

## DOCUMENT

REPORT OF NICHOLAS LONEY  
TO CONSUL FARREN

Yloilo, 10th July 1861

Sir,

At the date of my last general report to you in December 1858, though considerable imports from British and other foreign houses at Manila continued to be received, coastwise, no direct exports had as yet taken place from this port. As it had already been opened to general trade since 1855, and had been, from that year, supporting a considerable Custom House establishment without any returns to the government in the shape of duties, it became a matter of almost urgent importance that a commencement of direct exports (which have here naturally preceded direct imports) should be made without further delay – more especially as a much longer continuation of inaction in this respect would have given further strength to the very marked opposition of local interests to its being opened to foreign trade, and might almost have the expectations of greatly increased trade, and might almost have the expectations to which its excellent harbour and ad-

vantageous position as the central port of a group of fertile islands numbering two millions of inhabitants – itself already the chief tradal market of the most populous province in the Philippines and of an island containing 800,000 souls – had naturally given rise.

The principal impediments to the desired commencement of direct shipments to foreign markets had been the smallness of the successive sugar crops, the limited amount of which, taking into account the quantity usually secured (mostly by advances to planters) for the coasting trade with Manila, did not leave sufficient margin for direct operations. Up to 1858 the Crop (varying from 850, 1800 and 1290 tons in 1856, '57, and '58) had been very limited, though latterly increasing with some rapidity, but in 1859 (the year pointed out in my Report of 1857 as that in which direct exports would probably begin) the yield of sugar at length gave a sufficient basis, and, aided

---

\* *Report of Vice Consul Nicholas Loney to William Farren, British Consul in Manila, PRO FO 72/1070.*

by the commercial enterprise of a foreign house at Manila, in connection with important establishments in Australia which have done much to augment the increasing tradal intercourse between the country and the Philippines, I had the gratification of being able to report to you the arrival of the British brig "Pet," in March of that year, to take a cargo of Sugar for Melbourne, followed in April by the British barge "Camilla" to load also for the Australian market.

A peculiar interest may be said to have attached to these two seemingly unimportant arrivals, from the fact of their being the only foreign vessels which had been seen in this portion of the Philippines for many years and the first that

had taken Cargoes since the opening of this port to general trade, thus making the commencement of a change in the commercial relations of the southern Philippines which, while facilitating their freedom from what has been aptly termed "Commercial vassalage" to Manila (without I believe, proving in any way prejudicial to the real interest of the latter port) must, in the course of a few years, have a notable influence in the heretofore much retarded development of their very important tradal capacities:

The impulse once given, these two first shipments were followed, in 1860 and in the present year, 1861, by others, and the list of direct exports now stands thus: — to Sydney and Melbourne —

	Tons	Sugar	Value
1859 British brig Pet	271	)	
		)	= 8473.5/
British barque Camilla	314	)	
1860 Dutch barque Billiton	565	)	
		)	
Bremen barque Madras	352	)	
		)	= 19085.6/
British barque Alice	638	)	
1861 American ship M. Wave	956	)	
		)	despatched in 1860
		)	Put back & reloaded
American barque Bertha	810	)	in 1861
		)	
British barque Ju verna	351	)	
		)	
Dutch barque Telegraph	509	)	
		)	= 47350.11/
Dutch barque Julia	445	)	
		)	
Hambro barque Palma	381	)	
		)	
American barque Rosette	270)		

This number of shipments, though not in itself very large, is a decided advance on the state of matters in 1855 when scarcely 750 tons of sugar were shipped from this port (all to Manila) while in 1858 the export to Manila was still only 1290 tons. In 1859, including 585 to Australia and 4542 to Manila, it had reached 5427 tons. The total annual shipments, from 1856 to 1860 and first six months of 1861, stand as follows: —

1856	850 tons	
1857	1800 tons	
1858	1290 tons	
1859	5427 tons	
1860	7048 tons	
1861	3904 tons	six months

A consideration of the great tradal importance of reaching the consuming markets by the most direct course, the avoidance of the transshipments, double freights, brokerage and other charges which had hitherto been incurred in conveying sugar and other products coast-wise to Manila, for subsequent shipment to foreign markets, would suffice to show the advantages, both to producer and consumer, derivable from direct operations from the place of production. In a previous report of 1857 before communication with foreign markets had taken place, I alluded by anticipation to the interest with which the effect of the action of the direct foreign trade might in future be noted, and though that action is now quite in its earliest stage, I may venture to point out some of the more obviously favorable alterations which it has produced, which may be roughly summed up as: **Stimulus given to production, Introduction of machinery, Improve-**

**ment of quality of Sugar, Simplification of business transactions, Rise in the value of land and animals, and in wages, Increase of imports, and more extended knowledge of the port and Navigation.**

**Stimulus given to production.** The important rise which took place in the value of Sugars of all descriptions from 1854 had, it should be mentioned, a stimulating effect on Cultivation in all cane-growing countries including the Philippines, but, locally speaking, the high prices which were naturally enabled to be given for direct shipments per "Pet" and "Camilla," as compared with that planters had been accustomed to receive for the Manila Markets, had, I believe, a marked effect in this direction, increased more palpably still by the animation given to the market by purchases for the subsequent direct shipments of 1860 and 1861. Planters and intermediate dealers saw the advantage relative facility and security of having a market for their produce within a convenient distance and the benefit of a substitution of prompt cash transactions in place of the delay and risk of forwarding consignments to Manila, and though the occasionally very high rates which were last year, from time to time, paid at Manila induced some speculators to continue shipments to that market, and the owners of coasting craft naturally continued to employ their vessels in conveying their produce to the capital, the general tendency, both in this province and the adjacent ones of Isla de Negros and Antique, is to avail of the advantage of prompt sale, remunerative price and proximity afforded by the Iloilo market. This is clearly confirmed

by the Custom House statement of relative exports to Manila and Australia,

which have been as follows:

	in 1859 to Manila 4842 tons; to Australia 585 tons
	in 1860 to Manila 4548 tons; to Australia 2570 tons
6 mos.	in 1861 to Manila 1138 tons; to Australia 2766 tons

The total export of sugar this year, 1861, which was expected to be about 130000 piculs or about 8000 tons, will, in consequence of the heavy rains of May and June last (which destroyed a large quantity of young cane that growers had ventured to plant so late as March and April), probably not be more than 5000 tons. The Crop now growing is the largest ever known in this quarter. It has hitherto received no damage from the weather, and June being now over, is considered by planters to be "safe." The total export from this port next year, including arrivals from Antique and Negros, should, if the demand is active at Iloilo amount to fully 180,000 to 200,000 piculs or about 11,000 to 12,500 tons - a great increase as compared with any of the figures hitherto noted - with 1855, for instance, when only 750 tons were exported - say an increase of 10 to 11,000 tons in seven years. Probably no sugar district with similar means can show the same rapid increase.

While the confidence given by the prospect of a permanent market at Yloilo has induced already established planters to extend their Crops to the utmost, many new estates have been opened, particularly at Negros, by parties, both mestizo and Europeans, who have been attracted by the promising future of the

sugar planting interest. The liberal distribution of funds to some extent in aid of both old and new plantations, and the opportune supply of iron mills and sugar boiling Pans on Credit, against the yield of the different estates, with the additional security of mortgages, has naturally also had a beneficial influence.

**Introduction of Machinery.** In my report of April 1857 when alluding to the defective nature of the process employed in crushing the cane and boiling, I added that at that time there was not a single iron mill on the island - all being of wooden construction, with dentated wooden cylinders requiring the passage of the cane three separate times to deprive it of its juice, leaving some 30 per cent unextracted, and which, though only working with one buffalo, require three laborers to keep the apparatus in action. There are now in this province, three effective iron cattle mills; one driven by steam has been put up at considerable expense by the Spanish firm at the sugar district of Barotac, and seven iron cattle mills are on their way for different plantations - principally for natives. The improvement in this respect is still more noticeable at the adjacent province of Negros, most of the sugar of which is shipped at Yloilo, and from which the distance is only about five to six hours

sail. At Negros, where only one existed in 1857, thirteen iron cattle-mills are now in action, nearly all obtained from Yloilo, from consignments made by the British firms from Manila to this place, and by the end of this year the number of iron mills in operation at Yloilo and Negros will be more than thirty in all — a notable improvement on the state of matters three years ago, when Yloilo had no appliances but the rude wooden mills above referred to, while at Negros the only iron mill then in use had been but recently introduced. A considerable number of expensive European sugar pans have also been taken by various sugar planters in both provinces, and for Antique — in which latter province there is as yet only one iron mill, though the crop of cane has increased very much and will next year probably be 40,000 piculs, against about 3000 in 1856. These valuable product must be done away with. It is likely that some considerable amount of foreign capital will be invested in the improvement of sugar manufacture in this quarter are long, and a promising feature is the probable permanent residence of a competent engineer in this district, employed in the erection and disposal of machinery in connection with a British firm of manufacturing engineers.

A considerable fall in the value of sugars of which there lately seemed to be symptoms in the European markets, — the tendency of which has for time been downwards — would of course check the impulse at present felt, but there is not much reason to anticipate that the value of an article of such general consumption can be permanently affected to a serious degree.

**Transactions have been more simplified.** The limited nature of the Crops of former years rendered it a matter of difficulty to secure any but trifling quantities from one person, and there being no stocks accumulated near at hand by brokers or speculators, it was necessary to employ brokers to ride to the different small plantations, from village to village, securing by small bargain-payments trifling parcels of sugar here and there which afterwards, in many instances, were disputed by different brokers, or disposed of to other parties by the original seller when prices rose to a tempting extent over those of the original contracts. At present, while contracts to some extent for large parcels can be made directly with planters, a class of mestizo brokers, now exists which, with or without the aid of short date advances, collects important quantities of sugar at Yloilo, or within short distances from the port, which are available for purchase or receipt when required; and contracts can be made with the larger sugar dealers to an extent which greatly facilitates operations for direct export. Corresponding ameliorations have been introduced in the other departments of buying and selling which need not be more specially pointed out.

**A rise in the value of land and animals** has been a natural consequence of the greater agricultural activity described above. The value of land compared with its average cost ten years ago has, in many instances, particularly in populous districts, more than doubled. There are still, however, many most extensive tracts of fertile soil, easily cleared and well

situated for shipments of produce, to be had, at Negros, Antique, and in the northern portions of this province; for an almost nominal price; and I know of no more encouraging field for planters and capitalists. When it is considered that, by the present processes in use, only about 40 percent of juice is produced from the cane and about 10 per cent of sugar, whereas by more efficient crushing and evaporation fully 70% can be obtained, with 16% to 20% Sugar, while the quantity of cane, which now averages in good lands 15 to 20 tons per acre, can, by improved cultivation, be readily brought up to 25 tons per acre, and that even under the present system, large profits in proportion to the capital employed are made — some idea may be formed of the advantages obtainable by a judicious expenditure of capital in improved machinery and cultivation. That so promising a field for investment has not hitherto attracted more attention among European Capitalists is mostly owing to the imperfect information which prevails as to these fertile regions, which have for so many years been kept in almost complete commercial seclusion. Labour, the want of which has always been represented as fatal to agricultural enterprises undertaken by Europeans in the Philippines, is to be had without serious difficulty, and on favorable terms. The slavery evil fortunately does not exist; the local government is now in every way disposed to favor the establishment of estates, whether native or foreign, and there is as much or more security for life and property as in any other colony whatsoever. There is in many places a want of efficient roads, but these are

becoming general in all districts where cultivation is being extended, and at Negros in most cases, planters are almost independent of them, the majority of their estates being situated on rivers communicating with the sea and navigable for lighters and flats drawing from five to six feet. Land in the neighborhood of the towns of Jaro, Molo, and Yloilo, is not to be had under \$200 to \$300 per cavan of a 4 acres. At Negros excellent land in the vicinity of towns (pueblos) is to be had at \$2 to \$4 per acre, and the same in many districts applied to the province of Yloilo, as before stated, unclaimed land, in excellent situations, but more distant from the centres of population, is to be had, in both provinces, for the asking. The value of buffaloes, which are the animals more used in cane and rice planting, has also more than doubled during the last two years. Good animals are worth \$20, \$25 and \$30. Rent of land has also risen in proportion. I have before me an instance of land rented for the last six years at \$171 per annum, now relet for \$500 per annum. I may here add that another favorable symptom of the generally prosperous condition of the province is the number of new houses which strike the attention in all the towns in this district.

**Rise of Wages.** This additional test of material prosperity and activity is not wanting. Labourers' wages at Yloilo have, for instance, risen from 12 1/2 cents to 15 3/8 and 18 3/4 (1 1/4 to 1 1/2 real) per day. Those in the country vary from 6 1/2 to 12 1/2 per day, with or without food; but the general tendency is upwards. Formerly in many places in the country the general wage was 25 cts. per

week, with one meal per diem. Experienced hands about the fields and boiling houses get 18 3/4 and sometimes 25 cts. per day, with the addition of their food. At Negros, field hands now get 62 1/2 cents per week, with food in addition. But on all plantations of any extension there are, besides day labourers, a number of families, or tenants, called "acsas," who are supplied by the owner with animals and implements and take the whole cultivation of the cane under their charge until it is brought to the mill, receiving a proportionate share of the profits. The expenses of manufacture are borne by the proprietor. Different agreements are sometimes made with the "acsas," but at Negros generally an approximative price is fixed beforehand, or at time of manufacture, for the sugar, say, for instance, \$2 per picul — of which sum they get one half, and the proprietor reserves the remainder and such additional sum (often considerable) as the sugar may net when sold to the local buyer, or broker, or conveyed for sale to Yloilo. On estates where iron mills have been introduced a deduction of 9 to 12% is generally made from the tenants' share of profits, by way of compensation to the owner. It is the intention of one or two planters to endeavor to introduce a system of buying the cane from the tenants at so much per ton, supplying them with instruments and methods for producing a much greater quantity per acre than they do at present and which quantity it would be to the interest of latter to augment as much as possible, to the ultimate benefit of both parties. This plan would seem to be, while advantageous to the native cultivators, less

onerous for the proprietor, who makes the sugar, for, in cases where the latter by the application of much more expensive machinery than is at present used, obtained a sugar worth three times as much as under the old system, it is fair that a greater proportionate benefit should accrue to the proprietor than to the native "acsa" who merely brings to the estate his own personal labour. The margin that exists for additional profit by improved cultivation and manufacture is, as already mentioned, very great. The present system of ploughing is a merely scratching of the surface of the soil, and even this imperfectly done. Improvement in this respect alone would effect a most important change. Weeding, cleaning and draining are very little attended to, especially on the estates of natives and mestizos. The canes are planted at a distance of barely three feet between the rows, and grow up deprived of light and air. These disadvantages, and the generally inefficient modes of crushing and manufacture, show how much remains to be done by capitalists and intelligent agriculturists. I have referred more particularly to the production of sugar, as this is, at present the principal — in fact the only — product of which direct shipments have been made, the Australian market not requiring either Sapanwood or Hemp, which are the only two other articles available for export on a large scale, and which must wait the commencement of direct exports to Europe and America. There are other products, however, which are capable of great development, such as Coffee and Cotton, and (if the present unfortunate monopoly were abandoned), Tobacco. This last article is still unavail-

able for general shipment, being yet under Government "Taboo" (so to call it), and latterly more completely and strictly so than before. In my report of April 1857, I mentioned that in 1847 a system of purchases of Tobacco by the Governors of the island, on Government account, at fixed rates, had been established, leaving private traders still at liberty to buy also, and deliver it, at fixed prices, at the Govt. stores at Manila. I also remarked that in 1853 purchases by the Governors of the various provinces of the island were discontinued and the Govt. manufacturers and stores at Manila supplied with Bisayas tobacco, still at fixed prices, from the quantity obtained by private buyers in these provinces. It was added that the quantity yielded had been gradually increasing, though the maximum rates which the local traders, restricted to fixed prices on a delivery at Manila, could generally afford to pay the native growers were not high enough to bring about a rapid extension of quantity or improvement in quality, though in some instances, to the prejudice of the native grower, large profits were made by the provincial buyer. Last year the Government, after some months previous notice to the traders who had capital invested in this article, prohibited all purchases of tobacco by private individuals and again established agents of its own to buy and classify all the tobacco yield in this province and the Bisaya islands in general, appointing the respective Governors sole "Collectors" of the article. Some augmentation of price, (more nominal than real owing to the uncertain and arbitrary mode of classification) and certain privileges and immunities was conceded to growers,

under the supposition that a great stimulus would thus be given to production. The result of the measure, however, has been almost complete failure. The Yloilo crop, which in previous years had reached 30,000 ggs., dwindled in 1860 to 1044 ggs., of which only 4 bales were of 1st quality 44 of 2nd, 789 of 3rd and 2647 of the 4th, or most inferior class. A similar falling off has occurred at Capiz, Antique and the other tobacco-producing provinces of Bisayas. Some part of this diminution is attributable to the failure of seed imported from Cagayan, but the general result has been to indispose the natives so much against this revival, in a new and stricter form, of the old system of "Colecciones" that, (particularly while other products remunerate their labour better than tobacco at fixed prices) very little has been done towards the new crop for this year, which should be ready very shortly, but which will, it is supposed, yield even less than last year. There have been instances of seed being thrown into the river rather than made use of, and of some quantity of the leaf being destroyed by natives dissatisfied with its classification. What is rejected by the Govt. classifiers is not allowed to be sold for export.

It may be added that few more marked instances be adduced of the "suppressive" effect of checking free liberty to buy and sell — all the more regrettable in the case of an article of such universal consumption, produced in a region where soil, climate and the previous habits of the natives all conspire to make this the most important item of export of these islands and a source of much wealth to both natives and Europeans. Equally



deplorable are the restrictions which prohibit the local manufacture of Cigars for export, and the special regulations which, with the object of securing all the superior tobacco for the Factories, discourage and limit the manufacture of cigars of good quality for local consumption, while, with a singular inconsistency, none of Govt. are supplied from Mánila. By foreign vessels arriving here cigars have eagerly been demanded for Australia, but beyond insignificant number allowed to each man of the crew for consumption during the voyage, the regulations prohibit any shipment whatsoever – a prohibition which has been strictly enforced. It is so clearly demonstrable and has been so often shown that liberty to sell on the spot for foreign markets with the imposition of even a heavy port duty would yield a better revenue to government than that obtained by the present cumbrous and inefficient system – so plainly evident that quantity and quality would be much increased and improved by the stimulus of higher prices than those which the natives now obtain, that it would seem that an alternation in the direction of free production, and export must be near at hand, especially after the practical demonstration afforded by the experience of this and last year's "collection." It should be remarked that in the Northern part of Luzon (principally in Cagayan) from when the Factories derive the chief supply of Tobacco, the results of "colecciones" have not been notably unfavorable as in this direction because at Cagayan the cultivation of Tobacco is obligatory, and the natives having been habituated for a long series of years to the system there prevalent – which dis-

courages the production of other crops – are almost entirely dependent on the tobacco plant for their subsistence. Here in the Bisayan islands, the position and feelings of the natives are entirely different in this respect.

Of the other products alluded to as producible in future in large quantities, the principal are **Coffee and Cotton**.

**Coffee** grows freely, both in this island and at Negros, and attains maturity in a shorter period than in most tropical climates – particularly so in the rich soil of Negros and the more elevated districts in this province, where, when once taken up by capitalists, its production must become rapid and should be particularly remunerative – more steadily so perhaps than sugar. The principal experiments in Coffee are being made at Camando, Calinog and Cabatuan. In some places the seed has been obtained and some through the priests of the pueblos, and the Governor of the province has distributed some quantity also, but importations of seed on a much more extensive scale are wanted. The cotton plant grows vigorously in almost all the districts of Panay and Negros, and of various qualities – some of remarkably good staple – but is not yet produced in sufficient quantity for export. About 300 tons of this article are annually brought from the province of Batangas, near Manila, and used here in the native looms. It is likely that Agriculturists will now give much more attention to this, one of the most promising products of the island, to the culture of which recent events in America give an increased interest.

In **Timber** not more than one cargo has hitherto been exported to China,

owing in great measure to the unsettled state of matters in that quarter, but at present there is every prospect of shipments being made during the course of the year. Cargoes consisting of 20,000 cubic feet of Molave, Dungan, Ypil, Banaba and other excellent woods, mostly 18 to 24 in. square and 30 to 34 feet in length, are offered at from 31 to 37 cents per English cubic foot.

Paddy and Rice have been abundant during the past two years, both in this island and at Negros — fact which has

contributed to the general prosperity they have experience. During this year the price of Paddy has ruled from 62 1/2 to 87 1/2 cents per cavan of about 100 pounds.

From imperfect official returns the following are given as the principal exports coastwise from the port of Yloilo to Manila and other provinces. I enumerate the articles in order that the general class of products may be seen, say during 1860—

Hemp	1,090 pcls.	\$ 4,027.50
Sugar	72,779 pcls.	180,381.50
Sapanwood	27,989 pcls.	25,277.40
Sinamay fabrics of pineapple leaf fibers	160,383 pcls.	252,310.00
Cotton goods (native)	24,650 pcls.	17,250.00
Leaf Tobacco	1,044 qls.	4,025.00
Coconut Oil	178 jars	529.00
Bamboo mats	847	199.20
Horns — buffalo	8 pcls.	24.00
Biche de mer	70 pcls.	420.00
Rattans	115,000 pcls.	172.00
Vegetable pitch	1,000 cakes	100.00
Cocoa	25 cavans	1,200.00
Cedar, molave, narra, & other timber for furniture, etc.	1,481 pcs.	1,292.00
Boat oars, native made	200	25.00
Coconuts	5,000	35.25
Hides	796 pcls.	3,296.50
Pigs	1,051	4,843.90
Horses	6	120.00
Flour	4 barrels	80.00
Firewood	88,500 pcls.	228.91
Lard	69 jars	274.50
Earthenware jars and pots	300	1.50
Beans	1,846 cvs.	4,617.50
Bold dust	30 ounces	480.00
Canes for walking sticks	300	27.50
Cowries	800 cav.	200.00
Sweetmeats	70 jars	207.50
Wheat	336 1/2 cav.	1,714.00
	Mexican Dollars	\$ 516,607.22

As the goods pay no duties coastwise, no supervision is exercised and quantities are declared very much in the rough and very imperfectly. The article "Sinamay", or native textures of the fibre of the pine-apple leaf, especially so. The value of exports from this peculiar source of industry may be taken in reality at nearly a million dollars, including those to the neighbouring islands. The total value of exports from the various ports of Panay to all parts must be considerably over two millions of dollars.

The number of square-rigged vessels of 70 to 200 tons belonging to and owned at the ports of the province of Yloilo is now 20, besides great number of vessels of small burthen of from 20 to 50 tons.

**Increased Imports.** In Imports the difficulty of giving a correct notice of quantities and value of goods imported by way of Manila is increased, as the Custom House returns are taken, further than noted of packages. It may be generally observed that they continue on an important and increasing scale, both on Chinese and mestizo account, and also from first hands — i.e., direct from the foreign houses at Manila. Consignments from these latter greatly depend on the state of stocks and demand at that market. When the former are large and the demand dull, a much larger proportion of goods is directed to Yloilo, as was the case to a notable extent in 1858; but when the reverse is the case, the Yloilo market is supplied in larger proportion through mestizos and Chinese importation. I calculate the value of goods, chiefly piece goods, imported into the island of Panay at between two

millions to two and a half millions of dollars per annum, of which about one and a half millions are introduced through Yloilo. The Yloilo market is resorted to by purchasers from Negros and Antique, to which provinces consignments are made by Yloilo traders and goods sent to be sold at the different towns by native salesmen employed by the native and Chinese dealers of this province.

No direct importations have as yet taken place at Yloilo from Europe or China, though several have been sent from England, for this market by way of Manila. It is presumable — is in fact evident — that with the important and increasing export and import trade noticed above, direct imports from Europe will take place in a reasonable time, probably on Manila account, when the consuming capacity of the chief market of the most populous province in the Philippines becomes sufficiently shown to manufacturers and shippers in England. A first essay by direct vessel on a moderate scale, will not, it is to be anticipated, be much longer delayed. A satisfactory feature in imports is the steady introduction of machinery alluded to above, which should form a considerable basis for direct shipments.

**Cotton Twist** for weaving continues to be an article of increasing import, both of German and British make. The prohibitive duty of 40 to 50% still continues in the Manila Tariff on black, white, blue, and rose colored twists — a prohibition which, with regard to white, is evaded by the importation of yellow, of light die, which (together with other colors but the above named) is free, and which easily brought to a white color

by washing — a curious illustration of the efficacy — except for harm — of protective duties of this nature. A great deal of raw white (Tysan and Tsatlee) silk continues to be imported from China, by way of Manila and is rapidly used in the weaving of the large quantities of native goods annually produced in this populous district. The consumption of this and colored silks, may be about thirty piculs per month, with an average value of \$700 per picul.

The number of foreign houses at Yloilo has received no addition — in fact there is as yet no foreign commercial agency except that connected with the Vice Consulate, which is in charge of business transactions for the majority of the foreign firms at Manila. So promising a field for mercantile operations in this quarter being now prepared by the remarkable advance of these provinces in productive and consuming power, it is to be hoped and presumed that other foreign agencies or branches of firms in connection with Manila and Europe will be established before very long, and communicate to this market the additional impulse and activity which it now awaits. The foreign element in the population here is still very scantily represented, consisting of one American and two British subjects only. At Negros there are two French and one Prussian planter. Neither at Antique nor Capiz are there any foreigners whatever.

A more extended knowledge of the port and navigation has naturally been one of the further beneficial effects of its having been opened to foreign direct trade. The navigation in connection with

it has been practically shown to be devoid of danger. Several very favourable reports of masters of ships, which I beg to forward herewith, have been published regarding it, and no difficulty is now experienced in chartering vessels for Yloilo on equal terms with any other port in the East. The applications and intimations from shipowners and others to obtain information as to shipments here show that its tradal capacities are attracting attention, and the approaching large increase of the Sugar Crop will gradually allow these to be acted upon, and, by facilitating the future establishment of other agencies and firms, give the market, both for exports and imports, a status in accordance with its great natural advantages.

I am able to report little or no progress on the part of the Government in respect to local improvement of the port. The lights ordered for Point Bundolan and the "Seven Sins" Rocks have not yet been erected. Those which were forwarded from Manila were found to be not adopted for the purpose, and no further steps have been taken in the matter, Buoys have not yet been placed on the Otong (sic) and Iguana banks, where they would be of much use. The dredging of the mouth of the river, for a very short distance, which, if accomplished would enable vessels of almost any tonnage to load altogether in the river, instead of having, in the case of large ships, to complete their cargoes in the outer harbour, has not been commenced. At present vessels of about 300 tons, drawing fourteen to fifteen feet, load inside the river, at jetties communicating with the warehouses. It is to be hoped that the

growing importance of the amount of ocean-going shipping will induce at some future time the clearance of the mud accumulated at the mouth of the river (the expense of which operation would be by no means great), so as to allow the very important advantage of loading vessels of much larger burthen direct from the stores, to be secured. Great natural facilities exist at Yloilo for heaving down ships and dry-docks might be formed here with great ease and advantage. The American ship "Mountain Wave," has lately been hove down, caulked, and recoppered in the river.

Of the steam gunboats which are replacing through the Archipelago the heavy sailing boats (faluas) previously employed, Yloilo has been supplied with two. These have in some measure promoted correspondence and communication with the neighbouring islands and provinces, and occasionally with Manila, and are likely to prove much more effectual in repressing piracy than the former gunboats. Recently they have had several encounters with the pirates of the Sooloo sea, in the immediate neighbourhood of Yloilo, and have brought in five pirate "pancas" and other smaller boats, making away with between 250 to 300 of these habitual depredators of the Philippine coasts. It is presumable that this lesson will be productive of good effect for the future. These pirates arrive annually in this neighborhood from the Sooloo sea — particularly from the island of Tawi-Tawi — reaching Panay and Negros about May, and continuing their depredations until the change of the monsoon enable them to return, about October

and November. The number of captives yearly taken from the coast of Panay, Negros and other islands is considerable, and after occurrence of captures of trading boats in this vicinity, communication by small craft is suspended for a week or two, the natives, who are not allowed to possess firearms, being unwilling to expose themselves to the chance of being carried off. A number of the captives retaken by the gunboats, in the actions alluded to and brought in here, were very severely wounded by the pirates on the latter finding escape impracticable.

Though communication with the neighbouring islands has been facilitated by the steam gunboats, a more rapid means of intercourse with Manila is still a very great desideratum. At times intervals of more than a month elapse without news from the Capital, which is the centre of all advices bearing in tradal interests and gives the standard of value for all the products of the Archipelago. This slowness of intercourse acts most prejudicially in every way. A steamer built at Manila is said to be about to be started by a company at Manila to run between that port, Iloilo, and Zebu, and the establishment of a line of this nature would be very advantageous. It is stated that the first trip will be made in September next. It has also been announced by the Manila press that the Government will afford at least a monthly communication by steam with the more important provinces — an operation to which the number of Steamers arriving from Spain seems to give confirmation. The offers of subsidy made by Government some time ago for the establishment of mer-

chant steamers to take the mail to all the provinces were, as you will have noticed, not accepted, owing to the number of conditions with which the contracts were hampered; but they showed that the government were alive to the rapidly growing tradal importance of the provinces and the consequent necessity of establishing prompt and regular communications.

The opening to foreign trade of the port of Zebu and the establishment there of a Government Intendency, with considerable power of direct action over the whole Bisaya group, will have been noticed by you with interest. The local action of this semi-independent authority should be beneficial, if well directed, and the effect of the direct foreign trade should be as advantageously felt at Zebu and its neighbourhood as has been the case at Yloilo. Zebu, as you are aware, affords great facilities for the supply of cargoes of sugar, hemp and other valuable products, obtained — besides what the island itself furnishes — from the East coast of Negros, from Leyte, from the populous island of Bohol, and from that of Samar. It also has the great advantage of possessing the intensive and valuable coal mines which are now, at length, being brought into use.

The formation of the new Government for the extensive island of Mindanao (the future importance of which would be difficult to over-estimate) and the possessions thereto contiguous — divided into six districts, named respectively, Zamboanga, North, East, Central, Davao, and Basilan — is also an important step. The establishment of the

seat of this new Government at Cotabato, in the great river of Mindanao which runs through a populous, fertile, and cultivated region, seems to be a judicious selection of locality, and calculated to develop the resources of an island of such great natural productive power. I have been informed that a few Spanish traders have already proceeded to Cotabato from Zamboanga. The development of trade in Mindanao which this, and the other measures to the same end, tends to promote, will naturally react beneficially on that of Yloilo and surrounding islands, from which the Mindanao districts are separated by so unimportant a distance and the traffic between which and the latter has always been more or less important and active. The reduction of duties on foreign goods imported direct at Zamboanga, though not large enough to be likely to have much effect at present, owing to the peculiar circumstances, of the locality, is another, though tardy, indication of a more liberal commercial policy, and of the more earnest attention which is at length being directed towards these most important possessions.

I have the honor to be

Sir,

Your most obedient Humble Servant

N. Loney

P.S. With reference to the preceeding observation regarding the desirability of suppressing the present monopoly of rum, in order to enable planters to obtain more completely, the advantages derivable from a better system of refining which liberty to manufacture, sell, and export rum would give them, I would add that by a recent Royal order, since published, bearing date 18th June 1861, it is to be suppressed, from 1st January 1862, with the proviso, however, that the net sum derived from it by Government (which did not exceed a total of \$76,000) be made-up, in a more direct form by the respective provinces where the Government rum has hitherto been sold. Planters are consequently taking steps for providing themselves with stills from Europe, from whence some have already been ordered. It is understood to be in contemplation also to abolish the monopoly

of the native wine obtained from the cocoa and "nipa" palms.

Another Royal order, of date 11 June 1861, again raises the prices to be given by Government to growers of Tobacco, and increased the percentages given to the collectors and the functionaries employed in its collection and classification. It also adds licenses for buying and making Tobacco and Cigars in those provinces, where they are not supplied from the Government factories must be waited for until the establishment of the projected "industrial tax." It would seem evident, from many indications, that the freedom of this very important article is now a question of more or less time — the principle of the great desirability of placing it in the same unrestricted position as in Cuba being admitted both here and at Madrid.