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.

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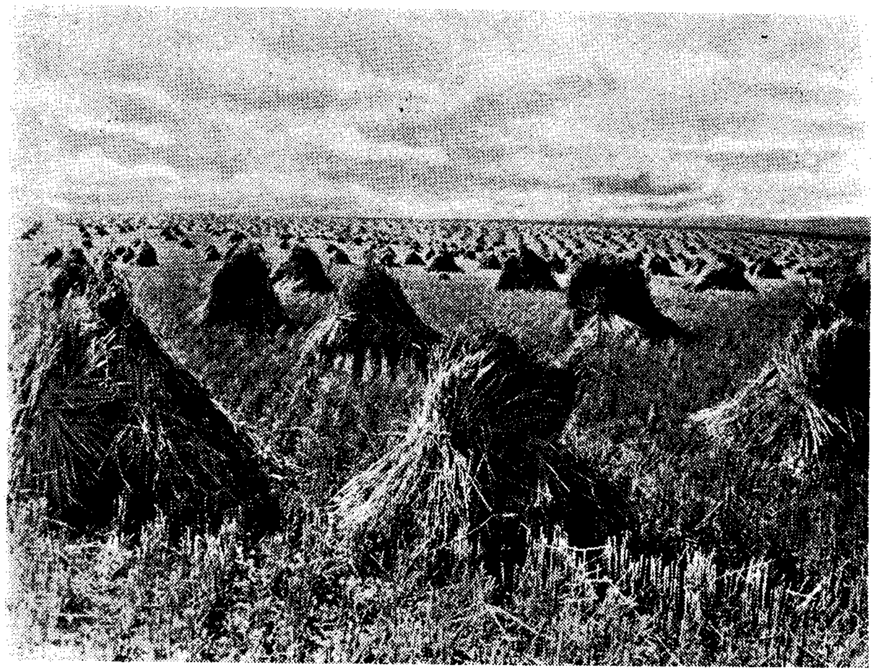
Now, for the first time for many years, Australian F.A.Q. wheat is being sold for export at a price which exceeds that being obtained for Canadian No. 1 Northern which is, with the exception of one or two special grades of negligible importance, the highest quality Canadian wheat marketed.

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.

Canada is, in fact, selling wheat below the world price both to preserve the long run stability of her wheat industry and because she does not wish to take advantage of the present world shortage of wheat to force famine stricken countries to pay exorbitant prices for the comparatively large quantities of wheat she is able to supply.



A Field of Stooked Wheat in Western Canada.
(Photo by Courtesy of the Canadian Government Trade Commissioner).

To compensate growers for temporarily accepting an export price below world parity, the Government has guaranteed them a minimum price for all authorised deliveries made before 31st July, 1950. Should the world price of wheat fall below the guaranteed price prior to that date the entire deficiency will be paid by the Government from general revenue. Wheat price policy in Canada therefore differs significantly from the measures now proposed in this country, and it is appropriate that details of the present Canadian policy should be outlined here.

Reasons for the Policy Adopted.

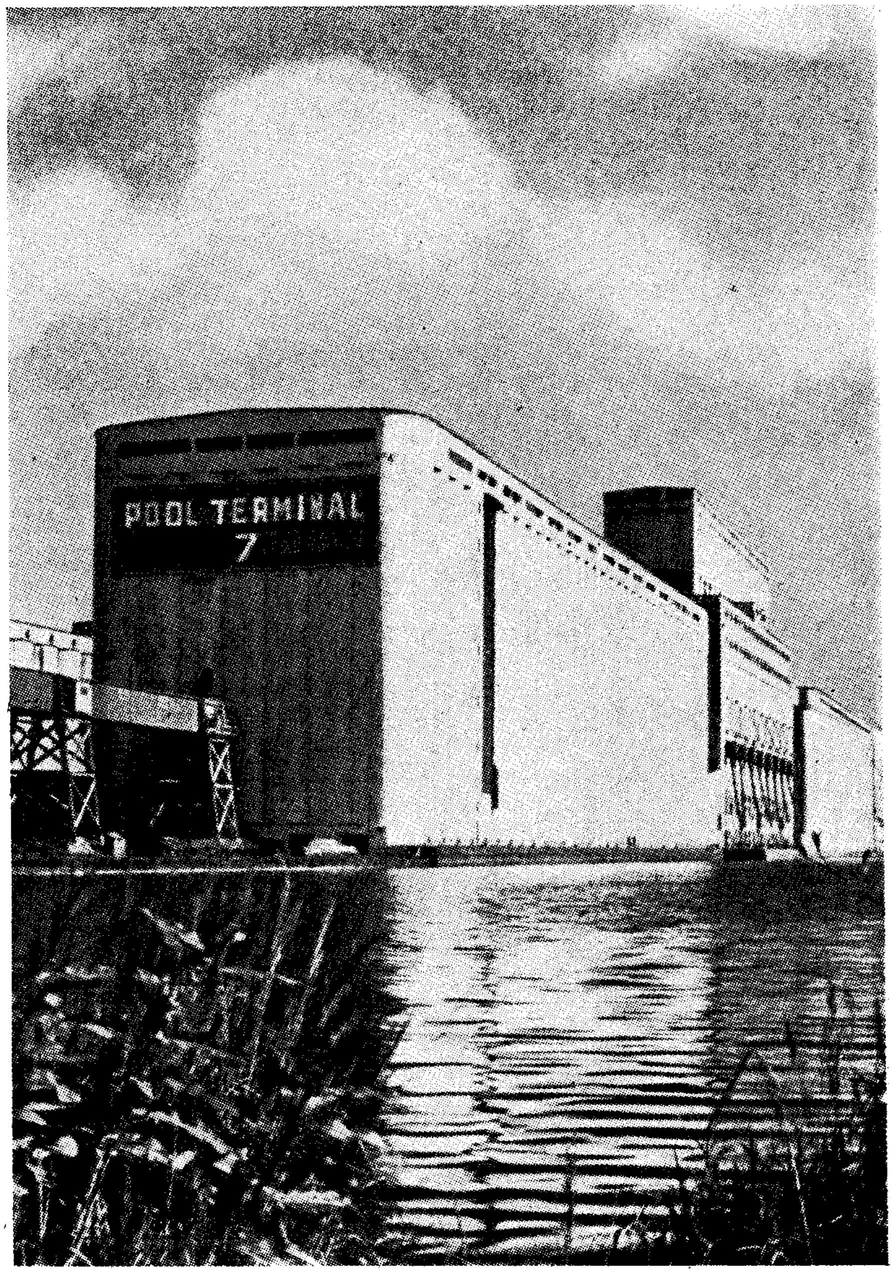
In announcing to the Canadian House of Commons last September the policy to be followed, the Minister for Trade and Commerce said:—*

> "The Second World War has concluded with Canadian wheat producers in a particularly strong marketing position. Not only has the general disruption and bad weather reduced production in the war areas, but the Australian and North African crop failures and a small crop in Argentina have left Canada and the United States as the only countries at

* Extract from Hansard, 19th September, 1945, quoted in the "Monthly Review of the Wheat Situation," September, 1945.

present having substantial export surpluses of wheat. This has coincided with the release of pent-up demands in the liberated areas.

In these extraordinary circumstances, Canadian wheat might well command, for a limited period, very much higher prices in the world market. The importing countries, nearly all of them our allies in the war, are buying out of necessity and, to large extent, on credits. They would be compelled to meet through larger credits or through sacrifice of other food and rehabilitation supplies whatever higher price is demanded for Canadian wheat.



A Port Arthur Grain Elevator—This fully mechanised elevator is the largest in the world.

(Photo by Courtesy of the Canadian Government Trade Commissioner).

It is in the interest of Canada and of Canadian wheat growers that the importing countries should continue to obtain Canadian wheat at prices not in excess of those prevailing at the end of hostilities. Accordingly the Government by Order in Council, has instructed the Canadian Wheat Board to offer wheat for sale for export overseas at prices not higher than the current export price of $1.55 (8/6½d. Australian) per bushel, basis No. 1 Northern, in store Fort William-Port Arthur or Vancouver.

In asking Canadian producers to forego such benefits as might be realised in the short run through higher export prices, the Government recognises the paramount need for relative stability of income to wheat producers. Toward this end, the Government undertakes that in the five-year period ending July 31st, 1950, producers will receive not less than $1.00 (5/8d. Aust.) per bushel, basis No. 1 Northern, in store Fort William-Port Arthur or Vancouver on the authorised deliveries for each crop year. For the balance of the 1945-46 crop year at least, the Canadian Wheat Board initial advance will continue at $1.25 (7/1d. Aust.) where it was set two years ago. By providing a long-term floor price of not less than $1.00 the Government will protect producers against the consequences of any sharp reversal in the world wheat position during the next five year period.

The Government, in adopting this policy of a maximum price for overseas shipments for the present and a floor price for five years, is asking the producers, in their own interests, to forego exceptional short-run advantages in favour of a long-run stability of income. In arriving at its decision on this policy, the government had the following fundamental considerations in mind:—

Any further increase in wheat prices now would aggravate the problems of economic and political readjustment of the liberated areas to Canada's detriment in future trade with those areas. There is a moral obligation not to take advantage of our recent Allies in their time of compelling need.

Higher wheat prices would encourage the importing countries in a hurried return to wheat production and pre-war wheat policies very directly to the detriment of the wheat exporting countries, particularly Canada. Moreover, production in a number of exporting countries would be unduly encouraged."

Details of this policy as it affects export prices, the price and return to growers and domestic wheat prices in Canada are given below.

Export Prices.

The maximum prices at which the four chief statutory grades, which make up the bulk of the Canadian wheat crop, may be sold for export have been fixed, in store Fort William-Port Arthur or Vancouver, as follows:—

No. 1 Northern	..	155 cents per bushel	(8/6½d. Aust.)
No. 2 Northern	..	152 cents per bushel	(8/4½d. Aust.)
No. 3 Northern	..	150 cents per bushel	(8/3d. Aust.)
No. 4 Northern	..	149 cents per bushel	(8/2½d. Aust.)

However, before these prices can be compared with Australian export prices certain charges must be added. The prices quoted above are the prices at Lakehead. To these must be added 6 cents, being the "carrying" charge to cover storage since 1st January, 1946, plus an additional 13 cents being the cost of transporting the wheat from Lakehead ports to deep sea ports and placing it f.o.b. These charges increase the current export price of No. 1 Northern to 174 cents, f.o.b. (9/10½d. Aust.). Recent sales of Australian F.A.Q. wheat for export have ranged up to 10/4¾d., f.o.b. and current quotations remain consistently above Canadian No. 1 Northern.

Price to Growers.

Growers are guaranteed a minimum of $1.00 per bushel (5/8d. Aust.) basis No. 1 Northern, in store Fort William-Port Arthur or Vancouver, on all authorised deliveries until July 31st, 1950.

The initial per bushel advances on authorised deliveries of the 1945-46 crop, in store Fort William-Port Arthur or Vancouver, varied as under:—

$1.25 (7/1d. Aust.) for No. 1 Northern to $1.04 (5/11d. Aust.) for Feed Wheat.

$1.25 for 1 C.W. Amber Durum to $1.10 (6/3d. Aust.) for 6 C.W. Amber Durum.

$1.20 (6/9½d. Aust) for 1 C.W. Garnet to $1.16 (6/7d. Aust.) for 3 C.W. Garnet.

$1.35 (7/8d. Aust.) for No. 1 Alberta Red Winter.

The tough grades show about three cents under the price of straight grades and there is an additional reduction for such grades as smutty, rejected, damp, etc.

No further advances have been made on this crop but recent reports indicate that, in view of the high world prices now being obtained for wheat, growers are dissatisfied with current domestic prices and consequently the price to growers may well be increased in the near future.

The Return to the Grower.

It should be noted that the guaranteed price and advances quoted above are for wheat "in store Fort William-Port Arthur or Vancouver", and not at the grower's point of delivery.

To obtain the return to the grower at country sidings, handling and transport charges must be deducted. The average cost of transportation and handling naturally varies considerably. Usually transportation is considered to average approximately 12 cents per bushel, and in addition to this, when grain is sold at the country elevator there is a charge of 3 cents per bushel, which covers elevation, weighing and inspection, and all other charges. Thus to obtain the return at the grower's point of delivery 15 cents (10d. Aust.) must be deducted from the abovementioned prices.

The average guaranteed return on No. 1 Northern at the grower's point of delivery is therefore 85 cents (4/10d. Aust.), while the average initial advance on this wheat for 1945-46 was 110 cents (6/3d. Aust.).

Administrative costs incurred by the Canadian Wheat Board are not met by the grower, but are paid out of general revenue.

Domestic Prices.

(a) *Flour*: Millers of wheat for domestic consumption pay prices equivalent to the initial advance made to growers. However, they actually sell flour on the basis of 77¾ cents (4/4½d. Aust.) per bushel. The difference between that price and the price paid is a subsidy drawn from general revenue for which millers are entitled to drawback. In the case of flour for export, millers pay the export price for wheat.

(b) *Stock Feed*: The feeder of wheat pays at the rate of the farmers' initial advance for grades No. 4 Northern or better, but, of course, there is little of this wheat fed. In the case of lower grades he gets a subsidy of 25 cents (1/5d. Aust.) per bushel. This subsidy also is paid from general revenue.

Grading of Canadian Wheat.

Canadian, unlike Australian, wheat is marketed in a large number of different grades. It will be noted that most of the prices quoted throughout this article are for No. 1 Northern, which is, apart from one or two special grades which form a negligible portion of Canada's total crop, the highest quality Canadian wheat, and formed only just over 30 per cent. of the 1946 crop. This percentage is, too, higher than might usually be expected.

A fair comparison cannot therefore be made between No. 1 Northern and Australian F.A.Q. wheat. Certainly the difference in price between No. 1 and No. 4 Northern is only 6 cents, and these four grades comprised well over 80 per cent. of the 1946 crop. But even this difference must be taken into consideration when comparing prices in the two countries, while it should also be noted that the price of feed wheat is in the vicinity of 21 cents (1/2d. Aust.) below the price of No. 1 Northern.

The accompanying table shows the relative importance of the various grades in the 1946 crop.

*Grading of 1946 Canadian Wheat.**

Grade.	Percentage.
No. 1 Northern	31.95
No. 2 Northern	39.79
No. 3 Northern	9.44
No. 4 Northern	2.43
Garnet	1.20
Amber Durum	1.55
Alberta Winter	0.47
Tough	10.76
All others	2.41
Total	100.00

* Source: "Monthly Review of the Wheat Situation," February, 1946.

Much of the information contained in this article was supplied by the Canadian Department of Trade and Commerce through the Office of the High Commissioner for Canada, Canberra.