut-producing regions. There is a large one in Sanar, another in Leyte, another in Oriental Negros, another in Batangas and Laguna, another in Cebu, a grand one in Iloilo.

These companies are all imitated by smaller ones, in the regions where they operate. The companies themselves are important buyers of American products, including fuel and oil as well as cars, trucks, tires and parts. They are also low-cost distributors of American imports to provincial merchants and mercantile centers, and they gather up Philippine products and carry them at cheap rates to ports of export. Wise in their generation, they indicate where trade is to be had. Destroy the coconut industry of these islands, or reduce it to levels where only coolies may carry it on, and you destroy not less

NEW COMMONWEALTH ACT

Farm Lands in Our Ten Largest Islands

| Island | Area sq. miles | Cultivable sq. miles | Cultivated sq. miles | % Under Cultivation |
|--|----------------|----------------------|----------------------|---------------------|
| Philippines | 114,000 | 61,966 | 14,335 | 23.1 |
| Luzon | 40,814 | 23,647 | 7,618 | 32.2 |
| Mindanao | 36,906 | 16,344 | 1,125 | 6.8 |
| Samar | 5,124 | 3,945 | 714 | 18.0 |
| Negros | 4,903 | 2,622 | 885 | 33.7 |
| Palawan | 4,500 | 3,407 | 155 | 4.5 |
| Panay | 4,448 | 2,813 | 1,053 | 37.4 |
| Mindoro | 3,794 | 2,125 | 69 | 3.2 |
| Leyte | 2,799 | 1,945 | 792 | 40.6 |
| Cebu | 1,695 | 1,391 | 803 | 57.7 |
| Bohol | 1,534 | 932 | 420 | 45.0 |
| Percent of farm lands under actual cultivation | | | | 23.0 |

Our 10 largest islands have 59,171 square miles of farm land of which 13,634 square miles are actually farmed, less than 1 acre in 4 of the cultivable land, and less than 1 acre in 10 of the total area of the islands.

Reluctantly or not, depending on how far you sanction political casuistry, it remains a fact that nonacceptance of the commonwealth bill last year, and yet keeping the question of a suitable bill before congress and President Roosevelt, with the effect that quotas have not been applied, has given Philippine products free entry to the American market for at least the whole of this season. This means money; in the sugar industry alone it means about P4,000,000 more, thrown into the channels of commerce in the islands this year, than we otherwise would have had. It contributes influence toward

than half of the Philippine market for imports, but more than half.

And what do you gain at home? Nothing. This too a congressional delegation could be made to see.

A million bales of cotton when ginned leaves behind the seed for 50,000 tons of cottonseed oil. America proposes reducing her cotton yield by 3 or 4 million bales a year in order to maintain a living price to the growers. When she does this she will reduce her yearly yield of cottonseed oil by about the quantity of coconut oil she now buys from the Philippines. She buys our oil because she needs it, now; reducing her cotton crop she would create more demand for this and for similar

oils. It could come to this: that crushing plants in Amsterdam using Indian and Egyptian cottonseed would supply cottonseed oil for the American market; and if they did, America would merely provoke, by taxing our coconut oil, fiercer competitors with her cotton industry and put money in their hands. But before this would happen, probably, palm oil, free of duty, and other oils would come into the United States from countries where America could procure but little reciprocal trade—where she would have to settle annual balances with cash.

The time has come to talk straight economics to America. As she wants to do only justice to the Philippines, a cordial hearing is a foregone conclusion.

Philippine Economic Conditions—January, 1934

Summary of official radiograms forwarded to the Bureau of Foreign and Domestic Commerce, Department of Commerce, Washington, D.C. Prepared by E. D. Hester, American Trade Commissioner, 410 Heacock Building, Manila, with assistance of Government and trade entities.

| | Jan. 27 1934 | Dec. 29 1933 | Jan. 28 1933 |
|---|-----------------|-----------------|-----------------|
| Total resources..... | 234 | 237 | 218 |
| Loans, discounts and overdrafts..... | 106 | 110 | 114 |
| Investments..... | 49 | 49 | 54 |
| Time and demand deposits..... | 130 | 132 | 119 |
| Net working capital, foreign banks..... | 11 | 10 | 24 |
| Average daily debits to individual accounts, four weeks ending..... | 4.7 | 4.2 | 3.6 |
| Total circulation..... | 127 | 123 | 117 |

The improved and steadier business tone which prevailed during the first half of January was qualified towards the end of the month by declines in the export prices of copra and failure of any substantial improvement in abaca. The month closed with great uncertainty due to the proposal in Washington to levy an excise tax of five cents per pound on United States imports of coconut oil. Local interests claimed that this, if made effective, would cripple our second largest industry and at least temporarily withdraw nearly a quarter of the Philippine population from any significant consumption of imported wares. Actual merchandise movement during January, however, was characterized as satisfactory in textiles, foodstuffs and automobiles which showed some improvement over December with the volume of consumption estimated at approximately equal to January last year. Japanese competition in several lines was noted to be rapidly increasing. Russian textiles made their first appearance in the local market. Sales of hardware and builders supplies were greatly curtailed due to the almost total lack of construction activity.

Construction activity was at a standstill with Manila building permits valued at only ₱194,240 as compared with ₱233,730 for January 1933.

Power consumption during January was reported at 10,860,000 KWH compared to 9,731,000 for the same month last year.

Transportation

Cargoes: Atlantic seaboard, excellent; Pacific, good; Orient interport, normal; interisland, normal. Passengers: outward, good and increasing; inward, heavy. Highseas tonnage was exceptionally low with a total of only 86 sailings with 205,000 tons of which the United States share was 13 sailings with 35,000 tons.

Manila Railroad: January average daily metric tonnage almost equalled the previous month, 10,601 compared with 10,632 for December and 7,316 for January, 1933.

Overseas trade

The Customs bulletin for January is not yet available. December statistics were included in the supplementary report to "Philippine Economic Conditions, December, 1933".

Government revenue

The current fiscal year opened without a Government deficit and with probably a small surplus. The Philippine National Bank repaid to the Insular Government ₱1,000,000 on account. Outstanding Philippine Friar Lands Purchase bonds were redeemed through the War Department on February 1st. Internal revenue collections during January for the City of Manila were 15 per cent above the same month a year ago.

Exchange

The January requirements for sugar financing caused the usual cash shortage at the year's opening. Seller's quotations for U.S. \$ T.T. were at 1/2 per cent discount, buyer's at 7/8 per cent discount, buyers of 60 days sight D/A bills at 1-3/4 per cent discount. By mid-month the situation eased with rates rising to 1/4 per cent premium for sellers and 1/4 per cent discount for buyers, firming to close at buyer's 3/8 per cent premium and seller's 3/4 per cent premium. The steady tendency at the close continued through to February 15 when weakness again developed. On February 20, sellers were quoting at par while buyers were reluctant at 3/8 per cent discount. Total exchange sold by the Insular Treasurer for January totaled \$400 of demand and \$450,000 of telegraphic transfers.

Banking

January banking conditions were featured by a substantial increase in average daily debits to individual accounts. Circulation was up, closing at ₱127,000,000, the highest point since June 1932. The Insular Auditor's report showed the following details in millions of pesos:

Credits and collections

Credits were extremely close. Banks were declining extensions or new commitments in respect to either agriculture or real estate. Installment and merchants' up-country collections were slightly improved but their volume was reduced.

Sugar

January sugar transactions were steady throughout the month, opening at ₱6.90 to ₱7.10 per picul, improving gradually to close at ₱7.30 to ₱7.40. Current crop recoveries of Negros centrals were still unsatisfactory. Warner Barnes' export data follows:

| | Long Tons Nov. 1 to Jan. 31, 1934 | Nov. 1 to Jan. 31, 1933 |
|------------------------------|---|----------------------------|
| U. S. Atlantic: | | |
| Centrifugal..... | 306,454 | 283,420 |
| Refined..... | 1,350 | |
| U. S. Pacific: | | |
| Centrifugal..... | 11,612 | 11,505 |
| Refined..... | 11,829 | 16,002 |
| Totals: | | |
| Centrifugal..... | 318,066 | 294,925 |
| Refined..... | 13,179 | 16,002 |
| Centrifugal and refined..... | 331,245 | 310,927 |

Coconut products

The copra market was extremely weak with crushers unwilling to make further contracts due to the generally unfavorable world market conditions which included the Spanish restriction on copra imports with rumors of a similar action in France. This was further accentuated by the proposed levy of an excise tax of five cents per pound on coconut oil imported into the United States, forcing copra exporters and oil millers to curtail purchases pending further developments. No extensive contracts for either oil or copra were possible and all transactions were limited to small parcels for prompt delivery. Manila copra prices opened at ₱4.40, improved to ₱4.60, but dropped 30 points by February 10. The copra cake market was dull with little transactions due to the fact that most crushers were sold out. Schnurmacher's statistics follow:

| | Jan. 1934 | Dec. 1933 | Jan. 1933 |
|---|-----------|-----------|-----------|
| Copra | | | |
| Estimated arrivals: | | | |
| Manila, sacks..... | 224,690 | 430,087 | 242,382 |
| Cebu, sacks..... | 206,216 | 389,466 | 200,580 |
| Estimated exports, metric tons: | | | |
| All countries..... | 21,064 | 38,196 | 15,449 |
| United States..... | 15,625 | 21,040 | 10,896 |
| Estimated stocks, Manila, end of month, metric tons..... | 66,976 | 82,558 | 33,532 |
| Prices, resacca, buyers' godown, Manila, pesos per 100 kilos: | | | |
| High..... | 4.20 | 4.50 | 6.00 |
| Low..... | 4.00 | 4.00 | 5.60 |
| Coconut oil | | | |
| Estimated exports, metric tons: | | | |
| All countries..... | 11,792 | 18,478 | 7,711 |
| United States..... | 11,647 | 18,359 | 7,611 |
| Estimated stocks, Manila, end of month, metric tons..... | 20,427 | 15,335 | 21,215 |
| Prices, drums, Manila, pesos per kilo: | | | |
| High..... | 0.105 | 0.1075 | 0.125 |
| Low..... | 0.095 | 0.1030 | 0.115 |
| Copra cake and meal | | | |
| Estimated exports, metric tons: | | | |
| All countries..... | 10,974 | 12,335 | 3,154 |
| United States..... | 1,576 | 1,354 | 149 |
| Estimated stocks, Manila, end of month, metric tons..... | 4,293 | 3,961 | 4,947 |
| Prices, f.o.b. Manila, pesos per metric ton: | | | |
| High..... | 18.75 | 17.75 | 25.50 |
| Low..... | 18.30 | 17.05 | 25.00 |