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FOREIGN NEWS ON WHEAT

CHINESE WHEAT PRODUCTION AND MARKET FOR FOREIGN WHEAT

The wheat crop which was harvested in June in the lower Yangtze Valley in China is considered by the milling trade as very good, both as to quality and quantity, according to a cable to the Foreign Service of the Bureau of Agricultural Economics from Agricultural Commissioner P. O. Nymus at Shanghai. Although no information has been received as yet on the crop in North China proper or Manchuria, the lower Yangtze Valley is important in supplying the flour mills in and near Shanghai, the largest flour milling center in China, and thus is the wheat with which United States, Canadian and Australian wheats compete in supplying the Shanghai mills. Millers believe it is the largest crop in a number of years. Receipts at Shanghai are large and wheat prices have dropped to the lowest level since 1924, both in local currency and in gold prices. Domestic wheat was selling at Shanghai for immediate delivery at \$1.07 a bushel on July 2, and \$1.19 for September delivery, compared with \$1.60 for American Western Red No. 2, \$1.47 for Canadian No. 3, and \$1.59 for Australian, all for July shipment. The higher milling ratio of United States and Canadian wheat compared with the native allows some importation even when the foreign wheats are somewhat higher than the native, but the margin is now too high to encourage importation even when the milling ratio is taken into consideration. Usually China imports very little if any foreign wheat in the season when domestic wheat is coming on the market in large quantities. With ample supplies of low priced native wheat available, there is no prospect of an interest in foreign wheat for the next two or three months at least. All the local mills are running at full capacity.

Demand for domestic flour is reported as slightly weak, because of large stocks in North China, and local stocks are accumulating somewhat. Local flour prices per bag of 49 pounds in Shanghai were equivalent to \$1.65 spot on July 2, or 2.5 Shanghai Taels, while flour for September delivery was selling at \$1.38, or 2.10 Shanghai Taels. In the past few years demand for flour has dropped off when it reached 2.50 Taels, and it has not gone above that price, as explained in Foreign Service release, WH-9, February 9, 1928, on the Foreign Wheat Trade in Shanghai.

The Nanking government declared a tax of 10 cents a bag Mexican, or equivalent to 4.75 cents United States currency, on machine milled flour. At present the tax is being applied only in three provinces nearest to Shanghai, but there is a possibility of extending it to North and South China at a later date. The tax is to be collected from the local mills with the understanding that irregular interior taxes on wheat en route to Shanghai are to be abolished. The mill properties are agreeable

to the measure as it standardizes taxation and the net effect is no substantial increase in taxes. The tax applies also to imports of foreign flour and is collected through the cooperation of a unit of the customs administration. Attempts by the same method of collecting similar special taxes on tobacco and wines contrary to tariff treaties have in the past been effectively resisted through action of the Consulate only, but in view of the relatively small imports of foreign flour into Shanghai, the small amount of the tax and other considerations, it is believed that this tax is more likely to be enforced.

The wheat crop in the Honan-Shantung district was poor due to drought in May, but investigation showed that most of that wheat is for home milling and very little of it in recent years has moved out of the interior to the machine mills on the coast, and thus does not compete with foreign wheats.

Prices of wheat and flour on July 2 are given below in Shanghai Taels and in United States currency together with June and July average monthly prices in previous years for comparison.

Prices of domestic and United States wheat and of flour at Shanghai, average for July 1922-1927 and July 2, 1928 in United States currency and Shanghai Taels

Year	In U.S. currency			In Shanghai Taels		
	Value wheat per bushel	U.S. west- ern Red No. 2 c.i.f. Shanghai	Flour per 49 lb. sack, Shanghai	Native wheat per 1/2 picul	U.S. west- ern Red No. 2 c.i.f. Shanghai	Flour per 49 lb. sack, Shanghai
	Dollars	Dollars	Dollars	Taels	Taels	Taels
July average	:	:	:	:	:	:
1922	1.22	1.24	1.43	1.76	1.77	1.86
1923	1.14	1.14	1.43	1.83	1.81	2.07
1924	1.04	1.42	1.29	1.62	2.56	1.82
1925	1.37	1.55	1.75	2.00	2.25	2.30
1926	1.34	1.52	1.55	2.10	2.37	2.18
1927	1.13	1.46	1.39	2.02	2.47	2.24
July 2	:	:	:	:	:	:
1928	:	:	:	:	:	:
Immediate delivery	1.07	a/ 1.60	1.65	1.80	a/ 2.70	2.50
September delivery	1.19	:	1.38	2.00	:	2.10

a/ For July shipment. The corresponding price of Canadian No. 3 is 2.48 Taels per 1/2 picul or \$1.47 a bushel, and for Australian is 2.68 Taels per 1/2 picul or \$1.59 a bushel.