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Viewpoint on Ramie

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OUR NATURAL advantages of soil and climate, particularly in Mindanao, make ramie the logical staple fiber to replace cotton, or, more correctly, textile imports which constitute our largest single import. Nevertheless up to now, the Philippine ramie industry shows no signs of becoming a permanent and stable asset to our national economy. On the contrary, production of raw fiber since March of this year has slumped considerably, from 1,500 bales monthly to less than 500 bales. Many of the small farmers, who have constituted the backbone of the industry, have forsaken their high hopes for ramie by plowing under their ramie plantations and converting to other crops.

Much has been said of the fantastic yields possible in Mindanao as compared with those of other countries where ramie is also raised. It is indeed true that six harvests a year are possible in Mindanao, while in other parts of the world 2 to 3 crops annually are the norm. When properly cultivated and fertilized, no other land can produce as much fiber per hectare as an average ramie farm in Davao and Cotabato.

Reasons for Failure

Why then has ramie farming so far proven to be a series of setbacks and disappointments instead of the predicted bonanza? The answer to this is that, aside from the usual problems encountered in any new industry, the root failure has been the marketing. It has failed in the sense that no steady outlet with prices satisfactory to the farmers has as yet been developed. The so-called recent ramie boom in Mindanao, barely two years old, was built on a shaky foundation, an artificial market with artificial prices.

Significantly, despite increased production, Philippine ramie has not made any appreciable dent in the world market. Ninety percent of our entire production for the past two years was exported to Japan and brought back to the Philippines in the form of finished textiles.

Under this arrangement it is a fact, not realized by many, that the market for our fiber depends on the local market for textiles. In other words, unless ramie textiles are sold in bulk locally, there is no market for our fiber in Japan, or putting it plainly, Japan is not the market but merely a processor of our raw fiber into textiles, whose ultimate and only market is the Philippines.

Why have we not sold more fiber on the world market instead? Unfortunately world market prices both in Europe and Japan have been considerably lower than the artificial prices that specifically, Toyo Sen-I Co. in Japan has been paying us.

This peculiar situation was created two years ago when Toyo Sen-I Co., the largest ramie concern in Japan, in its desire to monopolize the entire Philippine ramie output, pegged fiber prices for Philippine ramie grade RD-2, first at 30 cents U.S. per lb. CIF Japan, and recently at 25 cents. The latter price is still 5 cents higher than the price of 20 cents which Toyo Sen-I Co. itself, as well as the three other leading processing companies in Japan, are paying for ramie fiber coming from Thailand and Formosa.

This apparent favoritism towards Philippine ramie has proven to be no favor at all, because this artificial increase in the fiber price is more than offset by the marking up of the invoice prices of ramie textiles shipped to the Philippines. In other words, the Filipino consumer pays a marked-up price on ramie textiles and thus indirectly subsidizes the artificial price of 25 cents per lb. CIF Japan for the raw fiber.

In spite of the mark-up, the local prices of ramie textiles would still be reasonable were it not for the fact that in addition, ramie goods also pay 17% exchange tax and 30% customs duty. These additional charges on the landed cost have increased the final retail prices to consumers too much for the average man's pocket. At these prices, the local market was able to absorb a volume of ₱50,000.00 monthly.

However, with the encouragement given the farmers last year, there was a sudden increase in fiber production. Monthly exports of fiber rose to ₱200,000.00 so that under the barter-processing arrangement with Japan, the ramie textile imports also increased in equivalent value. This meant that the Manila average man's pocket. At these prices, the local market was able to absorb a volume of ₱50,000.00 monthly.

This unexpected increase in volume without any appreciable reduction in textile prices brought about the present bottleneck in the ramie industry, namely the impossibility of selling every month ₱200,000.00 worth of ramie goods in the Philippines, equivalent to only 1,500 bales of fiber monthly. At this writing there are 2,000 bales of ramie fiber in Mindanao warehouses unshipped and unsold, while the Manila wholesalers despair of unloading their stocks of ramie textiles.

Relief Proposed Insufficient

To relieve the pressure, the obvious solution would be drastically to reduce textile prices, increase the sales, and thus increase shipments of raw fiber to Japan. This would relieve the farmers who have not disposed of their fiber in many months.

For this reason, House Bill No. 4163 was sponsored by Congressman José Roy, providing for the exemption of customs duties on imported ramie textiles processed in Japan from 100% Philippine fiber, for a limited period of eighteen months within which time degumming, spinning and weaving mills for ramie are to be established in the Philippines.

With the passage of this bill it is expected that the sales of fiber and textiles will reach the required volume. At the same time it is presumed that within eighteen months, ramie processing plants can be put into operation to absorb the entire Philippine production so that the duty exemption will no longer be necessary.

These expectations are rather optimistic to say the least. Even with cheaper prices, it remains to be seen whether the public will react and purchase the volume required by the industry. Ramie textiles do not as yet have the variety of weaves and designs offered by cotton goods. Furthermore the over-all textile situation is unfavorable because the market is presently flooded with cotton textiles, due to the granting of excessive import allocations last year.

And as if these obstacles were not enough, a new problem has arisen in the processing arrangement with Japan because of the latest ruling of the Japanese Ministry of International Trade and Industry, which provides that henceforth all processing of ramie fiber from abroad must be paid for with U.S. dollars. Heretofore, processing charges had been paid with raw fiber, but due to the bumper ramie harvests in Japan and the financial collapse of Toyo Sen-I Co., which processed fifty percent of all the ramie in Japan, they can no longer accept payment in fiber. Hence, the new ruling.

With the existing Philippine dollar shortage and the consequent tightening of dollar allocations, it is doubtful if our Central Bank will look favorably on issuing dollars for payment of ramie processing charges where previously no dollars were needed.

Coming back to the proposed industrialization of the Philippine ramie industry, this is not an easy matter. In the first place, the capital required is tremendous. A complete degumming and spinning mill with a mere capacity of 500 bales of fiber monthly with 7,440 spindles would cost, fully installed, no less than three million pesos. Therefore it would require an investment of approximately nine million pesos to erect degumming and spinning mills for the monthly production of 1,500 bales which is the output of the existing acreage planted to ramie in Mindanao. How about the additional millions of pesos needed to put up the weaving, dyeing and printing mills which are also a necessary part of the industry?

Amendment Suggested

Area planted and fiber production would certainly increase at a rate much faster than the local industrialization could keep pace with. The period then of eighteen months, nay even two years, is too brief to allow for the period of tax and duty exemption and for the setting up of adequate processing plants. The law should be amended to provide for a continuing exemption of taxes and duties on imported ramie goods processed from fibers over and above the capacity of our local mills to handle. Otherwise we would have to limit acreage and production.

Such an amendment would not hurt the locally produced textiles because the saving in freight and other export charges would more than compensate for the supposedly cheaper and more efficient processing in Japan on fiber processed there and returned here as textiles. The actual saving in handling, baling and shipping of raw fiber from the Philippines to Japan would be 6 cents U.S. per lb., or practically one-third of the delivered cost of raw ramie fiber at the local mills.

Another delay in our attainment of self-sufficiency would be the absence or scarcity of skilled labor. It takes technical knowledge and years of instruction properly to train workers in the complicated art of degumming and spinning ramie. The Japanese method is based on the long staple fiber spinning which is more difficult and more laborious than the short staple method used in Europe. However, only the Japanese method can produce the fine weaves using 100% ramie. Even among Japanese concerns, processing secrets are jealously guarded. This explains the existing superiority of Toyo Sen-I textiles over those made by other ramie processors in Japan.

In Europe, because they work with the short staple only, they produce only coarse weaves if made of 100% ramie. They can however make beautiful and fine textiles by blending ramie fibers with short staple fibers like cotton and wool.

Both systems should be adopted by the Philippine ramie industry, but under the present circumstances, if we adopt the Japanese long staple method, it should be limited at first to the production of the coarser yarns which are easier and require less man-hours to produce. The European or Swiss short staple method of spinning can be adopted in its entirety and fitted in with the local cotton weaving.

Thus it is the opinion of the writer that the industrialization of the local ramie industry is a matter of ten years if not more. And as long as raw fiber production will continue to exceed local processing capacity, it will be necessary to send part of our raw fiber abroad for processing if we are substantially to replace cotton textile imports which are draining away our precious dollar reserve.

Such an arrangement would be practical and not at all unpatriotic. We import annually 75 million dollars worth of textiles. Partially to industrialize our ramie industry as far as our resources and ability permit, and to process the balance of our fiber production abroad, will save dollars and build up our national income.

Regarding the possibility of increasing sales of our raw fiber in the world market, there is small likelihood of expansion in this direction for the time being. As long as the Philippines has no control over its own currency and remains pegged to the dollar, foreign buyers will not only find our prices high but they are short of the dollars with which to pay. And yet, though the desired price of 25 cents per lb. appears too high for the world market, to us internally, in terms of pesos it does not mean much. Due to internal factors beyond the control of the farmers, the actual cost of production of fiber is ₱35.00 per picul. The world market price of 20 cents per lb. means only ₱40.00 per picul to the farmers, ex-bodega Davao City. The margin of ₱5.00 per picul is not attractive at all when one considers the heavy investment of ₱1,000.00 per hectare required to establish a ramie plantation up to productivity.

Until the volume of textile sales improves, bringing about an increase in the demand for fiber, the farmers cannot afford to increase fiber production, which is the only way to reduce cost of production. Until production costs can be lowered, the farmers will continue to demand the price of ₱50.00 per picul minimum, which is possible only under the present arrangement whereby the ultimate market is the Philippine textile market.

Considering the many internal factors which tend to increase production costs, it appears wise for the time being to ignore the world market for ramie and concentrate our efforts on the local market where the prices of commodities tend to follow the general inflation.

The industrialization of our ramie industry, no matter how costly at the outset, will pay off in the long run for the simple reason that clothing is one of the three essentials needed by any nation, food production and housing being the other two. And once we have attained self-sufficiency in clothing our own people, we can look forward to a new export industry, because ramie with its many superior qualities can sell abroad if sold as cheaply as cotton. It is no idle pipe dream to predict that someday, in the not too distant future, the Philippines with its favorable soil and climate will be able to produce beautiful and superior ramie textiles at prices within the reach of the masses of the rest of the world.