

ECONOMIC AND TRADE NOTES

Shanghai

(City)

China

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(Date)

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EFFECT OF RECENT FLUCTUATIONS IN SILVER ON LUMBER MARKET 322

The recent sudden rise in exchange from Tael One equal to \$0.32 to \$0.35 U. S. currency during the past day, has caused considerable concern among local lumber importers owing to the present overstocked condition of the market. Since this furnishes such an excellent example of the effects of fluctuating exchange on the local market, we feel that it is worthwhile to call this particular example to your attention. It should be distinctly understood that this is written simply for its informative value and as it serves to explain one of the major problems with which lumber importers are confronted, since exchange may take another upward or downward turn within the next twenty-four hours and many times before this item reaches the Bureau.

Normally, a higher exchange (or increase in the value of silver) serves to enhance imports and acts as a boon to general import business.

No doubt, if the present exchange position is maintained the general effect will be to stimulate business in the long run. However, lumber importers at the moment are somewhat concerned over the possible effect of the recent rise in silver on the financial position of leading Chinese dealers as it affects outstanding credits. Thus, Oregon Pine quoted at say, G\$18.00 c.i.f. Shanghai not including duty, has been costing dealers Taels 60.00 with exchange ruling at 30; whereas, at present exchange of 35 and at the

same c.i.f. gold price, Oregon Pine is costing dealers only Tael 51.00 or a difference of Tael 9.00 on 1,000 board feet. If the Pacific Coast price on Oregon Pine should also drop from say, G\$18.00 to G\$16.00 for 1,000 feet, the situation so far as local lumber dealers are concerned, would be even more precarious. Inasmuch as the local market price of lumber is practically ruled by the c.i.f. purchase price, it will be readily understood that dealers carrying heavy stocks purchased at an exchange from 29 to 32 are likely to suffer substantial losses, unless competitive dealers not carrying such heavy stocks fail to take advantage of these more advantageous rates before, and if exchange should take another downward turn. Chinese dealers have a tendency to over trade and it is not impossible that this sudden rise in exchange may result in the insolvency of some dealers with a corresponding loss to importers where credits have been extended.

The new factory will have a capacity for doubling the output of bread and will include a complete modern plant for the manufacture of biscuits at the rate of 100,000 per month. Edgar W. O'Harrow Assistant Trade Commissioner

Approved for Transmission: very for packing in cartons, untouched by hand.

The confectionery and pastry machinery will also be increased for

H. D. Robison these products on a quantity production basis. Machinery Trade Commissioner

of a total value of US\$100,000 has already been purchased from England EWO'H:EH

(Baker-Perkins Company).

This company is by far the largest organization of its kind in China. In the past this company has been catering almost entirely to the foreign population resident in Shanghai. Most of these products