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## XX. PROSPECTIVE REQUIREMENTS OF THE BRITISH ISLES AND OTHER IMPORTING COUNTRIES

For various grain-importing countries outside of Continental Europe and the USSR there seems to be more or less similar evidence of expansion in the demand for imported grain in 1944-45 and similar prospects that the full demand will not be met because of shortage of shipping.

### THE BRITISH ISLES

Among the various importing countries, the United Kingdom stands in a favored position because of the extensive control exercised by the British government over a large part of the world's merchant fleet. Partly on account of this control, the United Kingdom was able to relax its wartime milling restrictions this year, just when the demand for food shipments to liberated areas seemed about to expand sharply. Without such relaxation, British millers would presumably have faced almost insuperable milling difficulties because of the extremely poor quality of the 1944 domestic wheat crop.

The first important step in the direction of relaxing British milling restrictions had been taken in the preceding crop year, when the percentage of diluents in British-milled flour was gradually reduced from 10 per cent to less than 2 per cent (table, p. 75). A second major step was to cut the minimum extraction rate for British-milled flour from 85 per cent to 82½ per cent, effective October 1, 1944. Three months later this rate was further reduced to 80 per cent. Some additional improvement in flour quality (as appraised by consumers) was effected through increasing, earlier this year than last, the proportion of foreign white flour authorized for admixture with British-milled flour<sup>1</sup> and through a minimum *domestic* wheat requirement of only 40 per cent during most of August-December 1944, as compared with 50-55 per cent during the same period of 1943.

These changes in milling regulations resulted in the use of increased quantities of wheat, and particularly of *foreign* wheat, in British flour. We calculate that in August-December 1944 British millers may have used 10-15 million bushels more foreign wheat (partly as flour) than

<sup>1</sup> A 10 per cent admixture of foreign white flour was authorized Oct. 30, 1944 (a month and a half earlier than the year before) and this was raised to 12.5 per cent on Nov. 20—a rate not reached in 1943-44 until Apr. 3. Effective Feb. 9, 1945, the rate was raised to 15 per cent—the highest since early February 1943.

they had in the same months of the preceding year. This does not necessarily mean that British imports were correspondingly enlarged, since part or all of the increased consumption could have been provided out of the large reserves of foreign wheat and flour held by the British government. Indeed, trade reports that shipments of Canadian wheat to liberated areas were given priority over shipments to the United Kingdom in late November and early December 1944 suggest that British wheat stocks may have been somewhat reduced during August-December 1944, while stocks of wheat and flour held in Britain for later shipment to liberated areas may have been materially increased.

Part, if not all, of the relaxation in British milling restrictions this year is attributable to the poorer grain harvests of 1944. Preliminary official estimates indicate that the 1944 British wheat crop was 9 per cent smaller than the crop of the preceding year, and that this reduction was by no means offset by the small increase in outturn recorded for barley. Even more important was the poor condition of the harvested grain, much of which deteriorated rapidly as a result of excessive moisture. Special arrangements had to be made to permit farmers to retain for feeding a considerable part of their damaged wheat and barley that was judged "non-millable" or "unfit for human consumption." The remainder of such damaged grain was promptly released for licensed sale as feed. Although millers were reported to be purchasing a "potentially millable" wheat that contained up to 25 per cent sprouted kernels, we infer that perhaps a fourth or more of the current wheat crop will be fed as "non-millable" grain. This will necessarily swell Britain's crop-year utilization of wheat and increase her demand for wheat imports in so far as the extra quantities of grain required are not drawn from British reserves.

The large size of Britain's wheat stocks makes it hazardous to forecast the imports of that country in 1944-45. British officials might conceivably decide to permit their special war reserves of wheat to be completely exhausted during the current crop year. But this can hardly be regarded as probable even in the event of early termination of the European war, since many uncertainties would still exist with regard to the future shipping position. Perhaps at present the most reasonable expectation is that British wheat reserves will be materially reduced during 1944-45, but that they will still be very large on August 1, 1945. Such an assumption might be taken to imply that British imports of wheat and flour will be 20-30 million bushels larger this year than last (Table 22).

Little information is available with regard to Eire's current wheat position. Although her 1944 crop was apparently large, it may have been as badly damaged as the crop of the United Kingdom. This assumption seems to be supported by reported purchases by Eire of 3.9 million bushels of Canadian wheat during August–December 1944—1.2 million more than in the same months of the preceding year. During the present crop year as a whole, therefore, Eire's imports may well be slightly larger than in 1943–44, despite an increased domestic harvest.

Imports into the British Isles of grains other than wheat will presumably remain small in 1944–45. On the other hand, there is clear evidence that the United Kingdom is planning to secure increased imports of corn from the United States and Argentina;<sup>2</sup> and she may also take increased quantities of Canadian barley and oats.

#### OTHER IMPORTING COUNTRIES

Some 700,000 long tons of food-grain exports were reported to have been arranged for shipment to India during August–December 1944.<sup>3</sup> Probably not all of these shipments were received until the end of January 1945; but they must have raised the level of Indian imports in August–January about 425,000 tons higher this year than last. We infer that some 400,000 tons (15 million bushels) of this increase represented Australian wheat (p. 204).

The outlook for Indian grain imports during the latter half of the present crop year is far from clear. In general, however, imports in this period seem likely to be kept to a minimum by (1) the short supply of Australian wheat, (2) world shortage of shipping, (3) postharvest adequacy of Indian domestic food grains, and (4) expiration (in January 1945) of the obligation of the Central Government of India to feed the population of Calcutta from outside sources<sup>4</sup> for 13 months. Yet some wheat purchases for future shipment to India have already been made in Canada, and Australia will probably have a little surplus wheat for export during February–July. Consequently, in the August–July crop year India's wheat imports may be 300,000 tons (11 million

<sup>2</sup> Since Jan. 1, 1945, corn has again been distributed in the United Kingdom as part of the dairy ration.

<sup>3</sup> In July 1944, it was announced that 400,000 tons had been arranged for shipment by October, and on Oct. 26, 1944 Mr. Amery told the British House of Commons that another 300,000 tons had been arranged for shipment to India before the end of December (*Indian Information*, July 15, 1944, p. 46; Great Britain, *Parliamentary Debates, Commons*, 1943–44, Vol. 404, col. 327).

<sup>4</sup> *Foreign Commerce Weekly*, Jan. 27, 1945, p. 22.

bushels) larger this year than last, and her total grain imports 350,000 tons larger.

The indicated increase in India's wheat imports may be partially offset by reduced shipments of wheat flour to Ceylon, which took 15 million bushels of Australian wheat (as flour) in 1943–44. Since January 1, 1945, the rice portion of Ceylon's basic cereal ration has been increased by 1 pound per week and the wheat portion of the ration probably correspondingly reduced.<sup>5</sup>

Elsewhere in the Pacific region, the widened and extending zone of control of the United Nations brings obligations for increased shipments of wheat, rice, and other foods to the newly liberated areas. But the grain-import requirements of Pacific areas thus far liberated are distinctly moderate, and there appears to be little prospect that these will be greatly swelled before the end of the current crop year through the extension of Allied control to such heavily-populated grain-deficit countries as the Netherlands Indies, British Malaya, or China. With allowance for a substantially increased demand for grain products from the Philippine Islands, however, we anticipate that about 5 million bushels more wheat and some additional rice may be required for these areas during 1944–45.

Throughout northern Africa and the Middle East the wheat and total grain crops of 1944 were typically smaller than those of the preceding year. In Turkey, Iran, Iraq, and Syria and Lebanon this meant reductions from unusually high crop levels in 1943 to moderate or moderately low levels in 1944. In Egypt it meant a drop from a moderate to a notably low production level; and in Morocco, Tunisia, and probably Algeria it meant the harvesting of the smallest crops in two or more successive years of small harvests.

We infer that none of the countries of northern Africa or the Middle East will rank as significant net exporters of wheat in the current crop year. On the other hand, Iraq and one or two neighboring countries will export fair quantities of barley.

Although Turkey probably has a net wheat surplus for 1944–45, her officials have continued to embargo wheat exports in order further to enlarge the government's sizable grain reserves. Egypt, an occasional net exporter of wheat in past years, will be dependent this year on Canada and Australia for the 5 million bushels or so of foreign wheat she will require to balance her unusual domestic deficiency of grain.

<sup>5</sup> The total cereal ration for adults is reported to be 4 pounds, with rice representing half of the total since Jan. 1 (*London Grain, Seed and Oil Reporter*, Dec. 11, 1944, p. 596).

Such imports have reportedly been promised by the British government. Tunisia, with only half of a normal crop, early announced plans to import 40,000 tons of grain from Allied sources before the end of 1944, and an additional 50,000 tons from France as soon as possible. Imports of this size were expected to guarantee the existing urban bread ration of 250 grams (9 ounces) a day.<sup>6</sup> It seems less likely that either Morocco or Algeria will import significant quantities of grain this year, though both countries appear to need such imports.

The principal grain importers not yet considered are located mainly in the Western Hemisphere—Brazil, Mexico, Cuba, various other importers in the Americas, and the Union of South Africa. Such scanty information as is now available for these countries suggests that their domestic grain crops are generally smaller this year than last and that their aggregate import demand for wheat and flour will be relatively heavy in 1944–45. Since the imports of these countries were larger than usual in 1943–44, they may be about the same size or only slightly increased in the current crop year.

<sup>6</sup> *Foreign Commerce Weekly*, Dec. 30, 1944, p. 21; *Foreign Crops and Markets*, Jan. 1, 1945, pp. 7–8.

## XXI. GRAIN POLICIES AND WORLD TRADE—A LONGER VIEW

The desire of man to increase his consumption of the good things of life is as old as the human race. Since the first primitive governments were organized, the power of the state has been used to improve the economic lot of first one and then another group of individuals—the land-owning class, manufacturers, industrial workers, farmers, or (too rarely) the consuming public. While there is a great deal to be said for both private and governmental attempts to raise the planes of living of large groups of individuals, such attempts are open to criticism if (1) they subtract from rather than add to the total output of economic goods, (2) they appreciably lower the consumption levels of other large groups of individuals, or (3) they discourage improvements in techniques of production and distribution, preventing the expansion of output by low-cost producers at the expense of high-cost producers.

These tests have too often been disregarded in the planning of “class legislation.” And over the years, legislators in the United States and elsewhere have seemingly failed to grasp two of the most elementary economic principles: what appears to be *immediate* economic advantage does not always coincide with *long-run* benefits; and import restrictions (which may be of immediate advantage to specific groups of individuals) in the long run reduce the level of consumption of the entire population.

In public discussion of plans for the postwar era, it has recently become popular for government officials to stress the importance of the benefits to be derived from postwar expansion of world trade. They have even indicated awareness of the fact that there are two inseparable parts of a nation's trade in commodities and services—imports and exports—and that neither can indefinitely be maintained on an expanded scale without corresponding increase in the other (except as losses are written off).

The actions of public officials, however, do not always point in the same direction as the words they use. The United States (the largest creditor nation in the world) has already taken small steps in the direction of subsidizing exports of certain surplus farm products, with little or no associated relaxation of existing import restrictions. The United Kingdom, deeply concerned about the sharp reduction in British holdings of foreign exchange and investments during the war, has recently