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FOREIGN TRADE

DEPARTMENT OF TRADE AND COMMERCE, OTTAWA

The Changing U.S. Market for Lumber and Wood Products

FOREIGN TRADE

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COVER: Neat piles of lumber stand waiting in a Vancouver lumber yard for onward shipment. Much of it will go to the United States, which uses more timber and wood products than any other country in the world. For a review of some of the wood products Canadians supply to the U.S. and some of the opportunities for greater sales, see our special feature, pages 2 to 13.

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COMING—How to Sell Components to Agricultural OEM Companies, April 27 Issue

90500—1

Changing U.S. Markets for Lumber and Wood Products

The trend in the United States is away from buying rough lumber and doing all the work in the factory or on site. Exporters should increase margins by trading up to components, cut-to-size lumber and finished products.

CANADA sold $1.7 billion worth of forest products in the United States in 1966. About 40 per cent was made up of lumber and other wood products, most of which are favorably affected by the Kennedy Round of tariff reductions.

The consumption of lumber and wood products in the United States is the highest in the world. Domestic production supplies approximately 85 per cent of needs; imports fill the gap. The *Statistical Abstract* 1967 puts lumber consumption there at 42 billion board feet, of which 5.2 billion were imported. Canada is the main source of imports, with sales of lumber and wood products to the U.S. worth approximately $460 million in 1966. Other foreign suppliers include Japan, the Philippines, Malaysia, and the Republic of China (Taiwan). Exotic woods are imported from tropical countries around the world.

Canada has the good fortune of being close to the market. Specialized transportation techniques, such as packaged lumber and the use of large specially designed vessels, have consolidated this natural advantage. But the ability to deliver is only one factor in successful marketing. Quality is equally important, and this means both good raw materials and meeting the customer's dimensional and other standards (see the article on page 12 that explains proposed new lumber standards).

The size of the lumber market is closely related to the number of single-unit housing starts. The Department of Trade and Commerce and Trade Commissioners at posts throughout the United States maintain close touch with the trade to ensure that Canadian suppliers always get a good share of the available business. Canada is well represented at the principal lumbermen's conventions and building shows. Trade associations also provide a great deal of practical assistance and have produced some excellent technical and promotion literature, frequently in co-operation with the Department of Trade and Commerce.

Components Have Potential

It is in the field of wood products—from plywood and components to finished articles—that the greatest potential for expansion lies. Furniture manufacturing in the United States is gradually changing into an assembly industry, with components coming in from outside suppliers instead of being made in the plant. This puts a premium on dimensional accuracy and punctual delivery. It should give Canadian manufacturers the edge over competitors in Europe and Asia, particularly when short runs or new lines are involved. But if we want to become firmly established in this business we must act now; there is no time to lose. We could also sell more finished furniture. Distinctive Canadian designs are well received. Manufacturers should keep abreast of the latest trends in the market; the worst mistake is to offer a product that is neither distinctive nor fashionable.

Hardwood components for pallets are used by the automotive industry itself and by the manufacturers of forgings and castings who supply it. The initial buildup of intermodal containers will also take substantial quantities of hardwood; even when containerization is in full swing, there will be a continual need for repairs and replacements. Manufacturers in Eastern Canada who are not yet exporting should look into these markets; competition is keen but the large volume purchased provides plenty of opportunities.

Some areas of the United States have special requirements. Texans, for instance, like to have high fences around their yards and cedar shingles from Western Canada to finish their homes. Quality and proven resistance to local weather conditions—strong winds and low humidity—are more important selling points than price. On-the-spot investigation of regional preferences often uncovers a market for specialized products.

Kennedy Round Your Chonce

The Kennedy Round of tariff reductions certainly offers Canada more opportunities to sell established products in traditional markets. More important perhaps in the long run is the encouragement these cuts give to new exporters and to manufacturers with new products to sell. The first of the tariff cuts have already been made. In most instances, one-fifth of the total reduction was applied on January 1, 1968. A number of the lowest tariffs have been abolished entirely. The process will be completed by January 1, 1972.

Exporters are strongly advised to get an expert opinion on the tariff classification of their product by getting in touch with the U.S. Division of the Office of Trade Relations, Department of Trade and Commerce, Ottawa. It may be important to give the customer the option to purchase at f.o.b. plant prices. The reason is that the U.S. Customs has indicated that on certain products where the purchaser has the option of buying at f.o.b. plant prices, freight charges would not, under normal circumstances, be regarded as a dutiable charge. The Canadian firm should then show the amounts for duty, freight, insurance and brokerage separately on the sales invoice.

Channels of Trode

Most of the lumber business in the United States goes through wholesalers; there is comparatively little selling direct from mill to user. The trade falls naturally into two sections: large buyers are served by the "office wholesaler" who deals in carload lots and doesn't normally hold stock; smaller buyers get their supplies from the "stocking wholesaler" who has a yard and breaks bulk. Whichever the Canadian exporter wants to sell to, his problem is the same: he must first find reliable firms to deal with and then develop their goodwill.

Trade Commissioner posts throughout the United States are able to provide lists of reputable wholesalers interested in handling Canadian lumber. They can introduce exporters to key people in these firms and make other arrangements for them. But the initiative must come from the exporter—he is the one who knows best what he has to offer. He takes the risk and he makes the profit.

It depends on the size of the business, the location of buyer and seller, and the amount of management time whether a direct link between exporter and wholesaler is best or whether it is more economical to use an agent. In either case, experienced exporters strongly recommend regular contact between the principals—personal visits, not just correspondence. Attendance at lumber dealers' conventions saves travelling time but seeing a man on his own ground is a mark of courtesy and often turns up unsuspected opportunities.

In selling cut-to-size plywood and furniture components, communications play an even more important role. If components don't meet the specification or fail to arrive in time, the production line stops. Because the furniture manufacturer cannot readily obtain alternative supplies in an emergency, he takes a lot of trouble to select suppliers on whom he can rely. The Canadian exporter must demonstrate his reliability before he gets even a trial order. When he has won the business, he must keep right on top of the job. A representative (if the customer is within easy reach) or a commission agent is essential to maintain contact. Remember that in these days the supplier is the one who holds stock and the customer expects him to anticipate changing needs and meet them on the dot!

"Know Thyself"

Canadian firms currently exporting to the United States or planning to enter this market for the first time will find much helpful information on markets in the articles that follow. Before investigating new outlets, however, they should make a careful appraisal of their own production capacity, financial resources and product lines. They will then be in a better position to match up their capability with the right kind of market and distribution channel. Under-utilization of resources pushes costs up and depresses profits; over-extension inevitably brings trouble. The correct choice of market, on the other hand, enables the manufacturer to get the best from his management team, his plant and his workers, to broaden the base of his operations (more eggs in more baskets), and to increase his profits. When the Greeks said "Know thyself first", they might have been thinking of exporters.

M. A. JOHNSTON, *Assistant Editor, "Foreign Trade".*

New England

Birch and maple wanted for Early American styles

J. N. R. FERLAND, *Vice Consul and Assistant Trade Commissioner, Boston.*

IN OCTOBER, a team of experts at the Southern Furniture Market at High Point, North Carolina, ranged through more than 2,500 bedroom and dining room suites on display. While they were still compiling the results of their survey, the exhibits at this show were already being dismantled. It has always been important for the furniture industry to discover trends through the survey made at this show. The tabulations last year revealed that 30 per cent of the furniture displayed was "Early American", the style that has replaced "Modern" in popularity. As for the species of wood used, for the sixteenth year walnut was the leading variety selected by American furniture manufacturers, closely followed by pecan and maple.

The New England furniture industry has been a major promoter of Early American design and Canada a major supplier of fine, first-grade hardwood lumber needed for this particular style.

The industry consists of some 150 manufacturers (excluding wood-turning mills and cabinetmakers) and employs over 12,000 people. A third of it is concentrated in one furniture-oriented area: in the county of Worcester, Massachusetts, where no less than 6,000 people are employed in producing household furniture. Greater Boston and the Maine coast are other areas of high concentration.

What Industry Uses

During a recent visit to chair manufacturers, I heard someone remark: "So many chairs and not a place to sit!" Not the complete truth about the "Chair City" (Gardner,

FURNITURE INDUSTRY IN NEW ENGLAND

State	*Firms*	*Employees*
Maine	11	600 (350)*
Massachusetts	94	8,800 (3,300)
New Hampshire	22	1,400 (780)
Rhode Island	1	80 (80)
Vermont	16	1,500 (250)
Total	144	12,380 (4,760)

*Employees working on Early American styles shown in brackets.

Massachusetts), but it is true of the warehouses, where thousands of birch and maple chairs are stacked. Gardner is the major center in the northeast promoting Early American design. In New England as a whole, about one third of the manufacturers also devote their production to this style (see table).

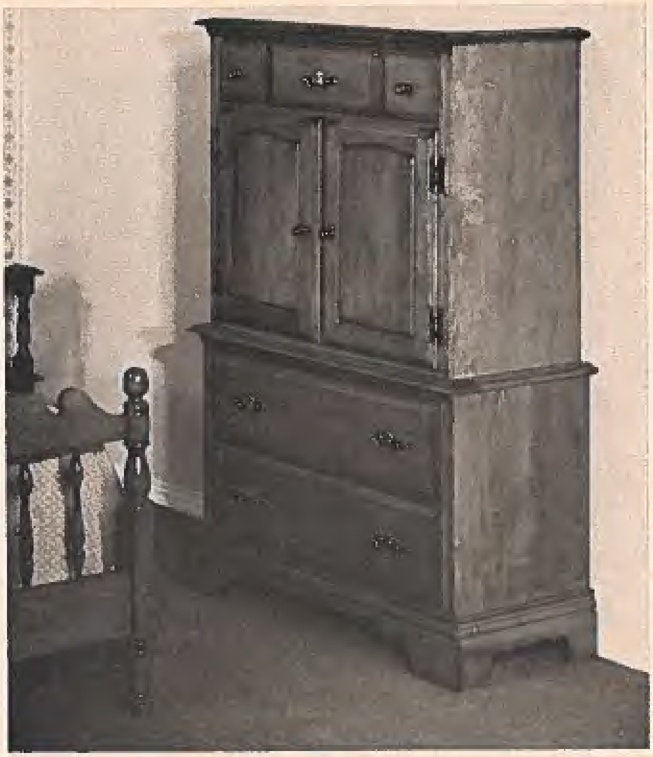
It is estimated that of the 600,000 m.f.b.m. of lumber purchased by the manufacturers one-third ends up as chairs, cribs, tables and beds, and of this, 30 per cent is maple and 20 per cent is birch. The rest consists of other hardwood species, used in roughly equal quantities—oak, cherry, eastern pine, redwood, cedar, poplar and beech. Nine firms out of ten use hardwood lumber. In Massachusetts, 40 per cent of the hardwood lumber purchased is birch and 30 per cent is maple, both No. 1 common and better. The Massachusetts Agricultural Experiment Station, University of Massachusetts, made this estimate of the conditioning of lumber purchased by manufacturers in Massachusetts:

Per cent of lumber purchased	
54	air-dried
29	green
15	kiln-dried

Purchasing Practices

Although pallet manufacturers and general millworkers usually have to comply with prices established by the dealer, the furniture manufacturer is in a position to set his own price. And size can be one of the decisive arguments in his favor. In New England, 15 out of the 144 furniture manufacturing firms employ 80 per cent of the labor force in the industry.

Roger Ferland, author of this article, looks at birch and maple chairs made in Gardner, Mass., an Early American furniture center and a good market for hardwood lumber and components. His host, the general manager, S. Bent & Bros. Inc.



This Early American piece is an example of the fine furniture which Vilas Industries Limited, Cowansville, Quebec, sells in the United States. It maintains permanent showrooms in New York and Jamestown, N.Y., and also makes use of trade fairs.

Here are some points that Canadian exporters should consider:

- The large manufacturers do not usually approach suppliers but rather wait for sellers to come to them. Half of them buy from wholesalers who service their accounts regularly. The other half buy directly from mills with which they may have contract agreements. If the latter, a Canadian supplier can only start doing business when the manufacturer is looking for additional sources of supply. When this situation arises, the buyer will often turn first to former suppliers or to local wholesalers. Even though he may offer equal price and service, the Canadian supplier should realize that he will enter the market slowly, making more or less marginal sales.

- Firms with more than a hundred employees usually have a purchasing specialist who works closely with the plant or production manager. Most of them work from their own established price and use their bargaining power to limit external variations. Their bargaining power is, of course, stronger when they face the individual producer.

- Buyers complain constantly about the failure of producers to meet grading standards and physical conditions. This is one of the reasons why the market is hard to break into and why some manufacturers buy on contract. The supplier often has to make an initial shipment with the understanding that his lumber will be returned at his

90500—2½

own expense if it does not meet the agreed requirements. The first shipment should be representative of later ones.

• The second largest complaint is failure to meet delivery requirements. Canadian producers beyond a 400-mile radius of Boston will find that selling to a wholesaler with a stocking yard eliminates this problem. Most manufacturers maintain a relatively small inventory (45,000 m.f.b.m. for the industry) and rely very much upon intermediaries or local mills to obtain lumber at short notice.

• For dimension stock, the problems of meeting grading and condition specifications are even more acute.

• As for pricing, some buyers like to be quoted in terms of m.f.b.m. and some in terms of exact dimensions (in inches). It is recommended that suppliers submit a price list with the prices expressed both ways. Note also that nine out of ten purchasing agents expect to be quoted f.o.b. point of delivery.

Canadian lumber producers supply large quantities of lumber to the New England furniture manufacturing industry and the market is always open for good-quality lumber from people who can supply on a continuing basis. Optimism reigns in the industry. After a rather moderate year, home furnishing sales recovered last fall by 6 per cent. Manufacturers planning to participate in the Spring Market (held in March in Boston's War Memorial Auditorium) predicted a further 6 per cent rise in sales during 1968. The demand for Canadian lumber should therefore also increase. •

Midwest United States

Demand for cut-to-size plywood exceeds supply

J. A. DOYLE,
Consul and Trade Commissioner, Chicago.

THE MARKET for cut-to-size plywood components in the Midwest United States provides opportunities that Canadian plywood manufacturers should not overlook. Its development has in many ways paralleled the growth of tbe hardwood dimension stock industry. There are excellent prospects in the Chicago area for Canadian firms who can manufacture plywood components accurately in the variety of sizes required by the television, radio and stereo, kitchen cabinet, furniture and related industries. Although some firms are now exporting to this area, the demand could support a much higher level of Canadian sales.

Most plywood has traditionally been sold in standard 4- by 8-foot sheets. High labor costs and the greater use of production-line techniques in the manufacture of cabinets and furniture in the United States have stimulated the market for plywood components. These components are accurately cut to individual patterns and then shipped by the plywood manufacturer for immediate use in the production lines of the cabinet and furniture industries. Besides saving on labor costs, this results in less waste of valuable plywood.

Supply Not Adequate

More Canadian companies manufacturing hardwood plywood, including aspen, should investigate tbis growing market. During the past year, the demand in the Chicago area has greatly exceeded the supply and requests from users for information on Canadian sources of birch, maple and aspen cut-to-size plywood were received regularly. Unfortunately, only in a few instances was it possible to locate manufacturers in Canada who could supply the material required.

In this territory the cut-to-size components are generally moved through middlemen who know their area and their markets thoroughly. These middlemen are largely mill representatives whose services usually go well beyond the securing of supplies. Often they also look after such items as transportation and financing. In view of the service demands of the cabinet and furniture manufacturers and the complexity of the industry in the large industrial centers of the Midwest, it is desirable for new Canadian cut-to-size plywood manufacturers to consider the use of one of these representatives in order to penetrate the market effectively.

Prices and Future Demand

Prices paid for cut-to-size plywood in the United States Midwest vary a great deal, depending upon the thickness, grade, and size of the individual components and the amount of finishing required. Cut-to-size materials, however, command much higher prices than the conventional 4- by 8-foot panels and their production can lead to very profitable ventures. Because the plywood requirements of the cabinet and furniture industries in the future will be to an increasing degree supplied by cut-to-size manufacturers, the demand for these materials will continue strong.

There is little doubt tbat tbere are now and will continue to be excellent sales opportunities in the United States Midwest for Canadian firms who can produce quality birch, maple, or aspen plywood cut-to-size stock. •

Ohio

Construction industry is biggest customer

J. C. BRADFORD, *Consul and Assistant Trade Commissioner, Cleveland.*

THE OHIO MARKET for lumber and wood products falls into three broad sectors. The largest and most important is construction and building products. The second is the industrial market, which buys wood and lumber for packaging and shipping containers. Lastly, there is a smaller market for special woods and wooden components for the furniture and other industries manufacturing wooden products.

Construction and Building Products

Residential construction is the most important market for lumber, plywood and panel products. The average single family dwelling unit uses an estimated 11,190 board feet of lumber, according to the Forest Service of the United States Department of Agriculture. Although the amount of lumber used as building material in each unit is expected to decline slightly because of increased use of other materials, total demand will increase in the next decade because of greater housing requirements. The market is susceptible to short-term effects, principally fluctuations in the cost of money and the availability of credit. In Ohio, as in other parts of the United States, housing starts are up thus far in 1968 compared with last year and, according to local Ohio lumber dealers and contractors, spring construction will be greater this year.

A substantial amount of Canadian lumber is used in residential construction in Ohio. The major demand is for dimension stock in construction grades. Most Canadian wood going into the state is from tbe West although interest is shown in Eastern species as well. The rates of duty on plywood and panelling have limited our penetration of that market. However, the use of plywood as a construction material is increasing every year and Canadian plywood manufacturers should investigate the possibility of selling sheets cut-to-size.

Industrial Uses

There is a substantial market in Ohio for wooden packaging, mainly boxes, crates, pallets and wirebound veneer containers. The use of lumber for shipping containers is declining as a result of the growing popularity of corrugated boxes, metal and fiber drums. This bas, however, been partly offset by the increased use of wooden pallets for truck transport.

Industry uses both expendable and reusable pallets in large quantities for automotive parts, aircraft and aero-

Jack Cash—Vancouver

S. M. Simpson Company Limited now exports these palletized bins made of spruce plywood to the United States. They replace boxes for harvesting produce.

space components, castings and forgings, and food products. The strongest demand is for heavy-duty reusable pallets, according to a survey recently carried out by the Canadian Consulate in Cleveland.

Wooden pallets are generally manufactured from hardwood lumber unsuitable for furniture and finished goods. Most industrial users purchase their requirements directly from pallet manufacturers, many of whom are located in the northeastern part of the United States. Pallet stock lumber comes mainly from the Appalachian region which produces a great deal of low-grade hardwood at modest prices. It is a difficult market for Canadian manufacturers to penetrate because of local competition and the rate of duty to which the fabricated imported product is subject. Many manufacturers have said that they would welcome inquiries which could develop into an additional source of supply of pallets and would like to see quotations. (For a list of Ohio manufacturers interested in quotations from Canadian pallet manufacturers, write to the Canadian Consulate in Cleveland or the Forest Products Division, Department of Trade and Commerce, Ottawa.)

The household and institutional furniture industry makes an important contribution to Ohio's economy. There are 120 firms engaged in this sector, almost 6 per cent of the country's furniture output, with a value added by manufacture of $181.5 million. Their products range from upholstered furniture to case goods, institutional seating and equipment, and cabinet goods for domestic and residential use. The use of wood has declined somewhat as a result of competition from metal, plastics and other synthetic materials.

Although Ohio produces substantial quantities of hardwood, more than 75 per cent of the furniture industry's requirements comes from outside, mainly from the southern and eastern United States. Practically none is obtained from Canada at present.

Canadian hardwood logs and timber in the rough enter the United States duty-free. However, many semi-fabricated and fabricated products of the forest industries are dutiable and information on their tariff status may be obtained from the United States Division, Office of Trade Relations, Department of Trade and Commerce. ●

New York, New Jersey, Connecticut

Market for cut-to-size plywood

C. K. MARCHANT, *Vice Consul and Assistant Trade Commissioner, New York.*

THE SOARING cost of labor and land has effectively slowed the growth of furniture and cabinet manufacture in the New York/New Jersey/Connecticut area. Particulary in Metropolitan New York, rising costs and increasing competition from the burgeoning Southern industry have forced manufacturers to rethink their production methods.

Almost paradoxically, these developments have created a growing potential for a product which Canada produces in abundance—cut-to-size plywood or board for case goods and cabinets. More and more firms are switching to buying cut-to-size face panels, sides, bottoms and backs, delivered ready for incorporation into finished units.

This trend, however, is not yet firmly set. Scandinavian hardboard and Luan plywood from Taiwan which, because of the distances involved, do not lend themselves to being cut to size, have gained considerable ground in this market. Using highly effective promotion and attractive prices, they have forestalled a stronger move towards cut-to-size plywood and board. Despite this, the good reputation of Canadian plywood, particularly birch, should enable Canadian producers of cut-to-size plywood stock to develop a profitable trade.

The main users are bedroom furniture producers, especially those making bedroom suites, and manufacturers of "production run" kitchen cabinets. There are several hundred such firms in the tri-state area. Birch, maple, and oak plywood or face ply are popular for furniture backings, drawer bottoms and sides, and exposed cabinet surfaces, but a large number of producers also use hardboard and flakeboard. A few use poplar plywood for unexposed surfaces such as backs or tops—but most producers believe it to be inferior in hardness, color and grain. A furniture manufacturer also has to be reasonably large for it to be worth his while to order different species from separate sources. It would frequently be cheaper for him to use the more expensive species for everything.

The Canadian producer who can offer cut-to-size plywood or board of consistent quality and color, accurately cut and competitive in price, will find a promising market. Business won't, however, just drop into his hands and he should begin to develop contacts in the area right away. The Canadian Consulate General in New York is only too glad to help. ●

Michigan

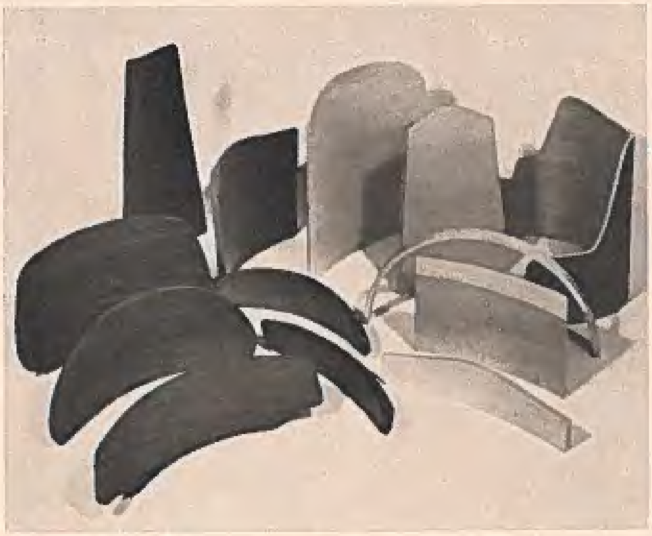
Big market for many products

V. G. LOTTO,
Consul and Assistant Trade Commissioner, Detroit.

OVER a thousand Michigan firms use wood as a basic material in the manufacture of their products. These companies produce primarily millwork, wooden containers, pallets, log cabins, furniture and mobile homes. Collectively these represent a very large market for wood. Combine their requirements with those of some 14,000 other manufacturers and a mammoth construction industry, and it is clear that wood is a major factor in the state's economy.

Michigan is a net importer of wood, with Canadian companies supplying a large proportion of the demand. The state's lumber production has declined steadily since the turn of the century and now amounts to about 1 per cent of the total United States output. Reforestation and improved methods of harvesting timber will increase softwood and hardwood production by a quarter over the next ten years. This expansion, however, will be less than expected market growth.

The population is increasing rapidly. By 1985, Michigan will have up to 10.5 million people compared with today's 8.5 million. The economic growth rate continues to be well above the national average; per capita personal income is 10.3 per cent more than the national average. Michigan's gross state product should expand 10 per cent in 1968 to $30.6 billion, roughly equal to half the GNP for the whole of Canada.



Construction—The construction industry employs well over 100,000 people. Although this industry faces negotiating new contracts with 20 unions, industry spokesmen are hopeful that the talks will proceed smoothly and 1968 will see last year's gains continue. In the Detroit area, there will be 25,000 new residential units built (about the same as in 1967) with the trend to apartments accelerating. Residential units authorized for the entire state in 1966 numbered 37,651.

The construction of new manufacturing facilities slackened in the first two months of 1968 because of automotive strikes and work stoppages, but activity is beginning to pick up. Commercial building slowed down because of high interest rates and the difficulty of financing. However, stepped-up modernization programs are offsetting this trend. The bright spot is institutional building. Advanced medical techniques and medicare benefits have spurred the demand for more hospitals. Rising college enrolments call for additional dormitories, classrooms, and other facilities. Public works and utility construction is also higher than in previous years.

Industrial Uses—Michigan is number one in the United States in the production of motor vehicles, grey iron castings, metal stampings, automobile hardware, and machine tool accessories, and therefore needs substantial quantities of wood for crating, pallets, and blocking materials. (The September 2, 1967, issue of *Foreign Trade* surveys the market for pallets in Michigan.)

Most of the large corporations have wood products buyers. Canadian vendors get a good reception but cannot expect immediate orders unless they quote competitively on large volumes and show that they are able to meet delivery dates. The buyer will check out a prospective supplier thoroughly before placing even a trial order. Suppliers of wood products must meet the same criteria as suppliers of auto parts—delays in pallets or crating can be as crucial as late delivery of parts. Producers who are currently selling to U.S. subsidiaries in Canada but have not yet penetrated this market should tell their customers of their interest in exporting to the U.S. parent. A recommendation from the subsidiary can short-cut the "approved supplier" process. Industrial buyers do buy from wholesalers as well.

The Furniture Industry—Grand Rapids furniture manufacturers produce about 3 per cent of U.S. output which is expected to reach $4.1 billion in 1968, 3.5 per cent

Curvply Wood Products Ltd. makes moulded plywood shapes like these at its factory in Orono, Ontario. Rising college enrolments in the United States are stimulating the market for components of classroom, dormitory, refectory and other furniture.

more than in 1967. Grand Rapids manufacturers will probably do better than the national average.

There are opportunities to supply hardwood dimension stock, hardwood squares, turnings and other wooden components in medium to small quantities but Canadian components manufacturers have to compete with suppliers in the vicinity of Grand Rapids and low-cost producers in the southern United States. Wood products are bought finished or semi-finished, either direct from the manufacturer or through a distributive organization.

Some Opportunities—In February 1968, the Canadian Consulate in Detroit made a survey of major manufacturers, distributors and wholesalers and asked them about their requirements for wood products. Most of the firms contacted are currently buying from Canadian sources but are interested in extending their contacts. Primary lumber of such species as white pine, Douglas fir, jack pine, hemlock, white spruce, birch and maple is in demand. Generally, this is bought in carload lots at spot prices. Several companies also expressed an interest in Canadian sources of hardwood and softwood plywood and veneers.

A number of truck and trailer manufacturers would like to have Canadian offers of laminated flooring and plywood for exterior and interior use. Flooring is purchased in fully finished kits and plywood as dimension stock in carload quantities at contract prices.

A furniture manufacturer using a large quantity of hardwood stretchers, trim rails and handles would like to hear from Canadian producers of hardwood components.

A Detroit wholesaler is in the market for maple hardwood squares suitable for vacuum cleaners.

Michigan is an important market for a wide variety of Canadian forest products and has considerable untapped potential. Write now or, better still, visit the Canadian Consulate in Detroit for information on prospects for your product. ●

Southern States

Market here for softwoods, maple and birch

P. A. SAVARD,
Consul and Trade Commissioner, New Orleans.

THE MARKET for both construction and hardwood lumber in the Southern States depends largely on the number of housing starts. Over half the softwood lumber consumed here, in fact, goes into residential building. In the United States as a whole housing starts rose from 1.2 million in 1966 to 1.3 million in 1967 but lumber shipments were not appreciably higher. What is more, purchases in these two years did not come near to the previous level. There is a pent-up demand for housing—many predict two million starts a year by 1970. The trade is confident that 1968 will be a good year.

Softwood Lumber—Shipments of lumber from Western Canada to the Southern States for residential and other new construction have shown a steady increase since 1960 and reached an estimated 550 million board feet in 1967. Lumber has traditionally been shipped by rail, but in 1967 cargoes from the West Coast were sent by sea to Wilmington, North Carolina, and Savannah, Georgia, and 11 million board feet have now come by this route. Specially designed vessels were used with a capacity of 4.2 million board feet each; they carried the largest lumber shipments ever discharged at these ports. Much of the lumber from Canada will continue to arrive by rail but the volume shipped by sea is expected to increase.

Exporters interested in this market should begin by making use of the wealth of information on the United States market available from the Canadian lumber associations. They should pay particular attention to transportation rates, grading and conditions of sale. The Canadian Trade Commissioner in New Orleans maintains close contact with a large number of wholesalers, line yards, and commission agents interested in Canadian lumber and will send a list of them to exporters on request.

Hardwood Lumber—In the Southern States there are two quite separate markets for Canadian hardwoods. One is for household flooring; the other is for furniture components. In each case, the volume of business once again bears a close relationship to the amount of residential building.

Hardwoods are produced locally, especially walnut and oak for the furniture and flooring industries, but there is a satisfactory market for Canadian hardwood lumber, especially maple and birch.

Most of the furniture industry is in the north of the region, mainly North and South Carolina. Manufacturers need steady and reliable deliveries and are somewhat reluctant to buy from new sources.

The market for household flooring hardwoods has recovered from the weakness in prices evident in 1967 and the trade is looking forward to a satisfactory price structure continuing in 1968. Latest information indicates that business is satisfactory and mill inventories of flooring oak are moving well. Personal contact is just as important here as in selling other kinds of lumber, although advertising in lumber journals is also a valuable sales aid (the competition makes good use of it). ●

California

Market for components and cut-to-size lumber

V. B. CHEW,
Consul and Trade Commissioner, Los Angeles.

ALTHOUGH California produces 12 per cent of the United States lumber output, it is still a very important market for many Canadian forest products. Canadian manufacturers are supplying hardwood and softwood specialty items, but surveys have shown that we have only just scratched the surface of this huge and expanding industrial market.

Canada today is California's major foreign source of hardwood veneers, plywood, components and cut-to-size stock. From all indications, we cannot meet the demand. These products are required primarily for the furniture industry and California is the second largest furniture manufacturing area in the United States. Our lumber and components are also used to make caskets, Christmas tree stands, toys, pallets, mobile and factory-built homes, and shipping containers. The list is endless.

California has no commercial stands of hardwood. It draws its hardwood lumber and components from countries such as Taiwan, Japan, Finland, and above all Canada, which dominates the supply position. Unfortunately, the bulk of our exports to this particular market are in the form of lumber rather than cut-to-length stock or components. Now is the time for Canadian hardwood producers to trade up from lumber to cut-to-size lumber and components before other countries realize the potential. One only has to see the West African coastal forest belt stretching from Gabon to the Ivory Coast to realize that one day its products might make serious inroads into this market.

In Canada we have many merchantable species besides birch and maple which we could sell if properly converted. Markets could be developed for poplar, beech, and alder in the form of components, edge-glued panels or pattern stock.

California furniture manufacturers have become more flexible in their approach to manufacturing techniques mainly as a result of high taxes and high labor costs. They are searching for dependable sources of components and cut-to-size stock both for assembly in California or to be shipped in bond to Mexico, assembled there, and returned at considerable saving in cost.

In the manufacture of components and cut-to-size pieces, quality control is of the utmost importance. A component which is rejected at the assembly stage has no scrap value—the materials and labor used to make it are completely wasted. One of the most important problems to be overcome in California is the very low humidity for a good part of the year. This can play havoc with poorly prepared glue lines or solid parts if the basic wood has not been properly kiln-dried in the first place.

In spite of management and technical problems, the number of manufacturers of components is increasing and their operations are becoming more profitable as more furniture companies, facing higher labor costs, turn to outside suppliers. The larger manufacturers are somewhat reluctant to convert to using components during 1968 but within the next two decades the industry will be spending $20 million a year on them. This is reason enough why more Canadians should get into this market. ●

Canadian inventiveness and meticulous craftsmanship lie behind this graceful circular staircase for medium-priced homes, designed and made by Nicholson Building Products Components Limited of Burlington, Ontario. It sells well in the U.S. It is shipped there by truck and assembled by ordinary carpenters.

U.S. Proposes New Softwood Lumber Standard

Canadian lumber exporters will have to conform to the new softwood lumber standard in the United States when they are finally adopted. This may mean adapting certain manufacturing procedures.

J. A. DOYLE, *Consul and Trade Commissioner, Chicago.*

ON December 29, 1967, the United States Secretary of Commerce, Alexander Trowbridge, published a proposed recommended standard for softwood lumber which, if promulgated, will have considerable impact on Canadian lumber manufacturers exporting to the United States market. This new standard proposes changes in the present American Lumber Standard. Sizes are related to lumber seasoned to 19 per cent maximum moisture content. The new sizes also differ substantially from the present Canadian Lumber Standard sizes, which are similar to those now used in the United States. Approximately 15 per cent of the softwood lumber consumed each year in the United States originates in Canada; these developments are therefore of prime concern to softwood lumber manufacturers across the country.

Most Canadian manufacturers are aware that the whole subject of lumber standards has been a controversial issue in the United States for several years. Although many proposals have been made, the most recent revision approved by the ALS Committee was not promulgated by the Department of Commerce. In a statement released on April 28, 1967, the Department noted that "the results of the balloting revealed that there was significant and substantial opposition to the proposed revision and upon the consideration of the results and legal advice regarding the Department's procedures governing publication of voluntary standards, Dr. Alan V. Astin, Director of the National Bureau of Standards, concluded that the proposed revision could not be pubished."

Following this conclusion, Commerce Secretary Trowbridge announced in August 1967 that the Department would pursue an executive solution to resolve the long-standing softwood lumber standards issue, indicating that the present softwood lumber standard would be withdrawn when the Department published a new revision. In making this announcement, Secretary Trowbridge asserted that it was time for forthright action to conclude the lumber standards controversy and stated that solution by agreement among the affected interests was apparently not possible under the usual procedures.

Accordingly, the Office of Standards Review of the Department of Commerce was delegated the responsibility for the development of the new standard and was directed to work closely with the ALS Committee and the National Bureau of Standards. The Secretary noted that "under this executive solution we do not have to resubmit the recommended voluntary standard to an industry vote because it will be developed by a public process similar to rulemaking."

NOMINAL AND MINIMUM DRESSED SIZES
BOARDS, DIMENSION STOCK AND TIMBER

	Thickness (inches)			*Face Width (inches)*	
	Minimum Dressed			*Minimum Dressed*	
Nominal	*Dry*	*Green*	*Nominal*	*Dry*	*Green*
Boards					
1	3/4	25/32	2	1 1/2	1 9/16
1 1/4	1	1 1/32	3	2 9/16	2 5/8
1 1/2	1 1/2	1 9/32	4	3 9/16	3 5/8
			5	4 1/2	4 5/8
			6	5 1/2	5 5/8
			7	6 1/2	6 5/8
			8	7 1/2	7 5/8
			9	8 1/2	8 3/4
			10	9 1/2	9 3/4
			11	10 1/2	10 3/4
			12	11 1/2	11 3/4
			14	13 1/2	13 3/4
			16	15 1/2	15 3/4
Two-inch Dimension					
2	1 1/2	1 9/16	2	1 1/2	1 9/16
			3	2 9/16	2 5/8
			4	3 9/16	3 5/8
			6	5 1/2	5 5/8
			8	7 1/2	7 5/8
			10	9 1/2	9 3/4
			12	11 1/2	11 3/4
			14	13 1/2	13 3/4
			16	15 1/2	15 3/4

The Secretary stated at that time the following steps would be taken:

"One, the American Lumber Standards Committee, a committee appointed by the Secretary of Commerce and representatives of producers, distributors and consumers of lumber as well as others, will be given the opportunity to give advice on the kind of standard the Secretary should publish.

"Two, based on these recommendations and other relevant information and discussions, the Department will propose a standard and publish it in the *Federal Register* for public comment at which time, if need be, evidentiary hearings will be commenced to explore in depth the implications of the proposed standard and to get the best possible technical information on the feasibility of performance standards which are not in the standard which was recently not accepted.

"Three, the Department will then publish its standard and at that time will withdraw the existing standard. The Department's work will also be in co-operation with other federal agencies and they will be invited to participate in the public process. Industry of course will be under no legal obligation to follow the standard published."

Proposed New Lumber Sizes

This announcement, which was received with interest by Canadian lumber manufacturers, was followed by the publication on December 29, 1967, by the Secretary in the United States *Federal Register* of a proposed new standard for softwood lumber. With publication, the Secretary indicated that the Department would receive written comments up to January 31, 1968, and oral hearings would be convened in Washington, D.C., beginning on February 19, 1968.

This new standard is greatly changed from the present official U.S. Lumber Standard and is based on 1½-inch thickness for 2-inch nominal lumber seasoned to 19 per cent maximum moisture content. It provides for both minimum dressed dry and green sizes as well as for size differentials (examples of the proposed new sizes for boards and 2-inch dimension lumber are given in the table).

How Canada Is Affected

These developments are naturally vital to Canada's lumber industry because of the great importance of the United States market. At a meeting of the Canadian Standards Association's Committee on Standards for Softwood Lumber in Ottawa on February 6, 1968, it was agreed that if and when the proposed new American Softwood Lumber Standard is accepted in the United States, the present Canadian Standard would be revised to conform to the U.S. one.

The Canadian lumber industry further decided to make a presentation at the oral hearings of the U.S. Department of Commerce in Washington on February 19, 1968. The delegation was extremely well received and at the termination of the hearings the consensus of the group was that the proposed new United States Standard, with possibly some revisions, would be promulgated in due course —perhaps in three or four months' time, with an effective date a few months later.

On the basis of these developments, it is reasonable to assume that within the next few months the Canadian lumber manufacturer faces changes in his manufacturing procedures. These will probably involve adapting to new sizes and perhaps increased kiln drying of lumber by the industry as a whole. Producers must keep abreast of the situation in order to maintain the high level of lumber exported from Canada to the United States. ●

Timber Frame Homes for the RAF

THE running down of Britain's military establishments east of Suez in the next few years and the return of 70,000 servicemen and their families will place another heavy burden on the over-strained British housing situation. At a time when the economic position dictates a reduction in new government-subsidized municipal housing, many new homes will have to be provided at short notice in camp areas, where the services have already either rented or bought up all available accommodation. This may mean Canadian opportunities.

Recently the Royal Air Force urgently required 100 homes at Bicester in Oxfordshire for the families of returning airmen. The Bicester Urban District Council was able to allocate land for the housing project, but in discussions with the Ministry of Defence it became clear that traditional construction methods would be too slow to meet the completion dates.

The use of industrialized building systems was considered but most methods proved too inflexible in design to meet the conditions. After careful deliberation, prefabricated homes of Canadian timber frame construction were finally chosen for two main reasons. One, the houses could be finished faster, with drastic savings in on-site labor and handling time. Two, use of this method insured high quality dwellings and a level of comfort to which many of the returning service families were accustomed. The contractor chosen for this development was Calverley (Industrialised Building) Ltd. of Leicester, which is currently engaged in completing the Canadian-designed timber frame housing project at Harlow in Essex.

Speed was vital and all structural and joinery components were prefabricated, including staircases, wardrobes and kitchen units. Work began on March 28, 1967, and the first 34 houses were handed over three months later. They were erected on prepared foundations and structurally completed by ten men in 19 days, with the entire scheme of one hundred houses finally completed and handed over in seven months—two months ahead of the target date.

These houses fall within the cost yardstick of the Ministry of Housing and Local Government for municipal housing adapted to meet the requirements of the Ministry of Defence. The occupants are delighted with their new homes and the comfort provided by the Canadian timber frame construction technique and the Canadian materials. Canadian CLS timber and fir plywood were employed and so were many other Canadian items, such as warm air gas central heating units, Canadian door locks, and double-glazed windows manufactured in Britain under licence from Panoramic Hardware of Levis, Quebec.

—CYRIL I. ROOKE,
Commercial Officer (Timber), London.

Electrohome Limited believes that research and development today is the only way to guarantee tomorrow's market. Its Canadian-designed products have earned a reputation for quality in many countries.

Californians have money to spend and they want the best. The young couple here are admiring Electrohome's Clarendon radio-phonograph in the Canadian room at Gadsby's. Gadsby's Music Inc. in Salinas has sold Electrohome products for some six years.

In Tune with Export

M. A. JOHNSTON,
Assistant Editor, "Foreign Trade".

FROM CANADA'S first hornless phonograph sixty years ago to the futuristic Circa 75 home entertainment complex, Electrohome has been a consistent innovator. Its history is fascinating. You can see examples of the products it has invented or developed if you visit the little museum at the company's head office in Kitchener, Ontario.

Electrohome started exporting in a very modest way in the 1920's, shipping some phonograph components to Europe, Australia and the Far East. Today, the West Indies is the largest offshore market and the range of products sold abroad is much wider. Exporting has become an integral part of the company's business.

From the original electrical-musical base, Electrohome has diversified into window-type air conditioners, humidifiers, subfractional hp. motors, and furniture. Coming years will probably see the list grow further. New markets have been sought with the same object of assuring steady growth in a field where competition is keen and the customer exacting. The secret of Electrohome's success lies in good design, heavy investment in research and the very best production machinery that the company can afford—and, of course, good management of good people.

Selling to the West Indies

"Canada has two big advantages in the West Indies," David Lowater, Electrohome's Export Sales Manager told me. "People there are accustomed to North American-style products and Canadian exports get the benefit of Commonwealth preference. This does not mean that selling is easy. For a start, you have to get used to the way the retail trade is organized, especially if you are going to sell direct, as Electrohome often does. You don't find many specialist stores. Appliances and television sets are quite liable to be tucked away instead of being a showcase feature as in Canada. Our company believes that it is most important that the retailer should like our products and service. We give dealers and distributors the same warranty as in Canada—we supply parts to them at no charge within the 12-month period and we reimburse them for service labor in the first 90 days (after this they are responsible). We take care to state the terms of the warranty very clearly and we have not run into any special problems.

"In a mass market, selecting the right distribution channel is crucial. In the West Indies, however, it is more a matter of choosing the right people. Besides, geography makes a lot of decisions for you. If you want to sell in places where there are no regular transport facilities, a distributor is really the only answer. Whether you sell direct in the towns or use an agent or distributor depends on local circumstances more than on over-all planning."

I asked him how Electrohome maintained contact with its customers. "We visit the whole territory once a year and our larger markets more frequently," he explained, "and we invite our main West Indian customers to Kitchener periodically. Bringing them here achieves many things. They talk face to face with technical people in the plant and iron out any problems that have arisen. They also see the research and development we are doing. For their part, the West Indians bring us know-how and market information which helps us in forward planning. We gain a lot from these visits and we feel that they build up goodwill for Canadian industry as a whole.

"The economy of the West Indies is developing fast and in five or ten years' time we will probably be selling a completely different range of goods there. As local industries grow, the demand will shift from fully manufactured products to components. This is inevitable. West Indian countries are relatively small and cannot always support several competing local factories. If a government decides that there is only room for one and gives it protection as a pioneer industry, some foreign suppliers will find themselves cut out of the market. Much of Electrohome's business in Trinidad disappeared overnight when Sylvania put up a factory there. We did better in Jamaica where we supply the local factory with components. You have to keep on your toes these days and be prepared to move in with capital, if necessary, if you want to keep the market."

Electrohome made all its initial contacts in the West Indies with the help of the Trade Commissioners there. The company keeps in close touch. "If you are personally known to the Trade Commissioner, he can look after your interests that much better," Mr. Lowater says, and he makes a point of calling at the office whenever he visits the islands. "There are all kinds of ways in which the Trade Commissioner can help. He can save you a lot of time and expense by making appointments for you. He travels around a lot—as a businessman, not as a tourist—and knows how to get to remote places. From talking to other Canadian exporters, he is able to advise you on the kind of packing to use or the cheapest method of getting your goods to their destination. Incidentally, Electrohome ships by truck to Miami and on to Jamaica by air, but for tbe other islands we ship from East Coast ports."

A Stroke of Luck

Most of Electrohome's export business was planned and developed the hard way—market surveys were done, profit studies made, agents appointed. With Peru, however, it was quite different.

Westminster Peruana was building Emerson television sets there under licence and making its own hi-fi. The company wanted new products to fill out the top end of its hi-fi line and someone happened to see an Electrohome advertisement. It didn't take long to reach agreement on the terms and soon the first Canadian stereos were on their way to Peru. The customer used the Pacific International Trade Fair at Lima to display them and test the market. Within two weeks, 50 of the stylish Circa 701 sets were sold and more were ordered. The next step was for Westminster Peruana to import the chassis and make the cabinets. Finally, Electrohome sent parts for assembly in Peru. You can understand the eagerness of the Peruvian firm to manufacture in the country if you study the rates of duty. It makes a big difference whether the customer imports fully manufactured stereos, semi-assembled chassis or component parts. A word of advice on duties—get expert help, don't try to make do with reading *El Peruano Diario Oficial* yourself.

Be Realistic about the U.S.

"The United States is an enormous market right on Canada's doorstep, but for many products it is already well supplied," Mr. Lowater observed. "There's no good trying to compete with the giants on their own terms. Look for the gaps. If a particular class of customer, price range, or type of retail outlet is not well serviced, there's your chance."

Electrohome has marketed hi-fi and black-and-white television sets in the United States since 1958 and has recently added portable phonographs and color television. It sells mainly to independent retailers because they have the trained staff to do its products justice and it is easier to build up a close relationship with a smaller firm. Like many other Canadian companies, Electrohome uses its own representatives for some accounts in the United States. Others are serviced by manufacturers' agents. As well as selling in his own territory, the company's representative supervises manufacturers' agents in the adjacent territories.

It is quite an achievement to sell color television sets in the highly competitive U.S. market. "We built up a good reputation with our black-and-white chassis," Mr. Lowater told me, "but the big thing was the swing-down chassis we developed to make all service parts readily accessible. Here was a real product difference and our dealers were enthusiastic. Good cabinet styling was important too; our price competitors couldn't match it."

Advertising is very much a question of getting the greatest possible mileage out of every dollar. From time to time, space is taken in national magazines such as the *New Yorker;* Electrohome usually buys a "split run", that is to say, space in the editions for one or more of the market regions of the United States rather than the whole circulation. This is cheaper and does not create a demand in parts of the country which cannot be serviced economically. Co-operative advertising is also used—the retailer is credited with a fixed percentage of sales turnover and the company supplies mats and artwork.

PR is an important adjunct to paid advertising. When the company has anything newsworthy to report, Robert Lovell's job is to see that the press hears about it. "Prestige undoubtedly helps sales," he told me. "When you are breaking into a new market, your reputation makes all the difference to the reception you get. If you are well known, you have no difficulty in finding good agents willing to take on your product. If you have not bothered about PR you may bave a hard time selling yourself. A striking example is the publicity we obtained from Circa 75. The design staff were told to think up a home entertainment system for the mid-1970's and produce a prototype. All those who saw it were most enthusiastic—it has been widely exhibited—and there has been a very valuable spin-off in ideas for present production, both technical innovations and style. We also were featured as one of the most up-to-date furniture manufacturers by *Furniture Design and Manufacturing* last June."

An Ideal Export Product

Electrohome makes sub-fractional hp. motors, the small motors which drive the fans in car heaters and other accessories. "This is in many ways the ideal export product," Mr. Lowater explained, "because we produce on a sufficiently large scale to be competitive with the biggest in the industry and it is not the kind of thing everyone wants to rush out and start making. These motors are worth a couple of dollars apiece and you have to have them; a country setting up its own automobile industry won't worry over importing such a small item for a car which will sell for two or three thousand dollars." The company's motors are original equipment in many North American cars made on both sides of the border since the Automotive Agreement. Britain is the main export market, substantial sales are made to Australia and New Zealand, and business with European countries is growing.

Ambassadors Everywhere

"Electrohome makes good use of the facilities which the Canadian Government provides for exporters. Not only do we exhibit our products in showrooms such as Macdonald House in London," Mr. Lovell explained, "but we supply products for the embassies themselves. This is a constant reminder to the staff of our capabilities and callers see our products in a prestige setting. In a highly competitive business, prestige is the "plus" which secures the sale." ●

Note: "An Invitation to Exhibit at 1 Grosvenor Square" in *Foreign Trade,* December 9, 1967, issue.

The Containerization Movement

Singapore

Transshipment cargoes for destinations throughout Southeast Asia have always been a major part of the port's business. The well-planned and spacious facilities now being built and the rapid adoption of containerization should ensure its continued prosperity.

D. H. M. BRANION,
Assistant Commercial Secretary, Singapore.

SINGAPORE is the fifth busiest port in the world; only New York, Rotterdam, London and Kobe handle more traffic. For the past year, the Port Authority has been assisted in studying future development by a six-man Canadian team provided under the Colombo Plan. The Canadian personnel and their equipment together represent grant aid worth more than Cdn.$350,000. The survey they are carrying out includes various studies of the port's requirements and facilities, the most important of which is the investigation of Blakang Mati island to find out to what extent it can be used for port development.

The history of the port dates back to 1824. Then 35,000 tons of merchant shipping used its facilities; in 1966 over 103 million registered tons of shipping passed through Singapore. On an average day, vessels of more than 100 shipping lines, flying the flags of many nations, crowd the wharves. In addition to the vessels unloading there, many more load and unload in the roads.

The port of Singapore today is expanding, building and buying the latest equipment for handling the ever-increasing flow of cargo. It is improving and modernizing its methods to move goods at a greater speed and turn ships around faster. The wharves are alive and bustling with machines and men. More than 5,000 workers and port officials are employed and they work a double shift each day. Cargo handled in 1966 totalled a record 26.64 million tons, 6.74 million of general cargo and 19.9 million of oil. This was 24 per cent more than in 1965.

When the war ended in 1945 the port was a shambles: 40 per cent of the machinery for the dockyards was either missing or seriously damaged, 70 per cent of the transit sheds were damaged or destroyed, and 50 per cent of the storage sheds were unusable. Rehabilitation of the wharf areas took approximately ten years and cost S$12 million. Modern equipment was purchased, including mechanical equipment, trailers, lift trucks and elevating platforms.

A passenger terminal was completed in 1958, modern jetty facilities were added in 1959 and, in the same year, closed-circuit television was installed to control movements in the dock area. Four new berths with quayage of 2,000 feet were completed in April 1962 at a cost of S$13.6 million. This was part of the first phase of the East Lagoon project which will add eight deepwater berths to the port; development in the East Lagoon when completed will have cost S$70 million.

Large Container Complex

In addition to deepwater berths, there will be wharf and shore facilities for handling container ships and containerized cargo. Reclamation of land off the East Lagoon is expected to be finished at the end of 1967 and will provide a total land space of 140 acres for the container complex. Special shore-based container cranes have been operating along the entire length of the wharves. To facilitate the smooth flow of cargo from feeder container vessels, a special 700-foot wharf for them will be built adjacent to the main container berths.

Work is continuing in another section of the port to improve the facilities for coastal shipping and lighterage. Old transit sheds are being progressively replaced by modern structures with access to road and rail facilities.

Modern Equipment

The Port of Singapore Authority's commercial wharves are approximately three miles in length and comprise 25 deepwater and 5 coastal berths. The mechanical equipment includes 206 lift trucks, 10 electric elevating platform trucks, and 37 mobile cranes with capacities of between two and ten tons. The cargoes handled through the port are varied and include bulk commodities such as vegetable oils, latex, cement, grains, and fuel oils.

The entrepot trade is an important part of the port's operation. Sheds have been arranged so that goods for transshipment are automatically channelled to the coastal berths, to be loaded there onto steamers serving ports in east and west Malaysia, Indonesia, Thailand and Vietnam. Transshipment cargoes from neighboring countries are handled in the same manner.

Singapore also has three drydocks, all served by travelling cranes with 30-ton capacity. Cleaning, scaling and painting of vessels in drydock is available. Repair work is carried out by the dockyard's own labor force of over 2,000 people. Repairs are done either in drydock or at repair berths in the roads which are serviced by travelling cranes of 25-ton capacity; an 80-ton floating crane is available for heavy lifts. On average, the Port of Singapore Authority dockyard has been doing hull and engine repairs to over 2,000 vessels a year.

In addition to the Port of Singapore Authority's facilities, the Economic Development Board of Singapore has developed a port in the Jurong Industrial Area for handling bulk commodities. At present there are 3,000 feet of deepwater berths and 1,200 feet of coastal berths will soon be operating. Shed facilities include 32,000 square feet of covered storage and 100,000 square feet of open storage space. The Port of Singapore Authority is providing the Economic Development Board with management expertise and also wharf equipment and facilities.

Mosquito Fleet Back

The ending of confrontation with Indonesia has brought back the mosquito fleet; small vessels and native craft below 75 tons can be seen in increasing numbers. Although these little ships do not constitute a large portion of the tonnage arriving in Singapore's harbor, they are important to the economy and provide an interesting spectacle for tourists.

A variety of Canadian products go through Singapore harbor, including wheat, zinc, aluminum and, most recently, potash. Shippers have found Singapore harbor to be one of the most efficient in the world and to provide a quick turn-around for vessels. With the development of the container complex, the Port Authority has shown its determination to maintain Singapore's position as the most important harbor in Southeast Asia. ●

B.C. Apples in Hong Kong

SHINING RED apples from Canada's fine orchards made a fitting gift for young quiz winners at a dental sbow during the recent Aberdeen Fisheries Exhibition in Hong Kong.

As part of a campaign to encourage good dental healtb in the Crown Colony, the Hong Kong Government Dental Service held dental examinations during the exhibition and gave away apples as prizes to children who successfully answered questions on oral hygiene.

Officers from the Hong Kong office received an S.O.S. from the Dental Service a few days before tbe exhibition. Apples from Canada, tbey were told, would make good quiz prizes. Could they help? The officers could and did. One thousand apples were donated by three local agents of B.C. Tree Fruits Limited, Kelowna, B.C., and used as giveaways.

As a major supplier of fresh apples to Hong Kong, Canada sold some 1.6 million pounds to the Crown Colony in 1966 and almost 1 million pounds during the first nine months of 1967.

An apple a day seems to amuse these successful quiz winners as they accept an apple from Armand Blum (right), Assistant Trade Commissioner, Hong Kong; R. G. Godson, Trade Commissioner, (center) looks on. (Left) Brendan Yue, a dentist with the Dental Service, stands beside some of the equipment. ●

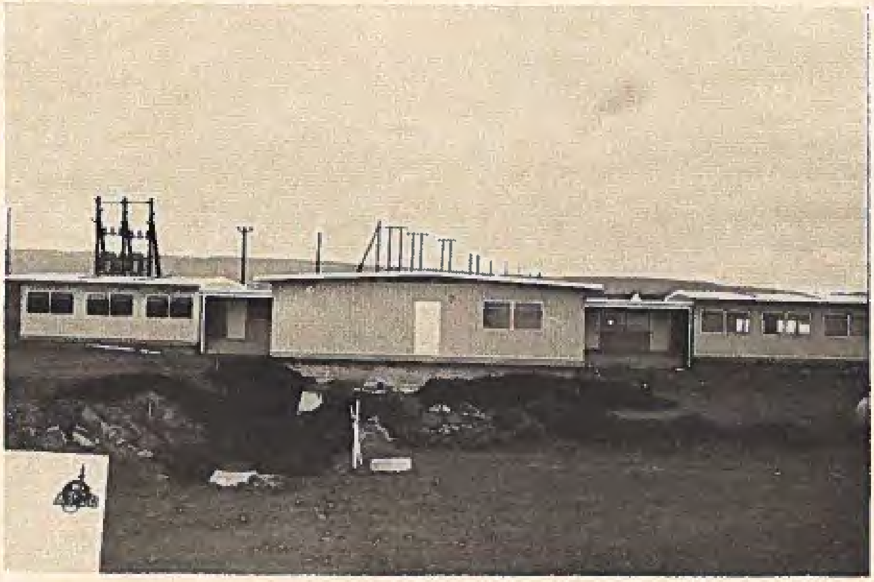
Iceland Tackles Trade Problems

Smaller catches of fish and declining export prices have created trade deficits. Devaluation and an expected improvement in the fish harvest should brighten the outlook for Iceland this year.

DENNIS B. BROWNE, *Assistant Commercial Secretary, Oslo.*

ICELAND is an unusual market for Canadian exporters. It is small, relatively isolated, and almost totally dependent on imports for the great majority of its needs. The country has fewer than 200,000 people, about half of whom live in the capital city, Reykjavik.

Iceland enjoyed unprecedented prosperity during the first half of the sixties. Over 90 per cent of the country's exports, needed to pay for its heavy imports, consist of fish and fish products. From 1960 to 1965 Icelandic fishermen harvested large catches from the neighbouring seas and benefitted from high world prices. During that period the fish processing industry, particularly fish filleting and freezing, expanded rapidly. Iceland was able to build up healthy reserves of foreign currency and the standard of living rose. However, prosperity increased domestic demand to the point that the economy suffered from extreme inflation.



This office complex is part of the industrial townsite, which includes barracks blocks and kitchen-dining facilities, built by ATCO Industries Ltd. in its Calgary plant and installed near Hafnarfjordur for the Icelandic Aluminum Company's workers.

Then in 1966 and 1967 world prices for fish fell and at the same time the fish moved away from Icelandic waters and bad weather plagued the Icelandic fleet. The country was plunged into serious economic difficulties which will significantly reduce Canadian export prospects, at least in the short term.

Economic Situation

Preliminary estimates suggest that the GNP ($450 million in 1965) fell by nearly 3 per cent between 1966 and 1967 and that the national income fell somewhat more with the drop in export prices. The 22 per cent decline in exports, particularly of fish and fish products, from the 1966 figure of $14 million was the main cause of the economic downturn. It resulted from four main causes:

- Bad weather reduced the fish catch and raised the price of whitefish.
- The herring and capelin catches last year were 20 per cent below 1966 because these fish remained unusually far away from the coast of Iceland.
- Prices of frozen fish and fish meal and oils turned down in 1966 and continued to decline into 1967 by 8 to 9 per cent on the average.
- The disruption in Nigeria meant an interruption of stockfish exports to that area.

These unfavorable developments must be viewed against the background of exceptionally large increases in catches and prices during the early 1960's. Using 1962 prices as a base of 100, average fish product prices rose to a high of 133 in 1965 and fell back to 119 in 1967. There are indications that the downward movement in frozen fish prices is coming to an end, but prices of fish meals and fish body oils are continuing to fall.

Production Has Declined

There is little information on the movement of production in other sectors. Indications are that the volume of industrial production other than fish processing increased by about 4 per cent in 1966 but declined in 1967. The construction sector, by contrast, has remained buoyant, with activity up by some 10 per cent last year. This is mainly due to the start in late 1965 of three large construction projects: a big power station, and an aluminum plant and the harbor associated with it. The authorities have estimated that these projects may absorb 10 per cent of the labor force in construction in 1967 and 1968.

Agricultural production decreased by 1.5 per cent from 1965 to 1966 and probably remained at the lower level in 1967 because of unfavorable weather.

Iceland's labor market has for several years been characterized by excess demand, resulting in rising wages and long hours. The general slowdown has shortened the working period but there is still virtually no unemployment. Less overtime pay and a government-encouraged wage freeze have combined to reduce consumer spending. Nevertheless, previously accumulated currency reserves and the strong increase in construction meant that private consumption held up well in the first half of 1967, though it levelled off somewhat in the second half.

Stabilization Measures Taken

Before devaluation the Icelandic Government had taken several measures to stabilize the economy. Selective subsidies were reduced, taxes raised and government expenditures cut. Importers were compelled to deposit with the banking system an amount related to the value of imports.

During the past year there was much discussion about the need to devalue the Icelandic currency. The Government opposed this for fear of increasing inflation still more. However, sterling devaluation forced the issue and on November 24, 1967, the Icelandic crown was devalued by 24.6 per cent, changing the rate from 43 to 57 crowns to the U.S. dollar. Devaluation has made necessary some adjustment in the stabilization measures but most of them remain in effect.

Trade and Payments

In 1966 the current account fell back into deficit after showing a surplus in the previous year. This was caused partly by larger imports of ships and aircraft and those related to special investment projects financed to a large extent by foreign capital. But other imports also rose sharply, reflecting domestic demand, and the rise in exports slowed down following the more moderate increase in fish catches and lower export prices. The current deficit was financed through imports of capital which rose significantly in 1966.

Preliminary estimates suggest that in 1967 the current deficit may have risen to U.S. $44 million, the equivalent of 8 per cent of the GNP. The main reason was the steep decline in exports, but a further increase in imports of ships, aircraft and equipment related to the special investment project also contributed. Gross official reserves may have declined to about U.S. $30 million by the year's end, half the figure of a year earlier.

The geographical pattern of foreign trade has changed little over the past two years. The EFTA countries remain Iceland's most important trading partners and in 1966 took 40 per cent of exports. Some 22 per cent went to EEC countries, 17 per cent to North America, and 12 per cent to Eastern Europe. On the import side, the main changes in 1966 were an increase in the share of EFTA countries from 38 to 42 per cent, and a drop in the share of the Eastern European countries from 16 to 11 per cent.

The coming into force of the EEC common external tariff means an increase in tariffs on imported fish and fish products in important markets. The removal of tariffs on intra-EFTA trade has also placed Iceland at a disadvantage. With the sharp decline in fish prices in 1966, the disadvantages of being outside both preferential areas are becoming more apparent. There has been considerable discussion of the possibilities of Iceland's joining or associating with one of the European groups and pressure on the Government to apply for association with EFTA is growing significantly.

CANADIAN EXPORTS TO ICELAND

1966	*Cdn. $*
Aircraft & engines	6,023,583
Whisky	49,364
Passenger automobiles and chassis	42,732
Power boilers, equipment	41,448
Steel bars, hot rolled	33,776
Aluminum fab'd materials	32,080
Broad woven fabrics, mixed fibers	24,135
Laminated plastics	21,952
Total	**6,419,733**
Jan.-June 1967	*Cdn. $*
Prefab bldgs., structures & parts	348,545
Apples & crab apples	37,545
Whisky	30,888
Aluminum fab'd materials	24,548
Laminated plastics	12,287
Wheat flour	11,383
Power boilers, equipment	7,518
Total	**565,229**

Canadian-Icelandic Trade

According to Icelandic statistics, Canada was the island's twentieth supplier from January to September 1967; the first five were the United States, Britain, West Germany, Denmark and Norway. The accompanying table gives details about Canadian exports to Iceland.

As of September 1967, sales to Iceland (excluding aircraft) exceeded those of 1966 by $300,000, principally as a result of the sale of prefabricated housing for workers at the aluminum plant site. There are reasonable prospects also in consumer paper products, newsprint, fine papers and lumber as a result of the recent liberalization of imports of paper and lumber and the fact that Iceland does not have indigenous trees.

Economic improvement in Iceland should bring larger sales of Canadian apples, spices, pickles, tires, fishing tackle, textiles, wallpaper, and contractors' equipment. Specialized capital equipment should also be saleable in individual cases, provided we can compete with European and U.S. suppliers. But until Iceland's economy improves, price and real need will be the factors that determine our export sales.

Canadian imports from Iceland totalled $509,000 in 1966, a drop of $150,000 from the previous year. Fish oils accounted for nearly 90 per cent of our purchases. Imports from January to September 1967 were valued at $446,869 compared with $36,019 in the same period in 1966.

The largest single impediment to our price competitiveness is the lack of direct shipping between Canada and Iceland. Canadian goods must generally be shipped through non-Canadian ports or transshipped via

European or British ports. Icelandic importers prefer to receive offers quoted f.o.b. or f.a.s. New York in U.S. funds.

Icelanders are culturally attuned to Europe and consider their country a part of it. If Iceland were to get some sort of associate status with EFTA, our export prospects may suffer.

The heavy dependence of the Icelandic economy on fluctuating fish catches and exports complicates the task of estimating the future course of the economy. However, marine biologists expect fish catches to return to more normal levels this year, and the authorities also predict some improvement in export prices. Nevertheless, despite a probable increase in export earnings, domestic demand is not likely to increase much in 1968 because of lower subsidies, higher taxes and smaller purchasing power resulting from devaluation. Thus imports other than those related to the special investment projects will probably decrease in 1968. ●

businessman's bookshelf

A Samaritan State? External Aid in Canada's Foreign Policy

By Keith Spicer. 250 pages. $7.50.

AID to the developing countries has both its partisans and its critics in Canada. The partisans demand that we spend more on it, believing it to be the answer to the developing world's problems; the critics suggest that we pay greater attention to our own depressed groups. And in neither camp do the opinions necessarily rest on a thorough acquaintance with how our foreign aid is allocated, administered, and evaluated.

Of the "pro" group, Dr. Spicer says, "They tend to present aid as a simple enterprise requiring for its success only unlimited funds and unlimited enthusiasm." His own study of our foreign aid program from 1950 to mid-1965 supplies the antidote. It is based upon six years of research, financed partly by the Canada Council and including a five-month tour of Asia, and was published under the auspices of the Canadian Institute of International Affairs.

The book gets off to a slow start as he examines the motivations for foreign aid—humanitarian, political, and economic—and looks realistically at each. He then analyzes how it is allocated and some of the criteria used in selecting aid projects and programs.

The largest sections deal with administration and with operations; the latter is the most enlightening and, for the general public, the most educational part of the study. By selecting three projects—the Warsak Dam in Pakistan, the deepwater dock in St. Vincent, West Indies, and the aerial resources survey in Nigeria—and dealing with them in depth, he illuminates the problems and also the long-term results. In succeeding chapters he discusses commodity aid, financial grants, and technical assistance. The sections on bringing trainees to Canada and sending our experts abroad are particularly interesting.

The conclusion he finally reaches is that "Canada's aid program needs more than any structural reforms or increase in funds . . . constant, informed and critical review of its policies." His own study goes far towards creating an informed public who can judge foreign aid more objectively, and not just emotionally. Dr. Spicer has demonstrated that this aid must be skilfully administered, capable of being absorbed by the recipient country, and critically evaluated if it is to have the maximum impact on the developing world. And it is not the only answer to their difficulties.

Published by: The University of Toronto Press, Toronto, Ontario.

Hayes Druggist Directory, 1967 Edition

690 pages. $30.00.

CANADIAN EXPORTERS of pharmaceuticals or other products sold in a drug store who wish to know the number of retail drug stores in an area in the U.S., their location, estimated financial strength and credit ratings will find this directory very useful.

It gives the most accurate and complete list possible of all retail drug stores in the U.S. by state, city, street address and zip code. The list for larger cities, such as New York, is further broken down by boroughs, street address and zip code. Only licensed and registered pharmacies are listed.

There is also a section covering wholesale druggists. It lists full-line wholesalers, including all members of the National Wholesale Druggists Association, the Federal Wholesale Druggists Association and the

Pbarmaceutical Wholesalers Association. This section is also broken down by state, city, street address and zip code.

Order from: Edward N. Hayes, 4229 Birch Street, Newport Beach, California 92660.

International Businessmen's Who's Who

Editor: W. J. Potterton. 562 pages. £7 7s 0

THE BUSINESSMAN'S range of personal contacts is growing as the tempo of world trade speeds up. It is more and more difficult for him to find out from mutual friends about the man he will meet in Ankara or Tokyo tomorrow. Good reference works can help to overcome this jet-age problem.

The collection of brief biographies which Burke's Peerage has produced is drawn from a wide field. It is not just a list of well-known British businessmen with a few foreign names thrown in, but makes a serious attempt to cover international business. Unfortunately, the task is vast and the space small and in this first edition there are a great many omissions. We hope that later editions will include the major figures missed.

A work of this sort gives the businessman a few bare facts, sufficient for him to make a start and to save him from the most obvious *faux pas*. It is not intended to be a substitute for the ordinary assessment of character and reliability which he makes as part of his entrepreneurial function.

Published by: Burke's Peerage Limited, Mercury House, 103-119 Waterloo Road, London S.E.1., England.

Who's Who in Commerce and Industry

Marquis-Who's Who Inc. 1,690 pages. $40.00

THE FIFTEENTH or 1968-69 edition of this reference book contains a mass of information on top United States businessmen and a fair sprinkling of other biographies. The notes are rather fuller than in the book reviewed above—businessmen here have children as well as wives and their publisbed works are listed.

Towards the back, there is a section devoted to stop-press additions and changes which should be noted by the user. (It is always wise, however, to call the firm or ask the secretary before you greet your business friend because these days title changes are the fasbion. It wouldn't do to say sales manager for a newly-appointed vice-president in charge of sales.) The reference to biographies in the companion volume, *Who's Who in America*, is helpful too.

The last 70 pages are taken up with a list of principal businesses with the titles and names of executives whose biographies appear earlier in the book. This is the first time the cross-reference has included titles—you do not have to look up half a dozen names before you find the officer you want.

The coverage of well-known Canadian businessmen is rather better, partly because there is more space in the larger book and partly because it concentrates more on the North American continent.

Order from: Marquis-Who's Who, Inc., 210 East Ohio Street, Chicago, Illinois 60611.

Expart/Impart Traffic Management and Forwarding (Second Edition)

By Alfred Murr. 588 pages. $12.50.

CAREFUL STUDY of this manual will not turn an exporter into bis own freight forwarder but it will give him an understanding of tbe whole process of moving goods from his plant to their foreign destination. From it he will learn what a steamship conference is, how ocean freight tariffs are determined and how to read them, what documents must accompany a shipment, how cargo is handled, and many other tbings. He will probably finish reading the book convinced that forwarding is a complex business and expert help well worth the price.

Ocean traffic management receives comprehensive coverage but there is also a useful chapter on sbipping by air. Similarly, though export shipments get most attention, import shipments are not neglected and the customs broker receives his due. Because the freight forwarder of necessity touches on many aspects of export trade—such as marine insurance, documentary credits, consular documents, claims, payment terms, and so on—the book is a useful guide in many fields.

We were particularly impressed with the appendices which take up nearly half the book. Here under one cover are "Uniform Customs and Practice for Documentary Credits" as established by the International Chamber of Commerce; "Revised American Foreign Trade Definitions"; foreign consular regulations for many countries (but these are subject to change); the U.S. Customs Simplification Act of 1956; an ocean freight calculation table; an English-Spanish glossary, a list of common commercial abbreviations, and so on. There is even a listing of container terms and definitions.

Because this book was written in the United States, there are certain chapters that do not apply to Canadian foreign trade. But they constitute a small element in a manual tbat nearly any exporter will want to have in his reference library.

Order from: General Publications Limited, 30 Lesmill Road, Don Mills, Ontario.

How Australia Is Selling Dairy Products

Diminishing traditional markets for dairy products compelled the Australian industry to find other marketing methods. One of these was building milk plants in key areas of South East Asia.

J. E. G. GIBSON, *Assistant Commercial Secretary, Canberra.*

THE dairy industry in Australia is an important section of the country's primary production and its output is more than sufficient to satisfy domestic needs. Australia has been a leading exporter of dairy products for many years, and these have brought in some A$100 million annually in foreign exchange. However, in recent years rising domestic production costs, combined with certain developments overseas, have reduced the competitiveness of these products in foreign markets.

To counteract these adverse changes, the Australian Government introduced several measures to assist export sales. One of these is the Australian Dairy Produce Board's participation in milk reconstitution plants located in Southeast Asia.

Approximately 40 per cent of Australia's dairy produce exports are sold in Britain, although the recent sterling devaluation may have an adverse effect on this market. It is clear that should Britain accede to the European Economic Community, Australia's position as a prime market would deteriorate greatly. It was Britain's original application in 1962 for membership in the EEC which triggered Australia's drive to find new export outlets for its dairy products.

In the early 1960's, the Australian Dairy Produce Board, (constituted by the Commonwealth Government under the Dairy Produce Export Control Act) undertook a market survey in Southeast Asia. This showed a large demand for processed milk, particularly sweetened condensed milk. It was also found that the market for Australia's traditional exports, butter and cheese, did not possess the same growth possibilities. But, based on the fact that per capita consumption of milk products in Southeast Asia is minimal in comparison with Australia, Europe, and North America, it was reasoned that the demand for these products would take a big leap forward as living standards improved.

Plants Established

Accordingly, a company known as Asia Dairy Industries Ltd. was formed to examine the best outlets for dairy products in the area and, working with the Australian Dairy Produce Board, to establish milk plants in key areas. Financing for the company (headquarters are now in Hong Kong), came partly from the Australian dairy industry and partly from local interests. In the beginning it was decided to establish manufacturing industries in Singapore, Bangkok, and Manila. The advantages, as stated by the Australian Dairy Produce Board, would be threefold:

- When established, these plants would provide a continuous outlet for Australian raw materials.
- Local companies could market the type of product required locally and use knowledge of the local market for the best possible method of distribution.
- As indigenous industries, they could expect a substantial degree of government support.

These plants, it was reasoned, would help the industrial development of those countries in which they were established, provide employment for local labor, and be the means of introducing more technical knowledge into the country.

The magnitude of this undertaking becomes apparent when it is realized that this was the first time Australia's dairy industry had entered this field. With scientific and technical help provided by Australians, modern plants were erected in Singapore and Bangkok. Both plants had a production capacity of one million cases (48 fourteen-ounce cans per case) of sweetened condensed milk each year.

The plant in Singapore went on stream during the latter part of 1964 and as soon as it reached the commercial production stage, the Government of Singapore moved to place restrictions on competitive imports. The success of this venture is evident from the fact that this plant now faces competition from four recently established plants in Singapore and Malaysia, all producing sweetened condensed milk.

Bangkok's plant began production during the first half of 1965 and in two years its output amounted to about half of the Thai market. Here again success invited competition from foreign companies which are now establishing factories there.

A third plant in the Philippines was taken over by the Dairy Board's subsidiary, Asia Dairy Industries Ltd. This operation is now producing and successfully marketing unsweetened evaporated filled milk and sweetened condensed milk.

During the earlier stages of this venture, key personnel from Australia were provided. They are now being replaced by local management trained in Australia. Throughout the program the Australian Dairy Board has received government backing.

Results and Prospects

Sales of sweetened condensed and evaporated milk from the Southeast Asian plants, according to Dairy Board reports, are continuing to increase. During the first seven months of 1967 they amounted to 1.5 million cases. This compares with 1.7 million cases in the year 1966, and 1.01 million in 1965.

Apart from operating at a profit, these plants offer the Australian Dairy Produce Board a sure market for raw materials. The Board generally signs a long-term agreement (normally ten years) with its Asian affiliate to supply raw materials at prevailing world prices. At present the plants consume 2,500 tons of butter oil and 10,000 to 12,000 tons of skim milk powder each year. During their two and a half years of operation, the value of exports to the Southeast Asian plants has exceeded A$10 million.

Another Market Entered

In November 1967, the Australian Minister for Primary Industry announced A$1.2 million would be invested in a recombined condensed milk plant to be established in Indonesia. The company, a joint venture, would be known as Australia-Indonesia Dairy Industries Ltd. This manufacturing plant, with a capacity of one million cases of sweetened condensed milk each year, should be operating early in 1969. As usual, a long-term agreement was signed specifying the use of Australian raw materials. It is expected that once the plant is in full operation, it will consume 4,500 tons of skim milk powder and 1,600 tons of butter oil annually. At present prices, it is estimated that this would mean an f.o.b. return of A$2 million a year to Australia.

The apparent success of these ventures seems to indicate that there is room for other similar operations in Asia. Bold marketing approaches, such as those taken in Southeast Asia, motivated by dimming export prospects elsewhere and the possibility of Britain's membership in the European Common Market, clearly show that Australian dairy producers do not intend to be left out in the cold. ●

What's Current in Commodities?

Toys

Trinidad and Tobago—**Toy imports totalled about $680,000 in 1966 but Canada's share was less than $30,000. Greater effort and the tariff preference should mean more sales for Canadians.**

DESMOND HOBSON-GARCIA, *Commercial Officer, Port-of-Spain.*

TRINIDAD and Tobago imports virtually all the toys it consumes and there is no reason why this should not continue. Each year toy imports total about Cdn.$700,000, with Britain and Japan dominating the market. It is worth noting, however, that toys imported from Britain enter under the preferential tariff of 20 per cent but imports from Japan are subject to the general tariff of 30 per cent. Canadian toy suppliers, who enjoy the same tariff preference as their English competitors, may wish to take a second look at this market. The accompanying table gives some interesting figures and grounds for a greater Canadian sales effort.

Less important suppliers include Hong Kong, Czechoslovakia, Italy, Norway, West Germany, Poland, France, the Netherlands and Belgium.

Most toy importing is handled by a commission agent who arranges direct shipment to retailers. Imports are made normally on the basis of sight draft, although many of the large retailers use confirming houses in various countries which pay the suppliers and in turn bill the importer. The problem in a small market like Trinidad is the range of products offered for sale. The manufacturer with a wide range will be able to accept small orders for individual items, on the assumption that the whole order will be large enough to compensate for the cost of freight.

TOY IMPORTS, TRINIDAD AND TOBAGO

	1964	*1965*	*1966*
		(Cdn.$ c.i.f.)	
Total imports	663,595	739,619	679,262
of which			
Britain	257,146	251,552	245,868
Japan	156,697	207,241	168,331
United States	68,506	85,322	75,109
Canada	39,816	22,117	27,229

Timing the Orders

Because of the number of countries from which toys are imported, purchases are timed according to the source. Orders from Japan and Hong Kong are placed in February/March, those from Britain and other European countries in March/April, and from the United States and Canada in April/May. Generally buyers reserve part of their budget for orders of toys which have enjoyed good sales and may place these as late as August/September. Deliveries, on the other hand, begin in August and continue up to late November. The size of orders is geared to during-the-year sales, but because retailers limit their department buyers to a budget, new lines must be shown early in the year.

Christmas is naturally the season for volume sales and the entire market is geared to it. Some retailers, in fact, virtually close out the toy department at other times of the year. In the larger department stores, special displays and advertising programs are instituted and names such as Toyland, Toyfair and Funland are used in displays at point of sale.

The climate influences children in Trinidad and Tobago (and this holds true for most tropical areas) who prefer outdoor to indoor toys. As a rule, children are encouraged to play outside because an open yard in front or behind the house is common. Brightly colored toys are probably more popular with children here because of the variety of tropical color to which their eyes become accustomed in everyday life.

Trinidad and Tobago has a cosmopolitan population and this could mean that the buying habits and taste of each group differ. On the contrary, their taste in toys is actually the same, even for those in different income brackets. Rarely is a child of any ethnic group seen playing with a toy truly representative of its group and generally speaking, class, color or creed have no influence on the selection of toys.

Trinidad and Tobago has a relatively high standard of living. This means a good market for toys. But, as in any competitive market, a first-class and energetic agent is essential; the Commercial Division of the Office of the High Commissioner for Canada will be pleased to help find one for you. The rapid growth rate in population in Trinidad and Tobago and the friendly feeling towards Canada give reason to believe that toy manufacturers should be able to secure a larger share of this market. ●

Toys and Games

Britain—Canadian sales have been rising, aided by Commonwealth preference. Market is becoming even more competitive following devaluation, making it imperative to offer only well designed, well produced, well packaged and well promoted products.

M. R. BELL, *Assistant Commercial Secretary, London.*

LAST YEAR was a good one for the toy trade in Britain, with sales up sharply despite the economic problems, but it will be hard pressed to match this performance again this year. For overseas suppliers, devaluation will make things tougher, particularly until domestic prices stabilize and a meaningful evaluation is possible. But the situation is by no means hopeless.

The toys and games business is extremely seasonal, with over one-third of the turnover taking place in the last six weeks before Christmas. The buying season then takes over, running through January and February, with deliveries for imported lines usually scheduled August through October.

Three trade fairs influence the marketing of toys in Britain and they are grouped in the first two months of the year. Each of these fairs has a different function. The International Toy Fair at Harrogate specializes in the wholesale trade; the firms selling direct to retailers generally prefer the British Toy Fair at Brighton. The International Gift Fair at Blackpool covers a much broader range of products but includes many toy lines. A Canadian toy manufacturer seeking to establish in this market would find all three of these worth considering, although his choice will depend on the product being offered and the marketing channel chosen. Of the Continental exhibitions, Nuremburg tops the list for British buyers, well ahead of shows in Milan, Paris and Valencia.

Toys and games are big business in Britain. There are approximately 350 important toy and game manufacturers with an annual output of close to $200 million valued at manufacturer's sale price (MSP). Approximately 25 per cent of production is exported ($49 million in 1966). Nearly one-third of total production by value consists of plastic toys, more than a quarter of diecast items, and ten per cent of dolls and soft toys. The total value at retail of the domestic market is almost $400 million a year, including the purchase tax of 33⅓ per cent.

The giant of the British toy industry is the Lines Group, with 35 factories throughout the world—15 in Britain—producing 3,000 different items worth over $60 million a year, or close to 30 per cent of the industry's total. This last figure may be rather exaggerated because Lines' large production of prams is included. Other major firms in the British toys and games industry include the Mettoy Company and Lesney Products (diecast items), Airfix Industries (plastics), Chad Valley (soft toys, musical and plastic instruments), Waddingtons Ltd., Dunbee-Combex and J. & W. Spear. The top ten firms supply 85 to 90 per cent of the market.

At the beginning of this century, nine out of ten toys sold in Britain were imported, primarily from Germany. This is no longer true; since 1950 the toy industry has grown rapidly until today it equals and surpasses the German industry in size. Two-thirds of the toys sold in Britain this year will be produced domestically and British exports of toys to Germany are currently twice the value of toy imports from that country. Other leading export markets for British toys include Australia, the United States and Canada.

Imports Have Increased

In spite of the strong growth in the domestic toy industry, Britain has continued to import toys from many countries. In fact, imports of toys have increased faster than exports over the past few years; in 1966 they totalled over £12 million, ($37.5 million) at the then prevailing exchange rate. Major items on the import list included dolls ($9.2 million) and plastic working models ($20 million). Hong Kong occupies a firm first place as a toy supplier to Britain with sales in 1966 of over Cdn.$23 million, or close to two-thirds of the total. Other major suppliers included the United States, West Germany, Japan and Denmark. (See table.)

Imports from Canada have expanded steadily over the past four years—from Canadian $278,000 in 1963 to approximately $1 million in 1966. Sales in 1967 were off quite sharply, however, and it is hard to be optimistic about 1968 at the moment. Successful sellers from Canada in the past have included toy rifles, dolls and a variety of games, all aimed generally at the medium-price customer.

Distribution Patterns

The 1961 census of distribution listed over 5,500 specialist toy shops in Britain and there are also some 60,000 other outlets selling toys, including tobacconists, newsagents, drapery stores, department stores, etc. Rack-jobbing of toys has greatly extended the non-specialist distribution by taking advantage of the growing number of self-service outlets, particularly in the grocery trade. This trend has been further emphasized by the recent abolition of resale price maintenance in Britain and by the opening up of feature pricing of fast-selling branded lines.

A significant new factor in toy distribution and one which bypasses both wholesaler and retailer is the use of toys as premium offers by breakfast cereal or other manufacturers. Although this is generally restricted to small and cheap plastic items not otherwise offered for sale, some incidents of regular toy lines being offered as self-liquidating premiums have been causing concern among retailers. They are also concerned about the increasing volume of toys going through the gift redemption centers of the trading stamp firms.

There is little precise data on the breakdown of toy sales by type of retail outlet. Department stores, however, are particularly important and, with the co-operatives, they probably account for 40 per cent of total volume. The greatest gain in recent years has probably been made by the mail order firms, however, and the credit offered by their catalogues is an attractive incentive in the purchase of expensive toys.

The great majority of British toy manufacturers sell direct only to large specialty outlets, relying on wholesalers to service smaller accounts. Despite this, probably half of the toy sales are made direct. Canadian toy firms have also tended to deal direct or through an agent where possible because many lines would be priced out of the market if distributed through a wholesaler.

The wholesale markup on toys in Britain ranges between 30 and 35 per cent; the retail markup is usually 52 per cent of cost, excluding the 33⅓ per cent purchase tax. For imported

BRITISH IMPORTS OF TOYS—1966

Class No.	*Item and Country*	*Value (Cdn.$'000)*
89406	**Wheeled toys for children**	
	of which	
	Commonwealth	10
	Irish Republic	3
	EEC (Italy $163,000)	175
	EFTA	18
	Eastern Europe	16
	Others	4
	Total	$226
89411	**Dolls**	
	of which	
	Commonwealth (of which Hong Kong $7.2 m.)	7,571
	Irish Republic	104
	EEC	361
	EFTA	125
	Eastern Europe	452
	Japan	267
	United States	307
	Others	36
	Total	$9,223
89416	**Other soft toys except dolls**	
	of which	
	Commonwealth	158
	Irish Republic	97
	EEC	81
	EFTA	31
	Eastern Europe	310
	Japan	779
	United States	9
	Other	152
	Total	$1,617
89419 & 89421	**Metal working models**	
	of which	
	Commonwealth (Hong Kong $297,000)	436
	Irish Republic	70
	EEC	541
	EFTA	43
	Eastern Europe	143
	Communist China	214
	Japan	1,946
	United States	188
	Others	39
	Total	$3,620
89423 & 89425	**Plastic working models**	
	of which	
	Commonwealth (Hong Kong $15.4 m.)	16,128
	Irish Republic	241
	EEC	1,099
	EFTA	137
	Eastern Europe	72
	Japan	928
	United States	1,245
	Others	182
	Total	$20,032
89427	**Wooden toy working models**	
	of which	
	Commonwealth	83
	Irish Republic	2
	EEC	209
	EFTA	410
	Eastern Europe	479
	Communist China	118
	Japan	187
	United States	110
	Others	22
	Total	$1,621
89429	**Other toy working models**	
	of which	
	Commonwealth	212
	Irish Republic	17
	EEC	235
	EFTA	41
	Eastern Europe	128
	Communist China	33
	Japan	357
	United States	82
	Others	39
	Total	$1,144

lines, the margins are often considerably higher. Early settlement discounts are not common in the trade but volume discounts are occasionally offered by local manufacturers to certain of the larger outlets. A Canadian toy manufacturer/exporter seeking to sell in Britain can get a rough idea of the ultimate retail price of his product by taking a landed price duty-paid and multiplying by 2.1 if the item is sold direct to retailers or 2.4 if a wholesaler is to be used.

Recent Developments

With British toy outlets turning more and more to self-service, the importance of packaging has increased enormously; this is most noticeable in the medium price field. Other notable trends include the rising importance of American design, the increasing use of character merchandising (for example, the James Bond Aston Martin Car and Batmobile), the development of toys with strong adult appeal (the model motor car racing sets and construction kits), and the tendency to merchandise one major piece to be purchased by an adult and to supplement it with a variety of additional smaller and cheaper packs catering to the size of children's allowances. Dolls, which had been losing favor until recently, also appear to be gaining ground again, with the 10 to 14 age range making most headway and baby dolls in less demand.

Increasing efforts have also been made to rid the market of dangerous toys likely to injure children and the British Standards Institution's *Toy Guide*, covering toy design, material and construction, is now followed by most domestic manufacturers. The Women's Advisory Council and the British Standards Institution recently circulated a questionnaire on accidents with toys to its panel of 400 correspondent members and to the Citizens' Advice Bureau. The results confirmed the feeling that toys are getting safer each year. However, the committee's comment that, "it appears from the replies that most injuries were caused by foreign toys or toys whose origin could not be traced", should be noted by overseas suppliers including Canadian manufacturers, because this does little to help our market prospects here.

Tariff Preferences

Toys and games from Canada are free of customs duty in Britain if they fulfill the Commonwealth preference requirements and if they do not contain more than 20 per cent by weight of silk or manmade fibers. This free entry was not altered by the Kennedy Round negotiations, although the margin of preference which Canada enjoys over non-preferential suppliers will be gradually reduced from the present 25 per cent to 12½ per cent. On products containing more than 20 per cent by weight of silk or manmade fiber, the present tariff applicable to Canadian goods is 20 per cent and the Kennedy Round will reduce this rate by stages to 10 per cent.

Apart from customs duties, toys and games are chargeable with British purchase tax at the rate of 33⅓ per cent which is levied on the open market wholesale value of the goods in Britain. The tax, however, should not affect a product's competitive position in Britain because it is charged at the same rate on both domestically produced and imported goods.

Although Britain, with over 50 million people, seems to offer a lucrative market for Canadian toy manufacturers, the strength of the domestic industry in the medium to high price field and of Hong Kong in the cheaper lines make it a difficult market in which to succeed. The big seller for this market must be well designed, well produced, well packaged and well promoted. If you can fill this bill, the British market is well worth your attention. ●

British Fairs for Toys and Games

January

International Toy Fair, Harrogate, Yorkshire

Apply to: The Secretary, Harrogate International Toy Fair Limited, Finsbury Court, Finsbury Pavement, London, E.C.2.
Telephone: MONarch 8921

24th Annual Amusement Trades Exhibition, Alexandra Palace, London, N.22

Apply to: Mr. J. Singleton, Amusement Trades Exhibition, 19 Charing Cross Road, London, W.C.2.
Telephone: WHItehall 2524

15th British Toy Fair, Hotel Metropole & Exhibition Halls, The Grand Hotel, The Top Rank Centre, Brighton

Apply to: Mr. J. A. Glanfield, British Toy Fairs (International) Ltd., Regent House, 89 Kingsway, London, W.C.2.

February

Camping & Outdoor Life Exhibition, (COLEX) Olympia, London

Apply to: Trades Exhibitions Ltd., Exhibition House, Spring Street, London, W.2.
Telephone: AMBassador 2886

November

Camping and Sports Equipment, Trade Fair, Alexandra Palace, London, N.22

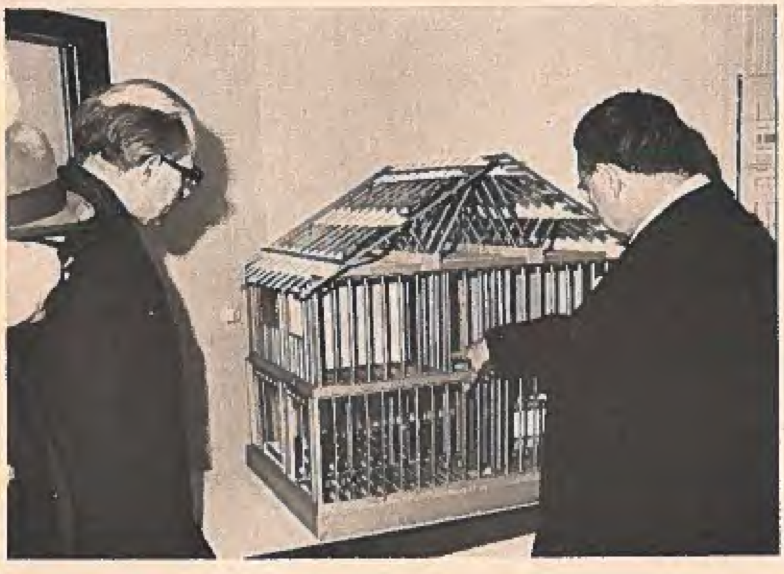
Apply to: Trades Exhibitions Ltd., Exhibition House, Spring Street, London, W.2.
Telephone: AMBassador 2886

British Sports Trade Fair, Mount Royal Hotel, London, W.1

Apply to: Federation of British Manufacturers of Sports & Games Ltd., 145 Oxford Street, London, W.1.
Telephone: GERrard 7281

A Dutch-Canadian "Love-in"

"A sort of love-in"—that's how the Dutch Minister of Housing and Building, His Excellency Ir. W. Schut, described the official opening of 21 timber-frame homes at Horst in the province of Limburg. These houses, owned by the Municipality of Horst, were built as social housing under government subsidy, using Canadian timber-frame construction. Adoption of this method followed a housing mission to Canada from the Netherlands in 1965, sponsored by the Canadian Department of Trade and Commerce, and a Canadian timber-frame construction exhibit at the Technical University in Delft in 1966.



Following the opening ceremony, the Minister of Housing and Building (above, right) seemed happy to be wearing a Canadian carpenter's apron, suitably inscribed—"Build for Tomorrow with Canadian Lumber and Plywood". (Above, left) the Canadian Ambassador to the Netherlands, Hon. W. F. Bull, (right), and the chairman of the Association of Building Contractors (second from right) donned aprons, while Ben van der Woerd of the B.C. Lumber Manufacturers Association looked in the box for just one more. (Below) The Queen's Commissioner for Limburg (right) points out some features of timber-frame construction on a model to the Minister of Housing and Building (second from left) and the Burgomaster of Horst.

There's a Big Food Market in Los Angeles

J. H. SUGGITT, *Consul and Assistant Trade Commissioner, Los Angeles.*

LOS ANGELES offers one of the biggest markets for food in North America; in 1967 retail grocery sales there exceeded $4.5 billion. This means excellent opportunities for sales and profits in this complex and fast growing market. Because wholesale cooperatives dominate the food trade, the best and least expensive approach to selling products here is to use a resident broker.

Selling in this mammoth food market demands concentration on quality, packaging, and competitive prices. This article outlines how various types of food wholesalers do their buying and what influences their final choice of suppliers.

The city of Los Angeles is only the core of this market region, which also includes the ten southern counties of California, plus Las Vegas, Nevada. In 1967 this area contained over 12 million people. By 1970, it is estimated, there will be 13.5 million and by 1980, nearly 17 million.

Southern Californians are, in general, 20 per cent better off, better educated, and younger than their counterparts in other parts of the United States. The area has five million people under 25 and this figure is expected to double by 1980. This should mean a real boom in sales of convenience foods, soft drinks, and other products popular with the young. Half of the families have incomes over $8,000 per year and one in five tops $10,000. Take-home pay totals nearly $40 billion a year and by 1975 it may be $75 billion.

Shopping Habits

Women do most of the buying of family groceries. Mrs. L.A. usually shops alone and takes about 51 minutes to make her purchases. The main shopping days are Thursday, Friday and Saturday. The newspaper advertisements are usually placed by the food stores in Thursday editions of the newspapers and in throwaways, and 78 per cent of shoppers read them. Our woman shopper spends less than 10 minutes in getting to her favorite store, chosen for its convenient location and the quality of the meats it offers. Like most of her fellow shoppers, she watches more and more for specific brands.

Food stores here cater to the consumer's shopping habits. Many of them are open 24 hours a day and closed only on July 4, Christmas, and Thanksgiving. Supermarkets average 81 hours a week compared with 63 in Canada. But, as everywhere, an expanding potential soon creates competition. The Los Angeles retail grocery market is therefore very competitive and different.

Wholesalers Important

Compared with many other major markets, wholesalers play an important role in Los Angeles food distribution. In fact, they control nearly 56 per cent of the grocery market; nine direct-buying chains account for the remainder (see Table I).

Certified Grocers of California Ltd. is the largest grocery wholesaler in the U.S. The second is Alfred M. Lewis Inc. Both firms have head offices here. Servicing 3,000 stores, the combined wholesale value of sales by Certified and Sparton Grocers (a wholly-owned subsidiary of Certified), exceeded U.S.$4.75 billion last year. A retailer-owned food wholesaler, Certified's warehouse space totals 1.8 million square feet. Last year all divisions of this company shipped some 850,000 tons of food, made up of dry groceries, frozen foods, delicatessen products, non-food manufactures, ice cream, meat-cutting and distribution equipment, and coffee beans. It also provided a complete service to members, ranging from sales aids through to store designing.

The direct buying chains are stronger in the frozen food market, mainly because of Jersey Maid (see Table II). Table III lists the key retail accounts, and gives the number of stores for each company and the estimated sales volume in 1966. Wholesale affiliates for the indirect buying chains are also shown. Table III is not complete but it does show most of the major chains and gives some helpful information.

Although Safeway Stores Inc. is the largest direct buying chain in Southern California, Ralph's Grocery Company is considered Los Angeles' oldest grocery store. Formed in 1871, it remained a family firm until recently, when it was sold to Federated Department Stores. It is said that Federated intends to retain the original management.

Selling Points

Because of its size and other complicated factors, the Los Angeles food market is difficult to serve and very sophisticated. This sophistication is shown in the greater use of computers for ordering, stocking, delivery programming and records, and in the problems raised by retailers/wholesalers with their suppliers. At a recent convention of the California Grocers' Association, buyers stressed three points where suppliers could help improve store relations. Sales representatives should:

- be fully prepared for presentations
- know all the facts
- be prompt in keeping appointments.

The Los Angeles food market is offered 800 new items every month, plus hundreds of special deals, promotions, and allowances on products already in the market. A buyer's time is therefore precious.

Buyers are also concerned about allowances and they want straightforward spoilage allowances and simple advertising contracts. The chain stores prefer off-invoice allowances and do not like bill-back arrangements. With new products, they want introductory

TABLE I

Los Angeles Food Trade 1966 Grocery Market Share*

Wholesalers	*(per cent)*
Certified	30.00
Sparton	4.50
A. M. Lewis	
Northridge	5.70
Riverside	7.00
San Diego	2.59
Smart & Final (Thriftimart)	6.00
Total	**55.79**
	(U.S.$2,256 million)

Direct Buying Chains	*(per cent)*
Safeway	9.96
Alpha Beta	6.32
Lucky	5.40
Vons	5.11
Food Giant	4.97
Ralphs	4.37
Market Basket	4.07
Shopping Bag	2.92
A & P	1.09
Total	**44.21**
	(U.S.$1,787 million)

*This market share generally applies to dry groceries, meat, dairy, non-foods, delicatessen and produce business.

TABLE II

Los Angeles Food Trade 1966 Frozen Market Share

Wholesalers	*(per cent)*
Certified	29.50
A. M. Lewis	
Northridge	2.60
Riverside	6.30
San Diego	2.40
Market Distributor	10.50
Jillson	1.50
Pacific States Dairy	.01
Total	**52.81**

Direct Buying Chains	*(per cent)*
Alpha Beta	8.40
Safeway	
Los Angeles	6.49
San Diego	1.40
Ralphs	5.60
Food Giant	4.40
Jersey Maid*	20.90
Total	**47.19**

*Jersey Maid buys directly for these chains: Alexanders, Market Basket, Thriftimart, Vons, and Shopping Bag.

TABLE III

Key Retail Chain Store Accounts in Los Angeles

	Number of stores	*1966 Estimated sales (U.S.$ million)*
Direct Buying Chains		
Safeway		
Los Angeles	138	248
San Diego	86	155
Alpha Beta	142	256
Lucky	70	219
Vons	70	205
Food Giant (Unimart)	73	201
Ralphs	52	177
Market Basket	73	165
Shopping Bag	40	118
A & P	32	44
Indirect Buying Chains		
(affiliates of Certified Grocers, wholesaler)		
Thriftimart	67	173
Mayfair		
Los Angeles	50	114
San Diego	25	75
Boys	29	82
Hughes	19	44
Albertson's	28	52
Alexanders	16	39
Supreme Foods and F & G Discount	10	38
Better Foods	12	34
Coles	13	33
Food Company	8	29
Gilsons	3	22
Jordanos	10	21
Big Bear	11	19
Crawfords	6	18
Dales	13	18
Continental	8	15
Westward Ho	5	13
Williams	7	13
Youngs	5	7
Mednick	3	5
(affiliates of A. M. Lewis, wholesaler)		
Stater Bros.	31	77
Michaels	25	39
De Falco	10	28
Pantry	17	26
Buy Fair	5	12
Cooks	6	9
Bradshaws	7	9
Sages	6	8
Pronto	12	4
(affiliates of Sparton, wholesaler)		
McCoys	20	21

sales offers tied into advertising campaigns.

Packaging Important

Chain stores are becoming more and more concerned about master packaging. They want cases clearly marked on all four sides and they like tray packing and zip-open boxes. They would like boxes packed so that when they are opened, the largest number of packages are exposed face up. They would also like packers to check carton sizes, preferring them to fit in with weekly sales—a convenient five- or ten-pack unit carton, for instance. With the introduction of computerized inventory control they hope to cut down lead time on deliveries and so improve store turnover. They insist that suppliers should never be out of stock, should deliver on time, and should hold to the delivery schedule. The quickest way to encourage buyer resistance is not to deliver on time. Local warehouse stocks for quick delivery are therefore essential.

Approaching the Market

Those Canadian manufacturers who are interested in tackling the Los Angeles food market should write to this office for advice before planning a sales program. There is a wealth of information available. Depending on the type of product and its possibilities, sales may be made through a direct-buying chain or one of the two dominant wholesalers. If Certified Grocers were chosen, for instance, it would be necessary to pre-sell a certain number of its co-operative members before the item could be listed, bought, stocked, or serviced. Certified and direct chains buy at the same prices. They handle most dry groceries for a 3 to 5 per cent commission, plus 2 per cent, ten-day cash discount. Brokers need about the same margin, based upon chain store cost exclusive of the cash discount. Gourmet brokers require at least 10 per cent commission, and direct dairy, delicatessen and liquor store distributors ask 20 to 25 per cent. In each case, buyers want to know the complete new-product merchandising program.

Stores are reluctant to try out new products unless they feel that these will increase shelf turnover. A new product must be sold to the stores with a program geared to move it off shelves and into shopping carts.

Because new products have to compete with established brands, manufacturers of new and quality products should be prepared for a continued promotion program to gain consumer acceptance. This may even mean selling at a lower price. The program could include in-store demonstrations, packer advertising, promotion allowances, or co-operative advertising. Best results seem to be achieved when the packer controls the promotion content and timing. For limited movement products, however, in-store demonstrations coupled with special price coupons are often just as effective and cheaper.

Private Brands

The supplying of private brands seems to be particularly promising in the Los Angeles area. As elsewhere, customers expect to buy private brand items of a quality equal to nationally advertised brands at somewhat lower prices. Because these private brands allow the store greater profits, price negotiations for products to appear under these labels are usually longer but the packer does not have to spend as much on study of the market or on promotion. For the Canadian food company exporting to a number of markets and possibly several in the United States, a private-label approach to the Los Angeles retail market could be tbe wisest first step. Once this has achieved steady sales of a consumer-size product, the market potential for a proprietary brand can be explored from a firm base.

The Los Angeles area offers great potential for the institutional food supplier. Brand competition is much less because users are concerned only with quality and price. Quality is very important and so is physical appearance, color, and serving size. Even though institutional distributors are large and could purchase direct from the manufacturer, trade is usually routed through a broker to ensure full market coverage, speedy handling of complaints about quality, and mass institutional feeding bids.

Go Yourself

A personal trip to Los Angeles with samples is really the best way to determine this market's reaction. Canadian companies will find that they can save valuable time if they plan a trip through the Trade Commissioners in Los Angeles. We can help by giving advice and competent opinion and can recommend suitable brokers. Los Angeles is a quality market and high quality products can be sold here at reasonable prices. But the prices of lower quality items must be dropped if they are to sell on price alone.

Hungary Expands Paper Industry

THE average annual per capita consumption of paper in Hungary (66 pounds) is low hy North American standards. For this reason, the 1966-70 Plan foresees a steep rise in investment in this industry, making possihle sizable expenditures on foreign machinery. In 1966 and 1967 capacity was increased hy 100,000 tons and 56,000 tons respectively, bringing total capacity to 250,000 tons. Nevertheless Hungary still has to buy a good deal of paper ahroad.

In addition to improvements at the Duna strawpulp plant, the Csepel factory and at Szolnok, construction of another mill was hegun in 1967 at Lahatlan to produce fine papers. The main equipment installed includes four production lines at a cost of Cdn.$11 million, bought from Finland. Other proposed units include a packaging hoard mill and a further pulp mill. Hungary is critically short of pulp and has relied on an agreement with the U.S.S.R. for imports. This agreement was for 25,000 tons in 1966 and will reach 60,000 hy 1970, hut the pulp mill still has the highest priority. ●

foreign tariffs and trade regulations

Britain

BUDGET PROPOSALS—The following items from the British Budget of March 19, 1968, will be of interest to Canadian exporters:

A. Increased rates of purchase tax, as shown below, became effective on March 20, 1968. (1) All goods previously taxed at 11 per cent became taxable at 12½ per cent. (2) All goods previously taxed at 16½ per cent became taxable at 20 per cent. (3) Goods previously taxed at 27½ per cent will now be taxable at 33⅓ per cent, with a range of luxury goods raised to 50 per cent. Some articles previously exempt from purchase tax will now be taxed at 50 per cent. Following are examples of the new purchase tax rates:

	Previous Rate	*New Rate*
	(per cent)	
Clothing, furniture, carpets	11	12½
Confectionery and soft drinks	16½	20
Automobiles, TV and radio sets, toys and games, trunks and suitcases, light fittings, toilet preparations	27½	33⅓
Smokers' requisites, furs, gold watches, hairdressing goods, jewellery, diaries and calendars, pictures and prints	27½	50
Tape recorders, cinematographic and slide projectors	Free	50

Purchase tax is levied on the open market wholesale value of the goods in Britain and is charged at the same rate on both domestically produced and imported goods.

B. Duties on tobacco, wines and spirits have been increased and the new rates came into effect on March 20, 1968. The tobacco duty is increased by 4s.4d. per pound. The duty on spirits is increased by £1-1s.6d. per proof gallon on whisky and gin. Duties on sherry, port and other heavy wines increased by 6s. per gallon and table wines by 3s. per gallon.

C. The Budget also proposes increases of 4d. per gallon on certain hydrocarbon oils. The increase will apply to light oil, mainly petrol.

Finland

IMPORT LIBERALIZATION—Effective January 1, 1968, Finland removed quantitative restrictions on the following products:

sweets and chocolate
soups, sauces, etc.
woven and knitted fabrics
clothing, undergarments, gloves, etc.
footwear
tableware (e.g. tumblers, crockery and china, cutlery)
motor vehicles and parts
toys and games.

Mexico

NEW IMPORT REGULATION—The official *Gazette of Mexico* on February 29 published under Order No. 102-986 a new import regulation which requires commercial shipments to Mexico to be accompanied in future by a customs export declaration from the country of origin providing a detailed description and the value, including insurance, of the shipment. The new regulation went into effect on March 15, 1968, for shipments entering Mexico by land and on April 1, 1968, for shipments entering by sea. Failure to comply with the new regulation will result in shipments not being processed or cleared by the Mexican Customs authorities.

The Mexican Department of Finance has indicated that a copy of the Canada Export Declaration Form B-13 will be acceptable for the purpose of the new regulation.

Peru

RESTRICTIONS INTRODUCED—In a move designed to strengthen Peru's international balance-of-payments position, a government decree was issued on February 29, intended to: (1) restrict imports of certain non-essential goods; (2) establish limits on the terms of instalment sales; (3) prohibit short-term external borrowing by government entities, and (4) ban public sector purchases payable in foreign exchange for a period of 90 days, unless special authority is granted.

The main provisions of the decree are briefly as follows:

Foreign Trade—a 90-day ban was decreed on imports of a list of more than 400 Customs items covering non-essential consumer goods. Major products included were passenger cars and station wagons; electrical household appliances (radios, television sets, record players, washing machines, etc.); textile manufactures and wearing apparel; cameras and toys.

Instalment Sales—the maximum period of repayment is set at 15 months, with a minimum down payment of 30 per cent. Carrying charges on outstanding balances are limited to 14 per cent a year. On credit sales listed in the Fiscal Registry, a tax is imposed of from 0.5 per cent to 1.0 per cent.

Government Foreign Borrowing—with the cxception of debt refinancing and the normal operations of public sector banks, government entities are proscribed from contracting new loans in foreign currency with maturities of less than 12 years.

Provisional data for January show a trade surplus of U.S.$10 million. Imports of U.S.$52 million were 28 per cent less than a year ago, but exports (U.S.$62 million) fell by 19 per cent—Lima.

United States

RULING ON COUNTRY OF ORIGIN MARKING —The Bureau of Customs has ruled that unfinished welded fittings and flanges must be legibly and conspicuously marked to indicate country of origin by die stamping or other permanent marking in a location on the articles where the marking will not be obliterated when they are finished in the United States. Flanges must be marked elsewhere than on the face or edges, and pipe fittings must be marked elsewhere than on the extreme ends. Fittings which are to be cut apart in processing, such as fittings in the shape of 180° returns, must be marked in such a way as to ensure that the marking will appear on each resulting part after the processing is completed. These marking requirements will apply to flanges and fittings entered in or withdrawn from warehouse on and after May 21, 1968.

Processes in the U.S. such as cleaning to remove mill scale and rust; trimming excess material from the end of fittings and bevelling and machining the ends of fittings; machining the faces and machining or threading the base, and drilling bolt holes in the flanges; marking the articles with the name or trademark of the processor; and painting them is insufficient to overcome the requirement that the articles be marked with the English name of the country of origin.

trade lines

Parcel post services to Venezuela

Exporters who forward small shipments to Venezuela should consider parcel post. Surface mail from Canada takes no more than six weeks to reach destination. Duty rates are based on the net weight of merchandise, but packing material pays only a nominal 0.40 bolivar per kilogram. Brokerage is 1.10 bolivar per parcel—Caracas.

Canadian telecommunication plant for Greece

Northern Electric Co. Ltd. of Montreal will invest U.S.$3 million in a branch plant in Greece to produce and assemble telecommunication equipment and related electric, mechanical and electronic items. Siemens, Philips and ITT have opened branch plants there to serve the Greek and foreign markets, and the Hellenic Telecommunications Organization is already buying certain telephone and telecommunication equipment exclusively from them—Athens.

Britain sets D Day in 1971

On February 15, 1971, Decimal Day, the present British pound will officially be divided into 100 New Pence. New coins of ½, 1, 2, 5, 10 and 50 New Pence will replace the present shillings and pence. The Government will not offer compensation for the conversion of business and other machines because their owners and operators have the most to gain from decimalization. Special cases of hardship will be dealt with on an ad hoc basis—Liverpool.

Mexico increases steel production

The Mexican Iron and Steel Chamber announced that steel ingot production for 1967 increased 8.3 per cent over 1966 to three million metric tons; it predicts an even greater jump in 1968. Production for 1967 included 3.02 million tons of steel ingots, 1.558 million tons of pig iron and 2.362 million tons of rolled laminated steel. The Chamber estimated that 893,000 tons of raw material were imported for the steel industry in 1967, but imports of finished products dropped from 229,696 tons in 1966 to 155,000 in 1967. Exports of steel decreased 20.7 per cent in 1967 from 145,000 to 115,000 tons—Mexico City.

New Zealand sells paper to Japan

New Zealand Forest Products Limited, following recent trial shipments, secured substantial paper sales contracts with Japan worth about NZ$2 million over the next year. Previously it sold logs to Japan—Wellington.

British trade mission goes to Mexico

A recent trade mission to Mexico, sponsored by the Birmingham Chamber of Commerce and Industry, revealed excellent prospects for British capital goods. Firm orders of approximately $125,000 and expected sales of close to $1 million showed that the Mexicans were generally favorable to British goods. They did ask questions about obtaining service and spare parts, but this was apparently the only problem to overcome—Liverpool.

Dutch container companies combine

Thirty shipping and carrying companies recently joined forces in the Netherlands to form Contrex N.V. They hope to alleviate the problem of only partially filled containers carried on the North Atlantic route to the east coast of the United States—The Hague.

South Africa to introduce television

The South African Government may be planning to introduce television within the next two years. Siemens has opened a $1.5 million plant in Isando (near Johannesburg) to manufacture high and low tension switchgear, power distribution and control panels, and motor starter units. This new plant can be quickly converted to making TV equipment and can take advantage of the technical knowledge of the parent when television is finally introduced. Since 1961, Siemens has been producing telecommunications equipment at its $3.9 million factory near Pretoria, and has supplied industrial firms with closed-circuit TV—Johannesburg.

Singapore steps up factory building

The Economic Development Board has launched a crash program to build more factories at various industrial estates in Singapore to meet the increasing demand from Hong Kong industrialists. Hong Kong firms have bought up all available factory accommodation, including plants recently completed and those under construction. The EDB now is building 131 factories and tenders for another 76 will shortly be called. Thirty of the 131 are in Jurong. These figures do not include factories being built by industrialists themselves in Jurong and elsewhere—Singapore.

Italian consortium to build new hydro plant in Turkey

A contract has been awarded by the General Directorate of State Hydraulic Works of Turkey's Ministry of Power and Natural Resources to an Italian consortium, formed by Ing. Giuseppe Torno & C. Company and Italstrade, to build a hydroelectric plant at Gokcekaya on the Sakaria River. The $28 million contract includes the civil engineering works and installation of electromechanical equipment—Rome.

West Germany increases aluminum capacity

Four new aluminum smelters are planned in North Rhine-Westphalia and in Baden-Wuerttemberg, one by U.S.-owned Kaiser Industries of 65,000 tons per year, one by Swiss Aluminium AG Metall Gesellschaft of 100,000 tons per year, one by France's Pechiney, and one by Giulini (Germany) of 22,000 tons per year. All of the proposed plants will be located on the Rhine to enable direct delivery of the bauxite by barge —Duesseldorf.

Northern Ireland plans building dock

A £6 million contract for a new building dock at the Musgrove Yard of Harland & Wolff Limited, Belfast shipbuilders, has been awarded to an English construction firm. When completed at the end of 1969, the dock will be the biggest in the world and capable of building the largest ships. By February 1969, work is expected to be far enough advanced to start construction of two 240,000 d.w.t. tankers for the Esso Petroleum Company—Belfast.

Trade Commissioners on Tour

In Territory

Finland—E. C. H. Shelly, Assistant Commercial Secretary in Stockholm, Sweden, will visit Helsinki April 28-May 4.

Taiwan—R. A. Fairweather, Vice Consul and Assistant Trade Commissioner in Manila, Philippines, will visit Taiwan April 25-May 10.

Thailand—A Trade Commissioner from Singapore will be making a monthly visit to Thailand throughout 1968. Correspondence should normally be addressed to the Singapore office although contact can also be made through the Canadian Embassy in Bangkok, P.O. Box 2090 (telex: 2277; cable: DOMCAN, Bangkok; phone: 32-956).

Businessmen who would like the above to undertake assignments for them should write to the post as soon as possible.

Foreign Exchange Rates

These nominal quotations may help exporters in checking prices, but they should consult their ban before making any firm commitments. When more than one rate is shown, the one to be used depen on the commodity traded. Information on the rate for any specific commodity may be obtained fro 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 buyi rate is that at which banks purchase exchange from exporters; the selling rate is that at which ban 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 .92. To convert column two, *divide* by .92.

Country and Currency	Value of Foreign currency unit in Canadian dollars at March 29	Value of Canadian dollar in foreign currency units at March 29
Algeria		
Dinar	.2201	4.53
Argentina		
Peso (free)	.0031	322.58
Australia		
Dollar	1.234	.8914
Austria		
Schilling	.0418	23.98
Bahamas		
Dollar	1.061	.9364
Belgium and Luxembourg		
Franc	.0218	46.25
Bermuda		
Pound	2.601	.36
Bolivia		
Peso	.0910	10.97
Brazil		
Cruzeiro (official free)	.3378	2.96
Britain		
Pound	2.601	.36
British Honduras		
Dollar	.6501	1.53
Burma		
Kyat	.2273	4.20
Ceylon		
Rupee	.1819	5.47
Chile		
Escudo (bank rate)	.1701	5.37
(free)	.1465	6.82
China, Republic of		
New Taiwan Dollar (official)	.027	37.04
Colombia		
Peso (fixed)	.068	14.95
Congo, Republic of[1]		
Franc	.0072	139.50
Costa Rica		
Colon	.1634	6.10
Cuba[2]		
Peso	....	....
Czechoslovakia		
Koruna	.1503	6.64
Denmark		
Krone	.1453	6.81
Dominican Republic		
Peso	1.083	.92
Ecuador		
Sucre (official)	.0601	16.50
(free)	.0539	18.45
El Salvador		
Colon	.4330	2.30
Fiji		
Pound	2.486	.40
Finland		
Markka	.2577	3.88
France, Monaco, etc.[3]		
Franc	.2201	4.53
Franco-African Republics[4]		
Franc	.0044	227.79
French Pacific[5]		
Franc	.0121	82.64
Germany		
D Mark	.2716	3.68
Ghana		
New Cedi	1.061	.94
Greece		
Drachma	.0361	27.86
Guatemala		
Quetzal	1.083	.92
Guyana		
Dollar	.5413	1.84
Haiti		
Gourde	.2165	4.60
Honduras		
Lempira	.5413	1.84
Hong Kong		
Dollar	.1786	5.56
Hungary		
Forint (official)	.0921	10.86
Iceland		
Krona (official)	.0190	52.91
India		
Rupee	.1445	6.90

ountry nd urrency	Value of Foreign currency unit in Canadian dollars at March 29	Value of Canadian dollar in foreign currency units at March 29
ndonesia[6] Rupiah	....	....
ran Rial	.0143	70.42
raq Dinar	3.031	.33
reland Pound	2.601	.36
srael Pound	.3093	3.22
taly Lira	.0017	581.86
apan Yen	.0030	333.33
Kenya Shilling	.1526	6.55
Lebanon Pound (free)	.3356	2.98
Malaysia Dollar	.3536	2.82
Mexico Peso	.0866	11.47
Morocco Dirham	.2139	4.65
Netherlands Florin	.2996	3.33
Netherlands Antilles Florin	.5740	1.74
New Zealand Dollar	1.217	.82
Nicaragua Cordoba	.1546	6.42
Nigeria Pound	3.051	.33
Norway Krone	.1517	6.57
Pakistan Rupee	.2273	4.38
Panama Balboa	1.083	.93
Paraguay Guarani (free)	.0087	116.28

Country and Currency	Value of Foreign currency unit in Canadian dollars at March 29	Value of Canadian dollar in foreign currency units at March 29
Peru Sol (free)	.0263	38.02
Philippines Peso (free)	.2766	3.61
Poland Zloty (fixed basic rate)	.2711	3.68
Portugal & Colonies[7] Escudo	.0377	26.33
Saudi Arabia Riyal	.2066	4.84
Sierra Leone Leone	1.515	.66
South Africa Rand	1.515	.66
Spain & Dependencies Peseta	.0156	64.25
Sweden Krona	.2094	4.77
Switzerland Franc	.2502	4.00
Syria Pound (free)	.2847	3.51
Thailand Baht (free)	.0525	18.90
Tunisia Dinar	2.062	.48
Turkey Lira	.1203	8.28
United Arab Republic Pound (official)	2.490	.40
United States Dollar	1.083	.92
Uruguay Peso (free)	.0055	185.18
Venezuela Bolivar (official free)	.2412	4.12
West Indies Dollar[8]	.5413	1.84
West Indies Pound[9]	2.601	.36
Yugoslavia Dinar (official)	.0866	11.47

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. Because of the complexity of the Indonesian exchange rate system, it is impractical to quote a single representative rate for the rupiah.
7. Approximately same rate for Portuguese territories in Africa.
8. Barbados, Trinidad and Tobago, Leeward and Windward Islands.
9. Jamaica.

Marketing Data Sheet

PUERTO RICO

Area

3,445 square miles.

Climate

Average daily maximum temperature is 86°F. Humidity averages 66 per cent in the daytime but 86 per cent at night in the northern part and 90 per cent at night in the southern part. Fahrenheit scale is used.

Population

In 1960, total population was 2.3 million.

	Males	*Females*
35 and over	332,500	331,200
25 to 34	119,200	142,200
15 to 24	203,300	217,500

Households

In the 1960 census, there were 328,600 private residential dwellings. There were 17,400 two-unit dwellings, 12,100 dwellings with three or four units, 11,100 with five to nine units, 6,800 with ten to nineteen units, 2,700 with twenty to forty-nine units, and 560 with over fifty units.

Income

National income in 1966 was U.S.$2.5 billion. Per capita income was U.S.$955. The average hourly wage in manufacturing in June 1967 was U.S.$1.41.

Bank Accounts

There were 175,000 chequing accounts and 523,000 savings accounts in July 1967.

Retail Sales

Retail sales totalled U.S.$1,580 million in 1967 and per capita sales U.S.$582.

Motor Vehicles

In June 1967, 334,300 passenger cars, 63,900 commercial vehicles and 8,300 motorcycles and scooters were registered.

Telephones

In 1966, the total number of telephones was 211,900, approximately 11 per thousand persons.

Radio and Television

In 1960, there were 354,500 households with radio and 169,000 with television sets. One television broadcasting station (transmitting on North American standard) and one radio broadcasting station are government-owned; the others are privately owned.

Water Supply

Safe to drink. Average pressure is 45 psi. The mineral content of water from deep wells is 300 ppm. and of surface water is 175 ppm.

Electric Power

Sixty-cycle a.c., 120/240, 120/208 and 480 volts available. Voltage stability is + or − 5 per cent; frequency stability is + or − .05 cycles at 60 cycles. A grounding conductor is not required in the electrical cord attached to the appliance. In June 1967, there were 536,000 residential customers, 65,000 commercial customers and 4,400 industrial customers. The cost for residential use is on a sliding scale starting at 4.5 cents per unit for the first 75 kw. used each month and going down to 1.25 cents for consumption over 225 kw. a month, with adjustments according to ruling fuel oil prices. Installed capacity in October 1967 was 955,500 kw. thermal and 108,020 kw. hydro. Two new steam units were to add 110,000 kw. each, the first in November 1967, the second in March 1968. Distribution is at 115 kv., 38 kv., 8.32 kv., and 4.16 kv.

Weights and Measures

Both U.S. and metric. The cuerda (equivalent to 3,930.4 square meters) is used for land measurement.

Screw Thread

Metric, Whitworth, North American SAE. Both left and right-hand thread used.

Standards

Official approval is mandatory for gas, electric and other fuel appliances. The approvals organizations are Autoridad de las Fuentes Fluviales, P.O. Box 4267, Santurce, Puerto Rico 00908 and Autoridad de Acueductos y Alcantarillados, Pda. 26½ Avenida Fernandez Juncos, Santurce, Puerto Rico.

What's West Malaysia?

Readers may not be familiar with the term, and we apologize for not explaining it in the Marketing Data Sheet in the March 16, 1968, issue of *Foreign Trade*. Our statistics referred to Malaysia, excluding Sabah and Sarawak, which are known as East Malaysia.

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