

# McJaocs News Feature

## The Philippine coconut oil industry<sup>1</sup>

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*The coconut and coconut oil industry and the significance of tariff regulations are described. Currently 1.8 million hectares of coconuts produce ca. 1.6 million long tons of copra. There are 23 coconut oil mills in the Philippines with a crushing capacity of 1.45 million tons. Five other mills approved for construction will increase this capacity to 1.75 million long tons. Coconut oil exports are vital to the Philippine economy.*

The Philippines has a basically agricultural economy which depends heavily on the coconut industry. A brief description of the social and economic bearings of this industry will give an idea of the magnitude of the country's dependence upon it.

About 1.8 million hectares, representing one-fifth of the total Philippine agricultural cropland, are planted to coconut trees which produce 8 billion nuts annually. Based on 1970 figures, this produce is equivalent to more than 1.5 million long tons of copra from 186 million bearing trees, or 74% of the total number of trees planted.

The coconut farms have an average size of 2.68 hectares of ca. 6.5 acres. Through the local traders, the farmers sell their produce to the coconut oil mills, the desiccated coconut factories, the copra exporters and the byproduct manufacturers who form the pyramidal structure of the coconut industry with the farmers as the broad base.

A little over 400,000 persons are directly dependent on the operations of the various coconut processing plants, while about a third of the total population of ca. 38 million are in one way or another dependent on the industry for their livelihood.

For the past 10 years (1960-70) the aggregate coconut industry has provided much-needed support towards the stability of the country's currency

through its foreign exchange earnings. These earnings average US\$250 million annually. In 1971, the industry earned \$260 million. Constituting roughly 30% of the country's total export receipts, this amount was the largest contribution given by a single industry to the foreign trade income of the Philippines. Significantly, 43.3% of this amount was contributed by coconut oil, which has become one of the country's premier export products and a mainstay of our economy.

The Philippine coconut oil industry is not a new venture. It is an old industry inured more or less to the rigors of competitive trade.

Its early rise dates back to the advent of World War I, the exigencies of which made it expedient to crush copra in its country of origin. The demand for coconut oil in the U.S. was then rendered urgent by the shortage of bottoms to move copra. Conforming to its needs, the U.S. Government encouraged private companies to build coconut oil mills in the Philippines. As a consequence, coconut oil exports from the Philippines climbed from 5000 tons in 1913 to 140,000 tons in 1919.

The encouragement given by the U.S. Government to the coconut oil industry of the Philippines has been reflected in the preferential treatment accorded coconut oil in respect of U.S. Tariff Laws.

In the U.S. Emergency Act of 1921, Philippine Coconut Oil was exempted from the 2.67 cents/lb. duty (later reduced to 2 cents/lb.) imposed on coconut oil. This protection to the Philippine product emanated from the Payne-Aldrich Act of 1909 and the Philippine Tariff Law of the same year, later re-stated in subsequent U.S. Tariff enactments.

These incentives strengthened the Philippine coconut oil industry and perhaps cushioned the impact of a fall experienced by other industries during the world-wide depression of 1930.

Later, however, under the U.S. In-

ternal Revenue Act of 1934, the 2 cents duty was levied on Philippine oil exports in excess of 200,000 long tons. While the tariff was inapplicable since Philippine coconut oil exports did not exceed 200,000 long tons in the pre-World War II period, the dread thought that preferential U.S. treatment for Philippine coconut oil would one day cease was now reality. Hearteningly, at about this time, the big fats and oils users of Europe had found their way into the Philippines in their search for raw materials to feed their soap and margarine factories.

Soon after the end of World War II the emergence of the Philippines as an independent nation gave rise to a trade agreement between its government and that of the U.S. In accordance with this 1946 trade agreement, more popularly known as the Bell Trade Act, the 2 cents duty levied on Philippine coconut oil exports under the U.S. Internal Revenue Act of 1934 was reduced to 1 cent/lb. for the Philippine production above the tariff-free quota when imported into the U.S.

Nevertheless, the U.S. 1934 Internal Revenue Act provided for the imposition of a 3 cents/lb. first domestic processing tax on coconut oil designed to protect the dairy, livestock and farming interests of the U.S. This tax was collected on Philippine coconut oil from 1934-1946. To help the Philippines adjust its economy in preparation for its forthcoming independence in 1946, the U.S. Government returned US\$150 million derived from this tax to the Commonwealth Government of the Philippines. The revenue from this tax from 1946-56, however, has not been refunded. In appreciation of the need to remove this tax burden, several private missions financed by the industry collaborated with the Philippine Government in working for the abolition of the tax. Under several enactments of the U.S. Congress the tax was suspended consecutively on a 3 year basis from the year 1957 until, to the credit of the Philippine Trade Mission of 1964, the tax was finally abolished by US PL 88-388 in 1966.

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<sup>1</sup>Presented at the 49th Congress of the International Association of Seed Crushers, Kyoto, Japan, May 1972.

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The duty-free quota of 200,000 long tons under the U.S. Internal Revenue Act of 1934 was continued under the Laurel-Langley Agreement of 1955 which revised and superseded the Bell Trade Act of 1946. Under the terms of the Revised Trade Agreement, coconut oil entering the U.S. has been made subject to a progressively decreasing tariff quota until 1974. From 1955-62 the quota was never filled. In 1963 the quota of 160,000 was filled by November. The 1964 quota was filled by August, the 1965 quota by May and the 1966 quota by March. As it decreased, therefore, and as the capacity of the Philippine copra crushers increased, the quota was more easily and sooner filled.

The current duty-free quota is 40,000 long tons indicating this to be the terminal period of the quota which started at 200,000 long tons in 1955. Between now and December 31, 1973, Philippine coconut oil in the U.S. market is subject to one cent tax for exports in excess of the existing quota. After December 31, 1973, there is no

certainty as to whether the basic duty of one cent per pound on coconut oil export to the U.S. will be maintained or will be raised dependent on new negotiations between the Philippines and the U.S. Unless the present trade agreement is replaced by another based on the historically liberal terms of trade relations between the Philippines and the U.S. we shall have quite a problem on our hands.

The tariff problem of Philippine coconut oil is not confined to the U.S. In the EEC a 5% ad valorem duty is levied on coconut oil for inedible uses and 10% for edible uses. In addition, Regulation No. 2077/71, adopted by the EEC in 1971, imposes a compensatory tax on imports of vegetable oil whose prices fall below the normal or stable levels established by the Community for this product category. In Japan, there is a similar tariff of 10% on coconut oil imports.

Today there are 23 coconut oil mills in the Philippines; these range in capacity from 30-600 tons of copra per day. Sixteen are relatively big mills with capacities of 100-600 tons/day, and seven with capacities of 30-60

tons/day. These oil mills have a combined crushing capacity of 1.46 million tons of 91% of the average past 5 years' annual production of 1.6 million tons.

At present there are five other oil mills approved for construction by our Board of Investments. The additional capacities will bring the total Philippine annual capacity to 1.79 million tons or 112% of the average past 5 years' production.

With the encouragement given by the Philippine Government, and barring untoward pressures from the marketing field or the elements, the coconut oil industry of the Philippines may be expected to increase its production for both local and foreign consumption in the forthcoming years.

In 1971, 287,582 long tons oil were exported to the U.S.; 106,264 long tons to Europe, and 4940.98 long tons to other countries, for a grand total of 398,786.98 long tons with total FOB value of \$105 million. Those of the Philippine coconut oil industry hope and are determined to improve on this performance.

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## • Abstracts . . .

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**INJECTABLE LAURIC ACID.** J.M. Carroll. *U.S. 3,658,970*. A process for preparing crystalline lauric acid in dosage form suitable for parenteral injection into mammalian tissue is disclosed. An aqueous suspension of lauric acid crystals of particle size between 0.01 and 5 microns is formed by mixing lauric acid and water, and preferably a dispersing agent or surfactant, and subjecting the mixture to intense agitation.

**EXTRACTION OF LIPID AND CELLULAR FRACTIONS FROM THE STRATUM CORNEUM OF ANIMAL SKIN.** L.J. Vinson and T. Masurat (Lever Bros.). *U.S. 3,660,567*. A method for extracting stratum corneum from epidermis and separating it into a lipid-rich fraction and a cellular fraction is described. Compositions of matter containing the lipid fraction and cellular fraction are also described.

**PHOSPHATIDE EMULSIFIERS.** H. Pardun (Lever Bros.). *U.S. 3,661,795*. An emulsifying agent suitable for use in margarine and preparable as dry flakes or pellets comprises from 10 to 50 parts of a partially hydrolyzed vegetable phosphatide having a lysophosphatide content of 2-15%. The remainder of the composition consists of a saturated mono/diglyceride having a monoglyceride content of 35-90%.

**PHOSPHATIDE EXTRACTION.** H. Pardun (Lever Bros.). *U.S. 3,661,946*. In the separation of vegetable phosphatide fractions from mixtures containing them by extracting the mixture with a lower aliphatic alcohol with 1-3 carbon atoms, the efficiency of the extraction process is increased without adversely affecting the selectivity by carrying out the extraction in the presence of 10-20% of a monoglyceride which is liquid at the temperature of extraction.

**MARGARINE CONTAINING DIACYLGLYCEROPHOSPHATIDE.** H.-U. Menz, H.O.A. Trapp, and T. Wieske (Lever Bros.). *U.S. 3,663,235*. Improved stability of margarine emulsions is attained by using an emulsifying agent of the structure  $\text{RCOCH}_2\text{CHOCORCH}_2\text{OPO}_2\text{HCH}_2\text{CH}_2\text{R}^1$ . RCO represent fatty acid acyl groups containing 8-32 carbon atoms.  $\text{R}^1$  is a methylamino, dimethylamino or trimethylamino group, or an acylamino group whose fatty acid acyl residue has 2-12 carbon atoms. Margarine is made by phase inversion.

**BUTTER FLAVORED COMPOSITION.** M.J. Holloway (Beatrice

Foods). *U.S. 3,663,236*. A low butterfat, butter flavored composition of sugar, condensed buttermilk and a vegetable oil cooked together to produce a solid solution is disclosed.

**FLAVOR IMPROVEMENT OF FATS.** W.H. Feenstra and J.G. Keppler (Lever Bros.). *U.S. 3,664,851*. Fatty products of enhanced flavor characteristics contained autoxidation flavor counteractants of the formula  $\text{RCH:CHCH:CHZ}$ , where R is an alkyl group containing up to 9 carbon atoms and Z is an organoleptically acceptable polar group. The fatty products include edible fats and oils, particularly tallow and soybean oil, and their products such as margarine. The counteractants may be free or combined fatty acids or aldehydes, which are effective in minute amounts. They may be incorporated, in part, by means of precursors which convert to the counteractant during storage.

## • Fatty Acid Derivatives

**CARBOXYLIC ACID DERIVATIVES FOR LOWERING THE CONCENTRATION OF TRIGLYCERIDES IN THE BLOOD.** T. Leigh and L.A. McArdle (Imperial Chem. Ind., Ltd.). *U.S. 3,658,967*. The disclosure relates to a method for lowering the concentration of cholesterol, triglycerides, or fibrinogen in the blood by administering a pharmaceutical composition containing as active ingredient a phenylbenzyloxyalkanoic acid derivative, for example,  $\alpha$ -[4-(p-chlorophenyl)benzyloxy]- $\alpha$ -methylpropionic acid.

**GREASE COMPOSITIONS CONTAINING MAGNESIUM SALTS OF UNSATURATED FATTY ACIDS AS RUST INHIBITORS.** E. Hansen (Chevron Research Co.). *U.S. 3,660,288*. The compositions comprise a major proportion of an oil of lubricating viscosity, a minor amount of a grease thickener; and a minor portion of a magnesium salt of an unsaturated unsubstituted or hydroxy-substituted fatty acid of 14-24 carbon atoms.

## • Biochemistry and Nutrition

**COMPARISON OF THE PROTEIN NUTRITIONAL VALUE OF TVP, METHIONINE ENRICHED TVP AND BEEF AT TWO LEVELS ON INTAKE FOR HUMAN ADULTS.** C. Kies and H.M. Fox (Dept. of Food and Nutr., Nebr. Agr. Exp. Sta. and College of Home