

winter wheat is cultivated in central China, the crop being harvested early in June. Owing to primitive farming methods the grain is usually dirty and often soft and badly ripened. The acreage production is also very small. The flour ground from this wheat is therefore moist and of poor quality as compared with Canadian and American flour. It is suitable for the China trade. A few years ago the capacity of the mills was not sufficient for home requirements. Now there are sixteen flour mills in Hong Kong, of modern equipment. The industry, however, has never proved very profitable to the mill owners. There are also several flour mills at other centres along the Yangtze river, while at Harbin in Manchuria the output of flour exceeds that of Shanghai. Both spring and winter wheat is cultivated in Manchuria and a better quality of grain is produced. The product of these mills does not concern the present inquiry, since practically all the Chinese flour shipped to Hong Kong is milled at Shanghai.

#### COMPETITION OF JAPANESE FLOUR.

The flour trade in South China during 1917 was really a contest between the Japanese and Chinese mills. The flour industry in Japan has lately been making great strides and is established on a strictly modern basis. One of the most modern mills in the world has recently been completed at Moji. Flour has been exported from Japan to China, the Philippine Islands, French Indo-China, the Straits Settlements and the Dutch East Indies. Japanese flour is made from Korean and Manchurian wheat and locally-ground grain. The proportion of mainland wheat ground is about 70 per cent of the total. A certain amount of North American wheat is frequently imported to bring the flour up to the desired quality. The mills are therefore situated at some distance from their wheat supply, but most of them are located on the seaboard.

A Hong Kong flour man who has recently returned from a visit to Japan and Korea reports that the Japanese Government has made great progress in improving the quality of the wheat grown in Korea, by instituting the policy of experimental farms and the distribution of good seed. No doubt this policy will be extended to Manchuria, where it is believed that with proper instruction and seed a grade of wheat approaching Canadian can be produced. With sufficient supplies of good quality wheat available and with the other advantages in their favour, such as cheap labour, cheap fuel and cheap transportation, the competition of the Japanese mills should henceforth prove to be an important factor in the flour trade of the Orient.

Asiatic millers have the great advantage of being near to a market that can be reached by competitors only after a long and expensive sea voyage. This is the principal reason for the large proportion of flour imported into Hong Kong from Japan in 1917. On the other hand the quality of Japanese flour cannot equal that of the leading Canadian and American brands. As stated by one importer, some of the Japanese brands are of as good a quality as some American flour, but the general average is considerably lower for Japanese flour. Many Chinese dealers would also prefer not to deal in Japanese flour. Moreover the individual consumer shows a marked preference for Canadian and American flour, if the price is not excessive. A leading Chinese dealer pointed out, however, that price is the chief consideration and he did not think that Canadian or American flour could compete, if the price exceeded that of Japanese flour of the same grade by more than 5 cents Mex. a sack.

#### PRICE—THE PRINCIPAL FACTOR.

It is evident from the above that Canadian millers desirous of obtaining a share of the Hong Kong trade after the war will have to take into account to a greater extent than formerly the competition of Asiatic flour. There will always be a certain demand for Canadian and American brands on the ground of quality, but the question remains to be considered as to whether it will be possible to ship flour from Canada