

## HIGH PRICES IN SHANGHAI

### The Case of Tobacco

With respect to certain articles of common use we—and those who use our correspondence columns—have been endeavouring to ascertain how it is that little or no benefit has accrued to local consumers through the present favourable rate of exchange. Profiteering has been alleged, only to bring forth a reply that consequent on the increased value of the dollar a number of things have dropped in price. But in other cases no reduction has taken place, in fact since the dollar stood at a modest one shilling and tenpence prices have actually advanced.

This happens to be the case with certain brands of tobacco. In pre-war days it was a joy to the thrifty to consider that smoke cost roughly only a third or half of what it did at Home: smoking under such conditions was an actual saving of money. Then came the war, with a Chancellor of the Exchequer laying taxes on the weed with a lavish hand. It should have been an even greater joy to smoke pipes of tobacco in China, but the sensational rise in the dollar occurred and altered the complexion of things. We do not know the present retail prices at Home, but comparing what they were a year ago with what we pay in Shanghai today, we find that there is very little difference, only a few coppers in favour of Shanghai. The suggestion which immediately takes shape is that the tobacco companies are making profits very nearly equal to the amount the Chancellor of the Exchequer is mulcting the Home public.

#### MY LADY EXPENSIVE.

Inquiry produces the information that this is not the case, and leads to the conclusion that before long, if not already, the Home consumers may have to face a considerable increase in price. The position of tobacco seems to be this. The raw material is sold by auction, and a particular leaf which cost 8 cents (gold) 15 or 20 years ago and which had advanced to 18 cents just before the war, has at the last auctions reached the figure of 90 cents. This happens to be a leaf which can be grown over only a small area and for which there is an increasing demand throughout the world. It illustrates, however, the general advance in price. This leaf, purchased in the winter, will have to mature during the following six months, and then comes the process of manufacture. High prices at these winter auctions mean a heavier cost to the consumer later on, and meanwhile there are other factors to be taken into account.

The cost of manufacture is one of the most important of these. In pre-war days it was cheaper to manufacture tobacco in England than in America, but during the war wages in England increased and subsequent to hostilities soared. So that to-day it is cheaper to carry

out the process of manufacture in America. But American workmen are following suit in the matter of demanding higher wages, and the latest report is that their present claim is for a 60 per cent. increase. This will again make the cost of manufacture cheaper in England, but it will certainly not assist the consumer in the direction of cheapening his tobacco.

#### WHAT OF EXCHANGE?

All this is putting up the price, but even then, it will be argued, we are paying too much here considering our wonderful exchange. The answer to that is that exchange has not stood at its high level for a sufficient time to make a reduction consonant with sound finance. The length of time it takes from the auctioning of the leaf to its sale in consumable form has to be borne in mind, in view of the contracts which have had to be entered into for the necessary supplies. At the moment, also, the wages question looms large in the minds of people in the tobacco trade, making future prices to some extent a matter of guess work. The chief local factor is the uncertainty of what exchange will do.

There is one hope for cheaper tobacco here. If exchange maintains its high level, it is hoped that will be possible after the lapse of a few months to reduce the price.