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W H E A T S T U D I E S

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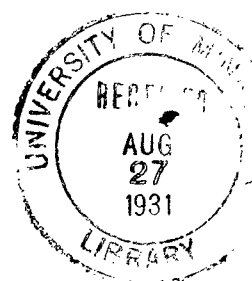
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AUGUST 1931

THE INTERNATIONAL WHEAT CONFERENCES DURING 1930-31

Low wheat prices have provoked distress in agriculture in all countries in which wheat is a prominent crop. In consequence a widespread and intensive revival of agrarian agitation has occurred. Higher wheat prices are sought. The net wheat-importing countries are in position to raise domestic wheat prices through tariffs and other restrictive regulations; Germany, France, and Italy furnish the outstanding illustrations. The net wheat-exporting countries have at their disposal as instruments for the raising of wheat prices only direct subsidy or indirect bonus, and these have not been applied to any significant extent. In consequence, producers' prices of wheat in the wheat-exporting countries present an extreme contrast with producers' prices in the importing countries which have established high protection.

The wheat-surplus-producing countries have held numerous conferences to promote collective action for the purpose of raising wheat prices. Sixteen of such conferences are here reviewed. Broadly stated, the movement for concerted action in the international marketing of wheat has developed into a quota plan, which was formally presented at the recent London conference of wheat-exporting countries. The quota plan for marketing wheat would represent essentially the sale of wheat by negotiation, largely under governmental direction, which would tend to be political. At the London conference only the United States desired a continuation of international marketing of wheat upon established grain exchanges. Under the opposition of the delegation of the United States, the quota plan failed of official acceptance. The topic represents a chapter in the annals of governmental control of primary materials. It is the first time an international monopolization has been sought to control a staple foodstuff.



STANFORD UNIVERSITY, CALIFORNIA

August 1931

W H E A T S T U D I E S

OF THE

FOOD RESEARCH INSTITUTE

The central feature of the series is a periodic analysis of the world wheat situation, with special reference to the outlook for supplies, requirements, trade, and prices. Each volume includes a comprehensive review of the preceding crop year, and three surveys of current developments at intervals of about four months. These issues contain a careful selection of relevant statistical material, presented in detail in appendix tables for reference purposes, and in summary form in text tables and charts.

Each volume also includes six special studies bearing on the interpretation of the wheat situation and outlook or upon important problems of national policy. Subjects of issues published in recent volumes are listed inside the back cover.

The series is designed to serve the needs of all serious students of the wheat market, in business, government, and academic circles, by summarizing and interpreting basic facts and presenting current developments in due perspective. The special studies are written not merely for students of the wheat market, but as well for various groups of readers who are especially concerned with the fields discussed.

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DIRECTORS

CARL LUCAS ALSBERG

JOSEPH STANCLIFFE DAVIS

ALONZO ENGLEBERT TAYLOR

The Food Research Institute was established at Stanford University in 1921 jointly by the Carnegie Corporation of New York and the Trustees of Leland Stanford Junior University, for research in the production, distribution, and consumption of food.

THE INTERNATIONAL WHEAT CONFERENCES DURING 1930-31

INTRODUCTION

Economic distress breeds political action. When, in the early summer of 1929, the prices of wheats in the United States, Canada, Argentina, and Australia approached a dollar a bushel, with corresponding positions in other exporting countries and in importing countries except as modified by tariffs, this was the signal for a flare-up of agrarian agitation. The improvement in wheat prices during midsummer and partially maintained into the autumn did little to assuage distress of wheat growers. In midsummer of 1930 the wheat price touched one dollar a bushel at Liverpool, with declines below that figure in the exporting countries. This recession reintensified agrarian unrest, both in importing

and in exporting countries. That other raw materials suffered corresponding price declines served in no wise to make low prices less unacceptable to wheat growers. The intervening year and a half has witnessed many restrictive interventions designed to improve wheat prices in net importing countries. On the other side of the picture stand numerous proposals to influence upward the still further depressed price of wheat in exporting countries. Some of these were internal, as in the case of the pegged wheat price of the United States Grain Stabilization Corporation; but others sought collective action. The agitations which were primarily internal became essentially international. Wheat growers probably took their cue on "concerted action" from the League of Nations and sought thus to secure alleviation through co-ordination of policies.

While net wheat-importing countries have sought (among other things) to develop self-containment, the net exporting countries have sought to expand or at least retain their volumes of exports. Higher

prices were sought by wheat producers in exporting and importing countries; warnings that these bilateral efforts implied the equation of larger supplies with current demands at higher prices fell on unwilling ears. The price declines which antedated the onset of the business depression were particularly distressing to wheat growers. The subsequent realization that the decline in wheat prices was in part the concomitant of a world-wide business depression has

not served as a consolation. Just now international commentators take occasion to declare that tariffs and other restrictions have contributed to the decline in the price of wheat; on the other hand, one must say that the decline in price of wheat has contributed to the

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erection of tariffs and other restrictive regulations. Political interventions are not likely to be invoked by prosperous producers; the controls of rubber, nitrate, sugar, tin, silk, and other raw materials did not arise from high prices. Political intervention is provoked by low prices.

It is the purpose of the present study, combining description and exposition, to portray the occurrences, objectives, and deliberations of the several international conferences, devoted largely or exclusively to wheat, which have been held during this interval. In the case of agriculture, political intervention is all the more easily provoked because agriculture is so wideflung an occupation, and the rural population represents so large and influential a proportion of the public. Even in predominately industrial countries, the rural population is politically strong and able to secure exceptional favors, as has been well illustrated in the sugar subsidy in England. We take it that the wheat conferences are to be judged from this standpoint. That agrarian unrest is frequently exploited, in further-

ance of political objectives lying outside of agrarian relations, does not serve to contradict this view.

In the broad sense, the movement embodied in the series of conferences devoted to wheat involved something approaching an international monopolization of wheat. It is beside the mark to urge the dire distress of producers and to suggest that the producing countries would display a benevolent attitude toward consumer countries. It is to be conceded that the ultimate best interests of urban classes everywhere would be advanced by restoration of prosperity in agriculture and net wheat-import-

ing countries have been willing to raise the price of bread to their urban classes, in order to favor their landlords and peasants. Nevertheless, monopolization lies inherent in all plans for international control of the marketing of wheat. The past decade has witnessed many attempts on the part of producers, with assistance of governments, to control the marketing and raise the prices of primary materials. The case of wheat is noteworthy especially for the number of countries involved. It is also noteworthy because of the social importance of bread which is the staff of life of white peoples and represents the focal point of the dietary.

I. THE EARLIER CONFERENCES

In the deliberations of the International Economic Conference, held in Geneva in 1927, the world-wide distress of agriculture was accorded significant attention. But these deliberations were based upon the unstated assumption that the price level had become stabilized. It was indeed realized that the prospect of continued outturn of new gold at an undiminished rate was not promising, but the contraction was not envisaged to happen within a decade; therefore, no secular decline of the price level was then feared for the early future. The likelihood of an imminent decline in wholesale price indices, representing the recession phase of a trade cycle, was not entertained. We take it that it is the price declines of the last two years, superimposed upon the distress in agriculture existing prior to 1927, which have provoked the political reactions of wheat growers and other producers of agricultural products and led to efforts toward concerted action.

No less than sixteen international conferences have been held during 1930 and the first half of 1931, devoted to wheat and the other cereals exclusively, or largely to the cereals in connection with consideration of other agricultural and economic problems. It will perhaps simplify the chronological survey to list these in advance. Of these sixteen conferences, five were conducted under the League of Nations.¹

¹ The League of Nations is issuing two new volumes of reports on the agricultural crisis, one of which appeared on June 15, 1931.

1. Conference at Geneva, January 6-9, 1930
2. Conference at Geneva, February 17-March 24, 1930
3. Conference at Bucharest, July 21-23, 1930
4. Conference at Sinaia, July 30-August 1, 1930
5. Conference at Warsaw, August 28-30, 1930
6. Conference at Geneva, September 10-October 4, 1930
7. Conference at London, October 1-November 14, 1930
8. Conference at Bucharest, October 18-21, 1930
9. Conference at Warsaw, November 10, 1930
10. Conference at Belgrade, November 10-13, 1930
11. Conference at Geneva, November 17-28, 1930
12. Conference at Geneva, January 12-14, 1931
13. Conference at Bucharest, February 16-18, 1931
14. Conferences at Paris, February 23-28, 1931
15. Conference at Rome, March 26-April 2, 1931
16. Conference at London, May 18-23, 1931

We propose to consider the fifteen earlier conferences briefly in the present section, and to treat the last in greater detail in section II.

THE GENEVA CONFERENCE OF
JANUARY 6-9, 1930

This meeting was called by the Economic Committee of the League of Nations with the evident desire of maintaining continuity in the consideration of agricultural problems set up at the International Economic Conference in 1927. The participants represented twenty countries and were designated as experts, though the representation was in fact quite as much political as technical. Of the net wheat-exporting countries the following were represented: Australia, Canada, Hungary, India,¹ Jugo-Slavia, Poland,¹ Roumania, and the United States. Of the net wheat-importing countries the following were represented: Austria, Belgium, Czecho-Slovakia, Denmark, Finland, Germany, Great Britain, the Irish Free State, Latvia, the Netherlands, Norway, Spain,¹ Sweden, and Switzerland.

The sessions were devoted largely to orientation. In respect to wheat, the heavy crop of 1928 and the price declines in connection with the onset of business depression in the fall of 1929 seemed to be the factors arousing particular apprehension. There was discussion on the rationalization of agriculture along broad lines and of diversification of crops on the basis of costs. Inevitably the tariff and self-containment were touched on. This meeting was really an assembly of delegates for the purpose of organization of investigations desired by the Economic Committee of the League of Nations in the development of its general program and for use in the subsequent meeting held in January 1931.

THE GENEVA CONFERENCE OF FEBRUARY 17—
MARCH 24, 1930

The agitation against the multiplying tariff barriers of European countries, which

¹ See pp. 454-55 for comment on status of India, Poland, and Spain.

² The Conference with a View to Concerted Economic Action is a subsidiary of the League of Nations, operating in connection with the Economic Committee of the League, and was set up by resolution of the tenth assembly of the League of Nations on September 23, 1929. The general objective of the Conference is to establish programs of negotiations aiming at collective agreements for facilitating economic relations, and more specifically to labor for a "customs truce" and the building down of trade barriers between European countries.

had acquired strength since the International Economic Conference of 1927, culminated in a conference held in Geneva during the stated interval under the title of Preliminary Conference with a View to Concerted Economic Action.² This rather ambiguous title, in view of the main objective of the conference, was promptly replaced by a slogan title—"The Tariff Truce Conference." The deliberations of the conference were not confined to agricultural topics and indeed there are reasons for inferring that initially it was planned to deal largely with industrial tariffs. But the influence of the central and eastern European countries was strong enough to bring agricultural problems, and particularly those of cereals, to the fore. As the deliberations progressed, intra-European questions became more and more prominent, while those of the relations between Europe and the overseas countries became less prominent.

The localization and extent of surplus production of cereals, the purchasing power of cereals in terms of manufactures of European countries, the methods and routes of disposal of cereal surpluses, and in general the facilitation of exchanges between the agricultural countries of central and eastern Europe and the manufacturing countries of western Europe, were given significant consideration. Rather incongruously, definite concepts of self-containment of individual countries appeared side by side with indefinite concepts of a Pan-Europe. The countries represented at the meeting agreed to present their views and compile data in response to a formal questionnaire, the replies to be delivered to the League of Nations for use in future deliberations. The agricultural countries of central Europe were so prominent in the deliberations of this conference as to lead astute political observers to infer that they acted by prearrangement and possibly under the guidance of M. Briand.

THE BUCHAREST CONFERENCE OF
JULY 21-23, 1930

This conference really represented the reunited agrarians of pre-war Austria-Hungary, though doubtless this interpreta-

tion would be resented in political circles in the three countries participating—Hungary, Roumania, and Jugo-Slavia.¹ The primary objective of the conference was to consider joint action to be taken on the questionnaire sent out by the League of Nations. Not unnaturally some differences of opinion developed. There was agreement that cereal prices were too low and that the Danube states could not approach that question through reduction of acreage. The suggestion was advanced that co-ordination be developed between the three countries in the physical shipment of cereals, this again a revival of the situation existing before the war. These export states were in principle not opposed to moderate import duties on cereals to protect producers in importing European countries. They objected, however, to high tariffs, to embargoes on imports, and to milling regulations designed to transform import duties into veritable prohibitions of import. A significant declaration was one suggesting that cereals ought to be exempted from the direct application of the “most-favored-nation” clauses in commercial treaties between European countries. Experienced observers regarded the conference as the belated expression of recognition of the community of interests of cereal producers in the Danube countries, presumably under the expert political guidance of the Briand party. A positive influence has been the contrast of wheat prices in central Europe with the much higher prices in Germany, France, and Italy.

THE SINAIA CONFERENCE OF JULY 30— AUGUST 1, 1930

This was really a local conference of delegates from Roumania and Jugo-Slavia, called to consider the question of a customs-union between the two countries and the establishment of a common policy in respect of exports of agricultural products to western European countries. While each country desired preferential treatment for

its agricultural products in exchange for manufactures from western countries, neither desired the other to secure an advantage in such preference—hence, the impulse for concerted action. Just why Roumania and Jugo-Slavia called a conference directly following the conference of these countries with Hungary is not apparent on the surface but could doubtless be explained by those familiar with the intricacies of politics in the Danube countries. Internally, this was an important conference.

THE WARSAW CONFERENCE OF AUGUST 28-30, 1930

The conferences in Bucharest and Sinaia doubtless awakened agrarian interest southward in Bulgaria and in the countries lying to the north, between Hungary and the Baltic Sea. Also, these conferences may have aroused political suspicion in Poland. The Poles are astute politicians, and a revival of the unity among the agrarian states which sprang from the Austro-Hungarian Empire could hardly be regarded with indifference by Poland, which aspires to be a net cereal-exporting country. Moreover, such a co-ordination might be interpreted as a menace to Czecho-Slovakia, a net cereal-importing country. Under these circumstances, a broad discussion of interests from the Baltic to the Adriatic and Mediterranean seas seemed next in order.

The Warsaw conference was attended by representatives from five net wheat-exporting countries (Bulgaria, Hungary, Jugo-Slavia, Poland, and Roumania) and from three net wheat-importing countries (Czecho-Slovakia, Estonia, and Latvia). The conference reached a general agreement on replies to the questionnaire of the League of Nations referred to above. It was made clear that these countries could not consider acreage reduction. The prices of cereals were too low to be remunerative to producers, also too low in purchasing power for the manufactures of western Europe in amounts commensurate with the needs of the importing countries. Recommendations were made on establishment of facilities for storage, with appropriate credits. The conference was unanimous in the support of

¹ Since the war Hungary has not ceased to protest the transfer of territory to Roumania and Jugo-Slavia under the Treaty of Peace. But apparently the solidarity of interests as grain producers has brought the three countries closer together.

the project of seeking preferential treatment from the cereal-importing countries of western Europe, exempted from the most-favored-nation clauses of the commercial treaties. It was felt that only through union of the cereal-exporting countries of central Europe could preferential treatment and, in general, advantageous treatment be secured from the western European countries. The conference exhibited a curious indifference to Russia, which is not surprising when one recalls that the wheat exports of Russia were not then much under way, and quite problematical. In their desire to suppress competition between the wheat growers of the countries represented at the conference, the agricultural divergencies between the northern and the southern regions were unduly minimized; merely because regions are predominatingly agricultural does not signify that they may be agriculturally co-ordinated. The resolutions envisaged a rather significant expansion of state control through bilateral and multilateral agreements, including development of storage facilities, credits, marketing tactics, and selling policies. The conference envisaged the establishment of a comprehensive administrative organization for the operation of co-ordinated export policy. As in all such conferences, the "principles" were unduly emphasized and the "details" unduly subordinated. In commenting on this conference, one of the leading European journals remarked that the deliberations "carried cordiality to the point of impracticability." The solidarity of agrarian interests was stretched to the breaking-point; the difficulties in elimination of regional competitive relations were glossed over. The conference was really more important in the broad sense than in the narrower relation to the wheat problem. The meeting brought into greater prominence than hitherto the concept of the central European region as a cereal belt opposed to the overseas cereal areas and desirous of securing through political arrangements preferential treatment hardly to be justified on commodity grounds. One will not go far astray in regarding Poland as the master mind of the conference and in attributing to Briand the tenets of the Polish policy.

THE GENEVA CONFERENCE OF SEPTEMBER 10—OCTOBER 4, 1930

The Assembly of the League of Nations met in Geneva on September 10, 1930. Here appeared the coalition which hereafter in this article will be called the "central European agricultural bloc," composed of Bulgaria, Hungary, Jugo-Slavia, Poland, and Roumania. On behalf of this bloc was introduced a formal proposal for a system of preferential tariff relations, bearing on European agricultural products. At this meeting the proponents of preference to be extended by European importers to European exporters went farther than "principles" and advanced proposals for operative procedures. The European exporting countries were to organize both individual and group systems of control of exports of wheat. To make such controls effective, appropriate credits would need to be extended to the exporting states—for advance payments to growers, storage, and withholding of wheat from the market when desired. The proposal was opposed by representatives of overseas wheat-exporting countries, since quite naturally Argentina, Australia, and Canada regarded the proposal as discriminatory. Without the eventual reactions being sharply defined, it seemed clear that the position of Great Britain would be negative, that of Italy critical, and that of France lukewarm if acceptable; the German attitude was apparently that of a country willing to consider negotiations. At that time the opponents of the Briand policy were apparently in sufficient control of the French representation to exercise an effective influence, since it was believed that Tardieu sided with the French peasants against the preference scheme.¹ Not only did the pro-

¹ There are two wings of opinion in France on the subject of preferential treatment of European wheats. The political view has been presented with considerable elaboration before the League of Nations. A broad declaration is made of favorable "*rapports préférentiels entre les États vendeurs et les États acheteurs de céréales européennes*." It is contended that this preference in treatment is not unjust to overseas countries but is essentially an instance of neighborly treatment quite analogous to border trade. It is envisaged as a particular case in a broad system of preferential relations between European countries, based upon the hegemony of European agriculture in European affairs, a sort of Pan-European customs

posal seem, in the minds of otherwise neutral members of the League, to threaten to create, so to speak, a League within the League, but it was held as a possibly dangerous precedent of restriction of international commerce at a time when the League was trying to eliminate trade restriction; also, it was feared that confusion would be introduced through violation of the letter of most-favored-nation clauses in commercial treaties.

At the termination of the debate the proposal was given a qualified inclusion in the program of negotiations adopted for the Conference with a View to Concerted Economic Action scheduled for March 1931. The discussion before the Assembly of the League of Nations was less significant for what it accomplished than for what it portended.

THE LONDON IMPERIAL CONFERENCE OF OCTOBER 1—NOVEMBER 14, 1930

The next conference in chronological order, though of a different category, was the Imperial Conference which opened in London, on October 1, 1930, participated in by the British Commonwealth of Nations.

union. This doctrine has been prepared for political acceptance by a series of publications in books and periodicals of which that of Delaisi, *Les Deux Europes*, is perhaps the best illustration. The attempt is made in a broad way to compare the relations of western and central Europe with those of the United States east and west of the Mississippi River. While the arrangement contemplated is urged in the interest of peasants in agricultural central Europe and workers in the industries of western Europe, it is sought to show that it is not to the disadvantage of industrial workers in central Europe or of peasants in western Europe. Nevertheless, with all the persuasive marshaling of economic data, the fact remains that it is primarily a political idea. The sponsorship of France is based to a governing extent upon the political relations of France to the countries of central Europe, which sprang from Austria-Hungary.

The wheat growers of France are the opposite of enthusiastic in their reception of the doctrine of a preference to be extended to import wheats of central Europe over import wheats of overseas countries. The French peasant reasons, quite cogently, that the best utilization and the highest price for French wheats ought to be obtained when the miller has the freest choice among foreign wheats to select such wheats as are best adapted for mixing with French wheats of the season. A preference extended to European wheats would tend toward lower flour standards and poorer bread. In short, on technical grounds French wheat growers and millers oppose preferential treatment for European wheats.

This was a general conference in which were considered the various problems of the British Commonwealth. But a particular discussion on Empire preference for wheat was so significant as to deserve a somewhat extended notice here.

During recent years two movements have been advocated in Great Britain. One was to grant to the Dominions (including India) a preference in the wheat market of the United Kingdom through a system of tariffs. The other was to secure for the Dominions, without the use of tariffs, a preference through agreement on the part of the mother country to purchase predetermined quotas of import wheat from Australia and Canada. Despite the fact that only some 50 million bushels of wheat are raised in the United Kingdom (much of which is fed to animals), the distressed position of English wheat growers at the low current prices has provoked sympathy in all circles. What has been sought was to insure to domestic producers the complete and preferential absorption of domestic wheat by domestic mills, through some arrangement in relation to imports which would promote the availability of domestic wheat.

At the Imperial Conference, Prime Minister Bennett of Canada made an open appeal for Empire preference. The two following quotations from his address (taken from *The Economist* of October 11, 1930, p. 651) will serve to make the position clear:

The primary concern of Canada to-day is profitably to sell its wheat. We believe that we shall be reaching towards a solution of that problem if we can establish a better market in Great Britain. This market we want, and for it we are willing to pay by giving in the Canadian market a preference for British goods. . . .

I offer to the Mother Country, and to all the other parts of Empire, a preference in the Canadian market in exchange for a like preference in theirs, based upon the addition of a 10 per cent. increase in prevailing general tariffs or upon tariffs yet to be created. In the universal acceptance of this offer, and in like proposals and acceptances by all the other parts of the Empire, we attain to the ideal of Empire preference.

Such a preference could be based on an import tariff on all wheats, with a preference (of perhaps 5-15 cents a bushel) for Dominion wheat; or Dominion wheat could

enter free, and a tariff (of 5-15 cents a bushel) be levied on wheat from outside the Empire. Practically speaking, the only parts of the Empire concerned would be Australia and Canada, India also in some years. Since Australia offers soft wheat and Canada offers hard wheat, the requirements of British millers both for the home market and for re-export as flour could be met technically in most years by a combination of domestic, Australian, and Canadian wheats. There are times when wheats from Argentina and especially from Russia (occasionally also from the United States) are cheaper than wheats of the same type from within the Empire. The wheats hit hardest by Empire preference would be those of Argentina, Russia, and the United States, usually in the order given.

The Conservative Party as a whole, and in particular certain prominent individuals in the Tory group, have been leaning toward protection, even to the extent of levying import taxes on foodstuffs. The Liberals and the Labor Party are opposed to a tax on staple foods. The Labor government rejected the proposal of the Prime Minister of Canada and the proposal fell through, under dramatic circumstances. In the following quotation from a speech of Prime Minister MacDonald in the House of Commons the rejection is made clear:

If it is going to be a single exchange, our imposing tariffs for the purpose of allowing a wider field of preference to be shown us, the only tariff that we can propose, that is worth anything to the Dominions, is a tariff on food. . . . The first thing that every [Dominion] Premier says, and in some cases not only the first thing but the last thing, is "Tax wheat." We cannot do it.

Following the rejection of Empire preference based on tariff, there was some discussion of a wheat import board, bulk purchase, and quota plans in Great Britain. These schemes included three objectives: assistance to wheat growers in the United Kingdom, assistance to wheat growers in the Dominions, and assistance to export of British manufactures. These objectives are not inherently consistent. Australia and Canada would be glad to supply all the import wheat required by Great Britain, whether through bulk purchase or through

quota; but they have not enough to offer in return to compensate Great Britain for the cost of her rejection of the wheat of other countries. To assign quotas in the British import market to all wheat-exporting countries would involve unforeseeable intricacies. But in any event, British industrialists would now hardly countenance any import scheme which does not include some Argentine wheat. It seems reasonable to infer that the action taken at the Conference was not a definitive decision in the sense that it represented the reasoned conclusion of the inhabitants of Great Britain, Canada, and Australia. In the development of Empire policy, Great Britain has sometimes preferred to have refusal of proposals come from the Dominions and the Dominions have sometimes preferred to have refusals come from Great Britain. In the public mind an onus is likely to be attached to a refusal and Empire preference for wheat may have been regarded in this light. The forceful action of Prime Minister Bennett provoked an unequivocal rejection by Prime Minister MacDonald. But it does not follow that Empire preference for wheat has become impossible.

The conference adjourned to reassemble in Ottawa in the autumn of 1931. At the coming meeting it seems likely, unless there is a change of governments in Canada, that what *The Economist* calls "Mr. Bennett's egregious red herring" will be revived for further discussion.¹ Free trade with the world, the safeguarding of the essential industries, Empire free trade with protection against the outside world, and general protection for Great Britain with tariff preference within the Empire—these are moving questions today in the British Commonwealth. When one measures the pressure which the few wheat growers of England are able to exert on the political policies of Great Britain and the sympathy that they can arouse, one must not be surprised at whatsoever outcome emerges when the more numerous wheat growers of Germany, France, and Italy undertake political action.

¹ At the later London conference, the Russians made their acceptance of the quota plan conditional upon the non-occurrence of other contracts between producer and consumer states, which would mean the exclusion of Empire preference for wheat.

THE BUCHAREST CONFERENCE OF
OCTOBER 18-21, 1930

In consequence of their disappointment at the outcome of the meeting in Geneva, the countries of Central Europe directly thereafter met at Bucharest to consolidate the forces of the central European agricultural bloc. The countries represented were Bulgaria, Czecho-Slovakia, Estonia, Hungary, Jugo-Slavia, Latvia, Poland, and Roumania. Differences appeared and the delegates of the three net wheat-importing countries did not sign the resolutions adopted, while the delegate of Bulgaria made reservations indicating that the position of the Danube states was regarded as too extreme by the southernmost wheat-exporting country. In general the meeting was a continuation and amplification of the discussion as it developed at the Warsaw conference. The quota system was accepted as a foregone policy, sooner or later; the determination of the quotas and their applications within existing commercial treaties were regarded as details. The needs for credit were emphasized and the suggestion advanced that quotas on imports of manufactures might be found effective factors in the negotiations for preferences sought by the central European states.

THE WARSAW CONFERENCE OF
NOVEMBER 10, 1930

This conference was essentially a deliberation devoted to agricultural credit, and it is possible that it had a generic relation with the International Agricultural Mortgage Credit Company which was later created at Geneva. The meeting was noteworthy for the incidental occurrence of a split-off of the east Baltic states, which announced their inability to accept the proposal of wheat preferences, owing to conflicts with existing commercial treaties. The meeting had the further value of indicating a clear appreciation that credit needs would be different under a quota system than without it.

THE BELGRADE CONFERENCE OF
NOVEMBER 10-13, 1930

This meeting was essentially a reconvening of the Bucharest conference of October

1930. Only the net wheat-exporting countries were represented—Bulgaria, Hungary, Jugo-Slavia, Poland, and Roumania. Regarding the "principle" of export control, quotas, and European preference as accepted, the Conference was devoted largely to the setting up of paper organizations to be recommended to the governments of the countries participating in the Conference. A national export board was to be set up in each country, and an interstate board covering the five countries. Apparently the national boards were to yield control over exports to the central interstate board. It was recognized that guarantees would be necessary to effectuate the observance of regulations, but these were deferred. The detail attempted in the paper organizations was surprising in view of the purely hypothetical status of the major proposals.

THE GENEVA CONFERENCE OF
NOVEMBER 17-28, 1930

In accordance with the permissive resolution adopted at the meeting of the Assembly of the League of Nations, the central European agrarian bloc appeared before the Second Conference with a View to Coordinated Economic Action, which met at Geneva in November 1930. The conference appointed a committee to consider the proposals; this committee gave to the proposals an endorsement so qualified as to be almost meaningless. The conference thereafter took notice of the proposals but took no action. This meeting was significant largely because of subsequent developments.¹

THE GENEVA CONFERENCE OF
JANUARY 12-14, 1931

This meeting was essentially a reassembly of the meeting of agricultural experts held in Geneva a year earlier and commented on above as the first of the list. It was attended by representatives of the following net wheat-exporting countries: Argentina, Australia, Canada, Hungary, India, Jugo-Slavia, Poland, Roumania, and the

¹ Cf. *Proceedings of the Second International Conference with a View to Coordinated Economic Action* (Series of League of Nations Publications, II, Economic and Financial, 1931. II, B, 3).

United States. The net wheat-importing countries represented were Austria, Belgium, Czecho-Slovakia, Denmark, Finland, France, Germany, Great Britain, the Irish Free State, Latvia, the Netherlands, Norway, Spain, Sweden, and Switzerland. The International Institute of Agriculture in Rome was represented by three delegates. The representatives of the participating countries were statisticians, economists, agricultural experts, delegates to the League of Nations, diplomats, officials of agrarian organizations, and politicians. The American delegate was L. G. Steere, Agricultural Commissioner attached to the American Embassy at Berlin. The agricultural delegation of the Economic Committee of the League of Nations consisted of the following: M. A. Di Nola (Italy); Dr. Richard Schüller (Austria); M. P. Elbel (France); Dr. E. Trendelenburg, later replaced by Dr. H. E. Posse (Germany); Sir Sydney Chapman (Great Britain); M. N. Ito (Japan); and M. F. Dolezal (Poland).

Considered as a whole, the body of accredited experts could hardly be regarded as possessing exceptional technical competence in respect to wheat and other cereals, and indeed was strikingly deficient in familiarity with the marketing and milling of wheat. The discussion was general, but wheat was accorded particular attention. Led by the central European agricultural bloc, the representatives of the European countries tended to view with reserved favor some form of allocation of import supplies in the European wheat market. The hope was expressed that a preference extended to wheat-exporting countries in Europe would not lead to increase of production, whereas a restriction of imports of wheat from overseas countries might tend to check production there. It was clear from the debate that the European countries were becoming more and more familiar with the idea (the "principle") of control measures. The delegates from the overseas countries were, for the most part, critical or negative. No action was taken, partly because the delegations were obviously averse to definitive action and partly because it was clear that the topic in any event would be revived at the meeting scheduled to be held in Rome in the fol-

lowing March. Broadly considered, the conference seemed to take the position that control of production was impossible, whereas alleviation of the effects of over-production might be sought indirectly through efforts in the control of marketing.

THE BUCHAREST CONFERENCE OF FEBRUARY 16-18, 1931

The purpose of this conference was re-organization of plans. Though attended by Czecho-Slovakia and Latvia, the meeting was dominated by the five states of the central European agricultural bloc. It was resolved that representatives be sent to the conference in Paris to be described below. It was resolved that the participating countries get together for the adoption of a common policy prior to the meeting to be held in the International Institute of Agriculture in Rome. The conference reaffirmed the position of the participating countries in respect of preferential treatment and the countries were enjoined to hold together.

THE PARIS CONFERENCES OF FEBRUARY 23-28, 1931

Under the auspices of the Commission of Enquiry for European Union of the League of Nations,¹ two conferences were held in

¹ The Commission of Enquiry for European Union was organized under the authority of a resolution of the Assembly of the League of Nations adopted on September 17, 1930. Membership on the Commission is confined to membership in the League of Nations, and twenty-seven European governments have entered into the Commission. The objective of the Commission is economic union of the countries of Europe. No flat proposition has been accepted for promotion—a customs union, tariff preferences between the European countries, the leveling of trade-restricting regulations, a common treatment of problems of credit and currency, co-ordinated internal and external policies of emigration, co-operation in purchase of overseas supplies of essential raw materials—these questions illustrate the problems which come before the Commission. Unquestionably, political as well as economic considerations had a part in the founding of the Commission. While it would be going too far to denominate the Commission as the creation of Briand for the purpose of promoting his Pan-European policy, it is not to be questioned that the strongest interest in the development of the work of the Commission lies with those who seek to substitute what may be called a European nationalism for separate state nationalisms in Europe. Cf. *Documents Relating to the Organization of a System of European Federal Union* (Series of League of Nations Publications, VII, Political, 1930, VII 4, especially Part IV).

Paris on February 23-25 and 26-28. The topic assigned to the first conference was the disposal of existing stocks of wheat in the central European countries (Meeting for the Disposal of 1930 Cereal Stocks). Assigned to the second conference was the topic of disposal of future stocks which might arise in those countries.

The first meeting was attended by representatives of twenty-four members of the League of Nations, as follows: Austria, Belgium, Bulgaria, Czecho-Slovakia, Denmark, Estonia, Finland, France, Germany, Great Britain, Greece, Hungary, Irish Free State, Italy, Jugo-Slavia, Latvia, Lithuania, Luxembourg, Netherlands, Poland, Roumania, Spain, Sweden, and Switzerland. It will be noted that the five central European countries were the only net wheat exporters represented. The conference thus included mostly importers of wheat. Following a statistical determination of the existing stocks, the conference adopted the following resolution:

I. The Conference, which met at Paris on February 23rd, on the invitation of the Commission of Enquiry for European Union:

Having collected, compared and exactly determined the figures relating to the surpluses of wheat available until the next harvest in the countries of Central and Eastern Europe;

Has noted that those surpluses represent only a small part of the needs of the European countries which import wheat.

It has further noted that both the representatives of the countries which normally buy foreign wheat and those of the countries which do not import foreign wheat or do not usually import wheat from the countries under consideration are willing to participate to the utmost possible extent in the purchase of the stocks of wheat recognised to be available in those countries or in some of them.

It is therefore convinced that the attitude revealed in the course of its meetings will, in the near future, enable the surplus quantities of wheat to be marketed and disposed of.

As regards the details of the commercial operations which will have to take place and the terms of the contracts which will bind the purchasers to the vendors and will define the conditions governing their transactions, the Conference recognises that, in view of the great diversity of cases, it would be difficult for the Conference itself to prescribe an identical solution for all; but its Members, being prepared to reserve a certain proportion of their imports of foreign wheat for wheat originating in the countries under consideration, undertake to initiate without delay the negotiations necessary to en-

able those transactions to be carried out, and thus to justify to the full the confidence which the Commission of Enquiry for European Union has placed in them. The results of their efforts will be communicated to the Commission of Enquiry for European Union at its forthcoming sessions. . . .

It will be noted that the words "preference" and "quota" were not used, instead of which was only the unbinding declaration concerning "Members, being prepared to reserve a certain proportion of their imports of foreign wheat for wheat originating in the countries under consideration" Eighteen of the delegations signed; Denmark, Great Britain, Irish Free State, Luxemburg, the Netherlands, Spain, and Sweden did not sign.

The second conference, to which was assigned the question of disposal of future stocks of central European countries, had a significantly smaller attendance. Of the five exporting states of central Europe only Jugo-Slavia was represented. The other countries represented were net wheat-importing countries: Austria, Belgium, Czecho-Slovakia, Estonia, France, Germany, Great Britain, Italy, Norway, Sweden, and Switzerland. The discussion was largely along general lines. There was no overproduction in Europe outside of Russia, but overproduction existed outside of Europe, and it was recognized that free export from Russia would make the position of the central European states much more difficult. There was considerable discussion on tariffs and commercial treaties, on storage, transport, and credits. This conference also, in effect, assigned the problem to the forthcoming conference in Rome, as follows:

I. The Committee recognised in the first place that the disposal of surplus European cereals is not merely a European but a world problem, and that a wholly satisfactory solution could be reached only by an understanding between all the parts of the world concerned.

As compared with the pre-war figures, the total cereal-growing areas of Europe have not increased, although the yield is slightly greater. There is no over-production in Europe; there is over-production in the world as a whole, and, in view of the circumstances in which that over-production has taken place and the re-entry of Russian cereals into the market, it is clear that the resultant crisis would not settle itself until

after a long lapse of time and at the cost of great suffering.

The Committee therefore considers that it is in the interest of producers in every continent to act together with a view to checking the spread of the crisis.

If, in response to the wish expressed by the Commission of Enquiry for European Union, all the overseas countries concerned agree to take part in the Conference which has been organised by the International Institute of Agriculture and which is to be held at Rome from March 26th, the latter will provide an early opportunity for the exchange of views which is essential.

THE ROME CONFERENCE OF MARCH 26—APRIL 2, 1931

Under the auspices of the International Institute of Agriculture, the Second World Wheat Conference was held in Rome on March 26—April 2, 1931.¹ Participating in the deliberations were delegates from forty-eight wheat-importing and wheat-exporting countries: Algeria, Argentina, Australia, Austria, Belgium, Belgian Congo, Bolivia, Bulgaria, Canada, Cyrenaica, Czecho-Slovakia, Denmark, Egypt, Eritrea, Estonia, Finland, France, Germany, Great Britain and Northern Ireland, Greece, Guatemala, Hungary, India, Irish Free State, Italy, Italian Somalia, Japan, Jugo-Slavia, Latvia, Lithuania, Mexico, Morocco, Norway, Netherlands, Peru, Persia, Poland, Portugal, Roumania, Russia, Spain, Sweden, Switzerland, Tripolitania, Tunis, Turkey, Union of South Africa, and Uruguay. The United States did not participate.² Of these forty-eight countries, eight were dependent colonies and five were dominions of the British Empire.

The deliberations, despite considerable extraneous and desultory discussion, were finally focussed into the reports of three committees, dealing with wheat production and trade, international agricultural credit, and the preferential tariff system. In the report of the committee on wheat production and trade it was recognized that European countries could not reduce wheat acreage, and that the contraction of wheat acreage in other continents could not be secured through external regulation but only through the natural incentives of wheat growers. A world-wide propaganda in favor of increased consumption of wheat

was urged, especially in countries where the use of wheaten bread is now small or nonexistent, and wheat producers were given the rather gratuitous advice to sell wheat at low prices to the low-level consuming countries of the world, in order to

¹ The calling of the Rome conference may have been influenced by the desire of the Italian government to keep the International Institute of Agriculture prominent, and also the wish to share with France in influence in the wheat problems of the central European countries.

² The United States Department of Agriculture refrained from participation in the Rome conference primarily because of the wholly unsatisfactory relations arising from the manner in which the International Institute of Agriculture, under whose auspices the conference was called, is at present managed and controlled. Because of dissatisfaction with the administrative policies of the Institute, the United States government in 1928 announced that it was no longer interested in participating in its activities. When the call for the Rome conference was issued and the decision of the United States not to participate was announced, numerous organizations and individuals sought on various grounds to have the agriculture of the United States represented, informally if not formally. In the end two Americans attended the conference, presumably at the invitation of the Institute and at its expense. These representatives were C. E. Croes, manager of the South Dakota Wheat Growers' Association, and John Simpson of Oklahoma, president of the Farmers' National Union. These Americans were not so accredited as to induce the delegates of the other countries to regard them as full-fledged delegates. It is to be inferred from the reports of the deliberations that the policies advanced by the two Americans were at cross-purposes. The Federal Farm Board was not represented even by an observer, nor did an observer represent the United States Department of Agriculture. At the time considerable criticism was expressed, at home and abroad, of the official non-participation of the United States. The American Committee on the International Institute of Agriculture urged official representation on the part of the United States. In a formal statement occurred the following sentence: "The United States Government has at the present time declined to participate in this General Conference of all consuming and producing countries to arrange a world-wide co-operative program to dispose of the current grain surplus, and to agree upon measures to avoid difficulty and friction in the future." It strikes us that this declaration contains special pleading or at least is so phrased as to lead to a misinterpretation. It is a common statement abroad that the United States "declines to co-operate" in world problems. As superior a periodical as *The Economist* displayed this bias in the issue of April 11, 1931 (p. 774), in the remark that "the United States Government, by its refusal of the invitation to send representatives to the Rome conference, showed itself unwilling to participate in international co-operation." What really happens is that the other countries commit themselves to a specific form and objective of co-operation, and when the United States does not enter into the prearranged plan we are told that our country declines to co-operate. The real difference lies not in the willingness to co-operate but in the objectives and methods of co-operation.

promote the use of wheaten bread. A re-organization of international marketing of wheat was recommended, and, in view of the existence of abnormal stocks, the conference urged the calling of a meeting of the principal wheat-exporting countries of the world, from which action the London conference proceeded.¹

The report of the committee on international agricultural credit does not concern us here.

The committee on preferential tariffs, in which the quota scheme was more or less implicitly included, was unable to make a definitive recommendation on account of the opposition of Russia and the overseas wheat-exporting countries. This opposition was based in part upon lack of authority, in part upon lack of information, and in part on lack of conviction of the feasibility of any quota system in the absence of adherence of Russia and the United States. The report of this committee represented a set-back for the central European agricultural bloc, but on tactical grounds rather than on conviction, as was later made clear.

We take it that the International Institute of Agriculture, reviewing the earlier conferences, believed that the subject was ripe for definitive action and called the conference with this objective, fully expecting that all prominent countries would participate. If this was in fact the objective of the International Institute of Agriculture, the outcome of the conference in Rome was hardly to be interpreted otherwise than as a failure.

¹ In Appendix A, p. 467, is to be found the report on the organization of wheat production and of the wheat trade.

² For interesting French views, see Roland Maspétiol, "Le Statut Agricole de l'Europe Central," *Revue Sciences Politiques*, January-March 1931, LIV, 82; also Simon Aberdom, "Mévente du Blé et Solidarité Européenne," *Revue Politique et Parlementaire*, May 1931, CXLVII, 222, and Raymond Passillé, "Un Aspect Industrielle du Problème du Blé," *Revue Politique et Parlementaire*, June 1931, CXLVII, 441. It is to be kept in mind that the political interests and the milling interests are not in accord in the relations of the western to the central European countries. The French politicians cultivate Polish favor, but the French millers have little use for Polish wheat. In general, the exportable wheat surpluses of the five central European countries tend to be too soft to meet the prime milling requirements in Germany, France, and Italy, since the hard wheats required by these importing countries tend to be retained by the central European exporters for domestic grinding.

SUMMARY

The accomplishment of the several conferences described above may be summarized² as follows: European producers of wheat do not regard themselves as responsible for the relative preponderance of supply over demand (supply outrunning demand) during recent years. They do not regard it as their obligation to their own agricultures to contract the acreage planted to wheat, and they point to the inevitability of post-war recovery of areas from the lowered level of war years. In low price is found the main cause of the distress of wheat growers. Alleviation is not to be gained through reduction of costs, which is for the time being impracticable both on large estates and on peasant holdings. The wheat-surplus-producing countries of Europe are willing to co-ordinate their marketing of export wheat, but regard such co-ordination as offering little prospect of improvement in the absence of world-wide co-ordination of marketing of export wheat. The wheat-surplus-producing countries of Europe believe they possess a historic equity in the import markets of Europe which should give them a prior right and a guaranteed preference over wheat from overseas. Such preferential treatment they believe should be effectuated in the wheat-importing countries of Europe by the establishment of an import duty on European wheat (ex-Russia) lower than on wheat from Russia and from overseas, such difference in import tariff rates not to be held to constitute infraction of the most-favored-nation clause of commercial treaties. With the accomplishment, however, of all the changes desired within Europe, on behalf of European wheat growers, it is felt that little net increase in price would accrue to growers in the wheat-surplus-producing countries of Europe unless restriction could be applied to the export of wheat to Europe from the wheat-surplus-producing countries overseas, and from Russia. Assuming that the wheat-surplus-producing countries of Europe would receive quotas equal to their pre-war exports, these countries propose an international system of wheat quotas to be applied to the eleven principal

wheat-exporting countries of the world. This was the definitive objective toward which the deliberations of the successive conferences led. With the failure to secure the attendance of the United States at the Rome conference, it was realized that further deliberations of European countries

would be fruitless in respect to this objective. Therefore, the London conference was called for the specific purpose of resuming the discussion of the proposed international wheat quota plan with the participation of the United States. The deciding appeal to conferees came from overseas.

II. THE LONDON CONFERENCE OF MAY 18-23, 1931

The wheat conference held in London during May 18-23 was called pursuant to the following resolution passed at the Second World Wheat Conference, under the International Institute of Agriculture, in Rome:

The Conference, recognizing the importance of the orderly marketing of the export surpluses of wheat and being convinced that the present low price of wheat on the world's markets is a serious factor in the present economic depression, is of the opinion that it is desirable that the delegates of the countries exporting wheat, namely: The Argentine Republic, Australia, Bulgaria, Canada, Hungary, India, Poland, The Union of Socialist Soviet Republics, Rumania, and Yugoslavia, should meet together as soon as possible to formulate a plan on an international basis for the exportation of the 1931-32 crop. The above-mentioned States will invite the Government of the United States of America to take part in their discussions.

The conference was limited to net wheat-exporting countries. London was selected because of central location and neutral atmosphere. The conference was assembled on the invitation of the government of the Dominion of Canada. The meetings were held in Canada House and the staff of the Canadian High Commissioner served as the secretariat of the conference. The personnel of the delegations attending the conference was as follows:

United States of America

Samuel R. McKelvie, Member of the Federal Farm Board
Nils Andreas Olsen, Chief of the Bureau of Agricultural Economics of the United States Department of Agriculture
M. W. Thatcher, Representative of the Farmers' National Grain Corporation

Argentina

Tomas A. le Breton, Ambassador to France
Carlos Brebbia, Commercial Counsellor of the Argentine Embassy in Rome
Carlos Miguens, Counsellor of the Argentine Embassy in London

Australia

Frank L. McDougall, Economic Adviser
A. E. Gough, General Manager, Overseas Farmers' Co-operative Federation
A. R. Walker, London Representative, Victorian Wheat Growers' Corporation

Bulgaria

Ivan Nicoloff, Director of the Bulgarian Agricultural Bank

Canada

G. Howard Ferguson, High Commissioner for Canada in London
W. A. Riddell, Canadian Advisory Office, League of Nations, Geneva

Hungary

George Pronay, Under-Secretary of State for Agriculture
M. Stephen Winckler, Counsellor in the Hungarian Ministry for Foreign Affairs

India

H. A. F. Lindsay, Trade Commissioner

Jugo-Slavia

Milivoj Pilja, Director of Ministry of Commerce and Industry
Velimir Stojkovitch, Director of Ministry of Agriculture
Leon Gottlieb, Director-General, Société Privilegiée d'Exportation

Poland

Adam Rose, Director of Department of the Ministry of Agriculture
Antoni Roman, Economic Adviser of the Ministry of Foreign Affairs

Roumania

E. Marian, Director of the Institute of Export of the Roumanian Ministry of Agriculture
Arthur Holban, Commercial Attaché in London

Union of Soviet Socialist Republics

Abraham Kissin, Member of the Collegium of the People's Commissariat for Foreign Trade and Chairman of the Exportkhleb (grain exporting organization of the U.S.S.R.)
Isidore Lubimoff, Deputy People's Commissar for Foreign Trade of the U.S.S.R. and Trade Representative of the U.S.S.R. in Germany
Saul Bron, Member of the Collegium of the People's Commissariat for Trade and Trade Representative of the U.S.S.R. in Great Britain

The first plenary session of the Conference of Wheat Exporting Countries opened at Canada House at 11 o'clock on May 18, 1931. The conference having been called by the government of the Dominion of Canada (originally planned for Ottawa but later transferred to London), the Canadian High Commissioner, G. Howard Ferguson,¹ opened the meeting. After welcoming the delegates and explaining the relation of the present conference to the one in Rome, the provisional chairman called for the election of a permanent chairman. On motion of Delegate McKelvie, seconded by Delegate Lindsay, the Canadian High Commissioner was elected permanent Chairman. In accepting the office, the Chairman outlined his general views on the wheat problem which constituted the agenda of the conference. He proposed specifically the separation of the problem of disposition of present accumulated stocks from the problem of disposition of surplus stocks of wheat in the future, a distinction which was soon lost in the debates. Following a discussion, it was decided that the meetings should be private, including no representatives of the press, that all communications should be held confidential, and that no *communiqués* should be issued except through the Chairman.²

Three committees were appointed: one to deal with plans for marketing the exportable surpluses of wheat, one to present an up-to-date statistical picture of the present position, and the third to consider expansion in the utilization of wheat. The committee on statistics prepared a report

¹ The Canadian High Commissioner had previously represented his country at the conference in Rome.

² This was done in part to prevent the deliberations from reacting on prices on the grain exchanges. Looking backward, it seems clear that the policy of secrecy was unfortunate and misleading. It is a severe, and we believe undeserved, indictment of the grain exchanges to say that the market cannot stand the truth revealed in an open discussion of wheat-exporting countries.

³ It might have been pointed out by the delegations of Argentina, Australia, and Canada that if the inhabitants in the five wheat-surplus-producing countries of central Europe had the same per capita consumption of wheat as holds in Argentina, Australia, and Canada, the central European countries would have little or no exportable surplus of wheat. The wheat problem of central Europe is really a problem of bread grain, and in recent years rye has provoked more difficulties than has wheat.

which added nothing to the public information already possessed by the conference. The committee on expansion of utilization of wheat prepared a report which merely emphasized the various practical and impractical methods widely suggested for increasing the use of this cereal.³ It was in the committee on plans for the marketing of the exportable surpluses of wheat that the battles of the conference were fought.

Prior to the meeting a fairly extensive list of documents had been prepared for the use of the conference. Of these the following were noteworthy in one direction or another: Statistics of Area, Production, Consumption, Exports, Imports, Carry-over, etc.; Statistics of Prices; Statistics of Monthly Movements of Exports and Imports; Statistics of Direction of Trade of Exports and Imports; Visible Wheat Supplies May 1 and Probable Carryover August 1, 1931; U.S.S.R. Statistics; Statistics of ex-European Countries; Controlled Marketing of Exports; Multi-lateral Marketing Schemes; The Chadbourne Agreement; Possible Lines of Concerted Action; Wheat and the Consumer; Effects of Protective Measures Adopted by European Wheat Importing Countries.

The Chairman requested each delegation to make replies to the following questions:

1. Do there exist any laws concerning the control of the quantities of agricultural products exported?

2. If such a law exists concerning some agricultural products, can this law also be extended to cover other products—wheat, for instance—without additional legislation?

3. The surplus quantities of wheat at present available.

4. The total quantity of the harvest of last year.

5. The quantities of wheat consumed in the country.

6. The area under cultivation and to be sown for the 1931-32 harvest.

7. What crop is anticipated in 1931?

The replies returned were more or less incomplete and conjectural and did not provide the expected basis for comprehensive appraisal.

The crux of the situation became apparent on the first day of the conference and was fully developed on the second day. The central European exporting countries presented early their proposal for international control of exports. In the view of these countries "international collaboration between exporting states was the only solution" of the export problem. The proposal was a practically unmodified quota plan as developed in the earlier conferences which have been described above.

This attitude on the part of the central European states was of course expected. Unexpected, however, was the adherence of Argentina, Australia, Canada, and India. At the Rome conference, as at earlier conferences, the representatives of the overseas wheat-exporting countries had declined to favor, or had actively opposed, the quota plan. But in London, in the presence of both Russia and the United States, the four named countries favored the plan. The position of the overseas countries was well brought out, on paper at least, by resolutions cabled to the Australian delegation by the Commonwealth Government of Australia, for presentation to the London conference:

1. That [an] International Marketing Organisation represent[ing] Wheat Exporting Countries be created to control all wheat offered for export sale.

2. Each exporting country as contracting party be represented on such organisation.

3. Preliminary meeting be arranged between representatives of governments of exporting countries which become parties to agreement to suggest basis regarding proportion and percentage export [of] surpluses to be marketed conjointly.

4. Countries adhering to agreement as contracting parties to give guarantees for due observance [of] agreement reached, guarantee to be in the form of Bond lodged with Bank of International Settlement.

5. Central Marketing Organisation in its selling policy to have regard to normal relativity [of] price[s] as between market grade[s] [of] participating countries.

When the addresses and debates of the early sessions of the conference and committees were amplified and clarified by personal interviews, it became clear that nine out of the eleven delegations came prepared to support and recommend a formal sys-

tem of quotas in the distribution of wheat on the international market. They had assembled to support in agreement a quota plan, "in principle"; it was their hope, indeed their expectation, that the conference would proceed to discuss the scope, administration, regulation, and enforcement of the operative plan of distribution agreed on. There were numerous signs indicating that the governments of the nine countries were prepared to receive such recommendation in the formal resolutions of the conference. But united on the subject of quota, the nine exporting countries were not united on the subject of minimum price. It deserves to be said in recognition of the sincerity of the central European countries that their somewhat naïve views on the international marketing of wheat were presented unreservedly and without the semblance of trading tactics.

The adherence of the four overseas wheat-exporting countries was rather difficult to explain, and indeed the influences which brought about their adherence to the quota plan were not revealed. H. A. F. Lindsay, the Indian delegate, was particularly outspoken in the expression of his views. He regarded the situation as comparable with an emergency—"things could not be allowed to drift in face of the serious position at present." This apprehension bore the complexion of altruism, since India has in recent years not been significantly burdened with an exportable surplus of wheat, and has instead in most years imported wheat at prices advantageous to her urban population.

The extreme position of Australia probably reflected the influence of the wheat poolers. The adherence of Argentina was passive rather than active and seemed to reflect a desire on the part of the home government to take advantage of an export quota, howsoever determined, on the hypothesis that growers would receive a higher price if only part of the exportable surplus remained in private hands than under the present situation where most of the exportable surplus is exported by the houses of Bunge and of Dreyfus.

The position of Canada was then (and remains) rather inscrutable. The High Commissioner acted both as Chairman of

the conference and as delegate of the commonwealth of Canada. Delegate Riddell has for some time represented Canada at the League of Nations. Neither of these delegates was close to the wheat growers, the grain merchants, or the millers of Canada. The Canadian delegation had two advisers: A. E. Darby, Secretary of the Winnipeg Grain Exchange, and D. L. Smith, representing the Canadian Co-operative Wheat Producers, Limited. The Secretary of the Winnipeg Grain Exchange was in position to advise the delegation that the grain dealers, the grain exchanges, and the millers of Canada had never taken action in support of the quota plan. D. L. Smith was for some time the head of the Central Selling Agency of the Canadian pools in London; this office was discontinued some time since, but he has remained in London and attended the Chairman in an advisory capacity on invitation of Premier Bennett.

From the standpoint of considerations of quality of Canadian wheat, something is to be said both for and against the desirability of the export quota. Since European millers regard Canadian wheat as the premier hard wheat of the world, many Canadians feel that such wheat will sell itself, since there is hardly a substitute for it; quotas are needed by filler wheats and poorer types, not by Canadian wheat. As against this, other Canadians, recognizing the advances which have been made by European mills in substitution of other wheat for Canadian wheat, feel that a quota would be advantageous. Unquestionably the desire for a quota to Great Britain is much stronger than the wish to enjoy a quota on the Continent; a quota to Asia is hardly to be discussed. Perhaps it is fair to say that grower sentiment would be in favor of supporting the quota movement if accepted by all producing countries, rather than occupying a detached position if a quota plan could be set up without the inclusion of Canada. The co-ordinated marketing of export wheat was strongly favored in Canada a couple of years ago, when consultations were held with Argentinians and Australians; but the reverses of the pools during the last year may have weakened this sentiment.

The presence and diligence of the delegations from India and Poland could hardly fail to awaken surprise, in view of the statistical position of these countries. From the attitude of the Polish delegates the observer might have drawn the inference that since the war Poland had suffered grievously under the burden of exportable surpluses of wheat. For such inference, however, no statistical basis exists. The Poland of the present boundaries has been a net wheat-importing country in seven of the last ten crop years. In 1925-26 Poland was a net wheat exporter to the extent of 4.6 million bushels, and in 1929-30 to the extent of 0.22 million bushels. Otherwise, the figure for net imports ranged from 1.2 million bushels to 17.1 million bushels. This year (closing July 31, 1931) Poland is a net exporter to the extent of probably 5-6 million bushels. The position of net exporter Poland evidently hopes to maintain as expression of the policy of contraction of rye acreage and substitution of wheat acreage. This outcome may indeed eventuate, but at the time of meeting of the London conference it was fair to suggest that the classification of Poland as a net wheat-exporting country rested more on expectation than on performance.

In the case of India the circumstances were somewhat different. Before the war India was an important net wheat-exporting country. Since the war the exports of India have been smaller, almost negligible in some years, and in two of the last ten years the country was a net importer. Whether India imports or exports wheat depends on the size of the domestic crop of wheat, the price of wheat, and the supplies and prices of rice and millet. The Indian delegate to the conference confirmed the current impression that significant exports of wheat from India are not to be expected except at a high international price level in a year of abundant domestic supply. Since the average net exports of wheat during the past decade have been less than 10 million bushels per annum, it was difficult to picture India as suffering heavily from an unexported surplus of wheat.

Two other countries stood on the border line, Spain and Turkey. Turkey applied for admission, on the ground that her new

agricultural program implied the production of an exportable surplus of wheat; the application for admission was denied. Spain did not apply, so far as was reported. In the last ten reported years Spain has been a net importer six times and a net exporter four times, but in insignificant amounts. Chile, a net exporting country in most years, but in small amounts, was not represented; nor was Uruguay, whose position is similar. Algeria, Morocco, Tunis, as dependencies of France, could have no status in an exporters' conference.

At the end of the first day the parliamentary battle lines were drawn. Nine wheat-exporting countries were united in support of the quota plan and prepared to recommend its adoption to their governments. The position of the Russians was unheralded, but could be inferred. The position of the American delegation could hardly have been in doubt in the minds of astute foreign observers of the American wheat problem. The Russian delegation adroitly turned the situation to their parliamentary advantage. In a formal address,¹ the Russian delegation accepted "in principle" the quota plan, with three reservations and qualifications. The quota assignable to Russia must equal her pre-war export of wheat; credits would need to be extended to Russia to cover the administration of the export quota and the impounding of unexportable surplus in excess of the quota; and all exporting countries, specifically the United States, must enter into the agreement, and without other and separate understandings. The Russian gesture was at once a smile and a blow. The other exporting countries, burdened with the carrying charges on their unexportable surpluses in excess of any remotely predictable

quotas, could hardly be asked to finance the Russian surplus; and if Russia were to be guaranteed a quota corresponding to her pre-war export of wheat, this left the overseas countries almost in the position of dividing remnants. Indeed, a careful reading of the Russian statement left a doubt whether the Russians merely claimed as their quota the average export of the five years before the war (162 million bushels), or something more. Beyond all else, however, the Russian statement was significant by reason of the declaration that Russia intended not to contract but to expand the acreage planted to wheat and would listen to no suggestion of adjustment of production to demand.²

The adherence of the central European countries and of Russia to a program of quotas supported also by Argentina, Australia, and Canada, revealed an incongruity whenever the bases of the allocations came up for discussion. The position of the central European countries and of Russia was that contraction of acreage could not be entertained—instead, expansion was to be expected. For comparable boundaries, the wheat acreage, production, and exports of Bulgaria, Hungary, Jugo-Slavia, and Roumania combined were as follows:

	Average 1909-14	Average 1925-30
Wheat acreage (<i>million acres</i>) . .	19.6	19.0
Wheat production (<i>million bushels</i>)	330.0	314.0
Net exports of wheat and flour as wheat (<i>million bushels</i>) . . .	110.0	42.7

From these data it is apparent that no expansion of wheat acreage above the pre-war level as a whole has occurred in the countries of central Europe, even if we include the prospective expansion in Poland. It is correspondingly obvious that the exports from this region since the war have been less than they were before the war. On internal grounds, therefore, a contraction of wheat acreage could not be entertained by these countries, and instead of a reduction of exports being contemplated the opposite is being sought. Thus, in a consideration of quotas the countries of central Europe proceeded upon the assumption that they were entitled to quotas equaling their pre-war net exports; this

¹ See Appendix B, pp. 468-69.

² Broadly speaking, the Russian claim was not especially contingent on the success of the Five-Year Plan, but presupposed merely a production corresponding to the pre-war outturn with continuation of the pre-war per capita consumption. But it was assumed that improvement in wheat culture under the Five-Year Plan would make up for the deterioration which occurred during and directly after the war. The change of the western boundary of Russia through the loss of Finland, Estonia, Latvia, Lithuania, Congress Poland, and Bessarabia, increased rather than decreased the wheat-exporting capacity of the country, since the territory lost was a net importer of wheat before the war.

position was not stated categorically, but followed naturally and logically from the exposition of the state of agriculture in those countries.

The Russian position, broadly stated, was that Russia felt herself entitled to the re-establishment of her pre-war status as a wheat exporter.¹ There are several possible interpretations of this declaration, and although these were not developed in the formal Russian statement, we may be sure they would have been astutely developed if a discussion on the program of quotas had ever to come to definitive terms. One interpretation is that Russia would be entitled annually to export a volume of wheat equal to the absolute figure of her average export in the five years before the war, namely, 162 million bushels, irrespective of others. A second interpretation is that Russia would be entitled annually to export a volume corresponding to the proportion which 162 bears to the total pre-war net imports of Europe from Russia and from overseas. A third interpretation is that Russia would expect in the future to contribute such proportion of Broomhall's total shipments as was contributed on the average in the five years before the war, according to Broomhall's Russian shipment figures. A fourth interpretation is that Russia would expect a quota based on the relation of her pre-war exports (162 million bushels) to the average export volume of wheat in the five years before the war as stated in Broomhall's compilation of total overseas export shipments. This would mean including in the basis of computations the wheat shipped to ex-Europe as well as to Europe. A fifth interpretation is that Russia would expect such a quota as would correspond to the proportion which the pre-war export of Russia bore to the pre-war exports of the other ten countries represented at the conference, this to be applied with the use of the last five years as the base-line. All these are possible interpretations of the Russian

claim, and a choice of the alternatives would present considerable ground for differences of opinion. A cursory examination of the different interpretations will indicate that a Russian quota might be claimed well in excess of 200 million bushels per annum.

The overseas wheat-exporting countries, contrasted with Russia and the central European countries, judged their potentials as wheat exporters not on the basis of the pre-war average, but on the basis of post-war occurrences. To have admitted the validity of the propositions of Russia and of the countries of central Europe would have meant transferring the burden of unexported but exportable surpluses to the overseas countries, with Russia and the five central European countries tending to have small or negligible carryovers. If the overseas countries, accepting pre-war exports as base-line for Russia and the central European countries, were to use post-war exports as the base-line for the overseas exporting countries, the combination of the two procedures would evolve a figure for prospective total exports far in excess of the world demand. For illustration, let us take the simplest formulation, one in absolute terms, disregarding relative proportions.

Wheat and flour	(Million bushels)
Average export of Russia, 1909-14.....	162
Average export of central European states, 1909-14	110
Average export of India, 1909-14.....	50
Average export of United States, 1924-29	179
Average export of Canada, 1924-29.....	310
Average export of Argentina, 1924-29...	155
Average export of Australia, 1924-29....	97
Total	1,063

When one recalls that the largest trade in history, including not merely the countries named but all other countries, was 943 million bushels (in 1928-29), the absurdity of such a computation becomes apparent. If the schedule of quotas were to be based on the average pre-war exports of Russia, India, and the central European countries, as a minimum for those countries, and on the average post-war exports of Argentina, Australia, Canada, and the United States as representing the achieved positions of their agricultures, in the ab-

¹ The exact statement was as follows: "... the U.S.S.R. has naturally the right to occupy on the world's grain market the same place as was occupied by pre-war Russia. . . . There is no doubt that it would be correct if the quota for the U.S.S.R. were based on the quantity of wheat exported before the war."

sence of unforeseeable and unexpected increases in demand and without reduction of acreage or of yield per acre, an expanding carryover would accumulate. Such accumulation in the very nature of the base-lines adopted would occur in Argentina, Australia, Canada, and the United States, largely or entirely. And if adjustment of production to demand (contraction of acreage) were to be sought to bring the prospective exportable surplus down to prospective demand, such adjustment of production and contraction of acreage would need to occur in Argentina, Australia, Canada, and the United States. Nevertheless, Argentina, Australia, and Canada supported the quota plan, even after it was made clear that Russia positively, the Central European countries prospectively, and India probably would demand pre-war exports as base-lines for their quotas.

Thus viewed, the situation resembles that of sugar. Before the war the average (1909-10 to 1913-14) production of cane sugar was 10.5 million tons, and of beet sugar 8.5 million tons, with a total of 19.0 million tons. In consequence of the war, beet sugar acreage contracted, while cane sugar acreage expanded. Since the war, the beet sugar acreage has gradually recovered and the cane sugar acreage has persisted. In the five years 1925-26 to 1929-30 the average production of cane sugar was 19.2 million tons and of beet sugar 9.6 million tons, with a total of 28.8 million tons. Cane sugar had usurped the place of beet sugar and when beet sugar returned to claim its place, cane sugar declined to yield. The result has been a glut of sugar with the futures price of raw sugar down close to one cent a pound, colossal losses by producers and bankers, and finally the Chadbourne Plan evolved in the endeavor to adjust production to demand. There exists, however, an important difference between sugar and wheat; a great increase in per capita consumption of sugar has provided an outlet for much of the increased production. Per capita consumption of wheat, on the contrary, though recently rising, is probably still below the pre-war average; higher per capita consumption in certain European countries, in tropical countries, and in the Orient is probably more than

offset by lower per capita consumption in other countries, especially in the United States, where the present rate of consumption per capita is at least 10 per cent below the immediate post-war rate.

Correspondingly, in effect, Russia, the central European countries, and India withdrew from the world export wheat market or fell to lower positions. Argentina, Australia, Canada, and the United States advanced and took their places. Recovered, Russia and the countries of central Europe claim their old places; the overseas exporting countries decline to evacuate their newly won positions. Someone must yield, unless the exportable wheat surpluses of the world are to continue to be excessive, or unless it so happens the average world yields per acre turn out to be small for several successive years. With acceptance of the positions stipulated by Russia and desired by the central European countries, the yielding would need to be done by Argentina, Australia, Canada, and the United States. And yet, Argentina, Australia, and Canada accepted the quota plan containing such implications. While accepting the plan, these countries had no policy of acreage contraction. The United States, while not accepting the quota plan, put forward a policy of acreage contraction.

The American delegation held a negative position toward the quota plan on juridical and economic grounds. In connection with informal discussions on legal powers and constitutional limitations, rather broad contrasts were developed between the American government and those of the other countries participating in the conference. It became again clear, as was revealed during the war, that the governments of most foreign countries possess executive powers which are less limited by constitutional provisions than is the case in the United States. Three general methods were suggested as parts of the administration and enforcement of an international quota applied to wheat. (a) An export tax would be levied on wheat shipped out in excess of the denominated quota. (b) An export permit would be required for wheat shipped out, with a check at the limit of the denominated quota. (c) An indemnity fund would be created, each participating country mak-

ing a deposit, against which fines would be assessed in the event of the prescribed quota being exceeded, said fines presumably to accrue to the quota-observing countries. These methods were clearly inapplicable to wheat in private hands in the United States, under existing constitutional rights. The Constitution of the United States contains an express provision against the levy of export taxes. To require an American national in time of peace to secure an export permit to sell his private property abroad (apart from quarantine restrictions) would seem to involve a violation of the commerce clause of the Constitution and of the Fifth Amendment. To require an American national to post an indemnity fund abroad, with those of other wheat growers, with a collective liability which might apply to each individual irrespective of his participation in exports relative to those of other individuals, would seem also to contravene the Fifth Amendment of the Constitution. In short, to make an international quota effective, the necessary participation of the United States would seem to imply amendment to the Constitution. Such a far-reaching innovation the American delegation was not prepared to consider.

The delegates of the other countries immediately appreciated the force of these Constitutional limitations, when brought to their attention. They had a way out, however: the Federal Farm Board should purchase the entire exportable surplus of wheat, and of course the Board could determine amount of export and rate of movement. To this simple solution the American rejoinder was that under the limitations of the existing appropriation (in view of the needs of other branches of agriculture) it would be necessary for the Congress to provide funds for the specific conduct of such an enterprise. The Farm Board had never accepted such a view of the scope of its functions as would comport with the proposal to become the single exporter of wheat from the United States, and there seemed no prospect that Congress would specifically authorize the Farm Board to exercise such a responsibility. Also, it was doubtful whether, under the existing limitation of use of funds pre-

scribed in the Agricultural Marketing Act, the Farm Board could post money in an indemnity fund abroad. In short, while it seemed possible on constitutional grounds to conceive of the Farm Board becoming the sole exporter of wheat (through ownership secured by purchase), on legislative grounds this seemed entirely unfeasible. The delegates of the other countries, in sharp contrast, professed to believe, and more or less categorically affirmed, that the necessary functions to operate an effective wheat quota plan lay within present constitutional powers and easily secured legislative authorization in their respective countries. That Argentina, Australia, Bulgaria, Canada, Hungary, India, Jugoslavia, Poland, and Roumania possessed in their various forms of government the powers over export of wheat possessed by the Soviet government of Russia struck the American delegation as remarkable if true.

On grounds of agricultural policy and broader economic considerations, the American delegation could not accept the quota plan. In the address of the head of the American delegation (printed in the Appendix),¹ prepared by the Farm Board and released in the United States as an official utterance of that body, stress was laid on the necessity of adjustment of supply to demand. It was not to be believed that marketing restraints and a continuous program of holding wheat could bring about a return of remunerative prices in the face of unrestricted and indeed expanding acreage. Year after year someone would need to "hold the bag" for the unexported exportable surpluses, and while this point was not emphasized, it must have been clear to all of the delegates that the carryovers would be held largely in Argentina, Australia, Canada, and the United States, and probably most largely in the United States, as is the case today. The countries participating in the conference were urged to consider, each on the basis of its internal circumstances, the best methods of adjusting supply to demand through contraction of production and through increase in consumption.

Russia had declined flatly to consider a

¹ See Appendix C, pp. 470-75.

contraction of acreage planted to wheat, and the five countries of central Europe were in the same position, though more restrained in their formal declarations. The delegates of Argentina, Australia, and Canada did not need to be told that their countries had expanded wheat acreage heavily since 1914, without regard to their domestic populations; but they saw no way of reversing this trend of their agriculture and could discern no crops which might be recommended on a comprehensive scale in substitution for wheat growing.¹ The large importance of maintaining exports of wheat in the international accounts of these three debtor countries was obvious at a glance. In short, both on grounds internal to agriculture and on considerations based on their social economies, Argentina, Australia, and Canada could not be expected to contract wheat acreage in the presence of favorable climatic conditions.

This left only India and the United States. The population of India is growing rapidly, industrialization is progressing, the standard of living is rising, and the annual per capita consumption of wheat perhaps increasing. India's contributions to the export wheat market have had little significance in recent years, and there is small prospect of any other situation, except in the event of high wheat prices (when the problem of the surplus would have disappeared) or a series of successively large crops. To suggest that India should reduce her wheat acreage would be tantamount to the suggestion that India should agree to become for all time a net wheat-importing country, which the Indians would regard as absurd. India thus disposed of, this left only the United States.

That the United States might determine, on internal grounds, to reduce wheat acre-

age and lower our contribution to the wheat export market to relatively insignificant proportions, represented a consummation highly welcome to the other exporting countries. If the United States wheat acreage were to be contracted, this might furnish an added incentive to expansion of wheat acreage in one or the other of the other ten countries. If the United States were out of the export market, except for occasional and incidental shipments, then the other ten countries could set up a quota plan. The only thing which dimmed the allurements of this prospect was the fear that the United States wheat growers might not contract their acreage; and this was a conviction rather than a fear. In short, if the United States had no exports of wheat, we could be disregarded in the setting up of a quota plan; but since the delegates of the other ten countries were convinced that the United States would continue to be a net exporter of prominence even after the present abnormal carryover had been disposed of, adherence of the United States was essential to the setting up of a quota plan.

The American delegation formally requested that the proponents of the quota plan should present a "statistical exposition" of their case. No such statistical exposition was ever offered. The Soviet delegation made the rejoinder that "before the Conference discussed the actual figures, it ought to give its opinion on the question of principle." The nearest to a statistical statement was the declaration made on behalf of Poland that "a basic quota would be fixed in an international convention, and this would be diminished or increased according to variations in market prices." It is probably not far from the truth to assume that none of the proponents had ever seriously drafted a schedule of quotas under any assumption of price levels.

As mentioned above, it was first planned to separate the problem of present surpluses from that of future surpluses. Such a separation was not seriously attempted in the discussions. This was probably due to the acceptance of the view, expressed or implied, that at least for several years to come the surplus problem would recur an-

¹ Argentina, Australia, Canada, and the United States are in position to make the rejoinder that the increase in wheat acreage since the war has been largely on virgin land developed with modern machinery with relatively low costs of production, precisely the character of agricultural expansion which finds an economic justification. The Russians would meet the rejoinder with the retort that wheat growing in Russia is also a mechanized production at relatively low cost. The countries of central Europe cannot claim to be low-cost producers, but instead contend that wheat growing is an indispensable part of their diversified agriculture.

nually, and therefore a continuing operation would be necessary. It was this continuing feature of the plan which seemed to hold out hope to the exporting countries of Europe especially, but was regarded with especial disfavor by the American delegation. Though we have no authority to support the suggestion, we make the inference that the Farm Board might have been willing to consider a plan for the orderly distribution of the carryovers at the end of the 1931 crop year, of which this country held the largest part. We gather, however, that no such limited negotiation was given consideration.

The quota plan was projected on the hypothesis that the schedule of export quotas would constitute the basis for an equation of supply and demand more favorable to the selling side. Just as world crop and world requirements of wheat are regarded as equated in world price in the general sense and exporters' surpluses in the principal countries are regarded as equated with importers' requirements in the principal countries in a special sense, so it was assumed that under the quota plan the export supplies as represented in the schedule of exporters' quotas would be equated with import requirements in the principal countries. That is, it was assumed that the unexportable surpluses in the eleven exporting countries, over and above the export quotas of those countries, would not influence price and could be regarded within the crop year as non-existent. It was even assumed that the importing countries could be compelled to bid against each other for wheat under the export quotas, and that the unexportable surpluses in the eleven exporting countries would influence neither the exporters nor the importers. This price hypothesis seemed to be accepted by the exporting countries, especially in Europe, though the importers and millers of Europe flouted it.

The bilateral situation (to make use of an adjective which is popular in the publications of the League of Nations) contained an alluring prospect. The quota plan for distribution of export wheat had a definite relation to the wheat preference plan of the central European agricultural bloc. To a certain extent they were complementary.

Preference in European markets was sought by Bulgaria, Hungary, Jugo-Slavia, Poland, and Roumania. These five countries, acting as a unit on the proposed international export commission of eleven countries, would require the support of but one additional country in order to exercise control as a majority. After having disposed of their exportable surpluses under preferential treatment, these five countries would be in position to influence, if not indeed to determine, the amounts to be contributed by the other six exporting countries. The possibilities inherent in such a situation—directly in respect of influence on movement of wheat from different exporting countries, and indirectly in influence on movement of finished goods from European countries to the wheat-exporting countries—are too patent to require further delineation.

The proponents of quota marketing endeavored to reject the suggestion that experiences with coffee and rubber tended to discredit the prospects of a centralized marketing of wheat; at the same time they seemed to feel that the newly established quota marketing plans applied to tin and sugar could be used in support of their plan for the quota marketing of wheat. In our view, the experiences with rubber and coffee cannot be effectively employed in arguments against the quota marketing of wheat, nor yet may the schemes now being used in the marketing of tin and sugar serve as models for the marketing of wheat. In the case of sugar (which was specifically brought to the attention of the conference in a memorandum devoted to the Chadbourne Plan) the contrasts are greater than the similarity. Aside from Great Britain, the continent of Europe is a net exporter of sugar, but a heavy net importer of wheat; the United States is a net exporter of wheat but a heavy net importer of sugar. In fact, the Chadbourne Plan is built upon the circumstance that the United States imports on the average something considerably over three million tons of sugar annually. In the broad sense one may compare the import demand of sugar in the United States with the import demand of wheat in Europe. But the circumstances are entirely different in relation to production; and the

distributive circumstances are different, because one is a raw material and the other a manufactured commodity. Also, the demand for sugar is more elastic than that for wheat. Judged entirely from the standpoint of marketing expediency, one might judge the Chadbourne Plan to be practicable and at the same time regard an international wheat quota plan as impracticable, this apart from economic considerations.

The attitude of the wheat-importing countries of western Europe deserves a short comment. If a quota plan of distribution were to be effective in the interests of the agrarians in the surplus-producing countries, this would tend to raise prices to consumers in the net importing countries, in the same way that discriminatory regulations in wheat-importing countries tend to raise prices to consumers in those countries. Of course it would be said that when the international commission administering a quota plan allocated the quotas from different exporting countries, this would be done with consideration of the prices, types, varieties, and qualities of wheat in both importing and exporting countries. But no one familiar with the technical phases of flour milling and bread making in the different importing countries of the world believes that this could be done or that it would be seriously attempted. To fit a selection of wheats correct for the purpose of manufacture of blended flours into a schedule of quota allocations, would not be found practicable by a commission of the producer countries administering the quota plan. Therefore, the quota plan was regarded with horror by European millers and bakers. Bread consumers in Europe, especially the urban workers, could not be brought to believe that the quota plan represented a rationalization in the interest of producers and still not to consumers' disadvantage. Furthermore, the approval of the quota plan could not be expected to prevail in agrarian circles in the net wheat-importing countries. These growers endeavor to promote self-containment and to protect themselves from low international prices by tariffs and other regulations; but in so far as imports are necessary in their own schemes, their spokesmen recognize that

the best utilization of the domestic wheats (with reflection of the highest prices) will be secured when the millers are permitted utmost freedom in the selection of the foreign wheats needed for blending with domestic wheat to produce the standard flour of the country.

It is reasonable to infer that the delegates of the nine exporting countries, in spite of their attitudes of insistence and their disappointment at the outcome, verging on disillusionment, did not expect that the American delegation would discuss the operation of a quota plan. The delegations of the other countries quite certainly had no powers to bind their countries in the setting up of administrative operations. What was desired from the American delegation was that degree of acquiescence in what they called the "principle" (but what was really the hypothesis) of quota marketing of export surpluses, which would lead the delegation to such a provisional acceptance as would be involved in referring the plan to the American government for definitive acceptance. That such an action on the part of the American delegation would have been tantamount to sending home a straw man for the government to knock down, was apparently not understood adequately, or, if understood, was dismissed. If the American delegation had thought well enough of the hypothesis to have agreed to refer the quota plan to the government of the United States, this would have been transformed in the inspired press of the European countries into an outstanding achievement of the conference, reflecting great credit on the delegates of the several countries represented. The later rejection by the American government, after a lapse of time, would have only dimmed but not destroyed the glory of the achievement of the London conference; and, from the standpoint of internal politics in the countries concerned, such rejection would have been utilized to pile still more blame on the United States as the chief obstacle to international unity. The conference desired to limit its acts to such as could be adopted unanimously. Therefore, the conference recognized the "principle" of restriction of production, not that of export quotas. This the daily press of London designated as

"ending in deadlock." Such a circumstance usually requires the creation of some instrument of political solace, and this is to be found in the provision contained in the final report for the possible calling of a later conference. The Final Act of the conference was as follows:

FINAL ACT
OF THE
CONFERENCE OF THE WHEAT EXPORTING
COUNTRIES

HELD IN LONDON AT THE OFFICES OF THE HIGH COMMISSIONER FOR CANADA FROM THE EIGHTEENTH DAY TO THE TWENTY-THIRD DAY OF MAY, ONE THOUSAND NINE HUNDRED AND THIRTY-ONE

The official Delegations of the following Countries: America, the United States of; Argentina, Australia, Bulgaria, Canada, Hungary, India, Poland, Roumania, Union of Soviet Socialist Republics, and Yugo-Slavia have met on the invitation of the Canadian Government and at the Offices of the High Commissioner for Canada from May 18th to 23rd for the Conference of Wheat Exporting Countries.

The Conference invited the Honourable G. Howard Ferguson, K.C., etc., High Commissioner for Canada, to act as its Chairman.

At the Fourth Plenary Session on May the 23rd, 1931, the Report of the Committee was presented to the Conference and was finally adopted in the following form:

The Conference of Wheat Exporting Countries, consisting of Delegations appointed by the Governments of: America, the United States of; Argentina, Australia, Bulgaria, Canada, Hungary, India, Poland, Roumania, Union of Soviet Socialist Republics, and Yugo-Slavia, having studied the existing world wheat situation is convinced that among the underlying causes for the present depressed prices for wheat, the following points should be specially mentioned:

1. The effects of the economic depression throughout the world.
2. The fact that there is more wheat produced than can be sold at a profit.
3. The absence of sufficiently adequate information regarding the movements of wheat, the requirements of certain countries, and the quantities which are liable to be placed upon the market.
4. The present uncertain state of the wheat markets.

The Conference, recognising the serious nature of the world economic depression, believes nevertheless that a substantial contribution to an improvement of the present situation may be made through a clearer understanding of the underlying facts regarding so important a commodity as wheat.

The Conference considers that, where possible, a reduction in the areas devoted to wheat should be undertaken in whatever way each country considers to be most effective and practical.

It was also felt to be especially desirable that there should be a careful exploration of all avenues for the greater utilisation of wheat, both for food and also for other purposes.

The Conference further considered that current information regarding the supply, the demand, and the movements of wheat should be brought together in such a way as to assist the wheat exporting countries towards the orderly marketing of their surpluses.

The Conference of the Wheat Exporting Countries has, therefore, decided to establish a Committee of the Conference consisting of one representative from each State participating in the Conference to:

- a) Submit to the Governments of the countries participating in this Conference a definite proposal for establishing, under the supervision of the Committee of the Conference, a Clearing House of information to serve the wheat exporting countries. For this purpose, the Committee shall be empowered to secure from the States represented on the Committee full information as to the unloadings and stocks of wheat at all importing points, the areas sown to wheat, and the crop prospects, thereby assisting the orderly distribution of wheat in world markets. This information should be provided as far as possible in the form prescribed and at the times fixed by the Committee.
- b) To explore carefully all possible avenues for the greater utilisation of this important cereal.

The Conference, convinced that the existence of this standing Committee will develop the contacts already established here between the wheat exporting countries, proposes that the Committee may prepare and recommend a draft Agenda for a further meeting of the Conference at which countries here represented may enter upon the consideration of such subjects as may then be deemed appropriate.

Executed at London, the twenty-third day of May, one thousand nine hundred and thirty-one.

A copy of the present Act will be sent to participating Governments by the Secretariat of the Conference.

Signed by Representatives of the above-mentioned Countries.

If the Statistical Committee is properly organized, adequately supported, effectively conducted, and is able to secure appropriate co-operation with importing countries, a substantial improvement in

our statistical information may be attained. Nothing is more greatly needed in this field than adequate reports on stocks, and on disappearance of wheat in its several categories of food, feed, and seed. If such advances eventuate, the conference will have been worth while directly. Indirectly, the conference was worth while because of the contrasts it developed. Though the broad questions were not submitted to fundamental discussion, the real cleavage of opinion lay between marketing by political negotiation and marketing through equation of supply and demand in price. The position of the American delegation represented a pronouncement in favor of open international wheat prices, openly arrived at on open international wheat markets.¹ It envisaged continuation of the established system of international trading in wheat on grain exchanges in exporting and importing countries, these constituting in

effect the interrelated posts of a vast single market. Whether wheat growers market their products co-operatively or dispose of them through middlemen, does not affect this postulate. Against this, the quota plan represented the marketing of wheat by negotiation, essentially political, with no guarantee that the political negotiation would be of an agrarian complexion or one conducted from the standpoint of the interests of producers.

If the quota plan for distribution of wheat, essentially a cartelization, had been adopted, this would have constituted a precedent of unquestioned influence on the future distribution of other primary materials. The non-adoption of the quota plan for distribution of wheat may be expected to exert a restraining influence on existing and pending schemes for the distribution of other primary materials under governmental control.

III. CONCLUDING OBSERVATIONS

The production of wheat in the world has outrun the effective demand. The disparity has been accentuated by the sudden re-entry of Russia as a large-scale exporter of wheat and by the reduction in effective purchasing capacity associated with the business depression. How far variation in yield per acre may have contributed to the situation is not clear. The wheat growers (and the governments) of Bulgaria, Hungary, Jugo-Slavia, Poland, Roumania, and Russia have exerted their efforts to repair the loss in wheat acreage suffered in consequence of the war. Wheat producers in Argentina, Australia, Canada, and the United States have sought to maintain all or most of the added wheat acreage brought into operation in consequence of the war. The combined contributions of the restored wheat acreage of the countries of

central Europe and of Russia and of the wheat acreage attained during and after the war in the overseas countries represent together (perhaps in conjunction with some high yields per acre) a supply in excess of effective demand for the time being. In consequence, carryovers have accumulated. Following accumulation of stocks, and in the midst of the psychological atmosphere of the business depression, international and export wheat prices have declined to a point equaling the low prices of the last century; gold prices of wheat represent the lowest level in the memory of living men. In sharp contrast with the low wheat price stand costs and the high rates of interest on long-term investments of, and short-term credits extended to, wheat growers more or less the world over. The important net wheat-importing countries, largely under agrarian political influence, have protected their wheat growers by high tariffs and various restrictive regulations discriminatory against imported wheat. These countries to a large extent seek self-containment in food supplies and especially in wheat; of this tendency Germany, France, and Italy furnish striking illustrations. The self-containment policies of the net wheat-

¹ Several of the European delegates suggested that the pegging of the domestic price of American wheat by the Farm Board was inconsistent with the declaration in favor of a free international market. This objection is not valid; it could hardly be a matter of direct concern to the eleven wheat-exporting states what domestic prices were maintained in those states, so long as their export prices were uncontrolled and their wheats sold competitively on a free international market.

importing countries which follow this doctrine and the natural tactics of merchants and millers in countries like Great Britain which do not seek self-containment combine to leave the burden of accumulated stocks upon the surplus-producing countries. Thus, more and more, the surplus wheat problem has become a problem of the exporting countries. The wheat growers of the exporting countries have turned to their governments for aid. The sixteen wheat conferences which have been reviewed in this issue of *WHEAT STUDIES* represent the combined efforts of wheat growers, governments, agrarian domestic politicians, international politicians, and experts to solve the problem of the disposition of accumulated stocks of wheat at prices higher than current prices.

From the beginning all parties to the examination of the problem in each country have realized that the grower's price of wheat (which represents the intricate equation of available supply to effective demand) could be improved by one or all of three procedures: (1) reduction of supply through contraction of acreage planted to wheat; (2) increase in effective demand through enlargement of the circle of wheat consumers, elevation of per capita consumption, and increase in purchasing capacity; (3) improvement in the bargaining position of wheat sellers, and increase in the efficiency of distribution of wheat. It may or may not be that they have comprehended the potential effect of an accident of climate resulting in several years of low yields per acre.

The wheat growers, agrarian politicians, and governments have recoiled from adjustment of supply to demand through contraction of acreage. If we omit the position of the American Farm Board, it is to be said that in every country reasons are advanced which are found compelling in that country why the wheat acreage cannot be contracted, but must be maintained or, indeed, expanded. The older exporting countries demand their old ranking, the newer exporting countries decline to relinquish their new ranking. Having found competition destructive, both groups seek co-ordination—but co-ordination outside of contraction of wheat acreage.

Enlargement of effective demand has not proved a tangible program for the wheat-exporting countries. They see no ways of increasing the consumption of wheat in their own countries. Any undertaking to stimulate consumption of wheat in net wheat-importing countries lies too far away from wheat growers in the exporting countries to constitute a tangible program. In addition, wheat growers in exporting countries observe to their dismay that high tariffs and other regulations designed largely to achieve self-containment in some net wheat-importing countries tend to reduce per capita consumption of wheat in those countries. At the same time, growers in exporting countries fail to observe a perceptible tendency toward increased consumption of wheat in their countries as the expression of low price.

Since contraction of acreage is regarded as impossible, and expansion of effective demand is held to be impracticable, this leaves open only the third method. Here enters a magic term which the wheat growers in distant scattered countries seem to have borrowed from the publications of the League of Nations—"concerted action." "Concerted action" in the international marketing of wheat contains the implication of an international co-operative association of wheat growers. The arguments which are adduced in support of co-operative marketing of wheat within a country are expanded and glorified in the concept of concerted action of wheat growers on the world market, with distance lending enchantment to the view. One hears the same exaggeration of the profits of middlemen and the influences of speculation. One finds the same prediction that, with supply and demand unchanged, these may be equated through co-ordinated marketing at a substantially higher price than would otherwise be arrived at. One observes the same exaggeration of the price influence of holding wheat, carrying it from one crop year to another, with the familiar disregard of the cost of carrying. One hears the same confident anticipation that producers' prices in exporting countries can be raised substantially without sensibly affecting consumers' prices in importing countries. The need visualized is for co-

operation; but since effective association of wheat growers in different countries is regarded as impossible, the governments are drawn into the picture. What finally evolves is a program of concerted action to be undertaken by the governments of the wheat-exporting countries.

We have here the general explanation of the wheat conferences which have been held during the past two years. The concerted action first sought was that between the net wheat-exporting and net wheat-importing countries of Europe, not including Russia. The prominence of Russian exports during the crop year 1930-31 necessitated a revision of the concept of concerted action. Since Russia could not be excluded if the overseas countries were included, and vice versa, since Russia could not be included if the overseas countries were excluded, the plan was expanded into a world-wide concert of wheat-exporting countries. In effect, the governments of some of the wheat-exporting countries have endeavored to unite in concerted action the governments of all the wheat-exporting countries. The objective has been an international marketing organization, including the division of the annual exports into quotas, with provision for the carrying of accumulated stocks. Such a scheme has points of similarity at once with the Chadbourne Sugar Plan and with the steel cartel embracing Germany, France, Belgium, and Luxembourg. Since it is the governments which must directly or indirectly carry through the concerted action, co-ordination becomes political rather than technical. If such international concerted action were to be undertaken, the subsequent political developments might be such that the original agrarian objectives would be lost sight of.

In the broad sense, such concerted action in the disposition of exportable surpluses of wheat would represent the marketing of wheat through political negotiation rather than through equation of supply and demand in price. Other things equal, the tendency would be to exaggerate rather than solve the surplus problem, since the wheat growers in the exporting countries would incline to regard international concerted action as something approaching a

superhuman power working for higher prices. The farther the responsibility for adjustment of supply to demand lies from the individual wheat grower, the freer will be the inclination to expand production.

The United States alone of the eleven major net wheat-exporting countries has declined to consider a program of concerted action in the cartelization of the international wheat market. There is apparently less faith in government in the United States than in the other wheat-exporting countries. It seems very unlikely that the other ten wheat-exporting countries will adopt a program of concerted action in the absence of the United States. Presumably Russia's flat declaration will block the quota plan, since it is impossible to picture a coalition between the five central European countries and Argentina, Australia, and Canada. It is to be expected that the central European agricultural bloc will continue the endeavor to secure preferential treatment in the western European wheat-importing countries; this hope may be realized,¹ with some gain to the central European states and a lesser loss to the overseas exporters. The trend of production during the next few years is not to be foreseen; but, other things equal, with the failure to achieve concerted action by the surplus-producing countries, it is to be expected that adjustment of production to demand will gradually occur, barring successive years of high yields per acre.

We regard political action as the consequence of agrarian distress. Andrew Cairns, the statistician of the Canadian wheat pools, has expressed the conjecture that the open marketing of wheat internationally is due to decline and be supplanted by governmental or other form of controlled marketing. We incline to the opposite view: with the turn of the trade cycle and consequent improvement in prices, we anticipate that marketing of wheat by gov-

¹ It is rumored in trade circles in Europe that arrangements are already under way for the 1931-32 crop year, whereby manufactures of western European countries carrying an export bounty will be exchanged for wheat of the central European countries carrying an export bounty, this bilateral application of export bounties being relied on to circumvent the favored nation treatment clauses in the commercial treaties. A government board for wheat export was set up in Jugo-Slavia on July 1, 1931.

ernments (that is, by negotiation) will decline and open marketing by co-operative associations of growers and by merchants and millers on open exchanges will be restored, slowly or rapidly as the circumstances dictate. But as long as wheat prices remain very low, we must expect to witness continuous, perhaps intensified, conflicts between private trade and government trade.

The outcome of the present situation, according to European opinion, will be somewhat as follows, with continuation of the usual yields per acre. The unhampered economic forces would tend to reduce wheat acreage in high-cost areas and allow it to be maintained or even increased in low-cost areas. In Europe and Russia, however, governmental policies will not permit this adjustment to happen; instead, the home markets for wheat and the commercial interests of wheat growers will be protected by tariffs, blending restrictions, and other forms of regulation. Outside of Europe and Russia, it is to be expected that

low prices will bring about contraction of wheat growing in high-cost areas. The net effect therefore will be to introduce a conflict between high-cost and low-cost areas in Argentina, Australia, Canada, and the United States. The United States may be in position to protect some of its wheat growers (those in the hard spring wheat belt) by tariff; beyond that, it might transfer to its consumer class a part of the burden by the use of the equalization fee or the export debenture. In the case of Argentina, Australia, and Canada, the only way of preventing acreage reduction regarded as disastrous would be by direct or indirect form of subsidy. If, in consequence of any form of bonus or subsidy, the export wheats of the overseas countries were to appear on European markets with even the semblance of dumping, the importing countries of Europe would have recourse to further restrictions or to embargoes. In short, Europe seems to believe that the major onus of the wheat surplus can be transferred to the overseas countries.

This study is the work of Alonzo E. Taylor

APPENDIX

APPENDIX A

RESOLUTION ADOPTED AT CONFERENCE IN ROME

ORGANISATION OF WHEAT PRODUCTION AND OF THE WHEAT TRADE

(The right to put this article to vote is reserved.)

I. The International Preparatory Conference of the IInd Wheat Conference recommends an examination of the possibility, in countries where wheat is already consumed, of considering the chances and means of developing such consumption. It also recommends the carrying out of a strong publicity campaign in order to diffuse the consumption of bread in countries where it is not at present largely used. It is of opinion that, in order to give full effect to this publicity, there must be no hesitation to dispose of part of the stocks, which overburden the world market, at low prices in these countries.

II. It recognises that the European countries, for manifold reasons, economical, social, or political, are unable, either to give up the cultivation of wheat or to allow it to be endangered.

III. It recognises that it is impossible to secure a general reduction in the areas sown throughout the world by the direct method of obligatory restriction, whether advocated by an international body or by national bodies. It is convinced that the reduction of sowing can only be obtained by natural methods, by the farmers themselves, influenced by the conditions of the market and a study of the figures and facts. It recommends that in countries which consider it advisable, this influence should be reinforced by a vocational and persuasive propaganda among the producers.

IV. The Conference considers that, in order to bring about a solution of the wheat crisis, it is particularly necessary that there should be an improved organisation of the wheat market. Such organisation should be brought about rather by a gradual and progressive policy based step by step on the results obtained, than by any policy that claims to cover every aspect of the problem.

In order to reach a rapid solution it recommends the countries interested to concentrate for the present their efforts on some particular, definite and limited object; the disposal or the organisation of the carry-over of existing stocks.

V. The Conference is glad to note that the overseas exporting countries have agreed in collaboration with Europe, to explore a means for the exportation of wheat for the year of 1931-32, and for the actual stocks. They will hold a meeting to this effect, under the direction of Mr. Ferguson, Canada's High Commissary, on May 18, in London.

VI. At the same time the Conference urgently recommends the importing countries to endeavour to organise the purchase of imported wheats. This can be carried out, whatever form it takes, in accordance with the particular situation in each country.

VII. The Conference considers that the International Institute of Agriculture and Economic Organisation of the League of Nations should follow closely the efforts to be made by the various countries in the sphere of wheat production and trade, in order to be in a position to take in full agreement such steps as current experience may suggest.¹

VIII. It considers that the improvement of the organisation of world wheat production and trade largely depends on an improvement in the provision of information and statistical forecasts.

It expresses its confidence in the International Institute of Agriculture as a means for co-ordinating and unifying the statistical data of the various countries in this respect for checking and interpreting the figures; for supplementing the documentation from official sources by such professional or commercial documentation as may throw light on the problem; for facilitating the utilisation of statistical information and for placing it without delay at the disposal of the interested parties.

The Conference recommends all the States to increase the financial means which are available for the International Institute of Agriculture, in order that it may be possible for the Institute to carry out this work to best advantage.

[¹ It strikes us that the prerogative of the International Institute of Agriculture in respect of its directive and collaborative functions has become open to reappraisal, partly by reason of its present policies and partly on the ground of the activities of the League of Nations in economic fields. Interested readers are referred to a recent review of the International Institute of Agriculture, written by Asher Hobson, the American representative on the Permanent Committee of the Institute during 1922-29, *The International Institute of Agriculture: An Historical and Critical Analysis of Its Organization, Activities, and Policies of Administration* (Berkeley, University of California Press, 1931). The subject is especially interesting to Americans because the establishment of the International Institute of Agriculture proceeded from the idealism and statesmanship of David Lubin, a California merchant.—A. E. T.]

APPENDIX B

THE STATEMENT MADE BEFORE THE WHEAT CONFERENCE BY THE
CHAIRMAN OF THE DELEGATION OF THE U.S.S.R., MR. I. E. LUBIMOFF

The Conference of Wheat Exporting Countries are mainly interested in the actual position of wheat production in the U.S.S.R.

The wheat crop in the U.S.S.R. last year amounted to 29,500,000 tons. Out of this quantity consumption within the country amounted to 23,400,000 tons. The surplus of last year's harvest was thus approximately 6.1 million tons. Towards the beginning of the new campaign the quantity of wheat from the last crop exported will reach probably 3,500,000 tons.

As regards the new harvest, the sowing of winter wheat amounts approximately to 12,600,000 hectares and the sowing of spring wheat will amount to 29,700,000 hectares. This latter figure will probably be exceeded owing to the intensive sowing in the Collective and State farms. The total area under wheat in 1931 will be not less than 42,000,000 hectares. The wheat crop anticipated is 36,500,000 tons. The new principles of State and Collective farming, combined with the advantages of the system of planned economy and the utilisation of modern machinery make it possible for the U.S.S.R. to enter the world market with a high quality grain and with lower costs of production than in a number of other countries.

Some preceding speakers have referred to the question of the causes of the present agricultural crisis. We entirely disagree with them in their interpretation of this problem. We consider that the crisis is directly due to the contradictions of the capitalist system.

At the Rome Conference the delegates of the U.S.S.R. have already pointed out that the U.S.S.R. does not experience any crisis and continues to develop its industry and agriculture in conformity with the Five-Year Plan, although the U.S.S.R. as an exporter is suffering losses similar to those of the capitalist countries owing to the difficulties of sale and low prices. The U.S.S.R. cannot therefore remain indifferent to the present condition of the world grain market.

As an exporter with large and constantly growing prospects the U.S.S.R. is undoubtedly interested in regulating the grain market. It is however necessary to state emphatically our position that the methods adopted of deciding this important question must not lead to a lowering of the standard of life of the working masses.

Yesterday in the general discussion the representatives of the United States of America, Australia and the Danube countries submitted a number of definite proposals for regulating the grain market. The chief proposal for the solution of this problem according to the President of the United States delegation was a reduction of the area under cultivation. I must declare that as far as our country is concerned this suggested

solution is unacceptable. In the conditions of our social system, with the extraordinary rate of development of our industries and the growth of the number of our industrial workers, as well as the raising of the standard of life of our working population, an increase in production is necessary first of all to meet the growing internal demand. At the same time it will no doubt lead also to a growth of grain surplus to meet our export requirements. It seems to us advisable to allow each country to decide for itself whether to curtail the production of agricultural commodities and wheat in particular. As far as the U.S.S.R. is concerned other countries can only be interested in the extent of its wheat export and sales abroad.

From the announcement of the delegates it is manifest that one of the principal solutions for the regulation of wheat export is the fixing of definite export quotas. Such a proposal seems to us an acceptable basis if certain reservations and guarantees are provided. When deciding this question it is necessary to take into consideration the vital interests of our country. In the foreign trade balance of the U.S.S.R. the export of wheat before the war, and during the last year, in contradistinction to the importance of wheat export to some other countries, occupied and occupies at the present time a most important position and is one of the principal sources by which the U.S.S.R. pays for its imports.

At the Rome Conference the Delegates of some countries as well as the Chairman of the Committee of Production and Distribution, in the summary of the activities of this Committee, recognised that the U.S.S.R. has naturally the right to occupy on the world's grain market the same place as was occupied by pre-war Russia. The Soviet Delegation notes with satisfaction that these announcements did not raise any adverse comments at the Conference in Rome. There is no doubt that it would be correct if the quota for the U.S.S.R. were based on the quantity of wheat exported before the war.

At the same time I think it necessary to emphasise that the establishment of a scheme based on quotas can be acceptable only in the case if the largest wheat exporting countries will participate in this proposed scheme.

I am certain that all the Delegates to this Conference will agree also that the conclusion of an agreement on quotas predetermines that the States adhering to quotas should not conclude any separate agreement between themselves in order to place their wheat exports under better conditions than the wheat exports of other countries participating in the agreement. In the same way an agreement on quotas must rule out any separate agreement between one country or a

group of the wheat exporting countries, on the one hand, and one country or a group of the wheat importing countries, on the other.

Some delegates put forward the proposal for the establishment of minimum prices for wheat. Taking into consideration the relations with consuming countries as well as the interests of the large mass of consumers we consider the establishment of fixed prices, even if minimum, as unacceptable.

We fully adhere to the proposal of some of the Delegations on the distribution of wheat exports by months and quarters in the course of the year. But the Conference has to recognise on the other hand, as I pointed out above, that insofar as wheat represents one of the main sources for covering of our liabilities in connection with our imports, and in view of the exceptional financial

régime established by the International Banking Capital for the U.S.S.R., adequate credits for financing of those quantities of wheat which in consequence of the agreement may be kept in stocks within the U.S.S.R. must be guaranteed to the U.S.S.R. Wheat stocks in the U.S.S.R. in this connection can serve as a security for the credits granted to the U.S.S.R.

We admit that the devising of one or another form of the orderly grain market will necessitate, possibly, the creation of a small Permanent Bureau for the purpose of statistical records and solution of any question in connection with organisation.

This question, however, is a subordinate one and its solution as well as the solution of other secondary questions we hope will be found if an agreement on the principal problems is reached.

APPENDIX C

STATEMENT BY MR. McKELVIE, MEMBER OF THE FEDERAL FARM BOARD,
U.S.A., BEFORE INTERNATIONAL WHEAT CONFERENCE,
LONDON, MAY 18, 1931

THE POINT OF VIEW

The existing world wheat situation is of deep concern to the United States, our Government and our people. It concerns us directly because of our extensive wheat-growing and wheat-distributing interests, and indirectly because of its bearing on world economic conditions which affect our economic life. Improvement of that situation is of vital importance to American farmers, whose interests the Department of Agriculture and the Federal Farm Board were created to serve.

We have been forced to study the problem intensively, not only from our national viewpoint but from a world viewpoint. We welcome this opportunity to share our best thought upon it and to counsel together with representatives of other wheat-exporting countries under conditions which should render such interchange most profitable. We are aware that no two exporting countries are situated alike and that divergences in national wheat policies may properly exist. We have not seen fit to defer the definitions of major policies until other countries had hammered out theirs, or until some international understanding on policy could be reached. Yet we are convinced that progressive improvement can be materially accelerated by a common diagnosis of the disease and by a common acceptance of broadly harmonious policies.

The world as now organized has the human talent, the natural resources, the equipment, and the technique, for satisfying the essential wants of the world's population to an extent hitherto unknown, and for providing desirable goods beyond essential needs in unprecedented variety and amounts. If we could utilize these available resources effectively, the standard of living, liberal as it is in comparison with previous periods (considering comparable years of relative prosperity or depression), would be far higher than it is. One should not minimize the progress already made; but it must be frankly admitted that we have not mastered, in any country, the art of adequate utilization of available resources. One source of our troubles is that from time to time the production of specific commodities, agricultural and industrial, seriously outruns the effective demand for these goods. Persisting surpluses in a number of particular commodities lead to maladjustment all along the line. The correction of such maladjustment is the problem facing the world economy, and wheat interests in particular, to-day.

We can discuss frankly the hard facts of the situation confronting us. They are already well known and are discounted in the world's com-

modity and security markets. To accept them brings no new bearish forces into play. Admittedly the world is in the midst of a severe depression, after a prolonged period of declines in commodity prices, industrial activity, and movement of goods; and strenuous efforts, public and private, to restrain or check this decline have had disappointing results. The world's farmers have been especially injured in this disastrous recession.

We have come here primarily because we would leave no stone unturned to accelerate sound recovery from the severe agricultural depression that has gripped our country and others. We enter the conference alert to consider all suggestions that may yield practical aid in coping with the world wheat problem; yet we have no expectation that any grand magical scheme can be found to solve it simply and easily. It must be attacked not in one but in several ways, by the utilization of resources of all kinds.

RESPONSIBILITY OF THE CONFERENCE

In a very large measure, the responsibility for leading the way out of the disastrous wheat situation that confronts the world rests upon the wheat-exporting countries invited to this conference, and the success of such efforts depends upon their wheat growers as well as upon their Governments.

In the past five years these countries¹ have produced 70 per cent of the world wheat crop outside of China, and exported almost all of the wheat that has entered into international trade. In each of these countries wheat is a great staple crop, and constitutes a major interest of agriculture and commerce. Since before the Great War the world's wheat acreage has increased about 20 per cent—some 55 million acres. Practically the whole of the net increase in wheat acreage, and most of the net increase in production, has been in the exporting countries.

Total net exports from all net-exporting countries, in the four crop years ending with the present year² may be said to have averaged little over 800 million bushels a year, in spite of the low levels to which wheat prices have fallen. In

¹ Canada, the United States, India, Argentina, Australia, Russia, Hungary, Jugo-Slavia, Roumania, Bulgaria. The other countries that usually export small quantities of wheat are Uruguay, Chile, Morocco, Algeria, and Tunis. If these five countries were included the percentage would rise to 72 or 73. Poland is not included in these figures because she has usually been an importer of wheat.

² Estimating 1930-31 net exports at around 810 million bushels.

this same period exporting countries *exclusive of Russia and minor exporters*¹ have produced supplies of wheat in excess of liberal domestic requirements to the extent of some 850 million bushels a year, on the average, or more than enough to supply the export market from these countries alone. This year Russia has come forward as a large exporter, and has already shipped out some 90 million bushels of wheat. Consequently, burdensome stocks of wheat in excess of normal have accumulated during the past four years.

These surplus stocks are largely concentrated in the exporting countries. While they represent only a small fraction of the world's annual production of wheat, they constitute an important fraction of the annual international movement of wheat. The responsibility for dealing with those stocks therefore rests primarily with the exporting countries.

Whatever specific results may or may not come from this conference, it will be of great value if the representatives from the wheat-exporting countries can come to agreement on the causes of the severe depression in wheat prices, and the broad lines of policy which the situation renders appropriate in each of these countries. If we can arrive at a common understanding of the problem and its causes, and certain ways by which it must be met, this conference will have achieved a signal forward step.

EVIDENCES OF WHEAT MALADJUSTMENT

The level of wheat prices in free world markets is lower than it has been for decades, perhaps even for centuries, except for a few months in 1894 and 1895 when the level of prices in general was much lower than to-day. In terms of purchasing power over goods and services in general, wheat is far cheaper than in 1894-95; indeed, it has probably never before been so cheap over wide areas as it is this year. Except where government measures have given support to market prices, wheat growers generally have recently been able to get little more than costs of harvesting the grain and putting it into position for shipment. At current prices, wheat is a source of loss rather than of profit to the great majority of wheat growers in exporting countries.

Further evidence of maladjustment lies in the abundance of world wheat stocks. While there are no comprehensive data for the world as a whole, all available statistics give evidence of superabundant stocks.

A well-known monthly trade series sometimes called "world wheat visibles" shows that ever since August, 1926, with the exception of November 1 and December 1, 1930, and January 1, 1931, each month's figure exceeded that of the corresponding month in the preceding year. On March 1, 1931, an all-time record of 630 million

bushels was established, as compared with a maximum of 375 million bushels as on March 1 prior to 1928.

A more comprehensive estimate (made by the Food Research Institute) of year-end carryovers, outside of Russia, India, the Orient, and ex-European countries generally, indicated a high record carryover in July, 1929, of 783 million bushels, as compared with a previous maximum of 459 million in July, 1924. Similar estimates for July, 1930, showed a reduction to only 698 million bushels, after the short world crop of 1929; and a preliminary forecast points to an increase of 44 million bushels during the current year, when presumably Russia and India also will have larger stocks than in July, 1929, or 1930. It is probably not too much to say that world wheat stocks in the past three years have been 300 to 400 million bushels above normal.

It is not difficult to ascertain the significant causes, immediate and more remote, for the accumulation of burdensome stocks and the extreme depression of wheat prices, closely related as these facts are. Without undertaking an exhaustive analysis, I believe it is worth while to set them forth in brief for the light they may throw upon methods of dealing with the situation.

CAUSES OF THE MALADJUSTMENT

Paramount has been the great expansion in wheat acreage and production. The Great War quickly eliminated Russia and the Danube basin exporting countries as major contributors to the world wheat market. The war also caused a marked decline in wheat production in most of the importing countries of Europe. Spurred by high prices, patriotic appeals, or both, the wheat farmers of North America, Argentina, and Australia increased their wheat acreage and production to new high levels, and most of the world market deficit created by the withdrawal of Russia and Southeastern Europe was thus made up. After the war, the United States acreage and production receded until 1925, and have not since risen nearly to the post-war peak; but Canada, Argentina, and Australia have, on the whole, continued to expand both acreage and production. After the war also, acreage, yield per acre, and production of wheat gradually recovered in Europe, eventually in most countries to or somewhat above pre-war levels. Recovery in Russia and the Danube basin also proceeded apace but from a much lower level, and their export supplies have not yet risen to pre-war dimensions. Whereas in the five years before the war, their net exports were 41 per cent of the world total, in the four past completed years they were only 8.2 per cent of the world total. The combination of recovery of wheat production in Europe, expansion in the principal overseas exporting countries, and latterly the re-entry of Russia and the Danube basin countries into the ranks of important exporters, constitutes a fact of first importance.

A few interpretative comments are in point.

¹ Uruguay, Chile, Morocco, Algeria, Tunis, and occasional other exporters, such as Poland.

Increased production in exporting countries of the Western Hemisphere, and latterly in Russia as well, has been greatly promoted by developments in the technique of growing wheat on semi-arid lands and by notable developments in agricultural machinery, including tractors, harvester-thresher combines, and trucks. The great upward shift in the level of wheat prices, which followed the short crop of 1924 and financial recovery in Europe and the persistence of good prices for two or three years, furnished added stimulus to expansion. Low rates of ocean freight have been a favouring influence in overseas' exporting countries. Finally, national policies directed toward increasing wheat production and exports have been important factors in Canada and Australia throughout, in Russia particularly under the Five-Year Plan inaugurated in 1928, and in Australia particularly during the past year.

Increases in wheat production in several importing countries of Europe have been stimulated by governmental measures including protective tariffs, milling regulations, educational propaganda, and preferential prices for domestic wheat. In the past two years these measures have been intensified as never before, in several major importing countries, as agrarian protective measures.

Coupled with these tendencies to expansion of wheat production were tendencies to more limited growth of demand for wheat. The post-war growth of population, at least in most of the wheat-consuming countries, is at a much less rapid rate than before the war. Moreover, in a number of important wheat-exporting and wheat-importing countries, *per capita* consumption of wheat for human food is materially lower than before the war. This is true of Canada, the United States, Australia, Great Britain, France and the Netherlands, and probably in various other countries. This decline is attributable to a variety of basic factors, including lighter manual labour, better housing, heating and clothing, higher wages permitting purchase of a greater variety of foods which have been made available at moderate prices, and increased consumption of sugar.

In several countries, including the Scandinavian countries, Germany, Italy, and the Danube exporting countries, as well as in Japan and various ex-European importing countries, *per capita* consumption of wheat for food has risen to higher levels than before the war, largely at the expense of other cereals; but latterly this increase has been of minor importance. Indeed, high prices of wheat by reason of high import duties, and restrictions adversely affecting the quality of manufactured flour and bread, have in some countries recently tended to reverse these trends.

The more recent debacle in wheat prices represents the culmination of these trends toward restricted consumption and increased production, accentuated by special developments. A bumper world crop of wheat in 1928, particu-

larly large in the four principal exporting countries; abundant crops of cereals in Europe in 1929; greatly enlarged acreage, production, and export surpluses in Australia and Russia in 1930; decreased purchasing power of ex-European importing countries during the business depression; and increasing restrictions on wheat imports by many countries during the past two years; these in combination have caused a marked excess of exportable supplies over importers' demands for current consumption and for stocks. Abnormally heavy stocks of wheat remained after the close of the marketing year 1928-29. A short crop in 1929, outside of European deficit countries, did not serve to reduce these stocks to normal or even wieldy proportions. The 1930 crops in the principal exporting countries outside of Russia yielded exportable surpluses ample to fill world import requirements, in spite of unusually heavy feed use in the United States in consequence of drought disaster to the corn crop; and Russia has already shipped something like 90 million bushels into world markets this year.

The collapse of wheat prices was undoubtedly influenced in part by financial pressure affecting several exporting countries, by the severe decline since the middle of 1929 in prices of competing commodities and indeed of food products in general, and by the general indisposition to carry liberal stocks after so great a shock to confidence in commodity values. These conditions have increased the severity of a marked decline that the developing maladjustment between wheat production and consumption would have brought about in any case.

EXCESSIVE PESSIMISM OR OPTIMISM UNWARRANTED

In the midst of world-wide depression, with business activity, commodity prices, and returns to agriculture, industry, and commerce generally at extremely low levels, there is a tendency to excessive pessimism. Bearish factors, weighty though they may be, tend to be given excessive weight. The world wheat market is under this pressure to-day. I would add nothing to it. The wheat crop of 1931 is still in the making. Before many months developments in wheat production, trade, and consumption, and/or in the general economic situation, may easily lift the level of world wheat prices. Extremely low as they are, prices can more easily be advanced than driven down further, if the marketing of surplus stocks is wisely handled.

Nevertheless, we cannot afford to delude ourselves with the hope that Nature unassisted will restore wheat prices to levels remunerative to wheat growers in exporting countries. Similar hopes were rudely dashed in 1929-30, when the world wheat crop was reduced by more than the surplus carryovers into that year. A repetition this year of the striking improvement in wheat prices that took place in 1924-25 is out of the question. Whatever the immediate future may have in store, the situation calls for earnest and

general efforts to bring about a better adjustment between production and consumption, not a policy of standing by in the hope that Nature or other nations will effect the adjustment for us.

When in a single year the production of wheat happens to exceed the year's requirements, even on a more liberal scale than in a year of light crops, the surplus is carried forward, in widely scattered hands, without severely depressing prices; and since Nature rarely gives abundant crops two or three years in succession, the surplus is absorbed a year or two later. A small and gradual expansion of production can be taken care of, at little or no reduction in prices, through increase in population. When, however, there is a persisting tendency to expand production so fast or so far that consumption cannot keep pace or catch up, abnormally large surpluses accumulate and lead to abnormally depressed prices. This is the situation at present, as everyone knows.

When such surpluses have accumulated and current production is ample for current requirements, as at present, two courses of action are indicated: consumption must be expanded, and production must be cut down, until the surpluses are reduced to normal dimensions and equilibrium between production and consumption is regained. Neither course alone will suffice; both must be taken. Neither in industry nor in agriculture is curtailment of production popular; it is merely an absolute necessity, under given circumstances, and will be forced by the ruthless working of economic law, unless men and governments work in harmony with that law and thereby reduce the strain and stress of its operation.

POSSIBLE EXPANSION OF CONSUMPTION

The expansion of consumption of wheat by large amounts, either temporarily or permanently, is no simple task. We should recognise the existence of several strata of demand for wheat:

1. For consumption for food regardless of price
2. For consumption for food in wheat-eating countries where consumption is responsive to price
3. For consumption for food in countries where a large proportion of the population does not eat wheat as a staple (e.g., China), except under the stimulus of very low prices
4. For feed to livestock
5. For industrial uses

The great bulk of the world's wheat crops has been used for human consumption in countries, or among classes of the population, in which wheat is a staple article of diet. There is only a limited scope for expansion of wheat consumption among these groups, for the demand is comparatively inelastic. To expand wheat utilization to a marked extent requires the tapping of other strata; and low prices, even persistingly low prices, constitute the most effective instrument

for tapping these strata. Persistent production of large surpluses over insistent requirements for food therefore entails extreme price depression.

We must not be led astray by the fact that in the 20 years before the Great War world wheat production expanded at a rapid rate, while wheat prices tended gradually upward, even faster than prices of goods in general. The world's population is growing at a much slower rate than before the war. In most countries the displacement of other cereals by wheat for bread has already gone far. *Per capita* consumption of wheat for human food is considerably lower than before the war in Anglo-Saxon countries, in France, and in a number of other countries, and these countries contain a large fraction of the world's wheat-consuming population. The causes of this reduction are deep-seated, and probably permanent. Tendencies to expansion in *per capita* consumption in Germany, Italy and some other countries are being checked by measures taken in the interest of their wheat growers. Expansion in many countries outside of Europe is hampered by limitations of purchasing power of these peoples, accentuated by the business depression and by high and rising tariff barriers. The demand for wheat for food in most countries is comparatively inelastic. In order to tap extensively the strata of elastic demand—for food in China, for example, for feed in many countries, and for industrial uses—prices cruelly low to wheat producers are necessary. Temporarily this may be inevitable; but as a permanent cure it is less worthy of contemplation than other lines of effort which are also painful.

This is not to say that the task of promoting expansion in consumption is hopeless. The working down of burdensome surpluses is essential even if prices remain, for a period, far below levels satisfactory to wheat growers. There is room for skilful merchandising that will yield results not merely for the immediate future but over a period of years. Mere propaganda for increase in consumption of wheat has been, and seems likely to continue to be, largely futile. Both effective merchandising and economic diplomacy must be called into play.

MARKETING PHASES

Unquestionably the manner in which available supplies of wheat are marketed exerts an important influence upon the course of wheat prices. Selling under extreme pressure, by any country, as all present have good reason to know, gravely depresses world wheat prices and sends to a discount under its normal parity the wheat that is so pressed upon the world market. It is well worth while for this conference to explore possible means of reducing such pressure selling, with a view to avoiding unnecessarily extreme fluctuations and depressions in wheat prices.

In our own country the Federal Farm Board is especially charged, under the Agricultural Marketing Act, not only with promoting co-operative marketing of wheat in the grower's interest, but

with taking measures to prevent undue and excessive instability of prices, if need be with the aid of stabilization corporations. In view of our experience under these provisions to date, and the position to which it has brought us, a few words on this subject are pertinent here.

This year, as a means of protecting our farmers from the disastrous consequences of extreme depression in wheat prices, the Grain Stabilization Corporation has acquired large holdings of wheat in supporting the wheat market in the United States. For the time our wheat and flour exports have been curtailed, when export markets were subject to extreme pressure. Had this action not been taken, we are convinced that not only our domestic prices but world market prices as well would have been driven down still further, to the injury not only of our wheat growers but of those in other countries too. The policy was adopted in what appeared to be an extreme emergency, to reduce the shock from a striking further decline in wheat prices that was imminent.

It was not intended, and is not practicable, to continue indefinitely the policy of stabilization purchases, and the Federal Farm Board has announced that it will not authorize such purchases from the 1931 crop. To the question, what plans there are for disposing of the stocks thus acquired, there is and can be no highly explicit answer. Simply expressed, however, it is this: they will be sold, but they will be merchandised in orderly fashion; they will not be thrown overboard for anything they will bring, to demoralise domestic and foreign markets.

There are some, both in our country and abroad, who have sought to excite the fears of the gullible portion of the trade and the public over the large supplies that are or will be under the control of the Stabilization Corporation. These fears are not justified. There can be no evasion of the fact that the existence of large carryovers, in our country and in several others, must constitute a factor that will retard and limit advances in wheat prices. This would be true no matter how the holdings were distributed. It was true in 1929, in the face of a very short world crop, when large wheat stocks were wholly in the hands of the old-line trade, before the Grain Stabilization Corporation came into existence, before the onset of the worldwide business depression, and when it was generally expected that the surplus would be absorbed in a year of light crops, 1929-30. World market prices to-day at least fully reflect the existence of these stocks, and probably overdiscount their significance because they are heavily concentrated in "visible" positions. Such depressing force as they exert should be less, and not greater, because they are in strong hands rather than weak hands, and because the men responsible for their disposition are thoroughly alive to the importance of merchandising them rather than dumping them regardless of consequences.

There is equally no basis for fears that this wheat will be palmed off on buyers for what it is

not. In the main it is excellent wheat; most of it is wheat of the 1930 crop. It is in good condition, and will be kept so. Any portion that may be found unsuitable for milling will not be sold as milling wheat. Any other policy than this would be extremely short-sighted on the part of the agencies responsible.

Apart from such extraordinary intervention in the wheat market as was felt justified during the past year, however, the effect of marketing methods on the level of wheat prices can easily be exaggerated. It would be folly to assume that the solution of the world wheat crisis can be found in marketing channels. At best they can alleviate, they cannot cure, a serious situation. When supplies are patently excessive, in agriculture as well as in industry, nothing short of an adjustment of production will serve to correct the difficulty at its source.

CURTAILMENT OF PRODUCTION ESSENTIAL

Collectively, the wheat-exporting countries have been and are producing too much wheat. We may as well admit this plain fact, first at last. We have produced larger surpluses over our several domestic requirements than the world market wants, larger than it has been willing to absorb at practically any price. The concrete evidence of this is the limited absorption of cheap and cheaper wheat in the past eighteen months, and the persistence of wheat stocks far above levels needed for continuous milling operations and to ensure against a year of short crops. This year wheat has actually moved into export market in larger quantities than the world markets would take except at prices that yield most wheat growers a net loss on their operations, and in many cases little above the cost of harvesting the wheat and putting it on the road to market. The consequences of continued excessive production for export are staring us in the face. If we wish to have these consequences persist, the way to ensure it is clear and easy. If we wish to prevent their persistence, reversal of expansion in production, difficult as this may be, is no less clearly indicated.

After careful consideration of the world wheat outlook, the Federal Farm Board arrived at the conviction that our wheat growers could not expect in the future to get remunerative prices, on the average, so long as we continue to produce a surplus of 200 million bushels for export. The developments of the past year have strengthened these convictions. Our growers are coming to accept these views. The Federal Farm Board and the Secretary of Agriculture have therefore strongly advised American farmers, in their own interest, to cut down their wheat acreage, with a view to reducing our wheat production as far as possible toward the limits of our domestic requirements. While so extensive a readjustment is difficult for farmers to make, they are taking steps in this direction. We believe the continuance of these efforts to be in the interests of our wheat growers.

It would not be fair, however, to the members of this Conference or to the world at large, to leave the misapprehension that the United States is out of the export market. Many wish that we were, but we emphatically are not—at least for a considerable time to come. Our carry-over this July will probably be 175 million bushels or more above a normal carry-over. Our 1931 crop, owing to favourable conditions for fall-sown wheat and in spite of expected reductions in spring wheat acreage, may contain an export surplus of something like 200 million bushels. Even if our growers find it possible to make heavy reductions in their acreage for the 1932 crop, there is every reason to expect some exportable surplus to be carried forward into that year. So radical a contraction of acreage as 25 per cent, which would be necessary to eliminate our current export surplus completely, on the average, is exceedingly difficult for farmers to make. It cannot be effected overnight, if completely at all. Moreover, if it should be made in one year, to ensure the persistence of so radical contraction would create new problems. It is even probable that after the maximum adjustments are made and surplus stocks are worked down, the United States will continue, in some degree, an exporter of wheat and flour. We believe that action in our country on the advice we have given, in the interests of our own wheat growers, will contribute toward improving the world wheat situation, and we expect our growers to get higher prices partly because of such improvement. But it would be wholly illusory for other countries to count upon reductions in acreage and wheat production in the United States alone to provide the solution of their wheat problems.

As we see it, exporting countries which set about increasing wheat acreage and exports, in the face of the situation that exists and has existed in the past year, are unintentionally defeating their own aims and injuring their own growers, as well as ensuring the continuance of low prices for other exporting countries. We see no prospect that export bounties or wholesale dumping into the export market, in such a situation as the present, will result advantageously to the exporting country concerned. Persistent selling below cost by governments is just as disastrous as selling below cost by wheat growers. We see no possibility of a satisfactory solution of the world wheat problem which does not include, as the most important single element, curtailment of production in exporting countries, individually

and as a whole, until a better adjustment between supply and disposition can be effected, and restraint upon fresh expansion of production thereafter. We commend these views to the earnest consideration of the Conference.

In conclusion, there are three distinguishing facts that we would impress upon this Conference:

1. From the outset the Federal Farm Board has sought to recognise the fundamentals of this question. It is a simple economic fact that when more of a commodity is being produced than can be sold at a profit to the producer, production must be contracted. Before January, 1930, when the first discussion of the present wheat problem was held at Geneva, the Federal Farm Board had adopted the policy of advising American wheat growers to reduce acreage. Prior to the first Bucharest Conference July 21, 1930, the Chairman of the Federal Farm Board and the Secretary of Agriculture had toured the United States urging growers to contract wheat acreage as much as 25 per cent. The United States made the first definite appeal to farmers to adjust production to probable demand. This program is being persuasively urged by the Federal Farm Board, and the U.S. Department of Agriculture in its Outlook Work is constantly seeking acreage readjustment and a more economic utilization of land. We believe this looks toward a practical and ultimate solution of our common problem, if all exporting countries will do the same.

2. For domestic reasons of an emergency nature, the Federal Farm Board has for many months held the burden of the American wheat surplus off the world market. While this was designed to serve our own farmers, there is no doubting the great benefit that has accrued to growers in other countries as a result of limitation of supply on the export market.

3. The Federal Farm Board has designedly avoided all contractual implications in the foreign field. We have sought no quotas, we have done nothing to disturb the freedom of trade on international wheat markets.

May I express the hope that the countries represented in this Conference will use utmost frankness toward their own growers and the wheat importing countries, in dealing with the question. It would be unfortunate indeed if out of our deliberations we should give farmers the wrong impression of what it is possible to accomplish without their co-operation.

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