SIMPLY ABOUT WHEAT

By Frank Whitaker

We are going to hear a lot about wheat this winter. It will not always be called wheat, for politicians like to find new labels for things. But whether they call it the Big or the Little Loaf, Food Taxes, Imperial Preference, Tariff Reform, Empire Free Trade, Cobdenism, the Quota, or Dumping, they mean much the same thing in the end.

The pamphlets are called "The Wheat Problem," Parts I. and II. (*Corn Trade News*, Liverpool, price not stated), and they contain speeches delivered by two or three prominent Canadians during the last six months. Only one of them, I should explain, was delivered in a political atmosphere. That was in the Manitoba Legislature last March, but the speaker (Mr W. Sanford Evans) took pains to explain that he spoke in an entirely independent capacity.

To begin with, let me state a few bare facts. In normal crop years Canada exports more wheat than any other country. She exports three times as much as she consumes. The United States, next door, consumes three times as much as she exports. Europe takes 75 to 80 per cent of all exports of wheat, in addition to producing half the world's supply herself. Last year she imported on an average 14 million bushels a week. This year she has taken only 9¼ million bushels a week.

Notice that drop. It means, among other things, that whereas 18 months ago the United Kingdom used 40 to 50 per cent of Canadian flour in its loaves, six months ago the figure had fallen to about 5 per cent, and now it is probably even less. The United Kingdom is to-day the hardest market in which to sell Canadian wheat. Eighteen months ago it was the best.

That seems strange—until you have read these pamphlets. You there learn of the existence of a Mr Adrian Sapiro, a Californian gentleman whose name is a household word in the Middle West, and who deserves to be better known over here. Seven years ago, when the price of wheat had fallen to an abnormally low level (less than a dollar a bushel compared with two dollars in 1917-20), Mr Sapiro began to preach a dazzling new gospel to the farmers. "People must have wheat," he said in effect, "but there is no reason why they should get it on terms fixed by the laws of supply and demand. We will fix the price, and if the consumer won't pay it we will starve him until he does."

The farmers jumped at the idea. In Alberta, Saskatchewan and Manitoba they formed a co-operative organization known as the Wheat Pool to control their output. In 1926 they talked of linking up with Australia and the United States and forming an international pool. Its doctrine, in the words of one of the Canadian leaders, was to be this :—

> We can raise the price of wheat at least 50 per cent above the level of the price that has been maintained through the old system without the assistance of any other country in the world.

In the same speech the speaker referred to the 1926 crop in these terms :—

> There is no reason why it should not have been sold anywhere from 25, 40, or 50 cents a bushel higher than it will be sold at, but in order to get that price we have got to sell the wheat systematically as the consumptive demand develops.

The international pool was never formed, but there were developments of another kind. The Canadian and U.S. farmers had been having a bad time. Mr Sapiro's theories had been knocked to bits by the hard facts of supply and demand. Prices fell lower and lower. The Governments of the three Canadian provinces and the Government of the United States, therefore, came to the farmers' rescue with large sums of money. A hundred million pounds was voted to Congress for this purpose, with the result that in 1929 prices in the United States soared upwards, although there was at the time the largest surplus of wheat in the world's history.

Speaking generally, however, both U.S. and the Canadian pools have hitherto failed in their attempts to blockade supplies. Prices have gradually but surely declined in response to world conditions. On the pools' own admission Europe has either turned to other markets or eaten substitutes until the blockade has been removed (and when Europe substitutes for every tenth slice of bread a potato or a vegetable or a crust of rye her demand falls off by 200 million bushels—"enough," as one of these speakers says, "to break any market"). Canada is, therefore, straining every nerve to recapture the British market. She has asked us, through the mouth of her Prime Minister, to help her by putting a tariff on foreign wheat.

Mr McPhail had explained that in May, 1929, the Pool bought between four and five million bushels to steady the market, and sold it again at a profit.

"'Steadying the market,'" says Mr Oliver (Pamphlet No. II.), "is an accepted and well understood euphemism for gambling operations on an exchange, whether of mining stocks or grain. Of the original objectives of the Pool one of the most prominently featured was the stopping of speculative dealing, that is, gambling. Winning is the only justification for gambling. . . . If the Pool executive is privileged to 'steady (or support) the market' by the purchase of four to five million bushels of wheat at a low figure, and to sell out on a rising market, with the foreknowledge claimed by the Pool, *there is certainly room and opportunity for collusion between the Pool executive and favoured individuals or outside organizations that might result in startling profits*, in which the farmer members of the Pool whose money had been risked in the gamble would have no share, and of which under the Pool contract they would not even have the right to an accounting."

When Mr MacDonald's Government came into power last year, and it was announced that Mr J. H. Thomas was going to visit Canada, it was believed there that an Import Board was to be established to act as the sole buyer of wheat for Great Britain. The Pool did not prevent the price of wheat in Winnipeg advancing from $1.15 a bushel in June to $1.70 early in August.

Mr Sanford Evans, in the speech already mentioned, expressed anxiety lest the Pool, having been relieved of financial difficulties by public money, should feel relieved also "of considering Canadian interests as a whole."

In a recent article in the *New York Tribune* (also quoted in Pamphlet No. II.), ex-President Coolidge drew attention to the dangers of trying to "repeal the law of supply and demand." Britain, he said, had tried to control rubber, Brazil coffee, Cuba sugar, Canada wheat, the United States wheat and cotton and silver, the European cartel steel—and all of them had failed.

"When the consumer buys a product," he went on, "it goes out of the market and disappears. When private or public agents buy to fix an arbitrary price the product is still in the market, every consumer knows it and waits for the re-sale. The price can only be held as a local or temporary expedient, which usually makes matters worse.

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