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BU. FOR. & DOM. COM.

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FOREIGN MAIL

"BAKERITE FACTORIAL"BUREAU OF FOREIGN &
DOMESTIC COMMERCE

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As of possible interest to the Foodstuffs Division and certain other
1/ divisions of the Bureau, there is enclosed herewith copy of a booklet
entitled "Bakerite Factorial" as issued recently by the Bakerite Company,
Federal Inc. U.S.A., in Shanghai. "Bakerite Factorial" describes and
illustrates the factory and products of this company, which is one of the
large and profitable American enterprises in Shanghai.

30
22-23
35
39-38

Organized in 1925, this China Trade Act Corporation has an authorized
capital of yuan 1 million* of which yuan 829,000 is paid in. Its modern
5 story factory in the western district of the International Settlement
began operations early in 1933. In 1937 the company underwent a complete
reorganization and the present American manager, Mr. J. L. Holbrook, was
installed. That year the volume of business amounted to yuan 1,250,000
as compared with approximately yuan 827,000 during 1935. The volume of
business during 1938 aggregated approximately yuan 3 million and it is
expected that this year's business will surpass that of last year. The
Bakerite Company is run along progressive American lines, although the
vast majority of its approximately 500 employees are naturally Chinese.
It operates profitably three American type restaurants in Shanghai known
as the Chocolate Shops and caters for the U.S. Fourth Marines Club and two
local cabarets. A considerable amount of private catering is also handled.

*At the present rate of exchange 1 yuan or Chinese Standard Dollar
is equivalent to approximately US\$0.07692.

The main Chocolate Shop, which is located on Nanking Road in the heart of the business and shopping district, has long been Shanghai's most popular foreign-style eating place. It serves American type breakfasts, luncheons, teas and dinners besides maintaining a soda fountain. It can accommodate approximately 230 people and is filled to overflowing for week day luncheons. Its tea business is also considerable. The Western Branch of the Chocolate Shop on Bubbling Well Road, seating approximately 100, also does a good tea business, and a fair dinner and after theater business. Both these restaurants are under the management of competent American hostesses. "Bakerite Factorial" contains pictures of the company's three restaurants and two sub-branches.

The American-style confectionery and bakery products sold in the Chocolate Shops and elsewhere in Shanghai are manufactured in Bakerite's own modern factory, which is believed to be the largest of its type in the Far East. All the heavy machinery for the factory came from England or Germany, the factory manager at the time of construction being a Britisher. The main supplying company was the British firm of Baker-Perkins, which, we understand, has a large manufacturing plant in Michigan. "Bakerite Factorial" shows pictures of this factory and the type of equipment installed therein. Bakerite bread is probably the
2/ best known of all Bakerite products. The enclosed pamphlet entitled "Bread Facts" describes in English and Chinese the various types of bread put out by the company.

An interesting item in "Bakerite Factorial" is a map of the world indicating the sources of supply of the various ingredients which go into

the manufacture of Bakerite products. Mr. Holbrook, the American manager of the Bakerite Company, informs us that it is the company's policy to endeavor to place the bulk of its orders for raw materials with American firms and states that approximately 90% of its raw materials come from America. He states that at the present time the company's monthly purchases from the United States range between US\$20,000 and US\$30,000. Bakerite has recently been successful in securing Montana hardwheat flour of a quality suitable for the company's standards, which was formerly purchased from Canada. The firm's most recent purchases from England (before the outbreak of the European War) were essences, but the company has now found essence of American manufacture which will suit its purposes.

Mr. Holbrook further states that the company has sent its candy man (Russian) and its export man (American) to the United States this year. Both travelled extensively and the candy man was permitted to observe American methods in five different American candy factories. This is only the start of Bakerite's employees educational campaign, according to Mr. Holbrook, and it is possible that from now on at least one Bakerite employee will always be in the United States studying American methods and raw materials.

The sale of Bakerite products, which include chocolates and other candies, cakes, biscuits, (or cookies), and crackers, as well as bread and other similar bakery products, is handled through certain wholesale distributors as well as through the Chocolate Shops. Bakerite products are stocked by practically all Shanghai grocery stores and provision sections

of department stores. They are becoming increasingly popular, especially with the Chinese population who are gradually developing a liking for certain western style food products. Before the outbreak of the Sino-Japanese hostilities, Bakerite products were sold in Hangchow, Soochow, Nanking and other cities in the Lower Yangtze Valley region and undoubtedly will find further out-of-town markets after the cessation of hostilities.

The popularity of Bakerite products is undoubtedly due in large part to their reasonable prices. Shanghai is definitely a price market and the fact that these American style confectionery and bakery products are manufactured locally enables them to retail with the present extremely low exchange value of the yuan at prices but a fraction of those of competitive 3/ imported goods. This is clearly indicated in enclosure 3 to this report which shows the present comparative retail prices at a local provision store of certain American and British biscuits (cookies), dog biscuits, and breads.

The Bakerite Company spends a great deal of money on advertising in both the English-language and Chinese-language newspapers as well as over the radio. The advertisements, displays, pamphlets etc. are especially noticeable at this time of the year when the company is looking forward to a very profitable holiday season.

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