

ECONOMIC AND TRADE NOTES

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Submitted by: Julian Arnold

(Name)

Commercial Attache

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FOREIGN SERVICE

shipping of wheat by native dealers to any flour mill

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WHEAT IN CHINA

In an article entitled "National Reconstruction - China's Fundamental Problems" as written by Mr. K. P. Chen, Managing Director of the Shanghai Commercial and Savings Bank, he makes the following interesting statement regarding wheat:

"While the Southerners eat rice, the Northerners consume wheat; yet the production of wheat is just as unsatisfactory as that of rice. The first defect is insufficient production. Though at present there are no reliable statistics concerning the production of wheat, the enormous volume of wheat imports bears evidence to the insufficiency of China's wheat production to meet the requirements of the people. Shanghai flour mills seldom run for the whole year round; generally, they have to suspend work in the early part of the year on account of a shortage of raw material unless they can import foreign wheat at a reasonable price. While the flour production capacity of Shanghai mills amounts to about 30,000,000 sacks a year, the actual production seldom exceeds 15,000,000 sacks, the greater part of the raw material used being foreign wheat. In view of the fact that about 15 million piculs of foreign wheat were imported in 1932 alone, one can easily realize the unsatisfactory condition of China's wheat production.

The second defect is improper marketing and transportation. The process of marketing generally consists of four steps:

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(1) the sale of wheat by the farmer to native dealers; (2) the shipping of wheat by native dealers to any agricultural town where they engage wheat hongse to sell for them; (3) the re-sale of wheat through wheat hongse to wheat merchants from the demand market or purchasing agents of flour mills; (4) the shipping of wheat to the demand market or direct to flour mills. The defect of such a process may be viewed from three angles. First, neither selling nor buying is well-organised, with the consequence that an individual wheat dealer may resort to any adulteration practices he wishes. Secondly, the cost of transportation is generally so expensive that it takes up more than 25 per cent. of the selling price. Thirdly, there is so much delay in transportation that it often takes two or even three months to ship a cargo of wheat from a place in the interior to Shanghai.

VARIETIES.

Another defect is the inferiority of varieties. Chinese wheat may be roughly divided into two varieties, viz., white skin and red skin. The white skin variety is distinctly better than the red skin and comparable with the best varieties of foreign wheat, but it is grown in Shantung province only while the red skin variety is grown in all other wheat-producing provinces. To the inferiority of quality must be further added the backwardness of our agricultural methods. While foreign wheat is machine-reaped, our wheat is reaped by human labour, with the result that it is liable to have impurities mixed with it.

Sometimes the farmer is so urgently in need of funds that he has to cut the unripe wheat, the grain of which has not yet fully

developed, with the result that it can hardly be put to the milling machine. When samples of American, Australian and Chinese wheat are placed side by side, one can easily detect Chinese wheat by its dirtiness, dull lustre and light weight.

The fundamental solution of China's wheat problem lies then in the selection of varieties. The varieties to be selected should possess the following characteristics, viz., (1) the stem should be short and sturdy so that it may not be blown down during the windy season and so that it may not interfere with the growth of other crops planted during the same period, as for instance, tobacco and cotton. (2) It must ripen early so that it may avoid the harmful effects of the rainy season. (3) It must be able to resist the infection of the rust disease so prevalent in China now.

TECHNICAL PROBLEMS

Having settled this problem, we may then come to the technical problem of fertilization, prevention of plant diseases, standardization, etc. There are two ways to encourage our wheat production. First, to raise the wheat price and, second, to reduce the cost of wheat production. While the raising of the wheat price involves many things to be easily realised, the reduction of our production costs lies in the application of scientific methods and the improvement of transportation facilities. There is a need for new equipment and facilities which will insure the safe

and fast conveyance of goods and also for an organised system of transportation which will adjust the supply of one market to the demand of the other.

I was told by a foreign wheat merchant that the Australian wheat market decades ago was not unlike that of present-day China; ~~Commercial Attaché.~~ farmers were often forced to sell wheat at an abnormally low price to obtain funds for their maintenance, that the merchants were enabled to profit at their expense by cornering the market after they had bought up all the wheat. Later on, the farmers, realising the disadvantageous position in which they were placed, organised themselves into co-operative marketing associations, built elevators, and employed men to engage directly in the trade. From such improvements in marketing was evolved the present simple and economical practice of shipping wheat from Australia to Shanghai which requires the service of only one broker. The same thing occurred in the United States and Canada where the marketing of wheat was equally inefficient until the erection of elevators and the adoption of a new system of transportation. In view of these facts, I think it is highly advisable for Chinese flour mills, in co-operation with our railway and steamship companies to devise a more efficient system of transportation and to erect elevators at wheat centres such as Pukow, Haichow, Pengpu and Hsueh in order to reduce the present prohibitive costs of transportation. If no such measures are taken, it will only

be natural that foreign wheat will eventually take the place of native wheat."

Julian Arnold
Commercial Attache.

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