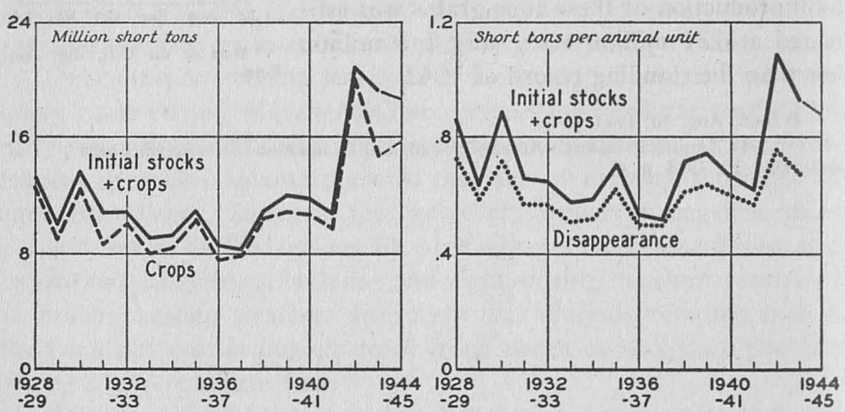
XIV. CANADA: LARGE CROPS AND HEAVY FEED USE

Feed-grain developments in Canada, though in many respects similar to developments in the United States, showed fewer supply and price abnormalities and fewer maladjustments.

SUPPLIES AND DISAPPEARANCE

Like the United States, Canada harvested unusually large crops of feed grains in 1943, and her total supply of these grains (including carryovers from the enormous 1942 harvest) was smaller only than in the preceding year. Moreover, Canada's livestock population was unprecedentedly large, and feed-supply and price factors favored heavy feeding of grain per animal unit. Most of these facts are evident in Chart 32.

CHART 32.—CANADIAN CROPS, SUPPLIES, AND DISAPPEARANCE OF FEED GRAINS, FROM 1928–29*



* Data of Canada, Dominion Bureau of Statistics. For data on the three principal feed grains, see Table 54.

The large Canadian feed-grain harvest of 1943 was due mainly to wartime expansion of feed-grain acreage under the government's wheat-acreage-reduction plan (p. 41). The area sown to barley and oats was about 40 per cent larger in 1943 than it had been in 1939. Moreover, weather conditions were generally favorable, and yields per acre, though considerably below the high records established in 1942, were still above average size (see Table 40).

The geographical distribution of Canada's 1943 feed-grain crop

was distinctly abnormal. While the Prairie Provinces secured large harvests, the eastern provinces (which had almost half of the nation's livestock) obtained unusually poor grain crops. The Canadian government thus faced the problem of insuring the movement of adequate supplies of western grain to the east to maintain the increased number of livestock in that area.

Recognizing that the nation's transport facilities would be strained to the utmost by this added wartime burden, the Dominion government adopted three special measures to prevent the development of a feed crisis in the eastern provinces. "Plan A" provided for the building up of a reserve of western grain in eastern positions—a reserve to be drawn on only in the event of a feed emergency and only with the permission of the Feeds Administrator. "Plan B" provided for the payment of government subsidies on early purchases of western grain for feed use in the east. The subsidy amounted to 3 cents per bushel on grain purchased in July 1943 and to ½ cent less each succeeding month through December. "Plan C" made it possible to ship whole wheat, oats, and barley directly from western to eastern points without passing through Fort William–Port Arthur, provided the dockage did not exceed 3 per cent.

These new plans operated in 1943–44 as supplements to the Dominion freight-assistance program, which had been in effect since October 1941.[1] Under this program, the Canadian government paid all the through freight on western wheat, oats, barley, rye, screenings, and millfeed shipped for feed use to the five eastern provinces and to British Columbia.[2] During the past three crop years, shipments under freight assistance have increased as follows, in thousand short tons:[3]

Crop year	Wheat	Oats	Barley	All feeds
1941–42	405	275	253	1,441
1942–43	571	376	412	2,222
1943–44	871	879	907	3,415

A significant feature of the eastward movement of grain in 1943–44 was the decline in all-rail shipments from Fort William–Port Arthur, and the associated expansion in direct-rail shipments from western points and in shipments by lake.

[1] Ontario farmers received additional feed subsidies from their provincial government. Some of the details of the provincial plan are outlined in *Canadian Coarse Grains*, Nov. 23, 1943, p. 9.

[2] Such payments amounted to almost $31,000,000 (Can.) between October 1941 and April 1944.

[3] *Canadian Coarse Grains*, Nov. 25, 1944, p. 11.

In late January, the strain on the nation's railroads became so great that the Emergency Grain Transportation Committee ruled that thereafter no grain could be shipped eastward by rail for domestic feeding purposes except on permit authorized by the Feeds Administrator, and the Administrator was instructed to issue such permits only when the needed grain could not be supplied out of eastern stocks. This presumably resulted in substantial drafts on the emergency feed reserves built up under Plan A.

In no part of Canada did there appear to be any such shortage of feed grains in 1943–44 as was witnessed in deficit areas in the United States. This was partly due to the fact that the supply of feed grains per animal unit was farther above normal in Canada than in the United States, and partly to the fact that Canadian-administered prices did not put a premium on grain feeding as contrasted with grain marketing.

Of the various Canadian grains, only corn was in short supply in 1943–44. This was unimportant for the national feed position, since corn normally represents less than 5 per cent of the total supply of Canadian feed grains. The shortage of corn, however, interfered seriously with the operations of starch and glucose manufacturers. Indeed, the position of these manufacturers became so critical that from April 17 the government permitted sales of corn by elevators and processors only to persons holding official purchase permits and to farmers for feeding on their own farms.[4] This measure prevented further serious contraction in the operations of starch and glucose plants, but failed to bring their production up to normal levels.

In Canada, as in the United States, the output of commercial mixed feeds has increased sharply in recent years and in 1943 was at a new high peak. The estimated 1943 production, 860,000 short tons, was over twice as large as the amount produced in either 1939 or 1940. Yet even this large output could not fully meet the greatly expanded demand for such feed.

PRICES AND EXPORTS

Although market prices of Canadian feed grains were higher in 1943–44 than in most earlier years, they were not so obviously excessive as were corresponding prices in United States markets. Canadian grain prices had been as high or higher in 1936–37 (a year of general shortage) and also during a considerable part of the 1920's. That feed-grain prices were not more dangerously inflated in 1943–44 was due

[4] *Canadian Coarse Grains,* May 16, 1944, p. 14.

largely to the price-control measures put into effect in Canada in 1941. Nor was there any great temptation to sell Canadian feed grains above ceiling levels. Canada had no counterpart of the hog-corn price problem that was causing trouble in the United States.

Canadian producers of oats and barley received in 1943–44 not only the market prices paid for their grain (prices at or close to ceiling levels), but also supplementary "advance equalization payments" from the Dominion treasury.[5] These payments, amounting to 15 cents (Can.) per bushel of barley and 10 cents per bushel of oats, came out of the special fund built up from export taxes on barley and oats—the so-called "equalization fees." In addition, producers understood that at the end of the season they would receive their prorata shares of any money remaining in the equalization fund.

Superficially, it might appear absurd for Canada to impose taxes on the exportation of surplus feed grain, which it was to her interest to export. The key to this anomolous situation lies in the word "equalization," which can best be explained with reference to Chart 33 (p. 160).

Early in 1943 the demand for feed grains in the United States had become so great that feed-grain prices in United States markets rose to levels that would permit Canadian barley and oats to enter this country freely over the tariff wall. Since the existing limited railroad and shipping facilities sharply curtailed the amount of Canadian grain that could actually be transported, feed-grain prices in United States markets continued to rise until they were considerably out of line with ceiling prices in Canadian markets (plus transport and tariff costs). This meant that if Canadian barley or oats was purchased by a private importer at the ceiling price in Canada, and sold in United States markets on the same basis as domestic grain, a substantial "excess" profit would be secured, unless this was absorbed by some government agency.

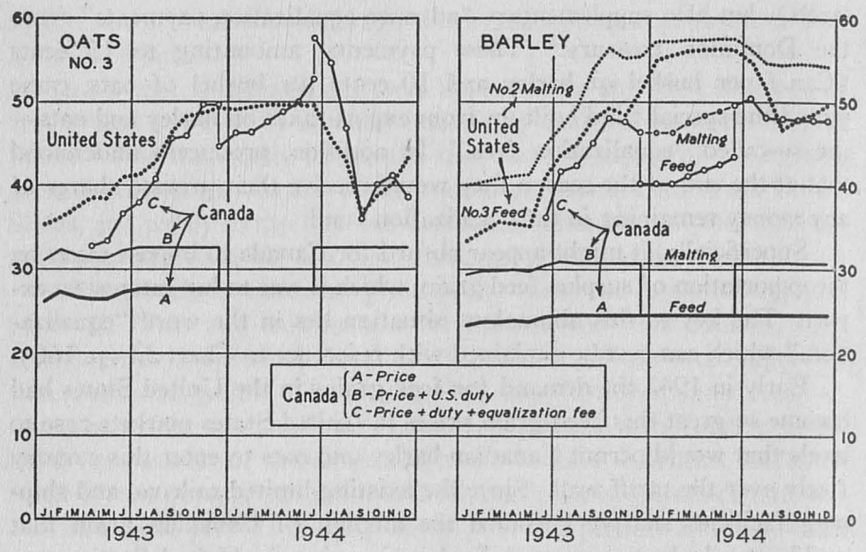
The situation was such as to suggest the propriety of a Canadian–United States agreement to share the available excess profits—profits which the different price policies of the two countries made inevitable. But no such agreement seems to have been made. Instead, Canadian officials arranged to take most of the resulting profits through collection of "equalization fees" on exports of Canadian oats and barley. These fees, first imposed on April 6, 1943, were frequently adjusted by the Canadian Wheat Board to keep Canadian grains "properly priced" on United States markets. Thus, as barley and oats prices advanced in

[5] Some also received wheat-acreage reduction payments of $2 (Can.) for each acre sown to barley or oats that would normally have been sown to wheat (p. 41).

the United States during June–December 1943, Canadian equalization fees on exports of these grains were gradually raised by 38 and 28 cents (Can.) per bushel respectively.

CHART 33.—NORTH AMERICAN PRICES OF OATS AND BARLEY, MONTHLY, 1943 AND 1944*

(U.S. dollars per short ton)



* U.S. prices at Minneapolis from U.S. Bur. Agr. Econ.; Canadian prices, basis Fort William–Port Arthur, and Canadian equalization fees from Canada, Dominion Bureau of Statistics, and the *Winnipeg Free Press*. Prior to Dec. 22, 1943 and after June 20, 1944 the United States import duty on oats was 8 cents a bushel ($5.00 a short ton), and the duty on all types of barley was 15 cents a bushel ($6.25 a short ton). Between Dec. 22, 1943 and June 20, 1944 oats and barley imported into the United States for feed use were admitted duty-free; the earlier import duties continued in force on malting barley, and through Mar. 21 on oats for human consumption.

In late December 1943, the situation was complicated by suspension by act of Congress of existing United States import duties on oats, barley, corn, rye, and wheat imported for feeding purposes. As laudable as tariff reductions are under conditions of free markets and competitive prices, similar reductions under certain conditions of administered prices and restricted trade may have little or no economic merit. Thus, the suspension of United States import duties on grains imported for feeding purposes during December–June 1943–44 operated mainly to widen the margin of profits available to private importers, except in so far as Canadian equalization fees were raised to compensate for the reduction in United States import duties. And to the extent that the equalization fees were raised, the tariff suspension operated simply to cut the flow of revenue to the United States Treasury and to

increase correspondingly the flow of funds to the Canadian treasury for later distribution in "equalization payments" to Canadian producers of barley and oats.

Chart 33 suggests that after United States duties on feed grains were suspended on December 22, 1944 Canadian equalization fees were eventually raised to compensate for most of the reduction in the duty on imported oats but not for that on imported barley. This difference in policy was based on the fact that most of the Canadian barley shipped into the United States during January–June 1944 (only 12 million bushels in total) was high-grade malting barley which remained subject to the original import duty. In contrast, the 40 million bushels[6] of oats shipped to this country during the same period entered almost wholly on the duty-free basis, which after March 22 applied not only to oats for feeding but also to oats for human consumption. The fact that United States imports of Canadian feed barley were so small in the face of the large profits to be secured from such imports presumably meant that the Canadian Feeds Administrator was effectively restricting exports of feed barley through limitation of export permits, export embargoes, and other trade controls. Such controls may have been unnecessary during January–March 1944, when existing transport facilities were strained to the utmost in carrying feed wheat under transport priorities arranged by the War Food Administration. But after the opening of lake navigation in April, transport restrictions were less severe and direct export controls were apparently imposed by the Feeds Administrator.

In total, Canadian customs exports of barley and oats exceeded 2.02 million short tons during August–July 1943–44—the largest on record. Never before had Canadian exports of oats (71 million bushels)[7] been so large, but the exports of barley were slightly smaller than in the preceding year and smaller also than in several years during the 1920's.

In spite of record exports of feed grains and of unprecedentedly heavy feeding, Canada retained heavy year-end stocks of both oats and barley in 1944. Although smaller than the stocks of the preceding year, these carryovers were otherwise the largest on record (Table 54).

DEVELOPMENT OF 1944 CROPS

Expansion of feed-grain acreage in Canada during 1941–43 had been chiefly stimulated by the government's wheat-acreage reduction program, which provided special bonuses to farmers who diverted

[6] Canadian bushels of 34 pounds.

[7] *Ibid.*

former wheat land to feed grains or to certain other crops. For the plainting season of 1944, however, no such bonuses were offered. This change in policy was reflected in enlarged sowings of wheat and in reduced sowings of barley, oats, and flaxseed. The total area planted to barley and oats for 1944 was cut 2.2 million acres from the preceding year.

Throughout the 1944 growing season weather conditions were reasonably favorable for Canada's major feed-grain crops. Yields per acre proved to be not only above average, but also above the yields recorded in 1943. Despite the reduction in sown acreage, therefore, the total outturn of barley and oats was about the same as in the preceding year and second only to the record output of 1942. As contrasted with 1943, the Canadian feed-grain crop of 1944 was distributed fairly normally, with much better harvests in the eastern provinces, particularly Ontario.

XV. ARGENTINA: INCREASED DOMESTIC USE OF FEED GRAINS

In Argentina rye must be added to the usual principal feed grains: corn, oats, and barley. However, corn is by far the most important of the four, and its predominance is more pronounced with respect to grain production than to sown acreage, since the proportion of the sown area that is harvested is usually larger for corn than for oats and considerably larger than for rye. In general, the practice of feeding unharvested grain crops to animals is more common in Argentina than in other important grain-producing countries, and this practice has become increasingly important during recent years.

During 1934–38, the harvested area for the four feed grains amounted, on the average, to only slightly more than three-fifths of the area sown. But, while only one-third of the acreage sown to rye was harvested and only half of that sown to oats, more than two-thirds of the sown-corn acreage was harvested. Consequently, the share of corn in the harvested area of the four feed grains is greater than in the sown area. Its share in grain production is still greater, since the corn yield per harvested acre (expressed in units of weight) is substantially higher than the yields of the other feed grains. These facts are shown in Chart 34 (p. 164). The predominance of corn is also indicated by the following average percentages for 1934–38: corn comprised 66.7 per cent of the total acreage sown to the four feed grains, 73.3 per cent of the harvested acreage, and 84.0 per cent of the harvested feed-grain production.

Argentine exports of feed grains represent a large proportion of total output. In this respect Argentina differs not only from the United States but also from Canada. Although the latter's feed-grain exports are considerable, they usually comprise a substantially smaller proportion of the total production than do the exports of Argentina. The proportion of exports to production is particularly high for Argentine corn. Consequently, the share of corn in the export movement of Argentine feed grains is still greater than its share in feed-grain production. For 1934–39 this percentage was as high as 88.9. In combination, these facts clearly establish the predominance of corn in Argentina's feed-grain economy and suggest that only corn is sufficiently important to warrant detailed consideration in the present chapter.

With respect to the other feed grains, however, it seems worth