

Special Report

July 23, 1931.

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To: Foodstuffs Division.

From: Shanghai Office.

Subject: Half Yearly Report on Evaporated, Condensed and Powdered Milk - China Market.

In accordance with the Bureau's wishes for half yearly reports on the above subject, we have endeavored to get together following material on the situation covering the first six months of 1931. The following text was prepared by Mr. Millard Arnold, clerk in this office, from information given him by the trade. The statistical matter was compiled by our statistician, and the accompanying particulars as to brands, origin, and wholesale prices of the various milks now on this market were prepared by Mr. W. J. Nieh, one of our outside investigators. Not knowing in what form the Bureau may wish to put out this information, I have not attempted to edit the text but have left the brand names and other remarks as originally prepared. The text is as follows:

Milk, Evaporated, Condensed and Powdered.

The last six months have been featured by such depreciated silver values that the compensating rise of prices by importers of milk products now introduces fresh milk in the role of a fairly serious competitor. One quart of Grade A milk from the International Settlement, Municipal inspected dairies can be purchased for the same price as one 14 $\frac{1}{2}$ oz. can of evaporated milk. The Grade B Milks from the same fine dairies can be purchased much cheaper. Chinese who formerly purchased canned and powdered milks are now turning to the purchase of cheap fresh milk. An unsanitary product, diluted from 3% to 50% with dirty water sells in Greater Shanghai for about 15¢ Max. per pint. Health propaganda is making some headway but the price factor dominates to such a degree that many of the Chinese who have come to realize the healthful properties of milk will not accept the qualifying premise that all milk is not necessarily healthful. Among the foreign residents in Shanghai the practice is spreading of purchasing the cheap fresh milk from the supposedly safe second grade dairies in the Settlement and boiling it before

consumption. Boiled milk being perfectly safe they can thus purchase a cheap fresh milk for 80¢ a quart, a can of evaporated milk sells for about 50¢.

Imports of Pacific Brand, a Canadian milk, have been under-selling the market, quoting prices of \$20.80 per case of 16 oz. cans to the dealer where Carnation sells for a low of \$22.00 per case of 14½ oz. cans. In an effort to meet this competition, Carnation has brought out another brand known as Gloria, selling for \$21.10 per case, but as Gloria is only a 14½ oz. can, it has not been successful. The competition thus offered has so far only affected sales to restaurants, bakeries and caterers; it is not thought that this competition will prove very severe among retail consumers as Pacific Brand has hitherto been a stranger to this market, and is carrying on no advertising campaigns.

Chinese taste, heretofore largely in favor of sweetened condensed milk, is swinging to evaporated milks. The exorbitantly high prices that have resulted from depreciated silver have resulted in a falling off of approximately 60% in the sales of Eagle Brand, the long time favorite in the China market. The opinion is hazarded that before silver exchange again returned to the level where the consuming public can purchase this old favorite brand, advertising will swing popular taste to the Evaporated milks.

As a result of intensive advertising in 1929 Carnation sales in 1930 reached a high peak and optimistically predicted a 40% further increase for 1931. Figures based on sales reports for the first six months of 1931 indicate that, due to the increased tariff from Taels 0.60 per case to Taels 2.90 per case (i.e. about 18¢ to 87¢ U.S. currency) plus unfavorable exchange, there will be no increase but a decrease of approximately 30%. This decrease is by no means alarming as it represents roughly the amount of business done in 1926, considered as a fairly good year.

Stocks of evaporated milk are a little below normal, representing about one month's supply.

Among the dried milks, Lactogen, Klin and Momilk are the three important factors in this market. Lactogen represents about 75% of the dried milk sold in China. Allenbury's was formerly the leader, but has lost its position and the market, in the highly competitive fight put up by Lactogen; competition that Allenbury's could not meet. Due to this year's high prices, Momilk reports a 50% decrease in sales for the first half of 1931 as compared to 1930. Klin did a U.S.\$45,000 business in China last year and expect to do U.S.\$50,000 this year if sales keep at the same level as the first quarter. American dried milks are not allowed sufficient advertising

allowances and hence must sit back and be content with what small business comes their way. It is estimated that Lactogen spent Max. \$250,000 on advertising throughout China, the American milks spent one tenth of this sum.

Regardless of the present unfavorable exchange, importers are superbly confident in the future potentialities of the market for milk products in China.

As nearly as can be ascertained, the first hand-operated

Supplemental to the above are enclosed the following:

- (1) Table showing the brands of evaporated, condensed and powdered milk now on the China market, with countries of origin indicated, number of tins to the case, wholesale price per case in Shanghai Taels, retail price per tin in cents silver Chinese currency, net weight of contents of tin, and the name of the Shanghai agent of each brand.
- (2) Table showing imports of Infants' Food (powdered milk) into Whole of China, by values and sources, for 1928, 1929 and 1930.
- (3) Table showing imports of Cream & Milk, Evaporated or Sterilised, into Whole of China, by values and sources, for 1928, 1929 & 1930.
- (4) Table showing gross imports of Powdered Milk into Shanghai for 1928, 1929 and 1930.
- (5) Table showing imports of Evaporated Milk and Condensed Milk into Shanghai for the year 1929.
- (6) Table showing imports of Evaporated Milk and Condensed Milk into Shanghai for the year 1930.
- (7) Table showing imports of Powdered Milk into Shanghai for March quarter of 1930 and 1931 by values only.
- (8) Statement showing the duties applicable on the class of milk imported into China.

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ABC:DK.

Inclosures 41706.