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COMMERCIAL POLICY AND THE OUTLOOK FOR INTERNATIONAL TRADE IN AGRICULTURAL PRODUCTS

OPENING ADDRESS

A. CAIRNS
Wheat Advisory Committee, London

I THINK I ought to explain why I am opening this discussion on 'Commercial Policy and the Outlook for International Trade in Agricultural Products'. Several weeks ago I wrote to the secretary congratulating him upon the programme which had been drawn up for this conference, and pointing out that I thought agricultural planning in countries dependent upon export markets for a large part of their agricultural production would remain extraordinarily difficult as long as agricultural economists in those countries held such widely divergent views regarding the probable volume of agricultural exports in the next five or ten years. In reply I was asked to open a discussion on this subject with an informal talk.

In order to provoke discussion, I shall be rather dogmatic. I shall not discuss commercial policy because there are many people present who are very much better qualified than I to do so. Most of my remarks will deal with the outlook for international trade in wheat. I realize that because wheat is my subject my views regarding the outlook for the export of agricultural products as a whole may be too pessimistic, but I expect other speakers will correct this bias.

During the past ten years I have associated a good deal with agricultural economists, agricultural administrators, agricultural policy formulators, and agricultural politicians in many European and overseas countries. In the past five years I have travelled widely in practically all the countries of Europe, including the U.S.S.R. and the Danube Basin. My experiences have compelled me to take a profoundly disquieting view of the outlook for international trade in wheat during the next decade.

Before giving you the principal reasons for my pessimism, I would like to refer to the excellent papers delivered by Professor Scott and Mr. Enfield at the opening session of this Conference. I am not satisfied that the conflicting implications of these papers can be reconciled by distinguishing between the long- and short-term points of

view; to my mind a much better explanation is their difference of opinion regarding the applicability to present-day conditions of the analyses of the classical economists. You will recall that Professor Scott's analysis led him to formulate reassuring conclusions regarding the future trend of agricultural welfare, whereas Mr. Enfield's analysis led him to draw a discouraging picture.

Let me illustrate a similar divergence of opinion. When I was in Canada in the summer of 1935 I read in the newspapers a speech by a prominent public man about the wheat outlook. In effect he said: 'If I for one moment believed that the consumers of France, Italy, and Germany were going to continue to be so stupid as to allow their governments to deprive them of the advantages of relatively free access to high-quality overseas wheat, then I for one would advocate the closing up of Southern Saskatchewan in order to avoid further financial loss.' Apparently the implication of this statement was that as a revolt of European consumers was just round the corner it was quite unnecessary to reduce Canadian wheat acreage. On March 1 last the Secretariat of the Wheat Advisory Committee circulated to governments an elaborate study of world wheat consumption. The conclusion of that study was as follows:

'An improvement in the standard of living of oriental peoples *may* be accompanied by an increase in the amount of wheat they consume. An improvement in the standard of living of occidental peoples will probably, on balance, be accompanied by a *decrease* in the amount of wheat they consume. Every possible effort should be made to increase wheat consumption in those countries where it is not already the principal cereal in human diet. And no opportunity of enlarging the consumption of wheat by livestock should be neglected. But we consider it illusory to expect the world wheat problem to be solved by methods designed only to increase consumption. In our next review of the world wheat situation we shall reinforce the argument of our September 1935 review, that despite the superficial signs to the contrary the world is moving *into* and not *out of* a wheat crisis. Obviously every possible effort should be made to increase consumption, but in the absence of international co-operation designed equitably to share the task of adjusting production and export to effective demand, extremely low prices and much needless distress must, given average yields, be the lot of wheat farmers in surplus-producing countries.'

The point I wish to stress is; how can governments and producers be expected to plan intelligently agricultural production programmes if the disagreement between economists is as wide as that between Professor Scott and Mr. Enfield, or between the two commentators on the wheat situation to whom I have just referred?

I have not altered my opinion about the long-term world wheat

outlook since writing the above-quoted conclusion of our study of wheat consumption. The terrible damage wrought by this year's drought in the United States and Canada has brought temporary relief to the world statistical position, but it has made a solution of the wheat problem more and not less difficult. High wheat prices and the need for autumn pasture will probably result in a record high acreage being sown to wheat for the 1937 harvest in the United States.

My reasons for taking a very discouraging view of the outlook for international trade in wheat in the next decade may be classified, roughly in the order of their importance, as follows:

1. In many countries wheat and politics are now almost synonymous terms. Wheat has been subjected to far more political doctoring than any other agricultural commodity. Wheat is the principal cash crop of a large group of farmers. In many countries this group is politically very powerful. In some countries this group has still to exercise its full political force. With the return of low wheat prices we shall not have long to wait to see this force exerted to the full. There is a price below which the governments of overseas and European exporting countries dare not let wheat fall. In most countries we have political wheat prices; in few, if any, are wheat prices now determined by the free interplay of world supply and demand factors. We might as well frankly face up to the fact that, in the case of wheat, price does not perform the role assigned to it by the classical economists; it simply does not act as a regulator of supply to effective demand. An increase in wheat prices generally produces an increase in wheat acreage. But a decrease in wheat prices does not bring about a decrease in wheat acreage; it generally produces an increase in direct or indirect government assistance to wheat growers.

2. My second reason for being so gloomy about the wheat outlook is the international repercussions of the purely national attempts being made by many countries to solve their domestic wheat problems. In each of the past three years wheat grown in European 'importing' countries has been exported to Great Britain; these heavily subsidized exports have depressed the price of wheat imported from normal exporting countries. In 1933–4 Germany was a substantial net exporter of wheat; in 1934–5 France was a large, and Sweden and Lativa were substantial, net exporters; in 1935–6 Portugal joined the ranks of net exporters; and in 1936–7 Czechoslovakia will probably be a new recruit.

3. My third reason for taking a dark view about the outlook for

international trade in wheat is the phenomenal improvement during the past decade in the productivity of European agriculture. Overseas farmers made great strides during and immediately after the War in increasing their agricultural output per man. In the past ten years European farmers have made similar strides. The widespread use of labour-saving machinery, improved selection and breeding of new varieties of cereals, the use of more and better fertilizers, and the much greater attention being paid to the teaching of government agricultural advisers have all made an important contribution to the increased output per unit of land and labour. Since the War large new vested interests in secondary industries have been created in the overseas countries; simultaneously large new vested interests have been created in European agriculture. Ten million Frenchmen and a large proportion of the population of the continent of Europe depend directly or indirectly on wheat-growing for their principal means of livelihood. No amount of argument about the mutual advantages of free trade, or about anything else, will induce these people to give up growing 'high-cost' wheat in order to make room for 'low-cost' wheat from overseas countries.

4. My fourth reason for believing that international trade in wheat in the next decade will be very much smaller than in the post-War decade is the striking downward trend in *per capita* consumption of wheat in many countries. Incidentally, I hope a session of one of our future conferences will be devoted to a discussion of the probable effects on agriculture of the reduction in the birth-rate of very many countries. We certainly cannot expect the next few decades to be like the past few, when an increasing population took care of an increasing agricultural productivity. On the contrary, we may anticipate that a declining rate of *per capita* consumption of wheat, together with a declining rate of population growth and an actual decrease in population in some countries, will present increasing difficulties to the major wheat-exporting countries.

While I am convinced that the only permanent solution of the world wheat problem is to be found in international co-operative action, I fear that further nationalistic attempts will be necessary in order to demonstrate the futility of such methods. In European importing countries these nationalistic attempts at solution will probably take the form of maintaining high prices by tariffs and quantitative restrictions against imports; when these high prices, together with favourable weather, result in surplus production, the surpluses will be pushed by export subsidies into the United Kingdom and other deficit countries. In European exporting countries

these attempts will probably take the form of maintaining minimum prices by various types of processing taxes and by barter arrangements with European importing countries; an attempt will probably be made by these countries to organize some kind of a pan-European preferential customs arrangement. In overseas exporting countries these futile attempts to find a nationalistic solution will probably take the following forms: praying for 'providential disasters' to other countries' crops; maintaining production in the vain hope that one or more of the big wheat exporters, discouraged by low prices, will drastically reduce acreage; competing for export markets by underselling competitors and soothing wheat farmers with minimum prices and export subsidies; decreeing drastic reductions in agricultural indebtedness; and granting various forms of direct and indirect relief to exceptionally hard-hit wheat producers.

But I believe two or three years of price-cutting, supported by competition between States in providing export subsidies, will be enough to teach overseas farmers and their governments that a solution of the wheat problem cannot be found in unco-ordinated nationalistic measures. When that time comes we are, in my opinion, going to see an increase rather than a decrease in governmental control and regulation of production, marketing, and exporting. It is because I am convinced that such a tendency is inevitable that I would like to see agricultural economists paying far more attention than they do to the factors which determine the volume of international trade of such agricultural staples as wheat.

If such countries as Argentina, Australia, and Canada cannot at least make an approximate estimate of the likely volume of their wheat exports in the next few years, how can they be expected intelligently to reorganize their agriculture? Yet such reorganization is sorely needed because at present plans are being made to produce wheat for which there is unlikely to be any demand, let alone a demand at remunerative prices.

During the ten-year period 1923–32 Canada's exports of wheat and flour averaged 282·3 million bushels per year. They dropped to 194·4 millions in 1933–4 and to 165·8 millions in 1934–5. Owing to a crop failure in the Argentine and to large imports by the United States they were increased to 254·4 millions in 1935–6. In my opinion Canada's exports are unlikely to be more than 200 million bushels per year in the next few years. Yet the acreage sown to wheat in Canada in the next few years will probably be sufficient to produce, assuming average yields per acre, from 75 to 100 million bushels per year in excess of the probable domestic and export demand. A some-

what similar situation exists in the Argentine, Australia, and in the United States. The solution of this problem is going to be extraordinarily difficult. It will involve a lot of planning and the adoption of an agricultural policy. But the point I really wish to make is that there will be no planning and no agricultural policy until public opinion in Canada ceases to think that normal years are ones in which Canada exports upwards of 300 million bushels of wheat. But, alas, many influential people in Canada still publicly support the popular view that Canada can find markets for as much wheat as she can produce, and that it is only cranks who talk about the need for reducing wheat acreage!

In 1931 a Royal Commission, under the chairmanship of Sir Josiah Stamp, investigated some aspects of the Canadian wheat problem. I had the privilege of addressing the Commission on behalf of the three Wheat Pools. The central theme of my statement was the inevitable growth of government regulation of production and marketing of agricultural products. So far the facts have fully confirmed my 1931 forecast. It is, of course, true that we are more liable to get government control in times of depression than in times of prosperity. General economic recovery in the next few years may be accompanied by a relaxation of certain types of official control. But, except in the event of a general war (the dangers of which appear to have been grossly exaggerated in overseas countries) I cannot see signs pointing to prosperity in the next few years for overseas wheat growers. I see, therefore, no good reason to anticipate, in the case of wheat, anything but a temporary slackening of the tempo of government control. Much as I would like to be able to do so, I cannot accept the popular Argentine and Canadian view that the recent catastrophic decline in the volume of world wheat exports is a temporary phenomenon associated with the world monetary and economic crisis, and that such exports will soon reach, or, at least, closely approach, their former post-War volume.

Rational production and marketing plans will not be formulated until we squarely face up to several disquieting realities. One of these realities is that although world trade in wheat and flour has fallen steadily year by year from an annual figure of approximately 800 million bushels to a figure in the neighbourhood of 500 million bushels, no appreciable change has taken place in the area sown to wheat in exporting countries; it is still at a level sufficient, given average yields, to furnish an annual exportable surplus of about 300 million bushels more than the figure for which there is likely to be an effective demand. If we disregard the accidental imports

by the United States, 1935–6 world trade in wheat and flour was only about 480 million bushels; in 1936–7 it is unlikely to exceed 525 million bushels. Had yields per acre in the past four years been average, world stocks of wheat at the end of the 1936–7 crop year would now appear likely to reach a figure in the neighbourhood of 2,000 million bushels. Owing to four successive very short crops in both the United States and Canada, and to the very poor crop last year in the Argentine, world wheat stocks in August 1937 will probably be down to normal proportions (i.e. about 625 million bushels).

I do not share the views of those who hold that the wheat-growing areas of the United States and Canada have been permanently and seriously impaired by recent droughts. I know of no good reasons why we cannot anticipate normal unit yields in the United States and Canada in the next few years. Normal unit yields in these countries will certainly mean increasing stocks, decreasing prices, and a serious worsening of the agricultural depression in the grain-growing areas of the overseas and European wheat-exporting countries. Present wheat prices are fairly satisfactory, and the present stock position has produced the first real sellers' market we have had since 1927. But if it takes four successive very short crops in the United States and Canada, a crop failure in the Argentine, and two years of large imports by the United States to reduce world wheat stocks to normal proportions and to produce dollar wheat in Winnipeg, what do you think the price of Canadian wheat will be when Canada and the United States have produced two normal crops and the United States' net exports reach 100 million bushels per year? There is to-day a widespread tendency in both overseas and European wheat-exporting countries to ignore this question. Some people think the answer to the question is that the factors which caused the last wheat crisis were temporary phenomena and that we need not fear another wheat crisis because we shall soon be enjoying the former volume of international trade in wheat and flour. Other people think that such questions are only put by woolly-headed planners and socialists. If two years from now the answer to the question is 60 cent. wheat, then we woolly-headed planners will at least have the satisfaction of saying 'I told you so!'

The steel, shipping, tin, rubber, cement, coke, and other industries have recently benefited from international agreements designed to control exports and prices. Despite the enormous difficulties to be overcome, I am still hopeful that overseas wheat producers and their governments will eventually follow the example of the steel and other industries. But I fear that another severe wheat crisis will be neces-

sary to create the sort of atmosphere which appears to be necessary to negotiate such international agreements.

In conclusion I would like to express the hope that my remarks have been sufficiently provocative to stimulate those who disagree with me to get up and state why. I need hardly add that throughout I have been expressing merely my own personal opinions, and that my remarks should in no sense be interpreted to represent the views of the members of the Wheat Advisory Committee.

DISCUSSION

H. C. TAYLOR, *Director of Farm Foundation, Chicago, U.S.A.*

I share with others the doubt that rational economic policies relating to international trade will be given serious attention in the immediate future by those who determine the policies of nations, but I feel sure that it is our duty as agricultural economists to continue our studies and promulgate a rational view of international relations. An unprejudiced study of the situation turns on, as it were, the light of the facts of the world in which we live, in such a manner that this light will be seen by all who participate in the production and marketing of agricultural products and who administer, through governments and otherwise, the affairs connected with the production and marketing of farm products, in order that, when in due course of time people generally recognize how bad things are, there will be somebody who has been studying the matter and who will be able to plan on the more rational lines which, admittedly, cannot be brought into use at the present time. Without being a dyspeptic, in fact being one who has always believed himself an optimist, I too find myself somewhat of a pessimist about the speed with which things are likely to improve.

When I returned to the United States last November, after more than two years' absence, I was astonished to find the opinion of many of our people with regard to the attitude of mind of people in Europe. One who has been living in Europe has a very different point of view from those who have been continually living in the United States. How are we to get a better international understanding such as will give a basis for international action along more rational lines than much of our planning even purports to be? Last April I met a great many people in western Iowa and eastern Nebraska, which is rather typical of the corn belt, and also in a part of the wheat area. The thing that depressed me was to find many people in that area inclined to take the position that we have lost

our foreign markets for lard and for wheat, and the thing to do is to fight for 100 per cent. of the domestic market. They then quoted absolute figures, not percentages, for values of the amount of Polish ham coming into the United States. It might be a mere fraction of the total ham supply, but the figure itself looked sizable. And then with regard to many similar products, the relation between those farmers and the south, the cotton belt, was something that was being entirely overlooked; the cotton belt farmer's market is important to the corn belt farmer in determining what the cotton belt farmers can buy from the farmers of the corn belt. Now while it is true that this situation exists, there are men in that area who are convinced that this is an irrational point of view and are starting cheerfully an educational campaign to help those people to understand the situation.

Am I right in believing that the United States is in a considerable measure responsible for the situation that exists in Europe in that our foreign trade policies have had a reflex upon the foreign trade policies of Europe? I asked Professor Scott this morning before he left, if he thought the time was entirely past when a more liberal trade policy on the part of the United States would have the effect of bringing back the trend, in some measure, in Europe. His reaction was that it was not too late if the move was made quickly, but of course much damage had been done, and the influence of our action, while not by any means the whole thing, had been an important factor in the European situation. If that is true, I hope that activities which are already planned for educational work, particularly in the Mississippi valley, where a special meeting of all the farm leaders in December may be the beginning of an educational campaign that will help the cotton belt and the corn belt to see together with regard to the importance of foreign trade if they are to carry through. Now this relates primarily to lard and cotton rather than to wheat. I am ready to admit that the wheat situation is far more discouraging than the lard situation or the cotton situation. But while I feel that much must be done along the line that Mr. Cairns has mentioned, do, please, not discourage those who believe it is worth while to carry forward our thinking, looking towards the longer-time plan and the plan on ahead of the immediate, as well as giving much attention to the present immediate problem and the methods of handling the planning for the present; and may I say that I am ready to hold in the highest regard and respect those who are working on the short-time programme, and would ask simply that they likewise hold in high regard those who are interested in the long-time programme and see if we cannot under-

stand each other and probably learn from each other something that will be worth while both for the immediate and the more distant future.

L. A. WHEELER, *Bureau of Agricultural Economics, Washington, D.C., U.S.A.*

Mr. Cairns suggested that any one who did not agree with him should get up and speak. Unfortunately I agree with him; I also agree very largely with what Dr. Taylor has just said. I think it is quite important. We cannot over-estimate the importance of distinguishing between the different agricultural products in this question of the future outlook for international trade. There is a noticeable tendency, it seems to me, to consider that the wheat question is really *the* question to consider in the outlook for agricultural exports and international trade in agricultural products. I agree pretty well with Mr. Cairns's sizing-up of the wheat situation, but I think that, as Dr. Taylor pointed out, the situation is not nearly as gloomy, from a short-time or from a long-time point of view, with respect to other agricultural products in which the United States at any rate is interested, such as cotton, tobacco, possibly fruit, and lard. That all depends to a considerable extent upon the commercial policy of the United States. Not much has been said about that.

As all of you undoubtedly know, there is a programme in effect in the United States at the present time, which we call the Trade Agreements programme and which is intended to work along the line of a more liberal trade policy. It has, I think it can be said, met with some success. At any rate agreements have been concluded with fourteen countries. Six of them are, I think it is six, in Europe, and seven in Latin America. From the standpoint of agricultural exports from the United States it is quite obvious that it will not be completely successful unless a way is found to conclude agreements with Great Britain and Germany. After all, those are the two large foreign markets for American agricultural products. Those two countries have not been included up to the present time. Canada has been included; it is an important market for some of our agricultural products, and we are at least potentially an important market for some of the Canadian. The reception that the Canadian agreement has received in the United States makes it quite clear that there is no practical likelihood of going ahead with a Trade Agreements programme that does not involve primarily from now on concessions by the United States in industrial products. I think this is as it

should be. We have not as yet dealt with the primary industrial countries. I speak of course from the point of view of the Department of Agriculture. There is, I think, reason to believe that, by pursuing the policy of the Trade Agreements programme for the next two or three years, it is possible to do this. (After all, the Trade Agreements Act expires in, I think it is, June 1937). It will be possible substantially to improve the outlook for agricultural exports from the United States, and I see no reason why the same principle could not apply in other countries. But it is going to be a very difficult thing to do. Dr. Taylor mentioned the Polish ham. I happen to occupy the position of having to handle, at one stage or another, most of the letters that come into the Department of Agriculture about Polish ham, so I know a good deal about that subject. I know a good deal about the attitude of the people, at least in the Middle-West, about it. That is equally true in regard to other agricultural products. But usually when one examines the situation carefully, as we tried to do, one finds that the imports are of little significance from the standpoint of the price received by the American farmer. There are some exceptions to that, but Polish ham is not among the exceptions, and some of those which raise the most difficulty are of the least importance; that is why I think it is extremely important in the United States to go forward with some such programme as Dr. Taylor indicated, trying to educate the American farmer, particularly in the corn belt, as to the importance of foreign trade. This is beginning to look like just repeating in other words what Dr. Taylor said, but I do agree very thoroughly with his remarks. I think they are fundamental. He also mentioned the question of cotton. That is to me the most important consideration so far as agricultural exports in the United States are concerned, and it is just as important in the Middle-West as it is in the South, but unfortunately up to the present time the farmers do not understand that.

In conclusion I would say that I agree with Mr. Cairns in regard to wheat. We undoubtedly are headed for some further difficulty, it seems to me, with regard to wheat unless, as some people say, the weather has permanently changed, and we are going to continue to have droughts in the Northern Hemisphere right along. Of course if that happens I think the wheat problem is solved. If that is not the case, then I think there will be a wheat crisis of some kind and it will need some sort of planning, some rationalization. But I am not nearly as pessimistic with respect to other agricultural products, at least those with which I am familiar, in the United States exports.

I. DE ARLANDIS, *Madrid, Spain.*

In discussing the foreign trade in agricultural products, I would like to suggest that, before we enter into special questions, we might state what general tendencies of modern foreign trade we admit or recognize. I think that the tendency, which spreads all over the world and which depends much more on political than on economic reasons (sometimes it is all the contrary of 'economical'), is, first, to secure a base of home food production. The importation of foreign agricultural products is graduated after the national food production. The Germans call that *Nahrungsfreiheit aus einiger Scholle* (own food produced in one's own country), and the purpose is not to *depend* on imports of foreign food.

Second, the regulations, plans, and interventions for foreign trade must be followed by nationally planned production. And the nationally planned production cannot have any other result than a planned foreign trade or exchange. I believe that, mainly because of political and social reasons, there will be no way back to the free-trade system.

E. M. H. LLOYD, *Market Supply Committee, London.*

I feel it is up to somebody to try to differ with Mr. Cairns, since he has challenged us. I should like to ask him why precisely the present situation is dark. It might be argued that, if it were not that the plans of the Wheat Advisory Committee to restrict acreage or to restrict supply had broken down, the world would have suffered an acute shortage of wheat owing to this succession of bad harvests; but since, in spite of the efforts of the Wheat Advisory Committee to restrict acreage, the acreage has not been restricted, we have managed to survive these bad harvests without an acute world shortage.

Now as regards the future I do not quite follow in what respect the outlook is dark. What is it that Mr. Cairns is afraid of? Does he feel that there is not enough planning and government interference, or that the world is suffering from too much planning and government interference? In other words, does he want to have restoration of freer trade throughout the world (he cannot expect to have freer trade in wheat alone—there must be a general revival of free trade, which means a reversal of present trends and turning back towards *laissez-faire*), or does he look for further developments in the direction of government interference and government control, and if so of what kind? In his reply he will no doubt be able to develop that, because I am sure he has got plenty to say about it.

May I suggest one other doubt about this prospect that we are in for a period of continued impasse? It is the unexpected that is always happening in economic affairs. The economist may be a good analyst and good at diagrams, but he is not generally very happy at prophecy. Mr. Cairns and others are prophesying continuance of the crisis and the impossibility of getting back to freer trade conditions. I would like to suggest that partly owing to the lack of adequate control of the monetary machine throughout the world we might get a very sharp inflation. With a general rise in the price level the situation would be quite transformed, and even the wheat situation might change if the primary producers had some other outlet or if some other commodity proved more attractive owing to stimulation of demand by inflation. The wheat acreage might then contract automatically. And, moreover, if prices did rise internally with a runaway expansion of credit, then the governments would cease to be preoccupied with the woes of producers and would have to pay attention for political reasons to the effect of high prices on consumers. That is almost certain to come in the course of the trade cycle. We shall have governments preoccupied with the high cost of living and the need for controlling so-called profiteering by primary producers. When that time comes, one of the instruments by which governments will try to bring down the cost of living and make it easier for consumers will be to relax the present restrictions which have been imposed in the interest of producers and even to allow freer imports, particularly of foodstuffs. Far from me to be dogmatic on this point, but, as Mr. Cairns has challenged us by his dogmatism, I put this forward as at least a possibility.

Looking further ahead, I suppose that many of us feel that the restoration of the Cobdenite ideal of automatic adjustment of supply and demand on a world-wide basis by free movement of goods and of labour and of capital is hardly likely to be realized in our lifetime. If so, are we not always in danger during this transition period of suffering a succession of crises due to inadequate and imperfect planning? One of the previous speakers has said that one of the difficulties at the present time is that, while all economists agree that the present situation is unsatisfactory, they will not agree even on first principles in which direction we are to proceed, whether in the direction of freer trade and more *laissez-faire* or in the direction of more scientific and controlled planning.

In the case of wheat I think all of us feel that the efforts of the Wheat Advisory Committee to bring some rationalization into the production and trade of wheat will continue, and by trial and error they

may eventually achieve some rational *modus vivendi*. But I should like to suggest one point to Mr. Cairns, that, in view of the extreme instability of the weather and its effect on wheat crops, the Wheat Advisory Committee will make as good an insurance as possible against the risk of bad harvests affecting many important areas, and will consider the possibility of building up an international reserve big enough to tide us over any danger of bad harvests. Any attempt to tie governments down to a particular acreage or particular quotas of production is apt to go very wrong unless there is some international reserve that can be called upon to make good deficiencies due to nature. Then, if we were considering a rational plan for wheat, I would like to ask Mr. Cairns whether he feels that we want more or less wheat. Taking a long-term point of view I suggest that we want more wheat. We want to increase consumption in the world even of wheat; there is scope for immense increase in the standard of living, including consumption of wheat. In the East it may not rest with the Wheat Advisory Committee or with the wheat producers to solve the problem of how to enable the Chinese to consume more wheat, but at any rate that is a problem for those concerned with commercial and economic and monetary policy. Then, moreover, we want to increase consumption of wheat for live stock in order to increase the production of live-stock products which even in Europe are not consumed to anything like the extent required to maintain an optimum health for the population.

Lastly I do feel the crux of the matter, which we want to face up to at this international conference, is whether government interference and government planning on a national scale can possibly solve problems of international trade of this kind. We must aim at an international plan and an international solution of our problems and not expect that government planning confined to some particular political or territorial area, which has very often no relevance to economic conditions, can do anything else than put a spoke in the wheel.

R. García Arias, *Argentine Embassy, London.*

Mr. Cairns has been riddled with questions; nevertheless I am venturing to add one more to the series that his statement has provoked. I will refer myself to the wheat problem. It seems after what we have heard that the solution of this international problem could only be found by reducing production, or increasing consumption. In the last three years we have been mainly considering reduction of acreage as a means of reducing production.

Bearing in mind that at this Conference delegates are not supposed to express the opinions of governments or of any other institution, I would like to ask Mr. Cairns to state his opinion about the possibility of solving the problem by means of acreage reduction; if it would not be advisable to undertake the education of the peoples concerned with regard to the causes which have provoked the past over-production, as well as the participation of each country in the same. The knowledge of the different factors which led to the present position may enable the parties to approach the problem of acreage reduction in a spirit of equity when it comes to outlining a plan or programme under which the sharing of the sacrifice is allotted.

I think that if public opinion is not prepared beforehand in the different countries regarding what is the equitable formula for acreage reduction, it will be impossible to enforce any plan aiming to solve the international wheat problem by adjusting production to demand.

F. E. GELDENHUYS, *South African Legation, Rome, Italy.*

I do not want to speak on the question of the particular products that have been mentioned here, but I should just like to point out one fact with which we are faced in the world to-day; and I would like to get the suggestion from some of the members of the Conference as to just how we are going to get over the particular difficulty. It seems to me the one big problem that we have to deal with is that each country is trying to create a position in which there will be an excess of exports over imports. Now that is actually the problem; each country wants a favourable balance of trade. If we can get some means of solving the position so that each country can have that surplus of trade and not have a deficit, then I think we will have solved the problem.

J. E. LATTIMER, *MacDonald College, Quebec, Canada.*

In spite of the excellent address of Mr. Lloyd I believe that we are letting Mr. Cairns off too easily if we do not disagree with him a little more definitely then we have. Perhaps it is because he is an old student of mine that I want him to get a little more criticism and have a little more chance to show his mettle. I do not personally take nearly as pessimistic a view as Mr. Cairns on this wheat situation. I think that he has 'soft-pedalled', if you will allow me to use the expression, the reduction in the acreage that has taken place recently. If we add together the acreage for the three countries, Canada,

Argentina, and Australia, the three major countries in the export market at the present time, we shall find, if I am rightly informed, that the acreage reduction has amounted to ten million acres (recent preliminary figures compared with the highest point of acreage). That seems to me a very substantial reduction. Now Mr. Cairns says that we have the rising price of wheat simply and solely on account of the fact that we have had very scarce harvests and bad years. It is only a very few years ago that we—at least some people—were saying that we had the surplus solely on account of extraordinary good yields. Now we can hardly have it both ways. If we take the world acreage and world production figures with which we are all familiar (having been supplied by the Food Institute at Stanford University) and take the yield for ten years and figure it out, we find that about three-fifths of a bushel per acre is the variation in yield. Fortunately world crops do not fail, but of course if we take a small area like Canada or Argentina, or Australia, we find a very great variation.

There is another point I wish to mention. It was calculated at one time that the increase in world trade in wheat amounted to about 30 million bushels per year. Instead of this we now have a reduction in international requirements. Yet the volume of international trade has probably not declined any more than domestic trade in some countries, and has held up fairly well in volume when considering its handicaps. I am rather inclined to think that there are two reasons for the reduction in the international trade which has taken place. One was the fact, already alluded to, that most of the countries had an adverse balance of trade in 1929, and now they all want to have a positive balance because they have to. The curbing of the international flow of credit stopped this trade. We could do a lot of trade now if we were willing to take IOU's. But if you want to sell or buy goods for goods, it is a very different thing. New Zealand, which has been contributing cheap food, investigated its position not long ago, and the Royal Commission reported that unless and until prices rose, and if they did not rise very promptly, New Zealand would be unable to meet its foreign commitments. I submit that Canada is somewhat in the same condition. We have borrowed a lot internationally. What have we borrowed? Money? No, we borrowed command over goods. We took goods. And now, when we are ready to pay back, people do not want the goods. It may be hard to collect the debts if goods are refused in payment. If I am right in attributing the reduction of volume of international trade to the discrepancy in the prices of

farm products as compared with the prices of other things, then the closing up of this gap which has occurred recently (I know it has occurred because of the weather man, but it has occurred to a certain degree), will promote an increase in the volume of international trade, and that, in addition to what Mr. Lloyd said, makes me a little bit more hopeful than Mr. Cairns about increasing the consumption of wheat.

RAGHBIR SINGH BANS, *University of British Columbia, Canada.*

The discussion has so far dealt mainly with wheat, but I propose to deal with the sugar situation. The outlook for international trade is more or less influenced by government policies and especially by restrictionist and protectionist policies. From facts which have been collected about sugar, I am going to try to show the effect of different policies. Considering the fact that approximately fifty-five countries of the world are producing sugar, it is impossible for me to go into every detail of the subject. I will, therefore, confine myself to the effect of two different policies, namely, restriction and protection of the production of sugar. To illustrate, I have taken a definite period, from 1920 to 1934.

The fifty-five countries I have divided into seven groups. I have taken the main sugar-producing countries, such as India, Java, and Cuba, separately; the others are placed into groups according to their political affiliation, that is, the British Empire (Australia, South Africa, Mauritius, the West Indies) and the United States (Hawaii, Porto Rico, and the Philippines); in addition, European beet-sugar-producing countries are taken in one group, and some other less important countries (Brazil, Peru, San Domingo, Formosa, Mexico, Egypt, and Argentina) which are producing cane sugar come in yet another group. With regard to their policies all these countries fall into two divisions. On the one hand, countries such as Cuba, Java, and the European beet-sugar-producing sections (those which signed the Chadbourne Agreement) have adopted restriction of production policies for the past five years. On the other hand, India, the United States (including Hawaii, the Philippines, and Porto Rico), and the British Empire have changed to protectionist policies.

The first division consists of the members of the Chadbourne Agreement, which was signed on May 9, 1931. It originated in the capitalistic interest of the banking world and was a world-wide movement. In the last International Conference of Agricultural Economists it was referred to as a 'comprehensive scheme of world planning'. Omitting minute details because of limitation of time,

the agreement was composed of nine articles. The important article was that every member of the plan was given a quota for export which was valid for five years. The following were the quotas:

TABLE I. *Sugar Export Quotas under the Chadbourne Agreement*

(Cuba, long tons; others, metric tons)

Year	*Cuba*	*Java*	*Czecho-slovakia*	*Germany*	*Poland*	*Hun-gary*	*Bel-gium*	*Total*	*Peru*
1st	655,000	2,300,000	570,817	500,000	308,812	84,100	30,275	4,449,004	360,000
2nd	805,000	2,400,000	570,817	350,000	308,812	84,100	30,275	4,549,004	373,750
3rd	855,000	2,500,000	570,817	300,000	308,812	84,100	30,275	4,649,004	373,750
4th	855,000	2,600,000	570,817	300,000	308,812	84,100	30,275	4,749,004	373,750
5th	855,000	2,700,000	570,817	300,000	308,812	84,100	30,275	4,849,004	373,750

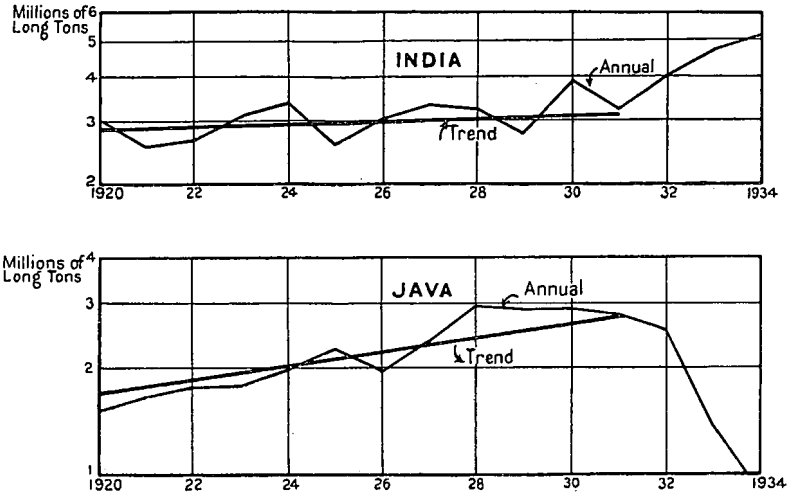
It also lays down the regulations for stocks and production, that are to limit the member countries. Under the plan the International Council was established and was authorized to regulate the allowed quotas. The quota was based on a sliding scale so that, if the world price rose to 2 cents, the quota would be increased 5 per cent., and further increases in quotas would be made if the price increased to 2·25 cents and 2·50 cents. The motives of the plan were to raise the price of sugar and to dispose of the surplus.

Now for the next few minutes my purpose is to compare the production trends of the countries which adopted the different policies. If we examine the graphs, we see quite clearly the results of different policies from their production trends. Furthermore, we shall discover how one country is affected by the change in the policy of another country.

Graph I shows the production trend in India and Java. There is a definite connexion between the two countries. The actual production of India fluctuates about the trend, and the trend up to 1931 shows a slightly upward direction. The trend for Java indicates more rapid increase up to 1931 than that for India. The steady demand for Javan sugar in the eastern market, namely, in India, China, and Turkey, and the Cuban restriction policy of 1926 helped Java to maintain the upward trend in production. In addition, there remained to be enjoyed by Javan sugar an extensive free market in the world, especially that provided by Great Britain. The position of both countries after 1931 was much more significant. In the two years after 1931, the production of India increased over 70 per cent. and at the same time its imports decreased 68 per cent. On the other hand, production in Java declined disastrously, that is, over 50 per cent. in one year. The reduction was rather more rapid

than the increase of India. An abnormal increase in the production of India is an evidence of her protectionist policy, and the reduction of production in Java is due to the policy adopted by the Indian Government, combined with the participation in the Chadbourne Plan.

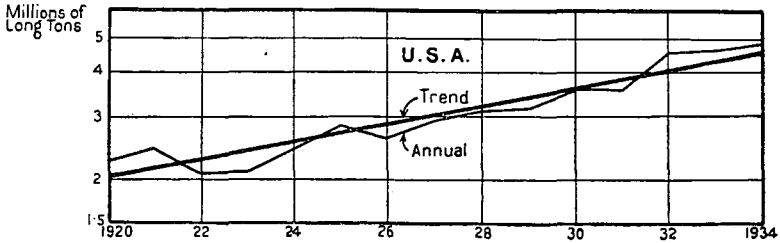
GRAPH I. SUGAR PRODUCTION IN INDIA AND JAVA

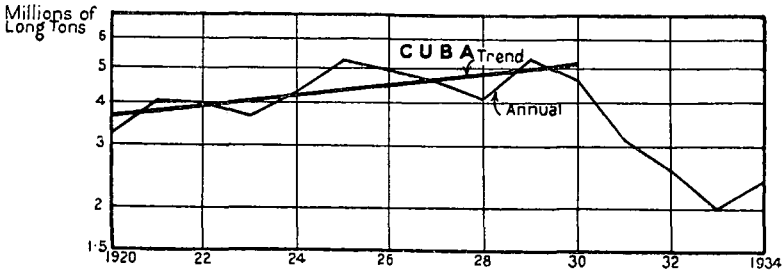


If we look at Graph II representing the production trend of Cuba and the United States, we find exactly the same relation as in the case of India and Java. The production on the whole up to 1929 was upward, and Cuba enjoyed the rapid expansion of consumption of sugar in the United States, combined with a reciprocity agreement, that is, 20 per cent. preference on the general duty. Up to 1929 half of the United States market was supplied from Cuba, but after 1930 we see an extraordinary fall in the import of Cuban sugar into the United States, that is, a fall from 52 per cent. to 28 per cent. of the total United States consumption.

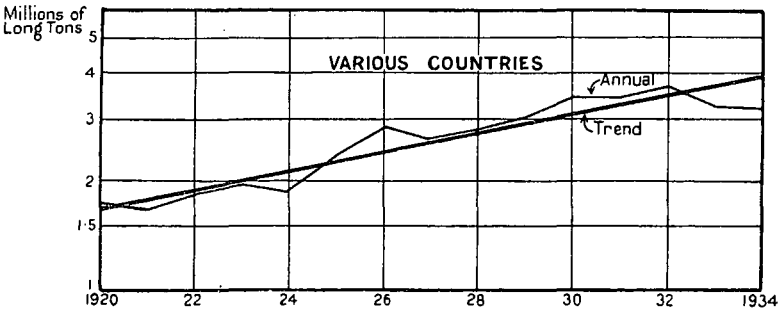
Graph III gives us a picture of the European beet-sugar-producing countries. The recovery period started in 1921. At this time the production of sugar again advanced with State encouragement. The same protective measures, such as export bounty, subsidy, protective tariff, and the cartel system, as in the last part of the nineteenth century, were adopted by the various European governments. National feeling in each country was intensified very rapidly, and high tariff walls were erected around the industry. The policy of high protective tariffs adopted by the various countries was

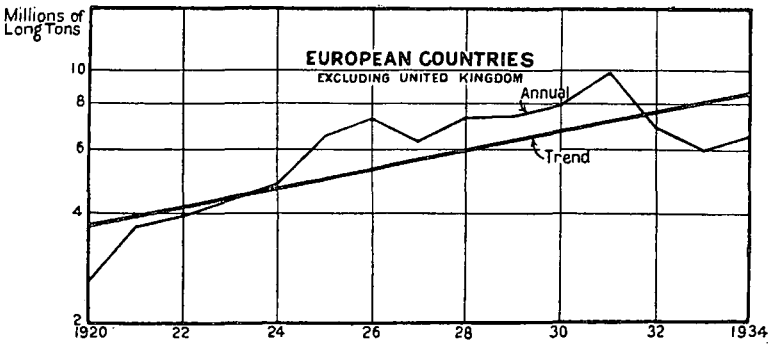
GRAPH II. SUGAR PRODUCTION IN U.S.A. AND CUBA





GRAPH III. SUGAR PRODUCTION IN 'VARIOUS COUNTRIES' AND EUROPEAN COUNTRIES (excluding U.K.)

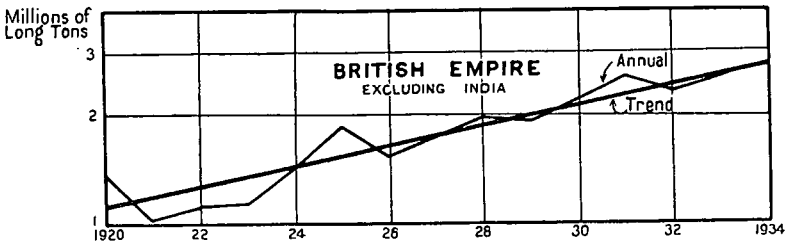




directed against their competitors within Europe, and against the principal cane-sugar producing countries such as Java and Cuba, &c. In 1930 the tariff rates in Europe were increased to 75 and 100 per cent. of the wholesale sugar prices.

As we observe from Graph IV, no different position exists for the British Empire's sugar production. The upward trend is due to the development of the home beet-sugar industry with government aid and preference for the Empire sugar.

GRAPH IV. SUGAR PRODUCTION IN BRITISH EMPIRE (excluding India)



Let me come back now to the accomplishments of the Chadbourne Plan. The Plan was partly successful, that is, in controlling the production and in disposing of part of the surplus of the member countries, but it completely failed with regard to the rise in prices. Its failure was mainly due to its limited scope; that is, it covered only 40 per cent. of the world's production and encouraged the non-member countries to expand their production. This is well illustrated in the following table (Table II):

TABLE II. *Production of the Chadbourne Plan Countries in relation to Non-Member Countries.*[1]

(*Millions of long tons, raw value*)

Year	*World production*	*Chadbourne group*	*U.S.A. and dependencies*	*British Empire*	*Other countries*
1929–30 .	27·3	12·5	3·5	4·6	6·7
1930–1 .	28·4	11·4	3·6	5·2	8·2
1931–2 .	26·2	8·8	4·0	5·8	7·6
1932–3 .	24·1	6·4	4·3	6·7	6·7
1933–4 .	25·1	6·1	5·0	7·4	6·6

The figures show that the production of the Chadbourne group fell from 12·5 million long tons to 6·1 million long tons. On the other hand production of non-member countries increased from 14·8 million long tons to 19 million long tons. Secondly, its failure

[1] *Report of United Kingdom Sugar Industry Enquiry Committee*, p. 14.

was due to the over-estimation of the consumption; for example, Cuba failed to dispose of the given quota in the United States market. This was due to the decrease of consumption and the increase of production in the United States. Similarly, Java lost her eastern market because of the development of sugar production in India.

From the previous discussion, I find evidence to warrant a statement that in sugar-producing countries such as India, the United States, the United Kingdom, and the other beet-sugar producing sections of Europe, where protectionist policies have been followed, the production of sugar has increased. On the other hand, in countries such as Java, Cuba, and the beet-producing sections which joined the Chadbourne Agreement, where no protectionist policies have been followed, the production of sugar decreased, this decline being hastened by the restrictive policy of the Chadbourne Agreement. In other words, at the present time conditions are such that countries which produce sugar cheaply are forced out of the world market, while countries producing at high cost insist on pursuing these protectionist policies indefinitely. The centre of gravity of sugar production under the pressure of two forces, restrictive and protectionist policies, has shifted. Consequently, international trade in sugar has declined.

I wish to close my discussion with a short remark on the future of sugar production. We can do no better for the control of production or for reasonable prices for sugar unless there is an international agreement between all exporting and importing countries, and each country is given an annual quota for production and export or import. The international agreement must have a wide scope. It must include producing and importing countries. The Chadbourne Plan emphasizes the need for the wide scope of any such agreement because non-member countries attempt to increase their production; and this would always happen. The international agreement must recognize the comparative advantages for sugar production of each country, that is, the favourable or unfavourable conditions of each country with regard to climate, soil, population, and transportation. It must provide complete and accurate statistics for each country. It must have government support and sufficient length of time.

A. CAIRNS, *in reply to the discussion.*

I think I need not comment on Dr. H. C. Taylor's remarks because I not only agree with what he said, but I recognize fully the validity of his distinction between the work of those people who are trying

to see ahead a generation or more and the work of those who are dealing with problems of more immediate concern.

I also find myself in complete agreement with Mr. L. Wheeler. There is no doubt that the outlook for international trade in the agricultural staples which he mentioned is much more hopeful than in the case of wheat. In fact I believe I prefaced my remarks by saying that I was conscious of being open to the charge of being unduly influenced by my close association with a particularly vulnerable commodity.

I shall not attempt to discuss the problem raised by Dr. de Arlandis from Spain. I must, however, admit that a good deal of travelling about Europe for seven years has convinced me of the truth of her contention that European countries are not going to decide the issue of whether they will grow their own wheat or import it from abroad on the basis of relative costs of production. The decision will be made on the basis of a broad complex of political and social issues. Even if it cost only 25 cents a bushel to grow wheat in Argentina and 250 cents a bushel to grow it in Spain and Portugal, the latter countries would decide to continue to produce at home most of their wheat requirements.

Mr. Lloyd asked me why the Wheat Advisory Committee had not been more successful in its attempts to reduce wheat acreage. He added that he was glad it had met with so little success, otherwise we should have had a serious world shortage of wheat. The Wheat Advisory Committee never recommended a drastic reduction of acreage. The aim of the 1933 Wheat Agreement was not acreage reduction as such, but a reduction of surplus wheat stocks in the hope of establishing more stable and more remunerative wheat prices. The 1933 Wheat Agreement did not refer to direct acreage reduction; the basic provision of the Agreement was strictly to limit the quantity of wheat any signatory country could export, and to leave that country entirely free to adopt whatever methods it chose to adjust its domestic production to home consumption, adequate reserves, and export quota requirements. It has always been recognized by the Wheat Advisory Committee that the direct reduction of the area sown to wheat was not at all practicable for many countries, and that many different measures would be required to cure the existing maladjustments in wheat production and distribution. The Wheat Advisory Committee has never put forward a plan which did not envisage each country being entirely free to select its own method (be it direct limitation of the area sown, cutting or pasturing wheat green, feeding either denatured or natural wheat to

live stock, or segregating reserve stocks) of trying to establish remunerative prices. The only hard and fast condition that has always been laid down as the focal point of any sound scheme is that no country should export more than her export quota.

Mr. Lloyd then asked if I would not like to see very much freer trade. Of course I would, but I do not think we shall see in the next few years extensive relaxation of wheat import control measures; if not, then we ought to formulate our production policies accordingly.

Mr. Lloyd asked me why I took such a gloomy view of the wheat situation. The darkness of my view is due to the fact that the wheat-exporting countries are planting an acreage which will soon result in their trying to squeeze eight eggs into a basket that holds only five—i.e. average yields on the present wheat acreage in exporting countries will provide annually about 800 million bushels of export wheat to supply an import demand of only 500 to 550 million bushels. He then wished to know if I favoured more or less planning. I think we shall get more planning whether we like it or not. I am in favour of more effective planning, but in the case of wheat I fear we shall not get it as long as we allow our hopes rather than an objective appraisal of the facts to influence our conduct.

Mr. Lloyd then stated that it might be necessary in the next few years to control and restrict profiteering by agricultural producers. Given the necessary restrictions against imports, it is easy to see how agricultural profiteering in deficit countries might arise, but I am not in the least alarmed about profiteering by farmers in agricultural surplus countries. His next point was that he thought the Wheat Advisory Committee should give some attention to the need for adequate wheat reserves. I fully agree, but I would like to point out that the only reward overseas wheat producers have so far received for maintaining adequate wheat reserves in the past five years has been a catastrophic lowering of their standard of living. Leaving aside the very important question of the extent to which uneconomic wheat prices have undermined many British overseas investments, to Great Britain adequate wheat reserves have in practice meant dirt-cheap wheat and the release of a lot of extra purchasing power to spend on housing and other activities which have contributed so much to the economic recovery of this country. To Argentine, Australian, and Canadian wheat growers adequate wheat reserves have in practice meant starvation prices. If importing countries desire adequate wheat reserves as an insurance policy against shortage of supply and high prices, surely they ought to pay at least the storage and interest outlay necessary to carry such

reserves, instead of using them as a club to beat the price of wheat down to 50 cents per bushel! In 1932 many Canadian farmers received less than 25 cents per bushel for the No. 1 wheat they delivered to their country stations. In the same year the price of oats and barley was so low that it scarcely paid to haul them from the farm to market. To-day there are no reserves of feed grains on many prairie farms, and as a consequence of the drought tens of thousands of cattle are being hauled to feeding places tens of hundreds of miles away. It is impossible to attempt to justify such a state of misery, and it is waste of time attempting to deny that the existing economic organization which permits such colossal waste is sadly in need of reformation. I hope that a rational solution of the problem of maintaining adequate farm reserves of grain will be evolved from Secretary Wallace's ever-normal-granary and crop insurance plan. I see no reason why such a scheme could not be put into operation in each of the overseas wheat-exporting countries. If such a system were adopted it would be a great boon to producers and consumers alike.

Finally, Mr. Lloyd said that what we wanted was more and not less wheat; we wanted more wheat not only because we wanted greatly to increase human consumption, but because we wanted to feed a lot of wheat to animals and thereby increase the output of dairy, meat, and hog products. He should have added that what he really wanted was extremely cheap wheat! To propose the growing of more wheat in order to augment the supply of animal products presupposes the continuation of uneconomic wheat prices. So long as the supply of wheat is so great that a large part of it is fed to live stock, and no attempt is made to differentiate between the price paid for what is consumed by human beings and the price paid for what is fed to animals, just so long will it be hopeless to expect overseas wheat farmers to attain a reasonable standard of living.

Dr. García Arias asked for my opinion of the possibilities of working out a solution of the world wheat problem which would give due recognition to the fact that some countries have expanded their wheat acreage much less than others. The point he has raised is an extraordinarily difficult one. Take for example the Danubian countries. Although their costs of production are much higher than in overseas countries, they feel that, because they have few attractive alternatives to wheat growing and because they were first in the business of exporting wheat, a scheme should be worked out which would not only enable them to get remunerative prices for their wheat exports, but which would also enable them to maintain their

pre-War volume of production. The overseas countries counter this argument by pointing out that they too have no attractive alternatives to wheat growing, and that Argentine, Australian, and Canadian farmers see no reason since overseas costs of production are lower than in the Danube Basin, why the full brunt of the needed readjustment should fall on them. The same sort of arguments and counter arguments can be heard between the various overseas countries. The Argentine has increased, since pre-war days, her acreage very much less than have Canada and Australia. Argentine wheat farmers therefore feel that they should be called upon to make a very much smaller cut in wheat acreage than their competitors in the Dominions. Canadian wheat farmers point out in reply: (1) that they colonized large new areas during the War; (2) that because of climatic conditions they must grow wheat or give up farming; (3) that in addition to wheat Argentine farmers can grow maize, linseed, alfalfa, and meat; and that Argentine and not Canadian farmers should reduce their wheat acreage. And so the argument swings back and forward.

Many plausible reasons can be given to support an argument that this or that country should or should not reduce wheat production. It is so difficult to reach a compromise that I fear the situation will be allowed to drift until we get back into a position similar to the one which existed in 1932. One large or two normal crops in the overseas countries will produce such a situation. We shall then have very large stocks, great pressure to export, decreasing prices, increasing government subsidies, and a general chaotic situation similar to that which existed in the shipping industry a few years ago. Naturally I would very much like to see agricultural interests taking advantage of the present respite to work out a plan which would bring to the wheat industry the same sort of assistance as has recently been rendered by international co-operation to the steel, shipping, tin, rubber, cement, and coke industries. It took a long period of price-cutting and other forms of ruthless competition to bring these industries to their senses, and to enable them to see the wisdom of sharing the available markets in order to get better prices. Although I am extremely pessimistic about the wheat outlook for the next few years, I cannot believe that the overseas wheat-exporting countries will indefinitely continue to compete for the privilege of subsidizing wheat consumers in importing countries. It is certainly not in the interests of their wheat producers to do so, and sooner or later they will wake up to this fact. Unfortunately, several countries now appear to be more interested in the volume of wheat they

export than in the amount of purchasing power they get for it. But surely that sort of folly cannot go on for ever! I think it will cease when these countries realize that others can play the same game, and that price-cutting leads only to further price-cutting by others and not to increased business.

I am quite unable to agree with Professor Lattimer's interpretation of wheat statistics. I am afraid he has compared the 1935 acreage figures with the peak years and has failed to appreciate that the enormous reduction of wheat acreage last year in the Argentine was an accident caused by severe drought and that the loss was made good this year. Professor Lattimer stated that I should consider the world as a whole and not over-emphasize the failure of crops in one or two countries. I was speaking of the world and not of a few countries when I stated that had unit yields on the area actually sown in the past four years been equal to the unit yields of the ten previous years, then world wheat stocks in August 1937 should now be forecast at about 2,000 million instead of at about 625 million bushels. The essential figure to bear in mind is that the present wheat acreage in exporting countries will, given normal atmospheric conditions, produce roughly 300 million bushels per year more than the probable demand for imported wheat.

Professor Lattimer then stated that a Royal Commission had recently concluded that higher prices for exports of dairy products were imperative if New Zealand's overseas debts were to be paid. He went on to say that Canada was in very much the same position and that if they did not get higher prices they too might be unable to meet their overseas indebtedness. His final note was that if Europe does not buy Canadian goods and pay better prices for them she will have to whistle for the money she has invested in Canada. I entirely agree with him about the need for higher prices in both New Zealand and Canada, but, unless he means that costs of production will be lowered by the repudiation of indebtedness, I cannot see how the need for higher wheat prices can be used as an argument in support of his contention that my picture of the wheat outlook is too black.

Why are the provincial governments, cities, and municipalities in the prairie provinces of Canada now on the verge of bankruptcy? Why did the social credit movement sweep Alberta? Why is there now a great deal of unrest on Canadian wheat farms? Why is a drastic reduction of interest rates and a drastic writing-down of farm indebtedness so widely discussed in western Canada to-day? The answer to these questions is the drought and the fact that Canada

has not enjoyed economic wheat prices since 1929! Yet wheat prices are now supported by: (1) four consecutive extremely short crops in the United States and Canada; (2) the virtual failure of the 1935–6 Argentine crop; (3) two years of substantial imports by the United States; (4) the poor 1936 crop in southern Europe; and (5) by the absence of exports this year from Russia. If it takes such an array of bullish factors to produce dollar wheat, what price will wheat be when several of these factors have been reversed?

In this connexion I think it very important to bear in mind that there is a price in each of the overseas exporting countries below which the government cannot let wheat fall. When this point is reached the governments are compelled by political considerations to adopt price-supporting measures of one kind or another. In the past the measures adopted by each country have not been co-ordinated in an international plan. There is a very real danger that next year or the year after we shall see all the overseas countries trying to solve their wheat problems by adopting the tactics of certain European 'importing' countries—i.e. using export subsidies to push their wheat troubles outside their boundaries. If such a situation is allowed to develop it will produce conditions so chaotic that we may get repercussions far more widespread and affecting many more commodities than one would be justified in anticipating from a study of the relationship of wheat to other commodities to-day. I have recently been told by several Canadian friends that the great increase in the world production of gold will soon bring about a sharp upward trend in the general price level, and that the strength of prices in general will carry wheat prices up to a remunerative level. I could agree with this reasoning if the present statistical position of wheat was due to an adjustment of supply to demand caused by low prices squeezing out of cultivation excess acreage. But we know that the present rather tight statistical position of wheat is solely the result of highly abnormal atmospheric conditions and that there is every reason to anticipate a complete change in the statistical picture in 1937–8. In view of this fact I cannot see why increased gold production will keep wheat prices from falling in the next few years any more than it has kept sugar prices from falling in the last few years.