

The Flour Trade in China

Report of Trade Commissioner J. W. ROSS, of the Department of Trade and Commerce, written from Shanghai.

The cultivation of wheat and the milling and consumption of flour have without doubt greatly increased in China within recent years. The establishment of new flour mills in Manchuria and at Shanghai and other points of Central China is ample proof of the growing importance of this industry. The northern provinces have for many years depended upon wheat, beans, and other cereals and grain, as their staple food supply; and there is evidence to show that this custom is extending to all portions of the Empire, and southern provinces. For many generations these sections have depended almost exclusively upon rice as the diet of the people, but they are now consuming large quantities of both native and foreign wheat flour. This is shown by the quantities of the latter annually imported into Hong Kong and the increased shipments of Shanghai flour constantly being made to South China ports.

Wheat Cultivation.

As a result of the changing taste of the people and the increase in the consumption of flour the areas under wheat cultivation are annually being extended. Districts formerly given over to the cultivation of the poppy are now producing quantities of wheat. It is true that the quality of the grain is of a low grade, and the acreage production is extremely small. The methods of the Chinese farmer are still in the primitive stages, his seed grain has been allowed to deteriorate and his threshing and cleaning methods are of the worst possible description. The great bulk of the product is naturally therefore of inferior grade, soft and badly ripened and when marketed generally dirty.

Certain portions of the Empire of China would appear to be very favorable to the growing of wheat. The great territory of Manchuria is not unlike the north-western provinces of Canada, and in Central China the valleys of the great rivers should be particularly adapted to wheat cultivation. Up to the present the areas under wheat are comparatively in-extensive, and much will depend upon the remuneration the crop will bring to the farmers whether larger areas will be brought under wheat or devoted to other products. Wheat at the present time is not cheap, and so it is not unlikely that a larger acreage will be put under this cereal during the present season than has hitherto been the case. Should all the land previously devoted to opium cultivation be used for wheat, the result would probably be to cheapen this grain considerably to the millers, and also to affect the importation of foreign flour.

Conditions of soil and climate being favorable, China may possibly need to be reckoned with some day as one of the wheat-producing countries of the world, but that day is not yet, and many improvements in methods will need to be adopted before Chinese wheat and flour will meet with a demand in foreign countries or be able to compete with the products of other lands.

Spring and Winter Wheat.

In Manchuria both spring and winter wheat are cultivated. In this portion of China the climate being not unlike that of Canada, the same conditions generally prevail. Farm holdings are more extensive and modern farming methods are better understood than in the older portions of the country. A certain amount of machinery is employed, and modern ploughs and cultivators of foreign manufacture are in use. It is also presumable that a better quality of seed grain is available and consequently better crops are assured.

In the central portion of China, that is in the extensive valleys of the Yangtze and Yellow rivers and further west, winter wheat only is cultivated. The preparation of the land and seeding takes place in November and early December. After the removal of the crop of rice which previously occupied the ground, the reaping of the crop takes place in June, just in time to escape the prevailing rains of that month. No sooner has the crop of wheat been removed than the land is again turned over and a second crop of rice is put in, and thus, year after year, the soil is made to produce two crops at least of some kind of grain; if it is not a rice crop which follows the wheat, then it may be beans or cabbage or some other of the other seed crops such as rape, mustard or sesame seed. This constant recropping of the soil cannot meet with satisfactory results without the employment of copious irrigation and manuring at certain seasons, and constant labor on the part of the farmer and his family at all seasons of the year.

Native Flour in Shanghai.

Altogether there are fifteen flour mills, large and small, in and about Shanghai. The daily product of all the mills is about 25,000 small (49 pounds) sacks of flour, or approximately 6,000 barrels. The Fu Fung Company, which is the largest in Shanghai, operate three mills, all of which are in operation day and night. This company grinds about 7,000 bushels of wheat per day and produce about 5,000 small sacks of flour. The wheat which is ground in the Shanghai mills comes principally from this province and the adjacent provinces of Shantung, Anhuai, and Honan. The price of wheat at present is tael 4.50 per shenk of 180 pounds, which is equal to tael 1.50 or \$2 Mexican per bushel. This is considerably dearer than the price prevailing a year ago. The supply in sight is said to be sufficient to keep the mills running until the next crop comes in.

Local Prices.

The wholesale selling price of native milled flour at present is for the: First grade tael, \$2.00 per small sack, about \$1.25 C.C.; Second grade, tael, \$1.80 per small sack, about \$1.15 C.C.; Third grade tael, \$1.70 per small sack, about \$1.10 C.C.; or gold \$5, \$4.60 and \$4.4\$ per barrel.

The retail prices charged by a firm of native dealers is \$3.50 Mexican per sack, or about \$1.55 gold; while the American "Blue Stem" brand is quoted by the same dealer at \$4.50 Mexican or \$2 gold per 49-pound sack. Thus there is a difference in the retail price between the first quality of Chinese flour and American flour of nearly \$2 gold per barrel.

Prices are constantly fluctuating even with native flour, and American flour has been reduced from its former price of \$4.80 Mexican to the present of \$4.50.

Shanghai millers state that they would prefer not to produce a first grade, which they do not find profitable, but to confine their business to the second and third qualities, which are in greatest demand; but on account of the present high-cost of imported flour there is a demand among foreign bakers and others for their first quality, which is used for mixing with imported flour.

Shanghai Mills.

Conflicting reports are heard as to the profitable working of the various Shanghai mills. In the annual report issued by a certain company, whose directors are mostly foreigners, the year 1914 was shown to be very profitable and a loss rather than a profit upon the year's operations had to be recorded.

On the other hand all the native owned mills are said to be doing a profitable business, and the product of the mills is much in demand in all the coast ports of China, even going to Hong Kong and Canton, where on account of the price of Shanghai flour it is supplying a portion of the demand usually filled by the imported article.

Outport Mills.

There are several flour mills in operation outside of Shanghai and throughout the valley of the Yangtze river. The principal ones are at Wusieh and Hankow. There are others at Chinkiang, Tungchow and Yangchow, and single mills elsewhere, such mills are, however, only concerned in supplying the local demand for flour and are only mentioned to show the growth and importance of the wheat-growing industry in China.

RETURNS OF THE TRADE.

From a study of the flour trade in China it will be observed that the consumption of foreign flour is subject to much variation in quantity in different years. From the figures which follow, it will be seen that in the years 1909-10 the amount of foreign flour consumed was but a fraction of the quantity required in 1907, and about one-third of the amount imported is the smallest of any other year of the ten.

The figures below are given for the past ten years mainly to show that during this time much fluctuation in the trade has occurred, and although the returns for the past two years, 1913-14, show a lessened demand, this does not necessarily prove that importation may not again increase or that China is reaching a position in which it can finally dispense with the assistance of foreign flour to supplement her food supply.

Imports of Flour.

The total importation of flour into all the ports of China exclusive of Hong Kong for the ten years, 1905-14, were as under:

	Piculs.	Barrels.
1905	989,976	673,453
1906	1,804,114	1,227,232
1907	4,551,689	3,096,386
1908	1,886,577	1,283,113
1909	634,955	431,942
1910	742,750	505,272
1911	2,186,205	1,487,214
1912	3,236,344	2,201,594
1913	2,621,355	1,783,234
1914	2,196,046	1,493,909

Trade of the Past Three Years.

An analysis of the flour trade for the past three years is herewith given in order to show the fluctuation in the demand and sources of supply.

Total Importations.

	Piculs.	Barrels.
1912	3,236,344	2,201,594
1913	2,621,355	1,783,234
1914	2,196,046	1,493,909

Countries Supplying the Demand.

	1912.	1913.	1914.
Hong Kong	1,073,394	992,673	727,162
Russia	29,241	44,425	53,165
Japan	484,723	467,727	231,357
United States	579,203	228,176	431,788
Canada	5,948	12,130	15,104
Australia	11,482	19,017	19,046
All oth. countries	17,603	19,086	16,287

Total 2,201,594 1,783,234 1,493,909

Decrease in Importations.

The points brought out by the above returns are that total importations of foreign flour decreased in 1913 by 400,000 barrels under the figures for 1912, and a further decrease of nearly 300,000 barrels has to be recorded in the importations for 1914. Importations from Canada show a substantial increase in the last year of the three, but are still but a fraction of those from the United States.

It is regrettable that the customs returns cannot be taken as accurate or giving a true account of the amount of Canadian flour consumed in China in any of the years as all importations credited to Hong Kong represent foreign flour either of United States, Japanese, Canadian or Australian origin. All that can be done in order to throw more light upon the subject is to give the returns of the flour trade of Hong Kong in a given year.

Flour Trade of Hong Kong.

Thanks to a valued correspondent in the latter port it is possible to give the returns of the flour trade of that colony for the past year, without which this report would be incomplete.

The review as given in the South China Morning Post is hereunder quoted verbatim. The bags are the usual 49-pound sacks and the Hong Kong dollar is worth 45 to 50 cents Canadian currency, according to variations in exchange.

The Flour Market.

"The flour receipts in Hong Kong for 1915 are 2,075,129 bags as against 3,939,754 bags in 1914, showing a shortage for the present year of 1,864,625 bags and the heavy drop of 3,101,494 bags from the imports of 1913. The changes for the present year show Canada has dropped down from 423,334 bags to 60,000 bags, a loss of 363,334 bags, while China came in with about 200,000 bags, the first ever received from there.

"The causes of this great falling off in the 1915 trade are traceable to the heavy stocks carried over from 1914, and the high prices in America early in the present year. The effect of the Chinese Government removing the restrictions and allowing the export of flour from China to foreign territory — this being entirely new and unexpected — was to flood the markets of Hong Kong and Straits Settlements with Chinese flour. The mills in Shanghai alone are capable of producing about 33,000 bags per day provided wheat can be secured in sufficient quantities at prices in line with the Pacific coast. No doubt in time there will be competitors for this trade. It is only in the last few years that Shanghai mills have increased sufficiently in size to fill even their home requirements; and no doubt in the near future they will also improve on the quality of their wheat so as to produce higher grades of flour. — There is no question but that the mills in Shanghai are all modern in equipment, but they have never been financial-

(Continued on page 12.)