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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

Canadian Timber in Britain Today and Tomorrow

FOREIGN TRADE

MARCH 4, 1967 Vol. 127 No. 5

COVER: This was the first full cargo of packaged timber ever to be unloaded at the port of Glasgow. This shipment from Montreal is shown being discharged from the freighter "Irish Willow" at the King George V dock. The next five years should bring increasing demands for Canadian timber and the trend towards packaged lumber will influence distribution methods. Both these aspects of the timber trade are discussed in the first two articles in this issue.

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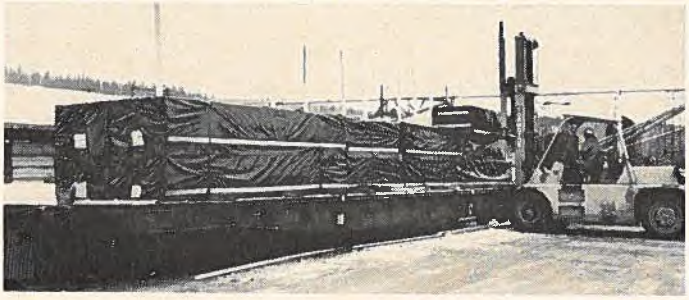
COMING—THE MARKET IN MICHIGAN AND THE MIDWEST, MARCH 18 ISSUE

Canadian Timber in Britain Today and Tomorrow

The British Government's stepped-up housing plans should ensure the steady growth of our timber trade. Well-planned promotion of timber frame construction and efficient handling methods are the main techniques being used to sell more Canadian timber in a market where Soviet and Scandinavian competition has always been strong.



Techniques of distribution are changing with the advent of packaged timber and larger consignments. Some agents have amalgamated to make distribution quicker and more efficient; many stockpile softwoods at key centres and make direct sales.

British timber market looks promising as housing target moves up to 500,000 units

E. J. WARD, *Commercial Counsellor (Timber), London.*

CHANGE is becoming the key word in the British timber trade. Changes are taking place in an industry that has not been subject to strong pressures to change in the past. Now it finds itself being forced to adopt new techniques and business structures in response to economic pressures from without and within. These changing circumstances make it increasingly important for producers interested in selling in the British market to maintain close touch with new developments and respond accordingly.

Traditionally, the channels of trade in the British timber industry have been clearly marked, with agents and importers respecting each other's rôle in relation to foreign shippers. Agents have arranged contracts between producer and importer, even though initial contacts may have been made directly. Sometimes importers have owned their own agency firms. Recent developments, however, suggest that the rôle of the agent is changing and in some cases he is disappearing. The new enterprise recently established jointly by MacMillan Bloedel Ltd. of Vancouver and Montague L. Meyer Ltd. of London is a case in point. This company will handle directly sales of all the lumber shipped to Britain by the Vancouver firm. In other instances, the agent is maintaining his position by taking a more active rôle in distribution of lumber, contracting to sell on a delivered basis rather than on simply the traditional c.i.f. port of entry.

The principal incentive for these changes is the necessity to reduce handling and distribution costs. The developments in packaged timber and the move to bulk carriers handling vast quantities of lumber and requiring quick turn-round are forcing the re-equipment of timber yards, the building of new dock facilities, and the re-organization of agency and importing groups prepared to take up these large shipments. The day of shipping a cargo of lumber on a single bill of lading is not far off. We shall probably see extensive rationalization in the industry with fewer but larger groups importing timber for direct sale to large consumers and to smaller timber merchants handling small accounts.

A change of major importance to the trade has been foreshadowed by the Timber Trade Federation's announcement that it would be adopting the metric system of measurement by 1971. There is speculation about whether this means metric equivalents for the present inch measures or whether new sizes will be adopted with even metric measures. There is also a move to reduce the number of lengths and sizes handled by the trade, prompted by the economics of packaged timber. It is of primary concern to the Northern European trade where a very large number of specifications have been common for many years.

Canada's Share of Market

The year 1965 was Canada's year in the British timber market and will be remembered because Canada achieved the position of leading softwood supplier to the British market for the first time since the war. Purchases from Canadian mills reached over 500,000 standards — a new peacetime record and an increase of two thirds above 1962. This record was reached in spite of smaller purchases from Scandinavian and Soviet sources. Some softness in the market began to develop during 1965, however, and the import level of 1.9 million standards was achieved largely because of lower prices and some pressure on the market from producers. These relatively high imports, accompanied by a marked drop in consumption during the last quarter, resulted in a record high stock carry-over into 1966 of 751,000 standards. The year 1966 began on a note of pessimism with very cautious buying by importers. By mid-year, arrivals were some 26 per cent below the level attained during the same period in 1965. Consumption was 9 per cent below 1965 but stocks reached a more normal position. However firm prices, particularly from Canada, helped to maintain stability in the market despite the drop in purchases.

The economic measures announced by the British Government in July caused considerable gloom as manufacturing and, more particularly, the building industry appeared slated for a sharp decline. A further drop in lumber and plywood consumption was feared. Autumn brought a few surprises, however, one of which was a rise in housing starts. Building societies reported a high level of lending for mortgages and this development was reflected in the timber market by a rise in consumption of some 15 per cent over the previous year.

The timber trade expects that softwood imports for the full year 1966 will reach 1.7 million standards, with consumption at 1.75 million standards and stocks at about 700,000 standards. Compared with 1965, these figures represent a drop of 11 per cent in imports, 5 per cent in consumption and stocks down 7 per cent. (Import and stock figures could be affected by the late arrival of British Columbia material delayed by the recent strike.)

Prospects for 1967

For 1967, the time-honoured phrase of "cautious optimism" seems to describe the situation best. Although the 1966 price and wage freeze is to be followed by restraint during the first half of 1967, announcements recently made by the British Government appear to indicate some easing of credit restrictions for house construction. Banks are to be allowed to provide bridging finance to tide over people buying a new house until they can sell their present property. Building societies have just raised the interest rate to borrowers to 7⅛ per cent and have increased the rates of interest to depositors. The Bank Rate is expected to drop during the early part of 1967, and more mortgage funds should become available. These factors combined should stimulate the housing market and therefore the demand for lumber. The volume of local authority housing should also increase as a result of government policy. This year therefore should see at least the same rate of house construction as the present record 385,000 and the 400,000 milestone may be passed for the first time as the industry progresses towards the Government's target for housing of 500,000 units a year by 1970.

The early part of 1967 should see cautious buying on the part of lumber importers with some acceleration during the year. The recent offers made by the Russian Wood Agency at prices 3 or 4 per cent below the present average are an indication that prices generally are likely to stabilize at somewhat lower levels than in 1966. This, combined with a firming of Canadian West Coast prices in recent weeks, has brought satisfaction to the British timber trade. During the autumn it was concerned that import prices might drop and the value of stocks fall as a result of mounting pressure on the market by shippers.

Although consumption is expected to be much the same as in 1966, the trade expects softwood imports to fall slightly to about 1,675,000 standards with year-end stock falling to 650,000 standards. Given some reflation of the economy by the Government during 1967 and barring any unforeseen economic developments, the latter half of 1967 should provide better market conditions leading up to a good year in 1968. The British timber trade may accuse us of wishful thinking but I do not consider it an unreasonable assumption.

Heavy demand in North America in the first half of 1966 resulted in very firm Canadian prices which combined with the softness of the British market to bring about a decline in Canadian shipments to Britain of some 25 per cent during the first eight months of the year. Figures for Canadian shipments for the whole of 1966 are expected to be 16 to 20 per cent below 1965 with Canada reverting to second place among suppliers in the British market, behind the U.S.S.R. but ahead of Finland and Sweden.

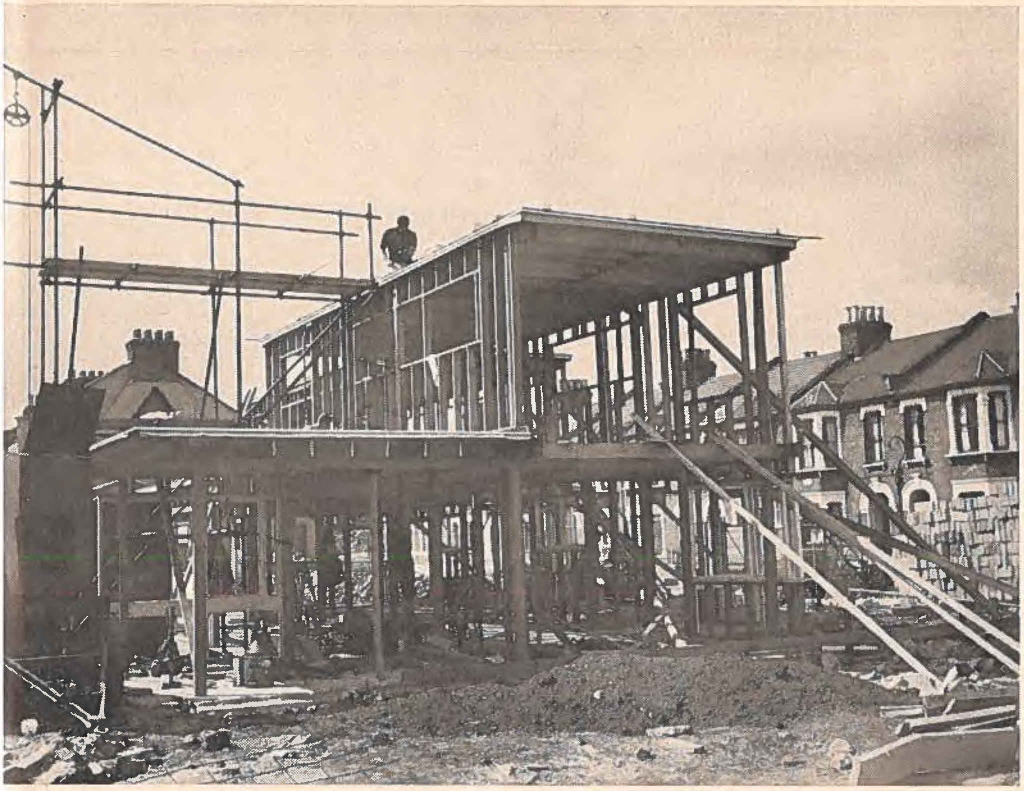
Canada is unlikely to regain its leading position in 1967, but a 5 to 10 per cent increase in sales may be possible at the expense of Scandinavian shippers. Softwood plywood shipments in 1967 should at least equal those in 1966. Canada should maintain its position as Britain's leading source of plywood and sales could well increase if construction speeds up and manufacturing industries (particularly the motor industry) maintain their exports and therefore sustain the demand for plywood packaging.

Packaged Timber

Canadian shipments of packaged timber and the use of larger ships has had a profound effect on the British timber industry, despite some initial resistance to Canadian package

Timber Market in Brief

- **In 1965, Britain bought over 500,000 softwood standards from Canada, a postwar record.**
- **Carryover of stock into 1966 reached a high of 751,000 standards.**
- **Softwood imports for the year 1966 are expected to total 1.7 million standards, a drop of 11 per cent from 1965.**
- **Canadian shipments for 1966 will probably be 16 to 20 per cent below 1965 figures.**
- **Trade expects Britain's softwood imports will fall to 1.67 million standards this year.**
- **Year-end 1967 stocks expected to drop to about 650,000 standards.**
- **Sales of Canadian lumber this year may rise 5 to 10 per cent, at expense of Scandinavian shippers.**



The picture shows a pair of timber frame houses being built for a local housing authority in Britain, the result of a drive to popularize this method of construction and ensure an expanding market for Canadian lumber. In the background, typical London brick houses with chimneys for coal fires.

sizes. Importers and study groups working on the subject have come to realize that the shipment of timber in large units is inevitable in order to reduce transport costs which make up a very large part of the landed cost of lumber. By far the greatest proportion of packaged timber is of Canadian origin; it is significant that no marked progress has been made in this direction by Scandinavian and Soviet shippers.

Scandinavian shippers argue that the incentive to package is not as great in Baltic countries because much of the lumber is loaded from the mill directly into a ship. However, the need for increased efficiency in loading and discharging of vessels because of the rising cost of chartering ships is expected to lead to more packaging in northern Europe too. At present, however, Scandinavian shippers charge a premium for packaged timber to recover their costs, whereas Canadian exporters make no difference in price. They have made some progress in the development of roll-on roll-off methods of shipping packaged lumber and plywood using ferry-type vessels, but other demands on these ships probably mean that this method will not make a serious impact.

The Soviet exporters have been experimenting with staggered packages prepared in large units but the volume of packaged timber shipped has been relatively small. With an increasing volume of timber to be carried long distances to tidewater, more packaging seems logical. Already redwood is transported two thousand miles from the Urals to seaports.

Promoting Construction Techniques

The Department of Trade and Commerce through the Timber Section in its London office has ever since the war had a continuous program of promotion and trade development in support of Canadian exports of forest products. Particular emphasis has been given to the principal Canadian species of lumber, to both softwood and hardwood plywood, to hardwood flooring, and to other wood products such as windows and doors. In recent years considerable work has been done in the field of housing, the largest potential market for structural timber and plywood. This has required primary promotion of the most basic kind and has dealt with not only the materials but to a great extent with matters relating to construction technique also, because the use of lumber and plywood for wall framing was comparatively unknown in Britain.

To encourage acceptance of wood frame construction and demonstrate the use of wood in building, the Department of Trade and Commerce sponsored two high-level missions to Canada in 1963 and 1964, consisting largely of senior government and local authority architects, building society executives, private builders, trade union leaders and chartered surveyors. The reports of these missions have had widespread influence on British architectural and building circles and were directly responsible for a decision by the Department to build six Canadian-type houses in Britain to show the technique of wood frame construction. These houses were visited during the year in which they were open by some 70,000 people, including large numbers of

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architects, builders, local authority officials and housing committees. A film about their construction has been shown widely throughout Britain and Continental Europe.

A further project consisting of 173 houses designed by Central Mortgage and Housing Corporation of Ottawa and financed by the Harlow Development Corporation of Harlow, Essex, is now under construction and will demonstrate the viability of a local authority scheme using wood frame methods. The wood components in these houses will be made entirely from CLS Pacific Coast hemlock, white spruce and Douglas fir plywood.

A continuing program of exhibits in leading British building exhibitions and building centres throughout Britain is reaching further influential specifiers. The efforts of the London offices of the BCLMA and PMBC Divisions of the Council of Forest Industries of B.C. have made a great impact in the construction field and the technical advisory team they have sponsored has achieved notable successes.

Measure of Success

How does one assess the success of a promotion campaign? Certainly, the dramatic increase in fir plywood sales speaks for itself. The growth in sales of lumber graded and dressed to CLS specifications has not been rapid but the material is now widely stocked and sales are increasing. Canada is becoming known as one of the best sources of information on wood construction techniques and as the logical source for appropriate materials.

One of the most notable signs of success has been the radical change in the attitude to timber frame construction in the last two or three years in both government and private circles. From a situation when wood frame construction was considered fit only for a weekend house in the country, it is now becoming seriously accepted as a viable form of construction for both private and local authority schemes. Although the number of units being built at present is small in relation to the whole, a number of large contracts have been awarded recently, ranging from 200 to 1,000 houses. The target of 500,000 houses by 1970 should encourage the use of industrialized building techniques and an appreciable proportion of the increase is likely to be timber frame houses. For one to three storey row housing, timber frame would appear to be the system most competitive with the traditional in terms of building costs. Capital investment required for plant and equipment is much less than for steel and concrete systems. Many of the schemes being designed in wood frame construction will be built with Canadian plywood and either CLS Pacific Coast hemlock or white spruce which should bring a sizable increase in purchases of these materials, particularly for industrialized housing, over the next two or three years. The rapidly growing use of roof trusses in traditional building should further enhance the demand for Canadian lumber.

Long-term Prospects Good

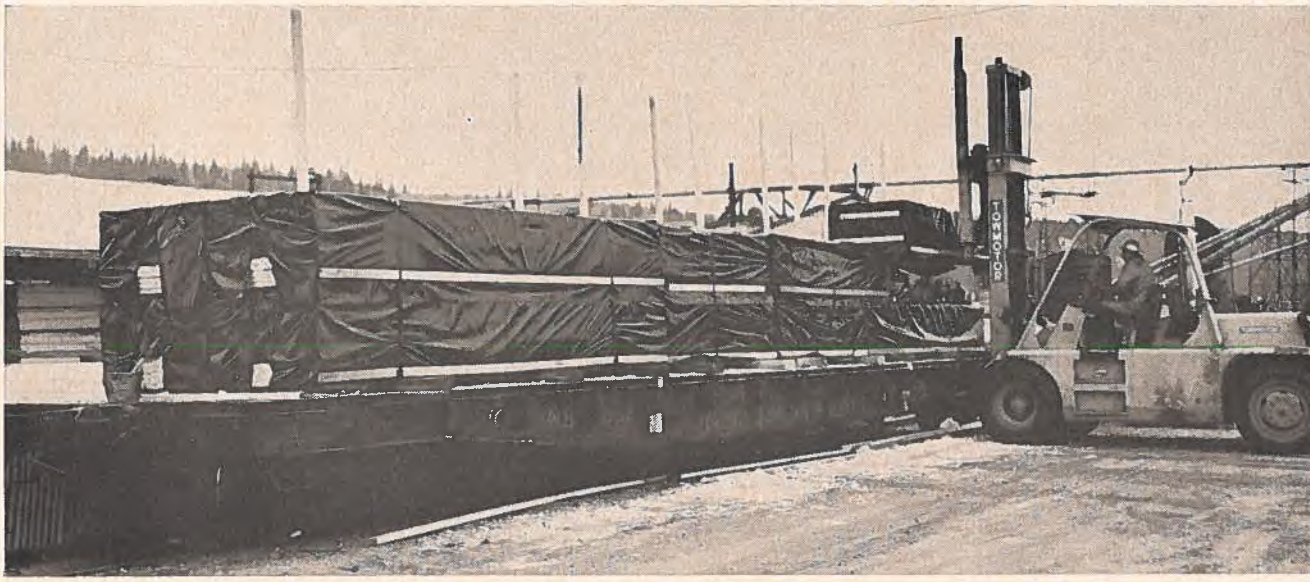
Optimism is a word that has not been much used in Britain in recent months. However, if one looks at the attempts being made to control wages and prices and to relate their growth to productivity and if one notes at the same time the intention of the Government to give top priority to industrial investment, one has reason to believe that solutions will be found to many of the problems facing British industry. In addition, new emphasis is being given to the development of management skills and organization. Both Government and industry are making considerable efforts in exporting and many new and interesting trade development schemes are being undertaken. The recent discovery of rich natural gas fields in the North Sea is considered one of the most important developments in this decade because it will provide a much needed source of cheap energy and a basis for expansion of the chemical industry. If these undertakings succeed, one can afford to adopt an air of optimism over Britain's long-term financial position. Taken with the drive to increase housebuilding by 25 per cent in five years, there is good reason to believe that the market for the whole range of forest products will increase steadily.

Canada possesses the timber resources to step up its production and exports of softwood and therefore is in a good position to increase its stake in the growing British market. The Soviet Union, with its huge production potential, is expected to assume increasing importance; the Scandinavian countries, however, with more limited growth potential, are not likely to increase their sawn softwood business much beyond current levels. The efforts being made by the Canadian Department of Trade and Commerce and the industry in trade promotion are bound to have a real influence on over-all consumption of lumber and plywood and the impact made by Canadian shippers on the transport, handling and distribution of timber should ensure Canada a growing place in the British market in the years to come. ●

Canadian Timber Leads Again

IN the 18th century, the bulk of Britain's timber imports came from the countries bordering the Baltic. The pattern of trade was completely changed by Napoleon's blockade, which left Britain little choice but to turn to North America for timber, and from that time dates Canada's substantial trade with Britain. Before the blockade, Britain imported about twelve times as much from the Baltic countries as from North America, but by 1820 it was obtaining three-quarters of its timber requirements from what is now Canada. The Baltic countries won back their share of the market in the 1870's and were Britain's major supplier for almost 80 years, except for the period of the two World Wars. Canada made record softwood shipments in 1940 when she supplied Britain with no less than 718,000 standards. After the war, Baltic competition returned but Canada rose once more to be Britain's leading supplier in 1965, with shipments of just over half a million standards. ●

Packaged timber, larger shipments are reasons why timber agent's role is changing



Packaged timber reduces handling and transport costs and gives Canadian exporters an advantage in Britain over Soviet and Scandinavian competitors. In the picture above, polyethylene sheet is used as a covering to prevent discoloration by sunlight.

C. I. ROOKE,
Commercial Officer (Timber), London.

BRITAIN is Europe's largest importer of softwood. Its annual imports during the last 20 years have ranged between one and a half and two million standards, with softwood accounting for about 75 per cent of total purchases. A further 14 per cent is made up of hardwood imports, about 10 per cent of plywoods, and the remaining 1 per cent of pitprops, railway sleepers, veneers, etc. Britain's total purchases of timber in 1965 were worth £268 million (Can.$804 million).

Consumption by the building and construction industry is generally estimated to account for 45 per cent of total imports, packaging and containers about 20 per cent, the furniture and joinery industry 18 per cent, and shipbuilding and transportation 9 per cent. The remaining 7 per cent is used in the manufacture of woodenware and other domestic commodities. Britain's main sources of softwood are Canada, the U.S.S.R., Finland, Sweden and Poland, which together supply 90 per cent of its softwood requirements. Czechoslovakia and Brazil supply a further 5 per cent and eight other countries make up the remainder.

Britain ranks second only to the United States as Canada's most important customer for timber. Although shipments to Britain in the postwar years have on occasion been as low as 200,000 standards, the average volume is usually about 400,000 standards and the record approximately 510,000 standards shipped in 1965.

Timber Agent Is Vital

The successful sale of such vast quantities to an overseas market requires not only efficiently produced, good quality timber offered at competitive prices but also a competent sales and distribution organization. The shipper will find the services provided by the timber agent in Britain of immense value and assistance. His major function is to locate buyers for the production of mills he represents but perhaps his greatest contribution lies in relieving shippers of the need to deal with a large number of individual overseas customers, each with his own specific requirements of timber sizes, grades, and quantities and his own shipping instructions.

British timber agents are typically old-established firms with a wealth of experience. Some of them have been in existence for over 100 years during which they have gained valuable knowledge of the British timber import trade and the specific qualities and uses of timber from all parts of the world. The agent serves and protects the interests of the shipper and operates under the authority of an agency agreement. He negotiates sales with importers but he himself is not a party to any contract which is always made "through the agency of" and is directly between the agent's principal and the buyer. The agent is not permitted to make any other profit than his agreed commission nor must he place himself in a position where his interests clash with those of his principals. For his services he receives a commission on all sales that he negotiates and this is added to the final selling price when quotations are submitted to purchasers. A shipper is reasonably assured that his representative will negotiate sales only with reputable importers and at the same time the importer is aware that no reputable agent would accept an agreement without first assuring himself of the ability of his principals to meet any obligations entered into.

The information which the timber agent provides on the future timber requirements and current trends in Britain's economic development is of special importance to the shipper. This will be appreciated if you consider that about half of all softwood imports are ultimately destined for the home building and construction industry. Because Canadian mills arrange log supply as much as twelve months before actual shipments, information on likely changes in demand in Britain is of considerable assistance in production planning. The British timber agent is well placed to provide this information because of his daily association with his importer friends. They can give him their assessment of future demand for particular specifications which allows him to gauge the forward market and probable price trends.

Services He Provides

A major function of the British timber agent has always been acting as merchant banker to the trade. In the years between the wars he was often called upon to provide the working capital which enabled the mill to finance the purchase of logs or the wages of its labour force until the lumber for export was sold and paid for. When healthier trading conditions returned and the financial strength of the exporters increased, it was the turn of the buyer, because of high prices and interest rates, to look to the agent for financial assistance.

Most Canadian contracts are negotiated on a c.i.f. basis with shippers arranging freight and insurance cover, the cost of which the agent adds to his selling price. Scandinavian and a few Canadian contracts are established on an f.o.b. or f.a.s. basis with the importer responsible for shipping arrangements and insurance cover. In practice, these arrangements are generally made by the shipper's agent under a separate agreement. Lumber is normally transported either on regular liner services with the exporter securing shipping space or on chartered tramp vessels with charter parties arranged in London by the shipper's agent on his behalf.

The usual timber trade practice is for an importer to pay for his goods as soon as they are loaded on board a vessel or on presentation by the agent of the correct shipping documents—that is, the bill of lading, the insurance policy, a copy of the specification, invoice and more often than not a bill of exchange. Because lumber shipments from Canada, and particularly those from West Coast mills, spend several weeks in transit, a buyer of Canadian goods is normally allowed one month from the loading date of the vessel to settle his account.

It is common in the British timber trade for the agent himself to pay the shipper the outstanding amount of the invoice, less discount and commission, on receiving the necessary shipping documents. This is particularly so where he extends credit to the importer by allowing him time to settle his own account. For thus relieving the shipper of any financial risk, the agent will be paid an additional "del credere" commission. In undertaking "del credere" the agent virtually guarantees the solvency of the buyer as well as underwriting the payment for the goods from the time of loading on board ship.

Upon arrival at the British port, the importer will satisfy himself that the shipment is up to contract specifications. If he feels that the consignment is not in accordance with the contract he will lodge a complaint or claim, either against the grade of material, the quality of manufacture, or the general condition of the goods on arrival. In the last instance the claim may be directed to either the shipper or the ship owners, depending on whether the lumber appears to fail to meet the specification or has been affected by conditions arising during the voyage. In all such circumstances, it is the responsibility of the importer to give reasonable particulars of his complaint to the agent within fourteen working days of the vessel's final discharge. On learning of a complaint, the agent will look into the claim and, after making a personal inspection, will report his findings to his principal. The shipper knows that he can rely on his agent and will often follow his advice in dealing with a claim. This situation calls for delicate and often complicated negotiations between shipper, agent and importer, leading eventually to a satisfactory settlement. The agent is aware that his first duty is to his principal but that he must also retain the customer's trust and goodwill if he wishes to obtain further business.

Exclusive Agencies Rare

British timber agents usually represent several shippers of one country unless their agency agreement with the exporter specifically limits them to one company only. It is also quite common for a shipper to have more than one agent representing him in Britain and more often than not the agents handle inquiries on a territorial basis. Too many agents working for one shipper only leads to a duplication of inquiries passed on to the Canadian producer.

It is normal for agents representing Canadian shippers to act also for U.S., Scandinavian and Soviet exporters and though their basic function remains the same for all markets, the work itself varies slightly with the area concerned. Scandinavian and Soviet sales are generally made at specific times of year and are for shipment at first open water and again during the middle of the year. The whole of the Eastern Baltic as well as the Soviet ports of the White Sea and Arctic Ocean are closed for trading for 12 to 16 weeks during the winter. Canadian exporters on the Pacific Coast and in the Maritimes are generally unaffected by winter and ship to Britain all the year round. Eastern Canadian mills, which ship through fresh water ports, can rail their lumber to ice-free ports during the winter.

Changes Are Coming

Ever-increasing transport costs (now approximately one third of the landed price of Canadian timber in Britain) led the Canadian West Coast industry to introduce lumber packaging. This has reduced loading and unloading times, the latter by as much as half to one third, enabling ships to turn round faster. The development of the large Canadian package, the move to bulk carriers and the problems importers face in handling these large shipments have made very extensive changes likely in the structure of the British timber trade.

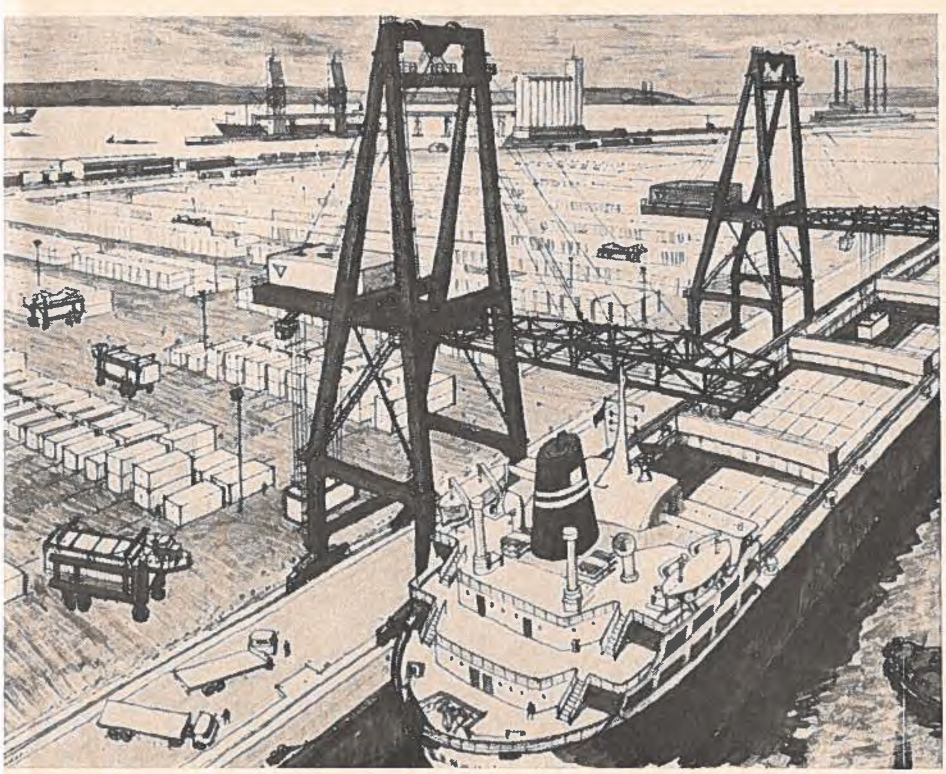
Last year's announcement of the formation of a joint company by one of Canada's largest lumber producers and Britain's leading importer represented a major change with far-reaching consequences. It means in effect that the producer will ship all his lumber for the British market directly to the new joint company which will in turn sell it to large accounts, other importers and merchants. Shipments will be made from three main distribution yards being set up in the ports of London (at Tilbury), Hull and at Newport in South Wales. Importers buying direct from this company will be saved the trouble of placing orders many months in advance and will avoid some of the risks of forward buying. They will also be able to inspect the goods before purchase and maintain smaller stocks.

Following closely on the launching of this new undertaking were announcements of new groupings in both the Canadian and British trades. The need to reduce shipping costs by more efficient transport and distribution has led to the situation where three companies dominate exports from British Columbia and are forcing the British timber industry to consider recasting its organization and business methods.

Moving into Marketing

These radical changes in the traditional timber trading pattern are causing concern to British timber agents who believe that they may herald a major reappraisal of the agent's role. They have already led to realignment of some of the oldest and best known relationships between Canadian producers and their British agents and the amalgamation of agency companies which see a more streamlined administration with substantial financial resources and a more active role in distribution as their hope of survival. It is possible agents will in future become more closely identified with individual shippers and they may have to undertake organized sales campaigns.

What of the future of the timber agent? Certainly other major producers, especially Scandinavian, are taking a keen interest in the latest developments. Those with substantial production and export business may be encouraged to launch their own sales organization with distribution yards in Britain. At least one large Swedish producer, Stora Kipparbergs Bergslags Aktiebolag, has already made a move in this direction. However the smaller independent mills which are not prepared to join with one of the large shipping groups may have to form smaller organizations to handle shipping. But they will probably continue to require services of the kind offered by the timber agent to market their goods in Britain effectively. They may take advantage of the more comprehensive service the agent will probably have to offer in the future, that is to say, co-ordinating shipping by a number of small producers and arranging distribution in the British market. ●



—Courtesy PLA

The artist's sketch of the proposed extension to the Port of London docks at Tilbury shows how packaged Canadian timber will be handled in the future. A new structure is developing within the British timber trade to provide the kind of service required to distribute the huge cargoes arriving at these ports.

What's current in commodities?

Pet Foods

United States—**American dogs and cats eat their way through well over $35 million worth of dried and canned foods every year. If you have a product that will appeal to canine or feline tastes, why not try selling it in the Delaware Valley?**

WILEY J. MILLYARD, *Consul and Trade Commissioner, Philadelphia.*

A DOG'S LIFE is getting better all the time in the United States, and for that matter, so is a cat's, if the increasing consumption of animal food is any criterion. In 1964, the last year for which detailed statistics are available, owners of these pets spent an estimated $600 million to feed them and predictions for 1968 run as high as $700 million. The fact is, the pet food market is growing faster than the market for other foodstuffs: from 1958 to 1965, there was an average rise of 9 per cent a year.

In a study completed by the *New York Times* in 1966, the expanding market in pet foods was attributed to several factors. One of them was the movement of families to the suburbs where they have more room to keep animals. According to this report, 42 per cent of all homes in this country, or 23 million families, have one type of pet or another, and in 1964, while the human population was growing at a rate of 10 per cent, the number of pets increased 15 per cent. Keeping pets has apparently become a status symbol and the "in thing". This last Christmas, for the first time in its history, Philadelphia's SPCA simply ran out of animals, so brisk was the demand. Dun's and Barron's, who both maintain records on the subject, in 1964 reported the number of cats at 28 million and dogs at 26 million. This is a very large market indeed.

Upsurge after World War II

The keeping of pets originated with primitive man and for centuries they either shared their master's board or were given the scraps remaining. In 1855, however, a small British manufacturer began making leftover sailor's hardtack into pet food. Thus was born a new industry, and this original product, which became known as the dog biscuit or cereal food, continued as the only prepared dog food until 1925, when low-grade beef and horsemeat were introduced in canned form. The first company to sell a meat product was Chappel Brothers, horse dealers in Illinois. The idea caught on quickly and by 1928 was developing into a large volume. However, it was not until the end of World War II that the real upsurge began, with the new techniques in packaging and advertising.

The Industry Diversifies

In recent years, the trend has been toward the development of wet or moist pet foods where each serving pack is individually wrapped, although the bulk of the trade is still in dried varieties. With the U.S. coastal fisheries, the Midwestern millers and the meat packers engaged in battle, the market has become sophisticated and competitive. The pet food industry is diversifying rapidly and now quotes a figure of some 2,500 manufacturers producing 15,000 varieties and types of products. These range through cellophane-wrapped patties to Swedish-type meat balls, and in between there are delectables such as kidney or lamb with sauce, broth, cream gravy or chowder. Many are said to be suitable for either cats or dogs. There are even gourmet lines at prices slightly higher than the more traditional dishes. Most of the producers have a limited output and serve a regional market. Only 13 brands have what might properly be described as national distribution.

For 1963, when the industry was somewhat smaller than it is now, a survey of the leading 10 producers of moist and wet pet foods in the United States showed the following standings.

	Retail Sales
Gaines Dog Food (General Foods)	U.S.$ 5,370,800
Purina Dog Chow (Ralston Purina)	4,821,000
Ken-L Dog Food (Quaker Oats)	3,528,500
Gravy Train Dog Food (General Foods)	2,927,000
Friskies Pet Food (Carnation)	2,710,000
Purina Cat Chow (Ralston Purina)	1,966,000
Puss 'n Boots Cat Food (Quaker Oats)	1,563,900
Red Heart (John Morrell)	1,259,900
Rival Pet Foods (Associated Products)	1,232,500
Milk Bone Dog Foods (National Products)	1,029,500
	$26,409,100
All others	8,758,500
Total sales	**$35,167,600**

Industry Has Problems

Even though the pet food industry has developed from other fields like meat packing, fish processing, milling, etc., its special problems of production and merchandising divorce it from these separate backgrounds and give it an identity of its own.

In the last few years the shelf space allotted to pet foods by chain and grocery stores has trebled. There are some supermarkets that stock up to 125 pet food products on as much as 60 linear feet of shelving. The manufacturers spend millions on research to make the diets and packaging more attractive in the never-ending race for "a place on the shelf". Because of the competition, the average prices have tended to decrease instead of increase.

One marketing problem lies in the labelling used by manufacturers. Claims for the flavour of their product are sometimes in direct conflict with many state laws that forbid the use of flavour as an attraction, on the assumption that animals cannot taste. To help settle the matter once and for all, a group of manufacturers has launched a pilot research project at Kansas State University to investigate taste perception by dogs. The hope is that some measure can be developed to determine how much flavour actually means to a dog's palate. Such information, manufacturers feel, will make more accurate labels possible.

Canadians Might Sell

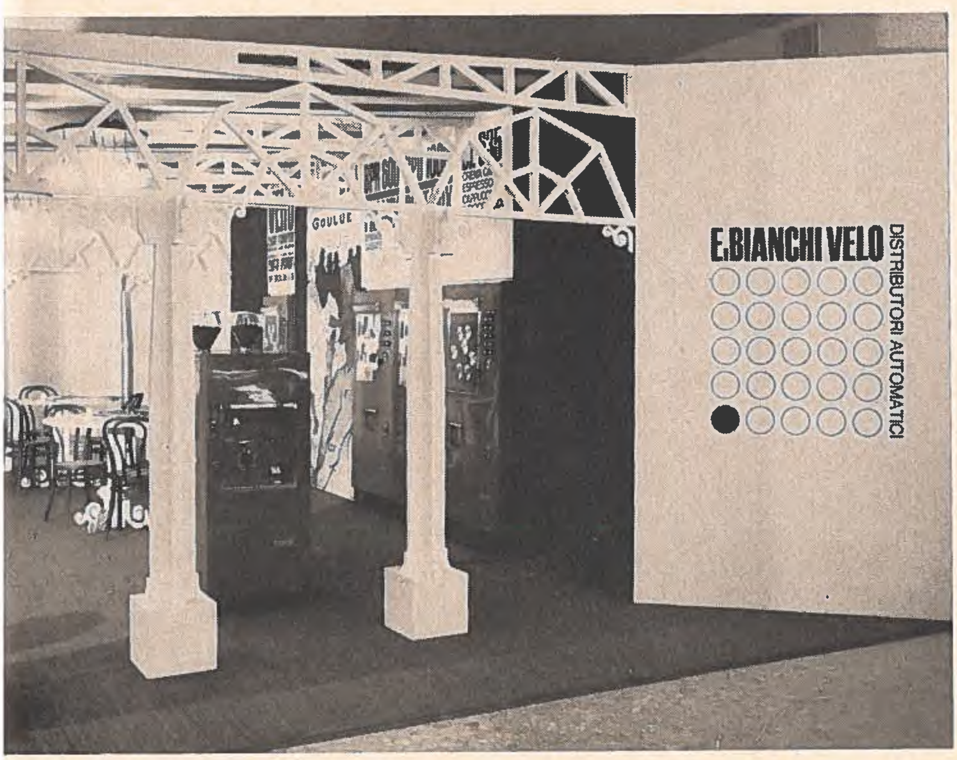
A Canadian producer with enough plant capacity to seek new outlets should not shy away from the U.S. market simply because of its size and competitiveness. It is quite possible that, despite freight and duties, a given Canadian brand may have a definite price advantage in certain regions, and provided that the packaging is attractive, there is no reason why it shouldn't find acceptance. A good place to start is the Delaware Valley, of which Philadelphia is the centre. It is only 450 miles from Central Canada, supports a population of over 5 million, and has a highly organized food distribution business. What a Canadian exporter requires is a broker with good chain-store connections, who can advise him on state labeling regulations and the practices of the trade. The Consulate in Philadelphia has a directory of reputable brokers interested in Canadian representations and will be glad to furnish names on request. ●

Automatic Vending Machines

Italy—**Use of vending machines has expanded quietly but steadily over the past ten years. Today, the market is ready to be exploited in the field of food dispensing.**

C. E. RUFELDS, *Consul and Assistant Trade Commissioner, Milan.*

THE MARKET IN ITALY for automatic coin-operated equipment of all types is on the rise. The reason is a combination of higher labor costs, the hustle and bustle of today's society, and the demand for more leisure time by clerks, waiters and other service personnel. As one Italian importer remarked: "The market is growing, particularly in the urban areas of Northern Italy, but vending machines still do not command the acceptance they do in Canada and the United States. It is difficult to make my suppliers picture the North American market as it was twenty years ago, but that is what Italy is like today . . . and I expect we will have the same growth." Although the market does look promising, it is important to realize that Italy does not enjoy the same standard of living as North America and therefore the above remark may be somewhat misleading.



Vending machines such as the unit for making espresso coffee in the centre of the picture were featured at Expo '66, a Milan trade fair for vending machines.

Gradual acceptance of the use of automatic vending equipment in Italy is evidenced by the fact that the first automatic vending machines, which were for cigarettes, appeared eight years ago and today there are approximately 3,500 cigarette-dispensing machines in use. The large bottling companies have done a good job in helping to acquaint the buying public with coin-operated merchandising equipment by introducing cold-drink vending machines in industrial plants. I have even seen a coin-operated candle-dispensing machine in a well-frequented church in Milan!

'Faema', the local designers and manufacturers of the most popular make of coin-operated espresso machine, only introduced their equipment three years ago and now have 3,000 units on the market.

The large bottling companies have done a remarkable job in helping to acquaint the buying public with all types of coin-operated merchandising equipment by persistently introducing cold-drink vending machines into industrial plants, bowling alleys and many other areas where people gather. The bottlers handle the Italian market in the same manner as their Canadian counterparts, and in most cases with the identical types of machines. The only difference is that the machines are made locally under licence.

Table I illustrates the growth of automatic vending in Italy and shows the present trade in domestic and foreign-produced equipment in Italy. Although Italian production at present exceeds imports, domestic production is limited almost exclusively to several makes of automatic espresso dispensers, coin changers and soft ice cream machines. This leaves a wide area open to perceptive foreign suppliers, although local manufacturers are quickly designing new equipment and negotiating manufacturing licence agreements for the more popular types of other automatic coin-operated merchandising equipment.

Opportunities for Canadians

There are still 530,000 tobacconist shops in Italy which traditionally remain open from 5 a.m. to 1 a.m., seven days per week. Not unnaturally, the tobacconists are clamoring for more time off and legislation is expected soon to limit operations to a maximum of six days per week. Vending machine suppliers expect a brisk demand for cigarette dispensing equipment as a result of the pending legislation.

TABLE I

Italian Trade in Vending Machines for Stamps, Cigarettes, Chocolates, Food, etc.*

Year	Imports (Can. dollars)	Exports (Can. dollars)
1956	58,000	3,800
1957	57,000	14,200
1958	236,000	15,400
1959	630,000	20,000
1960	450,000	108,000
1961	490,000	152,000
1962	500,000	92,000
1963	660,000	300,000
1964	540,000	840,000
1965	840,000	1,160,000

*Statistical Classification No. 084.58. Italian foreign trade statistics.

Many local distributors are keen to have offers from Canadian suppliers. This interest in largely stimulated by the large capacity of Canadian machinery (permitting longer intervals between refills) and its mechanical dependability. Although machinery first on the market performing a new function would probably not face price or styling obstacles, the trade feels that, in addition to new applications, there are good possibilities of sales and rental to private and institutional buyers. They have shown interest in pre-packaged ice cream dispensers, hot-drink (other than coffee) machines, automatic soup equipment, pocket-book retailers, brioche/doughnut dispensers, and many others.

The best marketing approach for a Canadian vending machine manufacturer is to sell to an existing well-established Italian vending machine importer/distributor. These firms have bands of keen salesmen who make daily rounds of large and small potential clients, good servicing and maintenance organizations, and a wealth of hard-earned experience in the Italian market. The importer/distributor usually buys the equipment outright and then loans, rents or re-sells it. For large contracts, payment is made directly to the manufacturer by the final purchaser with the importer/distributor handling the import procedures, maintenance and servicing.

Need for Flexibility

Canadian-type coffee from a hot drink dispenser is not acceptable to the Italian. He demands espresso—not facsimile espresso but true espresso brewed by passing steam through freshly ground coffee beans. Faema now has machines on the market that do the job, but the technology required took some time and it will probably take longer still to sell by machine suitable instant spaghetti. Italians are accustomed to good eating and will not accept second best for the sake of convenience.

Canadian producers must also be flexible to get around both normal adjustments for Italian coinage and electrical current (220 volts, 50 cycles) and also stiff price competition. Local producers, of course, have the edge as far as tariffs go, closely followed by other Common Market suppliers with their tariff advantage (see Table II). Although exact import statistics are not available, it is evident from local trade fairs that most of the imported equipment originates from the U.S., Denmark, Britain, West Germany, and Canada.

TABLE II

IMPORT DUTIES ON VENDING MACHINES*

	EEC Countries (per cent)	Third Countries (per cent)
Present duty ad valorem on c.i.f. Italy	3.20[1]	12.4[2]
Turnover tax[3]	4	4
Compensatory tax[3]	6	6
Administrative tax[3]	0.5	0.5

*Customs Item 04.58.

[1] Forecast to be reduced to 0 by July 1, 1968.

[2] Forecast to be reduced to 10 by July 1, 1968.

[3] These taxes are levied against all imports, irrespective of their country of origin.

As well as all the above, Canadian companies hoping to sell to Italy must bear in mind Italian preoccupation with styling. A machine that is not aesthetically pleasing to the eye, ear or touch will not sell there.

Canadian suppliers of automatic vending equipment do face tariff obstacles and design problems in Italy but these can be offset by the possibilities of a large, undeveloped market where introduction of a quality machine in a new field would bring definite rewards. Price disadvantage is often outweighed by the greater capacity of a North American machine.

If your firm has a line of automatic coin-operated equipment that you think might be suitable for Italy, now is the time to act. Alert the Milan or Rome offices of the Department of Trade and Commerce for help and information. ●

Canada's Trade Fair Program 1967 and 1968

ALERT Canadians are using fairs and exhibitions around the world as one of their major methods of trade promotion. This year the Department of Trade and Commerce is organizing almost 50 exhibits in 12 countries to present a comprehensive range of Canadian goods and services to everyone from housewives to electronics engineers.

The list includes both fairs that are aimed at domestic consumers and trade or professional specialists. This reflects the Department's policy of covering as wide a range of buyers as possible. (To give the complete picture, fairs which have already taken place are also shown.)

Industry's interest in such programs is usually high and this year's is no exception; many of the Department's exhibits are booked up already. This does not mean, however, that private companies or industry groups should not make their own way to these important marketplaces. Fairs and exhibitions have proved themselves to be winners in promoting sales and the company that can afford to spend time, men and money on these will find them well worthwhile.

1967	WHAT	WHERE	WHEN
Agriculture	**Salon International de l'Agriculture** This show is, perhaps, the most important of its kind in Europe. Its make-up is rather like that of the Royal Winter Fair in Toronto: livestock, agricultural machinery and some food products. In 1965, attendance totalled about 640,000. Nine countries besides France were represented by exhibitors.	Paris, France	March 4-12
Architectural	**American Institute of Architects Convention** The 99th annual convention will, as usual, be broad but vertical, stressing the latest in building materials and techniques. At last report 14 Canadian companies had signed for displays; this will be Canada's first national exhibit at the convention.	New York, N.Y.	May 14-19
Clothing	**International Children's and Babies' Fair** Applications up to publication date have been received from 335 exhibitors, including 103 from nine countries other than Germany. The show will feature children's and babies' outerwear, linen, underwear and other textile articles, as well as children's furniture, baby carriages and related groups.	Cologne, West Germany	April 14-16
	National Shoe Fair of America Canada last exhibited at this fair in 1965 when 18 firms showed products to the 10,000 buyers who attended. Over 950 firms participated in the 1965 show; they took up 1,148 exhibit units which included sample display rooms, open booths and large public space at five Chicago hotels.	Chicago, Illinois	October 8-11
Electronics	**Institute of Electrical and Electronics Engineers' Conference and Exhibition** This annual vertical show draws about 100,000 trade visitors each year. Technical sessions are a feature of the exhibition, which includes displays of computers, navigation equipment, machinery, tools, radio hardware, and electrical power generation and distribution equipment.	New York, N.Y.	March 20-23

1967	WHAT	WHERE	WHEN
	Electronics Show The exhibits for this fair will consist primarily of sophisticated equipment from such countries as France, Britain, the United States, West Germany, Italy and Japan. Open only to the trade, it attracts approximately 140 exhibitors and 8,000 guests.	**Johannesburg, South Africa**	**September**
Engineering	**SAE Automotive Engineering Congress and Exhibition** Technical and trade meetings and papers are features of this annual vertical convention. The SAE holds its annual meeting during the show. The Canadian exhibit was institutional in nature and stressed our capabilities in the original equipment field.	**Detroit, Michigan**	**January 9-13**
	ASTME Exhibition Among the topics usually covered at this important exhibition are material removal and forming, casting, molding and metallurgical processing, finishing and coating, inspection and quality control, manufacturing systems and company management.	**Chicago, Illinois**	**April 24-28**
	International Engineering Exhibition This show is sponsored by the London Chamber of Commerce and organized in conjunction with the British Electrical and Allied Manufacturers Association and the British Mechanical Engineering Federation. The program usually includes plant tours and technical conferences as well as the exhibits themselves. The fair is truly international in nature, with visitors coming from all over the world.	**London, England**	**April 25-May 4**
	Salon International de l'Aeronautique et l'Espace Canada last exhibited at this Salon in 1965. The show is considered to be one of the largest and most important of its kind in Europe and is always well attended by aeronautical experts from all over the world.	**Paris, France**	**May 26-June 4**
	American Society of Metals Show Canada participated in this show in 1959, 1960, 1961, 1962 and 1965. The displays include all types of metals and equipment used in the metals industry. Attendance is limited to registered visitors.	**Cleveland, Ohio**	**October 16-19**
Food	**Daily Mail Ideal Home Exhibition** This exhibition, held each year at Olympia, is the largest of its kind devoted to consumer goods. It can accommodate 500 exhibitors and over one million visitors attended the 1965 show. That year the Canadian section was popular and attendance ranged from "busy" to "packed to capacity". Food will be featured in 1967.	**London, England**	**March 7-April 1**

1967	WHAT	WHERE	WHEN
	Belfast Telegraph Ideal Home Show Open to the general public, this annual horizontal show attracted 260,000 visitors in 1965. The products exhibited included household appliances and furniture, garden furniture, foodstuffs, and a complete range of consumer goods.	**Belfast, Northern Ireland**	**August 30-September 16**
	International Exhibition of Fine Foods and Provisions (ANUGA) ANUGA is the most important food fair in Europe and is held every two years. Attendance in 1965 totalled 231,700, of which 13,540 came from outside Germany. Some 2,588 firms exhibited that year of which 1,403 were foreign (59 countries were represented).	**Cologne, West Germany**	**September 30-October 8**
Furniture and Furnishings	**International Fair of Accessories and Materials used for Woodworking, Furniture, Upholstered Furniture and Mattresses, for House, Ship and Vehicle Building and for Light Construction Work (INTERZUM).** The products exhibited cover the broad horizontal field of supplies for the furniture industry with special emphasis on new and unique tools, equipment and materials. Over 4,000 of the 24,140 trade visitors in 1965 were non-German, as were 125 of the 472 exhibitors.	**Cologne, West Germany**	**June 22-25**
	National Office Furniture and Equipment Show This show usually held at McCormick Place, is international in scope, drawing many visitors from outside the United States. Products usually include office chairs and hardware, steel shelving, stacking chairs, file cabinets, office fabrics, conference tables, desks, bookcases, and executive and lounge chairs and tables.	**Chicago, Illinois**	**September**
Furs	**International Fur Fair** Canada has exhibited each year since 1958 in this important fair. The aim of the exhibit is not so much to make direct sales as to encourage European buyers to attend Canadian auctions or to have fur brokers handle arrangements. More than 20,000 visitors from the trade attended in 1965.	**Frankfurt, West Germany**	**April 26-30**
Gifts	**Boston Gift Show** This will be Canada's first appearance at the Boston Gift Show. Sponsored by the National Gift and Art Association, it drew 3,500 business visitors in 1965. The general public is excluded from this strictly vertical fair.	**Boston, Massachusetts**	**March 5-9**
	New York Gift Show Held semi-annually in February and August, this is one of the largest gift shows in the United States. It is open only to registered buyers who come from department, chain, souvenir, specialty and gift shops. Attendance usually numbers 15,000 and exhibitors number about 800.	**New York, N.Y.**	**August**

1967	WHAT	WHERE	WHEN
Hardware	**International Hardware Trades Fair** This is an annual vertical event confined to hardware, household accessories, furniture, etc. In 1966 there were about 371 exhibitors of which three (Canada, Australia and Ireland) were national exhibits. At least $50,000 worth of business was done in 1966, and inquiries about agencies were numerous.	**London, England**	**January 30-February 3**
Homes, Builders' Materials	**International Building Exhibition** This show is held annually and covers all aspects of the building industry. It is directed to architects, contractors and municipal engineers. Canada has exhibited from 1955 to 1966; there were 250,000 visitors and 960 exhibitors last year.	**London, England**	**November 15-29**
	Salon International du Bâtiment (International Building Exhibition) Comprehensive coverage of construction methods, materials and equipment is the keynote of BATIMAT. In 1965, 850 exhibitors took up 80,000 square metres of space over five floors.	**Paris, France**	**November 23-December 3**
	National Association of Homebuilders' Convention The Association's convention attracted 40,000 business visitors from all over North America in 1965. There were about 430 exhibitors.	**Chicago, Illinois**	**December 3-7**
International	**Netherlands Industries Fair** Canada last participated at Utrecht in 1964. Attendance that year was estimated to be 155,000. The Canadian exhibit this year will feature prefabricated housing units and techniques.	**Utrecht, Netherlands**	**March 6-14**
	XXXV Barcelona International Samples Fair For the second year the Department will be mounting an exhibit in Barcelona. Last year's industrial display was highly successful. Over one million people attend each year.	**Barcelona, Spain**	**June 1-15**
	36th Poznan International Fair This is a broad horizontal fair which displays everything from leather luggage to sophisticated electronic instruments. In 1964 there were 37 national exhibits for the 450,000 visitors to view. Lectures and conferences on a wide variety of subjects are also featured.	**Poznan, Poland**	**June 11-25**
	International Autumn Fair The largest fair in Yugoslavia, it offers a wide sampling of all kinds of industrial and consumer goods. The Department will participate in 1967 with an institutional-type exhibit highlighting this country's industrial capabilities.	**Zagreb, Yugoslavia**	**September 7-17**
	International Trade Fair This is primarily a technological exhibition including machine tools, optical equipment, textile	**Brno, Czechoslovakia**	**September 10-19**

1967	WHAT	WHERE	WHEN
	machinery, medical supplies and electronic apparatus. In 1965 there were 970 exhibitors from 38 countries and 942,636 Czech and 47,865 other visitors.		
	German Industries Fair	**Berlin, Germany**	**October 4-15**
	Canada's participation will be on an industry-wide basis with a wide range of goods and services being shown.		
	Pacific International Trade Fair	**Lima, Peru**	**October 27-November 12**
	A pavilion will be built for Canadian exhibits and a cultural section will be included. Between 40 and 50 companies are expected to attend, mostly from the electrical, electronics and engineering industries.		
Lumber	**Northeastern Retail Lumbermen's Association Convention**	**New York, N.Y.**	**January 20-22**
	Northwestern Lumbermen's Association Building Products Show	**Minneapolis, Minnesota**	**January 25-26**
	Southwestern Lumbermen's Association Convention	**Kansas City, Kansas**	**January**
	Carolina Lumber and Building Material Dealers Association Convention	**Charlotte, North Carolina**	**February 7-9**
	Annual Convention and Building Industry Trade Show	**Columbus, Ohio**	**February**
	Nebraska Lumber Merchants Association Convention	**Omaha, Nebraska**	**March 1-2**
	Lumbermen's Association of Texas Annual Convention	**Houston, Texas**	**April 7-9**
	Florida Lumber and Building Material Dealers' Association 47th Annual Convention	**Orlando, Florida**	**April 26-29**
	Oklahoma Lumbermen's Association	**Oklahoma City, Oklahoma**	**October 20-22**
Merchandising	**Supermarket Institute Show**	**Cleveland, Ohio**	**June 4-7**
	The show is held at the same time as the Institute's annual convention. Trade workshops cover all aspects of supermarket merchandising and exhibits include both food and dispensing equipment for food.		
	Salon Technique International de l'Equipment Hotelier du Materiel de Cafeterie et des Industries Connexes (EQUIP'HOTEL)	**Paris, France**	**October 12-23**
	This fair is aimed at hotels, restaurants, bars and caterers. In 1964 there were about 500 exhibitors of which 198 came from outside France. Of the 131,000 visitors, 80 per cent were from the trade. Canada exhibited in 1964 with eight companies, three of whom sold all their display equipment.		
Sporting Equipment	**National Boat Show**	**New York, N.Y.**	**January 11-22**
	This annual vertical fair features a wide range of boats, marine supplies, safety and communications		

1967	WHAT	WHERE	WHEN
	equipment. Over 363,000 people including 10,000 trade visitors attended the 1966 show at which Canada exhibited for the first time.		
	National Sporting Goods Association Convention	**Chicago, Illinois**	**February 5-9**
	All types of sporting and outdoor goods are shown at this convention, held this year at the Palmer House and the Navy Pier. This will be Canada's tenth appearance.		
	International Fair for Sports Goods, Camping Equipment and Garden Furniture (SPOGA)	**Cologne, West Germany**	**October 22-24**
	SPOGA is an annual fair with exhibits of sports equipment and clothes, picnicking and hiking gear and garden furniture. In 1965 there were 698 exhibitors (14 Canadian) and 12,100 trade visitors, 3,760 of whom were non-German.		
Trade Information Booths	**International Samples Fair**	**Milan, Italy**	**April 14-25**
	German Industries Fair	**Hanover, West Germany**	**April 29-May 7**
	Messina International Trade Fair	**Messina, Sicily**	**August 8-21**
	Bari International Trade Fair	**Bari, Italy**	**September 7-20**
1968	The Department of Trade and Commerce must plan many months in advance for its participation in a trade fair. Because of this, prospective exhibitors may find that space is no longer available in some of the 1967 exhibitions. The following is a list of the 1968 fairs in which the Department proposes to take part. Space in these exhibits has not yet been allocated and interested companies should get in touch with the Department in the near future.		
Automotive	**SAE Automotive Engineering Congress and Exhibition**	**Detroit, Michigan**	**January 8-12**
Education	**American Association of School Administrators' Convention**	**Atlantic City, New Jersey**	**February 17-21**
Electronics	**Salon International des Composants Electroniques (Electronic Components Exhibition)**	**Paris, France**	**February**
	Electrical Engineers (EEE) Exhibition	**London, England**	**March 27-April 3**
	Institute of Electrical and Electronic Engineers Conference and Exhibition	**New York, N.Y.**	**March 18-21**
Food	**International Hotel and Catering Exhibition**	**London, England**	**January 18-19**
	Scotland's Food Fair	**Glasgow, Scotland**	**April**
	International Trade Fair (food exhibit)	**Osaka, Japan**	**April**

1968	WHAT	WHERE	WHEN
Furs	International Fur Fair	Frankfurt, West Germany	March
Hardware	International Hardware Trades Fair	London, England	February
	Salon International de la Quincaillerie (International Hardware Exhibition)	Lyon, France	April
Homes, Builders' Materials	Industrialized Building Systems and Components Exhibition	London, England	May
	American Institute of Architects Convention	New York, N.Y.	June 23-28
International	Netherlands Industries Fair	Utrecht, Netherlands	March
	German Industries Fair	Hanover, West Germany	April 27-May 5
	Feria Internacional del Campo	Madrid, Spain	May 21-June 21
	37th Poznan International Fair	Poznan, Poland	June
Lumber	Northeastern Retail Lumbermen's Association Convention	New York, N.Y.	January 19-21
	Mid-America 1968 Building Products, Hardware and Housewares Exposition	Kansas City, Kansas	January 26-28
	Ohio's 86th Annual Building Products Industry Trade Show	Columbus, Ohio	February 13-15
	Carolina Lumber and Building Material Dealers Association Convention and Building Products Exposition	Charlotte, North Carolina	February
	Nebraska Lumber Merchants Association Convention	Omaha, Nebraska	March 6-7
	Lumbermen's Association of Texas 82nd Annual Convention and Exposition	San Antonio, Texas	April 19-21
	Florida Lumber and Building Materials Dealers Association 48th Annual Convention and Exposition	Florida	April
Marketing	Shop Equipment and Self Service Exhibition (SHOPSHOW)	London, England	April 22-25
	Supermarket Institute Show	Chicago, Illinois,	May 5-8
Sporting Equipment	National Boat Show	New York, N.Y.	January
	Salon International des Sports d'Hiver (International Winter Sports Fair)	Grenoble, France	March

Huachipato, Chile, is the site of the plant using this blast furnace precipitator.

Chile Increases Steel Output

CAP, as the Compañía de Acero del Pacífico S.A. is generally known, started to produce steel in 1950. As a result, it is estimated that during the past decade and a half, Chile has saved nearly U.S.$400 million in foreign exchange alone. Before CAP was set up, practically all of Chile's iron and steel requirements had to be imported.

Huachipato, CAP's steel plant, is located in the bay of San Vicente, near the port of Talcahuano in the south of the country. It forms part of the industrial zone of Concepción, capital of one of the most important Chilean provinces. The country's largest coal mines and reserves are close by, and there is a deep water harbour, electric power, and an abundant supply of industrial water from the Bio-Bio River. The proximity of Concepción and Talcahuaño ensures the supply of workers; the mill employs more than 5,000.

Sales of iron and steel products in 1966 totalled U.S.$110 million, an increase of more than 11 per cent over the previous year. These products included hot metal, steel ingots, semifinished and rolled products, merchant and flat products, and pipe.

All iron ore consumed at Huachipato is supplied by the El Romero mine, near the old colonial town of La Serena. In 1959, CAP purchased an iron ore deposit known as El Algarrobo, which is today the largest Chilean iron ore mine in operation. The entire production of this mine, currently three million tons, is exported to Japan and the United States and, to a minor degree, to the European market.

CAP is at present implementing a five-year expansion program to increase its steel plant capacity from the present 600,000 metric tons of ingots per year to one million tons by 1969. This capacity will enable it to continue supplying the domestic market for rolled steel products. Otherwise Chile would by 1970 have to import semifinished and finished steel products worth U.S.$26 million, and this would put a rather heavy strain on the balance of payments. The expansion will also enable CAP to export up to 165,000 tons in 1971, mostly in semifinished form. Exports of steel will diminish as the internal market continues to grow.

It is estimated that the implementation of the program will yield an average additional profit to the company of about U.S.$8.5 million, and that the average cost of finished products will decrease by approximately U.S.$14.50 per metric ton. The new facilities will be built with a margin for further expansion at a relatively low cost per ton of additional capacity.

CAP adheres to the policy of developing new products, of promoting the establishment of new industries, and opening up new markets for steel products, both in Chile and abroad.

It plans in the near future to begin manufacturing wire cables, steel springs, special alloy steel, agricultural implements, sewing machines, heavy forgings and parts for the automotive industry.

In addition, CAP has lately made an agreement with an Ecuadorean financial group to install in that country a merchant mill with an initial capacity of 30,000 metric tons per year.

In Uruguay, CAP is negotiating a similar agreement for the installation of an 80,000-ton merchant mill to replace the small unit currently in operation.

The Compañía de Acero del Pacífico has become the most important Chilean industry, and one which has brought immediate benefits to the economy. It is contributing to the development of the metallurgical industry which has known uninterrupted growth as a result of the continuous steel supply from Huachipato. This has laid the basis for the establishment of new industries such as a 35,000-ton capacity wire drawing plant, a grinding ball plant, and a slag cement plant.

—R. E. GRAVEL,
Commercial Counsellor, Santiago.

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This is a panoramic view of Midosuji Boulevard, the main business street of Osaka. The avenue's eight lanes bring businessmen and customers to the office buildings and stores which line it. Osaka is one of Japan's leading retail trade centres.

Selling to Japanese Department Stores

Yes, the Japanese do buy consumer goods for sale in their bustling department stores, either directly or through import agents. Some Canadian companies have already succeeded in this $275 million-a-year market, but there's room for many more.

W. G. BRETT,
Commercial Secretary, Tokyo.

WHEN ONE first enters one of the large Tokyo department stores, the impression is that this is an exceptionally large North American or European store. The layout is much the same. There are the usual props and mannequins and certainly the range of goods is just as large. About the only difference at once apparent is the unusual number of people. I have never been in a Japanese department store that was not crowded and sometimes they are like Tokyo Station at rush hour.

Perhaps the first clue to the uniqueness of department stores in Japan is the young ladies who bow each customer on and off the escalators with a shy "welcome", or "thank you for coming", both delivered in the most courteous form of Japanese. Other impressions accumulate with visits to the different floors until one gradually becomes aware that the department store in Japan is a way of life. Here are restaurants, very often several under the same roof, art galleries (perhaps showing a collection of aesthetically pleasing rocks), and theatres which may be presenting one of the traditional Kabuki plays, to say nothing of zoos, nurseries, stock brokers' offices—in short, anything that the customer is likely to want. So the department store represents another innovation in Japan in recent years and, like so many other imports, it has been smoothly adapted to Japanese social needs and tastes. In fact, it has become a singularly successful merchandising medium in Japan. It departs in several ways from the traditional attitudes of the Japanese towards distribution and because of this it offers some interesting opportunities to Canadian businessmen.

Place of Department Stores

The origin of Japanese department stores has been traced back to the Tokugawa Period some 300 years ago when, it is said, certain of the older dry goods firms began to develop some of the features of the modern store. But the department store as we know it made its first appearance here in 1904 with the establishment of "Mitsukoshi", still the largest of Tokyo's renowned stores. Others, mainly set up in the '30's, have achieved a comparable reputation. Names like "Takashimaya", "Daimaru", "Matsuzakaya" and "Isetan" are literally household words.

In Japan one does not simply proclaim oneself a department store. One administrative definition is, in part: "A retail enterprise . . . . having selling floor space of more than 3,000 square meters in any of seven large cities", (Tokyo, Osaka, Kobe, Kyoto, Nagoya, Yokohama and Kita-Kyushu). There are now said to be some 166 department stores in Japan, employing about 125,000 people (two thirds of them female). According to the Ministry of International Trade and Industry, department store sales in 1965 totalled $2,750 million, or 11.1 per cent of all sales in Japan at the retail level. The comparable percentages in the United States and Britain are 7 and 5 per cent, respectively.

Department stores are fairly evenly sprinkled over the larger cities of Japan and they have a fairly comparable selling pattern, with a pronounced emphasis on clothing. (See Table I).

TABLE I

DEPARTMENT STORE SALES BY COMMODITY GROUPS

	1960	1965
	(per cent)	
Clothing	46.82	42.93
Sundry goods	7.46	8.13
Smallwares	10.70	11.97
Home furnishings	13.45	14.59
Foodstuffs	16.44	17.49
Dining and tea rooms	3.08	2.83
Services	0.73	0.74
Others	1.32	1.32
Total	**100.00**	**100.00**

Sales show a fairly regular rhythm throughout the year, except for pronounced spurts during July and December, the months when bonuses are received and gifts exchanged.

There are several close contenders for first place in sales. Ahead just now is the Osaka-based Daimaru which is pushing the 7,720 employees manning its 112,484 square meters of counter space in all four branches to make it the first store to pass the charmed 100,000-million-yen mark (about Can.$300 million) in the business year ending in February 1967.

The appearance of supermarkets on the Japanese merchandising scene is a recent phenomenon, paralleling the development of department stores. There have been several promising starts, and the idea seems to have caught on quite well. Many of the remarks below about buying methods apply to supermarkets and to some of the "arcades", another notable feature of Japanese retail distribution.

Scope for Imports

The sale of imported products in department stores is a small but growing percentage of total sales—but total sales are enormous. There are definite opportunities for Canadian suppliers of consumer goods in Japanese department stores. These opportunities are enhanced by several favourable factors. One of the most influential is the fact that foreign commodities have an extraordinary "cachet" in the Japanese mind. There are many instances where foreign goods, priced well above satisfactory Japanese equivalents, sell simply because they are imported. The most memorable instance I have encountered was a Swiss watch modestly priced at $18,000 presented beside some excellent Japanese watches.

The merchandisers are well aware of the attraction of the exotic and do all they can to emphasize foreign origin. Almost invariably the foreign article in the showcase or on the shelf has a miniature flag of the country of origin close by, usually on the price card. For the same reason, the stores often undertake exhibitions and special promotions with a definite foreign flavour. Often a whole section or half floor is transformed with posters, signs, kiosks, bunting, or almost any article evocative of a particular country. The salesgirls are dressed in the costume of that country and national music is piped throughout the store.

Almost every store has its "boutique" and it is invariably called just that. It is a part of the store reserved for specialties and the introduction of foreign goods. Usually it is the most exclusive section and is spacious and elegantly decorated. At the present time one of the main stores in Tokyo has a good part of its boutique devoted to decorative houseware made by a Canadian manufacturer, side by side with crystal from Czechoslovakia.

This brings up another point. One has the impression that the average Japanese consumer is only now arriving at the point where he identifies a given product with a country. Wine is France, woollens are Britain, but beyond that things get a little hazy. In one sense this is an advantage, because a prospective supplier does not have to break down any preconceived notions of superiority. Canada has no more claim to over-all distinction than most other countries, yet we are making rewarding sales in a good many specialized fields and gradually building up a reputation for quality. More could be done at all levels to enhance this image.

How They Buy

The main thing about department-store buying is the fact that it does not depend nearly as much on the services of Japanese giant trading companies as other areas of commerce do. The only occasions when a large trading company need play a part is when it has established a record for obtaining import licences for a particular product which may still be under import control or when, through its branches abroad, it is able to assume a sort of banking function. In actual practice the trading companies range over an even wider field because often the store buyers visiting abroad depend greatly on the foreign offices of the leading Japanese companies, such as Mitsui, Mitsubishi, Marubeni-Iida and Sumitomo.

Otherwise Japanese department store buying is done in a variety of ways. Connections range from the big trading companies through the small ones to individual traders, to direct contact with the foreign supplier and even, on rare occasions, to mail orders. One store estimates that it makes about 20 per cent of its imports directly through the foreign supplier. Actually the stores prefer to work through a local agent because this facilitates documentation and claims and frees them from foreign exchange arrangements. Almost invariably samples are required. Payment procedures appear rather casual. Most stores have no objection to letter of credit terms but often established contacts merely bill them at the end of the month.

The internal structure of the store administration is fairly typical. The basic unit is the individual buyer charged with purchases in a given field, such as sporting goods, clothing, liquor, and so on. He is the man who makes the decision and he is the man who must be sold. He deals with local importers and pays for his purchases in Yen. When it comes to direct imports, the Foreign Department comes in. It co-ordinates foreign purchases, arranges the exchange and the documentation and, when necessary, obtains import licences from the Ministry of International Trade and Industry. This raises a rather important point. Licences for any product requiring them—let's say leather garments—are issued on the basis of past performance. If Store "A" has not in the past dealt in leather garments, it will normally not be able to procurc a licence. Store "B", however, with experience in handling this article, qualifies for a licence. Obviously, the foreign supplier or his agent must establish what store gets which licence.

Japanese department stores do not as a rule maintain buying offices abroad. They send men out and sometimes they deal through purchasing agents, particularly in the United States, France and Italy. These agents usually operate in a specialized field, let's say Italian handbags, which are readily available in Japanese stores at prices up to $450. However, the great bulk of foreign purchases are made through the local agent or from visiting foreign businessmen coming into the store and interviewing buyers.

Perhaps this sketch of a new, rapidly growing and challenging field will induce more Canadian suppliers to test this market. The potential is excellent. Sales of department stores reach $2,750 million a year and sales of imported goods are reckoned at 10 per cent of this figure. Let's see now, that makes . . . . ●

trade lines

Federal Commonwealth Line will increase frequency of sailings to Australia to every three weeks when navigation opens on the Great Lakes and St. Lawrence River this year. Alternate sailings will call at New Zealand ports. The first sailing from Toronto to Napier and Auckland is scheduled in May and there will be subsequent sailings every six weeks. The service will continue during the winter months, loading at Halifax, Nova Scotia. The line is not a member of the Eastern Canada/Australia-New Zealand Conference.

The general agent in Canada is Federal Commerce and Navigation Company Limited, 451 St. John Street. Montreal Shipping Company Limited, 170 Bay Street, Toronto, represents the line in Ontario.

Netherlands economic prospects for 1967 look better now, according to the Central Planning Agency. The agency predicts that exports will rise by 8 per cent and productivity will increase by 4 per cent. The balance of payments is expected to improve by an additional 200 million guilders to reach a level of 1.3 billion guilders—The Hague.

Yugoslavia's first oil pipeline will run from the Adriatic port of Bakar to the oil refinery at Sisak, 176 kilometers distant, according to plans just completed. Later it will be extended by 107 kilometers to refineries at Bosanski Brod and the new refinery at Pancevo near Belgrade. A branch will run north from Sisak to the Hungarian border where it will eventually link up with the Eastern European pipeline system. The annual capacity of the new pipeline will be 13 million tons of crude—Vienna.

Scientists at Jerusalem's Hebrew University have designed a solar cooker for use where fuel is scarce but sunshine is not. In bright sunshine it will deliver 558 watts and boil 2 litres of water in 22 minutes. The cooker can be produced for $10 to $12 and may be attractive to low income families in Africa, Asia and South America—Tel Aviv.

Chile will import 1,600 taxis to relieve the transportation problem in Santiago, free of import duties but subject to "additional tax". The Government will also reduce customs duties on 500 bus bodies by 50 per cent—Santiago.

Australian wine consumption has increased 84 per cent over the past five years. In 1965-1966, Australians drank 15.3 million gallons of wine—1.34 gallons a head—with sweet sherry at 4.4 million gallons being the most popular. Imports of wine were less than one per cent of consumption. After Britain, Canada is Australia's largest export market for wine and brandy—Melbourne.

Singapore will produce its own refined sugar by the middle of next year when work on the Can.$4.89 million factory complex in the Jurong Industrial Park is completed. The Government has not yet announced quotas for the import of sugar to protect the local industry, but it is expected to do so before the new refinery begins operations. Singapore imported over 50,000 tons of refined sugar, valued at over Can.$4.2 million, in the first six months of 1966—Singapore.

The first of thirty new insulated unit load containers for use on the service between Dublin and Liverpool/Preston across the Irish Sea have been received. They have aluminum frames and panels with 2 inch rigid polyurethane in the walls and 4 inch polystyrene in roofs and floors. The floors have positive grip tread plates and the roofs have five meat-hanging rails designed to carry a total load of ten tons. The normal dry ice charge will keep the container cold for 72 hours.

The containers are designed with special sockets for handling by automatic lifts, thus enabling rapid loading for through rail dispatch from Liverpool to London and other British cities. Over 60,000 tons of fresh meat were exported from Ireland to Britain in 1966. During low meat shipping seasons, the new containers will be used to carry other perishables such as cheese, fruit and butter—Dublin.

Plans are going forward for two new hospitals in Glasgow and Belfast. Each city has approved a major hospital to cost Can.$20 million. These developments are expected to make use of the latest mechanical and scientific aids. Ventilating, X-ray, teaching, research, photographic and other basic equipment will be required—Glasgow.

Germany's photographic industry noted three new trends at the "Photokina" fair, held last October in Cologne. More non-Germans than before are interested in German cameras and accessories; amateurs are buying more sophisticated cameras, and the industry finds itself increasingly occupied with supplying photographic apparatus for technical, commercial and scientific purposes. More than half the sales are now in these fields—Bad Godesberg.

A Swedish company will spend $20 million to extend its aluminum smelter. Svenska Aluminiumkompaniet (Sako), Sweden's only major aluminum producer, will increase its production from 30,000 to 50,000 tons by 1968. Aluminum consumption, currently 80,000 tons per year, has been increasing by 8 to 10 per cent annually—Stockholm.

The Chilean Development Corporation will study the feasibility of building port facilities at Constitución to serve the planned cellulose plant. An American firm has been commissioned to carry out the study. The port project would cost an estimated U.S.$4.5 million—Santiago.

Automatic mine safety equipment will be produced in Hungary under a joint-manufacture contract between a British company and NIKEX Foreign Trade Company of Budapest. The Hungarian National Mining Machine Company will manufacture 40 per cent of the machines and component parts; the balance is to be supplied by the Dobson-Nottingham Co. Ltd.—Vienna.

London is to be a direct port of call for East Asiatic sailings from Vancouver. The new service will begin with the sailing of *M. S. Sinaloa* in March. East Asiatic has increased the frequency of sailings from Vancouver to ports in Britain and Northern Europe—Vancouver.

A new shipping service to Northern Europe from Lake Ontario and St. Lawrence ports is planned for 1967. With the opening of navigation on the St. Lawrence River and the Seaway, the Bellstar Line will inaugurate a regular shipping service between Toronto/Hamilton, St. Lawrence River ports and Amsterdam, Rotterdam and Hamburg. Three general cargo vessels will maintain sailings on a fortnightly basis. The line is not a member of the Canadian Continental Eastbound Freight Conference. Shipping Limited, 410 St. Nicholas Street, Montreal, and 170 Bay Street, Toronto, are general agents for the Bellstar Line in Canada—The Hague.

At the first 1967 Fur Show Auction held in Oslo from January 9-11 skins sold at prices about 10 per cent below those of December 1966. On the first day 220,000 dark male mink skins sold for an average price of Kr. 110. Prices for the darkest, Black Mink, ranged from an average of Kr. 188 to Kr. 340. On January 10, 140,000 dark female mink skins sold for an average of Kr. 60, with a high of Kr. 130, and 117,000 pastel mink skins at an average of Kr. 107, with top price of Kr. 165. On the closing day 110,000 skins of pastel and 27,000 of dawn and topaz mink were offered. In all, 610,000 skins were sold, most of them for export; the U.S. and Italy were the chief buyers. The next International Skin Auction is scheduled for the end of February—Oslo.

The Volkswagen-Werke purchases some 60 per cent of the 5,000 component parts of a car, which is in line with the international average of 55-65 per cent. At present, the factory obtains half of its coal supplies and also headlamps, tires and spark plugs from the United States. An estimated 10-15 per cent of its supplies come from abroad. It spends approximately U.S.$1 billion a year on the purchase of production materials—Hamburg.

Mining developments in Rumania could spell opportunities for selling mining equipment there. An iron ore deposit in the Hunedoara region will supply 100,000 tons in 1967. Two new coal mines in the Motru region, each with a projected annual output of one million tons, are slated to commence production in 1969. Work has begun on a lignite quarry, the annual production of which is expected to reach 22 million tons. These are only three of 19 mines planned for during the present Five-Year Plan (1966-1970). Expenditures on equipment will be 1.5 times that allocated for mining investments in the previous six years—Vienna.

Foreign Tariffs and Trade Regulations

Bolivia

BOLIVIA JOINS LAFTA—On February 8, 1967, Bolivia signed documents of adherence to the Treaty of Montevideo. As a less developed member, Bolivia will receive special tariff treatment from other members in the same way as Ecuador and Paraguay do. Bolivia is expected to enter into tariff negotiations with the other members at the next special negotiating session of LAFTA, which may take place in March and April, or at the regular annual negotiating session at LAFTA headquarters in Montevideo in October. The special negotiating session is mainly intended to give Venezuela the opportunity of concluding its tariff negotiations with the other nine LAFTA members, which were not concluded at the regular negotiating session at the end of 1966—Montevideo.

Finland

IMPORT LIBERALIZATION—The Government of Finland has announced a list of commodities imports of which have been liberalized. The action became effective on January 1, 1967, and means that import permits are no longer required for the items listed. Included are:

Fish fillets
Corn flakes
Biscuits
Gypsum
Lime and cement
Articles of leather
Articles of apparel of leather
Carpets, mechanically made
Internal combustion engines
Pumps for liquids

Norway

AGRICULTURAL IMPORTS LIBERALIZED—The Government of Norway has advised the GATT Secretariat that from January 1, 1967, on, imports of the following products are exempt from import restriction:

Frozen corn
Cherry pie filling
Canned sour cherries
Canned mixed fruits, including fruit cocktail
Vegetable juices whether or not containing added sugar
Canned corn

More detailed information may be obtained from the Office of Trade Relations, Department of Trade and Commerce.

Trade Commissioners on Tour

In Territory

Guyana—D. H. Clemons, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Guyana March 26-April 1.

Kuwait—I. V. Macdonald, Commercial Counsellor in Beirut, Lebanon, will visit Kuwait March 10-13.

Leewards—D. H. Clemons, Assistant Commercial Secretary in Port-of-Spain, Trinidad, will visit Antigua, St. Lucia, St. Vincent and Grenada March 26-April 1.

South Korea—W. G. Brett, Commercial Secretary in Tokyo, Japan, will visit South Korea March 28-April 1.

West Indies—K. G. Ramsay, Commercial Counsellor in Port-of-Spain, Trinidad, will visit the Leeward and Windward Islands, Guadeloupe and Martinique March 10-20.

Businessmen who would like these officers to undertake assignments for them should write to them at their posts as soon as possible.

Brazil Plans Livestock Development

One of the dominant strains of Brazilian cattle is the Nelore breed, derived from the Zebu.

Project areas in Central and Southern Brazil will benefit from proposed $100 million program to build up and modernize livestock industry. Southern project may present Canadians with opportunities to sell purebred cattle, frozen semen, fertilizers, seeds, equipment.

C. M. FORSYTH-SMITH, *Commercial Counsellor, Rio de Janeiro.*

THE BRAZILIAN GOVERNMENT recently approached the International Bank for Reconstruction and Development for a loan of $50 million to help finance an ambitious program of livestock improvement estimated to cost a total of $100 million. Although the decision to proceed with the plan has not yet been made, there is a strong possibility that approval will be granted. This should result in some opportunities for Canadian participation.

Brazil is currently a significant producer of livestock, but total production has never come close to the potential that could be realized if the natural climatic and ecological advantages of the country were fully exploited. The present cattle population is between 70 and 80 million, pastured on an area of about 120 million hectares (about 463,300 square miles). Eighty per cent of this area is natural grassland and only 14 per cent represents cultivated pasture land.

Three Regions Involved

There are three distinct livestock regions in Brazil. The southern panhandle that includes the states of Rio Grande do Sul, Santa Catarina and Parana has a temperate climate with well-defined seasons and frequent frosts in the winter. Rainfall in the region is adequate and in the summer it produces lush growths of Argentina and other grasses and various types of clover. The dominant cattle breeds in the South are of European origin, particularly those raised for beef. These include Hereford, Devon, Aberdeen Angus, Shorthorn and Charolais. Among milk producers the Jersey, Guernsey and Holstein-Friesan predominate.

The Central Region is an area roughly defined by the Tropic of Capricorn and the 16th parallel and includes the State of Sao Paulo and parts of Mato Grosso, Goias, Minas Gerais and Rio de Janeiro. The climate is tropical, with less well-defined seasons, a year-round growing season, and no frosts. The dominant types of cattle are strains derived from Indian stock or Zebu, as they are known in South America. The most popular of these are Nelore, Gyr, Guzirat and Indubrasil. Santa Gertrudis cattle have adapted well to the climate. Recently a crossing of Nelore and Charolais stock has produced the Chanchim breed, known as Charbray in North America. The Central Region produces more beef than any other area in Brazil.

North of this region lies the third livestock area. It is the least developed and therefore the least productive. The climate and vegetation tend to be equatorial and the cattle vary from Zebu strains to buffalo.

Despite the large area given over to livestock production and the large cattle population, the efficiency of the total industry is relatively low. This results from a number of factors, including a fairly high mortality rate, poor animal husbandry practices, poor pasture improvement, and a lack of adequate transportation. Herd improvement is not encouraged because quality beef does not command a premium price. The Brazilian Government's efforts to encourage herd expansion have included prohibition of the slaughter of heifers of less than five years of age. The practical effect of this has been that no cows are slaughtered until the end of their productive lives, with the result that quality has suffered. Attempts to control prices to ensure cheap food supplies have seriously discouraged and inhibited the implementation of modern techniques and this also has retarded the industry.

Brazil does not have a system of public auctions for marketing fattened cattle. Negotiations usually are carried out directly between the producer and the processor or his agent. In the Central Region the producer is paid on the basis of the cold weight of the carcass after dressing. In the South the Platine system is used more frequently. A sale is negotiated on the live animal weight after 12 hours of fasting, or on the live weight minus 4 per cent. Total Brazilian production of market beef averages around 1.4 million metric tons a year.

Two Areas Chosen

The improvement plan contemplates the establishment of two project areas, one in the South in Rio Grande do Sul and the other, much larger, in the Central Region.

The Southern project area would be composed roughly of the lower half of the State of Rio Grande do Sul. The project in this area would involve the improvement of both cattle and sheep production, because wool and mutton are also significant products of the area. The Government estimates that this area now supports about nine million head of cattle and 12 million sheep. The problem is not one of herd enlargement because most of the available pasture land is already in use, but rather to create conditions under which the present pasture acreage can be used more intensively. The official aim of the project is to double the production of meat per hectare during a ten year period and to increase wool production by 40 per cent. The plan contemplates investment in various sectors over a period of five years. It would assist 1,000 farm-ranches in all —200 in the first year of operation, 400 in the second and 400 in the third.

The first target would be the improvement of pasture areas. This involves cleaning and clearing land suitable for pasturage, and encouraging the cultivation of better pasture grasses and the use of fertilizers. Re-fertilization of existing pastures is also called for in areas where the land is producing below its optimum capacity. A more efficient use of existing pasture would be encouraged through fencing to promote selective seasonal use, and the construction of reservoirs and windmills, together with pumps and piping to furnish both on-site drinking water and a reserve for irrigation. Financial assistance would be given for the purchase of appropriate farm machinery. Animal improvement programs would involve giving financial help in buying new breeding stock and encouraging the use of insecticides, disinfectant baths and preventive vaccinations. This would all be backed up by a program of technical assistance to provide technical information and direction and to oversee the broad implementation of the plan itself.

The total cost of the Southern project, including administration, technical assistance and farm improvements, is estimated to be about Can.$29 million. Of this, farm improvements would account for about Can.$27 million and technical assistance and administration about Can.$2 million. Imported capital goods would cost about $9 million. To finance this project the World Bank is being asked to provide Can.$14 million, Brazilian credit facilities will provide Can.$9 million, and the individual farmers will be asked to put up a total of Can. $5.5 million.

The Central project area now supports about 22.6 million head of beef cattle and provides about 52 per cent of Brazil's total beef production. It includes the densely populated regions of Sao Paulo and Rio de Janeiro.

Under the proposed project it is hoped to double the production of beef per hectare in ten years. It will take the same general form as the one in the South, but will deal with a much larger area and with the different problems posed by a tropical, damp, savannah-type ecology. It is estimated that the Central project will cost a total of $78.4 million, of which the World Bank is being asked to provide $37.5 million for investment in the capital infrastructure of some 2,500 farms and $3.4 million for technical assistance. Local credit facilities will be asked to furnish $22.5 million for farm investment and $2.9 million for technical assistance. Participating farmers will contribute an amount equal to 20 per cent of the cost of investments made on their farms.

Canadians Could Benefit

The Southern project will be of greatest interest to Canadians. It embraces an area that has climatic and other conditions in many ways similar to those in Canada. The types of grass seeds used and the dominant breeds of cattle are familiar to Canadians. Furthermore, the Southern States have been a potential market for Canadian products for some time and if the plan is approved, the potential may be realized much more quickly. Although it is expected that most of the investment will be spent locally, there should be scope for Canadian suppliers of purebred cattle, frozen semen, some types of agricultural equipment, fertilizers and seeds. The plan also envisages the services of foreign agricultural specialists and its implementation might therefore be of interest to Canadian agriculturalists and marketing experts. Further information can be obtained from:

Chief,
Latin American Division
Office of Trade Relations
Department of Trade and Commerce
Ottawa

or

Commercial Counsellor
Canadian Embassy
C. Postal 2164-ZC-OO
Rio de Janeiro, Brazil

or

Consul and Trade Commissioner
Canadian Consulate
C. Postal 6034
Sao Paulo, Brazil

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their banks before making any firm commitments. When more than one rate is shown, the one to be used depends on the commodity traded. Information on the rate for any specific commodity may be obtained from the Office of Trade Relations, Department of Trade and Commerce, Ottawa.

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

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

For conversion of column one to the U.S. dollar equivalent, *multiply* by .93 To convert column two, *divide* by .93.

Country and Currency	Value of Foreign currency unit in Canadian dollars at Feb. 17	Value of Canadian dollar in foreign currency units at Feb. 17
Algeria		
Dinar	.2186	4.58
Argentina		
Peso (free)	.0043	232.56
Australia		
Dollar	1.21	.8333
Austria		
Schilling	.0418	23.98
Bahamas		
Dollar	1.057	.9470
Belgium and Luxembourg		
Franc	.0217	46.25
Bermuda		
Pound	3.020	.33
Bolivia		
Peso	.0912	10.98
Brazil		
Cruzeiro (official free)	.4000	2.50
Britain		
Pound	3.020	.33
British Honduras		
Dollar	.7550	1.32
Burma		
Kyat	.2270	4.41
Ceylon		
Rupee	.2265	4.41
Chile		
Escudo (brank rate)	.2373	4.21
(free)	.2094	4.78
Colombia		
Peso (intermediate)	.080	12.50
Congo, Republic of[1]		
Franc	.0073	139.50
Costa Rica		
Colon	.1632	6.14
Cuba[2]		
Peso	....	....
Czechoslovakia		
Koruna	.1501	6.67
Denmark		
Krone	.1561	6.40

Country and Currency	Value of Foreign currency unit in Canadian dollars at Feb. 17	Value of Canadian dollar in foreign currency units at Feb. 17
Dominican Republic		
Peso	1.081	.93
Ecuador		
Sucre (official)	.0601	16.67
(free)	.0546	18.35
El Salvador		
Colon	.4324	2.31
Fiji		
Pound	2.721	.37
Finland		
Markka	.3378	2.96
France, Monaco, etc.[3]		
Franc	.2176	4.58
Franco-African Republics[4]		
Franc	.0044	227.79
French Pacific[5]		
Franc	.0120	82.64
Germany		
D Mark	.2721	3.68
Ghana		
Cedi	1.259	.79
Greece		
Drachma	.0360	27.86
Guatemala		
Quetzal	1.081	.93
Guyana		
Dollar	.6292	1.59
Haiti		
Gourde	.2162	4.63
Honduras		
Lempira	.5405	1.85
Hong Kong		
Dollar	.1888	5.30
Hungary		
Forint (official)	.0921	10.86
Iceland[1]		
Krona (official)	.0251	40.00
India		
Rupee	.1432	7.00
Indonesia[6]		
Rupiah	....	....

Country and Currency	Value of Foreign currency unit in Canadian dollars at Feb. 17	Value of Canadian dollar in foreign currency units at Feb. 17
Iran		
Rial	.0143	69.93
Iraq		
Dinar	3.027	.33
Ireland		
Pound	3.020	.33
Israel		
Pound	.3603	2.78
Italy		
Lira	.0017	581.86
Japan		
Yen	.0030	335.37
Kenya		
Shilling	.1402	7.13
Lebanon		
Pound (free)	.3474	2.88
Malaysia		
Dollar	.3531	2.83
Mexico		
Peso	.0865	11.61
Morocco		
Dirham	.2162	4.63
Netherlands		
Florin	.2994	3.34
Netherlands Antilles		
Florin	.5732	1.75
New Zealand		
Pound	3.010	.33
Nicaragua		
Cordoba	.1544	6.49
Nigeria		
Pound	3.020	.33
Norway		
Krone	.1513	6.63
Pakistan		
Rupee	.2265	4.42
Panama		
Balboa	1.081	.92
Paraguay		
Guarani (free)	.0086	116.27
Peru		
Sol (free)	.0403	24.94

Country and Currency	Value of Foreign currency unit in Canadian dollars at Feb. 17	Value of Canadian dollar in foreign currency units at Feb. 17
Philippines		
Peso (free)	.2774	3.61
Poland		
Zloty (fixed basic rate)	.2699	3.70
Portugal & Colonies[7]		
Escudo	.0376	26.66
Saudi Arabia		
Dinar	.2066	4.84
Sierra Leone		
Leone	1.510	.66
South Africa		
Rand	1.510	.66
Spain & Dependencies		
Peseta	.0180	55.55
Sweden		
Krona	.2093	4.78
Switzerland		
Franc	.2492	4.01
Syria		
Pound (free)	.2826	3.53
Taiwan		
New Taiwan Dollar (official)	.0233	42.92
Thailand[1]		
Baht (free)	.0525	19.25
Tunisia		
Dinar	2.070	.48
Turkey		
Lira	.1201	8.35
United Arab Republic		
Pound (official)	2.486	.40
United States		
Dollar	1.081	.93
Uruguay		
Peso (free)	.0138	72.46
Venezuela		
Bolivar (official free)	.2407	4.16
West Indies		
Dollar[8]	.6292	1.59
Pound[9]	3.020	.33
Yugoslavia		
Dinar (official)	.0865	11.63

1. Additional rates are in effect.
2. There is no trading in Cuban pesos in U.S. or Canadian banks at present.
3. Franc is also used in French Guiana, Guadeloupe and Martinique.
4. Chad, Central African Republic, Congo, Dahomey, Gabon, Ivory Coast, Mali, Islamic Republic of Mauritania, Niger, Senegal, Upper Volta, Cameroons, Togoland, and Malagasy. Also Reunion, Comoro Islands, St. Pierre and Miquelon.
5. New Caledonia, New Hebrides, French Polynesia.
6. As Indonesia is no longer a member of the IMF, a realistic rate is not available.
7. Approximately same rate for Portuguese territories in Africa.
8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

Enterprising Exporters in Western Canada

Concrete Extruder Captures Markets

"THE SYSTEM is so simple and the machine is so flexible." The speaker was a Chicago manufacturer of precast concrete, standing in a Regina plant watching a Canadian-invented machine extrude hollow-core, prestressed concrete slabs. Impressed with its performance, he bought one Corefloor Extruder. That was several years ago; today, Spiroll Corporation Ltd., Winnipeg, which developed and markets the Extruder, has sold it in Canada, in several parts of the United States, and in six other countries.

According to F. W. Sellers, Spiroll's president and general manager, the Extruder is unique because it applies the extrusion principle for the first time to the making of prestressed concrete slabs to be used for floors, roofs and even walls. Essentially, the process is this. The system consists of a casting bed; polished steel pallets run the length of it. High-tensile steel strands are pretensioned the length of the bed. The concrete is poured into a heavy-gauge steel hopper on the extrusion machine which extrudes it around the steel strands at the rate of approximately 3½ linear feet per minute. When the concrete has been cured by steam, the strands are cut and the tension is transferred to the concrete. A hydraulically driven saw cuts the slabs into the required lengths. Slabs produced by this method have a uniform density, a smaller module of elasticity, and a uniform camber.

Essentially, says Mr. Sellers, the company is selling not a machine but a system of making hollow-core, prestressed concrete floor, roof and wall slabs. That is why it is exported on a franchise basis—with it goes the knowhow and also the exclusive right to use the system within a defined area.

It took eight years to develop a marketable machine and soon after, in 1963, Spiroll began looking about for much larger markets than Canada alone could provide. Actually, the only potential customers are companies making prestressed concrete slabs, and salesmen employed by the company in Winnipeg began fanning out in search of U.S. firms in this field. (The Extruder is such a highly specialized product, says Mr. Sellers, that the company cannot make much use of agents or manufacturers' representatives in foreign markets.) One of these salesmen got in touch with the Chicago businessman mentioned in the first paragraph at a time when the latter was searching for a method of producing slabs economically for the hollow-core market. The American was persuaded to make a trip to Regina to see the prototype machine at work—and the sale was made.

Once this foothold was gained, sales slowly began to expand. By March 1965, some 22 of the Extruders were in operation in Canada and the United States. At least five Extruders have gone to the Southern States. A manufacurer in Vineland, New Jersey, who changed his whole plant over to using Spiroll equipment, later reported that he doubled his capacity for a small capital outlay and that orders were booked ahead for several months. In fact, he was so impressed that he wrote an article about the Spiroll system for *Modern Concrete*.

The foray into the United States market was accompanied by a similar one in Britain, partly because one of the first investors in the company was British. A firm, Spiroll (Great Britain) Ltd., was established as a sales and service company for Britain, Europe and the Middle East. Within a short time, the Londoners had sold four Corefloor Extruders, three concrete saws, and eight lifting clamps to a firm of British structural steel erectors which was expanding its operations to include concrete.

Mr. Sellers believes that the developing countries should provide a good outlet for the Extruder. One of them, Ceylon, has already become a customer. The State Engineering Corporation of Ceylon there, anxious to speed up a housing program in which concrete slabs figure largely, heard about the Extruder and wrote to Spiroll's London office. Later, a representative of the Corporation came to Winnipeg to see the machine at work and bought one, with the exclusive right to use the system in Ceylon. Early in 1966, the production unit and a cut-off saw were shipped out and it is now producing hollow-core flooring. Two units were also shipped some time ago to a Japanese electrical company in Osaka that makes prestressed concrete wire. So far, no further Japanese orders have been forthcoming.

Latest countries to be added to the list of markets are Spain and the Philippines. Many months ago, the managing director of a Spanish firm went to Vineland, N.J., accompanied by Mr. Sellers, to watch an Extruder in operation. As a result, one Extruder is now being installed in a plant at Algete, near Madrid. In December 1966, the assistant general manager of a concrete products company in Manila, Philippines, came to Winnipeg and after seeing the Extruder in action, placed an order for a complete production unit to be delivered in February 1967. Spiroll also has an "agreement in principle" with one Dutch company.

Exports, says Mr. Sellers, now make up about 90 to 95 per cent of Spiroll's business and the brisk pace of orders made a move to a new plant last December imperative. From this base, the sales campaign will continue and shortly a new machine to extrude prestressed concrete piles will be ready to market. Piles can be produced more cheaply this way and they have the same structural strength as those produced by other methods. Eight sales of the pile-making machinery have already been negotiated with U.S. firms, although no models have actually been turned out so far. It's all part of an export campaign founded on diversification—both of products and of market, and with the objective of manufacturing and marketing automated systems for manufacturers of prestressed concrete products wherever they are. ●

Moccasins—Mainly for Males

UP one flight of stairs I found a small office; out behind it was a large workroom complete with sewing machines, stacked-up piles of Canadian leather, and some finished and half-finished moccasins. From this small, one-floor factory on Winnipeg's Clifton Street, Continental Crafts ships out moccasins that sell in exclusive British stores like Harrod's and Simpson's, Piccadilly. In fact, one wall of the office was covered with a map of Britain and sprinkled thickly on it were pins showing the location of each British store in which Bison brand moccasins are on sale.

Evan Creelman, one of the partners in Continental Crafts, told me that the firm started in a small way in 1959, with only two employees. Today it has ten working in the plant, including the pattern-maker who does the designing, and twenty outside—mainly women who do the hand-lacing on a piecework basis. The big problem, says Mr. Creelman, is not markets but production and this in turn is handicapped by a shortage of skilled labour. The firm makes styles for men, women and children and for wear both indoors and out. In export markets, it's the styles for men that are the winners.

Manitoba's Department of Industry and Commerce supplied the initial push to get Continental interested in exporting by obtaining an agent for it in London, who has since sold for the company throughout Britain. The arrangement calls for the agent to buy from Continental at a flat c. and f. price and then resell. A freight forwarder looks after the actual shipping and in fact takes care of all the formalities except invoicing. The Manitoba Export Corporation continues to help by advancing 70 per cent of the value of each shipment to tide the firm over until payment is received. Usual terms of payment are 90 days.

According to Mr. Creelman, the picture of a Britisher returning home to a house that is not centrally heated and gratefully slipping on a pair of the firm's sheepskin-lined moccasins is not exaggerated. This type of slipper for men is the best seller in Britain and recently the agent has concentrated largely on it and on other male styles. Now the agent is also taking an outdoor type with two soles—an inner one sewn in and an outer one cemented on. This has gone over so well that at one point Mr. Creelman dispatched 114 pairs by air. (On shipments by air, the agent pays the differential.)

Shipping by air to London—some 240 cases went that way in 1965 alone—has helped to solve one problem, pilferage. When the cases go by sea, almost invariably several pairs of moccasins disappear from each case.

Through its agent, Continental has also secured a foothold in the mail-order business in Britain through a company which prints and distributes over a million catalogues showing its merchandise. Before the moccasins were included, the Winnipeg firm had to supply 10,000 pairs to cover anticipated orders.

Normally Continental supplies the British agent, by air, with samples of the new line at the beginning of each season—one slipper only. The agent makes his choice and the firm then makes up samples, in pairs, for all his salesmen. Recently its agent took some of the samples and toured several European markets; the general reaction was that the moccasins were well made, the quality good, and the price competitive. Exploitation of these markets is still to come.

Just over the border lies the huge United States market and Continental has been working through the offices of the Canadian Trade Commissioners there to line up good agents. It also exhibited at the Shoe Fair in Chicago. But until production rises sharply, efforts to find customers in the U.S. will run in low gear. One of these days, with production problems overcome, it should shift into high.

—O. MARY HILL,
Editor, "Foreign Trade."

Operation Export 1967

SOME CHANGES have taken place in the list of Trade Commissioners (published in our February 18 issue) who will tour Canada April 17 to June 2 to meet Canadian businessmen and discuss export prospects.

Belgium—J. McNaught will visit Montreal only.

Brazil—C. M. Forsyth-Smith and C. T. Charland will replace R. W. Burchill. Mr. Forsyth-Smith will visit Montreal only; Mr. Charland will visit all other cities on the tour.

Italy—C. E. Rufelds will represent the Milan office, replacing A. B. Brodie.

Philippines—E. L. Bobinski will replace J. L. Mutter.

Marketing Data Sheet

BRAZIL

Area

3,289,440 square miles.

Climate

Temperature range in Rio de Janeiro is 19°C—27.3°C, in São Paulo 14.2°C—23.4°C with average humidity of 80 per cent. Centigrade scale is used.

Population

Total population, 1960 census, 70,119,071. Estimated population in 1966, 84 million.

	Total	*Males*	*Females*
	(percentage distribution)		
40 and over	19.2	51	49
25 to 39	19.5	49	51
15 to 24	19.0	48	52

Households

Total dwellings 13.4 million.

Income

National income Can.$27,200 million; per capita income Can.$325. Average industrial hourly wage Can.$0.60.

Retail Sales

Estimated at Can.$6,500 million; per capita Can.$77.

Motor Vehicles

In 1965, 1,979,652 registrations.

Telephones

Fifteen telephones per 1,000 persons for all Brazil but 95 per 1,000 in Guanabara and 101 in São Paulo.

Radio and Television

8,653,900 households have radio, 2,156,000 have television (525 lines per picture). Radio and TV facilities are privately owned.

Water Supply

Should be filtered before drinking. Pumps sometimes required to supplement mains' pressure. Hardness in Rio de Janeiro varies between 7 and 20 milligrams per litre with mineral residues between 17 and 56 milligrams per litre.

Electric Power

50 cycle A.C. 110/220 volts (soon to change to 60 cycle) one-, two- and three-phase. Use of frequency stabilizers usually required. No ground wire required in appliance cords. Distribution system has a ground wire. Cost Can.$3.60 per 100 kw., including taxes. National installed capacity 7.5 million kw.

Coal

Various types available. Production 1.8 million tons in 1965. Reserves 1,350 million tons.

Gas

Manufactured, natural and LP gas available. Production of manufactured gas in 1966, 252 million cubic metres (analysis: CO 23 per cent, H_2 42 per cent, CH_4 14 per cent, N_2 10.4 per cent, CO_2 5 per cent, O_2 0.6 per cent, other hydrocarbons 5 per cent; thermal content 4,300 kilocalories per cubic metre). Production of natural gas in 1964, 531.7 million cubic metres (analysis: methane 95 per cent, inert gases 5 per cent). Consumption of LPG estimated for 1966, 825,440 tons (analysis: propane 80 per cent, butane 20 per cent).

Petroleum Products

Crude production 1965, 34.6 million barrels. Refined products 1964, 111 million barrels.

Weights and Measures

Metric. Land measure, alqueire (= 48,400 square metres) also used.

Screw Thread

North American SAE left hand.

Standards

No Brazilian standards.

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