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**COVER** This photograph shows combines at work threshing wheat on a large Saskatchewan farm. Some of this, in the form of either grain or flour, will find its way to markets in South East Asia and the Far East. Last winter a Canadian Grain and Flour Mission visited this area and we present in this issue a 17-page extract from its report to the Minister of Trade and Commerce.

—NFB photo

# Markets in the Far East for . . .

Late last fall, the Minister of Trade and Commerce announced to the House of Commons that, early in 1954, Canada would dispatch a Grain and Flour Mission on a tour of eight countries in the Far East and South East Asia, to study markets for Canadian grain and flour in that area. During January and February the three members of the Mission—William Riddel, Commissioner of the Canadian Wheat Board, G. N. Vogel, Chief of the Grain Division of the Department of Trade and Commerce, and Dr. J. A. Anderson, Chief Chemist of the Board of Grain Commissioners—carried out this assignment and returned to report their findings to the Minister. This report has now been completed and the following pages contain extracts from it. These extracts are presented in the hope that they will assist exporters of grain and flour to expand their sales.

THE Canadian Grain and Flour Mission to the Far East left Vancouver on January 6, 1954, and visited the following places: Japan, January 8th to 17th; Hong Kong, January 18th to 21st; Philippines, January 21st to 26th; Singapore-Malaya, January 27th to 29th; Indonesia, January 29th to February 1st; Ceylon, February 2nd to February 6th; Pakistan, February 6th to February 10th; India, February 10th to February 20th.

Advance arrangements for the visits were made by the Trade Commissioners or other Canadian Government representatives in the areas. The Mission was therefore able to accomplish more in a short time than would have been possible without their valuable assistance.

The purposes of the Mission were:

- To promote goodwill between Canada and the various countries.
- To make personal contacts with government officials, importers, flour millers, processors and bakers.
- To discuss mutual problems.
- To give information on the handling, grading and sale of Canadian grain and on its qualities in relation to other grain or flour.
- To study the markets and to encourage their retention and expansion.

Of the countries visited, Japan, Pakistan and India have been markets for Canadian grain; the others have been importers of Canadian wheat flour. Japan is the most important market for wheat and also takes large quantities of Canadian barley. India and Pakistan were good markets for Canadian wheat in previous seasons but because of their own favourable production, they have not had to import any during the present crop year. The Philippines continues to be the largest market for Canadian flour in the Far East.

Through interviews, discussion and observation, the Mission collected a great deal of information which has been recorded in detailed notes. This record, and the personal contacts established, should be useful in developing and expanding markets for Canadian grain and flour in the countries visited. The present report summarizes only the Mission's main findings.

# Canadian Grain and Flour

## *Japan—Canadian wheat and barley may well be required in growing volume.*

POSTWAR JAPAN, in area only about 54 per cent of the prewar Japanese Empire, is composed of four principal islands and about 1,000 small ones. The total land area of 146,190 square miles is about three-fifths the size of Saskatchewan.

In 1939 Japan's population was 73 million and it has since increased to an estimated 85 million. It is believed to be growing by 1.0 to 1.5 million a year and may well reach 95 million by 1960. Belgium has the world's densest population per square mile of land area, but Japan has the densest population (3,534 people) per square mile of cultivated land. It is also worth noting that Tokyo proper has a population of seven million, with an additional five million in the adjoining urban areas.

### **Agricultural Production**

The mountainous terrain limits the cultivated area of Japan to about 14 per cent of the total land. About 15 million acres are used for agriculture and of this approximately 12 million acres are under cultivation. Rice acreage represents approximately 39 per cent of the total, barley 13 per cent, and wheat 10 per cent. Vegetables, fruits and forage crops make up the remainder. The following statistics show Japanese production of rice, barley and wheat.

### **Japanese Grain Production**

(1,000 metric tons)

Year	Rice	Wheat	Barley
1934-38 .....	11,501	1,288	1,556
1951 .....	11,302	1,490	2,169
1952 .....	12,404	1,537	2,878
1953 .....	10,298*	1,374	2,095

Source: FAO.

\* 1953 rice crop was unusually small because of flood conditions.

Despite the population increase of 12 million since 1939, average rice and wheat production during the past three years have barely exceeded the 1934-38 levels and only barley has increased appreciably. Inability to increase production lies in the fact that the land available for cultivation is already being used almost to the maximum, with two and sometimes three crops a year taken off the same piece of land. Thus, when the acreages planted to all crops are combined,

they represent 155 per cent of the total cultivated area. A short drive through rural Japan made it very obvious that virtually every square foot of soil was being used. The ditches and road allowances beside the main highways, for example, were often seeded to crops. In other countries visited, we often heard references to the excellence and intensity of Japanese rice cultivation and Japanese experts are being sought to advise on methods of improving rice production.

### **Imports of Wheat and Barley**

It is in the light of the fact that agricultural production has not been able to keep pace with the increase in population that Japan's ever-increasing imports of wheat and barley must be considered. The table on page 4 shows the situation.

Officials of the Japanese Food Agency indicated to the Mission that the normal annual Japanese import requirements at the present time are as follows: wheat, 1.5 million to 1.6 million tons; barley, 0.7 million to 0.8 million tons; rice, 0.9 million to 1.0 million tons. The Agency estimates the present consumption of wheat flour at 1.7 million tons, processed barley at 0.9 million tons, and polished rice at 5.0 million tons. Consumption figures do not include grains retained by farmers for their own use. It will be noted that consumption of wheat and barley now equals one-half of the Japanese rice consumption.

### **Milling and Baking Industries**

At present there are about 1,300 mills in operation in Japan with a total capacity of about 210 thousand barrels a day. Additional small mills can be brought into operation to give a total capacity of at least 270 thousand barrels (almost triple the Canadian capacity). Large mills—ranging from about 1,000 barrels to 7,500 barrels—represent 20 to 30 per cent of the total capacity.

The two large mills visited by the Mission are estimated to be over thirty years old and are equipped with German, American and Japanese machinery. The housing, machinery, storage facilities, etc., of these two large mills are considered about equal to the average large Canadian mill. Both mills had good control laboratories with adequate equipment and staff.

## Wheat, Barley, Rice Imports by Japan

	(1,000 metric tons)							
	1934-38	1947-48*	1948-49*	1949-50	1950-51	1951-52	1952-53	
<b>(a) WHEAT</b>								
Argentina .....	13.5			176.0	63.0			
Australia .....	176.1		50.8	187.4	76.1		68.3	
Canada .....	66.5			112.8	284.1	464.7	337.0**	
United States .....	24.9	934.8	1,301.6	1,577.0	1,127.3	1,237.7	675.7	
Others .....				23.7	101.6			
Total Imports .....	281.0	934.8	1,352.4	2,076.9	1,652.1	1,702.4	1,081.0	
<b>(b) BARLEY</b>								
Argentina .....				26.2	5.4			
Australia .....	3.4		0.2	202.2	84.6	104.6	202.5	
United States .....		188.5	329.3	209.3	520.6	168.4	307.6	
Canada .....					26.1	294.7	456.8	
Others .....							62.0	
Total Imports .....	3.4	188.5	329.5	437.7	636.7	567.7	1,028.9	
<b>(c) RICE</b>								
Total Imports (from all countries)	1934-38	1947	1948	1949	1950	1951	1952	1953 (11 mos.)
	1,757	3	56	136	595	784	856	805

Source: FAO.

\* Includes Korea.

\*\* Less than normal because of Vancouver strike.

Wheat Board sales to Japan 1952-53 totalled 758 thousand tons.

The Mission also paid a visit to the main laboratory of one milling company which is very well equipped and has a staff of twelve, of whom eight are university graduates. Its work is divided about equally between co-ordination of control laboratories and research. The Japanese Government, through the Central Research Institute of the Food Agency, is also actively engaged in cereal research.

One small mill with a capacity of 300 barrels was visited in Tokyo and appeared to be making good flour. It was reported to be representative of the many small mills in Japan.

The Japanese millers are well acquainted with the quality of Canadian wheat and with its baking strength. Before the war, Japan bought mainly No. 1 and No. 2 Northern and the millers prefer to use high grades. The Mission is of the opinion that Japan must be considered a quality wheat market of the same discriminating class as the United Kingdom.

Most of the baking in Japan is done in small bakeries using 200 to 750 lb. of flour a day. For example, there are 1,200 bakeries of this type in Tokyo alone and we visited one typical small bakery in Tokyo. All work except mixing was done by hand; both mixer and oven were electrical.

There are about ten larger bakeries in Tokyo, two of which we visited. These had capacities of 1,750 and 5,000 lb. of flour per day. Both had mechanical mixers, rounders, and dividers, and electrically heated ovens; one had an overhead travelling proof. The

range and quality of the bread, biscuits and cake of all kinds produced in Japanese bakeries appeared excellent and superior to baked goods in other places visited in the Far East.

The fact that there are 1,200 small bakeries in Tokyo and no really large ones leads the Mission to believe that centralization of the industry is inevitable. Small bakeries will give place to larger and more mechanized units. Such a development should help to improve the relative position of Canadian wheat in the Japanese market.

### Grain Inspection and Storage

Grading, weighing and analysis of grain is carried out by the Inspection Section of the Food Agency of the Ministry of Agriculture and Forestry. The Section has over 20,000 inspectors and is responsible for the weighing and grading of domestic grain in each village. Imported grain is also inspected and mimeographed Japanese translations of Canadian and American grade specifications are being used. Records are kept of inspection and analysis for all cargoes. These were listed by grades and showed unload port, date, vessel, weight in tons, bushel weight, moisture content, dust, foreign materials, other grains, broken kernels, percentage of hard vitreous kernels, wheat of other classes, ash content, yield of flour, and protein content and acidity for some cargoes. Canadian grain is re-inspected in Japan to see that it conforms with the Canadian grade specification and the Chief Inspector stated that he considered Canadian grain to be well graded.

Except at some of the very large mills where elevators for bulk storage are available, all grain is transported and stored in sacks throughout Japan. A visit was paid to a large storage depot in Tokyo operated by the Food Agency and consisting of 70 one-storey concrete buildings, each holding 700 tons. Management of this depot, including provisions for rodent and insect control, was considered excellent.

### Prospects for Sale of Canadian Wheat

Like the people of other Far Eastern countries, the Japanese have been mainly a rice-eating people. It is true that they consumed, largely in the form of noodles, their own production of wheat in addition to some imported wheat and flour. In recent years, however, and particularly since the end of the war, there has been a decided swing from rice to wheat products. Japanese consumption of wheat flour in 1953 was very substantially greater than in 1952. The increase was due in large measure to a continuing change in public taste, particularly on the part of the younger generation. It is believed that this trend will continue, provided economic conditions can be maintained and foreign exchange is available for the import of wheat. At the present time, about 50 per cent of the wheat flour is used for bread, 40 per cent for noodles, and about 10 per cent for cakes, pastries, biscuits and crackers.

There have been several reasons for the increase in flour consumption:

- Rice remains in short supply and is expensive, partly because domestic production has not increased appreciably since before the war and partly because of the cost of imported supplies.
- Bread is a cheap, convenient form of foodstuff, requiring no cooking. This is an advantage in a country lacking fuel and with only limited cooking facilities in most homes.
- Bread or rolls are a convenient form of food to take along for the noon-day meal at work.
- The younger generation has acquired a taste for bread, largely through the institution of school lunch programs which provide two slices of bread daily for each child.
- The encouragement of bread consumption is an active policy of the Japanese Government because imported wheat costs less than imported rice and because bread provides more protein than a straight rice diet does.

*Photographed outside one of the large pressed barley mills in Japan are two members of the Mission—Wm. Riddel, Commissioner of the Canadian Wheat Board (left), and G. N. Vogel, Chief of the Grain Division, Department of Trade and Commerce (right). In the centre, R. Yoshimura of the Commercial Counsellor's office in Tokyo.*

With a large flour-milling capacity and the opening of more modern bakeries, it is believed that the demand for bread products will increase. Because Japan's agricultural land is limited and already intensively cultivated, the ever-increasing population must become more and more dependent upon imported foods. In our opinion, Japan might readily achieve the position of Canada's second largest market for wheat. The recent trade agreement between Canada and Japan is therefore of major importance and increased purchases of Japanese goods will be a major step in holding and expanding our markets for wheat in that country.

A rapidly increasing population and a change-over in public taste from rice to wheat add up to a growing demand for wheat in general. In all the mills and bakeries which the Mission visited, we found a strong preference for Canadian wheat, in particular for bread-making. In some cases Canadian wheat is mixed with softer wheats but we were led to believe that this is only because Canadian wheat is not being imported in sufficient quantities to fill the demand. Beyond any doubt, the preference of the quality-conscious milling industry would be to use 100 per cent Canadian wheat for bread-making.

The 40 per cent of the total wheat requirement which is used for noodles is largely filled by Japanese domestic wheat and United States soft wheat. Price, rather than quality, is the main factor governing selection of wheat for noodle flour. In at least one large mill, however, the Mission was told that in the last year or so, a percentage of Canadian wheat has been added to the noodle mix with good results. It is not unreasonable



to expect that Canadian wheat will eventually also fill a portion of the noodle requirement.

### Prospects for Canadian Barley

The import statistics cited earlier in this report show that Japanese imports of barley have increased in a startling way in recent years. In the prewar years, not a single bushel of Canadian barley was exported to Japan and now that country is one of our most important barley customers. The sole reason for this significant change is the increased consumption of the product known as "rolled and pressed barley". Through a process developed by the Japanese many years ago, barley is pearled, steamed, and pressed to shorten the cooking period. In normal use the barley is mixed with rice and cooked as a mixture. The Japanese population appears to like the product because it bears a fair resemblance to rice and because the mixture is cheaper and more nutritious than rice alone. In prewar Japan, the domestic supply of barley was sufficient to fill the demand of the industry. Since the war, partly because of the shortage of rice and partly because of the increased population, domestic supplies have been insufficient and large supplies of barley have been imported. The Mission was told that the production of pressed barley in Japan in 1953 was 30 per cent greater than in 1952. There are over 1,070 plants in Japan licensed to make the product. This new market for Canadian barley has been of the greatest significance and requires the closest attention.

In the earlier period of purchasing, the Japanese Food Agency expressed a strong preference for Canadian two-row barleys, which are white in colour and resemble rice more closely than the blue Canadian six-row varieties. Recently, however, the Japanese preference changed and substantial quantities of six-row barley were bought—some even purchased from St. Lawrence ports. In Japan the Mission learned that the reason for the change in preference was that the Japanese discovered that the bluish colour of Canadian six-row barley disappears during processing. With that difficulty removed, the processors now prefer the six-row varieties, since the Canadian two-row varieties have been found to crack and break during pressing, resulting in a lower yield of the finished product.

Because sufficient supplies of six-row barley have not been available in Alberta, it has been necessary for the Canadian Wheat Board to offer, and the Japanese Food Agency to buy, No. 1 Feed Barley. This has caused some difficulties, of which the following are the most important:

- Because the barley is to be used for human food, the Food Agency and the processors feel that No. 1 Feed Barley is not cleaned sufficiently. The Mission was asked whether it would not be possible for No. 1



*Displayed here are various samples of the bread made in the control laboratory of the Tsurumi mill of the Nissin Flour Milling Company Limited in Japan. The expert eye will see immediately the good quality of the bread.*

Feed Barley to "be specially improved so as not to contain oats and grass seeds more than those in No. 4 C.W. Six-row".

- No. 1 Feed Barley contains both six-row and two-row varieties that differ in kernel size and thus cause a processing problem. The Mission was asked whether it would not be possible to establish new grades consisting entirely of six-row or of two-row varieties.

- No. 1 Feed Barley sometimes contains a number of kernels which turn red during the manufacturing process and lower the quality of the finished product. The opinion was expressed that it is the kernels of heated barley which change colour, and this has since been confirmed by the Grain Research Laboratory.

- The name No. 1 Feed Barley also raises psychological difficulties when the barley is used for human food. It was contended that the grade-name "No. 1 Feed" implied that the barley is of a type and quality for use as animal feed rather than for human consumption. It was suggested that the name should be "No. 1 Food Barley". There seems to be good reason for considering a revision of the grade name.

In the present crop year Japan will probably be the second largest purchaser of Canadian wheat, and the second largest purchaser of Canadian barley. In the

opinion of the Mission it is likely that Japan will maintain that position and, in fact, continue to grow in importance as a market for Canadian wheat and barley. The following factors are of greatest relevancy:

### **Wheat**

(1) There has been a substantial increase in flour consumption in Japan. This increase is due to a changeover in public taste from rice to wheat products.

(2) This changeover is primarily centered in the younger generation and will therefore tend to gain momentum as time goes on.

(3) The Japanese population is increasing rapidly—1.0 million to 1.5 million per year—with no comparable increase in grain production.

(4) The Japanese milling industry, the baking industry and the Japanese consumers are extremely quality-conscious. The advantages of Canadian wheat for bread-making are well known.

(5) Up to the present time, Canadian wheat has been used almost exclusively to provide the bread-flour requirements which constitute 50 per cent of the Japanese flour market. It also appears possible that Canadian wheat might make some inroads into the 40 per cent of the market which is devoted to the manufacture of noodles.

### **Barley**

It is believed that Japanese requirements for Canadian barley will continue to be substantial. To the extent that wheat consumption replaces rice consumption, the demand for barley could decline, because the barley is used mainly as an additive to rice. However, the continuing pressure of the ever-increasing population may well mean that both wheat and barley will be required in growing volume.

The Mission recommends that the Board of Grain Commissioners examine closely the position with respect to No. 1 Feed Barley, considering particularly the various factors mentioned in this report.

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## **Hong Kong**—*quality market in which Canadian wheat and flour compete strongly.*

THE COLONY OF HONG KONG covers an area of 390 square miles and comprises Hong Kong Island itself (32 square miles), the city of Kowloon on the southern tip of the mainland peninsula (three square miles), the so-called New Territories, and numerous islands.

No recent census has been made but the population is officially estimated at 2.25 million. Many refugees have crossed from the mainland in recent years and they have created a housing problem. In one sector of the city there are estimated to be 1,200 people to the acre.

### **Market for Canadian Wheat**

Until recently, Hong Kong was solely a flour market. At the time of the Mission's visit, a mill capable of supplying the colony's flour requirements was being built there by Mr. L. F. David Sung, whose family has been in the milling business in China for many years. Four storeys of a six-storey concrete and brick building had been completed and it is expected that the mill will be in operation early this summer. The most modern equipment with pneumatic handling of stocks was en route from Henry Simon Ltd., England. That company will supervise installation and early operation of the mill and will also find a miller. The mill is well located close to the wharf, so that pneumatic unloading

can be provided. The building seems well suited to house a mill but arrangements for bulk storage of wheat seem less satisfactory.

The success of this mill may well depend on the marketing of the offals. Disposal of these in Hong Kong will be contingent upon the success of an agricultural policy designed to build up hog and poultry production. In 1952 the colony imported 600 thousand hogs and 19,700,000 poultry.

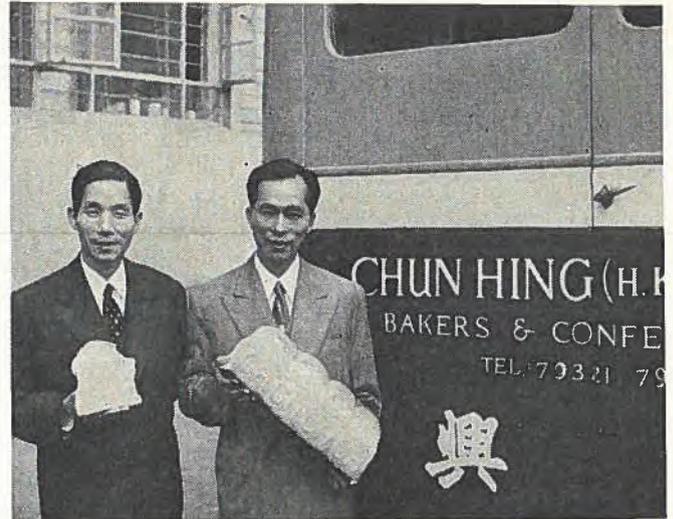
The mill expects to use 60 to 70 per cent of Canadian wheat to make flour for bread and best-quality noodles. (A purchase of No. 1 Manitoba Northern has already been made to meet the mill's initial requirements.) Soft biscuit flour will be made from Australian wheat and some United States wheat will also be used. Since the production of this mill (3,000 tons per month) is greater than the Hong Kong consumption of flour (2,000 to 2,200 tons per month), it will provide competition for Canadian millers not only in Hong Kong but elsewhere in the Far East.

### **Market for Canadian Flour**

As noted above, the future market for Canadian flour or other imported flour in Hong Kong will depend on the outcome of Mr. Sung's milling operation.



Baking operations are in full swing at the Garden Bakery Company in Hong Kong. The Colony makes excellent use of Canadian hard wheat flour for bread-making; imported nearly 35,000 metric tons in 1952-53.



Two officials of a well-known Hong Kong bakery firm here display samples of the bread baked in their establishment. Hong Kong also imports Australian flour which is used largely in making noodles, biscuits and pastries.

Australia to date has been Canada's main competitor, as the following statistics indicate:

was planned. Bread was being made from Canadian flour only and this seems to be the general practice

### Total Flour Imports by Hong Kong

Exporting Country	(1,000 metric tons)						
	1934-38	1947-48	1948-49	1949-50	1950-51	1951-52	1952-53
Australia .....	58.3	33.6	12.3	41.0	20.6	11.3	15.4
United States .....	18.3	.7	7.3	20.1	3.4	7.0	11.9
Canada .....	16.7	4.5	22.4	45.7	33.0	36.1	34.8
Others .....	.....	.....	.....	.....	.....	.....	1.2
	<u>93.3</u>	<u>38.8</u>	<u>42.0</u>	<u>106.8</u>	<u>57.0</u>	<u>54.4</u>	<u>63.3</u>

Australian flour and Canadian flour are not entirely competitive with each other in Hong Kong because of the different uses to which they are put. About 65 per cent of the colony's requirements are for Canadian hard wheat flour, used mainly for bread-making. The remainder is soft wheat flour, mainly Australian, used largely for noodles, biscuits and pastries. The price relationship between Australian and Canadian flour is also a determining factor in establishing the percentages of each which will be used in different products. During the past year there has been a greater weakening in Australian flour prices than in Canadian. At the time of the visit, Australian flour was some 17 cents per 50 lb. cheaper than Canadian.

The Mission visited three bakeries, each with a capacity of between 100 and 300 sacks (50 lb. each) of flour per day. The largest and most modern had good mixers and ovens and a fermentation room cooled by refrigeration. Mechanical equipment had been ordered for dividing and moulding bread doughs and purchase of a new set of equipment for biscuit-making

in Hong Kong, at least in the large bakeries. Hong Kong may thus be classed as a quality market in which Canadian flour offers strong competition in spite of its higher price.

It should be noted that flour imports into Hong Kong are much larger than the domestic consumption. The difference is due to the entrepôt trade carried on through Hong Kong to much of southeastern Asia.

### Future Prospects

Canadian wheat or flour should continue to find a good outlet in Hong Kong where the quality of each is widely recognized. The opening of the mill should be a strengthening factor for Canada. The mill will need Canadian wheat to meet the competition of Canadian flour; at the same time, importers will require Canadian flour to meet the competition from the mill. The price relationships between Australian and Canadian wheat and flour will continue to have important effects on the percentage of flour made from Canadian wheat which is actually used by the bakers. ●

# Philippines—Remarkable postwar progress of Canadian flour may well continue.

THE REPUBLIC OF THE PHILIPPINES covers an area of 115,600 square miles and consists of some 7,000 islands, 11 of which exceed 1,000 square miles each and account for about 94 per cent of the land area. In 1952 the population was estimated at 21 million.

## Market for Canadian Flour

Rice is still the principal staple food in the Philippines but bread has made substantial progress, particularly in the urban areas, and wheat flour is now the second most important food. Bread is now consumed throughout the country for breakfast; rice is still the main dish at other meals.

The Philippine market is quality-conscious and the consumers are particular about the appearance and taste of baked products. As a result, the percentage of Canadian flour used has been increasing materially, as indicated below.

or electrically operated, through which dough is sheeted. The dough may be passed through the rolls forty or more times after the main fermentation period. As a result, the dough becomes short and tight and produces bread of very close texture. But the process is hard on the dough and requires the use of a strong flour.

In the Philippines, bread is normally eaten in the form of small individual rolls known as Pan de Sel. These are popular partly because they fit the need of the consumer who does not want or cannot afford a whole loaf, and partly because purchase of fresh Pan de Sel can be limited to daily requirements—a decided advantage in a climate where bread does not keep well. Pan de Sel is thus the bread of the working classes. About 70 per cent of the flour is used for Pan de Sel and bread, 25 per cent for cakes and biscuits, and possibly 5 per cent for noodles and other uses.

## Philippine Imports of Wheat Flour

Year	Total Imports	(in kilos)					
		From the U.S.	Per cent	From Canada	Per cent	From Australia	Per cent
1939	100,264,130	58,229,534	58.0	12,041,947	12.0	29,743,715	29.6
1940	102,085,055	75,536,087	73.9	10,366,768	10.1	16,155,792	16.0
1945	47,904,627	40,152,780	84.0	7,751,847	16.0	nil	nil
1946	127,877,992	91,320,937	71.4	36,540,056	28.6	nil	nil
1947	155,711,496	109,378,050	70.0	46,276,213	29.7	56,638	0.3
1948	165,429,102	147,374,449	89.3	17,359,368	10.3	658,485	0.4
1949	192,504,555	134,004,020	69.6	58,187,262	30.2	313,126	0.2
1950	176,556,013	86,561,331	49.0	87,694,362	49.6	2,273,334	1.3
1951	216,133,661	100,389,776	46.4	115,471,921	53.5	189,818	0.1
1952	195,974,301	84,730,304	43.2	109,743,153	55.9	1,491,772	0.7
1953 (11 months)	147,853,017	66,614,491	45.1	81,204,493	54.2	34,023	0.7

Not only has the size of the flour market increased 47 per cent since 1939, but the Canadian share of the market has gone up from 12 to 54 per cent, mainly at the expense of the Australian share, which has dropped from 29.6 to less than 1 per cent. This change has occurred despite the fact that Canadian and Australian flour have been and continue to be under an equal tariff disadvantage compared with U.S. flour. The bread-making quality of Canadian flour outweighs that tariff disadvantage, but U.S. flour has displaced the softer Australian flour.

## Characteristics of Philippine Baking

The chief characteristics of baking in the Philippines are the widespread use of the dough-break and the baking of rolls called Pan de Sel. A dough-break is a pair of smooth rolls with adjustable spacing, hand

The baking qualities of Canadian flour are well known in the Philippines. Indeed, because of the vigorous treatment given by the dough-break, Canadian flour is generally preferred both for Pan de Sel and all other forms of bread.

## Cassava Flour Used

The Philippine Government is now making an effort to replace some imported wheat flour with a local product called cassava flour. The cassava bush, which is native to the Philippines, takes eight to eleven months to produce tubers which may weigh as much as two pounds. Processing requires that the tubers be washed, peeled with drum peelers, and wet milled to a fine powder. It is usual to separate some pure starch (tapioca); the remaining product, called cassava flour, has a reduced starch content of about 60 to 70 per cent and an increased fibre content.

*The picture on the right shows the cassava bush, native to the Philippines, and the tubers which are produced. These tubers, which weigh as much as two pounds, are washed and peeled and then wet milled into the fine powder seen in the large jar at the left of the picture. From this powder some pure starch (tapioca) is separated; the remaining cassava flour still retains a starch content of about 60 to 70 per cent. A law in the Philippines now requires that a certain percentage of domestic cassava flour be mixed with imported wheat flour in the making of bakery products.*

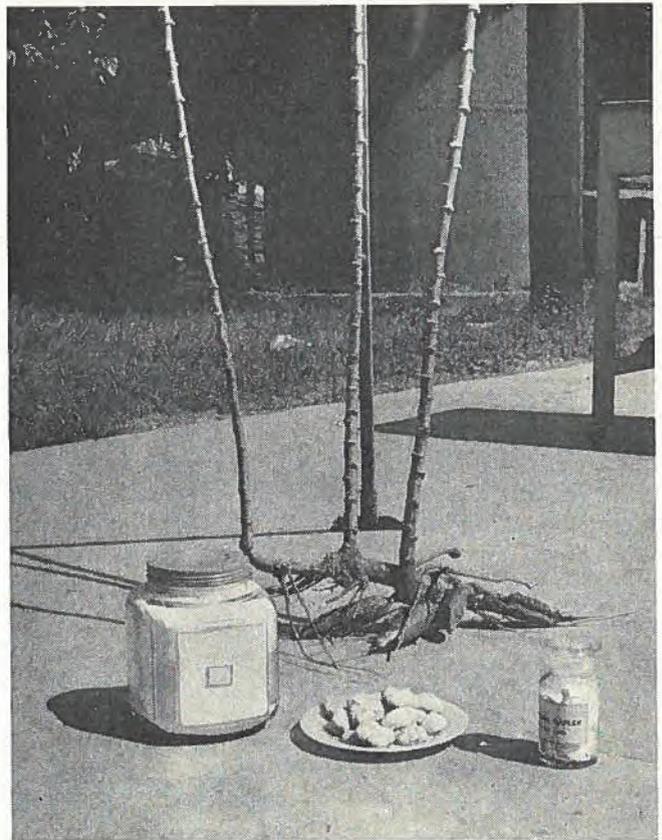
#### **Law Prescribes Cassava Use**

In June 1951, Act No. 657, Congress passed the Cassava Flour Law. It requires that wheat flour importers purchase, for sale to their customers, cassava flour in such proportions as may be prescribed but not exceeding 30 per cent. The Act has not yet been implemented but it seems probable that it will be amended and implemented in the near future. The intention is to require imported wheat flour to be mixed with domestic cassava flour, which is equivalent to diluting wheat flour with starch. The Act does not require that the prescribed percentages of cassava flour must be used in all baked products. For example, a baker might well use lower percentages in bread and higher percentages in cakes and cookies.

#### **Research on the Problem**

Research on the cassava problem has been undertaken both at the Institute of Science and Technology and at the Bureau of Plant Production, both of which the Mission visited. Experiments have indicated that bread might carry 10 per cent of cassava flour, Pan de Sel possibly 15 to 20 per cent, biscuits about 30 per cent, cakes and certain types of cookies as much as 50 to 100 per cent. It has also been suggested that cassava flour might be employed as dusting flour, use of which is estimated at 2 to 3 per cent.

At the present time, the Philippine quota under the International Wheat Agreement provides for 625 thousand bags of wheat flour (50 lb. size) per month. Consumption requirement is probably close to 650



thousand bags and, in the beginning at least, it is intended to fill the gap with cassava flour.

#### **Effect on Canadian Sales**

By the end of 1954 four factories are expected to be producing enough cassava flour to provide for a 5 to 7 per cent dilution of imported wheat flour. It will take several years to bring production up to the top figure of 30 per cent envisaged by the Cassava Act. Whether it will eventually prove feasible to use wheat flour and cassava flour in the proportion of seven to three remains to be seen. In any event, the comparative position of strong Canadian flour in the Philippine market is likely to be improved by this development, because a strong flour is required to carry any substantial percentage of cassava flour.

#### **Outlook**

The Mission was impressed with the proportion of the Philippine market which Canadian mills now hold. The quality of Canadian flour is widely known and especially appreciated because of the strength requirements of the baking process. Canadian flour has made remarkable progress in the Philippines since the war and may well improve its position in spite of temporary complicating factors. ●

## *Singapore—Malaya—a price market for Canadian flour.*

BRITISH MALAYA comprises the colony of Singapore and the Federation of Malaya; its total area is approximately 50,000 square miles. At the time of the last census, the population was approximately six million, of which one million lived in Singapore itself.

### **Market for Canadian Flour**

The flour requirements of British Malaya total approximately 120 thousand tons a year. At the present time it is estimated that flour imports consist of 10 per cent Canadian and 90 per cent Australian flour. A higher percentage of Canadian flour is probably used in Singapore itself, where the more modern bakeries are located, than in "up country" Malaya. From 25 to 30 per cent of the flour in Singapore is used for bread, 35 to 40 per cent for biscuits, and 35 to 40 per cent for noodles. Canadian flour is used mainly for bread.

Some bakeries in Singapore are now using 25 per cent Canadian flour and 75 per cent Australian. It is claimed that a higher percentage of Canadian flour increases the water absorption which leads to earlier moulding of the bread. There is no doubt that mould is a much more serious problem in this hot, humid climate, especially for bakeries that ship large quantities of bread "up country," which means that it must keep for at least 48 hours. However, some bakeries serving Singapore are using a higher percentage of Canadian flour for bread.

### **Mixing with Softer Flours**

The qualities of Canadian flour and the benefits to be derived from mixing it with softer flours are well known in Singapore and there is thus a possibility of a growing demand for the use of a higher percentage of Canadian flour. Any substantial increase would first require the installation of mechanical mixers in the smaller bakeries, because doughs containing relatively high percentages of Canadian flour cannot be worked to best advantage with hand mixing. Biscuit baking in Singapore is dominated by one very large company with some of the most modern equipment available anywhere in the world. Needless to say, the head baker is fully familiar with the qualities and uses of all classes of flour.

*One of the products of this Singapore bakery is stretched noodles. The baker forms the dough into a long strand and then winds it continuously on two parallel sticks. At intervals over the next three hours the dough is stretched, as the picture shows. Eventually the sticks are about five feet apart and the stretched strands are then dried in the open air.*

The Mission visited two plants in Singapore making both cut and stretched noodles. At the first plant, the ordinary cut noodles were being made at a capacity of 4,000 lb. of flour per day. During the visit, the plant was making noodles of medium width, dried in the sun, from a mixture of one part of low-grade Canadian flour (possibly from No. 5 wheat) and one part of Australian flour. The second plant was making the more expensive stretched noodles with a flour containing 20 per cent of Canadian No. 5. The dough is formed into a long strand which is wound continuously on two parallel sticks. The dough is then stretched periodically over a period of about three hours so that the sticks are eventually about five feet apart. The stretched strands of noodles are dried in the open.

### **Use in Noodle Making**

In general, noodles are made from cheap flour. It was agreed that Canadian flour made good noodles and was especially useful for stretched noodles. Though the price of higher grade Canadian flour prevents its widespread use in noodles, some flour from Canadian No. 5 wheat has been bought for noodles in recent years.

Bakers, importers and others with whom the Mission met expressed the opinion that the price relationship



between Canadian and Australian flour is the all-important factor in establishing the percentage of each which will be used in bread or noodles. The quality of Canadian flour is generally recognized but there is a definite limit to the premium which will be paid. Opinions expressed to the Mission were to the effect that the demand for Canadian flour could be built up to, say, 30 per cent of the market (from the present 10 per cent) if Canadian flour were no more than 10 per cent dearer than Australian flour. At present the difference in price is much greater.

It appears to the Mission that, for the time being, Malaya must be considered as a "price" market for Canadian flour. The quality of Canadian flour is recognized and there will always be some demand for it, even at a premium price. It is possible that this demand will increase gradually as the market becomes more quality-conscious, but to increase the immediate demand in a substantial way would, under normal conditions, require a closer relationship between Canadian and Australian prices.

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## **Indonesia**—*Immediate prospects for the sale of Canadian flour appear poor.*

THE STATE OF INDONESIA, proclaimed in 1948, is composed of more than 2,000 islands with a total land area of 735 thousand square miles. The Island of Java, on which the capital city of Djakarta is located, comprises about 7 per cent of the total land area but has 67 per cent of the population.

The population of Indonesia is now estimated at approximately 80 million. The rate of growth is indicated by the fact that the population was 33 million in 1900 and 60 million in 1930. Djakarta has a population of over three million.

### **Market for Canadian Flour**

The Indonesians are mainly consumers of rice. The country is capable of producing vast quantities of this

cereal, sufficient in normal times for its own needs and frequently leaving a surplus for export. Rice can be seeded at any time of year in Indonesia and can be seen, in adjacent paddies, at all stages of growth, from seedling to fully ripe.

### **Flour Consumption May Increase**

Indonesia's present annual requirement of flour is estimated to be only about 150 thousand tons, which is insignificant for a population of 80 million. Indonesian government officials expressed the opinion to the Mission that flour consumption will probably increase but that the prospects depend upon the economic prosperity of the consumers. At present only a small percentage of the urban population eat bread and other baked products and those in the rural areas consume none. Even in the cities, the Indonesians still regard bread as a luxury.

### **Australian Flour Has Advantage**

Flour imports are controlled by import permits and foreign exchange permits issued by the Indonesian Government. At the time of applying for these permits, an importer must deposit 75 per cent of the invoice value of the flour shipment and further financing is also required before shipment. This favours Australian flour because shipping time from Australia is less than half of that from Canada and the saving in financing costs is substantial.

Australia also has a further shipping advantage. Vessels coming from Australia, comparatively small in

*A typical scene inside one of the bakeries in Indonesia's capital city, Djakarta. Indonesians are primarily rice eaters; only a small proportion of the city dwellers eat bread and other bakery products and everywhere bread is still a luxury.*



size, can call at many of the small islands while they are passing through the Archipelago and deliver flour en route as required. The larger vessels coming from Canada and the United States tend to make only one port of call.

### **Australia Leading Supplier**

Import statistics show that, in recent years, Australian flour has supplied about 65 per cent of Indonesian requirements. The remainder has been mainly United States flour. Canadian flour has participated to the extent of perhaps 1.5 per cent. Just as bakers in many other parts of the world prefer Canadian flour, most Indonesian bakers prefer Australian flour. It is well suited for biscuits and cakes, which comprise about two-thirds of the baked goods in Indonesia. For bread baking, a considerable quantity of United States flour is normally blended with the Australian.

Only a few of the bakers appreciate the merit of Canadian flour and have had some experience with it.

The difficulties faced by Canadian flour are also faced by United States flour. There is, however, one U.S. mill which has built up a demand for a particular brand which the bakers are now prepared to ask for by name. Other U.S. and Canadian mills have persevered in efforts to enter this market but with little success so far.

### **Short-Term Outlook**

The Mission was not impressed with the immediate prospect for the sale of Canadian flour in Indonesia. Some day, as and when the general economic condition of Indonesia improves and the present system of import control is no longer in force, an educational and publicity campaign may be warranted. Under existing conditions, it can hardly be considered worthwhile.

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## **Ceylon**—*Sales prospects for Canadian flour not encouraging under present conditions.*

THE ISLAND OF CEYLON has an area of approximately 25,000 square miles, or slightly more than the area of the Province of New Brunswick. The present population is estimated at approximately eight million, 650 thousand of whom live in the capital city of Colombo.

### **Market for Canadian Flour**

As in Indonesia, rice is the main cereal food for the people of Ceylon. However, because of the rapidly increasing population and the lack of agricultural development throughout much of the country, domestic rice production has proved insufficient. Rice and some wheat flour have been imported to fill the gap. In spite of programs designed to increase and improve rice cultivation, self-sufficiency is not likely to be achieved in the near future.

The Government of Ceylon is the sole buyer and importer of flour through the Minister of Agriculture and Food and, more particularly, his Director of Food Supplies. From the government stocks, flour is distributed to bakeries, retail shops, and so on. About 50 per cent of the flour is used in bakeries for bread and

pastries and the remainder is used in the homes for native dishes.

The Director of Food Supplies advised the Mission that he only buys Canadian flour under two circumstances: (a), if Australian flour is not available, or (b), if the Canadian price is sufficiently lower to warrant the expenditure of dollars. He has recently been buying some flour from European mills but payment has been in sterling. The Director stated that the bakers are used to Australian flour and are definitely prejudiced in its favour. For this reason the bakers are suspicious of Canadian flour and, according to the Director, raise complaints (whether warranted or otherwise) whenever Canadian flour is delivered to them.

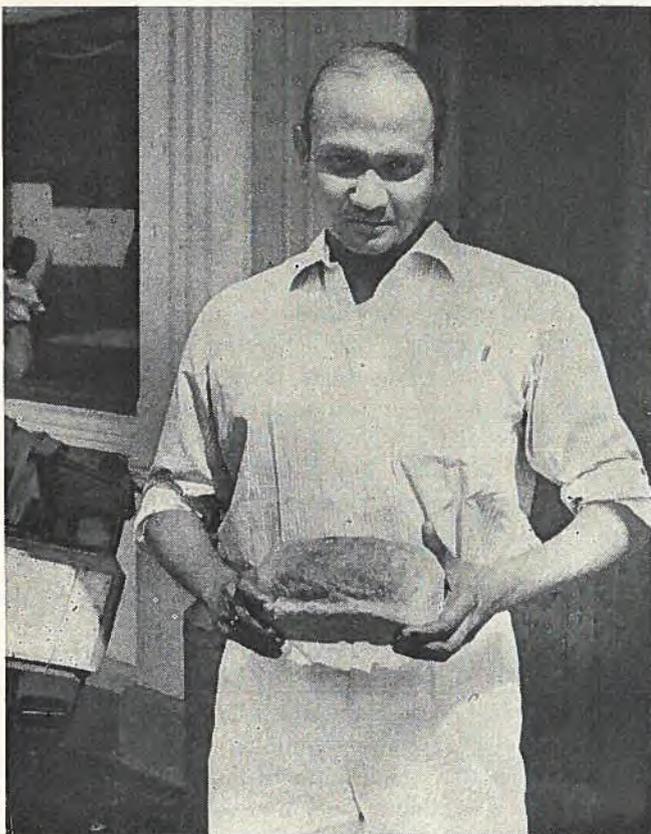
### **Canadian Imports at Disadvantage**

The Mission visited several of the larger bakeries in Colombo. The baking process is adapted to making bread from weak Australian flour. Under the Colombo Plan, Australia has given training courses of three months in the Bread Research Institute at Melbourne to two of the leading bakers in Colombo. Arrange-

## Ceylonese Purchases of Flour

	1952		1953	
	Quantity Cwt.	Value Rs.	Quantity Cwt.	Value Rs.
United Kingdom .....	2	100	.....	.....
Australia .....	3,285,068	96,772,707	4,686,801	133,885,452
Canada .....	677,516	20,364,827	190,765	5,714,920
Hong Kong .....	44	2,268	.....	.....
Japan .....	8	247	.....	.....
United States .....	196,618	4,428,762	182,971	5,502,234
Belgium .....	.....	.....	5,014	131,394
France .....	.....	.....	40,612	993,142
Holland .....	.....	.....	518,024	14,321,377
West Germany .....	.....	.....	116,213	3,065,764
<b>Total .....</b>	<b>4,159,256</b>	<b>121,568,911</b>	<b>5,740,400</b>	<b>163,614,283</b>

ments have also been made to supply laboratory equipment valued at £2,000 to the Government Marketing Department Bakery. Even though Australian is the predominant flour, the qualities of Canadian flour appear to be well known to the larger bakeries. The Mission believes that such bakeries would prefer to use some Canadian flour in the bread mix if it were readily available. At present the baker has no choice; the prices of both flour and bread are controlled and he takes the flour allotted to him. The Government's purchasing policy and the method of distribution, with no continuity in availability of supplies of Canadian flour to the bakeries, have affected adversely the use of Canadian flour in this market.



The purchasing policy of the Government is reflected in the table above which indicates the dominance of Australian supplies.

Ceylon's imports of flour have been running at about 250 thousand tons a year. This is considered to be abnormally high and results from a government subsidy. It is expected that eventually the requirement will level off at about 125 thousand tons a year, and that flour will always represent a minor factor compared with rice.

### Outlook Is Clouded

Under present conditions, Ceylon is not a hopeful market for Canadian flour. If the present system of purchasing and distributing flour is discontinued and the trade is returned to private hands, the outlook for Canadian flour may improve. It will, however, depend on three factors: the degree to which the Government will be prepared to issue import licences for flour from the dollar area; the comparative prices of Canadian and Australian flour; and the willingness of the bakers to buy and use Canadian flour. ●

*Mr. Perera of Perera & Sons bakery in Colombo displays a loaf of bread baked in his plant. At present Australian flour is the leader in this market, though the Mission found that the larger bakeries appreciated the special characteristics of Canadian flour. The Government is the sole buyer and importer of flour in Ceylon at the moment and makes deliveries from its stocks to bakeries. The individual baker uses whatever type of flour is distributed to him.*

## **Pakistan**—*will likely continue to import Canadian wheat for many years.*

PAKISTAN is composed of two distinct geographical units separated by more than 1,000 miles of territory belonging to India. Western Pakistan, where wheat is the main cereal food, has an area of 322 thousand square miles (almost the size of British Columbia) and a population of 28 million. Eastern Pakistan, where rice is the principal cereal food, has an area of 54,000 square miles (about the size of Nova Scotia and New Brunswick combined) and a population of 42 million. The total land area of Pakistan is 377 thousand square miles, or about 24 per cent of the Indian sub-continent.

### **Wheat Production**

At the time of the partition of India, the area that became West Pakistan included much of the best wheat-growing land. As a result, there has been a tendency for the rest of the world to consider Pakistan a major wheat producer and a potential exporter. Even during the past few years, when Pakistan had disastrous growing conditions and required substantial wheat imports to prevent starvation, the tendency was to regard that situation as temporary and to expect Pakistan to resume exporting when conditions returned to normal.

From what the Mission saw and learned in Pakistan, it would seem that Pakistan's role as a potential wheat exporter has been greatly exaggerated. The fact appears to be that Pakistan's annual consumption of wheat totals 3.5 to 4.0 million tons, not including seed and feed; the maximum production of wheat that can reasonably be foreseen under normal conditions is also very close to that figure. Senior Pakistan officials estimate that the largest possible surplus (over and above domestic requirements) that can reasonably be expected is in the neighbourhood of 200 thousand tons. This is only a small percentage of Pakistan's total production and is a very small reserve, considering the wheat-eating population of 28 million people in West Pakistan. According to one official, the result of this small "cushion" is that the Pakistan wheat position can be expected to "oscillate like a pendulum"; a surplus can suddenly, in the last few weeks of harvest, become a deficit and vice versa. In any given year Pakistan may have a small surplus or may find itself in the position of requiring substantial imports.

The limiting factor in wheat production in Pakistan is water, not land or fertility. Much of West Pakistan is arid; in Karachi the annual rainfall is only about five inches. Irrigation works are of vital importance. The Mission saw an impressive example of what is being done, a new project which will bring into cultivation an additional 2.75 million acres, only a small part of which will be used for wheat production. Pakistan

officials went to some pains to tell the Mission that they do not want to be too optimistic about the increased production which can be expected from irrigation. It appears to the Mission that some increase, possibly a substantial one, in Pakistan's wheat production can be expected eventually as irrigation works continue, but in the immediate future, and for some years to come, the delicate balance between supply and demand will prevail.

### **Storage Problems**

Even should a substantial increase in production be possible, however, Pakistan would still be faced with the problems which are encountered in attempting to store reserve wheat in such a climate. The problems of infestation are very severe. Most of the wheat produced is used locally or is stored for local use in small lots. Short-time emergency storage for 800 thousand tons of sacked wheat can be provided by making use of all available warehouses (godowns), including those used during part of the year for cotton. The Government intends to build storage for 500 thousand tons, of which 120 thousand will be in elevators (silos) and the remainder in godowns. It is expected that this storage will be as good as any now available in Asia. Even so, insect infestation is a problem not easily overcome and the period of storage is necessarily limited if severe losses are to be avoided.

### **Wheat Utilization**

Almost all of the wheat used in Pakistan is ground into a whole-wheat meal, called *atta*, with little or no bran removed. There are roller mills in the larger cities and it is estimated that these grind about 20 per cent of the wheat. The remaining 80 per cent is ground in stone mills in the larger villages and in the cities. These have circular stones, about 2½ feet in diameter, one of which is commonly driven by a small diesel engine. Smaller mills, down to one foot in diameter and turned by hand, are kept by most households. When times are good, wheat may be taken to the village mill for grinding; when times are hard, the women do most of the milling at home. The wheat is passed only once through the stone mill and comes out as a fairly coarse meal.

A sort of thin pancake, called *chapatti*, is the main form in which wheat is eaten in both Pakistan and India. A dough that is slightly stiffer than for bread, is made from *atta* and water and allowed to stand for half an hour. A small piece is then broken off and rolled into a thin disc. It is cooked on an iron dome over a soft-coal or charcoal fire in a small stove. The



*These two pictures illustrate the baking of chapattis outside a restaurant in Karachi. In the photograph on the left the chapatti has been placed on top of a charcoal grill and is being held in place while it cooks. On the right, the finished product is held up for inspection. Chapattis are made from a mixture of a wholewheat meal, called atta, and water. The dough is rolled into a thin disc, then cooked on an iron dome over a soft coal or charcoal fire.*

product rises slightly and then subsides. It is soft when it is made but dries out in a few hours. Chapattis are commonly eaten at once and are used with all sorts of other food, and partly as an aid in conveying food to the mouth. A variety of different types of chapattis are made and these often have different names in different localities.

It is obvious that the usual "selling" qualities of Canadian wheat are irrelevant in Pakistan. Such factors as hardness, high protein, and baking strength mean nothing. Flavour appears to be important and the people naturally prefer the flavour of their own wheat. There may be some prejudice against Canadian wheat

because of its red colour as compared with the light amber wheat to which the people are accustomed, but the Mission was told that the difference in colour was not of too great importance. Pakistan officials indicated that Canadian wheat was considered very satisfactory and its cleanliness and uniformity of grade appreciated.

It is the opinion of the Mission that Pakistan will be an occasional, and possibly a frequent, importer of wheat for many years. The reputation of Canadian wheat in Pakistan is good, and the reception received by the Mission was outstanding. There is no doubt that Canadian wheat will always receive consideration if and when Pakistan is again in the market.

## **India**—*Storage qualities of Canadian wheat are appreciated.*

INDIA HAS AN AREA of 1,250,000 square miles, somewhat greater than the four western provinces of Canada, and the population is estimated at 360 million, increasing at a rate of about 4.5 million per year. Density of population varies from 1,300 persons per square mile in some urban centres to under 24 persons per square mile in mountainous regions. About 70 per cent of the people live in small villages.

### **Wheat Production**

India is a major producer of rice, wheat and other food grains. Normal production of rice is 25 to 30 million tons a year, somewhat short of the consumption requirements of the rice-eating portion of the population, who constitute by far the greatest majority. Wheat production is 6.5 to 7 million tons, or about .5 million tons less than the needs of that portion of the population who rely on it as their staple food.

In considering the production problem, there are two factors of major importance. The first is that in India, rice and wheat are not entirely interchangeable foods and a surplus in one will not necessarily offset a deficit in the other. Second, about 90 per cent of normal production of food grain is consumed where it is grown. Any surplus over normal local requirements tends to be retained either to improve the level of the diet or as a reserve for the following year. Thus, requirements of urban and other non-producing areas must be met from government collections, reserves or imports. Because India's annual requirement for wheat now exceeds her production by 0.5 to 1.0 million tons, imports of that amount could reasonably be expected. In the present crop year, however, India has indicated that her requirements of imported wheat will be virtually nil. This is due to two factors. In the first place, because of heavy imports and reasonably good

crops last year, it was estimated in February that India had an adequate reserve of 800 thousand tons. In the second place, largely because of an unusual and beneficial rainy season, India's current wheat and rice crops are expected to be bumper ones.

### **Is Self-Sufficiency Possible?**

As India's present grain position became known, there was considerable speculation over whether that country had achieved self-sufficiency in wheat. Opinions expressed to the Mission indicate that this is not so. Senior Indian officials said that India's present bountiful wheat position is probably due 10 or 20 per cent to the Five Year Plan to increase production and 80 or 90 per cent to the exceedingly beneficial growing season. It is true that new acreage and better cultivation methods have been contributing factors but the rainfall, both in timing and distribution, has been the dominant factor. It thus seems reasonable to expect that, under normal circumstances, India will again be a substantial importer of wheat.

The effect of the Five Year Plan, which has two years to go, should not be overlooked. The wheat objective was to increase production by two million tons a year (to, say, 8.5 million tons) by means of new acreage and irrigation projects designed to about double the present irrigated wheat acreage. If the objective can be achieved, consumption can be maintained at the present level, despite the population increase in the interim. But because an increase in average calorie consumption is also desirable, self-sufficiency in grain production may not be attained.

### **Research into Storage**

India also has storage problems. At present, wheat is stored in bags which are piled in stacks, mainly under cover, in godowns. But there is a considerable wastage and the Government wishes to have improved storage for normal reserves of 0.5 to 1.0 million tons of wheat. An expert from Australia (selected by FAO) is to study the matter in the near future.

The Mission visited two government storage depots in Bombay. In the godowns in these depots, 220-pound sacks are arranged in uniform stacks which can be covered by a tent of balloon cloth for fumigation. Because of the hot climate, the insect problem is serious beyond belief. Of the six main pests, three are flying insects and re-infestation of fumigated stacks is merely a matter of time. The Assistant Director of Storage is a professional entomologist and a strict regime of dusting every three weeks, and of fumigating every six to eight weeks, is maintained. Even so, wheat can rarely be held for more than about five months without serious reductions in quality. The

wheat that is in poorest condition is always allocated first. Thus little wheat that is in really good condition leaves the government stores.

### **Market for Canadian Wheat**

If it can be assumed that, apart from unusual bumper conditions, India will continue to be an importer of wheat for some years to come, the usual question arises about the prospects for Canadian wheat. In India, wheat is distributed and used in the same way as in Pakistan—that is, milled either at home or locally into atta for the preparation of chapattis. We were told that among consumers there is undoubtedly a prejudice, whether warranted or not, against imported wheat. Three factors seem to be involved. First, some imported wheat has been defective in quality, although it did not necessarily arrive in that condition but deteriorated during storage. Second, many imported wheats, including Canadian, are redder in appearance than those the consumers are used to. Third, consumers prefer the flavour of their own domestic wheats.

When we asked directly which imported wheat was preferred—Canadian, United States, or Australian—the Mission was told that the question was difficult to answer. According to officials in Delhi, the consumers prefer to have no imported wheat at all, but in Bombay we learned from officials directly concerned with distribution that there is a strong preference for white wheat.

Storage supervisors classify wheat in accordance with its storage potential, primarily its freedom from insects. Canadian wheat has an excellent reputation and is considered a better storage risk than either United States or Australian wheat. For this reason the Government would prefer to use Canadian wheat for a rotating reserve. The Mission therefore believes that India may be a regular customer for some Canadian wheat in years when its own wheat crop is of normal size.

The Mission is of the opinion that, under normal crop conditions, India is not self-sufficient in wheat and that the conditions in the present crop year should not be considered normal. Efforts are being made to achieve self-sufficiency, but in view of the increasing population, probable success is difficult to estimate. The consumers may prefer white wheat but Canadian wheat is considered a better storage risk. It thus seems probable that Canada can retain a share of the Indian market.

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*Extra copies of this issue, containing the report of the Grain and Flour Mission, can be obtained by writing to the Wheat and Grain Division of the Department of Trade and Commerce.*

# general notes



## Australia

**UNDERSEA SEARCH FOR OIL**—Frome Broken Hill Co. Pty. Ltd., which recently obtained authority from the Queensland Government to prospect 161 thousand square miles in the area extending from the Gulf of Papua basin to Cape York Peninsula in the Gulf of Carpentaria, is prepared to spend £1 million in its search for oil. It will survey thousands of square miles of Gulf waters and the investigations by geologists are expected to take about five years. The Zinc Corporation, the Anglo-Iranian Oil Co. and the Vacuum Oil Co. are subscribing the capital—Sydney, May 5.

**FAVOURABLE TRADE BALANCE**—For the eight months ended February 28, 1954, Australia had a trading deficit of £11,422,000 with dollar countries, compared with £32,020,000 for the eight months to February 28, 1953. For the same period, the favourable balance with sterling area countries fell from £121,100,000 to £10,895,000. There was an overall favourable balance of £136,619,000—Sydney, May 1.

## Chile

**GOLD MINES**—According to a report issued by the owners of one of the largest of Chile's gold mines, situated in the northern part of Norte Chico, higher wages and costs have made gold production there uneconomic at present world prices. A government subsidy was requested to keep the mine in operation and thus avoid further unemployment. This request was refused. It is estimated that, at the present time, some 80 per cent of the relatively small but numerous independent mining companies in the Norte Chico sector of Chile have now stopped production—Santiago, May 10.

## Colombia

**NEW TRADE AGREEMENT WITH ARGENTINA**—The Colombian and Argentine Governments have concluded a new trade pact which is designed to stabilize and expand commerce between them. The Agreement specifies minimum purchases of each other's goods, amounting to US\$5.75 million a year. Under the Agreement, Colombia plans to sell to Argentina coffee, petroleum and products, cement, bananas and other tropical fruits. In return, it will buy woollen textiles and yarns, wheat and wheat flour, semolas, malt, books and other printed matter, pharmaceuticals and veterinary supplies, canned

meats and fish, preserved fruits and vegetables, linseed and edible oils, tallow, stearine, condensed and powdered milk, hides and certain other manufactured products.

With sales of wheat and wheat flour planned at US\$1.5 million a year, malt at US\$650 thousand, and various other items in lesser amounts, it would appear that Canadian sales to Colombia of competitive goods may suffer—Bogotá, May 15.

## Cuba

**EXPORTS**—Exports for the first eleven months of 1953 were valued at US\$595,569,655, according to the Statistical Section, Ministry of Finance. Exports of sugar and sugar products were responsible for the major portion of the total export value, accounting for US\$501,884,028. Tobacco and minerals exported were valued at US\$34,817,223 and US\$32,765,074, respectively. Other metals and their manufactures, forest products, foodstuffs, chemicals, pharmaceuticals, and other miscellaneous commodities made up the remainder—Havana, May 17.

## France

**PRICE CEILINGS AND MINIMUM WAGE**—Prices in effect on February 8, 1954, are to constitute a price ceiling under a decree dated February 18. Agricultural, fisheries and imported products are not covered by the new regulation, although all commercial mark-ups in practice at present may not be legally increased, regardless of the product. A similar regulation was put into effect in September 1952, and a small decrease in the general level of prices (between 1 and 2 per cent) has since taken place. The new law will consolidate this drop and is also designed to prevent a recent "premium" to the lowest-paid workers being passed on to the consumer. On February 5 the minimum legal wage was made subject to an indemnity ranging from 13 to 15 francs an hour, bringing the minimum guaranteed wage to from 100 to 115 francs an hour, depending on the region—Paris, May 20.

## Indonesia

**TRADE AGREEMENT WITH NORWAY**—A new trade agreement with Norway has been initialled in Djakarta to cover the period April 1, 1954-March 31, 1955. Under its terms, Indonesia will supply Norway

with commodities to the value of Norwegian Crowns 47,245,000, including 18,000 tons of copra, 2,000 tons of rubber and 1,000 tons of coffee. Norway will supply paper, cardboard, fishing equipment, cod liver oil and other goods to the value of Norwegian Crowns 19,530,000—Djakarta, May 3.

### Japan

**NEW MINERAL DISCOVERIES**—Japanese geological survey parties have discovered a deposit of high-grade titanium ore, estimated at over 56,000 tons, in a south central prefecture. Sheet glass, ceramics and paper manufacturers and steel producers are looking forward to the exploitation of substantial deposits of high grade dolomite discovered in the mountainous district west of Nagoya. It is also reported that coal mined in Hokkaido, Japan's most northerly island, contains germanium and two firms are planning fairly large scale production of this element, used in resistors for small efficient radio communication equipment—Tokyo, May 5.

### Northern Ireland

**MARKETING OF FLAX**—The Government has decided to introduce legislation to provide for an assured market and guaranteed minimum prices for dam-retted flax grown in Northern Ireland. The object of the scheme is to retain the present arrangements for the marketing and grading of flax which would not be possible without some form of government guarantee. The scheme will be a long-term one, but its operation in any year will depend on the Northern Ireland flax spinning trade giving certain assurances to the Government.

The standard prices for flax of the 1954 crop guaranteed by the Ministry of Agriculture will be based on a price of 35/- per stone for Grade 5 dam-retted hand-scutched flax, with the usual adjustments for other grades and for machine-scutching. The Flax Spinners' Association Limited has undertaken to buy the entire crop. If world prices should prove to be higher than the standard prices, growers will receive the higher price. The prices for re-scutched tow will be announced later.

The full range of standard prices for the 1954 crop of hand-scutched, dam-retted flax is as follows: Grade 1, 41/- per stone; Grade 2, 39/6 per stone; Grade 3, 38/- per stone; Grade 4, 36/6d. per stone; Grade 5, 35/- per stone, and Grade 6, 33/6d. per stone. The standard price for machine-scutched, dam-retted flax has been fixed at 1/6d. per stone more in each grade—Belfast, May 6.

### Pakistan

**FOODGRAIN POSITION**—The first estimate of the wheat area under cultivation in Karachi for the crop year 1953-54 is 9,889,000 acres, compared with 8,797,000 acres reported in the first forecast for the crop year 1952-53. This is an increase of 12 per cent, and is attributed to favourable weather conditions at the time of sowing, a greater supply of water, and the Government's "Grow More Food" campaign. The wheat crop will be harvested shortly and, as a favourable rice crop was harvested late last year, it is expected that Pakistan will have sufficient foodgrains to meet all her requirements this year—Karachi, May 4.

### Sweden

**RADIOACTIVE MEASURING APPARATUS**—The Swedish Export Association reports that the first apparatus in the world for measuring in large series samples of radioactive substances has recently been introduced to the Swedish market. This apparatus measures, registers and compiles the results entirely automatically and performs work that would ordinarily require the manual operations of four or five assistants. The first machine will be used in the heart clinic at a Stockholm hospital; later the export market in the United States and other countries will be investigated—Stockholm, May 1.

### Switzerland

**EXPORT CREDITS ASSIST INDUSTRY**—Today in Switzerland the Federal system of export credits not only supports the position of exporters in foreign markets, but provides a needed outlet for investment capital on the highly liquid money market. According to an industry spokesman at the recent General Assembly of Swiss Bankers, the capital goods industry owes at least Sfrs.150-200 million worth of business annually to export credits advanced by the Federal Government. Covering up to 80 per cent of invoice value less profit, for a premium of 0.5 per cent, guarantees were issued against a total of Sfrs. 400 million worth of business in 1953, about 10 per cent of all Swiss exports. Bankers are now entering the export credits field, covering interest collection and up to 10 per cent of payment on principal, against non-commercial risks—Berne, May 10.

### Turkey

**WORLD BANK WITHDRAWS**—The office of the International Bank for Reconstruction and Development in Ankara was closed down in March and its representative recalled, following disagreements between the Bank and the Turkish Government.

The Bank's credits to Turkey amount to \$60 million, principally for port development and hydro-electric projects. The disagreements are reported to include the Bank's failure to provide loans for certain projects, especially the Gediz hydro-electric scheme, and the Turkish Government's failure to provide adequate guarantees for repayment of the loans being made by the Bank—Athens, May 5.

### United Kingdom

**BANK RATE CUT**—The Bank of England yesterday announced the reduction of the bank rate from 3½ to 3 per cent. The rate, which was set at 4 per cent in March 1952, was reduced to 3½ per cent in September 1953. The results of yesterday's cut will be to narrow the margin between the higher short-term interest rates obtainable in the United Kingdom and those in New York and some Continental centres.

The recent influx of funds from abroad has been influenced by higher U.K. interest rates and by reports that the present upper limit on appreciation of sterling was to be relaxed. The Treasury's denial of any proposal to adjust the upper limit, together with the lowering of the bank rate, is expected to discourage this flow to some extent—London, May 24.

**APRIL EXPORTS HIGHEST**—The daily rate of exports from the United Kingdom in April was at its highest point thus far in 1954. At £233 million, the total, including re-exports, was £25 million below the March figure. The value of imports in April fell by £14·6 million from the March level to

£284 million, resulting in a trade deficit of £50 million, £10 million higher than in March.

Compared with a year ago, the first four months of 1954 resulted in a substantial lowering of the current trade deficit. The January-April totals (1953 in brackets) are as follows: exports, £934·1 million (£879·3 million); imports, £1,106·5 million (£1,112·1 million); deficit, £172·4 million (£232·8 million).

Shipments to the dollar area in April rose by £1 million to £25·1 million, largely as a result of the increase in exports to Canada, from £11·2 million in March to £12·9 million in April. Sales to the United States were down slightly at £12·2 million—London, May 24.

### United States

**ATOMIC BATTERY DEVELOPED**—An atomic battery has been developed by a Boston firm. Source of the power is radioactive tritium, one of the constituents of the hydrogen bomb. The batteries, which have been produced experimentally, can give up to 400 volts at very low current. The tritium contained in the batteries costs from \$1 to \$100 at current prices and will produce ·01 to 1·0 microwatts of power. The batteries have a maximum life of from 10 to 30 years, depending on the design. A cylinder smaller than an ordinary flashlight battery is filled with the radioactive material surrounding pairs of metal plates with different surface electrical characteristics. It is claimed that there is practically no danger from the tritium isotope which is used—Boston, May 28.

## trade commissioners on tour

**FROM TIME TO TIME** Canadian Trade Commissioners return to Canada to bring themselves up-to-date on conditions here and to renew their contacts with businessmen. Details of their itineraries appear under this heading, as a service to exporters and importers who wish to discuss trading problems with them.

W. D. WALLACE, Commercial Secretary in Djakarta, Indonesia, began his Canadian tour in Ottawa on March 3rd and completes it in Winnipeg, June 17th and Vancouver, June 22nd to 30th.

Businessmen in these centres may get in touch with Mr. Wallace through the Canadian Manufacturers Association in Winnipeg and the Department of Trade and Commerce in Vancouver (355 Burrard Street).

M. R. M. DALE, Commercial Secretary in Santiago, Chile, began his Canadian tour in Windsor on March 30th and completes it in Toronto, June 14-25, where businessmen may get in touch with him through the Canadian Manufacturers Association. On completion of his tour, Mr. Dale will be posted to Cairo, Egypt.

# Korean Procurement and Canadian Business

*Dispatched from Seoul early in May, this report gives first-hand information about Korean recovery and its quickening tempo and suggests avenues of trade which Canadian firms might wish to explore.*

J. C. BRITTON, *Commercial Counsellor, Tokyo.*

DURING MY PRESENT VISIT to Korea, I am finding that the task of rehabilitation is gaining momentum. It is a gigantic undertaking and, for many Korean industrial and trading firms playing a part in it, means virtually starting from scratch. Many of them went through the same process four years ago and were beginning to make some headway when the invasion took place. Now they are setting to work a second time.

In putting their hands to this great work, the Koreans have much practical support and encouragement from outside their own country. United Nations agencies particularly, such as the United Nations Korean Rehabilitation Agency (UNKRA), are assisting in all phases of relief and in reconstruction. Many private firms in foreign countries are also receiving orders for urgently needed goods from the procurement agencies or from the Korean Government. In fact, Canadian companies might well be able to share in the business which Korean rehabilitation offers.

## **Rehabilitation Is Progressing**

The visitor to the Republic of Korea cannot fail to note the evident progress. I learned that industrial production has risen significantly in the past twelve months, as raw materials and equipment have reached the actual users. Inflation, however, still remains a threat because most, if not all, consumer goods are in short supply. The rate of the price rise has slowed up during the last year, primarily because the price of grains is falling, thanks to an abundant supply of rice and imported grains. The 1953 rice crop totalled 2,040,000 metric tons and as about 80 per cent of the population of South Korea engage in whole or part-time farming, a successful rice crop is an important stabilizer. The inflation of the moment, though serious, is not regarded too pessimistically, despite a budget in which 70 per cent of the expenditures are for defence.

## **A Look at Foreign Trade**

The level of foreign trade in the calendar year 1953 was satisfactory, bearing in mind the obstacles and uncertainties under which it was conducted. Imports exceeded exports by \$119,262,578 in a total trade of

\$208,703,975—exports were valued at \$44,720,694 and imports at \$163,983,281. United Nations expenditures and aid in one form or another enabled Korea to meet its 1953 payments on international account. Tungsten valued at \$30 million accounted for 68 per cent of total exports in 1953, with the United States the most important customer. Marine products, valued at \$15 million, came second. Japan furnished the bulk of Korea's imports in 1953, some 47 per cent of the total. Foodstuffs headed the list of imports, comprising 50 per cent of the total, followed by textiles, 13 per cent and chemicals, 11 per cent.

## **Some Current Difficulties**

At the moment trade, both import and export, is exceptionally sluggish. This situation stems partly from the current impasse in Foreign Operations Administration procurement because of the Republic of Korea's exclusion of Japan as a possible source of supply for cotton cloth being bought under FOA. This action is reported as being in conflict with world-wide FOA regulations on procurement. On the export side, the loss of the United States as a market for Korean tungsten has seriously impeded the activities of registered "Foreign Traders" engaged in ordinary foreign trade in conformity with Ministry of Commerce and Industry regulations. The Ministry automatically cancels the registration of foreign traders if the trader is unable to obtain export licences totalling \$10,000 a year. Tungsten exports were formerly the main source of export credits and when these exports were in full swing, registered "Foreign Traders" were required to have import and export licences for goods worth \$50,000 within the first six months after registration and \$100 thousand a year thereafter.

## **Procurement Programs**

A number of different agencies are planning and handling procurement in Southern Korea at the present time. The programs now under way call for substantial expenditures over the next twelve months on civilian goods and on relief and rehabilitation projects. The more important agencies in addition to those handling military procurement and planning include the Korean

Government Office of Procurement (OPROK), the Foreign Operations Administration, and UNKRA, which handles its procurement largely from United Nations headquarters in New York. The UNKRA program covers a number of important long-range projects, many of which are gradually taking shape.

Republic of Korea procurement with FOA financing and FOA procurement have only been under way for about three months but the FOA program calls for the expenditure of \$200 million before the end of June 1954. It is unlikely that the entire amount will be allocated and some will probably be carried over into the next fiscal year, but it is understood that more than \$150 million has already been earmarked. FOA and OPROK procurement with FOA funds will largely take place in Korea. The projects and sources of supply must be sanctioned by FOA Washington but purchases will be made in Korea.

### **Private Trading**

In addition to all this, the Republic of Korea does considerable procurement using its own foreign exchange resources. These resources are estimated at \$120 million for the fiscal year ending June 30, 1954, and it is probable that all the funds will be spent for commodities which are urgently needed. The Korean Government recently changed its fiscal year to coincide with the United States fiscal year. Its foreign exchange resources are derived in part from United States and United Nations spending in Korea, which will be about \$50 million in fiscal 1954, and in part from exports of tungsten and marine products, having a combined value of about \$45 million.

The combined purchasing by all sources has created a whirlwind of activity among Korean trading firms and because they are doing the buying and financing of commercial imports, they will exercise discretion in price, quality and quantity on all the commodities they buy. It is expected that Korean commercial firms will therefore order in conformity with supply and demand and in the process gain valuable commercial experience with countries in all parts of the world. Previous trading was largely confined to dealing with Japanese firms. The necessity for broader, world-wide experience, indeed, was in the minds of FOA planners when they agreed that Korean trading firms should do the actual buying with FOA funds. The policy was also aimed at increasing the responsibility of Korean firms and assisting them in rebuilding their businesses which were, in most cases, ruined by the war.

### **Opportunities for Canadians**

South Korea has a number of experienced and reputable trading firms but it must be remembered that the management of businesses in the country was in the

hands of foreigners for almost 50 years. Korean businessmen are gradually adapting themselves to the change and are taking the present purchasing program in stride. There are, of course, a number of foreign firms, mostly American, in Korea and they normally maintain contacts with Korean firms. If a company interested in doing business in Korea feels that a trip there is out of the question, it should realize that representation by either Korean or foreign firms is essential if it wishes to participate in the extensive procurement now going forward.

Are there opportunities for Canadian goods in Korea at present? Canadian products are by no means widely known but there have been imports of Canadian flour, lumber, barley, plywood, bond and printing paper, and newsprint. There is a demand now for aluminum sheets and ingots, lumber, fertilizer, railway ties, printing papers, malt, hides, tallow, logs, non-ferrous metals and a wide range of industrial products. Delivery is perhaps the most important consideration because the need is so urgent, but price is also vital. Native and foreign firms in Korea want catalogues and prices available for continuous reference. Canadian firms who wish to try out this market can obtain a list of Korean and foreign trading firms from the Department of Trade and Commerce, Ottawa. It should be borne in mind that business in Korea today is extremely competitive, the trade position confusing and, because censorship is imposed, communication with business firms is slow.

Korea is interested in selling as well as in buying and looks to Canada as a market for marine products, crab, seaweeds of various types, handicrafts and minerals, such as tungsten, bismuth, fluor spar and graphite. Korean exporters are anxious to get in touch with Canadian buyers of these commodities.

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### **Transportation**

*A new edition of "Canadian Foreign Trade Routes," giving more detailed information on sailings from Canadian ports, is now available from the Transportation and Trade Services Division. "Canadian Foreign Trade Routes" contains an index to foreign ports of discharge and to steamship companies and their Canadian agents, plus a table of steamship services from eastern Canadian ports and from Canadian Pacific ports, including ports of discharge, loading ports, number of sailings, space accommodation and other information.*

*To obtain this directory and other information on water, rail, air and road transport services to and from Canada, write to the Director of the Transportation and Trade Services Division, Department of Trade and Commerce.*

# Davis Leather Exports Calf

*A company in business well over a hundred years finds it possible to keep its exports up by adjusting its products to suit varied tastes, and by stressing quality and service.*

H. LESLIE BROWN, *Director, Information Branch.*

A YEAR OR TWO before Queen Victoria ascended the throne in 1837, a member of the Davis family started tanning leather at his farm on upper Yonge Street, some miles north of the city of Toronto. As the business developed, a location which provided ample waterpower and plenty of hemlock bark was discovered at Kinghorn, Ontario, and the first Davis factory was built on this site in 1847. This plant was eventually burned out towards the end of the century and the present factory was completed in the year 1904 in the town of Newmarket. The business was continuously operated by successive generations of the Davis family until a public company was formed in 1945.

The passing years have naturally brought changes. At one time all tanning was done with vegetable chemicals but, as chrome tanned upper leather became more and more popular, the Davis Leather Co. Ltd. gradually changed their process and today are exclusively chrome tanners. Another change was in the type of leather. As business expanded, the company began to specialize and, early in the 1900's, was concentrating on calfskins.

## **Changing Export Markets**

Beginning early in the century, Davis gradually developed a very satisfactory export business with the United States. However, in 1930 the Smoot-Hawley tariff imposed a duty of 15 per cent on leather entering that market. This had a very adverse effect on Davis's operations. But markets often change. At this time their leathers had been meeting with increased favour in the United Kingdom and Davis were able to replace much of the lost business by sales in British markets.

At about the same time, a very light calf leather was developed which successfully combined the durability of calf with the lightness of kid. This product was marketed under their trade name of "Baby Calf" and quickly became much in demand in all the high-grade shoe factories throughout the world.

As the demand for finer calf became world-wide, the tannery gradually expanded until it was one of the

largest, if not the largest, producer of calfskins in the Commonwealth. Before the Second World War, exports took about two-thirds of total production: the United Kingdom was the largest customer, the United States second, and the domestic market in Canada third. The relative importance of the market has since changed, as would be expected, but the proportion of total production exported remains much the same.

Naturally, exports were drastically curtailed during the war. The company has had to struggle continuously to recover volume business in the export field. Foreign exchange restrictions and government allocations in various countries have made exporting difficult. However, the past year has brought some signs of improvement. Output is still not what it was prewar but about one-third to nearly one-half of production is exported.

## **Export Procedure**

In view of the fact that it takes from six to eight weeks to convert raw material into finished leather, one of the biggest problems in the export field is giving satisfactory deliveries. In many cases the leather is required for seasonal promotions and must be in the right place at the right time. Davis therefore ensure that, when the goods leave the tannery, they are shipped by the quickest possible route consistent with cost.

Davis sell abroad through resident commission agents who are familiar with the shoe and leather industries and who, in most cases, handle other types of leather which are not competitive. They have about forty agents in almost as many countries. Although some of these agents have not been able to do business with the Canadian firm for some years because of trade restrictions, Davis continue to keep in touch with them against the day when they will once again become active representatives.

## **Trade Commissioners Help**

The company has not seen many of the agents personally because the Canadian firm relies to a large extent on the services of Canadian Trade Commissioners in obtaining reliable reports and information on the agents and their activities. As a result, Davis

are almost continually in correspondence with one or other of the Trade Commissioners in various parts of the world.

### **Value of Personal Contacts**

It is sometimes difficult to maintain satisfactory relations between the company, its agents and its customers by correspondence alone. Mr. J. H. Gairdner, General Manager of the Davis Leather Co. Ltd., in telling me his story, commented on this problem. "We find that it is very important to establish personal contact by sending our representatives to visit our various markets as often as possible where the expense is warranted. In the past few years, it has been very difficult to justify trips to many of our traditional markets. However, we have found the ones we have called on are extremely interested in doing business with Canada and very much appreciate having someone from Canada call on them."

### **Differences in Markets**

Like many other exporters, Davis have experienced considerable variation among the different markets. In some the problem is mainly a matter of price; in others, quality is the main concern. Mr. Gairdner commented: "We attempt to adjust our product to fit as nearly as possible the area concerned. On the whole we find that, once we have established a relationship, foreign customers are very fair and easy to deal with. We try to make sure that our product is up to standard before shipping so that complaints and returns will be held to a minimum."

In this connection he stated that his business has been on the basis of f.o.b. Canadian port of shipment, with payment against established letter of credit. Consequently they have had few financial difficulties.

### **Service to the Customer**

Mr. Gairdner considers it essential that a member of his office staff be thoroughly conversant with the handling of export shipments, particularly because the shipping and documentation requirements for their numerous markets vary considerably. For the most part their correspondence with their agents is conducted in English but from time to time they seek the assistance of a translator.

Mr. Gairdner concludes his story with some practical observations: "It has been our experience that one must have a product to offer which has the advantage either in quality, style or price, to be able to obtain the business in face of local competition. In our case, because our product is mainly used in high-style women's shoes, it is necessary for us to keep a very close contact with the style centres of the world in order that we may have the correct colours to offer in a continually changing style picture." ●

## **Mexico's Iron and Steel Industry**

MEXICO PIONEERED the iron and steel industry in Latin America, when the first blast furnace in the twenty republics went into operation in Monterrey in 1900. This company, more than fifty years later, is still the largest Mexican primary producer and operates two blast furnaces with daily capacities of 300 and 500 metric tons.

Mexico boasts two other important producers, one of them in Mexico City, and altogether the country manufactured 535 thousand metric tons of steel ingot in 1952, 143 thousand tons of plate and sheet, 48,000 tons of wire rod, and 13,000 tons of tinplate. Last year, business and construction experienced a comparative lull and steel production fell below the 1952 totals. However, expansion is under way.

Mexican manufacturers turn out an impressive range of iron and steel products but production costs are high, despite the fact that labour comes cheap in Mexico compared with the United States. Imported steel products still have a substantial sale here. The building of new mills is being carefully studied and it seems likely that within a few years Mexico will have a substantial and well-integrated steel industry. In the north and west of the country there are practically inexhaustible deposits of high-grade iron ore, but they are a long way from the principal market, the Federal District. Coahuila, a northern state, has abundant coal deposits but so far only a low-grade coke has been produced. However, a new coking plant is under construction at Monclova (Coahuila).

The steel industry in Mexico enjoys ample tariff protection and the Federal Government gives new projects and plant expansions every encouragement in the form of tax exemption, the waiving of customs duties on the import of special machinery, and the placing of import controls on finished and semi-finished steel products that might compete with local production.

Numerous industries using a wide variety of steel products have sprung up within the past ten years and it is estimated that there are about 22 manufacturing plants which use steel, chiefly in the Federal District. The products they turn out include steel furniture, enamelware, stoves, beds, galvanized water pipe, electrical conduits, steel barrels, hinges, locks, tools, etc. Mexican steel-makers have not yet been able to meet the varied requirements of these plants.

Per capita consumption of steel products in Mexico now stands at only 45 lb. However, as industrial development progresses, this figure will rise substantially and new production levels will soon be achieved.

—M. T. STEWART  
*Commercial Counsellor, Mexico City.*

# Financial Incentives for German Exporters

*Here is a comprehensive description of the financial assistance for exporters provided by the West German Government as part of its export drive.*

IAN V. MACDONALD, *Assistant Commercial Secretary, Bonn.*

WEST GERMANY'S DRIVE to expand its vital export trade includes a number of government measures to encourage exporters. Attracting growing attention both inside and outside Germany, this assistance to exporters is given chiefly in the form of lower taxes on export earnings, and government guarantees and credits. There are no direct export subsidies.

## Importance of Export Credits

Most valuable to the German exporter who is short of capital is the financing of long-term export credits through the Export Credits Corporation (Ausfuhrkredit A.G., AKA) a consortium of 28 West German and Berlin banks formed under the leadership of the Rheinisch-Westfaelische Bank. This organization finances both exports and services sold to foreign customers under two lines of credit:

A—its own credit line for credits of from 12-48 months, extended in agreement with the exporter's bank;

B—the credit line of the German Central Bank (Bank Deutscher Laender) which amounts to a rediscount promise for export credits of six to 24 months (medium term) and 25 to 48 months (long term).

The long-term credit is granted to the exporter on the strength of a general or specific rediscount promise by the Bank Deutscher Laender. Maximum rate of interest for the A line of credit is 8 per cent, and the present rate is 7 per cent. The corresponding rates for the B type of credit are 7½ per cent and 5½ per cent, respectively.

## Conditions for Obtaining Credit

- Credits are available to finance firmly contracted business transactions or agreements for the provision of services. It must be shown that there is a credit demand for a period of at least six months. The financing of consignment stocks abroad by means of these credits is not permitted.

- Credits are possible only when the exporter is not in a position to finance through other channels.

- Payment terms to the foreign purchaser should correspond in principle to those prevailing in the market and the purchaser should not be granted unduly favourable prices or payment terms merely because of the export credit facilities.

- A suitable agreement for repayment must be obtained from the foreign buyer.

Financing of export transactions, including other than official sources of credit, may extend to 80 per cent of the export invoice value and should be related to the essential production expenditures—for example, cost of materials, wages, and overhead. The German exporter is charged with the full cost of the credit, plus any extra charges which may arise.

## Credits to Many Countries

Customers in many lands have benefited from the extension of easier credit terms to German exporters supported by the AKA. The table on page 26 is taken from the 1952 annual report of the company and demonstrates the extent of its operations. It should be noted that neither the A nor B ceiling of DM270 million and DM600 million, respectively, was fully utilized, reportedly because of the high cost of the credit and its restricted duration. Only a small proportion of applications were refused. At present, however, the B quota is completely taken up.

## Guarantees against Currency Risks

The Hermes Credit Insurance A.G. was established by the German Federal Government to underwrite guarantees and sureties between German exporters and foreign purchasers. The guarantees extended to the exporter cover the following types of risk: manufacturing loss through cancellation, market loss from economic and political developments (war and embargo risk, moratorium), and blocking and delays in the settlement of clearing and payment agreements. Losses of exchange are not covered, with the exception of losses arising from the transfer of amounts paid over clearing accounts and resulting from currency devaluation by the importing country.

## Credits Granted by the German Exports Credit Corporation (AKA) by Areas and Countries

The 451 credit contracts which were running on March 31, 1953, were distributed among the various foreign markets as follows:

	<i>A—Credits</i>	<i>B—Credits</i>	<i>Total</i>
	<i>DM</i>	<i>DM</i>	<i>DM</i>
EPU countries .....	22,608,000	161,080,261	183,688,261
Sterling area .....	29,815,700	60,366,461	90,182,161
Offset account countries .....	61,984,000	165,337,917	227,321,917
Dollar countries .....	13,035,000	51,338,370	64,373,370
Various countries collective credits .....		68,895,443	68,895,443
<b>Total .....</b>	<b>127,442,700</b>	<b>507,018,452</b>	<b>634,461,152</b>

Out of these credits, the engagements of the following countries are specially worth mentioning:

	<i>A—Credits</i>	<i>B—Credits</i>	<i>Total</i>
	<i>DM</i>	<i>DM</i>	<i>DM</i>
Argentina .....	55,666,500	67,183,563	122,850,063
Brazil .....	108,100	43,102,482	43,210,582
India .....	7,354,900	16,546,859	23,901,759
Mexico .....	7,000,000	17,347,859	24,347,859
Sweden .....	2,021,000	23,920,604	25,941,604
South Africa .....	18,554,900	28,126,443	46,681,343
Turkey .....	10,728,800	17,598,473	28,327,273

In the cases of Argentina, Brazil and Turkey, the engagements are increased by legally binding financing promises as follows:

	<i>A—Credits</i>	<i>B—Credits</i>	<i>Total</i>
	<i>DM</i>	<i>DM</i>	<i>DM</i>
Argentina .....	6,600,000	.....	129,450,000
Brazil .....	.....	2,000,000	45,210,582
Turkey .....	12,000,000	3,470,000	43,797,273

Average value of credits under A ceiling was DM2.65 million, and under the B ceiling, DM1.25 million, reflecting the fact that the credits have been issued for the most part for large export contracts, especially for the export of machinery, electrical equipment, tractors and other vehicles. Value of export shipments partly financed by the AKA to March 3, 1953, totalled DM1,309 million.

The breakdown by major industries was as follows:

<i>Industrial Branch</i>	<i>A—Credits</i>	<i>B—Credits</i>	<i>Total</i>
	<i>DM</i>	<i>DM</i>	<i>DM</i>
Construction .....		2,400,000	2,400,000
Chemicals .....	1,536,000	62,934,000	64,470,000
Printing and paper .....		2,857,000	2,857,000
Iron, sheet and metal goods .....		10,700,977	10,700,977
Electrical equipment .....	865,000	125,727,000	126,592,000
Vehicles .....	89,716,000	74,647,305	164,363,305
Optical and precision industries .....	875,000	7,681,600	8,556,600
Glass and ceramics .....	539,000	1,355,500	1,894,500
Wood .....		2,795	2,795
Leather production .....		170,000	170,000
Machinery .....	29,045,700	171,333,975	200,379,675
Non-ferrous metals .....		1,200,000	1,200,000
Shipbuilding .....		19,385,000	19,385,000
Steel construction .....	3,639,000	1,734,800	5,473,800
Stones and earths .....		433,500	433,500
Textiles .....		385,000	385,000
Food processing and stimulants .....	1,227,000	4,990,000	6,217,000
Iron and steel .....		19,080,000	19,080,000
<b>Total .....</b>	<b>127,442,700</b>	<b>507,018,000</b>	<b>634,461,152</b>

The receiver of this insurance must himself cover from 15 to 50 per cent in the case of economic risks and from 10 to 40 per cent in the case of political risk. Self-financing of transfer risks was recently fixed at 10 per cent. Fees to be paid to the Hermes Company amount to 1.5 per cent of the invoice value. The maximum established for export guarantees has increased from DM120 million (1949) to DM4 billion (June 1953).

### Exempt from Turnover Tax

As in many other countries, in Germany the final export sale to foreign customers is not subject to taxation on turnover. Moreover, both the trader and the exporting manufacturer are eligible to receive a refund on taxes paid on previous turnover of the goods exported.

- The export trader is entitled to apply for a refund of the turnover tax included in the price paid to the export manufacturer. The rebate amounts to 4 per cent for all products with the exception of fats, milk, sugar, semolina, etc., for which the rebate is 3 per cent, and grain, flour, bran and confectionery, with a rebate of 1.5 per cent.

- The export manufacturer is eligible to receive a refund on turnover taxes paid in former stages of processing. The rebate is specified as follows:

Stage of Processing	Rebate in per cent
Raw materials .....	0.5
Semi-finished goods .....	1
Finished goods—components .....	2
Finished goods—final products .....	3

The export trader may also obtain this export refund provided that the goods are not further altered before export.

In all cases the refunds are subject to numerous conditions which exclude minor transactions and ensure that the purpose of the law is observed.

### Tax-free Reserves and Tax Exemptions

The export promotion laws allow exporters to establish a *tax-free reserve* deducted from taxable income up to 3½ per cent of the gross value of export sales. Each year for the following ten years, 10 per cent of this reserve fund becomes liable to income tax.

More important are income tax exemptions which are granted as follows:

TYPE OF TRANSACTION	Amount deductible from income	Tax-free reserve
Export deliveries by trader, components and final products	1½ per cent	1½ per cent
Export deliveries by manufacturer		
(a) components .....	3 " "	3 " "
(b) final products .....	3½ " "	3½ " "

TYPE OF TRANSACTION	from income Amount deductible	reserve Tax-free
Landings of fish at foreign ports		
(a) unprocessed .....	3 " "	3 " "
(b) final products .....	3½ " "	3½ " "
Deliveries by manufacturer to export trade		
(a) components .....	3 " "	3 " "
(b) final products .....	3½ " "	3½ " "
Transit deliveries		
(a) uninterrupted .....	10 " "	.....
(b) interrupted .....	6 " "	.....
Processing transactions for foreign accounts .....	4 " "	.....

Under the income tax law, the total of deductions for the income tax reserve and exemptions is limited to 50 per cent of the profit the firm has realized during the year.

### Foreign Exchange Incentives

Less than two years ago the import bonus rights which accrued to German exporters to dollar countries could be sold to importers at a premium as high as 15 per cent, despite the fact that types of commodities which could be imported under this scheme were restricted. However, by late 1953 the premium had fallen to about 2 to 3 per cent, and on December 31, 1953, the rights were abolished. The only exchange incentive still in operation is a foreign exchange operating fund, whereby 4 per cent of the gross proceeds from export sales may be used by the exporter for imports proved to have a beneficial effect on the firm's exports.

### Future Developments

Economics Minister Erhard has stated repeatedly that subsidies and export promotion measures falsify natural competitive conditions and that they should be eliminated on an international scale as soon as possible. He stated recently that wherever the Government had become the most important factor in competition, true efficiency was seriously endangered. On the other hand, there is no doubt that a substantial part of the German export trade believes that increased assistance to exporters, in the form of longer, lower cost credits and income tax relief, is desirable and even essential if Germany is to offer terms comparable to those granted by other modern industrial nations.

Whatever the future may hold, it is probably unwise to attribute great significance so far to the role of German financial export incentives. Germany's post-war export successes stand on much firmer ground than the superficial support which these aids provide.

### Index to "Foreign Trade"

The index to "Foreign Trade" from July 4, 1953, to the end of January 1954, issues No. 340-370, is now available. If you would like a copy, write to "Foreign Trade," Information Branch, Department of Trade and Commerce.

# commodity notes

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## Argentina

**RAILWAY RAILS**—A Tokyo newspaper article states that the Japanese firm "Yawata" has undertaken to supply Argentina with railway rails valued at \$5½ million, taking in return wheat and wool on the basis of ruling international prices—Buenos Aires, May 5.

**COAL**—Further exploration in the Rio Turbio coal fields, already under extensive development, have increased the known reserves of coal by a further 10 million metric tons, bringing them up to 360 million metric tons—Buenos Aires, May 4.

## Australia

**MUTTON**—Private traders in Australia have shipped 1,500 tons of mutton to Russia during the present fiscal year which ends June 30th. These shipments were part of the 4,000 tons which Australia has the right to sell each year on the open market under the terms of the U.K.-Australian meat agreement—Sydney, May 1.

## Brazil

**CODFISH**—In the first three months of 1954 the following codfish imports arrived at the Port of Santos: Norway, 2,005,105 kilos; Iceland, 880,937 kilos; Denmark, 540,985 kilos; Canada, 134,939 kilos; Netherlands, 3,480 kilos, a total of 3,565,446 kilos. Although the greater part of Canadian codfish sales to Brazil are traditionally made in the north, it is interesting to note that some fish has been delivered for consumption in São Paulo State and the south—São Paulo, May 15.

## Chile

**BEEET SUGAR**—A sugar beet factory at Los Angeles, erected under the supervision of German technicians, began operations in April. Sponsored by the Chilean Development Corporation, the plant cost about 400 million Chilean pesos, plus US\$3 million spent to buy German machinery. Some three million hectares of sugar beets have been sown in the province of Bio-Bio to supply the new factory. Later, two more plants will be built, with the object of producing altogether about 60 thousand tons of sugar

a year, out of Chile's total consumption of 250 thousand tons, at present imported from the dollar area—Santiago, May 8.

## Cuba

**MANGOES**—Export of mangoes to the United States has begun, following negotiations which resulted in the removal of the standing U.S. ban on imported mangoes which were believed to be pest-carriers. This tropical fruit will now come closer to the Canadian consumer. The export season began on April 15th and a range of eight varieties has been approved for export. The Cuban authorities look to the consolidation of a steady export market for this fruit in the United States and Canada—Havana, May 13.

## El Salvador

**COTTON**—El Salvador's 1953-54 cotton crop totalled 233,979 quintals, with a value of C19 million. Of this, 163,002 quintals with a value of C14,631,922 have been exported to date. The buyers, in order of importance, were Germany, Netherlands, Britain, Japan, Spain, Honduras, Italy and Sweden. Another C3 million worth of cotton destined for export was destroyed by fire in the warehouses of the Cooperativa Salvadorena at Soyapango. The Cooperativa did not suffer any loss because the stocks were insured—Guatemala, May 6.

## Israel

**PLASTIC YARN**—A factory, financed largely with United States capital and believed to be the first of its kind in Israel, recently began to produce plastic yarn for the manufacture of insect screening nets, luggage, upholstery, cloth, ropes and military camouflage nets. The present capacity of the plant is stated to be 200 tons of yarn a year. Export markets are expected in Turkey, Italy and South Africa—Athens, May 12.

## Philippines

**SUGAR**—The Philippines Sugar Quota Administration forecasts a bumper sugar crop for the 1953-54 production year. Output is estimated at 1,367,000 short tons, some 107 thousand short tons more than required for domestic and export quotas. The export

quota for the United States is about 950 thousand short tons, the domestic quota some 280 thousand short tons. Export quota for markets other than the U.S. is approximately 27,500 tons. This record sugar production is the result of favourable weather and absence of typhoons—Manila, May 4.

### South Africa

OYSTERS—South African experiments in oyster culture in the Knysna Lagoon, Cape Province, have proved successful, especially those with an imported Portuguese oyster. This oyster grows to maturity in 18 months, a more rapid rate than in European waters. Testing of domestic strains has not been concluded but one species with a particularly good flavour offers excellent possibilities—Cape Town, May 12.

### Spain

ALUMINUM—The "Empresa Nacional del Aluminio," an organization in which the Spanish Government has a controlling interest, reached a production of 3,000 metric tons of aluminum ingot in 1953. This year, with new equipment being installed, it hopes to increase annual output to 7,000 metric tons—Madrid, May 7.

### Sweden

AUTOMOBILES—A total of 89,655 automobiles was sold in Sweden during 1953, as compared with 63,910 in 1952. This raised the number of registered automobiles and trucks to 543 thousand, of which about 80 per cent are private cars, 19 per cent trucks and about 1 per cent buses. Of the 79 types sold, the most popular were Volvo (Swedish), Fod, Volkswagen (German), Opel and Morris—Stockholm, May 5.

### United States

SHOES—Maine's shoe industry jumped to sixth place in the U.S. industry in 1952 and present estimates indicate that it achieved fourth position last year. During 1952 Maine shoe factories turned out 37,917,000 pairs of shoes valued at \$125 million, and the industry recorded an increase in output of 15.5 per cent, as compared with a national increase of 8.3 per cent. Rate of increase for the New England area was 11.2 per cent. During 1952 the leading shoe-producing states in order were Massachusetts, New York, Missouri, Pennsylvania, New Hampshire and Maine—Boston, May 19.

TACONITE—Eighteen thousand long tons of taconite pellets tumbled down the chutes of the loading docks at Two Harbors, Michigan, on April 19th. The ship-

ment was bound for Toledo, Ohio, where it will be smelted much like the rich Mesabi ore that has until now been the main cargo for Great Lakes ore carriers.

Taconite is a hard red rock that underlies iron ore deposits. It contains iron but the problem has been to get it out economically. This now can be done by grinding and magnetic separation. The pellets obtained contain 63 per cent iron in comparison with the 52 per cent in Mesabi ore. Though the nation's rich iron ore reserves are limited, there are virtually endless amounts of taconite. This shipment of taconite came from the Reserve plant at Babbitt, an old iron-mining town that was abandoned when its ore ran out—Detroit, May 21.

### Venezuela

CANADIAN HOGS—The first half of an initial order of 660 head of weanling pigs from Canada has arrived in Venezuela by chartered aircraft. The animals were in excellent condition despite their 15-hour flight and received favourable comment. The order was placed by the Ministry of Agriculture and Livestock for re-sale at cost to commercial producers, with the exception of a few purebreds which were sent to government farms. The shipment consisted mostly of Berkshires and Tamworths with perhaps 20 per cent Yorkshires, although the latter breed is not too popular in Venezuela as it is considered to be more susceptible to sunburn and heat fatigue—Caracas, May 17.

### West Germany

ALUMINUM—Germany's 1953 production of raw aluminum amounted to 107 thousand tons, exceeding that of 1952 by 6 per cent. According to the industry's trade paper, the favourable trend in costs enabled the aluminum foundries in mid-June 1953 to reduce their selling price and, at the same time, reintroduce the delivery term "free consumer's plant" which was formerly in use.

The semi-finished light metal goods industry established another postwar record with production of 105,355 tons of semi-finished articles made of aluminum and aluminum alloys (including "Leitaluminum"). This exceeded 1952 production of 90,317 tons by 16.7 per cent (90,317 tons), and that of 1951, the previous record year, by 10 per cent.

The production by smelting plants of reclaimed aluminum (pure aluminum and aluminum alloys) lagged behind that of 1952 by almost 7 per cent and amounted to approximately 42,450 tons. The annual production figure of the foundries (castings of aluminum and aluminum alloys) is not available yet but here again a steady upward trend can be expected—Bonn, May 26.

# Dairy Cattle for the Northeastern States

*Last year Canada supplied over 35 thousand head of dairy cattle to the eleven Northeastern States, and indications are that this market will hold up well in the current year.*

W. L. PORTEOUS, *Assistant Agricultural Secretary, Washington.*

DURING THE WAR, Canadian farmers began to take advantage of an active market for dairy cows in the United States and sales have continued in the postwar years. The outbreak of foot and mouth disease in Saskatchewan prevented shipments for ten months of 1952, but exports were resumed in volume in the ten months of 1953 after the embargo was lifted.

Most of this trade in dairy cattle is carried on between eastern Canada and the eleven Northeastern States. Canadian export statistics show that approximately 41 thousand head were exported to the United States in 1953, and United States Department of Agriculture sources indicate that 35 thousand entered the eleven Northeastern States. Some interesting market developments have taken place in this area and further adjustments seem likely throughout 1954.

## Imports from Canada

The Crop Reporting Board of the U.S. Department of Agriculture estimates that Canada supplied the Northeastern States with 35,067 dairy cattle, which was equal to 40 per cent of the "out-of-state" inshipments, in 1953 (see Table I). This was double the number supplied in 1940 but far below the record of 94,848 established in 1948. New York State took over 12 thousand head and Vermont almost 10 thousand, to account for about three-fifths of the total last year.

Canada's chief competitors in this market are locally-raised cattle which move inter-state and shipments from Ohio, Michigan, Wisconsin, and Minnesota. To

a large extent, however, Canada has replaced these four as a source of supply for the Northeastern States. They provided 27.5 per cent of the dairy cattle going to those destinations in 1940 and 12.6 per cent in 1953. During the same period, Canada's share increased from 17.4 to 39.9 per cent. Approximately the same percentage of cattle was obtained from within the area in both years.

Although imports are important in terms of numbers, they provide only a small proportion of the annual replacements. Net inshipments in 1953 provided 3.5 per cent of the replacements—less than half the average for the past ten years. In 1948 a record of 12.3 per cent of the replacements for dairy herds came from inshipments and 58 per cent of these were from Canadian sources. Some 928 thousand head of dairy cows and heifers were culled from herds in the Northeast in 1953—124 thousand head, or 15 per cent more than in 1952. The number culled represented 18 per cent of the number of milk cows and heifers one year old and over, a rate equal to the 1941-50 average.

## Prospects for 1954

Two recent decisions may have a considerable effect on the market for dairy cattle in the Northeastern States. On April 1 Secretary of Agriculture Benson cut the price supports on dairy products from 90 to 75 per cent of parity. With continuing ample supplies in prospect, this will probably result in some reduction in the income of dairy farmers compared with the

TABLE I

"Out-of-State" Dairy Cattle Shipped into 11 Northeastern States by Area of Origin, 1940-53

Year	Eleven Northeastern States	Canada	Ohio, Michigan Wisconsin Minnesota	All Other States	Total
1940-44	51,779	29,667	24,319	5,787	111,552
1945-49	43,318	69,823	23,428	3,858	140,427
1950	48,602	55,463	13,789	3,004	120,858
1951	46,716	47,142	13,647	4,285	111,790
1952	41,267	5,962	14,155	5,558	66,942
1953	37,331	35,067	11,085	4,368	87,851

Source: "Interstate Movement of Dairy Cattle"; USDA, AMS, March 1953.

**TABLE II**  
**Costs and Returns on Selected Central Northeast**  
**Commercial Family-Operated Dairy**  
**Farms, 1953, with Comparisons**

<i>Item</i>	<i>Unit</i>	1947-49	1951	1952	1953
Gross farm income .....	Dollar	8,822	10,065	9,820	8,826
Total farm expense .....	"	4,930	5,590	6,038	5,965
Net farm income .....	"	3,892	4,475	3,782	2,861
Total charge for capital .....	"	1,041	1,308	1,474	1,403
Charge for real estate capital .....	"	459	513	565	566
Charge for working capital .....	"	582	795	909	837
Return to operator and family for labour and management .....	"	2,851	3,167	2,308	1,458
Operator-family purchasing power (1937-41 dollars) .....	"	1,447	1,466	1,059	669
		Index numbers (1947-49=100)			
Net farm production .....		100	113	113	113
Prices received for products sold .....		100	103	101	90
Prices paid including wages to hired labour .....		100	106	114	109
Production per unit of input .....		100	104	102	100

Source: "The Dairy Situation"; USDA, AMS; March 1953.

**TABLE III**  
**Canadian Exports of Dairy Cattle to the U.S.**  
**1947-53**

	1947-49	1950	1951	1952*	1953*
			NUMBER		
Pure-bred cattle .....	31,128	22,726	18,948	2,357	19,620
Dairy cattle (200-700 lb.) .....	121	584	456	26	106
Dairy cattle (over 700 lb.) .....	59,475	46,459	36,881	5,062	21,647

\* Because of the outbreak of foot and mouth disease, shipments were limited to two months in 1952 and ten months in 1953.

1953 levels. Table II indicates clearly what has happened to dairy farm income since 1947. It shows also the small reduction in output made in response to the lower prices received for dairy products. Since other alternative farm enterprises in the area are not likely to be any more attractive, farmers will look with more favour in 1954 on the continuous income from the sale of milk.

The second decision of the Department is to launch a nation-wide educational program to increase the rate of culling of low-producing dairy cattle. Some experts say that culling has been below normal because of low beef prices. If beef prices strengthen as predicted, the program may have a fair chance of success.

An indication of the recent pattern of Canadian exports is given in Table III. The trade statistics do not distinguish between pure-bred beef and dairy cattle but it is assumed that the latter are in the majority. It is interesting to note that this apparently is the more stable component of total exports. Exports of pure-bred cattle decreased 37 per cent between 1947-49 and 1953 but other dairy cattle decreased by 64 per cent.

It is probable that 1954 as a whole will see a good though selective market for Canadian dairy cattle.

Irrespective of lower dairy price supports and a weakened economic position, most farmers will remain in business. However, because of high operating costs they will be looking for high-producing cows in an attempt to improve their profits. Dairy cow numbers in the United States began increasing in the last half of 1952 and in the past, the average quality and milk production per cow has decreased when numbers increased. In the current upturn the average production per cow has steadily increased. This trend is likely to continue and farmers will show less interest than before in below-average and average producers.

*In 1953, nearly 260 thousand United States firms gave away 12.5 billion books of matches at a record cost of \$27 million. According to the match industry's information bureau, 500 billion matches were used during the year, about half of which were book matches. The 500 billion total represents 3,333 matches per capita, a figure that is surpassed slightly by per capita cigarette consumption. One out of every 15 of the country's business establishments put its messages on match books, and nine out of ten books were distributed free. Because of the giveaway habit, the average American spent only 31 cents for matches last year.*

# trade and tariff regulations

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## Austria

**CHANGES IN TARIFF REDUCTIONS**—Effective May 9, Austria revised its list of goods on which customs duties are temporarily reduced or suspended. A notice concerning the Austrian list of tariff reductions established for January to June, 1954, was published in *Foreign Trade* of February 20, 1954.

Among these changes, the duties on rye and barley are no longer suspended, but the Austrian Minister of Finance is now authorized to reduce or suspend the duties on these commodities in individual cases in so far as this is required to avoid disturbances in the price structure. Further, a provision was cancelled under which duties on machinery and apparatus not manufactured in Austria had been temporarily limited to 8 per cent of their landed value.

## Barbados

**IMPORT LICENSING ANNOUNCEMENT**—The Controller of Supplies, Barbados, has announced that, effective March 23, an Open General Licence has been granted to import the following additional goods from any country:

Newsprint	Split peas
Kraft paper	Meat (excluding pickled pork)
Cheese	Canned fish (excluding pilchards and salmon)
Powdered and canned milk	

Canned pilchards will be placed on Open General Licence on July 1, 1954, and canned salmon on October 1, 1954.

The items previously announced to be on Open General Licence are:

Fish, dried, smoked, pickled and salted	Animal feedingstuffs, excluding coconut meal, cotton seed meal, wheat and wheat flour.
Onions	
Potatoes	

The licence is granted on condition that the importer or consignee shall be required to produce a certificate of origin for such imports, and that approval of the Financial Secretary shall be obtained, prior to importation of the goods, where payment is to be made to a country other than the country of origin of the goods.

## Benelux

**DOLLAR IMPORTS SIGNIFICANTLY FREED**—It is understood that effective June 1, Belgium, the

Netherlands and Luxembourg have instituted a common policy for imports from the dollar area. As a result, the number of products which may be freely imported into these countries from the dollar area has been considerably increased.

Complete details of the goods freed from controls or an assessment of the likely effects of the measure on Canadian exports are not yet available. It is reported that the Benelux countries have established a common list for dollar imports under which dollar goods may now be imported on the same basis as goods originating in Western Europe.

Since the Netherlands had been restricting most dollar imports, except a limited number of essentials, the adoption of the common import policy with her Benelux partners represents a very significant advance in opening this market for imports from Canada and other countries in the dollar area.

It is expected that a full report on this measure will be available for publication in the next issue of *Foreign Trade* which will be a special issue devoted to business conditions in Europe.

## Colombia

**CONSULAR REQUIREMENTS SUSPENDED**—Colombian Decree No. 867 regarding consular requirements was suspended on May 19 by authority of Decree No. 1572.

It is understood that new regulations will be proclaimed after July 1, 1954.

## Denmark

**TRADE WITH DOLLAR AREA**—Shortly after the Danish Government announced that import restrictions from dollar countries would to a certain extent be alleviated, it was decided to reduce the number of countries to which the Danish dollar export bonus scheme applies. Applications for the import of raw materials or semi-manufactured goods from the dollar area will now be approved if the prices of competing articles originating in non-dollar countries are more than from 8 to 10 per cent higher than the dollar equivalents. The dollar export bonus scheme will now only apply to actual exports to dollar countries—i.e., countries situated on the American continents, their dependencies and the Philippines—Oslo, May 24.

## Greece

**CUSTOMS TARIFF REVISED**—A number of revisions have been made in the Greek customs tariff. Among these changes, new tariff definitions have been established for a number of commodities resulting in some cases in changing the rates of duty applicable to them. For example, duties have thus been reduced on used tires for reconditioning, scrap of copper alloys, waterproofed paper in rolls for wrapping wire and paper for making containers for Greek products. On the other hand, increases have been made in the duties on various articles, including elastic ribbons and fabrics of synthetic fibres, ethylene glycol and cellulose preparations for building work.

Many of the revisions are 50 per cent increases in specific duties restoring these duties to their former levels before Greece devalued its currency on April 9, 1953. Among the items thus increased, the following appear to be of interest to Canadian exporters: canned sardines; canned lobsters; wheat flour; preserved fruits and vegetables; linseed oil; plywood boards; furniture wood of plywood; barrel staves; parquet planks; bolts and nuts for assembling machines; washing machines; aluminum in bars, plates, sheets, foil, pipes, special forms for further working, and aluminum utensils; binder twine; hat shapes of felt; spectacles and frames of metals and synthetic plastic materials.

Further, advertising material printed in a language other than Greek was made subject to a duty of about 14 cents per pound. Hitherto advertising matter in small quantities had been admitted into Greece duty-free.

Another Greek measure, effective March 23, allows machinery, spare parts, accessories and mechanical equipment imported by mining undertakings to be imported at one-half of the normal duties and other taxes—Athens, May 10

*Detailed information as to tariff revisions on individual items may be obtained from the International Trade Relations Branch of the Department.*

## Grenada

**LICENSING ANNOUNCEMENT**—The Control Authority in Grenada recently announced that an Open General Licence has been granted to import the following goods from any country:

Meat	Cheese
Fish, dried, smoked, pickled and salted	Animal feeding stuffs Powdered and canned milk

Canned fish  
Onions  
Potatoes

Split peas  
Newsprint  
Kraft paper

## Ireland

**IMPORT CONTROLS**—By four quota orders, issued under the Control of Imports Acts 1934 and 1937, the Government of the Republic of Ireland has announced additional quotas as follows:

*Certain electric filament lamps (100-250 volts 1/1500 watts):* 50,000 articles, as against a similar quantity for the previous six months.

*Certain woven cotton piece goods:* 1,520,000 square yards, as against 1,170,000 square yards for the previous six months.

*Certain woven cotton piece goods:* 2,400,000 square yards, as against 1,910,000 square yards for the previous six months.

The quota period fixed in all of the above cases extends from June 1, 1954, to November 30, 1954.

*Certain woven cotton piece goods:* 50,000 square yards, as against a similar quantity for previous six months' quota. The quota period fixed in this case is from June 1, 1954, to May 31, 1955—Dublin, May 12.

## Netherlands

**IMPORTS OF OILS, FATS AND OILSEEDS RELEASED**—On May 9, 1954, the Netherlands Government returned the imports of oils, fats and oilseeds to private traders. In addition to private imports, a temporary arrangement provides for the possibility of purchasing these products from stocks held by the Government in order to balance supply and demand during the transition period. Purchases intended for export will, however, be subject to quantitative restrictions. This temporary arrangement will be effective until August 22, 1954.

This release of imports will not apply to linseed and linseed oil, for which a special arrangement will remain in force for the present—The Hague, May 20.

## United States

**DUTY ON PICKETS USED IN PRODUCTION OF WINDOW SHADE ROLLERS**—A decision of the United States Court of Customs Appeals, C.A.D. 555, published in weekly *Treasury Decisions* of May 6, 1954, upheld the Customs Court finding that certain pieces of wood, invoiced as "pickets", and sawn to sizes one inch by one inch by 18 to 44 inches, squared at the ends and to be used in the production of window shade rollers, were entitled to entry free of duty as "pickets" under tariff paragraph 1805.

The following nominal quotations may prove useful in checking prices. Canadian traders should consult their banks before making any firm commitments.

Conversions into Canadian dollars have been made at cross rates with sterling or the United States dollar on the date shown.

Except when buying and selling rates are specified, the mid rates only are quoted. The buying rate is that at which banks purchase exchange from exporters. The selling rate is that at which banks sell exchange to importers.

When several rates are indicated, the rate applicable depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the International Trade Relations Branch, Department of Trade and Commerce, Ottawa.

Rates used exclusively in non-merchandise trading are not included in the table.

For conversion to United States dollar equivalents multiply by 1.01878.

# foreign exchange rates

Country	Unit	Type of Exchange	Canadian dollar equiv. May 28	Notes (See below)
Argentina	Peso	Preferential buying	.1309	(1)
		Basic buying	.1963	
		Preferential selling	.1963	
		Basic selling	.1309	
		Free	.07065	
Austria	Schilling		.03775	
Australia	Pound		2.2130	
Belgium Luxembourg & Belgian Dependencies	Franc		.01958	
Bolivia	Boliviano	Official	.00517	
British West Indies	Dollar		.5763	(3)
	Pound		2.7663	(4)
Brazil	Cruzeiro	Brit. Honduras	.6915	tax 8%
		Official selling	.05215	
		Effective buying	.03461	
		Coffee buying	.04202	(2)
				(5)
Burma	Kyat		.2061	
Ceylon	Rupee		.2075	
Chile	Peso	Official	.00892	(1)
Colombia	Peso	Basic	.3926	
Costa Rica	Colon	Official	.1748	(6)
		Controlled free	.1478	
Cuba	Peso		.9816	tax 2%
Czechoslovakia	Koruna		.1363	
Denmark	Krone		.1421	
Dominican Republic	Peso		.9816	
Ecuador	Sucre	Official	.06544	
		Free	.05674	
Egypt	Pound		2.8186	
Fiji	Pound		2.4921	
Finland	Markka		.00427	
France	Franc		.00281	(7)
French Africa	Franc		.00561	(8)
French Pacific	Franc		.01543	(9)
Germany	D Mark		.2337	
Greece	Drachma		.03272	
Guatemala	Quetzal		.9816	
Haiti	Gourde		.1963	
Honduras	Lempira		.4908	
Hong Kong	Dollar	Free	.1707	*May 14
		Official	.06027	
Iceland	Krona	Official	.06027	
		Special buying	.04641	
		Special selling	.03739	
India	Rupee		.2075	
Indonesia	Rupiah	Basic	.08610	(10)
Iran	Rial	Certificate	.01088	
Iraq	Dinar		2.7484	

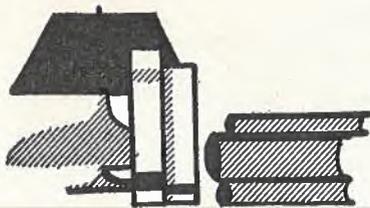
\* Latest available quotation date.

Country	Unit	Type of Exchange	Canadian dollar equiv. May 28	(See below) Notes
Ireland	Pound		2.7663	
Israel	Pound	Effective basic	.9816	
		Premium	.5453	
Italy	Lira		.00158	
Japan	Yen		.00273	
Lebanon	Pound	Free	.3067	
Mexico	Peso		.07853	
Netherlands	Guilder		.2595	
Netherlands Antilles	Guilder		.5205	
New Zealand	Pound		2.7663	
Nicaragua	Cordoba	Effective buying	.1487	(11)
		Official selling	.1392	
		With Surcharge I	.1219	
		With Surcharge II	.09767	
Norway	Krone		.1374	
Pakistan	Rupee		.2967	
Panama	Balboa		.9816	
Paraguay	Guarani	Basic	.06544	(1)
		With Surcharge I	.04674	
		With Surcharge II	.03272	(12)
Peru	Sol	Certificate	.05021	
Philippines	Peso		.4908	tax 17% (2)
Portugal	Escudo		.03426	(13)
El Salvador	Colon		.3926	
Singapore & Malaya	Straits dollar		.3227	
South Africa (Union of)	Pound		2.7663	
Spain & Dependencies	Peseta	Basic buying	.04482	
		Basic selling	.08748	
		Basic commercial selling	.05976	(1)
		Free	.02520	
Sweden	Krona		.1897	
Switzerland	Franc		.2290	
Syria	Pound	Free	.2739	*April 9
Thailand	Baht	Official	.07853	(1)
		Free	.04517	*March 5
Turkey	Lira		.3506	
United Kingdom	Pound		2.7663	
United States	Dollar		.9816	
Uruguay	Peso	Official	.6462	
		Basic buying	.5514	
		Special buying	.4177	(1)
		Basic selling	.5166	
		Special selling	.4006	
Venezuela	Bolivar		.2930	(14)
Yugoslavia	Dinar		.00327	

\* Latest available quotation date.

## notes

1. Additional rates are in effect for specified goods.
2. Tax affects selling (import) rates only; certain essential imports exempt.
3. Barbados, Trinidad, Tobago, Leeward and Windward Is., Brit. Guiana.
4. Bahamas, Bermuda, Jamaica.
5. Brazil: Effective import rate is official rate plus free certificate rate. Certificate rate varies according to commodity.
6. Costa Rica: Official rate applies to all Costa Rican exports.
7. Metropolitan France, Algeria, Tunisia, Morocco, French Guiana, Guadeloupe, Martinique.
8. Equatorial Africa, West Africa, Cameroons, Togoland, Somaliland, Madagascar, Reunion, St. Pierre and Miquelon.
9. New Caledonia, New Hebrides, Oceania.
10. Indonesia: Basic rate applies to all exports and essential imports. Rupiah value for other than essential imports is reduced by 33½ per cent, 100 per cent or 200 per cent depending on product.
11. Nicaragua: Effective buying rate applies to all Nicaraguan exports.
12. Paraguay: Basic rate applies to most Paraguayan exports.
13. Approximately same rate for currencies of Portuguese Territories in Africa.
14. Venezuela: There are special rates for exports of petroleum, cocoa and coffee.



## businessman's bookshelf

### **The President's Program for a Foreign Economic Policy**

*United States Council of the International Chamber of Commerce. 32 pages. 50 cents.*

CANADIANS who are interested in the views of an important cross-section of the U.S. business community on the President's program for a foreign economic policy will find this booklet illuminating. On the left-hand pages the text of the President's message to Congress appears, section by section; on the right-hand pages, the comments of the U.S. Council on that program. The Council supports the program wholeheartedly but believes that, at certain points, it does not go far enough. For example, it believes that "Import quotas (on agricultural products) are fundamentally undesirable" and that "domestic agricultural support programs should be so operated as to minimize the need for import restrictions". Similarly, it opposes the "peril point" concept and thinks that "if the 'escape clause' must be retained, 'serious injury' should be redefined". Its views on U.S. investment abroad and on convertibility are set forth in considerable detail.

*Order from: U.S. Council, The International Chamber of Commerce, Inc., 103 Park Avenue, New York 17, New York.*

### **Year Book and Guide to East Africa, 1954**

*Edited by A. Gordon Brown. 436 pages plus appendix. \$3.00.*

RECOGNIZED AS A STANDARD AND RELIABLE REFERENCE, this annual is a companion piece to the *Year Book and Guide to Southern Africa*; both are produced by the Union-Castle Mail Steamship Co. Ltd. The *Guide to East Africa* covers Kenya, Uganda, Tanganyika, Zanzibar, Nyasaland, Portuguese East Africa, the Sudan, Mauritius and, in less detail, Egypt, Eritrea, Somaliland, Ethiopia, Congo, Madagascar and Reunion. In his preface the editor notes the Federation of Northern and Southern Rhodesia and Nyasaland, approved in 1953, and says that in future issues Nyasaland will be transferred to the *Year Book and Guide to Southern Africa*.

Valuable for the prospective business or pleasure traveller, the *Guide to East Africa* also provides the casual reader with fascinating glimpses of these exotic countries. Its over 500 pages include sections on history, transportation, commerce, accommodation, agriculture, mining and an atlas in colour.

*Order from: H. W. Wilson Co., 950-972 University Avenue, New York 52, N.Y.*

### **A Consumer Study of the Bermuda Market**

*The Royal Gazette, Hamilton. 29 pages. Free.*

IN 1952, Canada found in Bermuda a market for over \$3.1 million worth of goods, mainly whisky, foodstuffs, and wood products. That same year, Bermuda's total import bill was \$24 million. This small but active market, swollen each year by thousands of tourists, is analyzed in this survey undertaken by the island's veteran newspaper, the *Royal Gazette*. Based on approximately a 1-50 sample of the 9,319 Bermuda households, it delves into family makeup, income classes (52.5 per cent are in the "middle income" group), buying habits, ownership of consumer durables, and so on. Canadian exporters, particularly those selling canned and packaged foods and household appliances, should find it helpful.

*Order from: The Royal Gazette, Hamilton, Bermuda.*

### **The Colonies in Pictures**

*Colonial Office and Central Office of Information, London. 103 pages. 50 cents.*

THE SPLENDID PHOTOGRAPHS which make up this booklet tell the story of the people, their problems and their progress in the British colonies in Africa, the Malay Archipelago, the Caribbean, on islands and at outposts. A good deal of information is packed into the brief captions. The *Colonies in Pictures* will interest everyone, but would probably be most useful in the classroom.

*Order from: United Kingdom Information Office, 275 Albert Street, Ottawa.*