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ported to be a leading buyer. The same concern apparently added to its accumulated holdings during 1943-44, when price ceilings on other grains and the uncertain statistical position of rye attracted many speculators and hedgers to the rye market. The peak prices of the year (and the highest since 1924-25) were reached during January-April 1944. In those months the immediate feed position was extremely tight, the outlook for 1944 grain crops was discouraging, there were persistent rumors that distilleries would be required to use substantial quantities of rye for industrial alcohol, and some traders were looking forward to a heavy postwar demand for rye from northern Europe.

At the end of April 1944 there was still a large open interest in Chicago May rye, and though Chicago stocks of rye were large, about half were reported owned by the leading long interest. Sizable early deliveries on May futures were readily absorbed, primarily (according to market reports) by the major holders. After the middle of the month, however, rye prices suddenly collapsed under the influence of bearish commodity developments and of increased shipments of rye to the Chicago market. The official May crop report had indicated a notable improvement in the prospects for 1944 grain crops; the feeding demand for rye had fallen off and seemed likely to decline further; government officials showed continued unwillingness to order distilleries to use rye for industrial alcohol; and the Norwegian government placed a post-war order for rye in Argentina rather than in the United States.

During most of June-January 1944-45 rye prices remained 10-15 cents under the high levels of the preceding January-April (with a deeper dip in September, when optimism over the prospects for an early end to the war was most pronounced). There were intermittent rumors during these months that the leading owners of rye were liquidating part of their accumulated large holdings,⁸⁹ but more important was the favorable progress and final record outturn of the nation's corn crop. In the face of mounting evidence that very moderate quantities of rye would be required for feed in 1944-45, rye prices showed little response to the granting of a first "whiskey holiday" in August or to the planning of a second for January 1945, or to the issuance of WPB directives instructing distillers of industrial alcohol to use 10 per cent rye in their mashes during July-December (later revoked, effective November 15).

⁸⁹ In late October, trade estimates put these holdings at about 9 million bushels. On October 19 the Commodity Exchange Administration called for the names and holdings of all longs and shorts with more than 25,000 bushels showing in their accounts for December rye as of October 20.

IV. CANADA: THE WORLD'S LARGEST EXPORTER

Wheat is the only food grain of significance in Canada. Rye, the closest competitor, normally occupies only about 3 per cent of the total wheat-rye acreage, and accounts for less than 4 per cent of the combined food-grain production. In 1943-44, Canada exported more rye than she produced, yet her rye exports amounted to only 9 million bushels, as compared with wheat exports of 344 million. The following discussion, therefore, is confined entirely to wheat.

WHEAT SUPPLIES AND MARKETINGS

In 1943 Canada harvested a fairly light wheat crop of 284 million bushels from the smallest area planted since 1917. The sharply contracted acreage was primarily a result of the government's wheat-acreage reduction plan, which had been introduced in 1941 to prevent further accumulation of wheat surpluses and to encourage the production of needed feed grains. Under the 1943 program, farmers in the Prairie Provinces were told in advance that their wheat marketings would be limited to 14 bushels per "authorized" acre,¹ and they were offered a bonus of \$2 (Canadian) per acre for diverting wheat land to other specified crops. These regulations furnished the desired incentive to cut wheat plantings and to increase sowings of feed crops in western Canada in 1943.

In eastern Canada, where the wheat-acreage reduction program was not operative, the area planted to winter wheat for 1943 was somewhat below average, abandonment was heavy, and the yield per harvested acre was low. Only in the drought years of the thirties had Ontario's wheat production been lower during the past 60 years.

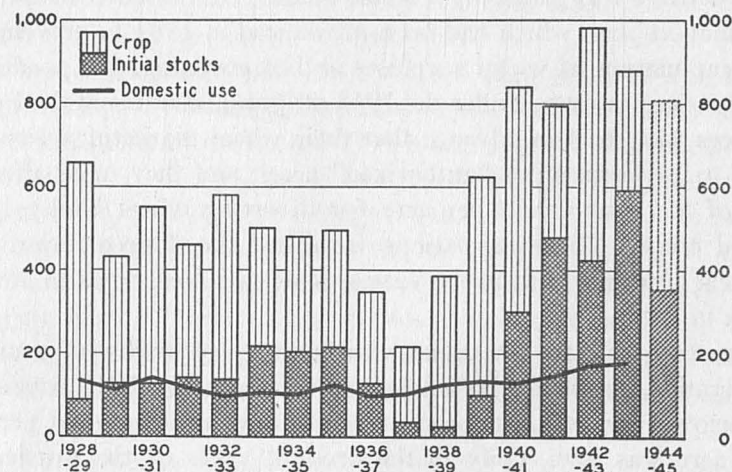
To the small Canadian wheat crop of 1943 was added a carryover of record size—a carryover twice as large as the new crop (Chart 13). The indicated total wheat supplies for 1943-44 were thus larger than in any preceding year except 1942-43. And the supplies on farms in western Canada—455 million bushels—were sharply higher than the announced marketing quota of 280 million bushels for that area.

The initial delivery quota for wheat for 1943-44 was set at only 3 bushels per authorized acre, applicable to both new-crop and old-crop wheat. But at many delivery points where producers had been unable

¹ The authorized wheat acreage for each farm was 65 per cent of the area planted to wheat in 1940.

to complete deliveries against the 15-bushel quota finally authorized for 1942 wheat, this higher quota was extended to August 15. Moreover, even after August 15, certain farmers received special permits from the Canadian Wheat Board (CWB) to deliver additional wheat against their unfilled 1942 quota.² These extensions into 1943-44 of the marketing program of the preceding crop year allowed more Canadian wheat to be marketed during August 1943 than the new, restrictive 3-bushel quota would imply. Yet monthly marketings remained low through October (Table 5); and as late as mid-December, 7 per cent of the delivery points in western Canada were still on the minimum 3-bushel quota, while another 22 per cent were subject to a 5-bushel limit.

CHART 13.—CANADIAN WHEAT SUPPLIES AND DOMESTIC USE, FROM 1928-29*
(Million bushels)



* Data for recent years in Table 23.

After the first of January, however, farm marketings were maintained on a higher level than in any other recent crop year. The heavy flow of grains to export and to eastern Canada during August-December left empty storage space both at country elevators and at terminal markets. With this flow continuing in January-May, wheat-delivery quotas could easily be raised, as indicated in the following table. Even the maximum quota for the year, originally set at 14 bushels per authorized acre, was raised to 18 bushels in March and finally suspended on

² Canada, *Report of the Canadian Wheat Board: Crop Year 1942-43* (Winnipeg, Feb. 29, 1944), pp. 10-11.

May 30, 1944. Under these arrangements, western marketings rose to a peak in June-July, reaching a crop-year total of 325 million bushels, as contrasted with the original quota of 280 million.

PERCENTAGE OF DELIVERY POINTS UNDER SPECIFIED MARKETING QUOTAS AT DESIGNATED DATES, 1943-44*

Delivery quota per acre	Dec. 17	Jan. 21	Feb. 17	Mar. 17	Apr. 21
3 bushels.....	7	2	..	..	..
5 bushels.....	22	7	1	..	..
7 bushels.....	25	17	6	..	..
10 bushels.....	20	29	21	12	..
14 bushels.....	26	45	72	20	2
18 bushels.....	..	..	..	68	98

* Data from successive issues of *Monthly Review of the Wheat Situation* (Canada, Dom. Bur. Stat., Agr. Branch).

DOMESTIC USE OF WHEAT

Canada's domestic utilization of wheat seldom amounts to as much as a third of her total supplies and is often closer to a fourth. In 1943-44 the quantity of wheat utilized in domestic channels was proportionally even smaller (about a fifth), though in absolute terms it was the largest on record (Chart 13).

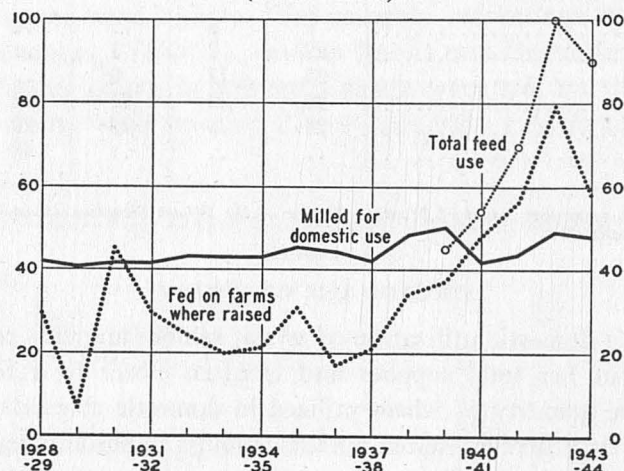
Only the use of wheat for nonfood purposes was abnormally heavy in Canada in 1943-44. This was due almost wholly to heavy feeding of wheat. Alcohol production took only about 6 million bushels, practically the same as in the preceding crop year and an insignificant quantity as compared with the heavy use of wheat for alcohol production in the United States.

The most recent official estimate indicates that some 90 million bushels of wheat were fed to livestock or poultry in Canada in 1943-44. This was somewhat less than had been fed the year before but was nearly twice as large as the quantity used currently for domestic food. Roughly two-thirds of the amount fed was consumed on farms where it was produced; but a good third was shipped under freight assistance from western Canada to the five eastern provinces and to British Columbia (p. 157). Such comparative data as are available on the quantity of wheat milled for domestic use and on the amount fed are shown for the past 15 years in Chart 14 (p. 44).

These comparisons neglect the important feed contribution of wheat in the form of millfeed. With Canadian mill production of flour larger than ever before in 1943-44, the output of millfeed was also of record

size. Moreover, restrictions on exports (in force since 1941) prevented as heavy a flow of these products to other countries as had been common in earlier years. But although the amount of Canadian millfeed domestically retained in 1943-44 was the largest on record,³ it fell considerably short of meeting the expanded demand.

CHART 14.—MAJOR USES OF WHEAT IN CANADA, FROM 1928-29*
(Million bushels)



* Data for recent years in Table 23.

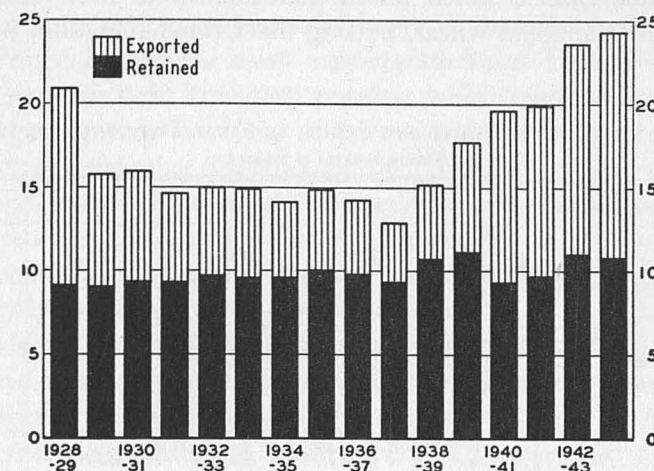
Canadian mills operated close to their maximum practical limits of production in 1943-44. The peak monthly output of flour in March, 2.27 million barrels, represented 95 per cent of the rated capacity of the reporting mills on a 27-working-day basis. The abnormal stimulus to Canadian flour production in 1943-44 came not from domestic demands—either civilian or military—but from Britain and other overseas markets. Chart 15 shows the relative stability of domestic flour retention⁴ and the sharp fluctuations in flour exports over the past 15 years.

³ Millfeed production, exports, and domestic retention have been as follows in recent years, in thousand tons (*Canadian Coarse Grains*, Canada, Dom. Bur. Stat., Agr. Branch, November 1944, p. 12):

Year	Production	Exports	Domestic retention
1937-38	445	48	397
1938-39	555	173	382
1939-40	656	276	380
1940-41	681	301	380
1941-42	686	94	592
1942-43	792	51	741
1943-44	795	36	759

⁴ Presumably the data on domestic flour retention (flour production minus flour exports) includes shipments to Canadian troops overseas.

CHART 15.—CANADIAN WHEAT-FLOUR PRODUCTION, ANNUALLY FROM 1928-29*
(Million barrels)



* Data for recent years in Table 20.

EXPORTS OF WHEAT AND FLOUR

Canada exported 13.46 million barrels of flour in 1943-44—a new high record. But her exports of wheat and flour combined fell some 50 million bushels short of the standing record total of 397 million in 1928-29.

The huge Canadian exports of 1943-44 were due to the abnormally heavy demand for wheat for feed in the United States. If this demand had not existed, Canadian exports would probably not have exceeded 200-225 million bushels—their general level in the three preceding war years.

In the summer of 1944 the Canadian government first released data on wheat and flour exports by final destinations for the three crop years ending with 1942-43. The following table shows the reported exports to a few major countries and groups. It is noteworthy that the United Kingdom took two-thirds or more of Canada's exports in each of these war years.

Similar data for 1943-44 will probably not be released until the end of the present crop year, but the general features of that trade are already clear. Considerably more Canadian wheat (including flour) went to the United States and the Soviet Union than had gone to minor importing countries and/or to storage positions near Continental Europe. These increases, however, were materially offset by reduced exports to the United Kingdom. The principal feature of the Canadian export

trade of 1943-44 was the unprecedentedly heavy movement of wheat to the United States, which raised that country to first rank among importers of Canadian wheat, putting the United Kingdom in second place.

CANADIAN EXPORTS OF WHEAT AND FLOUR, BY FINAL DESTINATIONS, 1939-43*
(Million bushels of wheat)

Destination	1939-40	1940-41	1941-42	1942-43
United Kingdom	132.6	191.6	149.8	150.2
Other Europe ex-USSR.....	38.9	9.4	21.2	23.3
USSR .....	...	...	5.0	1.0
Egypt, Turkey, etc. ^a.....	...	.7	16.1	11.0
United States	10.2	11.9	18.6	14.9
Other American countries.....	7.9	9.0	12.3	10.9
Others	3.1	8.6	2.8	3.4
Total	192.7	231.2	225.8	214.7

* Data for August-July crop year. For further details see Table 13.

^a Includes Iran and Iraq.

The large Canadian exports of wheat and other grains in 1943-44 put a heavy strain on lake-shipping and rail-shipping facilities. At Fort William-Port Arthur, many shipping records were broken: (1) more grain was received at and shipped from those ports in 1943-44 than in any preceding year, and (2) the daily grain-shipment record of 6.40 million bushels established November 29, 1928 was first surpassed on November 29, 1943 by shipments of 6.58 million bushels, and then further exceeded on April 17, 1944 by shipments of 6.60 million bushels. By January 1944 the need for Canadian wheat became so pressing in the United States that the War Food Administration arranged to have 200 freight cars sent to Canada daily to bring grain into this country. From mid-February to mid-March, however, the Office of Defense Transportation cut the number of grain cars to 100 a day in order to relieve the strained transport position that had developed in the United States. We infer that Canadian exports of wheat and other grains to the United States would have been larger than they were in fact in 1943-44, if lake-and-rail transport facilities had permitted a heavier movement.

WHEAT PRICES

From the beginning of March 1943 to the following September 27, Winnipeg wheat futures prices climbed more or less steadily from less

than 92 cents (Canadian) to \$1.21. At the end of this period, many speculators were anticipating a continuation of the upward price movement—an anticipation based on the heavy demand for wheat for feed in the United States, the small existing stocks at Fort William-Port Arthur, and the tight transport position which made it impossible to move large quantities of wheat to the major terminals.

Effective September 28, however, the Canadian government ordered discontinuance of wheat trading on the Winnipeg Grain Exchange and empowered the CWB to take over at September 27 closing prices all unsold commercial stocks (including wheat still held in the Board's 1940-41, 1941-42, and 1942-43 crop accounts). At the same time, the initial price advance paid to farmers for wheat delivered to the CWB was raised from 90 cents (Canadian) to \$1.25, basis carload lots of No. 1 Northern in store at Fort William-Port Arthur or Vancouver. This increased advance was made applicable to all wheat delivered to the CWB between August 1, 1943 and July 31, 1945. It represented the highest level of wheat prices since April 1938, when Winnipeg prices had reflected an immediate world shortage of wheat.

No government spokesman has issued a clear-cut statement of the principal factors which prompted the Canadian government to take these far-reaching steps, but we infer that the following considerations were of primary importance.⁵ The preceding sharp price advance in the Winnipeg market had brought terminal wheat prices to a level that was artificially high in relation to the huge wheat stocks in Canada and also to stocks in the four exporting countries combined. Any further substantial advance would certainly jeopardize Canada's long-run wheat-control program, increase the cost to the Dominion Treasury of subsidizing domestic flour consumption, and either reduce Canada's contribution of wheat to mutual-aid countries or raise the cost of the mutual-aid program to Canadian taxpayers. There was the additional threat to the nation's general price-stabilization program—the possibility of starting an upward spiral of inflation. Finally, under the new CWB advance of \$1.25 farmers gained more than the indicated difference of 1¼ cents between that price and the closing price of No. 1 Northern at Winnipeg on September 27: they secured the additional advantage of participating certificates and benefited also from subse-

⁵ "Order in Council making regulations *re* discontinuance of wheat trading on the Winnipeg Grain Exchange, P.C. 7942," *Canadian War Orders and Regulations*, Oct. 18, 1943, IV, No. 2, pp. 1-2. See also L. A. Skeoch, "Changes in Canadian Wheat Policy," *Canadian Journal of Economics and Political Science* (Canadian Political Science Association, Toronto), November 1943, IX, 565-69; and Alberta Wheat Pool, *Canadian Wheat Policies in Depression and War* (Calgary, June 1944), pp. 1-8.

quent narrowing of the excessively wide September spread between wheat prices at country points and terminal markets.⁶

The \$1.25 price for No. 1 Northern, terminal basis, has served since October 1943 not only as the initial advance on wheat to Canadian farmers, but also as the basic export price for wheat supplied by the Canadian government to the United Kingdom and other mutual-aid countries.⁷ In contrast, the export price quoted by the CWB to the United States and other non-mutual-aid countries has usually run 10–20 cents higher. This price, based mainly on the Chicago market, declined to \$1.34 (Canadian) in August–September 1944 as United States prices weakened, but it was subsequently raised to \$1.45–\$1.48 in November–December. It stood at \$1.50 in early February 1945.

Millers of flour for domestic consumption and livestock raisers in the five eastern provinces and British Columbia have paid lower *net* prices for western wheat than the indicated \$1.25 basis for No. 1 Northern. All millers purchased wheat at current market prices prior to September 28, 1943, and thereafter at the \$1.25 basis. Against deliveries of flour for the domestic market, however, millers have received monthly drawback advances based on the difference between the average monthly price paid for No. 1 Northern and the price on which the flour ceiling was based—77 $\frac{3}{8}$ cents (Canadian). At the \$1.25 price level, millers thus received advance drawbacks on domestic millings of 47 $\frac{5}{8}$ cents. In 1942–43 the advance drawbacks had been left unchanged in the final accounting; but for 1943–44 any miller whose profits were raised by the advance drawbacks to over 116 $\frac{2}{3}$ per cent of his “standard profits” was obliged to refund to the CWB that portion of the drawback that contributed to the excess profits.⁸ Thus, while the *net* price of No. 1 Northern wheat to many millers of domestic flour was 77 $\frac{3}{8}$ cents (Canadian) in 1943–44, the net prices to millers with excess profits ranged well above that level. Even so, all domestic flour consumers were subsidized by the Dominion government.

In 1942–43 feeders of livestock in the five eastern provinces and British Columbia had received a federal drawback of 8 cents per bushel on western wheat regardless of grade. This subsidy remained in effect

⁶ The wide country-terminal spread in the last weeks of the Winnipeg price advance was due to inadequate transport facilities to carry needed grain to Fort William–Port Arthur. Many speculators anticipated that enough grain could not be obtained to fulfill delivery obligations against outstanding futures.

⁷ Since January 1, 1945 the basic export price to mutual-aid countries has been increased at the rate of $\frac{1}{8}$ cent per week, bringing this price to \$1.26 before the end of February (*Corn Trade News*, Dec. 27, 1944, p. 509).

⁸ *London Grain, Seed and Oil Reporter*, Oct. 20, 1943, p. 409.

through November 14, 1943, when it was raised to 25 cents per bushel, and made applicable only to No. 4 Northern wheat and to equal or lower grades.

NEW-CROP DEVELOPMENTS

Changes in the outlook for the 1944 Canadian wheat crop were less spectacular than the concurrently changing prospects for the United States harvest. However, the first Canadian crop estimate, issued in September 1944, was 175–200 million bushels larger than could reasonably have been anticipated four months earlier. This represented an increase of 75 per cent.

As of April 30, Canadian farmers reported intentions to sow 21.3 million acres to wheat for the 1944 crop, or some 4 million more than in the preceding year. With an average yield—no more or less could be anticipated in May—such an acreage would have produced about 255 million bushels of wheat. The actual wheat area seeded, however, was 2 million acres larger than the early “intentions” report had indicated; and favorable weather conditions resulted in a yield per acre considerably above average. The third (January 1945) estimate of the crop, 436 million bushels, differs but little from the September estimate. It indicates a good-sized outturn of wheat, which had been exceeded three times since 1939, but otherwise not since 1932.