

SPECIAL REPORT NO.

Shanghai

China

November 7, 1933

(City)

(Country)

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Subject: Shanghai Flour Market Conditions - October, 1933

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There are persistent rumors in the market to the effect that the Chinese Government will shortly advance the import tariff rate on flour to a level equivalent to 25% ad valorem. The present import tariff imposed last May (of Gold Units 0.25 per picul of 133, 1/3 lbs.) was calculated to amount roughly to 7% ad valorem, but at present values figures out at 10% or higher. Importers handling patent flours and bakers flour, products not competitive with anything produced in China, feel that these high grades of flour should be exempted from further increases. The entire importation of these to Shanghai per annum is estimated to amount to not more than 240,000 bags of 49 lbs. net each, hence importers feel that little revenue could be realized therefrom and that a 25% rate would be an unwarranted burden on a product used in limited quantities and not competitive with Chinese milled flour. While no confirmation of the rumors can be secured, it is apparent that the Chinese millers favor a protective tariff, and are working actively to secure it, the flour milling business being probably second largest of Chinese modern industries, and it seems inevitable that a tariff calculated to shut out imported flour will eventually be passed. As revenue is believed by some in the trade to be a prime consideration under present pressing conditions in government finance, they hope that flour may

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escape an immediate further tariff increase, but the influence of the millers under their present handicap may prove eventually a decisive factor. The millers are opposing proposals of Chambers of Commerce in the interior and of grain exchange organizations for a tariff on wheat. Conditions in the flour trade are at present deplorable in that prices continue to be the lowest in 20 years or more.

With the adjustment of the situation as to American surplus wheat by the so-called Portland Marketing Agreement whereby, under arrangements made between the Secretary of Agriculture and Pacific Northwest interests, the government will reimburse the difference between price paid to farmers and the price at which surplus wheat will have to be sold in world markets, it now appears that the way has been cleared for American Northwest wheat to come to China under the terms of the American Cotton and Wheat loan consummated by former Minister of Finance, T. V. Soong, and about 20,000 tons of American loan wheat is reported to have been purchased by two large Shanghai milling companies for early delivery. Another mill is reported to have made purchase of a cargo of Argentine wheat at a very low price (Yuan \$4.20 per picul, equivalent to approximately U.S. \$20.12 per ton of 2000 lbs. c.i.f. Shanghai at current exchange). These reports have had a further depressing effect on flour prices which on the Shanghai exchange, November 4, for December-January-February delivery was quoted at prices as low as Yuan \$2.12 per bag of

49 lbs. for popular brands of Shanghai milled flour (equivalent to approximately 68¢ U.S. Currency).

Prices actually went down to a low of \$2.03 in October but have gradually recovered nearly to the levels quoted one month ago, when spot goods were around Yuan \$2.15 per sack of 49 lbs. net (equivalent to 65¢ U.S. Currency).

Stocks of Shanghai milled flour at Shanghai have been greatly reduced and now are estimated near 1,000,000 sacks as compared with three million a month ago, reduction being due to continued curtailment of production by some of the large mills, and to a little better movement which began in late October to supply needs of northern ports before closing for the winter.

The import flour market has been extremely quiet. Australian quotations are down very near the price for domestic (Chinese) flour but little business is being done in it. American prices of the grades ordinarily exported to China in large volume are still prohibitive though there is some prospect that under the Portland Marketing Agreement above mentioned a provision may be made whereby flour prices can also be brought within the range of world markets, such that shipments to China might be possible.

Statistics of the trade in wheat and flour for September and for the first nine months of the present year follow:

(Statistics on following pages)

IMPORTS OF FLOUR INTO CHINA
DURING SEPTEMBER AND FOR 9 MONTHS
ENDED SEPTEMBER 30, 1933.
 (in bags of 49 lbs.)

	<u>SEPTEMBER 1933</u>	<u>JAN. TO SEPT. INCL. 1933</u>
Australia	50,934 bags	3,903,846 bags
Canada	10,552 "	201,961 "
Hongkong	452 "	74,349 "
Japan	9,208 "	1,349,975 "
U.S.A.	180,027 "	2,209,618 "
Other Countries	922 "	52,412 "
Gross Imports	252,095 bags	7,792,161 bags
Re-exported Abroad	35 "	667 "
<u>NET IMPORTS</u>	<u>252,060 bags</u>	<u>7,791,494 bags</u>

IMPORTS OF WHEAT INTO CHINA
DURING SEPTEMBER AND FOR 9 MONTHS
ENDED SEPTEMBER 30, 1933.
 (in tons of 2000 lbs.)

	<u>SEPTEMBER 1933</u>	<u>JAN. TO SEPT. INCL. 1933</u>
Argentina	--	131,837 tons
Australia	--	916,814 "
Canada	--	104,651 "
U.S.A.	--	57 "
Other Countries	10 tons	215 "
Gross Imports	10 tons	1,153,574 tons
Re-exported Abroad	--	1 ton
<u>NET IMPORTS</u>	<u>10 tons</u>	<u>1,153,573 tons</u>

(Statistics continued on following page)

L. Bland Galtier,
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IMPORTS OF FLOUR INTO SHANGHAI
DURING SEPTEMBER AND FOR 9 MONTHS
ENDED SEPTEMBER 30, 1933.
(in bags of 49 lbs.)

	<u>SEPTEMBER 1933</u>	<u>JAN. TO SEPT. INCL. 1933</u>
Australia	3,505 bags	66,101 bags
Canada	6,751 "	131,696 "
Hongkong	--	63 "
Japan	--	174 "
U.S.A.	27,596 "	142,695 "
Other Countries	634 "	1,624 "
Gross Imports	38,486 bags	342,353 bags
Re-exported Abroad	35 "	667 "
NET IMPORTS	<u>38,451 bags</u>	<u>341,686 bags</u>

IMPORTS OF WHEAT INTO SHANGHAI
DURING SEPTEMBER AND FOR 9 MONTHS
ENDED SEPTEMBER 30, 1933.
(in tons of 2000 lbs.)

	<u>SEPTEMBER 1933</u>	<u>JAN. TO SEPT. INCL. 1933</u>
Argentina	--	97,040 tons
Australia	--	740,756 "
Canada	--	87,756 "
U.S.A.	--	24 "
Other Countries	--	1 "
Gross Imports	--	925,597 tons
Re-exported Abroad	--	--
NET IMPORTS	<u>--</u>	<u>925,597 tons</u>

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