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THE FOUNDATION OF THE SAN JOSE HACIENDA

The Spanish colonial government in the Philippines was at the end of its tether in the late nineteenth century, but the Spanish friars, who had christianized most of the Philippine archipelago since the end of the sixteenth century, had gained more and more power.[1] The friars became a source of resentment as a result of their control of extensive landholdings in the provinces surrounding Manila. Their largest landed estates, however, were located at the country's periphery. Unable to develop the extensive crown lands far away from Manila, the Spanish colonial government ceded vast tracts of land to the friars. On 13 September 1888 the government assigned 20,190 hectares of agricultural land (finally it comprised 23,266 hectares) in the southwest of the only sparsely populated island of Mindoro to the Recollect Order.[2]

This article is based on my unpublished dissertation "Wirtschaft und Gesellschaft der Insel Mindoro im 20. Jahrhundert: Anpassungen und Verzögerungeβ im Entwicklungsprozea einer philippinischen Insel" ("Economy and Society on the Island of Mindoro in the Twentieth Century: Conformities and Delays in the Developmental Process of a Philippine Island"), Department of Southeast Asia Studies, University of Passau, July 1989.

1. I am especially grateful to Mr. Antoon Postma, Mangyan Assistance, Panaytayan, Mansalay, Oriental Mindoro, who provided me with copies of original documents taken from the archives of the Recollect Order in Marcilla, Spain, and who generously shared his knowledge of Mindoro's history with me.

2. "Petición del P. Indalecio Martínez," Manila, 2 Nov. 1886, Archivo Provincial de los PP. Agustinos Recoletos (APAR), Marcilla (Spain), Sec. 1a–Leg. 53–Nro. 4; "Exposición del P. Demetrio Navacués," Manila, 23 April 1894, APAR 1–53–4; "(1897) Informe del Consejo de Filipinas sobre la hacienda de S. José," APAR 1–53–4; Fr. Valentin Marin y Morales, *Ensayo De Una Síntesis De Los Trabajos Realizados Por Las Corpora-*

Due to its geo-strategic location, Mindoro had fallen victim to numerous and devastating onslaughts of the Moros from the Sulu archipelago from the beginning of the seventeenth century. As a result of the colonial government's inability to protect the inhabitants and because of the continuous Moro raids, the island was almost completely depopulated. Only in the second half of the nineteenth century did Mindoro begin to slowly recover.[3]

The Recollects wanted to go as far as possible towards developing and repopulating Mindoro. Therefore they planned to establish "Colonias Agrícolas," which was to become a model hacienda, or so they hoped. To populate the very sparsely settled Hacienda de San Jose, the Recollects ordered families from Zambales province to migrate to San Jose. By 1898, eighty families were living in Magaran, the hacienda's main sitio. They took care of the friars' large herd of cattle which numbered more than 5,000 head.[4]

In 1898 the Philippine Revolution also swept through Mindoro. The Spanish troops in Calapan, the provincial capital, surrendered to the revolutionaries. The friars on the Hacienda de San Jose were taken prisoner and the cattle herd was confiscated by the revolutionary government. One year later, however, the Philippine revolutionaries were at war with the United States of America, which had succeeded Spain as the colonial master of the archipelago. After more than two years of brutal warfare all over the Philippines, U.S. troops landed in Mindoro in July 1901. In the next few months they destroyed almost all of the towns on the island and pacified Mindoro.[5]

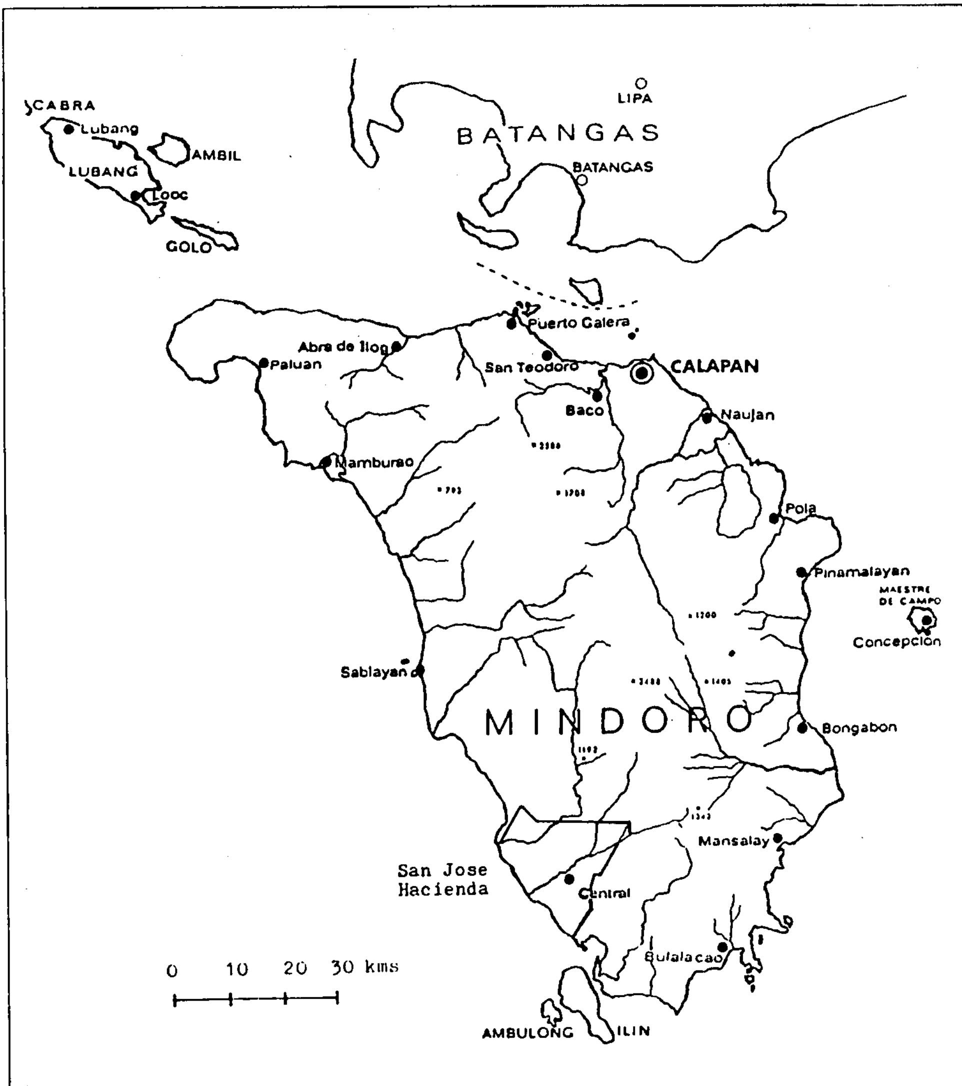
According to the U.S. government, the main reason for the revolution against the Spaniards in the Philippines had been the social situation on the landed estates in possession of the religious orders. On political grounds and for the purpose of bringing tranquility to the Philippines, the Americans decided to purchase the haciendas

ciones Religiosas Españoles De Filipinas, Vol. 2, Manila: Imprenta De Santo Tomas, 1901, pp. 248–49; *Report of the Philippine Commission* (RPC), Vol. XI, Pt. 1, Washington, 1904, p. 784; *Administration of the Philippine Islands*, 61st Congress, 3rd Session, House of Representatives, Report No. 2289, Washington: Government Printing Office, 1911, vol. I, p. 286.

3. Concerning a detailed and well documented history of Mindoro see, Volker Schult, *Mindoro: Sozialgeschichte einer philippinischen Insel im 20. Jahrhundert: Studie eines verzögerten Entwicklungsprozesses (Mindoro: Social History of a Philippine Island in the Twentieth Century: A Study of a Delayed Developmental Process)* (Frankfurt/M., Bern, New York, Paris: Peter Lang, 1990).

4. "(1898–1909) Documentación sobre la hacienda de S. José en Mindoro," APAR 1-53-5; Rudy A. Candelario, "History of Occidental Mindoro and its Eleven Municipalities," San Jose, 1982. (ms.)

5. Schult, *Mindoro: Sozialgeschichte einer philippinischen Insel*, pp. 52–70.



The San Jose Sugar Hacienda, Mindoro (1910) and resell or lease them to interested parties. They wanted to eliminate the friars as landholders. On 4 October 1904 the U.S. government acquired the San Jose Estate (23,266 hectares) for almost US $ 300,000 (₱600,000). But soon the colonial government realized that it was impossible to resell that remote, undeveloped, and practically uninhabited San Jose estate in the southwest of Mindoro.[6]

THE MINDORO DEVELOPMENT COMPANY (1909–17)

The situation, however, changed drastically in 1909. As an immediate result of the Payne-Aldrich Tariff Act of 5 August 1909, which established limited free trade between the United States and the Philippines and, among other provisions, allowed the exportation of 300,000 tons of sugar duty free to the United States. Three U.S. entrepreneurs (Charles J. Welch, Horace Havemeyer, and Charles H. Senff) decided to purchase the San Jose Estate. The buyers formed the Mindoro Development Company (MDC). That corporation acquired 200 hectares of land for the establishment of a sugar mill, and Edward L. Poole, a dummy of Welch, Havemeyer, and Senff, purchased the San Jose Estate (total area: 22,284.815 hectares) as an individual for the sum of ₱734,000, a downpayment of ₱85,750 to be made on 4 January 1910 and the balance paid in nineteen equal installments.[7]

The new owners of the hacienda and of the MDC, who actually were the same persons, were closely associated with the American Sugar Refining Company (ASRC), the Sugar Trust as it was called. As soon as the sale of the San Jose Estate was made public, criticism arose. Anti-imperialists and other lobbyists in Washington feared that the Philippines was being auctioned off to the Sugar Trust and to other exploiters. Representative John Martin of Colorado denounced the transaction as illegal, and accused the officials involved of malfeasance in office. A House resolution was passed asking for an investigation of the sale.

The critics argued that the first organic act of the Philippines (the Philippine Bill) of 1902 and the Public Land Act of 1904 set area

6. Letter to Governor-General William H. Taft, Manila, 24 July 1903, APAR 1–53–5; Fr. Utande, "Breve Reseña sobre la venta de nuestra Hacienda de Mindoro," Manila, March 1909, APAR 1–53–4; RPC, Pt. 2, 1906, pp. 37, 134–35, 148–49; Pt. 2, 1907, pp. 185–86, 197; Pt. 2, 1908, pp. 227, 261.

7. *U.S. Statutes at Large*, vol. 36, Pt. 1, Chap. 8, pp. 130–78; *Administration*, vol. I, p. 37, Vol. II, pp. 609, 738, 806, 838, 891–92, 1039–41.

limitations on public land that could be disposed of: 16 hectares of public domain could be sold to an individual and 1,024 hectares to a corporation. The attorneys-general of both the Philippines and the United States, however, stated that friar lands could not be considered as belonging to the public lands in the sense that the term was used in the Philippine Bill and the Public Land Act. All the lands that Spain turned over to the United States through the Treaty of Paris (10 December 1898) belonged to the "public domain" of the United States. Since the friar lands were the private property of the religious orders in 1898, they did not belong to the public domain. Those lands were bought later and became "public property of the Government of the Philippine Islands." Therefore, the friar lands could be disposed of to individuals as an exception. No corporation, however, was authorized to purchase more than 1,024 hectares.

The majority of the committee members in Washington concluded that the sale of the San Jose Estate to an individual (Edward L. Poole) was perfectly in accordance with law, that the Sugar Trust was not involved in the transaction, and that no official could be accused of malfeasance in office.[8]

What was true was that the Sugar Trust was not involved directly in this transaction. All three owners of the MDC and the San Jose Hacienda had close connections with the Sugar Trust. Charles Welch was a sugar commission merchant and a large producer of sugar in Hawaii, Cuba, and in California. Charles Senff was not only a former vice-president of the ASRC but also a cousin and a close friend of Henry O. Havemeyer, the powerful president of the ASRC. His son, Horace Havemeyer, was board member of the ASRC from 1907 to 1 January 1911, one year after the purchase of the San Jose Estate.[9] Therefore, the acquisition of the San Jose Estate could not have been made without the knowledge and the approval of the Sugar Trust.

The establishment of a large modern sugar central in Mindoro began in a very optimistic mood in 1910. But soon the MDC was confronted with serious problems: a considerable lack of manpower and the complete absence of any kind of infrastructure. Agents spread out all over the archipelago looking for laborers. The work-

8. *Administration*, vol. I, pp. III–LV, 1–14, 499–514, vol. II, pp. 835, 977, 996–97, 1047, 1089 ff.; Luzviminda B. Francisco/Jonathan S. Fast, *Conspiracy For Empire: Big Business, Corruption, and the Politics of Imperialism in America, 1876–1907* (Quezon City: Foundation for Nationalist Studies, 1985); José N. Endriga, "The Friar Lands Settlements: Promise and Performance," *Philippine Journal of Public Administration* 14 (1970): 404 ff.; William J. Pomeroy, *American Neo-Colonialism: Its Emergence in the Philippines and Asia* (New York: International Publishers, 1970), pp. 205 ff.

9. Francisco/Fast, p. 289; *Administration*, vol. II, pp. 760–821, 834, 841, 867.

ers entered into contracts that provided them with a cash advance and a transport to San Jose free of charge. Thus, the MDC had to bear costs of ₱10 to ₱13 for each *sakada* until he arrived in San Jose.

Moreover, the company promised to build a model sanitary barrio, second to none in the Philippines. The managers wanted to provide the workers with good houses, potable water, a school, and a hospital with a physician to control malaria. Furthermore, in order to secure enough laborers, the MDC paid higher wages compared to other sugar hacenderos in the Philippines.[10]

To solve the transportation problem on the hacienda, the management built a narrow-gauge railway that connected Camina-wit pier with the sugar central situated ten miles inland. That was an ambitious, difficult, expensive, and even until now, an unprecedented undertaking. On 25 November 1910 the arrival of the first locomotive in Mindoro was celebrated. That meant that the most advanced transportation system of all haciendas in the Philippines existed on the sugar hacienda of San Jose.

By purchasing modern farm equipment and machinery (e.g. steam driven ploughs, tractors) the management wanted to make sugarcane growing more efficient. Moreover, engineers were brought in to build a large drainage and irrigation system. The sugar factory, which cost US$0.5 million, with an initial capacity of 500 tons of cane per twenty-four hours (later 1,500 tons), was erected in 1912. All in all, the expenses amounted to US$1 million. Thus, the most modern sugar central in the Philippines was created in the Hacienda of San Jose.[11]

The social situation of the people living on the hacienda differed considerably according to race. At the beginning of the year 1912 around 80 Europeans and Americans, 200 Japanese, and 2,000 Filipino laborers with some one hundred relatives were living on the hacienda. The unskilled *jornaleros* (day-laborers) dwelled in small

10. An unskilled day-laborer (*jornalero*) was paid a maximum of ₱0.80 per day and a skilled laborer ₱1.00 per day. Engineers or mechanics earned between ₱45 to ₱80 weekly, *Administration*, vol. I, pp. XIII, 296, 447–48, 482, vol. II, pp. 650, 875, 883–89, 1115; *The Cablenews American*, 25 February 1910, p. 1; 6 May 1910, pp. 1, 5; 2 December 1910, p. 8; *El Mercantil*, 4 June 1910; Fr. Hernández, "Una Visita á la 'Hacienda de San José'," *Libertas*, Año XIV, Núm. 3.719 (1912), p. 3, APAR 1-53-5; "Sanitary Survey of the San José Estate and Adjacent Properties on Mindoro Island, Philippine Islands, with Special Reference to the Epidemiology of Malaria," *The Philippine Journal of Science, B: Tropical Medicine* 9 (1914): 191–95.

11. *Administration*, vol. I, pp. 64, 256–57, 478, vol. II, pp. 801, 810–11, 822–23, 870, 875, 886, 888; Fr. Hernández, "Una Visita á la Hacienda de San José," *Libertas* (1912), p. 3; "Sanitary Survey," (1914), pp. 164, 192; Lewis E. Gleeck, *Americans on the Philippine Frontiers* (Manila: Carmelo & Bauermann, 1974), p. 128.

nipa huts and in overcrowded barracks near the sugar mill, while the whites lived in big, comfortable, and solidly built houses. Places of amusement were the tennis court (for the management only), gambling halls, movies, dance halls, and cockpits. The only place for the workers to buy food, dresses, and other things was at the company owned stores (*tiendas*). All the foodstuff was imported from Manila. Thus, it was quite expensive.[12]

The working and living conditions were not what had been promised by the owners. A joint commission of American and Philippine representatives from the University of the Philippines, the Bureau of Science, and the Bureau of Health investigated the sanitary situation on the hacienda in 1913. They realized that almost all of the settlements were located in malaria infested areas. Furthermore, the commission commented:

> Considering the character of the work done and the hours of labor, all [of the laborers] are underfed and are thereby rendered less resistant to invasion by most of the infectious diseases. A good many are tuberculous and consequently unfit for service of any kind.

and:

> The management of the kitchens and the mess halls is not consistent with elementary sanitary requirements. For example, one kitchen within 60 meters of the hospital contains myriads of flies; it is dirty; and it is used as a storeroom for food and for the soiled clothing of the cooks and assistants and as a bathroom by muchachos and children. Conditions in the mess hall proper are but very little better."[13]

The laborers had to choose between three classes of meals at rates of ₱20, ₱15, and ₱10 per month, respectively for first, second, and third class board. Only the first class board (at ₱20 per month), however, was suitable to support a laborer engaged at hard work on a sugar hacienda. Because of the fact that the monthly wage of a sakada amounted to ₱26, less than five per cent of the boarding laborers chose the first class. Due to these unsatisfactory circumstances, most of the laborers could not be induced to remain in San Jose for a long time. Two thousand people, mostly unskilled day-

12. Fr. Hernández, "Una Visita á la 'Hacienda de San José," *Libertas* (1912); "Sanitary Survey," (1914), p. 195; Herbert S. Walker/G.E. Nesom, *Manual de la Industria Azucarera de las Islas Filipinas en Dos Partes*, vol. I (Manila: Bureau of Printing, 1912), pp. 22, 88.

13. "Sanitary Survey" (1914), pp. 152 and 186.

laborers, were working on the hacienda and 628 people at the sugar mill in 1912. Ninety per cent of them stayed less than six months in San Jose and only one per cent of them worked longer than one year for the company.[14]

The idea of the U.S. entrepreneurs to run the hacienda by a central administration system caused objections in the Philippines. Leading Filipino politicians, for example Manuel Quezon, feared that the Philippines would be exploited by American capitalists. Moreover, inspite of heavy investments and the introduction of mechanized farming, the hope for profits failed to materialize from the very beginning.[15]

The U.S. entrepreneurs, who believed in progress and in machinery, were not familiar with the local situation and with Filipino customs and traditions. They ignored methods of cultivation which were in harmony with mode and manner of the country. That was their cardinal error. The Filipinos were not used to working as day-laborers on such a large hacienda, which was centrally administered by Americans. They missed the personal relationship with their landlord. Those traditional ties between landlords and peasants have been called patron-client relationships. According to Kerkvliet, the ties between patron and client were numerous and flexible, were personal, i.e. face-to-face ones, and were based on reciprocity and not on force or compulsion.[16]

To change the unsatisfactory economic situation, Welch and Havemeyer (Senff retired from the business) engaged one of the leading and most respected sugar experts as their representative in the Philippines: George H. Fairchild, "Mr.Sugar" as he was called.[17] Very

14. "Sanitary Survey" (1914), pp. 152–55, 160–66, 182, 186–87, 195.

15. The mechanical ploughs and the tractors proved to be bad investments. They could not be used during the long rainy season. Thus, the managers had to hire additional laborers, who had to cultivate the land manually, *The President's Annual Report of the Mindoro Sugar Company, Philippine Islands, Fiscal Year Ended September 30, 1917* (Washington: Press of Byron S. Adams, 1917), pp. 9, 14–15. Already in 1914 the company's economic situation had worsened. The owners were compelled to raise a large loan (₱600,000), Memorandum for Brig. Gen. McIntyre, Chief of the Bureau of Insular Affairs (BIA), 1915; Memorandum for the Secretary of War, Washington, 30 November 1914; Letter from McIntyre to Gov. Gen. Harrison, 2 December 1914; Memorandum Re Mindoro, 1915; Report of Rafael Corpuz, Director of Land, Manila, 13 February 1915, all in: National Archives and Record Administration (NARA), National Archives, Washington, Record Group (RG) 350-File 21075.

16. Benedict J. Kerkvliet, *The Huk Rebellion: A Study of Peasant Revolt in the Philippines* (Berkeley, Los Angeles, London: University of California Press, 1977), pp. 250–51.

17. George F. Nellist, ed., "George H. Fairchild," *Men of the Philippines: A Biographical Record of Men of Substantial Achievement in the Philippine Islands*, vol. 1 (Manila: The Sugar News Co., 1931), p. 100; Florence Horn, *Orphans of the Pacific: The Philippines*

soon, Fairchild realized that the only way to improve the situation on the hacienda was to Filipinize the methods of cultivation. Fairchild became a friend of Manuel Quezon and also gained political support from Governor General Harrison. With the help of such influential politicians, the negotiations with banks regarding new loans and with the Philippine Legislature to pass a law organizing a new company proved to be successful.[18]

THE MINDORO SUGAR COMPANY (1917-29/30)

The Mindoro Sugar Company (MSC) was incorporated in 1917. The MSC was obliged to sell its land to any person or corporation, in portions not exceeding 400 hectares, within thirty years. Any portion unsold at the expiration of the thirty-year period would revert to the government. The MSC was authorized to construct and operate an irrigation system, the railway, to take over the MDC's mill and to do the necessary pioneering to make the land available to share planters for the cultivation of sugarcane. But the MSC was not allowed itself to engage in agriculture. The MSC raised a mortgage (bond issue) that was secured by a deed of trust in the amount of ₱3 million by the Philippine Trust Co. Thus, the Philippine Trust Co. became trustee of the San Jose Hacienda, with the exception of the sugar mill itself, on 21 December 1917.[19]

Several Filipino and European share planters entered into contracts with the MSC. The hacenderos were responsible for recruiting laborers, providing them and their families with housing facilities, and cultivating the land. The share planters acquired parcels of land from the MSC. Payment to the company was made by discounting ten percent of the crop, until the land was completely paid for. Moreover, the planters had to pay 50 percent to the MSC for grinding the sugarcane at the central. Thus, the company was relieved of the heavy initial expenses incident to the opening of new land.

(New York, 1941), pp. 99–100; Carlos Quirino, *History of the Philippine Sugar Industry* (Manila: Kalayaan Publishing Co., 1974), pp. 53, 125; Lewis E. Gleeck, *The Manila Americans (1901–1964)* (Manila: Carmelo & Bauermann, 1977), pp. 187–88.

18. Letters: Quezon to Fairchild, Manila, 6 April 1917; Fairchild to Quezon, Manila, 30 April 1917; Fairchild to Harrison, 5 April 1919; Harrison to Fairchild, Manila, 8 April 1919, all in: The National Library (TNL), Manila, Manuel L. Quezon (MLQ) Papers, Series VI- Box 11–Folder: "Fairchild, George (1916–1919)"; *Annual Report of the Mindoro Sugar Company 1917*, p. 4.

19. Letter from Fairchild to Harrison, 5 April 1919, TNL, MLQ Papers, VI–11–Fairchild, George (1916–1919)"; *Annual Report of the Mindoro Sugar Co. 1917*, pp. 1-2, 5–6, 64, 88, 130, 150, 155–62, 175–215, 220–25.

From the beginning, however, the share planter system failed. The reason was that the company had to give advances to the planters to pay the laborers, and to buy farm equipment and seed. That meant that even before grinding the hacendero's cane at the mill, the company had to invest considerable money in the agricultural part of business. Only one crop failure, for example, would be enough to bring the MSC into severe financial difficulties.

Draughts and floods, the individual problems of some hacenderos (lack of experience in running a sugar hacienda, lack of laborers and seedlings, delays in cutting the cane) caused a decrease in the sugar production from almost 6,000 tons in 1918 to 3,300 tons in 1919. In spite of the new share planter system, the MSC was on the verge of ruin in 1919. The payment of the interest on the bond issue fell due. In addition to the overdraft with the Philippine National Bank, which was ₱750,000, the company needed another ₱500,000.[20]

The social situation on the hacienda deteriorated, too. Fr. Julian Duval, the parish priest of San Jose, criticized the exploitation of the laborers. Because the laborers had no land of their own to cultivate food, all the foodstuffs had to be imported from other places. Consequently, the food prices were very high. The rest of the wages were spent on drinking, dancing, gambling, and movies. Many of the laborers were indebted to their hacenderos and there was a lot of corruption. Workers had to offer presents and to bring prostitutes to their bosses.

The working conditions worsened rapidly in 1922. For eight months the company had not paid their laborers. Therefore, the sakada refused to cut any more sugarcane to be harvested. To ease the situation, the MSC paid their laborers with vouchers that were to be spent only in stores owned by the company.[21]

20. *Annual Report of the Mindoro Sugar Co. 1917*, pp. 3–4, 6, 9, 29–31, 34ff., 65, 92–93, 112–15; "A Brief History of the Development of the Mindoro Sugar Company's Properties of San Jose, Mindoro, Philippine Is.," NARA-RG 350–File 21075; Superintendent of Agriculture, Report Mensual, 6 February 1919, TNL, MLQ Papers, VII–247–"1909–1941 Labor, Department of Landed Estate"; Letters: Fairchild to Harrison, New York, 5 and 6 April 1919; Horace Havemeyer to Fairchild, New York, 8 April 1919; Fairchild to Quezon, New York, 2 May 1919; H. Havemeyer to Quezon, New York, 2 May 1919, all in: TNL, MLQ Papers, VI–11–"Fairchild, George (1916–1919)"; Fairchild to Quezon, Manila, 7 May 1920, TNL, MLQ Papers, VII–528–"1920–1923 Sugar Trade"; *Sugar Central and Planters News*, September 1919, pp. 18, 27; March 1920, p. 33; November 1923, p. 648.

21. Fr. Julian Duval, *Recorridas en Mindoro de 1920*, episcopal Archives of San Jose, Occidental Mindoro, and Mangyan Research Center (MRC), Panaytayan, Mansalay, Oriental Mindoro; Letter from Fr. Duval to Msgr. Verzosa, San Jose, 9 January 1922, episc. Archives, San Jose and MRC.

Because of the MSC's permanent financial troubles and the deteriorating social situation on the hacienda, another way of running the enterprise had to be found. In spite of the fact that according to Philippine law, a corporation was not allowed to own more than 1,024 hectares of land, the Philippine Legislature passed a new law in 1922, authorizing the MSC an extension of the franchise granted to the stockholders in 1917 to own, control, and cultivate the land. Now that the company was also the owner of the lands, the Philippine Trust Co. extended the credit to the MSC once again.[22]

In the next few years the system of running the hacienda was modified. Instead of working through big landowners in the growing of sugarcane, the MSC adopted the policy of financing families on a piece of land of six to eight hectares each. Thus, twenty-nine share planters and around 500 tenants with their families were living on the hacienda in 1929. The infrastructure was improved to more than 40 miles of railroad track, to eight locomotives, and to 480 sugar carts. Due to successful campaigns against rats and locusts, 12,000 tons of sugar were produced, which was the maximum output of sugar to date.[23]

THE ARCHBISHOP OF MANILA AND THE PHILIPPINE MILLING COMPANY (1929/30–1942)

Meanwhile, after making gigantic loans to the MSC, the Philippine Trust Co. itself nearly went bankrupt. The Trust Company's main stockholder was Msgr. Michael O'Doherty, who had been Archbishop of Manila since 1916. By 1928 the Philippine Trust Company's loans to the MSC (almost ₱5 million) amounted to more than eight times the bank's capital. The Archbishop's bank, as it was called, was on the verge of collapse. The government's examiners' report of the condition of the Philippine Trust Company in 1928 stated frankly:

> The most pressing problem of the Philippine Trust Co. is to find the way out of the difficulties arising from its unwarranted, heavy advances to the Mindoro Sugar Company.

22. *Sugar Central and Planters News*, March 1922, p. 127; Letter from McIntyre to Welch, Washington, 24 August 1921, NARA-RG 350–File 21075; "Memorandum for Bond-Holders of Mindoro Sugar Company," Manila, 15 September 1922, TNL, MLQ Papers, VII–528–"1920–1923 Sugar Trade."

23. *Sugar Central and Planters News*, April 1927, p. 328; May 1927, pp. 368–74; *Handbook of the Sugar Industry* (Manila: Sugar News Press Co., 1929), pp. 181–82; *Annual Report of the Provincial Governor*, Calapan, 1929, pp. 11, 17; *The New York Times*, 28 July 1926, p. 28; "Philippine Trust Company: Examiners' Report of the Condition at Close of Business July 2, 1928," NARA-RG 350–File 27560.

and they recommended:

> That the mortgage with the bank as trustee of the Mindoro Sugar Company, be foreclosed and as soon as the properties are adjudicated to the bank, a different corporation be organized by the Obras Pias to take over the accounts of the Mindoro Sugar Company.[24]

To save the bank, the Archbishop raised US $ 2,500,000 in the United States, with which the advances of the Philippine Trust Co. to the MSC were liquidated. Then the Archbishop of Manila became the MSC trustee on 1 April 1929 instead of the Philippine Trust Co. For political reasons, Msgr. O'Doherty resigned as trustee in favor of a board of trustees. The insolvent and heavily indebted MSC was sold in a public auction on 4 November 1929 to the only bidder, the Archbishop of Manila, for the sum of ₱3 million. That was the end of the engagement of American entrepreneurs in San Jose. All in all the American owners had lost almost US $ 10 million since 1910. Finally, in April 1930 a new company, the Philippine Milling Co. (PMC), was founded and incorporated.[25]

Due to the Great Depression and to new restrictive sugar export quotas to the United States, a consolidation of the PMC was hardly possible. The rather inefficient PMC, compared to other sugar com-

24. "Philippine Trust Company: Examiners' Report of the Condition at Close of Business July 2, 1928," NARA-RG 350-File 27560.

25. "Philippine Trust Company: Reports of the Condition" (annually reports from October 1918 to July 1928), NARA-RG 350-File 27560; "Nolting Firm Registration Cancelled," *The Manila Times*, 5 July 1929; NARA, RG 350-File 21075; "New Company for Mindoro," *The Manila Times*, 9 April 1929; "Trust Co. Quits as Trustee of Mindoro Estate," *The Philippines Herald*, 23 April 1929; "Mindoro's Stockholders Can Purchase," *The Manila Times*, 23 April 1929; "S. Jose Estate Organized by Archbishop, Nolting, McMicking and Others," *The Philippines Herald*, 25 April 1929; "A Lesson Pointed," *The Manila Times*, 26 April 1929; "Incorporate Firm to Buy Big Estate," *The Philippines Herald*, 28 April 1929; "New Board Taking Over Sugar Estate," *Manila Bulletin*, 6 May 1929; "In Justice," *The Manila Times*, 7 May 1929; "W.T. Nolting May Be Named to be Trustees' Delegate," *The Philippines Herald*, 7 May 1929, all in: NARA-RG 350-File 21075; Letters from de Witt, Perkins & Bradley to Msgr. O'Doherty, Manila, 19 October 1929, and to Present Trustees of the Mindoro Sugar Company, Manila, 19 October 1929, TNL, MLQ Papers, VII-530-"1929 Sugar Trade"; "Deed of Sale of Mindoro Sugar Estate Still Unsigned by Board," *The Philippines Herald*, 7 November 1929; "Big Central Acquired by New Company," *The Manila Times*, 27 April 1930; "May Move Mindoro Central to Luzon," *La Opinion*, 8 August 1930, NARA-RG 350-File 28717; Horn, *Orphans of the Pacific*, pp. 166-67; Antoon Postma, "Historical Data on the Greater San Jose Parish of Occidental Mindoro," Panaytayan, 1983, p. 18 (ms.); Martin J. Noone, *The Cultural Conflict: The Life and Times of Michael O'Doherty, Archbishop of Manila* (Manila: R.P. Garcia Publishing Co., 1989), pp. 187-95.

panies in the Philippines, lost the quota race, as it was called, in the years from 1931 to 1934.[26] In August 1934 the PMC even had to suspend the planting of sugarcane and hundreds of laborers lost their jobs. The company shipped the jobless workers back to their home provinces at its own expense.[27]

In November 1934 Eulogio Rodriguez, Secretary of Agriculture and Commerce, signed a final order to confiscate the San Jose Hacienda. The land involved was purchased in 1910 on the installment plan from the government. The former Mindoro Sugar Company succeded in paying almost ₱360,000, but left a balance of almost ₱240,000. It stopped payment in 1927. The archbishop's new corporation, the Philippine Milling Company, failed to cover those long overdue obligations, too. Because of the investments and of the payment already made by the company, it was agreed that a total of 5,224 hectares would remain with the PMC. Actually, only those 5,000 hectares were fully developed with sugarcane plantations, i.e. the 17,261 hectares confiscated had been laying idle all the time. The government intended to subdivide and sell the confiscated land to small farmers.[28]

The PMC was still in a precarious financial situation. Thus, Msgr. O'Doherty turned over the management to the more experienced Elizalde & Co. on a five-year lease in 1937. Elizalde & Co., however, was not able to change the situation because of the small sugar quota alloted to the PMC. Only 1,700 hectares were planted with cane. Besides that, the cost of producing sugar in Mindoro had been and still was very high compared to other sugar haciendas in the Philippines. The average cost of production per *picul* (ca. 60 kilograms) of sugar produced in San Jose was ₱7 before 1938. Elizalde & Co.

26. The company's production of sugar increased only from 10,319 tons in 1931 to 13,670 tons in 1934 (32.5 percent), whereas the average increase in the Philippines was 80.7 percent, Theodore Friend, "The Philippine Sugar Industry and the Politics of Independence, 1929–1935," *Journal of Asian Studies* 22 (1963): 179 ff.; *Sugar Central and Planters News*, October 1935, p. 518; September 1938, p. 400; Macario Z. Landicho, *The Mindoro Yearbook* (Manila: Yearbook Publishers, 1952), pp. 240–41.

27. *Graphic Weekly News Digest:* 27 September 1934, p. 52; 18 October 1934, p. 52; 25 October 1934, p. 52; 15 November 1934, p. 53; 22 November 1934; 20 December 1934, p. 50.

28. "Aguinaldo May Lose Land," *The Graphic*, 6 December 1934, pp. 10, 47; "San Jose Estate in Mindoro Will Revert to Government Since Terms Not Fulfilled, Rodriguez Declares," *Manila Bulletin*, 22 November 1934; "Archbishop's Claim Denied," *The Tribune*, 5 December 1934; "Lands in Mindoro to be Confiscated," *The Tribune*, 31 January 1935; "Cancel Mindoro Estate Contract," *The Tribune*, 1 February 1935; R. Candelario, *History of Occidental Mindoro and its Eleven Municipalities*, San Jose, 1982; Noone, *Cultural Conflict*, pp. 236–45, 282–88.

reduced the cost to ₱5 but on Negros and on Panay the cost was less than ₱5. Recruiting of laborers remained one of the most expensive parts of the business. Thus, the company was not able to operate profitably.[29]

Up to World War II the company was not able to recover. The ambitious aim to transform the large but remote and undeveloped San Jose Hacienda into a profitable sugar hacienda with a modern sugar producing factory had been a big failure. It was the failure of the largest American capitalistic venture until then in the Philippines. Motivated by limited free trade between the United States and the Philippines in 1909, American businessmen invested millions of dollars in the San Jose enterprise. A remarkable infrastructure (railroads, piers, bridges, schools, and a hospital) was built up, modern equipment and machinery were bought, and mechanized farming was introduced. Unfavorable weather conditions (floods, droughts, typhoons), rats and locust plagues, and external factors, such as the Great Depression and the sugar quota, were only part of the reasons for the failure.

Poor preparation and, especially, the total ignorance of Filipino customs and traditions, as well as of methods of cultivation in harmony with the mode and manner of the country, were the decisive reasons for the failure. Laborers had to be recruited from other islands, and foodstuff had to be imported from other provinces, although there had been plenty of fertile agricultural land on the San Jose Hacienda. But in no time, more than 5,000 hectares had been cultivated with sugarcane. Most of the year the modern farm machinery, such as tractors or steam driven ploughs, could not operate because of unfavorable weather conditions. They simply could not move during the long rainy season. Thus, additional laborers had to be hired during the planting season and for cutting sugarcane. Due to the political, social, and economic situation in the Philippines, it was impossible to run such a large hacienda with only day-laborers who had to work under a centralized administration system. The introduction of the hacendero system or share planter system came too late to remedy the company's situation. In addition, the plan to sell or to lease parcels of land to small farmers was carried out only half-heartedly. Despite gigantic loans the company's bankruptcy could not be prevented.

29. Landicho, pp. 236, 242, 154–55; Quirino, *History of the Philippine Sugar Industry*, p. 67; N. Anunciacion, "Philippine Milling Company," *A Handbook of the Sugar and other Industries in the Philippines* (Manila: The Sugar News Press, 1953), p. 35.

THE DECLINE OF THE PHILIPPINE MILLING COMPANY

During World War II Japanese Imperial forces occupied Mindoro island. The Japanese closed down the sugar hacienda of San Jose in 1942 because they could not absorb the sugar produced in the Philippines. Due to the war and the landing of U.S. troops in San Jose on 15 December 1944, the facilities of the PMC were heavily damaged and its plantations, as a result of idleness, were covered with cogon grass. Because of its favorable geo-strategic location, the San Jose area was used as a base for further operations against the Japanese in Luzon. American forces stayed in San Jose until February 1946. They spent about US $ 17,000,000 in the construction of roads, bridges, airstrips, and buildings.

That served as a basis for the prosperity of the San Jose area after the war. More and more settlers from Luzon arrived, especially because of the deteriorating peace and order condition in the 1950s, caused by the Hukbalahap rebellion. Idle land was cultivated and small-scale industry developed. The largest salt producing factory in Southeast Asia, the Salt Industries of the Philippines, Inc., was founded in 1955. Despite that rapid progress, however, a number of problems still existed. There was a lack of good roads and of connection with the surrounding municipalities. The electricity system and the water system remained insufficent. Msgr. Duschak, S.V.D., the German bishop of Mindoro, denounced the social situation. On the one hand, there were well constructed buildings and houses and commercialized and mechanized farming was introduced. But, on the other hand, there were primitive and small nipa huts, debt bondage, and hundreds of underpaid, or even unpaid, farm laborers.[30]

One of the most difficult problems, however, was the rehabilitation and reconstruction of the PMC. Finally, the Archbishop of Manila sold the company to Col. Francisco Gomez, president of Tru-Ade Bottling Co., and Hector A. Torres, both of Negros, for the sum

30. Msgr. W.J. Duschak, *Aus dem Tagebuch eines Missionsbischofs, 1961–1974* ("From a Missionary Bishop's Diary"), 27 and 29 April 1964, unpubl. manuscript, St. Augustin, Bonn, West Germany; Schult, *Mindoro: Sozialgeschichte einer philippinischen Insel*, pp. 147 ff.; *Historical Data Papers* (HDP), The National Library, Manila, vol. 73, "Central"; *Chronicle for San Jose, Mindoro*, SVD-Chronicle, San Jose, 1940–61, episc. Archives, San Jose, and MRC; Postma, *Historical Data San Jose Parish*, pp. 21–22; E.S. Mendoza, "Our Town: San Jose," *This Week*, 28 August 1960, pp. 8–9; V.C. Loyola, "A 'Revolution' in Mindoro," *Philippines Free Press*, 17 November 1956, p. 24; R.R. Curva, "History of San Jose," *San Jose Town Fiesta: Souvenir Program*, 18–20 May 1956; "Salt Industry of the Philippines, Inc.," *Souvenir Program: STAA'70*, San Jose, 1–7 March 1970.

of ₱3,500,000 at the end of 1949. The new owners invested an additional ₱800,000 for reconstruction. The existing irrigation dikes were improved and, believing that mechanization would lower production cost, they bought twelve new tractors with the necessary implements. The problem, however, was seedlings which were very expensive.

Thus, the managers raised seedlings on company-owned seedbeds. For the first time after the war, a moderate total of 1,400 tons of sugar was produced in 1951/52. At that time 264 laborers worked at the sugar mill and 1,036 laborers on the hacienda. The wages paid amounted to ₱350,000, the crop, however, was only worth ₱250,000. That meant that the PMC was again in financial trouble because the crop yields of the next few years were less than expected.

Again and again the Philippine National Bank (PNB) gave large loans to the company to prevent it from declaring itself bankrupt. Finally in 1960, Gomez and Torres gave in. The PNB took over and Alfredo Gaborro Jr. became manager of the PMC. The Gaborro management, however, was even more incompetent than that of its predecessors. The social situation on the hacienda worsened. Thus, guards were engaged to keep an eye on the laborers to prevent theft and murder. They were not always successful. Fr. Schmitz, S.V.D., the German parish priest of San Jose, described the social conditions on the hacienda as follows:

> Die [the managers] wollen alles unter ihr Joch bringen, und die Leute zu halben Sklaven machen. Die Leute sagen schon [sic!] unter Gomez war es viel besser. Wenn er auch nicht zahlte, hatten sie immer zu Essen [sic!], da er ihnen genuegend Reis und Fisch gab. Jetzt werden sie auch nicht regelmaessig gezahlt [sic!] und haben auch nichts zu essen.[31]

Due to financial troubles, the PMC was closed down in 1966. The Marcos government succeeded in winning over foreign businessmen to make investments in the sugar producing areas of Negros and Panay. In 1970 the Japanese Marubeni-Iida, Hitachi Shipbuilding and

31. ("They [the managers] wanted to subjugate the people and wanted to almost enslave them. The people say that it was better under Gomez. Even though he did not pay them, they always had enough food because he gave them rice and fish. Now they are paid neither regularly nor do they have anything to eat." [Author's transl.]), Letter from Fr. Schmitz to Msgr. Duschak, Central, 11 August 1961, MRC. *Sugar Central and Planters News*, March 1950, p. 137; April 1950, p. 191; September 1952, p. 425; December 1952, p. 3; January 1953, p. 6; December 1957, p. 628; January 1963, p. 2; February 1965, p. 58; *Chronicle for San Jose*; Landicho, pp. 236–37; *HDP*, Vol. 73, "Central"; Anunciacion, pp. 35–36, 137; Letters: Fr. Schmitz to A. Gaborro and to M. Cruz, Central, San Jose, 11 August 1961; M. Cruz to Fr. Schmitz, Central, 12 August 1961; A. Gaborro to Fr. Schmitz, Central, 12 August 1961; all in: MRC; Msgr. Duschak, *Missionstagebuch*, 7 May 1964.

Engr. had a share in establishing a new sugar factory in Calinog-Lambunao on the island of Panay. The factory was purchased from the PMC. In the early 1970s the San Jose sugar mill was totally dismantled and transferred to Calinog-Lambunao, where production started in March 1980. Thus, the long agony of the San Jose sugar company came to an end.

CONCLUSION

The former sugar plantations are still administered by the PNB. Its subsidiary, the National Investment and Development Corporation (NIDC), succeeded in transferring 800 hectares of former sugar lands into rice lands in 1967. By means of mechanization and increasing production in rice through the use of high yield varieties, it was planned to cultivate around 2,500 hectares. The NIDC failed, however, because it did not have enough money to realize the project. Moreover, the living and working conditions of the farmers were so bad that the farmers refused to cultivate the land any longer. Former sugar laborers joined the strike and also occupied parts of the land.[32] The San Jose Sugar Hacienda, which began with such high hopes has ended in frustration and in failure.

32. Msgr. Duschak, *Missionstagebuch*, 14 April 1972; "The NIDC Rice Production Project," *Souvenir Program: STAA'70*, San Jose, 1–7 March 1970, p. 170; Pedro V. Salgado, *The Philippine Economy: History and Analysis* (Quezon City: R.P. Garcia Publishing, Inc., 1985), pp. 32, 98; R. Candelario, "The History of St. Joseph Parish-Central," (ms.) San Jose, August 1987; Interviews with Mr. Rudy Candelario, Apostolic Vicariate of San Jose, 29 September 1987 and with Mr. Hilario Magsino, PNB Mangarin branch manager and PMC administrator, San Jose, 29–30 September, and 3 October 1987.