

# PWPA ANNUAL REPORT 1985

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*The Annual Meeting of the Members of Philippine Wood Products Association will be held at 8:00 a.m., June 20 1986 at the Garden Hall of the Manila Garden Hotel, Makati, Metro Manila pursuant to notice.*

# INDUSTRIAL HIGHLIGHTS

	1985	1984	Variance
<b>Export Sales</b>			
Logs	\$39,230,930	\$ 85,150,732	-38%
Lumber	90,394,679	106,113,165	-37%
Veneer	13,924,180	15,669,630	-49%
Plywood	53,847,116	55,402,839	-30%
TOTAL	197,396,905	262,336,366	-36%
<b>Production (cu.m.)</b>			
Logs	3,800,000	4,000,000	- 5%
Lumber	1,200,000	1,223,000	- 2%
Veneer	105,000	107,000	- 2%
Plywood	506,000	504,000	+ 1%
<b>Timber Resources</b>			
Allowable Cut (cu.m.)	7,351,373	9,764,810	-25%
Licensed Forests (Has.)	4,534,543	6,346,610	-29%
<b>Association</b>			
Regular members	168	178	- 6%
Associate members	5	5	-44%
Revenues	P 1,346,293	P1,499,296	-10%
Expenses	1,587,925	1,793,589	-11%
Assets	1,719,471	1,890,595	- 9%

## TO OUR MEMBERS

The Philippine Wood Products Association traces its roots to the Philippine Lumber Products Association (PLPA), organized on October 9, 1939, re-organized on June 8, 1949, after World War II, and formally incorporated on May 30, 1951. To achieve unity in the wood industry under a single integrated association that would serve as its voice in its continuing dialogue with government authorities, the PLPA first absorbed the Philippine Hardwood Manufacturers Association (PHMA). On May 25, 1972, it merged with the Plywood Manufacturers Association (PMAP) and took the name Philippine Lumber and Plywood Manufacturers Association (PLPMA). PLPMA subsequently merged with the Philippine Chamber of Wood Industries (PCWI) in 1979 to become what is now called the Philippine Wood Products Association (PWPA).

It has been seven years now since this merger. These years have been a period of consolidation and growth. This period has witnessed the highest record of membership by loggers and processors so that the PWPA has now become financially secure with its own office condominium fully furnished and equipped.

Now on its 35th year since the incorporation of PLPA in 1951, PWPA has continuously pursued its mission to work for the welfare of its members by enhancing the competitive position of the wood products sector and promoting forest conservation so that the industry can be assured of its future wood resources and the nation's patrimony is preserved for posterity.

The world recession since 1980 compounded by the political crisis of 1983, forced some of our member firms to collapse. The remaining firms had to struggle for survival arising from a situation characterized by poor financial returns, declining market prices, spiralling production costs, unstable peace and order conditions and restive labor force.

Production and foreign exchange earnings of the wood industry show a continuous decline for the last several years culminating in an all time low of \$197 million in 1985. Our industry's position among the top foreign exchange earners dropped to sixth place from its pre-August, 1983 rank of fourth place. In dealing with uncertainties that prevailed from August, 1983 to the February 1986 Revolution, the Association considered every available measure to revive the ailing wood industry and improve its performance.

Public opinion continued to be adverse against the industry. Political patronage and cronyism also wrought havoc on the ideals set by the founders of our predecessor Associations. Moreover, opportunists pervaded our ranks and burdened our drive for a cleaner image. Your Association was not fazed by all these difficulties but continued its quest to be heard in media and various fora.

To perk up the depressed industry's position PWPA co-sponsored on July 9, 1985 with the National Productivity Commission, the First Productivity Conference on the Wood-Based Industry. The Conference redefined the concept of productivity and developed an appropriate and acceptable framework that will serve as a guide in improving the sector's productivity considering all facets — labor, technology, raw materials, regulations, taxation and institutions.



## TO OUR MEMBERS

PWPA was in the forefront in fighting the doubling of sales taxes on logs, lumber and panel products and succeeded in restoring the sales tax rates under Presidential Decree No. 2031 from 20 to 10% retroactive to January 1, 1986.

Arguing that the low world prices of processed products was depressed and the industry requires funds for retooling to make our processed products world-competitive, PWPA convinced the government through the defunct Presidential Productivity Council (PPC) to grant log export quotas to concessionaire-processors on a volume equivalent to their wood products' exports during the preceding year. This policy was adopted by the New Administration although a total log export ban by August 21, 1986 has been announced.

Your Association supported the creation of WIDA as an agency to enhance the industry's immediate rationalization. He argued that the corporate nature of WIDA gives it greater flexibility to react to the challenge faced by an industry on the verge of collapse. However, for budgetary reasons, it seems that the Commission on Reorganization will abolish WIDA.

World prices of processed wood products especially plywood continued to decline last year. Local sales taxes were rescheduled and became known as the "turnover tax", which led to parallel increase in the price of products, further constraining local demand. As result, there was a general slowdown in national production and sales of wood products. However, many companies continued to operate, even at a loss, just in order to maintain the livelihood of their employees and dependents.

Your Association is cooperating closely in the New Administration's drive to ferret out log smuggling which not only deprived the Government its share of taxes but also the image of our industry. Control and monitoring of log carriers has been worked out with the Filipino Ship-owners Association (FSA) and the Maritime Industry Authority (MARINA). We are also working closely with the Central Bank on guideline prices for logs. This work has now been taken over by the MNR and PWPA is continuing its supporting role.

It is noteworthy that the Asian Development Bank (ADB) and the World Bank have signified keen interest in the financing of the wood industry's Industrial Tree Plantation (ITP) program. This interest is keyed to the urgent need to launch a massive national reforestation program thru the development of Industrial Tree Plantations to stave off a possible timber shortage. The role of ITP development in the employment of the rural poor and the preservation of the country's ecology were also strong arguments for the ITP program.

To maintain the competitiveness of the panel products in the international market, PWPA sustained its membership in the Asean Panel Products Federation (APPF). Unfortunately, with the Chairmanship still under PWPA, the Federation's 20th Council Meeting ended in a recess "sine die" because of the absence of a negotiating panel from Indonesia. Indonesia is attempting to rationalize on its own the marketing of plywood and this is possible because it has most of the capacity for the production of hardwood plywood in the world. Recent reports indicate that their efforts are succeeding and plywood prices in the world market are firming up.

## TO OUR MEMBERS

On the other hand, the Southeast Asia Lumber Producers' Association (SEALPA) decided to re-convene after two and a half years of hibernation and formally held its 19th Council Meeting in Kuching, Sarawak, Malaysia last January 28th with an expanded scope and membership amidst encouraging developments in the sale of Southsea logs and lumber. SEALPA will concentrate on the marketing of logs, lumber and other wood products and possibly discuss complementation of activities to maximize the comparative advantage of each member country viz-a-viz the buyers. PWPA holds a Vice Chairmanship of SEALPA.


Your officers have been active as speakers, discussants and participants in workshops organized by the Forestry Development Center (FDC), Philippine Center for International Trade and Export (PHILCITE), and the Philippine Institute of Development Studies (PIDS). Your officers are represented in the Governing Council and the Technical Advisory Committee of the Philippine Council for Agriculture and Resources Research Development (PCARRD), the Board of Trustees of Forest Research Institute (FORI), the Advisory Council of FDC and the defunct Presidential Productivity Council (PPC). PWPA also undertakes a periodic dialogue with the officers of the Forest Products Research and Development Institute (FPRDI) so the latter's research directions and programs are always attuned to the needs of the industry.


Your President was appointed as Chairman of the Workshop for Furniture at WOODMA-CASIA '85 held Singapore last September 26, 1985. Your President also was the Philippine delegate from the private sector at the JETRO-sponsored meeting on Product Adaptation held in Tokyo, Japan last October 30-31, 1985, in which he presented a paper about the Philippine situation and prospects of increased wood and wood products trade with Japan.

Your Association has been an active member of the Philippine Chamber of Commerce and Industry (PCCI), the Employers Confederation of the Philippines (ECOP) and the Confederation of the Philippine Exporters (COPE), which have been in the forefront in fighting for the rights of members and securing remedial measures to alleviate the plight of the wood industry.

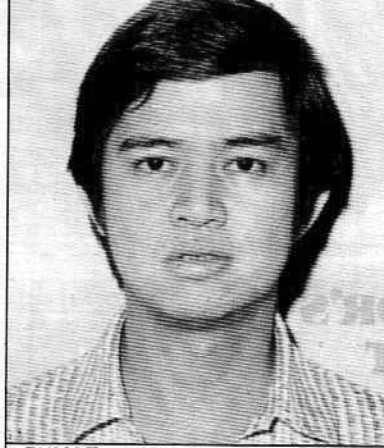
While the year past was financially difficult for your Association, it was nevertheless a fruitful year as we have attained most of our objectives. Under the new government under Her Excellency, President Corazon C. Aquino, we look forward to political stability, economic recovery, and lasting peace and order, on which our industry depends so much.

In behalf of the members of the Board of Directors and the Executive Officers, who have sacrificed their time and energies for the Association, we wish to express our deep appreciation to our members for sustaining us with their financial and moral support.

  
ARISTEO G. PUYAT  
Chairman of the Board

  
ERNESTO F. SANVICTORES  
President

# BOARD OF DIRECTORS



PUYAT

**ARISTEO G. PUYAT**

Chairman  
(Surigao Development Corp.)

**EDITH I. ALCANTARA**

(C. Alcantara & Sons, Inc.)

**EDUARDO C. ARROYO, JR.**

(T.H. Valderama & Sons)

**JOSELITO C. BALTAZAR I**

(Palawan Lumber Mfg. Co., Inc.)

**ANTONIO G. BERNAS**

(Kalinan Timber Corp.)

**MARTIN S. CHAN**

(Extensive Wood Processing Corp.)

**JUNIE E. CUA**

(FCA Timber Development Corp.)

**REMO LAVADIA**

(Paper Industries Corp. of the Phils.)

**LAWRENCE V. LIM**

(Taggat Industries, Inc.)

**ALFONSO B. MENDOZA**

(Zamboanga Wood Products)

**PEDRO A. NISPEROS**

(Nasipit Lumber Co.)

**ANTONIO C. OLIZON**

(Timber Industries of the Phils.)

**ROBERTO V. REYES**

(Zamboanga Wood Products)  
Chairman, Advisory Council

**ERNESTO F. SANVICTORES**

(Aras-Asan Timber Co., Inc.)

**ANGELITOM SARMIENTO**

(L. S. Sarmiento & Co., Inc.)

**ROMEO C. TRASPE**

(Pagdanan Timber Products, Inc.)



ALCANTARA



ARROYO JR.



BALTAZAR I



BERNAS



CHAN



CUA



LAVADIA



LIM



MENDOZA



NISPEROS



OLIZON



REYES



SANVICTORES



SARMIENTO



TRASPE



# AUDITOR'S REPORT

**SGV**  
THE SGV GROUP  
PHILIPPINES  
TAIWAN  
THAILAND  
INDONESIA  
MALAYSIA  
SINGAPORE  
KOREA  
HONG KONG  
SAUDI ARABIA

**SGV & Co.**  
**SYCIP, GORRES, VELAYO & CO.**  
CERTIFIED PUBLIC ACCOUNTANTS  
P. O. BOX 589, MANILA 2800  
PHILIPPINES

TEL. 819-30-11  
FAX NO. (632) 819-0872  
CABLES: CERTIFIED  
TELEX: 22160 SGV PH  
45096 CERTIFY PH  
63743 SGV PH  
ADDRESS:  
6760 AYALA AVENUE  
MAKATI, METRO MANILA  
PHILIPPINES  
BRANCH OFFICES:  
CEBU • DAVAO • BACOLOD  
ILOILO • ILIGAN  
CAGAYAN DE ORO  
BATAAN • ZAMBOANGA  
TACLOBAN • BAGUIO  
DUMAGUETE

The Board of Directors  
Philippine Wood Products Association, Inc.

We have examined the balance sheets of Philippine Wood Products Association, Inc. (a nonprofit, nonstock corporation) as at December 31, 1985 and 1984, and the related statements of income and expenses and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Philippine Wood Products Association, Inc. as at December 31, 1985 and 1984, and its income and expenses and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

*Sycip, Gorres, Velayo & Co.*  
PTR No. 8743264 J  
January 23, 1986  
Makati, Metro Manila

March 17, 1986



# BALANCE SHEETS

PHILIPPINE WOOD PRODUCTS ASSOCIATION, INC.  
(A Nonprofit, Nonstock Corporation)  
BALANCE SHEETS  
DECEMBER 31, 1985 AND 1984

	<u>1985</u>	<u>1984</u>
<u>A S S E T S</u>		
<b>CURRENT ASSETS</b>		
Cash	₱ 86,882	₱ 50,451
Short-term investment	415,910	560,148
Due from members (net of allowance for doubtful accounts of ₱799,117 in 1985 and ₱641,421 in 1984)	216,135	254,283
Prepaid expenses and other receivables	167,866	87,685
Total Current Assets	<u>886,793</u>	<u>952,567</u>
<b>PROPERTY AND EQUIPMENT - At Cost</b>		
Condominium office building	1,010,396	1,010,396
Office furniture, fixtures and improvements	114,778	114,778
Office equipment	118,705	131,453
	<u>1,243,879</u>	<u>1,256,627</u>
Less accumulated depreciation	420,901	324,799
Net	<u>822,978</u>	<u>931,828</u>
<b>OTHER ASSETS</b>	<u>9,700</u>	<u>6,200</u>
	<u>₱1,719,471</u>	<u>₱1,890,595</u>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
<b>ACCOUNTS PAYABLE AND ACCRUED EXPENSES</b>	<u>₱ 159,917</u>	<u>₱ 92,903</u>
<b>DUES COLLECTED IN ADVANCE</b>	<u>111,378</u>	<u>107,864</u>
<b>MEMBERS' EQUITY</b>		
Balance at beginning of year	1,689,828	1,984,121
Excess of expenses over income	( 241,652)	( 294,293)
Balance at end of year	<u>1,448,176</u>	<u>1,689,828</u>
	<u>₱1,719,471</u>	<u>₱1,890,595</u>

See accompanying Notes to Financial Statements.

# STATEMENTS OF INCOME AND EXPENSES

PHILIPPINE WOOD PRODUCTS ASSOCIATION, INC.  
(A Nonprofit, Nonstock Corporation)  
STATEMENTS OF INCOME AND EXPENSES  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

	1985	1984
<b>INCOME</b>		
Membership dues	₱ 841,334	₱ 943,850
Assessment dues	259,736	323,522
Associate membership dues	18,000	31,000
Interest and other income	227,203	200,924
	<u>1,346,273</u>	<u>1,499,296</u>
<b>EXPENSES</b>		
Salaries and wages	414,706	404,463
Provision for doubtful accounts	198,136	377,766
Transportation	178,015	104,529
Regional chapters' share in dues collected (Note 2)	167,304	181,449
Depreciation	105,085	101,396
Meetings and conferences	103,010	155,703
Office rent, light and water	94,509	48,662
Telephone, telegram and postage	51,278	60,276
Office supplies	47,018	79,034
Contributions	43,060	3,500
Donations and gifts	36,041	45,271
Representation and entertainment	29,291	118,506
Printing	28,521	37,011
SSS, Medicare and Pag-ibig contributions	28,339	21,466
Foreign exchange loss	15,119	-
Insurance	10,483	4,539
Subscriptions and publications	10,176	10,726
Professional services	9,751	13,971
Maintenance and repairs	4,267	15,544
Taxes and licenses	669	1,334
Miscellaneous	13,147	8,443
	<u>1,587,925</u>	<u>1,793,589</u>
<b>EXCESS OF EXPENSES OVER INCOME</b>	<u>₱ 241,652</u>	<u>₱ 294,293</u>

See accompanying Notes to Financial Statements.

# STATEMENTS OF CHANGES IN FINANCIAL POSITION

PHILIPPINE WOOD PRODUCTS ASSOCIATION, INC.  
(A Nonprofit, Nonstock Corporation)  
STATEMENTS OF CHANGES IN FINANCIAL POSITION  
FOR THE YEARS ENDED DECEMBER 31, 1985 AND 1984

	<u>1985</u>	<u>1984</u>
WORKING CAPITAL WAS USED FOR		
Excess of expenses over income	₱241,652	₱294,293
Items not requiring working capital:		
Depreciation	( 105,085)	( 101,396)
Recognition of dues collected in advance	38,598	-
Gain on trade-in of office equipment	1,983	-
Total used for operations	<u>177,148</u>	<u>192,897</u>
Acquisitions of office equipment	9,252	61,900
Deposit for office equipment	3,500	-
Decrease in dues collected in advance	-	24,308
	<u>189,900</u>	<u>279,105</u>
WORKING CAPITAL WAS PROVIDED FROM		
Additional dues collected in advance	42,112	-
Proceeds from sale of office equipment	15,000	-
Decrease in other assets	-	7,750
	<u>57,112</u>	<u>7,750</u>
DECREASE IN WORKING CAPITAL	<u>₱132,788</u>	<u>₱271,355</u>
WORKING CAPITAL DECREASED (INCREASED) BY		
Cash	(₱ 36,431)	₱498,299
Short-term investment	144,238	( 560,148)
Due from members	38,148	377,086
Prepaid expenses and other receivables	( 80,181)	20,148
Accounts payable and accrued expenses	<u>67,014</u>	<u>( 64,030)</u>
DECREASE IN WORKING CAPITAL	<u>₱132,788</u>	<u>₱271,355</u>

See accompanying Notes to Financial Statements.

# NOTES TO FINANCIAL STATEMENTS

PHILIPPINE WOOD PRODUCTS ASSOCIATION, INC.  
(A Nonprofit, Nonstock Corporation)  
NOTES TO FINANCIAL STATEMENTS

## 1. DEPRECIATION POLICY

Property and equipment are depreciated on the straight-line method based on the estimated useful lives of the assets ranging from 5 to 15 years.

## 2. ASSOCIATION'S REGIONAL CHAPTERS

The Association maintains a number of regional chapters within the Philippines. These chapters (organized during the latter part of 1979 and during 1980) act as extensions of the Association in their respective regions. Dues collected by these chapters are turned over to the Association. Twenty percent of such collection is remitted back to the chapters to cover their administrative expenses. For purposes of accounting, such amounts are treated as expenses upon receipt of the chapters' collections.



## OUR OBJECTIVES

1. To promote such activity on any matter pertaining to the lumber and plywood industry (hereinafter understood to include veneer, pulp and other wood products) intended to increase and improve production, manufacturing and marketing of logs, lumber, plywood, veneer, pulp and other wood products)
2. To promote the efficient and scientific utilization of timber into lumber, plywood, veneer pulp and other wood products; to encourage and expand the sale of these products in the Philippines and abroad;
3. To foster cooperation among members and to bring about the unity of those engaged in the lumber and plywood industry particularly in support of any measure that will promote the collective interest and welfare of its members;
4. To collect and assemble information related to the lumber and plywood industry in the Philippines, the United States, Japan and other foreign countries and to act as a forum for exchange of ideas and information among its members;
5. To make representations with any government authority, agency or instrumentality, private concern or agency in behalf of its members on any matter that will protect their individual interests and of the lumber and plywood industry.
6. To improve trade relations abroad and to bring about alone or in cooperation with other organizations of similar nature a stable market for Philippine Mahogany in the United States and other foreign countries;
7. To encourage in cooperation with the government, efficiency in the administration of Philippine forests that will bring about efficient forest conservation and wider utilization of timber;
8. To study and promote an efficient system and procedure in the grading of logs, lumber, plywood, veneer, pulp and other wood products within the context of law and regulation;
9. To intensify and accelerate reforestation and afforestation, in order to assure the perpetuity of our forest resources.
10. To encourage further development of the wood based industry requiring a higher degree of technology and active marketing strategy of finished and semi-finished wood products.
11. To attain recognition and appreciation of the investments of the private sector in the wood-based industry and in the development and meaningful exploitation of our forest resources, and to insure the protection and stability of such investments.
12. To give support to the government policy of:
  - a) Banning of log exports;
  - b) Encouragement of processing of raw logs into finished and semi-finished wood products, particularly non-traditional wood for marketing in the world market.
13. To attain unity among all elements in the wood-based industry under one single representation and one integrated association that would serve as spokesman for the entire wood industry for the country and as an effective media of representation and dialogue with government authorities.
14. In general, to safeguard the welfare and interests of the lumber and plywood industry. As incidental to such purpose, the corporation shall have the power:

1. To purchase, hold, convey, sell, lease, let, mortgage, encumber, or otherwise own real properties in any part of the Philippines as the purpose for which this corporation is formed may permit or as may be reasonably and necessarily required for the transaction of the lawful business of the corporation.

2. To have and to exercise any and all powers and privileges now or hereafter conferred by the laws of the Philippines upon corporations formed thereunder or under any act amendatory or supplemental thereto or substituted therefor.

## EXECUTIVE OFFICERS

### **ERNESTO F. SANVICTORES**

President

### **ANGELITO M. SARMIENTO**

Executive Vice-President  
(Resigned not replaced)

### **JOSELITO C. BALTAZAR I**

Vice-President – Forestry

### **ANTONIO G. BERNAS**

Vice-President – Timber

### **JUNIE E. CUA**

Vice-President – Lumber

### **ROMEO C. TRASPE**

Vice-President – Plywood

### **LAWRENCE V. LIM**

Vice-President – Marketing

### **EDITH I. ALCANTARA**

Treasurer

### **LOUIS L. LAUDENCIA**

Manager



**SANVICTORES**



**SARMIENTO**



**BALTAZAR I**



**BERNAS**



**CUA**



**TRASPE**



**LIM**



**ALCANTARA**



**LAUDENCIA**



## **Philippine Wood Products Association**

**Main Office:**

3rd Floor, L.T.A. Building  
118 Perea Street  
Legaspi Village  
Makati, Metro Manila  
PHILIPPINES

**Telephones:**

817-67-51  
817-68-84  
817-68-85

**Telex:**

23263 WDCHM. PH

**Cable Address:**

LUMBER Manila  
PLYWOOD Manila