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further information is required on the necessity for precooling and refrigeration on particular routes at particular times and on the costs involved before clarification of the issue will be possible.

General Conclusions.

It seems that there are definite possibilities of development in the field of air transportation of perishables. Non-perishable farm products are not likely to be air-borne for many years to come. The carriage of perishables by air has certain advantages but the actual volume of potential traffic will be determined largely by the extent to which costs can be reduced to enable it to compete with other forms of transportation on more favourable terms.

There does appear to be some prospect of competition between air-borne perishables and quick-frozen fruit and vegetables, if the latter industry becomes established. The quick-freezing process does provide a means of supplying quality out-of-season produce. At the same time, quick-frozen foods have certain disadvantages from the distributional standpoint which would not be associated with air-borne perishables. Nevertheless, failure to achieve rapid movement of airborne produce through retail channels might give frozen foods a premium as regards freshness and quality. The extent of competition may vary from commodity to commodity. In the case of some commodities, air transport could not improve upon the frozen product; in others, airborne quality would be superior, and still other products have not yet been successfully frozen. There may also be a limited amount of competition from canned and dehydrated products but this does not appear to be so serious.

Air transport will not absorb in the immediate future any significant proportion of the total traffic in agricultural produce at present carried by surface means. Railways will not be materially affected by the inroads of air transport on their business. Air freight can only be regarded as supplementary to other forms of transport. At the same time, it does make possible the marketing of commodities which cannot be conveyed under existing conditions. Through its agency, the consumer may be enabled to enjoy fresh foods of greater variety and finer quality.

WORLD FOOD GRAIN NEEDS.

BY

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The Extent of Food Grain Shortage.

The Office of the Foreign Agricultural Relations of the U.S.A. Department of Agriculture estimated recently a reduction in 1945 of total world food production by 12 per cent. per capita below the pre-war average of 1935-39. This observation will not be very significant if it is not related to local production and the quantity needed for consumption in countries which have been

importing food before the war. The United Kingdom, the Continent of Europe, Japan, India and China are the most important countries which imported food from North and South America, Australia, Burma, Siam and Indo-China. In all these countries, except the United Kingdom, North and South America and Australia, production has fallen sharply in the 1945-46 season. Production in Australia, a surplus producing region, though higher this season than in 1944-45, is still below the pre-war production level. In Continental Europe, excluding the U.S.S.R., production of bread grains (wheat and rye) during last autumn amounted to 31 million tons as against a 1935-39 average of 49 million tons. There was also a marked decline in the production of meat and other livestock products. Prewar import of bread grains into the Continent of Europe was 3.7 million tons. Even supposing there is no increase in the consumption of bread as a result of the scarcity of livestock products and vegetables, the Continent of Europe will have to import 22 million tons of bread grain to maintain the prewar standard.

China, which imported only half a million tons of rice before the war, has to import in the 1945-46 season five million tons of rice to maintain the prewar standard. Production of rice in China fell from a prewar average of 57 million tons to 50 million tons in 1945-46, but this was offset to some degree by an increase in the production of wheat by two million tons.

India, which imported 1.5 million tons of rice from Burma before the war, needs 7 million tons of rice and wheat to maintain her prewar standard. The fall in the Indian production of food grains is 25 per cent. of the prewar level.

Japan, which imported about 2 million tons of rice before the war, will have to import about 5 million tons now on the prewar consumption basis. This is due mainly to a 20 per cent. reduction in the local production of rice.

These are some examples to show the serious shortage in the basic food grains available for consumption on the prewar standard in Europe and in some of the major Asiatic countries. In these estimates no allowance is made for the marked increase in population, especially in India, and the need to increase consumption of food grains as a result of the scarcity of livestock products.

The gravity of the food grain situation was realised only towards the end of 1945, when it was possible to estimate the position of supply in the various countries. Till then it was assumed that only fats, meat, dairy products and sugar, which were in short supply during the war, would continue to be so for some time after the war. Deterioration of food crops this season from the 1944-45 season in most of the deficit countries and in surplus grain producing countries, except the U.S.A. and Australia, has brought out sharply the gravity of the food position throughout the world. The position of countries like India and China is particularly serious, as they depend mainly on cereal

grains. The following table intends to show the extent to which India, China, Japan and some of the European countries depend on cereals as compared with the U.S.A., U.K. and Australia.*

Table 1.

Country.	Base Period	Per capita daily calories available for consumption.*		
		Crops (a)	Livestock Products.	Total.
China	1931/37	2,230	100	2,330
India	1935/39	1,970	180	2,150
Japan	1932/36	2,050	260	2,310
Italy	1933/37	2,110	310	2,420
Germany	1933/37	2,360	670	3,030
France	1933/37	2,090	770	2,860
United States	1935/39	2,130	1,190	3,320
Australia	1935/39	1,910	1,310	3,220
United Kingdom	1934/38	1,760	1,320	3,080

* "Wartime Changes in World Food Production"—U.S. Department of Agriculture (1944).

(a) Crops include cereals, vegetables, fruits and others.

The present shortage of cereals is so serious that famine conditions are likely to develop between May to September, 1946 in those countries which depend mainly on basic food.

Demand—Minimum Requirements.

It is difficult to define the term "minimum requirements." Minimum requirements in deficit countries are related to the position of supplies in the surplus food producing countries. In one sense "minimum requirements" will represent that quantity and quality of food necessary to maintain the health of the community at a certain minimum desirable level. It is in this sense the term "minimum requirements" of Britain is interpreted now and was interpreted during the War. In another sense the term "minimum requirements" is just the bare minimum of food grains necessary to sustain life. This applies to India, China, Japan and some European countries when one refers to minimum requirements of those countries in the present food crisis. A comparison of present consumption levels in India, China and Japan with some European countries and the United Kingdom will explain this point.

Table 2—*Comparison of Current Consumption Levels.*
(Calories per head per day.)

Country.	Estimated current consumption levels.*	
	Whole population per capita.	As % of Pre-War level.
India, China and Japan (a)	900/1200	40/55
Greece, Yugoslavia, Czechoslovakia } (b)	1800/2200	70/75
Italy (served by U.N.R.R.A.)		
Germany and Austria (b)	1600/1800	50/60
Denmark, Sweden (b)	2850/2900	90/95
United Kingdom (b)	2850	95

(a) My estimate based on pre-war estimate of the U.S. Dept. of Agriculture.

(b) Estimate of the Minister for Food, Great Britain—April, 1946.

* Method of evaluating calories in North America is different from that in the United Kingdom. However, there is not an important variation in the results. Table 1 is based on the North American method and Table 2 on the U.K. method.

Between 90 per cent. to 95 per cent. of the calorie value of the diet in the Asiatic countries will come from cereals (see Table 1). Hence the severe grain shortage in India, China and Japan has resulted in a 50 per cent. reduction in the calorie value of the diet. According to Mr. Hoover, who has been investigating the food position in the various countries for President Truman, India has already far less than the minimum of 1,200 calories necessary. According to him India needs a minimum import of grains of 350,000 tons in June, 440,000 tons in July and 522,000 tons in August and September.

The British Ministry of Food figures (Table 2) for Continental Europe are more encouraging than those for Asiatic countries. However, the position is deteriorating almost every day. According to the British Ministry of Food the figures quoted in Table 2 show only the calorie value of food supplies and take no account of the fall in the quality of the diet which has been general in European countries. Even "in the United Kingdom about 45 per cent. of the total calorie intake now comes from grain foods and potatoes against only 34 per cent, before the war. Similar changes have taken place in all countries in Continental Europe. Diets with a high dependence on grain and potatoes are not only plainer and less palatable, but are likely also to be deficient in the more valuable protective foods."*

In considering the figures in Table 2 it should be remembered that the figures shown are averages and that many people in urban centres, especially in Europe, receive much less than the average because the farming population in general try to maintain their consumption levels above average.

In nearly all countries in Continental Europe bread and potatoes are severely rationed. The British Ministry of Food states that "in some countries rations of basic foods are not honoured as unfailingly as in the United Kingdom." In India and the Far East many among the peasants and town dwellers are reduced to starvation levels owing to crop failures.

* "World Food Shortage"—U.K. Parliament, April, 1946.

The food crisis in Continental Europe, India, China and Japan is expected to worsen before the next harvest season in August, and if the basic requirements of wheat and rice are not shipped to these areas from the surplus producing countries within the next two months, many millions on the margin of subsistence are likely to die of starvation.

Stated minimum requirements of wheat by Europe for the season July, 1945, to June, 1946, are 15.6 million tons as against 3.7 million tons pre-war. Even if these quantities could be obtained, supplies in Europe are expected to be 25 per cent. less than during an average pre-war year. Additional needs of wheat arising largely from the crop failures in India, South Africa and French North Africa and from the need to provide wheat to offset deficiencies of rice in many Eastern countries bring total world import requirements to 32 million tons. Import requirements of rice into India, China, Japan and the Phillipine Islands are 5.5 million tons. These are the minimum demands till the end of 1945-46 season.

Supply Position.

Wheat: The estimated exportable surplus of wheat that might move from the four main producing countries—the U.S.A., Canada, Argentina and Australia—during 1945-46 is around 24 million tons or 900 million bushels. This quantity is about double the average net exports from those countries during the five years, 1935-39. The following table sets out the position of supplies and net exports from the four main exporting countries.*

Table 3.
(In million tons.)

Country.	Supplies.			Domestic Utilisa- tion.	Net Exports.	End of Season Stocks (30th June).
	Opening Stock (1st July).	Crop.	Total.			
United States—						
1935/39 average ...	4.3	19.2	23.5	18.3	0.9	4.3
1944/45 ...	8.5	28.7	37.2	27.1	2.6	7.5
1945/46 (estimate) ...	7.5	30.1	37.6	23.4	10.7	3.5
Canada—						
1935/39 average ...	3.2	7.1	10.3	2.9	4.7	2.7
1944/45 ...	10.5	11.2	21.7	4.2	8.5	9.0(a)
1945/46 (estimate) ...	9.0(a)	8.1	17.1	4.0	10.0	3.1
Argentina—						
1935/39 average ...	2.6	6.5	9.1	2.7	3.2	3.2
1944/45 ...	7.8	4.0	11.8	4.4	2.6	4.8
1945/46 (estimate) ...	4.8	4.0	8.8	4.1	1.9	2.8
Australia—						
1935/39 average ...	1.8	4.1	5.9	1.4	2.9	1.6
1944/45 ...	4.3	1.4	5.7	3.0	1.6	1.1
1945/46 (estimate) ...	1.1	3.9	5.0	2.2	1.1	1.7
Total— Four Main Ex- porting Countries—						
1935/39 average ...	11.9	36.9	48.8	25.3	11.7	11.8
1944/45 ...	31.1	45.3	76.4	38.7	15.3	22.4
1945/46 (estimate) ...	22.4	46.1	68.5	33.7	23.7	11.1

* Prepared from the statement made by the Minister for Food, U.K., in Parliament on World Food Shortage—April, 1946.

(a) Stocks on the 1st August, 1945, were 258 million bushels or 7 million tons, according to the Dominion Bureau of Statistics.

The acres harvested for wheat in the four big exporting countries in 1945-46 were 109.2 million acres as compared with an average of 111.8 million acres harvested between 1935-39. The United States registered an increase of over 7 million acres harvested over 1935-39 average, while the area in the other three countries shows a decrease. The decrease is very marked in the Argentine, where only 10 million acres were harvested in 1945-46 as against an average of 15.8 million acres between 1935-39. Increase in the total production of wheat for the four countries in the 1945-46 season over the pre-war average is due mainly to a 55 per cent. increase in the production in the U.S.A. The position of net surplus of wheat available for export would have been far worse if the American production had not increased so markedly. However, the low pre-war average production in North America was due to severe drought conditions between 1934 and 1938. The U.S.A. and Canada are expected to account for 80 per cent. of the prospective wheat and flour exports from the four principal exporting countries for the 1945-46 season. The export from the U.S.A. before the war was the lowest of the four countries.

Exportable surplus from Australia and Argentina is below average as a result of smaller than average crops this season, and the reduction of carryover stocks following last year's severe drought. In Australia and Argentina the acreage and production of grain declined during the war years largely because of insufficient shipping space for bulk cargoes. This reduction in acreage was continued in 1945-46, resulting in less than average quantity of wheat available for export.

Stocks have been falling since June, 1943. At that time stocks in the four main exporting countries stood at the high level of 45.5 million tons, or about four times as much as the average carryover for the five years ending 1938-39. The problem in 1943 and 1944 was a problem of transporting supplies, and it was never felt there would be a shortage of supply in the immediate post-war years. However, stocks began to fall rapidly. By June, 1944, the level of total stocks fell to 31 million tons and by the end of June, 1945, to 22.4 million tons. This was due principally to an increasing use of wheat to feed animals, especially in North America, to the increased use of wheat for industrial purposes, especially for the production of industrial alcohol for the manufacture of synthetic rubber in the U.S.A., and to the use of wheat for fuel in the Argentine. The following table shows the increased use of wheat for feeding livestock:—

Table 4.
(In million tons.)

Year.	U.S.A.	Canada.	Argentine.	Australia.
Pre-war 1935/39 average ...	3.3	0.8	0.2	0.2
1939/44 average ...	6.1	1.9	0.6	0.5
1944/45 average ...	7.4	2.0	1.9	1.7
1945/46 (forecast) ...	6.7	1.7	1.4	0.7

Where only 4.5 million tons of wheat were used by the four countries for feeding livestock in the pre-war period, 13 million tons were used in 1944-45. To a large extent this is due to an increased demand for livestock products. However, the U.S.A., which has quite a variety of feed concentrates, could have easily confined the use of wheat for feed to the pre-war level.

The British Ministry of Food estimates that the available surplus of wheat for export in 1945-46 would be 23.7 million tons. Minimum requirements, as already stated, are 32 million tons. Thus in the 1945-46 crop season the world deficit of wheat is expected to be 8 million tons.

Rice.

The shortage of rice is as acute as the shortage of wheat. The 1945-46 world rice crop, according to the U.S. Department of Agriculture, will be about 6,200 million bushels of rough rice or about 140 million short tons, as against the pre-war average of 7,400 million bushels or 167 million short tons. This represents a reduction of over 15 per cent. in the supplies obtained from the average production for the five years ending 1939-40. Virtually all reduction occurred in Asia, where 95 per cent. of the world's rice is produced. Production fell drastically in countries which were under Japanese occupation. The three leading exporting countries, Burma, Siam and French Indo-China, which before the war exported nearly 6 million tons annually, will have very little to export from the 1945-46 crop. Production in these countries is estimated to be from 50 per cent. to 60 per cent. of the pre-war level. It is expected, however, to secure 1.5 million tons in 1946, and the supplies will come entirely from stocks which have accumulated in Siam and to a less extent in Burma. Korea and Formosa, which had a pre-war average (1936-40) exportable surplus of 1.7 million tons, are likely to provide only 0.2 million tons in 1946.

In the Western Hemisphere a record crop is expected in North America as a result of increased production in the U.S.A. Average production in the U.S.A. for the five years ending 1939-40 was 729,000 tons. This has increased to 1,026,000 tons in 1945-46. Net exportable surplus is expected to be 250,000 tons, or nearly double the pre-war average. In South America, the Brazilian rice crop, planted between September and November, 1945, is expected to yield a larger crop than it did last year, and the net exportable surplus is estimated at about 150,000 tons. Total exportable surplus for the whole of South America is estimated to be 285,000 tons. Exportable surplus from the Western Hemisphere as a whole is expected to be over 0.5 million tons, or more than double the pre-war average. African rice crop, especially in Egypt, for 1945-46 is better than the pre-war production, and exportable surplus is expected to reach 200,000 tons.

Total exportable surplus of rice for 1946 is estimated at 2.4 million tons, against stated world minimum requirements of 5.5 million tons. Thus there remains a deficit of 3 million tons of rice.

Conclusion

On present estimates world shortage of cereals for 1945-46 is 11 million tons, made up of 8 million tons of wheat and 3 million tons of rice. Great difficulties are experienced in procuring, especially rice exports. Even before the war food supplies in many rice-consuming countries were marginal, and there was less scope for reducing the rations in those countries than in some Western countries, where the consumption of livestock products was an important feature of the diet. Rice is grown almost entirely by peasant cultivators in the Eastern countries, and supplies for export come from tiny surpluses of millions of peasant holdings. Threat of food shortage and lack of consumer goods have resulted in the peasants either consuming more rice or holding back their small surpluses. This situation has intensified the gravity of the food position in the East. General failure of rains normally expected in India between December and March resulted in the decline of rice and millet production to 3 million tons below expectation. On top of this there was a large deficit of over 4 million tons in the expected crops of wheat, barley and other grain. According to Sir Ben Smith, British Minister for Food, the Indian calamity is the crucial factor in the present food crisis. In Europe, particularly the Mediterranean area, drought conditions in the summer of 1945 affected seriously grain and potato harvests. In French North Africa and the Union of South Africa nearly 3 million tons of bread grains were lost through drought. Though the exportable surplus of wheat from the four big exporting countries is far higher in 1945-46 than the total exportable surplus of food grains before the war, heavy losses in food importing countries, except the United Kingdom, have resulted in demand for food grains far outstripping available supplies.

International action is necessary to meet the crisis. The Cereals Committee of the Combined Food Board in Washington has taken up the problem of allocating supplies of food grains to the deficit countries.* A special Committee of the four main exporting countries has been established to determine shipment programmes after hearing decisions regarding allocations by the Cereals Committee. Australia is a member of both the Committees.

One of the important problems to be faced regarding the building up of the exportable surplus of food grains is the need to reduce the quantity of food grain now fed to livestock. In the four big exporting countries, especially the U.S.A., the quantity of wheat used for feeding animals rose from a prewar average of 4.5 million tons to 18 million tons in 1943-44. However, it fell to 13 million tons in 1944-45, and is expected to be 10.5 million tons in 1945-46. In the U.S.A. it is estimated that nearly 7 million tons will be used in 1945-46 to feed livestock.

*The formation of a new International Emergency Food Council was announced on the 24th May. This Council replaces the Combined Food Board, and will deal with international food production and allocation. The Council gives representation to most of the major food producing countries.

This is over 100 per cent. of the average pre-war level. In Argentina, though the estimated quantity to be used will be only 1.4 million tons in 1945-46, it will be seven times the 1935-39 average. In Canada it is twice the pre-war average, and in Australia three times the pre-war average. It cannot be denied that, in spite of the growth in livestock numbers and the shortage of feeding stuffs, the quantities of grain at present fed to livestock are too high considering the serious world shortage of wheat for human food. "It is well known that under conditions of scarcity, the most economic use of grain is for feeding human beings direct and not for converting it through animals into meat and eggs for human food. Under normal feeding practices, for example, it needs 3½ lb. of grain and concentrated feeding stuffs to produce 1 lb. of beef, 5½ lb. to produce 1 lb. of eggs., and 6 to 7½ lb. to produce 1 lb. of pig meat."* It is estimated that over 5 million tons of wheat could be directed to human consumption if the control of feeding wheat to livestock is introduced in the big surplus wheat producing countries. Of course this will mean a fall in the production of meat, and may necessitate the introduction of meat rationing in the countries in the Western Hemisphere.

Another method of tackling the problem of food grains shortage is by increasing the extraction rate of flour from wheat. The extraction rates in the four big exporting countries and in some of the principal importing countries are as follows:—

Rate of Extraction of Flour from Wheat—1st February, 1946.

	Per cent.
U.S.A.	72
Canada	73
Argentina	72
Australia	72
United Kingdom	80
France	90
Germany	90
Italy	91

Countries with an exportable surplus of wheat have a far lower rate of flour extraction than those importing wheat. Since February this year the rate of extraction in Great Britain has been raised to 85 per cent., and it is likely that the rate may be increased even further at the expense of her poultry industry. Recently the United States decided to increase the rate of extraction to 80 per cent. The quantity of wheat grain and offal used for feeding livestock in the U.S.A. during the war period was more than double the average for a pre-war year (see Table 4). Probably it is easier to increase the rate of extraction in the U.S.A. than, for instance, in Australia, because of the variety of feed concentrates available in the former.

* "The World Food Shortage"—presented by the Minister for Food to the U.K. Parliament—April, 1946.

At present in Australia under normal milling procedure, 72 per cent. of flour is extracted from the grain and the remaining 28 per cent. is available as bran and pollard to the livestock. According to the Commonwealth Statistician, for the year ended 30th November, 1946, the quantity of wheat (including bran and pollard as wheat) used for stock feed was 44.5 million bushels. The quantity of flour produced in terms of wheat during the same period both for export and local consumption is 47.4 million bushels.* At 72 per cent. rate of extraction of flour from grain this would mean that the quantity of bran and pollard as wheat that was available for livestock would have been about 20 million bushels. In other words in the year 1945 about 25 million bushels of wheat grain was fed to livestock. If the extraction of flour from grain were increased from 72 per cent. to 85 per cent. the percentage of offals would decrease from 28 per cent. to 15 per cent. This would very likely force some livestock industries out of production unless additional wheat grain were provided for stock feed. The aim of exporting more wheat and wheat flour cannot be achieved if more wheat is to be supplied for stock to offset the loss of offals caused by a high rate of extraction. The problem then is whether this country is prepared to face a shrinking livestock industry if the extraction rate is increased to meet the increased overseas demand for wheat and flour.†

The present policy of the Commonwealth Government is to export 25,000 tons of "Attah" flour every month to India for the next six months, the New South Wales quota being 10,000 tons per month. "Attah" flour is manufactured from unconditioned wheat at 95 per cent. rate of extraction from the whole grain. This flour is more granular than white flour, so that a different milling procedure is adopted in its production. Samples of "Attah" flour have been prepared in the Chemists' Branch of the N.S.W. Department of Agriculture and sent to the Flour Millowners' Association for the information of the milling trade.

Production of "Attah" flour will yield only 5 per cent. offal as against 28 per cent. from the manufacture of normal white flour. It is expected that in the next six months nearly 6 million bushels of wheat will be used in the production of "Attah" flour, and this will mean less offals for the livestock industry. However, as the manufacture of white flour at the normal extraction rate of 72 per cent. for local consumption and export will be continued, offals for livestock will be available from these sources.

Wheat stocks in the four big exporting countries on the 30th June, 1946, are expected to be 11.1 million tons. This is only a little less than the pre-war (1935-39) average. Stocks in Australia and Canada are expected to be above the pre-war average. Reduction of end of season stocks in the four exporting countries by about 3 to 4 million tons to supply the deficit countries may have to be considered before long.

*Summary of the Wheat Situation—January, 1946—Commonwealth Bureau of Census and Statistics.

† The views expressed here on extraction rate and "Attah" flour are based on a discussion with Mr. J. R. Fisher of the Chemists' Branch, N.S.W. Department of Agriculture.

In countries where meat forms a principal item of diet, as in the U.K., U.S.A., Canada, Australia and Argentina, the use of flour for making cake and biscuits could be curtailed for a temporary period to tide over the severe food grain shortage this year. Already Great Britain has reduced the size of the bread loaf from two pounds to one and three-quarter pounds, and a vigorous campaign to secure economy in bread consumption is being carried on. Measures, not so drastic, may be taken in the principal wheat surplus producing countries and this may ease the food grain position considerably this year. The United States cut down the allocation of wheat to millers for home consumption by 25 per cent. and adopted special measures to stimulate the release of grain stored in the country.

The shortage of food grains, according to Sir John Boyd Orr, Director-General of the F.A.O., is likely to persist for nearly four or five years. Probably in 1946-47 some increase in production may be expected in the former war zones, and the repetition of the disastrous droughts this season is improbable. However, reduced stocks of grain at the beginning of next season may mean reduced exportable supplies from the principal exporting countries. Next season's export will come principally from current production and it is necessary for the U.S.A., Canada, Argentina and Australia to maintain at least their present wheat acreage for the 1946-47 season. In Australia and Argentina the wheat acreage for 1946-47 is expected to be higher than the 1945-46 season, while Canada and the U.S.A. are likely to maintain the 1945-46 season acreage. The "London Economist" of April 6, 1946, states "that if the North American utilisation of wheat for food, feed, seed and industry were reduced in the next crop year to the pre-war average, there would be a saving of no less than 6.2 million tons of wheat—just about the margin between life and death." Planning on an international level and the co-operation of producers are necessary to prevent the continuance of the present food shortage.

CANADIAN WHEAT PRICE POLICY.

BY

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Now, for the first time for many years, Australian F.A.Q. wheat is being sold for export at a price which exceeds that being obtained for Canadian No. 1 Northern which is, with the exception of one or two special grades of negligible importance, the highest quality Canadian wheat marketed.

The reason for this change in the comparative price position is not that the demand for Australian wheat has increased relatively to Canadian. It is due partly to the freight advantages which Australian wheat possesses in Eastern markets, but mainly to the special wheat price policy adopted by the Canadian Government in September last.