THE EFFECT OF THE AMERICAN TARIFF ON THE AGRICULTURE

OF ONTARIO AND QUEBEC.

1867-1936.

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May 1, 1935.

Toronto, Ontario.

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PART I.

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A Brief Survey of AMERICAN - CANADIAN Trade Relations.

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Submitted to McMaster University in partial
fulfilment of M.A. requirements.

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INTRODUCTION

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In the economic history of Canada, the problem of trade relations with the United States has always been in the forefront of administrative thought and policy. The attractive features of proximity, the size of the market, compatibility of customs and mental attitudes, currency similarities and reasonable stability in exchange rates all combine to suggest advantageous, economic interdependence. It is probable that the conception of the United States as a "natural" market for Canadian products has been given an exaggerated significance in the body of Canadian economic writing. Nevertheless, it is true that the dominating factor of adjacency is one which has greatly influenced Canadian opinion in respect of tariff policies, and will continue to do so in the future.

During the earlier part of the French regime, before the Act of Confederation brought about the union of the British North American provinces in 1867, Canada's foreign trade was controlled by monopolistic chartered companies. The most notable was the Company of One Hundred Associates. Their charter was cancelled in 1663, but their activities were typical of the trading methods of that time.

The French occupation of Canada had dotted the settled portion with trading posts, supported chiefly by unscrupulous exploitation of the Indian. The French had made no attempt to establish and develop a trading policy on permanent lines, and this fact contributed to their defeat and expulsion by the British. After the British conquest, the French traders returned to France. Other traders, from England, Scotland and New England took advantage of the changing fortunes to seize the trading privileges which the country offered.

For the first sixty years of British rule, Canadian commerce was carried on almost exclusively with or through the United Kingdom. But there was the inevitable undercover competition of smuggling between Canada and the United States. The necessarily close relations resulting from the adjacency of the two countries made it a problem to which there seemed no solution other than extending the trading area of Canada. The introduction of Canadian products into the American market was the next step in Canada's economic development, and resulted in the loss of her preference in the British tariff. By 1860 all traces of colonial preferences had disappeared. From that time, by a series of very definite steps, Canada became to a large extent economically dependent upon the American market.

It is the purpose of this study to show the effect of American tariff legislation of the export of natural products from Ontario and Quebec from Confederation to the present time. Part I is a brief survey of American-Canadian trade relations providing the background against which is traced in Part II the definite effects, on certain specified commodities representative of the agricultural economy of Ontario and Quebec, of the fluctuations of the American tariff.

A SURVEY OF AMERICAN AND CANADIAN TRADE RELATIONS FROM 1854 to 1936.

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The Reciprocity Treaty Repealed.

In 1867 the Canadian provinces were united under the British North America Act. During the 11 years preceding Confederation, 1854-1866, freedom of trade had existed between the two countries under the provisions of the Reciprocity Treaty. Grain, animals, vegetables, poultry, eggs, butter, and cheese were all reciprocal products in the tariff schedules. Exports from the B. N. A. provinces to the United States increased, on the whole, throughout the term of the Treaty. (1)

An analysis of this increase reveals at least three contributory influences other than the fact of reciprocity, which must be taken into account in studying the movement of trade in this period. As a matter of fact, the volume of trade had been gradually expanding for many years prior to the Treaty.

There had been a natural, maturing development of Canada's resources. The accelerating tempo of trade is the logical result as a comparatively unexploited country increases her population, enlarges her internal and external demands, and expands her industries.

The emergency conditions of wartime also created an exceptional demand for Canadian natural products. The unusual increase in exports, which produced a high degree of prosperity over the years of the Crimean War, 1854-1856, and the Civil War, 1861-1865, cannot be attributed solely to the conditions created by the Treaty, since it is safe to assume that the urgency of war demands would have rendered nominal trade barriers ineffectual, had they existed.

(1) See Appendix II, Table I, for figures of reciprocal trade from 1853 to 1867.

Trade between the two countries was also a matter of convenience because the chief articles imported by Canada (wheat, meats, flour, livestock, coal, fish, and fish oil, tallow, butter, cheese, lumber, and hides) were those which the colonies chiefly exported. It was more convenient for Canada to get certain products from the adjacent States than from remoter parts of Canada, and more convenient for the States to trade with Canada than to get supplies from their own territory. Perhaps one of the greatest psychological considerations influencing public and political opinion on the question of American-Canadian trade relations is the attractiveness of a convenient outlet. It has always been difficult to consider with conviction a more arduous alignment of trading routes with their necessary inconvenience of time and distance, when there exists on our very frontiers a large, attractively convenient market.

But the Reciprocity Treaty was unpopular in the United States. It was considered to operate more advantageously for Canada than for the other party to it. When the ten-year period elapsed, the United States gave the required notice of denunciation and the Treaty expired on March 16, 1866. It had been in force for eleven years.

Although the abrogation of the Reciprocity Treaty of 1854 by the United States was dictated by reluctance to support a trade agreement which gave more advantages to Canadian primary industries than accrued to domestic interests, there was no immediate evidence in American tariff legislation of the adoption of a discrimnatory policy. In the years between 1867 and 1883 frequent changes in the rates levied on certain agricultural exports, notably livestock, would seem to indicate a (1)

(1) On May 16, 1866, a duty of 20% ad. valorem, was levied on live animals; i.e. horses, mules, cattle, sheep, hogs, imported from foreign countries. On July 14, 1870, it was enacted that other duties should be imposed in lieu of the former ones, as follows: cattle, swine and sheep, 20% ad. valorem; flaxseed, 20 cents per bu. of 56 lbs. On August 1, 1872, cattle, swine and sheep were admitted free of duty. A duty of 15 cents per bushel was imposed on potatoes. Between 1870 and 1875 there

spasmodic desire to augment government revenue rather than a policy of discrimination against a competitive neighbour. Public sentiment was opposed to any further attempts at reciprocal trade relations with Canada.

In the new Confederation of provinces, feeling was still strongly in favour of reciprocity, and in the Tariff Act of 1868, the first year of united policy, there was enacted a standing offer of reciprocity to the United States of America. "Any or all of the articles mentioned in Schedule D, when the growth and produce of the United States of America, may be imported into Canada from the said United States free of duty, or at least at a less rate of duty than is provided in the said schedule, upon proclamation of the Governor in Council, whenever the United States shall provide for the importation of similar articles from Canada into that country free of duty or at a less rate of duty than is now imposed on the importation from Canada of such articles into the United States." Schedule D included the following commodities: animals of all kinds; fresh, smoked and salted meats; green and dried fruits; fish of all kinds, products of fish and of all other creatures living in water; poultry; butter, cheese, lard, tallow; timber and lumber of all kinds, round, hewed, sawed, but not otherwise manufactured in whole or in part; fish oil; gypsum, ground or unground.

The United States made no move to take advantage of this offer. Sir John Rose, Minister of Finance in the MacDonald Administration, made renewed attempts in 1869 to achieve reciprocal trade terms, but was unsuccessful. Two years later, in the negotiations which led up to the Treaty of Washington, a Canadian offer of reciprocity in trade, coasting privileges, and in registration of vessels was rejected.

(1) -continued from Page 2- ..: was a fall in customs revenue, and the reductions granted in 1872 were repealed and some duties were increased.

The Draft Treaty, 1874.

When the MacKenzie Administration came into power, the trade reciprocity struggle was renewed as a side-issue to the disturbing fisheries problem. In the Treaty of Washington, 1872, the fisheries question had been tentatively settled, but the very nature of the arrangements doomed them to be unsatisfactory. Each country had agreed to open its fisheries and its market for fish and fish-oil for a period of ten years. Obviously, in consideration of the prolific fishing grounds which were thereby opened to American fishermen, the agreement was very advantageous to them. Canada was to receive monetary compensation, in respect of this advantage, and the amount was to be determined by arbitration. The new Government made, as part of its policy, the possibility of securing open markets, instead of this probably irritating and definitely uncertain money payment.

In 1874, George Brown and Edward Thornton, the British Ambassador at Washington, were appointed by the British Government as joint plenipotentiaries to carry on the negotiations. In conjunction with Mr. Fish, then Secretary of the States, a draft reciprocity treaty was drawn up.

The Treaty provisions were:-

(1) Reciprocal enjoyment of the shore fisheries, except shellfish, salmon, and shad fisheries.

(2) Coasting trade of the Great Lakes to be open to the ships of either nation.

(3) The rivers and canals to be open to both countries, and Canada to enlarge her waterways.

(4) An important list of manufactured goods to be free, including textiles and manufactures of iron and leather. The reduction of duties to be spread over three years according to a sliding scale agreed upon.

This tariff section of the Draft Treaty is so important that it should, perhaps, be quoted "in extenso".

"It is agreed that the Articles in Schedules A, B, and C hereunto annexed, being the growth, produce or manufacture of the Dominion of Canada or of the United States shall, on their importation from the one into the other, from the 1st day of July, 1875, to the 30th day of June, 1876, (both included), pay only two-thirds of the duties payable at the date of this Treaty on the importation into such country of such articles respectively; and from the 1st day of July, 1876 to the 30th day of June, 1877, (both included), shall pay only one-third of such duties; and on and after the 1st day of July, 1877, for the period of years mentioned in Article XIII of this Treaty, (i.e. 21 years), shall be admitted free of duty into each country respectively.

For the term mentioned in Article XIII, no other or higher duty shall be imposed in the United States upon other Articles not enumerated in said schedules, the growth or produce, or manufacture of Canada or in Canada, upon such articles, the growth, produce, or manufacture of the United States, than are respectively imposed upon like articles, the growth, produce, or manufacture of Great Britain, or of any other country."

Schedule A consisted of natural products, including: animals of all kinds; butter; cheese; eggs; flax; fruits, dried or green; hay; grain of all kinds; vegetables.

An interesting feature of the Draft Treaty was that it was to run for twenty-one years, "to inspire confidence among business men investing their capital in such extensive enterprises as would naturally follow from the completion of a comprehensive Treaty." It was thereafter to be subject to denunciation after three years notice.

The Treaty was approved by the Canadian and British Governments, but that approbation had little effect when the question came before the

American Senate. Since it was without direct reason to fear trade agreements with Canada, the action of the Senate can only have been dictated by the general national feeling away from closer trade relations. They returned the Treaty to President Grant with the opinion that it was inexpedient to proceed with the matter.

In the interval from 1875 to 1883, there was a lull in tariff-making activity in the United States. A Treasury surplus was tangible evidence that the times were prosperous. In 1883, however, the first really comprehensive tariff legislation was passed. It is significant that this act marked the beginning of the gradual upward trend of the American tariff until its temporary recession in the Underwood Tariff of 1913. The rates of duty were increased on all the principal agricultural exports of Canada.

Undaunted by this legislative set-back, Canada's attitude showed a natural persistence actuated by her desire to enjoy the advantages offered by the American market, and, despite the failure of earlier reciprocal negotiations, incorporated into the Statute Books in the legislation establishing the National Policy, a standing offer of reciprocity. This legislation provided for the free entry into Canada, or entry at a lower rate of duty than was provided for by the act, of such agricultural products as: animals of all kinds; green fruit; hay; vegetables (including potatoes and roots); barley; butter; cheese; upon proclamation of the Governor in Council which may be issued whenever it appears to his satisfaction that similar articles from Canada may be imported into the United States free of duty, or a rate of duty not exceeding that payable on the same under such proclamation when imported into Canada. These provisions remained unchanged until 1888, when part of the offer was amended, although the measures respecting agricultural products continued to stand in the form in which they were originally declared. In 1894, the earlier features of the Treaty were altered and the whole offer extended to any country which would grant reciprocal benefits to Canada in return. (1) A standing offer of reciprocity thus formed a part of Canadian tariff legislation for an extended period. To understand the attitudes of both countries in the matter of tariff legislation during this period, it is necessary to study it in greater detail.

The Tupper-Bayard Negotiations-1887.

During the period when evidence of Canadian optimism in the matter of trade reciprocity was upon the Statute Books, American feeling was being rapidly crystallized into a state of active animosity as a result of the difficulties which seemed to be an inevitable accompaniment to any action on the fisheries question. Accordingly, a further major effort was made by Canada to use canals, (2) and fisheries as levers to secure concessions under the United States tariff. In 1885, the United States abrogated the fisheries provisions of the Treaty of Washington, (3) and thereby threw the whole matter back to the arrangement of 1818 (4) whereby United States fishermen might enter Canadian waters for shelter, repairs, wood, water, "and for no other purpose." Canada enforced these terms with such thoroughness that American fishing vessels were forbidden to enter port, to tranship officers or crews, purchase bait, or ship fish in bond to United States markets. Congress retaliated by passing a Non-Intercourse Act, authorizing the President to deny Canadian vessels entry to United States ports, and to prohibit the entry of fish or any other product of the Dominion, or any goods coming from the Dominion.

(1) See Appendix I(c) for a recital of these provisions.

(2) The Canadian Government, in an effort to compete with the Erie Canal on which tolls had been abolished some years earlier, established a drawback of 18 cents per ton on through traffic from the Upper Lakes, while upon cargoes going to Buffalo and other United States ports the full toll of 20 cents per ton was maintained. The question was eventual- settled by the agreement of Canada to substitute for its former charges and drawback a uniform toll of 10 cents per ton, payable on both the Welland and the St. Lawrence Canals.

(3) See Appendix I(a) for text. (4) See Appendix I(b) for text.

The bitterness that was engendered by these circumstances led to the appointment, in 1887, of Sir Charles Tupper, the Canadian Minister of Finance, to the position of High Commissioner, to join the British Minister at Washington, Mr. Bayard, in the negotiation of a new treaty to regulate the conditions which were causing difficulties out of all proportion to the real questions at issue. It is apparent, in the testimony which was taken by the Select Committee on Relations with Canada before the United States Senate in July, 1890, that there was a definite distrust of Canada in the United States. It was felt that, while the Dominion was perfectly independent of Great Britain in all matters of internal and external policy, its treaty negotiations were carried on through her, with intention of using the British flag as a screen behind which she could violate treaty stipulations with impunity. Canada "refuses to be bound even by those reciprocal relations of commercial usage of comity and common humanity which characterizes the conduct of civilized nations toward each other in the present day."

Furthermore, the fisheries question, although undoubtedly the source of the greatest irritation, was not the only circumstance which made it difficult for Canada and the United States to come to an agreement on trade reciprocity.

There were marked differences in the fiscal powers of the two governments, and they gave Canada certain tactical, negotiating advantages. The United States was allowed by the Constitution to impose duties upon both imports and exports. The Administrative Branch of the government could, in addition, change the rates of duties, as dictated by necessity or interest.

The development of Canada's transportation system of railways and canals under the leadership of Sir John A. MacDonald, had placed the Government in the role of builder, owner, manager, and promoter of transportation. These facilities were regarded in the United States as instruments of national and commercial policy for sharp competition with the commercial and transportation interests of the United States. At this time the Dominion Government owned and operated the Intercolonial Railway System, the main line of which extended from Point Levis, opposite Quebec, to Halifax. The Canadian Pacific Railway, described as being of an aggressive and military character, had such close relationships with the Dominion Government that it was classed in the Annual Report of the Minister of Railways and Canals as a Government railroad. The encroachments which Canada had made as a result of transit trade privileges in the United States were considered to be the aggressive acts of a foreign intruder. Although reports of Canadian trade policy were probably coloured for American consumption, nevertheless, there was enough public and political reactionary feeling aroused to make impossible the consummation of an agreement of the kind which was desired by Canada.

For two years Mr. Bayard carried on a lengthy triangular correspondence with Canada through Great Britain. The wordy negotiations resolved into an offer by Sir Charles Tupper of "unrestricted reciprocity" but the United States declined to consider it. The fisheries question was settled separately by a "modus vivendi" admitting American vessels to the port privileges desired on payment of a license fee of a dollar and a half per ton, which has since been extended from time to time. These agreements marked the end of this unsuccessful attempt to obtain unhampered commercial relations with the United States.

Commercial Union.

In the next year, 1888, the high tide of unremitting opposition to Canadian trade proposals began to ebb. The change manifested itself in American politics, to a greater or less degree, until 1911, when Canada finally rejected reciprocity in the general election of that year by a popular majority.

A plan for commercial union was projected in 1888, which had as its objects the abolition of customs houses on the border and complete free trade between Canada and the United States with common customs and exise revenues and their re-distribution according to population. The proposal, however, failed to secure the support of the Republican party in the United States and in Canada neither the Liberal or Conservative parties were prepared to endorse it, due, probably to the growing Canadian Consciousness of national entity.(1) Inevitably, since it would have necessitated a common tariff, there would have been a movement toward political union, the mere mention of which was anathema to the Canadian public. From the nature of the proposal, however, it was obvious that no other way could have been taken to determine and administer the common policy.

Unrestricted Reciprocity.

The Liberal party in Canada brought forward a compromise designed to secure complete free trade between Canada and the United States. They sanctioned it in 1881, and went to the country with it as an important election proposal in 1891. The plan provided for the retaining of the customs houses along the border, and for allowing each party to the agreement freedom to make what rates it desired against other countries. The plan is generally known as "unrestricted reciprocity". It had not the political defects of commercial union since it allowed a real control by each country of it's own tariff on goods from other countries, without preventing that plum of Canadian diplomacy, entire freedom of trade, from falling at last into the weary hands of political optimists. It was beyond the realm of

(1)For a history of the origin and growth of the protectionist movement in Canada up to 1894, see, Simon J. McLean, Tariff History of Canada. University of Toronto Studies in Political Science, Vol. IV.

possibility, however, that the United States would accept a measure which admitted to its markets all the products of Europe, direct or slightly remanufactured, by way of the Canadian back door.

The tariff of 1883, although comprehensive in its scope had failed to check the steady expansion of Canadian agriculture. The McKinley Tariff, in 1890, was the result of the growing competition of Canada, whose exports had been increasing since 1883, and of a general feeling among American farmers that they were being exploited in the interests of the manufacturers. It extended protection to American agriculture by raising the whole schedule of rates on imports of farm products. There was, however, a violent reaction to this tariff in the United States. The Democratic candidate, Grover Cleveland, owed his victory in the next election to promises of tariff reform. As a result, the Wilson Tariff Act made some additions to the free list in 1894, and reduced the rates previously in force on certain agricultural products, principally hay and barley, by 50% to 75%. The tariff remained highly protective despite these concessions.(1)

Unfortunately for Canadian agricultural export, the Democratic party did not remain long in power. There was confusion and weakness within the party itself, the silver question was agitating Congress, and the President and the Senate were in conflict. These factors all combined to return the protectionists to office in spite of Cleveland's popular "free" policy. Treasury difficulties were the immediate cause of the tariff measures which came into force in 1897. The Dingley Tariff Act imposed higher duties

(1) On the basis of the imports in the year ending June 30, 1893 the yield of the duties under the McKinley Tariff was estimated at 49.6% of the total value of all dutiable imports; the yieldof the duties under the Wilson Tariff (as finally enacted) was estimated at 38.7%. The reduction was not sufficient to diminish appreciably the protective character of the tariff.

than those of any previous tariff.

In Canada, during this period, negotiations were carried on in an attempt to find some basis for a freer exchange of natural products. Sir John Thompson, the Honourable George E. Foster, the Honourable MacKenzie Bowell and Sir Julian Pauncefote, British Ambassador at Washington, met Secretary Blaine and General Foster in Washington. An informal conference in 1892 disclosed the fact that the Canadian Government were only prepared to offer to the United States, in exchange for the desired concessions, the admission of natural products. Nor had they any hesitancy in declaring that favoured rates could not be given to the United States as against Great Britain, the Mother Country. Since it was obvious that the benefits of an exchange of natural products would be almost wholly to the advantage of the Canadian people, the American delegation terminated the discussions.

At a Liberal Convention in 1893 the party adopted, enthusiastically, and unanimously, the following resolution:

"That a fair and Liberal reciprocity treaty would develop the great natural resources of Canada; would enormously increase the trade and commerce between the two countries; would remove many things which, in the past, have provoked irritation and trouble to the Governments of both countries; and would promote those kindly relations between the Empire and the Republic which afford the best guarantee of peace and prosperity;

That the Liberal party is prepared to enter into negotiations with a view to obtaining such a treaty including a well considered list of manufactured articles; and we are satisfied that any treaty so arranged will receive the assent of Her Majesty's Government, without whose approval no treaty can be made."

When the Liberal party came into power in 1896 an attempt was made to substantiate the reciprocity proposals, which had figured so largely in their election platform, by sending two members of the Cabinet to Washington to ascertain what might be done to initiate treaty arrangements. Their mission ended in failure.

The Joint High Commission.

In 1898 the Liberal administration and the Cabinet of President McKinley carried on negotiations, which, from small beginnings, became the Joint High Commission composed of Sir Wilfred Laurier, Sir Richard Cartwright, Sir Louis Davies and Sir John Charlton of Canada, Lord Hershell of the United Kingdom, and Sir James Winter of Newfoundland as the British representatives. Every past and present objection to trade agreements between Canada and the United States was discussed. When prospects for a reciprocal settlement began to look promising, the insoluble difficulties of the Alaskan boundary dispute cuased a split in the group, and the Commission was dissolved.

In the year which saw the imposition of the Dingley Tariff, 1897, Canada had established a tariff preference of 12½% on the products of the United Kingdom and of the free trade British colonies and also on the products of those British colonies having tariffs giving reciprocal concessions. In 1900 the preference was increased to 33 1/3%. This action was dictated by a desire to retaliate against the increase in the American rates, without increasing Canadian duties, and to secure concessions from the British Empire.

The Dingley Tariff Act remained in force for 12 years. The political atmosphere was favourable; President Roosevelt lead the Republicans to office by advocating the policy of taking care of the home markets and letting the foreign markets take care of themselves. Economic conditions also made high tariff rates seem the right and proper thing, for these years were expansive and prosperous times in the United States with the usual by-product of nationalist sentiment. In 1907, however, the inevitable business recession took place. The mounting cost of living was attributed to the high tariffs and the result was the Payne Aldrich Act of 1909, designed to promote trade with Canada. In actual fact, the rates on farm products remained practically unchanged so that the agricultural economy of Canada remained subject to the restrictions imposed in 1897.

The Payne Aldrich Revision - 1909.

Apart, however, from the effect of these tariff revisions on agriculture, the Bill marked a change in policy. Previously they had granted concessions for concessions on a limited list of commodities. Now there was inaugurated the practice of penalizing countries whose tariffs were "unduly discriminatory" against the United States.

The new tariff consisted of, (a) a Minimum schedule which were the general or permanent duties, and (b) a Maximum Schedule higher than the Minimum by a duty of 25% ad valorem. The latter schedule was designed to serve as a "big stick" with which to compel concessions. These higher duties were to be enforced not later than April, 1910. The natural consequence was that the State Department immediately began to negotiate with all countries in which the United States did not already secure the lowest terms conceded to any other state.

Although admitting that Canada's preference granted to the United Kingdom and to certain British colonies did not constitute "undue discrimination", the concessions made to France in 1910 and afterwards given to other countries, were of a discriminatory nature and failing the extension of such concessions to the United States, constituted grounds for the application of the maximum schedules against Canada. The President sent Professor H. C. Emery, Chairman of the United States Tariff Board and Mr. Charles M. Pepper, Commercial Advisor to the United States State Department to Ottawa to secure concessions necessary to prevent the application of the Maximum tariff but the Canadians declined to extend the French concessions to the United States and the negotiations were brought to a standstill. The possibilities of a tariff war, which would be destructive to the trade of both countries, made each side eager to do every thing within reason to avert it. The President of the United States, actuated, to some extent, by the dissatisfaction of the low tariff party in the United States with the Government's policy, resumed negotiations and, at the same time, suggested a wider bargain. A conference was held at Albany between the President and Honourable W.S. Fielding followed by a meeting at Washington where the details were discussed. An agreement was reached which gave Canada the minimum rates. Canada agreed to give the United States the rate of its intermediate tariff on a few articles, aggregating in value about three per cent of the imports of Canada from that country: china and porcelain table ware, window glass, photographs, watch movements, certain leather schedules, feathers, nuts, prunes and unenumerated goods, of which the chief were cotton-seed oil and sausage casings. The United States, in its turn, abandoned the demand for concessions equal to those given to France.

The reductions sufficed to avert a tariff war. Since, however, the Canadian government hastened to safeguard its position by granting the same reductions to all other countries the result was that the United States remained subject to the general tariff of the Dominion in every schedule; she did not gain the special concessions of France or any others.

Although not of especial benefit to agriculture, these events probably hastened the re-opening of trade negotiations by President Taft in 1910.

Proposed Reciprocity Agreement - 1911.

The proposals made by President Taft in 1910 were based on his viewpoint that special administration and legislation were necessary in American trade relations with Canada due to the long land boundary lines, which did not enter into the question with overseas nations. The United States made an offer of complete free trade which was declined by Canada.

The influences militating against an acceptance of reciprocity by Canada, necessitate some explanation, in view of the eagerness of that nation to accomplish in former years the very thing it was now rejecting. For the most part, the action of Canada was the result of the changes which had taken place during the preceding twenty years. The growth of cities, the building of east and west railways, the increase of interprovincial traffic, the rapid development of diversified industries, and the opening up of overseas markets had been accomplished without the establishment of reciprocity. The first decade of the twentieth century was the greatest period of prosperity the Dominion of Canada had known. Economic well-being, the natural result of expansion in a young and potentially wealthy country, had created a feeling of national pride. The new and attractive trade relationships which were being established with Great Britain increased an emphasis on imperial loyalty, and patriotism and the profit motive went hand in hand.

At the same time there was a growing distrust of the political motives of the United States, because it was widely believed in Canada that formerly the United States had used its commercial policy with the deliberate intention of forcing Canada into a union which would deprive her of her economic and even of her political independence.

The growth of imperialistic loyalty made closer trade relations with the United States seem to be detrimental to further commercial alignments with the British Empire. According to a resolution of the Montreal Board of Trade "it (reciprocity) might easily prove to be the entering of a wedge that would eventually result in the separation of our interests from those of the Motherland".

The most destructive arguments against the proposed reciprocity agreement were those based upon its impermanence. The statement of its terms made it subject to abrogation at the pleasure or caprice of either nation. It was argued in Canada that a logical consequence of adopting such a Treaty would be to divert trade from its present routes to the United States, that the overseas markets which had opened to Canadian products would be usurped by other countries, that the entire volume and direction of Canadian export trade would be changed and that any sudden blocking of the channels leading to the neighbour's markets would cause a disastrous stoppage of trade. The precipatate abrogation of the Reciprocity Treaty of 1854 was quoted as substantial ground for the argument.

The Ontario manufacturers were a powerfully antagonistic influence and reciprocity was indicted as a fatal blow to Canada's industries, which would undo all that had been accomplished by the "National policy". Canada would be reduced to a producer of raw materials and the production industries then engaged in manufacturing would be shifted to the United States. Since the development of Canada was dependent upon the investment of outside capital, and since British capital was responsible for much of that growth, a cessation of investment could be prophesied in the event of a concentration on natural products.

Eventually it was decided that the tariff changes, rather than taking the form of a trade treaty, should be introduced into the governing Houses of the respective countries and achieved by concurrent legislation. A date for the introduction of the matter into both Houses was agreed upon.

The proposed agreement took the form of four schedules, covering all controversial export commodities. Schedule A included "articles the growth, product or manufacture, of the United States to be admitted into Canada free of duty when imported from the United States, and, reciprocally, articles the growth, product or manufacture, of Canada to be admitted into the United States, free of duty, when imported from Canada." Live animals, oats, barley, hay, flaxseed, vegetables, fresh fruits, and dairy products were included in the list of agricultural commodities which would benefit by the agreement.

There was considerable opposition to the measure from the farmer's representatives and from the Progressive faction in the Republican Party which was endeavouring to discredit the President, but the Bill was supported by the Administration Republicans and by the Democrats. President Taft summoned a special session when a minority in the Senate held it up until the adjournment and on July 22, 1911, the Bill was passed. It then only remained for a corresponding Canadian measure to pass through the Canadian Parliament.

The proposal was introduced into the Canadian House of Commons on January 26, 1911. The Liberal majority was strong, but obstructive tactics by the opposition finally compelled the Prime Minister to appeal to the country. On July 29 Parliament was dissolved. In the election the Conservatives carried the day by a vote of 669,000 against 625,000 by the Liberals. The victory was really won in the single province of Ontario, and industrial constituency, where the Conservatives elected 73 members and Liberals only 13.

This settlement of a vital issue marked the defeat of the most comprehensive bid for unrestricted trade relations between the two countries. The events were an interesting reversal of policy. Since 1867 the repeated bids for reciprocity made by Canadian statesmen had fallen on deaf ears in the United States. Now the Canadian people, by a popular majority at the polls, became the arbiters of the situation in a decision which completely repudiated the former desire for reciprocity.

Consideration of the prices ruling in the two markets for grain, livestock, dairy products, root crops, fish and lumber and mineral products, shows that prices in the United States at this time, were somewhat higher, on the average, than in Canada. The Prairie farmers, the strongest supporters of the agreement, would have gained by the higher prices both for the grades of wheat required for blending and for the grades below European export quality as well as for barley, flax and cattle. In general, the advantages of the agreement would probably have been those which the earlier reciprocity treaty had manifested. The benefits would have been those arising from the cancellation of cross-hauls, the utilization of nearer resources, in brief, the benefits of interprovincial or of city and country trade.

The Underwood Tariff Act - 1913.

During the period 1900 to 1913, despite the unsuccessful attempts at securing reciprocity, Canada's trade with the United States continued to increase. In 1900 Canadian exports formed only 4.6% of total American; in 1913 the percentage stood at 6.7%. The increase was mainly in raw materials for manufacture and in foodstuffs. Agricultural imports, though increasing nearly three times in value remained about one-fifth of the total. Canadian farm products, limited by tariff restrictions, averaged only one-third as large as their volume in 1866, the last year of reciprocity. In both countries this period of expansion was attended by generally rising price levels, the new gold discoveries contributing to the upward movement.

On October 3, 1913 a new tariff act became part of the legislation of the United States. The Underwood Tariff was essentially a competitive tariff in that it allowed a sufficient importation of products which were produced in the United States to bring about fair and honest competition. It was in contrast to the former principle of tariff legislation which was designed to equalize the cost of production between the United States and foreign producers, with a reasonable profit for home producers. The outstanding features of the new Act were: general reduction in tariff rates; numerous additions to the free list; replacement of specific duties by ad valorem rates, in many cases; taxation of plain kinds of goods at a lower rate than fancy kinds; taxation of luxuries higher than necessities; and abolition of compensatory duties corresponding to the old rates on raw materials.

There was one administrative change which was of great importance to Canada. The adoption of the "big stick" policy exemplified in their enforcement of the Maximum and Minimum tariff schedules had threatened a serious tariff war between the countries in 1910. All cause for anxiety on this score was removed when the United States totally abandoned these controversial schedules.

The Underwood Tariff remained in force for nearly a decade and was very favourable to Canadian export trade. Numerous commodities, including some of the chief products of lumbering, mining, fishing and agriculture were the subject of lowered duties, and many duties were entirely abolished.

From the standpoint of Ontario and Quebec, the agricultural results merit particular attention. Canadian agriculture had been subjected since 1897 to high tariff rates; now the free list was extended to include many important farm products which before had been highly protected. As a result, agricultural products became more significant in United States imports. They increased seven times in value in this period, 1913 to 1920. In 1920 they formed 30.1% of total American imports of general merchandise from Canada.

The new rates came into effect at a fortuitous time for the potato growers of Ontario and Quebec. The Act provided that wheat, wheat flour, semolina and potatoes should be placed on the free list but with the provision that when imported from countries which taxed their importation, they should be subject to certain specified rates of duty. In 1918 Canada reached a peak, previously unequalled, in the production of potatoes. In the fall of that year there was available for export, chiefly in Ontario and Quebec, and Manitoba, about 30,000,000 bushels. On November 7, 1918 the Canadian Government by orders in council removed the customs duties on potatoes coming from the United States, thus securing free admission for the same Canadian product into the United States. Previously on April 16, 1917, Canada had secured free admission for the other specified commodities. In 1919 there were 5,163,680 bushels of potatoes exported to the United States.

It is obvious, therefore, that the increase in southward moving trade in the years following the passing of the Underwood Tariff was, in some measure, due to the lowered rates of duty. But the new tariff had not been in force for a long enough time to give more than an indication of probable, normal increase, when the Great War made normality in economic affairs a thing of the past. Unprecedented demands for foodstuffs and processed goods stimulated both agriculture and amanufacturing. Belligerent nations and devastated peoples reached over such barriers as existed in their desperate needs for the products of other lands. During the early war years the export of cattle over one year old increased from 612,559 head in 1912 to 8,736,700 head in 1915; of milk and cream from 793,570 gallons to 1,904,211 gallons; of oats from 90,920 bushels to 1,536,465 bushels.

In Canada the settlement of new territory no longer absorbed the energies of the people. Extension of manufacturing facilities, and enlargement of the power supplies were the chief concerns of war-time. Exports of wholly processed and partly manufactured goods increased rapidly.(1) An important stimulus to the velocity of trade with the United States was the appearance of that country as the major investing power in Canadian development. Before 1913, Great Britain, in her role of an industrial nation needing a source of food supply, had invested heavily in the advancement of the Canadian economy. (2) After 1913, the heavy financial demands which the war made upon Great Britain, of necessity, forced her to restrict her investments. Inevitably, Canada began to increase her borrowings from the United States.

A contribution of some significance to the volume of trade was the situation created by the exchange rates. Prior to 1913 the Canadian - American exchange was comparatively steady. Such fluctuations as took place were neither violent nor prolonged, and did not discriminate sharply in favour of either country. Early in the conflict the abandonment of the gold standard by Great Britain and Canada created an exchange which was favourable to

(1)The Values of manufactured goods exported rose from $54,000,000 in 1913 to $191,000,000 in 1915 and then to $779,000,000 in 1920. Inflated prices must be taken into account in studying these figures, but nevertheless exports of processed goods, in 1920, were nearly six times their volume in 1913.
(2) From 1900 to 1913 the total of foreign capital invested in Canada was $2,546,434,000, of which Great Britain supplied nearly three times as much as the United States. Viner, Jacob."Canadian Balance of International Indebtedness".

the importation of Canadian goods into the United States.(1)

In summary, the lowered duties, the unusual war time demands, the increase in American investments in Canada, the exchange rates favourable to American import, all contributed to accelerate the momentum of trade. It is not surprising then, that in 1920 the value of Canada's exports to the United States touched the record high figure of $611,863,000.

A Brief Survey of Price Trends from 1920 to 1930.

In 1920 the political situation in the United States was entirely changed. The election resulted in the complete defeat of the Democrats, during whose tenure in office the Underwood Tariff had been administered. New influences, which had received their initial impetus during the war years, widened their scope and effect in the rapidly changing conditions of post-war adjustment, and combined to overthrow the Tariff Act of 1913. The rising tide of nationalism was a powerful force in determining protective policies. There was the task of safe-guarding the many industries, born in war time necessity, and unable to stand alone under normal conditions of trade; there was the fear of competition from countries whose currenceis had depreciated badly. The South had rapidly become industrialized and spoke with a new tone of authority on governmental actions. And, most important from the standpoint of the importation of natural products, there was a severe decline in farm prices in the United States, as in most countries. This fall in prices was indicative of the rapid approach throughout the world of what we may call the agricultural crisis, and since it is necessary to deal with these unusual conditions for the remainder of the period under consideration, a study of conditions in agriculture, particularly prices, will contribute towards an understanding of the tariff policy of the United States in recent years.

(1)In 1919 the yearly average quotation for the Canadian dollar in New York was 95.60 cents, and 1920 it was 89.28 cents.

Over the course of economic history, price changes have been of appreciable significance, but differences in degree, such as the decline of 1920-1921 and that of the recent depression period are so unusual as to play an important part in determining the policies of governing bodies. Pre-war changes in the price level were slower processes than the recent swiftly disastrous fall, and adjustments were made more easily.

In 1846 new discoveries of gold in California and Australia caused a rapid rise in prices. From 1851 to 1854 they rose by 36% and for the next twenty years remained relatively stationary. After 1870 the adoption of the gold standard by many countries, and the demonetization of silver plus a decline in the annual gold output of the world coincided with a fairly rapid fall in prices. They declined 40% by 1896. South Africa then proved to be a source of new gold supplies, and prices began to rise and continued on an upward grade more or less continuously until 1913. During this time, 1900 to 1913, the United States was growing in population and Canadian export surpluses were expanding.(1)

During the war the inflation of currency and the great demand for foodstuffs caused a rapid rise, which was followed by a very severe decline in 1920-1921. This fall in prices really lay outside the conditions which govern the supply and demand of agricultural production. The war inflation of credit and currency was followed by a severe deflation. High prices lasted only until 1920, and in that year, wholesale prices of farm products reached their highest point. The decline, which began to be noticeable thereafter was a definite reality by the fall of the year. The United States faced difficulties in many branches of agricultural production, particularly in cotton, cattle and wheat. The cessation of Allied buying and also of relief credits which had been

(1) There was a growth in population in the United States from 50, 000,000 in 1880 to 76,000,000 in 1900 and to 92,000,000 in 1910. The population of towns increased; in 1880 70% fof population was rural and 44% employed in agriculture. By 1910 these proportions had changed to 60% and 35%.

financed by the American Treasury removed the most fruitful sources of income. By 1922 8.5 of the owner-farmers in the Middle West had lost their farms and the greater proportion of tenant farmers had abandoned their holdings. Nearly 6000 farmers went bankrupt in 1923.

In 1924 prices began to rise but fell in 1925 after the return to the gold standard. Throughout the world there was a marked depression in the cultivation of cereals and this affected other branches of agricultural production. In the United States wholesale prices became relatively stable, at their lower level, from June 1921 until 1929; although agricultural prices were low as compared with those of industrial products they were still actually above pre-war prices. In 1930, however, the whole general character of the price movement changed completely. Prices of all agricultural commodities fell, with remarkable rapidity, to extreme depths and were unstable into a very bad bargain. The fluctuations were unforeseeable and added to the trials which the already over-burdened farmer had to bear. The year 1930 left no doubt in the farming communities throughout the world that a period of unprecedented disaster in agriculture was approaching. Although drought, sandstorms and local economic disturbances were contributory factors to the farmers' distress, it was the lowness of prices which constituted the agricultural crisis. Failure of industrial prices to fall proportionately to farm prices aggravated their difficulties. The resulting discrepancy between the farmer's income and his expenditures caused strains throughout the whole economic system. By the end of 1930 prices of some products had fallen as low as one quarter to one half below the 1913 level. By January, 1932, the wholesale index in the United States had fallen to 99% of the pre-war level, or, in other words, there had been a 30% fall in two years.

The agricultural crisis was not confined to the United States. In Canada wholesale prices had declined from 155.9 in 1920 to 86.6 in 1930. In the winter of 1930-1931 the distress in the West caused by the fall of agricultural prices, was aggravated by cumulative effects of three years' drought. Many farmers were forced to apply for Government assistance.

The following table gives statistics on the decline in agricultural prices in Canada, the United States and Great Britain. They are extremely difficult to compute and by no means reliable or conclusive, but the general tendency is beyond question.

Agricultural and Wholesale Prices in Canada, the United States and Great Britain.

1921 - 1929. Base - 100.

	CANADA.		UNITED STATES		GREAT BRITAIN.	
Year.	Agricultural Prices.(1)	Wholesale Prices.	Ag. Prices(3)	Wholesale Prices.(4)	Ag. Prices.(5)	Wholesale Prices.(6)
Base	1913	1913 (2)	1913-4	1913	1911-13	1913
1921	145.2	156.3	116	139.8	219	197.2
1926	143.6	156.3	136	143.3	151	148.1
1927	138.6	152.7	131	136.7	144	141.6
1928	121.5	150.6	139	140.0	147	140.3
1929	157.3	149.4	138	138.3	144	136.5
June 30			123	124.4	131	120.7
Nov. 30			103	115.2	129	112.0
Dec. 30			97	112.3	126	108.9

(1) Index numbers of agricultural section of the Federal Statistical Office.
(2) Index numbers of Internal Trade section of the Federal Statistical Office.
(3) Index numbers of the Bureau of Agricultural Economics.
(4) Index numbers of the Bureau of Labour.
(5) Index numbers of the Ministry of Agriculture and Fisheries.
(6) Board of Trade Index Numbers.

To a great extent it was the increasing inability of the farmer to meet his requirements out of his reduced income, caused by the disparity between agricultural prices and industrial prices, that swelled the volume of demand for agricultural protection in all countries. It was not, on the whole, an abstract ideal of national self-sufficiency that influenced the United States in her protective policies but rather the necessity of lending an ear to the clamour of agriculturists who were barely able to hold their own, much less fight external competition. The Western States were vehement in their support of high tariffs because of their predominantly agricultural interests. It was inevitable that the provisions of the Underwood Tariff Act should seem unsupportable in the changed atmosphere of post-war conditions.

The Emergency Tariff Act of 1921.

Against the background of abnormal price trends the Emergency Tariff Act is perhaps better understodd as a measure designed to save the surviving agricultural community from Canadian competition, and to stop the decline in farm prices. Originally enacted for 6 months, it became effective on May 28, 1921, and was re-enacted when necessary, remaining in force until the Fordney McCumber Tariff Act of 1922 superseded it. Substantially increased duties were levied on about 40 products, including the chief farm products of Canada: wheat, cattle, sheep, meats, dairy products, potatoes, and apples. Unfortunately for the agriculture of both countries the hoped for benefits did not materialize. Farm prices failed to rise in the United States, and the high duty was a severe blow to Canada, particularly to cattle producers.(1) The decline in export trade undoubtedly helped to prolong the depression.

(1) Exports of Cattle to the United States: 1921 - 1926.

1921 -	135,257 head.	1924 -	97,847
1922 -	189,760 "	1925 -	86,748
1923 -	96,873 "	1926 -	92,962

The Fordney McCumber Tariff - 1922.

The new tariff became effective on September 22, 1922. The distress among the farmers in the United States and the importance that attaches to local conditions when the benefits of a perspective view are lacking, left little scope for mitigating influences to successfully advocate non©protective policies. It is not surprising that the new duties surpassed all previous tariff enactments in zealous protection.

Some administrative features are of interest. The Act contained a provision against discrimination. Section 317 provided "that every country which discriminated in such a manner as to place commerce of the United States at a disadvantage compared with the commerce of any foreign country was liable to discrinination against its commerce by the United States". The guiding principle of this Section was so-called equality of treatment; all countries were to be treated alike, and in return the United States would require equal treatment from every other country.

There was also included in the Act a flexible provision under which the President had authority to increase or decrease the rates of duty for the purpose of equalizing costs of production in the United States and competing foreign countries. The total increase or decrease could not exceed 50%. Under this provision any responsible group or individual might apply for a change in any of the five thousand separate classifications into which the tariff was divided. Six hundred such applications were filed, and there was enough investigation made before rejection to satisfy the Commission that it did not require action. Some four hundred were submitted to the President; eight-three were fully investigated. Of these, twenty-eight were acted on and in five cases the rates were reduced; in all other cases the rates were increased. The changes under this provision of most importance to Canada were probably those relating to wheat, wheat flour, semolina, butter, millfeeds and bran. Of particular importance to the dairying industry of Ontario and Quebec were the increases in the rates butter from .08 per pound to .12 per pound; on milk, from .02½ to .03 ¾ per gallon and on cream from .20 to .30 per gallon.

The Emergency Tariff Act and the Fordney McCumber Act, together, were a complete revision of the Underwood Tariff Act of 1913. The record high rates were a severe blow to Canada; although the increases were designed to discrininate equally against all countries, in actual fact they fell largely on Canadian exports. The Emergency Tariff became effective May 28, 1921. The value of exports for the year ending March 31, 1921, that is, prior to the tariff was $542,322,967 but by one year later, March 31, 1922 the value had declined to $292,588,643. Agricultural exports were dutiable as a group and from 30.1% of the total export value in 1920 they fell in 1929 to 16.6% ; 1929 was the last year of the Fordney McCumber Tariff.

It is significant to observe, however, that Canadian exports to the United Kingdom and to other countries declined also. Other influences, the fall in prices, and the diminished peace time demands, helped to reduce trade to more normal proportions. Although at close range it is difficult to judge what exactly constitutes a normal demand, the gradual falling off of exports may be attributed to a return to normality, since the years 1922 to 1929 were reasonably prosperous cones in the United States for everyone but the farmers. American wholesale prices, although averaging some 35% less than in 1920, generally were more than 40% above those of the pre-war period. Moreover, in those schedules where the low Underwood rates remained unchanged, the decline was as great as in the schedules increased by the Emergency Tariff.

An examination of Canadian export as a whole reveals an increase in exports despite the higher rates. For the twelve months ending October, 1922 the total value of Canadian exports to the United States was $327,037,218; for the twelve months ending Octber, 1923, the value rose to $411,292,097. The paradoxical situation is explained by the fact that the increases were largely in wood, wood products and paper schedules, newsprint paper not being subject to any duty, but there were also increases in fibres, textile products, non-metallic mineral products, and in chemical and allied products. From 1923 to 1929 exports continued to expand, although our imports from the United States increased by an even greater amount. The follbwing comparison of exports and imports is interesting.

Year.	Exports.	Imports.
1923	$369,080,218	$540,917,432
1924	430,707,544	601,256,447
1925	417,417,144	509,780,009
1926	474,987,367	609,719,637
1927	466,419,539	687,707,719
1928	478,006,114	719,443,513
1929	499,612,145	868,012,229

The real effect of tariff increases, however, is not wholly revealed by the export figures. Under certain conditions, for example, in industries which cannot readily find or develop new markets and where the product itself cannot be changed, the volume of trade may remain the same, but the producer is compelled to absorb in part at least, the added duty. The cattle raising industry is a case in point. Cattle prices in Winnipeg in May 1921 previous to the Emergency Tariff averaged $5.71 per hundredweight for good stockers and $6.91 for good feeders. In July, 1921 the prices dropped to $3.23 and $3.69 respectively. After the Fordney McCumber Tariff prices on the Winnipeg market for stockers and feeders averaged $238 per hundredweight for fair stockers and $3.69 for good feeders; these prices continued throughout the year.

They were considerably lower than the prices ruling for similar grades of cattle on the Chicago markets for the same period, though they were not lower by the full extent of the duty.

During these years, although the United States had struck reciprocity legislation from its Statute Books in 1922, Canada made another attempt to secure freedom of trade by renewing her offer of reciprocity. In 1923 this provision was added to the Customs Tariff:-

"The Govenor in Council may authorize any Minister of the Crown to enter into negotiations with any authorized representative of the Government of the United States with a view to the making of a commercial agreement between the two countries on terms which may be deemed mutually beneficial. Any agreement so made shall be subject to the approval of the Parliament of Canada.

"If the President of the United States, under authority of the United States Tariff Act of 1922, determines to reduce the duties imposed by such an Act on the following articles, that is to say:- "Cattle, wheat, wheat flour, oats, barley, potatoes, onions, turnips, hay, fish as enumerated in paragraphs 717,718,719 and 720 of the said Tariff Act of 1922, the Govenor in Council may, by Order in Council, make such reductions of duties on such articles imported into Canada from the United States as may be deemed reasonable by way of compensation for such reductions on Canadian products imported into the United States."

This gesture met with no response from the United States, and the above section was struck out of the Canadian Tariff in 1931. The following provision was inserted:

"The Governor in Council, may, by Order in Council, make such reductions of duties on goods imported into Canada from any other country or countries as may be deemed reasonable by way of compensation for reductions on Canadian products granted by any such country or countries."

The Hawley Smoot Tariff - 1930.

In the United States sentiment was moving farther and farther in the direction of higher tariffs, not only on manufactured godds, but on agricultural products as well. The instrument which carried protection to its greatest height, and which, with minor amendments, formed the taiff legislation of the United States until 1936, is known as the Hawley Smoot Tariff. Enough has been written of vituperation, explanation and interpretation to eliminate the necessity of a detailed study here. It provoked widespread retaliation against United States exports. It had definite effects on the trading policies of principle nations since new bargaining weapons had to be forged to combat the American offensive.

Extensive increases in duties were made almost immediately by Canada, Switzerland, Italy, France, Spain, Egypt, Argentina, Cuba, Peru and Lithuania. When currency instability, on a wide scale, was unloosed after the United Kingdom abondaned the gold standard in September 1931, tariff increases, like other restrictions on trade, began to follow one another in the most rapid succession. During 1932 there were general tariff increases in the United Kingdom, Egypt, Norway, Japan, Portugal, Greece, Siam, South Africa, Australia and other countries. Moreover the tariffs were subject to widespread and frequent alterations.

The Hawley Smoot Tariff was introduced into Congress in May, 1929, and was before that House for more than a year. During this time intensive investigations were made into agricultural conditions and the extent to which legislation must be carried to relieve and encourage the industry. During the vicissitudes of the bill's passage through the legislative bodies diplomatic protests were made by several foreign governments. Canada was one of the protesting nations, but the determination of the United States to serve self-sufficiency by eliminating all foreign competition within her own markets, was unaffected by the protests. The Act came into effect on June 18, 1930 with a scale of virtually prohibitive duties. The only modification of importance for Canada was the reduction of the duty on maple syrup from 5½ cents to 4 cents per gallon, and on maple sugar from .08 to.06 per pound. This reduction came after an investigation under the United States Tariff Commission. Administrative provisions contained little that was new or different.

The effect of the Hawley Smoot tariff on Canadian export trade was disastrous. Trade, which since Confederation, had been forced to surmount or circumvent obstacles of varying degree in seeking its natural route, now was unmistakeably blocked, by tariff legislation which retaliation and appeals to reason alike had no power to alter. The dairy industry, in particular, suffered. Cream became dutiable at .56.6 per gallon and milk at .06½ per gallon. Both rates were prohibitive, and internal competition was intensified. Large quantities of milk and cream which had been shipped to New York, Detroit and Michigan from Quebec and South eastern Ontario flooded the home market and prices fell to record low points. In 1929 prices of whole milk and cream for city consumption were $2.36 per hundredweight. In 1932 they had fallen to $1.25 per hundredweight. Butter prices of .4075 in 1929 were .17 per pound in 1932. Thousands of dairy farmers were facing bankruptcy, and creameries all over the central area were operating at a loss. At that time, however, the Canadian tariff on butter was raised and large importations from New Zealand were shut out with the result that butter prices advanced from .10 to .12 per pound, at times above the export level. This made easier the absorption of surplus milk and cream. The combined butter production of Ontario and Quebec increased from 214,002,127 pounds in 1932 to 218,532,307 pounds in 1933. Similar results may be traced in every important agricultural area. The tariff was an effective blocking weapon.

As in the years of the Underwood Tariff, export figures do not tell the whole story. Other,equally powerful, limiting forces have operated in the realm of international trade. The Hawley Smoot tariff came into force at a time when Canada and the United States, in common with the rest of the world, was being drawn into the depths of a depression. After 1926 wholesale prices in the Dominion show a steady decline. (1) It is obvious that many of the specific rates of the Hawley Smoot tariff were doubled or even trebled in their ad valorem incidence by the rapidly falling price level. The falling market tended to throw the burden of the tariff on the Canadian agricultural producer rather than on the American consumer. Canadian prosperity, therefore, in actual fact, suffered even more than the decline in export trade would indicate.

To isolate any circumstance, for example, the Hawley Smoot Tariff, and examine its harmful effects in a world arena of chaos resolves itself into a question of an impartial analysis of export figures, against a background of the international situation during the depression years. Different theses can be proved by a different combinations of causes and effects. However, it is not risking contradiction to lament the decline in revenue from Canada's exports to the United States of farm products and the manufactures thereof. A decrease in revenue from $174,000,000 in 1921 to $4,000,000 in 1930 from that one important market, undoubtedly added to the severity of the agricultural depression in Canada, and, indirectly, to the slowing up of industrial activity. Nor is it unfair to condemn the policy of the United States,

(1) Wholesale Prices in Canada - 1926 100.

1926	100	1930	86.6
1927	97.7	1931	72.2
1928	96.4	1932	66.6
1929	95.6		

as a powerful factor in augmenting the force of the depression throughout the world. As the world's greatest creditor the United States should have framed her commercial policy so as to receive the utmost of her debt in goods. The country which should have had the lowest tariff in the world, in actual fact, had one of the highest.

The Trade Agreement Between Canada and the United States - 1936.

The hardships left in the wake of the Hawley Smoot Tariff forced the Conservative Government to the task of implementing their election promises. The avowed objects of Conservative policy have been to reserve the Canadian market for domestic producers; to force the movement of foreign manufacturing plants into Canada; to establish tariffs on raw products at a sufficiently high rate to force exploitation of natural resources; and to find export markets on the basis of strict reciprocity, which would compensate to some degree, for the lost receptivity of the United States market. Consistently persevering efforts have been made to initiate a commercial policy for the furtherance of these aims.

The 1931 Budget increased the tariff provisions of the 1930 Dunning Budget, introduced by the Liberal party as a pre-election attempt to prevent a Conservative victory. The resultant benefits to the home market can be estimated from two facts. There was a market decrease in the importation from the United States of farm products after 1930, and during recent years there has been an increased movement of fruits and vegetables, of the varieties formerly imported from the United States, from Ontario to the other Canadian provinces. The home market has, to this extent, accounted for the absorption of some of the surplus agricultural produce.

Finding an export outlet, in terms of the Conservative policy, meant establishing tariffs designed to divert Canada's purchases to the British

Empire and other channels, on the basis of strict reciprocity. Accordingly, at the Ottawa Economic Conference in 1932 Canada obtained a preferred place in the "greatest market in the world" in return for concessions on British goods in the Canadian market.(1) The effect of these agreements has been the increasing favour with which Canadian products are being regarded in the United Kingdom. Best apples are in strong demand, although the entrance of low-grade apples is opposed by British producers. Recently Canada exported one of the largests shipments of soft fruits in her history due to a bad fruit year in England. Large quantities of Ontario plums and pears formed part of the shipment. Exports of Canadian Cheese, although falling slightly in quantity in 1934, are still in more favourable demand there, than in the American market. Bacon exports have increased almost incredibly since 1932. (2)

The most interesting result was the effect on the export of cattle. Geographic advantages of a near market are more pertinent to cattle export than to any other branch of agricultural activity. Ease and speed of transportation and lower freight rates make the "natural" market the most attractive one. In view of the fact that it is difficult for "the cow to jump over the moon" the realignment of livestock trading routes since 1930, is surprising. Shut out of the United States by the prohibitive rates, demanded by American cattle producers, Canadian cattle moved moved to Great Britain, and, aided by a British penalty on Irish cattle, Canada secured an outlet which enabled her to dispose of some of her surplus livestock. A comparison of the figures

(1) See the Ottawa Supplement to the Economist, October 22, 1932, for a full account fof the Ottawa agreements.
(2) Bacon and hams exported to Great Britain in 1932 equalled 3,167,000 lbs.; 1933 - 6,581,000 lbs.; 1934 - 17,611,000 lbs.

of cattle exports to Great Britain and the United States from 1925 to 1932 shows that even after a two year period, 1928-1929, in which there had been no overseas trade at all, the United Kingdom market was shown to be capable of expansion for Canadian products and comparatively willing to accept hthem. The British demand for pure-bred Holstein continues favourably, although the British Government in consequence of the agricultural policy of Walter Elliot subsidizes British fat-stock producers and applies quantitative regulations in a effort to build up the British dairy industry. (1)

But agricultural producers were slow to recognize the advantages of a distant market when there was a large, though historically capricious, one on their very frontiers.(2) Recognizing that the farmer's support of a political party would depend in some measure, on how tirelessly that party knocked upon the closed American door, the Conservatives, encouraged by indications that the United States would co-operate with them, initiated a proposal for a trade agreement. It was to be similar to the Treaty with France, and the Ottawa agreements, that is, reciprocity in trading privileges. Politically speaking it was pre-election strategy of the first order. A trade treaty with the United States which would find favour with the Maritime fishermen, the cattle-men of the West and the dairymen of Ontario and Quebec should have been a valuable addition to the election armaments of the Government.

It was not until June, 1934, that President Roosevelt was given authority to negotiate directly, and to raise or lower tariffs within

(1) Exports of cattle from Canada are restricted to 50,000 head per year.
(2) This is apparent in the irregularity with which shipments of produce have been sent to Great Britain. The complaint of the importers has been that they cannot count on consistently maintained quantities or quality of Canadian produce.

limits.(1) In November, 1934, trade conferences were held between Mr. Bennett, Conservative Prime Minister, and the Honourable W.D. Herridge, Canadian Minister to Washington. On February 2, 1935 Mr. Bennett announced that a basis for the negotiations had been establishsd. Unfortunately, opposition from agricultural and manufacturing interests in the United States delayed the ratification of a definite agreement. Although these negiotations clearly indicated that the Governments of both countries were disposed to favour a cessation of trade hostilties they were not sufficiently convincing for the Canadian electorate to return the Conservative party. The Liberals swept to power in October, 1935, and January 1, 1936 a trade agreement between Canada and the United States came into force. It is, needless to say, a very different agreement than the Conservatives would have concluded.

(1) The powers granted to President Roosevelt were as follows:

"(a) To enter into foreign trade agreements with foreign governments of instrumentalities thereof; and

(b) To proclaim such modification of existing duties and other import restrictions, or such additional import restrictions, as are required or appropriate to carry out any foreign trade agreement that the President has entered into hereafter. No proclamation shall be made increasing or decreasing any more than 50%(per centum) any existing rates of duty or transferring any articles between the dutiable and freelist. The proclaimed duties and other import restrictions shall apply to articles of the growth, produce or manufacture of any country because of its discriminatory treatment of American commerce or for other reasons; and the proclaimed duties and other import restrictions shall be in effect from and after such time as is specified in the priclamation. The President may at any time terminate any such proclamation in whole or in part."

The United States gains for the first time in the history of Canadain-American relations, most-favoured-nation treatment. This includes the extension of the intermediate scale of duties on a series of items, although it is probable that a number of the existing intermediate rates will be increased. Since Sir John A. MacDonald sponsored the National Policy, United States goods entering Canada have paid the highest rates which Canada imposes.

The most important agricultural concessions secured by Canada are those relating to live cattle. In 1935, for the first time since 1930, Canadian shipments of cattle moved into the American market. Drought and sandstorms and the Government's arbitrary policy of slaughtering cattle in the dried out areas, created a shortage which had not been foreseen by the framers of the Hawley Smoot Tariff. It is estimated that about 8,000,000 head of cattle were lost in this way. Prices in the United States market went sufficiently high to induce import, despite the high tariffs. During the months, January, February and March of 1935, 1,400 head of pure bred, Holstein cattle were shipped southward and Ontario producers benefitted by an opening market. The demand for Canadian Holsteins, because they were able to meet the rigid health requirements, nearly trebled in New York State, Pennsylvania, Massachussetts, and Vermont and is steadily increasing. By the new agreement Canadian cattle raisers are granted reductions in duty ranging from 33 1/3% to 50% on live cattle falling within two different weight ranges and on dairy cows.

The weight ranges excluded from the agreement are those of which Canada is not the chief supplier. The interests of the American raisers are protected by the quota provisions quoted above. These tariff quotas are aggregate quantities and apply to imports from all countries. But no other country can ship calves under 175 pounds or dairy cows to the United States, while cattle weighing 700 pounds or over, including milch cows, Canada, in the first nine months of this year, supplied 56,781 out of a total of 59,648 head imported into the United States. Since, according to Artile II of the agreement, quotas will be allocated among supplying countries on the basis of a representative period, Canada is assured of around 95% of the cattle tariff quota, and even the free admission of such a minute fraction of American domestic slaughter will be important to Canadian farmers. The resultant average saving in duty is estimated at around $9.00 per head of cattle.

The concessions to the dairying industry are small. The omission of butter and milk from the schedules was due, in part, probably, to the protests of American dairy interests, prior to the treaty. Speaking before the Trade Reciprocity Committee, set up for the purpose of investigating objections to the proposed agreement, on March 20, 1935, the Progressive member from Wisconsin declared that recent impprtations of butter, 5,000,000 pounds since January, 1935 were responsible for a drop of .08 per pound in the butter market. But the report of the United States Bureau of Agricultural Economics stated that the drought had resulted in the greatest reduction in milch cows in the 55 years for which records are available. There was a comparative shortage of supplies in storage and production was decreasing. Butter production in December 1934 was approximately 12% below December 1933. The shortage caused prices to be higher in the American markets than the .14 tariff. In some of the large Eastern cities, retail prices to consumers were raised by .04 per pound during the week of January 21 to 26, 1935. Retail prices in New York city were .41 to .43 per pound. Importation is inevitable under these conditions. Butter imports were attracted from New Zealand via London and direct (145,600 lbs.) and from Denmark (38,800 lbs.). (1)

(1) The wholesale price of butter at New York on January 25, 1935 was.35½ per pound the highest point reached at any time since 1931. In London Danish butter was quoted at .23.3 per pound, and New Zealand butter at .18½ per pound. The difference of .17 between New York and London was sufficient to attract importation.

The concessions on cream will react to the benefit of Ontario and Quebec, although the quantity is restricted by quota to 1,500,000 gallons, which is about one half of the quantity actually imported from Canada in 1929. The 50% reduction on turnips should benefit the farmers in Ontario and Prince Edward Island particularly, since they formerly exported considerable quantities to the United States. The trade in clover and grass seeds formerly had an annual value of over $2,000,000. The restoration, in part, of the low rates previously in force will aid this branch of agriculture.

The duty on maple sugar is reduced from .06 to .04 per pound. In 1929 the value of the exports of maple sugar and maple syrup, chiefly of sugar, to the United States from Canada amounted to $2,500,000. Concessions on other agricultural products provided in the agreement include a reduction in the duty on hay from $5.00 to $3.00 per ton; a reduction of one third in the duty on horses; reductions of 50% to 40% respectively on live poultry and dressed chickens; a 29% reduction in the duty on cheddar cheese; lower rates on fresh apples, strawberries, cherries and peas, and a reduction in the duty on frozen or canned blueberries.

The concessions on potatoes, although limited both seasonally and quantitatively, are important to Ontario and Quebec since the months of October November and March, the time of the greatest export activity in potatoes get the lowest reduction. The quota restriction of 750,000 bushels is three times current export, but represents only about 5.5% of average annual production of seed potatoes in the United States during the past five years.

This agreement is the legislation at present in force for the purpose of regulating trade between Canada and the United States.

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THE EFFECT OF THE AMERICAN TARIFF ON THE AGRICULTURE OF ONTARIO & QUEBEC.

1867 - 1936.

....

PART II.

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The Effect of the American Tariff on Certain Principal Exports of Ontario and Quebec. 1867 - 1936.

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The exports of Ontario and Quebec as affected by the American Tariff.

1867 - 1936.

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INTRODUCTION.

The effects of American tariff legislation on the agricultural economy of Ontario and Quebec are best calculated by an inquiry into the export movements of certain specified commodities which form a large part of the agricultural wealth of the two provinces. The products used as a basis for this section are: butter, cheese, cream, milk, cattle, sheep, swine, barley, oats, flaxseed, potatoes, apples and maple products.

There are many technical obstacles in way of obtaining an accurate picture of the export trade of any particular province. Over the period, 1867 to 1936 there have been numerous changes in the classification of commodities, both as to category and the manner of recording export statistics. To find the actual exports of any province over an extended period is virtually impossible. Statistics have been compiled for some years but because the figures are tabulated at the port of exit and more often than not the commodities do not originate in that province, the result is only an inaccurate picture of the source of the products.

It was necessary, therefore, to adopt a uniform method for approximating the exports of Ontario and Quebec. The plan here followed was a co-relation of the figures of provincial production with the total production of that particular commodity in Canada. In a general way, this makes it possible to deduce the quantity from the central provinces which must have gone to form part of the total export surplus. With some commodities, for example, dairy products or wheat, the origin of the major part of the exportable surplus is obviously Ontario and Quebec in the first place and the Western Provinces in the second. In the case of other, lessimportant and more generally produced commodities, the relation must be a derivative of production, export and intuition.

From 1911 to 193 inclusive, two sets of export figures are used: exports from to Canada to the United States and from Canada to Great Britain. They are used comparatively because in any detailed analysis of the effects which the tariff actions of the United States have had on Canada the number of adjacent factors having an important bearing on the conclusions, although not within the actual scope of the inquiry, must be taken into account. Canada's trade negotiations with Great Britain, since 1930, stand, in part, as one of the effects of the American high tariff policy. The British market opened up when the future looked very dark for Canadian agricultural export, that is, after the Hawley Smoot tariff had finally closed the "natural" American market to Canada. The effects of the blow dealt by the Hawley Smoot tariff were, therefore, mitigated by the acquisition of preferences in "the greatest market of the world". Literally speaking, one of the effects of that tariff was to turn a great volume of Canada's export trade into the profitable United Kingdom market, so that losses cannot be computed except in terms of compensatory gains, and the actual incidence of the United States tariff actions is difficult to determine.

The progress, made over a period of time by a group of separate units in their capacities as parts of a composite whole, is only valid when it is studied in relation to that whole. In order to understand how the agricultural economic welfare of Ontario and Quebec has been affected by the tariff legislation of the United States, it is first necessary to establish the comparative relation of these two provinces to the entire Dominion of Canada.

Although bound together by railway and water and carrying on her foreign trade negotiations as a complete entity, Canada is an economic structure consisting of a number of forces of varied strength and magnitude working independently to produce her exportable surplus of primary commodities. The regional significance of an agricultural survey of Canada is a very important one. The Western provinces have problems a world removed from those of the central provinces, and the Maritimes must be studied in the light of characteristics which are peculiar to their location and the nature of their principal resources.

The natural resources of Canada, because of the diversification of land formations and climatic conditions, are of a variety and scope which indicate an enviable amount of present and potential wealth. Various branches of agriculture, Canada's greatest primary industry, are carried on in all the provinces, but Ontario and Quebec are more particularly mixed farming communities. Certain districts specialize in the raising of livestock, dairying, and the cultivation of root crops. The Niagara Peninsula, in Ontario, is famous for the magnitude of its fruit farming operations. The general nature of the agricultural economy of Ontario and Quebec, as compared to the more specialized character of primary production in the west and the east, indicates the significance of a study of tariff effects. Inevitably, any American tariff legislation which discriminates generally against agricultural products reacts hardly on Ontario and Quebec by affecting all sections of the gainfully employed in agriculture. Industrial activity is hampered by a fall in the real income of the farmer, and the shutting off of a profitable export market not only limits his ability to dispose of his produce at all, but seriously affects the prices which he will receive in an over-supplied domestic market.

Favourable trade relations with the United States have always been important to Canada because of several fundamental considerations. Canada is, obviously, in an advantageous export relation to the United States in respect of adjacency and convenience of transportation facilities. In particular, the central provinces are best fitted to produce commodities which are in demand to supply continuing deficiencies in the near-by New England states, comprising a populous American market. The character of the trade between Ontario and Quebec and the United States is, in many respects, a border trade of convenience. Many of the products are seasonal, and in some seasons, it is convenient to ship early maturing American produce northward while the Canadian supply is shipped southward at a later date. Much of the trade between the two sections is, therefore, trade in different varieties of the same commodities. Crop shortages, seasonal fluctuations, slight advantages in producing costs, are more powerful influences in directing the flow of trade in certain products, for example, cheese and cattle, than the same degree of influence would be in respect to a more distant market. The movement of certain other products such as maple sugar and syrup and apples, is the result of natural advantages and would persist in spite of normal tariff barriers.

If these assumptions are true, the fact that trade between the two countries has been practically at a standstill since 1930 indicates the existence of tariff abnormalities having widespread repercussions throughout the whole Canadian economy. The effect of the Hawley Smoot tariff should occasion no surprise since the whole history of Canadian - American trade relations serves to show the interdependence of the North American continent. Economic history prior to 1930 indicated what disastrous results could be expected if protectionist sentiment were permitted to escape its normal bounds. The impoverishment of Canadian agriculture, and the depression of American industry are alike the tragic consequences of the failure to understand the warning.

DAIRY PRODUCTS: Milk, cream, butter and cheese.

Dairying has always been an integral part of the agricultural economy of Ontario and Quebec. It is, in addition, an industry whose measure of prosperity or poverty depends largely on the export market. Ever since Confederation dairying has experienced a great developmental process, which is steadily gaining impetus with the increasing demand for better organization and improved methods of marketing.

In the beginnings of dairy history, production was the sum of a number of individual activities in this field. Cattle were introduced by the first settlers and there naturally followed the making of butter and cheese for home use. In the 1860's they were made by the women on the farm for the satisfaction of daily needs. After serving the household a system of barter disposed of the surplus in exchange for groceries and other necessities. Profits were literally unknown, and often the produce was exchanged at a loss. The supply was decided by the amount of time which could be spared from household tasks.

Expansion has been the keynote since that time.(1) The year 1861 marked the organization of butter and cheese factories as distinct from private dairies. The first cheese factories were opened in Ontario and Quebec in 1864 and 1865 respectively, and the first butter factory in 1873. A combined butter and cheese factory opened in 1881 in Eastern Quebec, and the butter and cheese industry has revolutionized the agricultural economy of Quebec.

(1)

Year.	Number of Milch Cows.	Production of Butter. (lbs.)	Production of Cheese. (lbs.)
1861	328	15,406,949	686,297
1933	3,694,000	218,532,307	111,044,644

After Confederation there was a rapid increase in the number of cheese factories operating in Ontario and production increased steadily until 1904, when the growing consumption of milk and the diversion of milk to condenseries and milk powder factories resulted in some decrease in cheese production; the low point was reached in 1922.

The creamery system for the manufacture of butter was of slower growth. Little progress was made until after 1882 when the first centrifugal cream separator used on the American continent was imported from Denmark and installed in a creamery at Quebec. Another important development was the introduction about 1896, of mechanical refrigeration in cold storage warehouses, railway services, and transatlantic steamers. The dairying industry owes a debt to the increasing use of fodder corn as a silage crop, which enabled the production of milk to be forced during winter. One of the most significant dairying developments has been the establishment of the industry on a co-operative factory basis.

Since 1910 the production of butter has increased. After 1920 the total number of creameries and cheese factories decreased(1); the increase was due to better methods. Fundamental changes in the cheese making industry have caused production to decrease since 1926. Milk which formerly went into cheese now appears to find its way into butter, miscellaneous factory products or into the liquid market. It is probable that the widening market in Great Britain for Canadian cheese will cause an increase in production and the lowering of the American tariff by the trade agreement of January 1, 1936 may stimulate trade enough to warrant an expansion in production.

The immediate situation must be studied in relation to the world depression and in conjuncture with the trend of events in the United States and Great Britain, the two chief outlets for Canadian dairy produce. The

(1) The numberof creameries and cheese factories decreased from 3,161 in 1920 to 2,719 in 1930

dairy industry is a vulnerable spot in Canadian agriculture, and reverses in this field react seriously on the country as a whole. The industry has experienced depression to the tune of a decrease in value of production from $291,742,857 in 1929 to $135,000,000 (estimated) in 1932. Prices have suffered a ruinous decline.(1) As a result, thousands of dairy farmers are living on the edge of bankruptcy; hundreds of creameries are operating at a loss. Exports have declined and international competition has been intensified by the struggle to maintain markets. Unemployment and restricted purchasing have decreased internal consumption.

The British agricultural policy has had a marked effect on the attitude of that country toward the importation of commodities constituting a source of competition to British farmers. The policy of "quantitative regulation" applies to butter. The Agricultural Marketing Act of 1931 assisted the British farmers, by a milk marketing plan, whereby the Government subsidized for two years all milk delivered to dairy factories, in order to guarantee a minimum price and keep the milk from flowing into the "liquid market" where prices were higher. Moreover, the British Government plans to spend 750,000 pounds to rehabilitate the dairy herds. With the aid of a publicity fund, to which the producers contribute one-half, the consumption of milk and dairy produce is to be stimulated.

The dairy situation in the United States is more pertinent to Canadian prosperity. A study of the evidence taken before the Committee of Ways and Means on Tariff Readjustment in 1929, preparatory to the ratification of the Hawley Smoot tariff rates, presents the dairy situation as American interests interpret it. It is the largest single agricultural industry in

(1) <u>Decline in Dairy Prices, 1929 to 1932.</u>

	1929	1932
Whole milk & cream (sold for city use.).	$2.36 per.cwt.	$1.25 per.cwt.
Butter	.4075 " lb.	.17 " lb.
Cheese	.1808 " "	.09 " "

the United States. The farm value of milk and its products is estimated by the United States Department of Agriculture to be about $3,000,000,000 and approximately 1,500,000 farmers depend upon returns from the sale of milk and its products for the greater part of their incomes. The expansion in Canadian production, taking place near the areas of large American demand, was viewed with alarm by American producers. Some of the principal dairy sections of Ontario and Quebec are adjacent to the international border. This proximity gives the Central provinces a more favourable location for selling to the Eastern markets than is enjoyed by some of the American states which have an exportable surplus, available for domestic consumption. The St. Lawrence valley, within the natural milk shed of New York and Boston has lower shipping rates than farmers of the Middle West must pay to reach the same markets.

It was felt that increased internal production , on the basis of improved methods, could be sufficient to supply home needs, if the farmer were not subject to the external competition. The primary consideration for the American tariff legislation was to effect a displacement of foreign products in order to allow for an enlargement of the domestic market to a profitable size. This in turn would make way for a greater crop diversification among agricultural producers. Since the production of milk is the focal point of tariff consideration, increases were necessary to equalize rates with butter thus making impossible the nullification of the butter rates by importing fluid milk at a low rate and subsequently converting it into butter and cream.

A more recent change in the general situation has been caused by the highly unpredictable seasonal factors of drought and sandstorm which depleted dairy herds beyond the restrictions forecast by the Agricultural Administration. These events must be taken into consideration if a true picture of tariff effects on the export of dairy products is to be arrived at.

Milk and Cream as Export Commodities.

Before 1911 the export trade in milk and cream was comparatively unimportant; the amounts are not listed separately in the customs returns. The duty on milk from 1867 to 1913 was .02 per gallon, and in the latter year the Underwood Tariff removed it completely allowing free access to the American market. These favourable conditions caused the export trade to increase rapidly. In 1913 7,939 gallons were exported; in 1917 the quantity had risen to 761,805 gallons. The Emergency Tariff of 1921 returned the duty of .02 per gallon and it was increased to .02½ in 1922. Despite the tariff there was a steady increase in export with the exception of the year 1928. The quantity declined then, due to an embargo placed on the export of milk because to the typhoid epidemic in the Montreal district, during March, 1927 to September, 1928, and because of the passage in the United States of the Lenroot - Tabor Bill establishing strict sanitary regulations.

The real blow to the Canadian trade in dairy products was the imposition of the prohibitive rates of the Hawley Smoot Tariff in 1930. Milk became dutiable at .06½ per gallon and cream at .56.6 per gallon. The effect of these high rates was rendered more severe by coincidence with the general depression. The decline in revenue from dairy products meant a serious restriction of purchasing power in the dairying community, with its consequence repercussions in other branches of the Canadian economy. Internal competition became intensified, due to the suplus of milk and cream which had to be disposed of in the home markets. Large quantities had been shipped to New York from Quebec and south-eastern Ontario as well to Detroit and Michigan. The closing of the American market caused the attempted disposal of these quantities of milk and cream in Canadian cities. Prices fell disastrously from the keen competition which ensued.

At that time, however, the Canadian tariff on butter was raised, and shut out large importations of butter from New Zealand (1) with the result that butter prices in Canada advanced from .10 to .12 per pound, at times above the export level. This made it possible to absorb more easily a large part of the milk and cream which had been going to the United States. The following table shows the increase in butter production in Canada from 1931 to 1933 with the amounts produced by Ontario and Quebec, respectively:

Year.	Production of Canada. (pounds)	Production of Ontario and Quebec. (pounds)
1931	225,955,246	77,502,407 69,653,540
1932	214,002,127	74,689,113 64,889,670
1933	218,532,307	76,125,812 63,594,688

In the recent trade agreement with the United States no change was made in the duty on milk, a fact which caused widespread disappointment among Canadian dairy farmers.

There are special considerations applying to cream as an export product. The cream imported into the United States has seldom been equivalent to more than 0.2% of domestic production , but its value is great in relation to its volume. The trade is especially subject to seasonal influences since the greatest demand is during the summer months when cream, as a table delicacy, and as an ingredient in the production of ice-cream, is in great demand. The United States Tariff Commission of 1929 estimated that of the total cream imported 59% was used in the manufacture of ice-cream, 21% as fluid cream and 13% as butter. Canadian cream is exported to Boston, New York

(1) In 1931 13,794,880 lbs. of butter were imported from New Zealand; in 1933 only 806,947 " " " entered Canada from this source.

and Philadelphia.

Before the war the duty imposed in 1909 was .05 per gallon. The trade was small and variable. In 1913 the Underwood Tariff removed the duty and for three years, 1914 to 1916 inclusive, the trade greatly increased, due, in part, to war demands. In 1917 exports declined abruptly. After 1920, despite the imposition of a duty of .05 per gallon in 1921 and of .20 per gallon in 1922, exports increased steadily until 1929, when the duty was further increased to .30 per gallon. Between the years 1924 and 1926 there was an increase in exports from 2,783,866 to 4,120,181 gallons due to a differential of about .25 per gallon between Montreal and New York prices.

In 1930 the duty reached the unprecedented rate of .56.6 per gallon. Export declined rapidly and in 1934 only 21,353 gallons were sent to the United States. By the trade agreement of January 1, 1936 the tariff on cream was reduced from the 1930 high point to .35 per gallon. Quota restrictions, limiting the quantity exported to 1,500,000 gallons automatically limit the benefits which might otherwise be felt throughout the entire industry. In actual fact, the quota is only about one-half the amount which the United States imported from Canada in 1929. Improvement will undoubtedly result, however. In the two months following the passage of the treaty the export of milk showed an increase, and in February 70 gallons of cream were exported, the first in many months.

Exports of Milk and Cream from Canada to the United States
from 1911 to 1934 showing the effect of the American tariff rates.

Year.	Duty.	Export of Milk. (Gallons.)	Duty.	Export of Cream. (Gallons)
1897	.02 per gallon.			
1909			.05 per gallon	
1910				
1911		58,102		1,823,821
1912		7,771		886,174
1913	Free	7,939	Free	820,360
1914		307,108		1,323,909
1915		477,892		1,859,575
1916		394,831		1,262,280
1917		760,805		803,496
1918		1,116,362		585,601
1919		827,973		485,015
1920		1,985,113		795,780
1921	.02 per gallon	1,508,618	.05 per gallon	1,279,195
1922	.02½ " "	1,391,395	.20 " "	1,671,678
1923		856,039		1,712,241
1924		2,191,395		2,783,866
1925		3,088,212		3,384,186
1926		4,598,199		4,120,181
1927		4,886,445		4,495,917
1928		3,624,794		4,016,961
1929		3,753,871		2,833,640
1930	.06½ " "	3,099,754	.56.6 " "	2,293,330
1931		1,208,478		1,121,974
1932		562,764		65,814
1933		15,896		80,605
1934		1,178		21,353
1935				
1936			.35 " "	

Prior to 1911 the export figures of milk and cream were not listed separately in the Customs returns.

Butter and Cheese as Export Commodities.

Butter and cheese are chiefly produced in Ontario and Quebec:

Estimated production (000,000's lbs.) of creamery butter and factory cheese in Canada(with amounts produced in Ontario and Quebec), for the years 1900, 1910, 1915 and onward, to 1933.

	Butter.			Cheese.		
Year.	Ontario.	Quebec.	Canada.	Ontario.	Quebec.	Canada.
1900	7	24	32	131	80	220
1910	13	41	64	136	58 1	199
1915	26	36	83	125	54	183
1916	24	34	82	126	61	192
1917	28	34	87	121	67	194
1918	29	36	93	107	62	174
1919	33	37	103	103	58	166
1920	37	41	111	92	52	149
1921	43	48	128	103	54	162
1922	51	57	152	92	38	135
1923	54	59	162	99	46	151
1924	60	59	178	104	39	149
1925	59	49	169	119	51	177
1926	62	50	177	119	46	171
1927	66	55	176	96	37	138
1928	63	52	168	95	45	144
1929	59	53	170	79	35	118
1930	64	60	185	81	34	119
1931	77	69	225	84	25	113
1932	74	64	214	86	29	120
1933	76	63	218	81	25	111

Over one half of the butter and cheese produced annually in Canada (in some years almost the entire amount) originates in the provinces of Ontario and Quebec. It will be seen from the above table that the incidence of tariff increases affecting the export of these products falls most heavily on the central area.

Small quantities of butter and cheese have been exported from Canada for over 100 years, but it was not until the middle of the nineteenth century that regular trade of any importance was established. After 1907 there was a rapid decline in the exports of butter, until the fiscal year ended March 31, 1913 saw only 828,323 pounds of butter shipped out of the country and for the first time in over 60 years, practically no butter was sent to Great Britain. The actual quantity was 681 pounds. This decline in exports, coincident with increased production, can be accounted for by the large increases in per capita home consumption owing to the conditions of prosperity which prevailed and to the rapid growth in population.(1)

Prior to 1913 the duty on butter was .06 per pound and the export quantities varied. In 1913 the Underwood Tariff reduced the rates to .02½ per pound, but the diversion of exports to Europe during the war years resulted in comparatively small amounts being sent to the United States. After the war the normal re-direction of trade resulted in a decrease in the amounts sent to the United Kingdom, and a tremendous increase in the exports to the United States. In 1920 a peak amount of 10,693,311 pounds were shipped southward. Part of the increase was due to advantages in value because of the average discount of some 5% on Canadian exchange.

In 1921 the duty was raised to .06 per pound and in 1922 to . 08 per pound. There followed a steady decline of exports, the imposition in 1926 of a .12 per pound duty accelerating the downward trend. The amounts sent, however, were still large compared to exports after 1930. The years 1919 to 1926 were the best ones in the butter export trade. It was due in part, despite tariff restrictions, to the border demand for the high quality, Government-graded Canadian butter. In 1927 the amount exported greatly declined. The high rates on butter, that is .12 per pound, increased the export of milk and cream. The fact that milk and cream were converted into butter and cheese after importation was a major consideration in arousing the demand for a higher tariff

(1) The population of Quebec increased from 1,488,000 in 1891 to 2,003,232 in 1911.

on liquid imports, in 1929; it was the only to make the butter rate effective.

In 1930 the Hawley Smoot tariff imposed a .14 cent rate on butter and the small quantity exported in 1933, 34,500 pounds, tells its own story. The new rates were imposed to equalize costs of production with the principal competing countries, Denmark, Canada, New Zealand and Australia.(1) Butter is one of the primary bases of all dairy tariffs. Production was increasing rapidly in competing countries, and the increased amounts being put on the market, by lowering world prices, seriously jeopardized butter prices in the United States. To counteract the world situation, the United States increased their rates of duty.

Another reason for discouraging foreign importations into the United States arose from the effect imports had on the prices of domestic storage supplies. Large quantities of butter produced in the United States must be stored during the flush production stage. This season begins on the West coast about March 15, (May 1, in the central West) continuing until August 15 or September 1. During the storage season there is no importation from the southern hemisphere because it is their winter and low production season. But a storer of butter must keep in mind that withdrawals coincide with high production low cost periods in the South and he must face competition in the high cost period from that direction. Elimination of foreign imports during the withdrawal season, October to May, was necessary to improve prices during the storage season. This argument applies in relation to New Zealand and Australia rather than to Canada, but since the duty affected Canadian export, it is pertinent to the discussion.

In summary, the effect of the recent tariff increases has been to greatly decrease butter exports to the United States, to increase home consumption

(1) Comparing the cost of production of butter(including costs of transportation to New York City) for 1923 and 1924.

Denmark	-	.41.11 per pound.
United States		.56.03 " "

aided by the withdrawal of quantities of New Zealand butter, and to increase exports to Great Britain.

Until 1926 Canada's exports of butter to the United States were more significant than exports of cheese. It is true that Canada was an important exporter of cheese but it was of a variety produced within the United States and consequently trade was carried on mainly with the border points. There were four types of cheese imported into the United States.

1. American or cheddar cheese. By far the largest output of American cheese is the cheddar type. The principal source of competition is Canada.

2. Swiss or Emmenthaler. The United States produces one half of the amount annually consumed. The chief source of competition is Switzerland.

3. Other foreign cheese and process cheese. These are speciality products originating mainly in Italy, France and Greece.

4. Compounds, mixtures and cheese substitutes. These merchandized food products have developed rapidly in the last few years.

From 1900 to 1926 the duty varied, but the same general range of tax prevailed. During the war the disruption which diverted quantities of butter to other markets applied equally to cheese. Small quantities were exported to the United States. In 1920 the largest amount, up to that date, 6,031,404 pounds was shipped southward. After that peak, production in Canada declined from 162,117,494 pounds in 1921 to 135,821,116 pounds in 1922 and there was a consequent decline in exports. Production rose again during the period, 1923 to 1926, but the export figures do not reflect the increase. The specific duty of .05 per pound, imposed in 1922 and continuing until 1927, is accountable for some of the lag.

The reasons for a prohibition of Canadian cheese were, in the first place, the harmful effect of foreign market conditions upon internal American prices. The United States Department of Agriculture in a cheese report of November 8, 1927 comments:

"Undoubtedly a considerable part of the weakness (of the domestic market) was due to the Canadian situation....The recent weakness and decline at Canadian points permitted dealers using large styles (i.e. cheddar cheese) to supply their needs at below domestic costs and undoubtedly the cheese board declines on November 4 is a reflection of this condition."

In effect, the United States domestic producers were selling in a market not determined by domestic costs of production, but rather in one whose domestic prices reflected the conditions in Canada.

In the second place, Canadian cheese competes directly with American large styles, and indirectly with smaller styles. Canada produces cheese not only in excess of internal consumption, but to a greater extent than can be absorbed by the English and Continental markets.

Finally, imports of cheese into the United States create a surplus condition. In 1929 storage holdings in the United States were very high. In January there were 68,297,000 pounds of surplus cheese, the largest amount ever held in storage. It constituted a source of dismay to cheese producers; any additional supply by importation would create an unnecessary crisis, and the duty was raised as a safeguard against that possibility. It was pointed out that with even a slightly favourable price differantial in the United States the duty operative before 1930 permitted enough Canadian cheese to be imported to produce a surplus on the domestic market. The recent trade agreement has again lowered the duty to its former rate, that is , $05 per pound, and the concession will probably mean slightly increased exports to the United States.

In conclusion, trade in dairy products is international and prices are determined by the laws of supply and demand in the world market. World wide production means that if a country wishes to control prices in its domestic market, recourse must be made to prohibitive tariff rates which will be effective in establishing and "protecting", in the strictest sense of the word, the internal price by making it independent of the ebb and flow of world supplies, and world market conditions.

The real advantages of the United States for Canada exists when the prices are higher than Canadian prices. That has not been generally true of conditions, but at times during the past few years the butter price level of New York has been as much as .10 per pound higher than the price in Toronto. If the United States were to open her markets to Canadian butter the price would drop slightly but Canadian producers would receive several cents per pound more than they are now getting, and an important revenue added to the dairy industry. Unfortuneately the trade agreement of January 1, 1936 made no concessions on butter, a source of disappointment to the producers of Ontario and Quebec.

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Exports of Butter and Cheese from Canada to the United States and to the United Kingdom, showing the effect of the United States tariff on export.

Year.	Duty.	Butter Exports To U.S.A. (pounds.)	Butter Exports To U.K. (pounds.)	Duty.	Cheese Exports To U.S.A. (pounds.)	Cheese Exports To U.K. (pounds.)
1897	.06 per. lb.			.06 per. lb.		
1900		28,804			40,479	
1901		25,932			345,933	
1902		50,745			86,502	
1903		249,180			56,672	
1904		31,416			34,608	
1905		378,959			110,756	
1906		113,258			114,023	
1907		17,084			41,776	
1908		190,916			134,527	
1909	.06 " "	92,468		.06 per. lb.	157,186	
1910		1,103,837	2,595,357		154,490	179,937,468
1911		92,489	1,733,060		285,469	180,658,059
1912		630,480	7,458,936		167,591	162,395,097
1913	.02½ " "	304,503	681	20% ad valorem	261,682	153,886,885
1914		500,623	138,340		1,346,128	142,138,799
1915		1,367,171	585,605		253,809	135,900,614
1916		205,029	1,950,137		103,308	167,414,411
1917		253,038	7,121,568		91,399	179,568,863
1918		840,398	3,311,591		79,707	168,240,447
1919		2,918,651	9,915,131		165,065	120,056,420
1920		10,693,311	3,932,674		6,031,404	89,977,759
1921	.06 " "	5,993,186		23% ad valorem	641,900	1,226,522 cwt.
1922	.08 " "	3,032,939	37,137 cwt.	.05 p.lb., not less	2,969,800	1,259,429 "
1923		2,423,086	175,276 "	than 25% ad.val.	5,902,300	1,065,504 "
1924		6,394,927	43,712 "		3,347,900	1,103,816 "
1925		3,437,700	158,030 "		195,800 758,800	1,204,544 "
1926	.12 " "	1,777,400	181,104 "	.07½ p.lb. not less	14,062,000	1,358,366 "
1927		348,600	68,554 "	than 37½% ad.val.	12,533,500	1,190,000 "
1928		266,100	470 "		7,411,900	892,198 "
1929		231,400	19 "		6,786,700	1,025,387 "
1930	.14 " "	20,700	8 "	.07 p.lb. not less	3,270,100	831,562 "
1931		70,200	117 "	than 35% ad.val.	1,574,700	736,266 "
1932		673,600	86,927 "			813,106 "
1933		34,500	6,736 "		619,500	825,081 "
1936				.05 p.lb. not less than 25% ad.val.		

LIVESTOCK : Cattle, Sheep and Swine.

The raising of livestock in Canada dates back to the earliest days of the colony when Champlain (1) imported cattle, probably originating in Normandy, to play their part in the building of the new world. In 1636 there were cows and oxen in Quebec, and sheep, of a small, hardy type, were imported from Brittany. The later importationss since 1886 established the true breed of French Canadian cattle. There are five, now familiar, breeds which appeared between 1830 and 1891, namely, Ayrshires or Short-horns, Galloways or Herefords, Jerseys, Guernseys and Holsteins.

After the original importation of sheep no new breed entered until about 1790. Then, cross-bred animals of various breeds were brought in by American immigrants between 1790 and 1805. By about 1850 pure Merinos, Leicesters and South Downs were imported from Ontario to the Montreal district and after 1854 came the cotswolds, in 1880 the Shropshires, and later on the Oxfords and the Lincolns.

One of the safeguards of Canadian agriculture is the production of livestock. The natural advantages of a favourable climate and adequate pasture lands have made the industry important to the economy of the Western and Central provinces. Since 1871 the livestock population has steadily increased.(2) The numbers of cattle and swine have shown a progressive upward trend but the raising of sheep has been subject to marked fluctuations. In 1871 there were 3,155,507 sheep, but for many years the numbers declined, increasing at last to reach a maximum in 1920 of 3,720,783 head. The

(1) Champlain, in his book of travels published in 1613, includes a map of Quebec, indicating a place where fodder for cattle had been collected.
(2)Canada Year Book, 1933.

precipitate interest in the consumption of meat during the Great War, in part, caused the growth of livestock numbers throughout the world. In Canada the increase has not only been in numbers but in the improvement in breeding stock. Virulent animal diseases, which wreak havoc on the prosperity of European cattle-raisers, have never gained a foot-hold in Canada. In the 1931 League of Nations report on the agricultural situation, livestock is classed as the branch of agriculture which has least cause for complaint due to depression conditions. (1)

The agricultural prosperity of Ontario and Quebec are closely connected with the livestock industry. In 1930 over one-half of the estimated livestock wealth of Canada was in Ontario and Quebec; by 1933 the proportion had fallen slightly to almost exactly one-half of the total.

Cattle.

From 1871 to 1920 approximately, Ontario and Quebec suppled a larger percentage of the total cattle production of Canada than they have since the development of the Western provinces. Since 1921, Ontario and Quebec have maintained a fairly steady ratio of about one-half of the total production. While it is impossible to calculate the number of cattle which the Central provinces contribute to export , the relation of the provincial production to the total, justifies the statement that this area is vitally affected by adverse tariff legislation.

The chief export markets for Canadian livestock are the United States and the United Kingdom. The geographical advantages of a near market are more pertinent to the livestock industry than to any other branch of agricultural activity. Ease and quickness of transportation and low freight rates, makes the United States an attractive market for export surpluses. Yet, in spite of this natural outlet, export trade in livestock has changed its route in response to tariff legislation and price changes. In 1867 the total exports of cattle were 47,809 head valued at $1,190,799 and all were sold in the United States. In 1926 the total exports were 295,249 head valued at $18,081,479 of which $12,432,954 came from the United Kingdom, and only $5,338,737 of the revenue came from the United States.

A brief survey of the cattle industry of the United States and the United Kingdom is necessary in order to appreciate the significance of these export movements and, particularly in relation to the United States, in order to understand the motives behind adverse tariff action.

Cattle raising in the United States faces competition from two sources, Canada and Mexico.(1) In 1929 it was stated before the United States Tariff Commission that eleven Western range states, where 95% of the feeders are raised, could not produce them under present costs and in competition with Canadian and Mexican cattle. As a result of a study covering four years it was revealed that ranches had failed to earn any return on their net investment in the cattle business as a whole, for the four years, 1922 to 1925. Each year operators of ranches had to make shift with less help in order to live within their incomes. These were advanced as valid reasons for an increase of duty.

The American producers also demanded protection for their pure-bred industry, which involves large capital investment. Before 1929 the importation of inferior pure bred stock was encouraged because of the duty free provision. It amounted to a dumping of inferior animals, thereby tending to pull down the annual averaged increased production per cow. American produced cattle were

(1) Since 1927 live cattle from South America have been debarred because of the prevalence of foot and mouth disease among them.

compelled to compete for their own market against foreign cattle produced on a cheaper basis in Canada.

In summary, they felt that tariff increases on cattle were necessary because beef cattle inventories were still declining as a result of forced liquidation, during the period 1921 to 1926, following the over-expansion of the war years;(1) range herds could only be rebuilt and improved in quality if free from foreign competition; adequate protection would tend to stabilize prices for consumers and producers; costs of production, which had increasing due to greater costs of range, feed, labour, and tax items, would be lowered; and finally, it was felt that the United States should be self-supporting in her beef cattle production as a matter of national policy and necessity.

In Great Britain like sentiments in a modified form were being translated into effective blows at the export trade which Canada was slowly but surely building up in that market. The attempts of the British Minister of Agriculture to find a remmunerative level of prices for domestic producers attained concrete form in quota barriers. In 1930 Great Britain's dependence on meat imports was too great to submit to an imposition of duties. Now, however, stock raisers had the tide turned in their favour by Governmental actions regarding the imposition of import quotas, the development of marketing schemes, and the granting of cattle subsidies. At the Ottawa Conference the British delegates limited foreign imports of meat, taking 1931-1932 as a base year and the imports of that period as the quota. The Dominions were guaranteed free entry for meats till June 1934 and for dairy and poultry produce until 1935. A discussion with the Dominions "to find some system of reducing meat imports into the United Kingdom which would be accepted voluntarily" was fruitless. In

(1) In 1922 the beef cattle population of the United Stateswas 34,800,000 head; by 1925 forced liquidation had reduced the numbers to 27,200,000 head.

Exports of Cattle from Canada to the United States and to the United Kingdom showing the effect of the American rates, from 1890 to 1934.

Year.	Duty.	To the U.S.A.	To the U.K.	Year.	Duty.	To the US.A.	To the U.K
1890	Over 1 yr. $10.00 Under " " $2.00	7,840	66,965	1926		92,962	78,985
1891		2,763	107,689	1927		204,336	8,263
1892		551	101,426	1928		166,469	405
1893		402	99,904	1929		160,103	—
1894	20% ad. val.	256	80,531	1930 (1)		19,483	5,400
1895		882	85,863	1931		9,159	27,149
1897	Over 1 yr. val. @ < $14.00 $3.75	35,998	120,063	1932		9,010	16,568
1898	@ > " " $ 27½%	87,905	122,106	1933		3,934	36,415
1899	ad. valorem. Under. 1 yr. $2.00	92,834	115,476	1934		4,102	41,252
1900		86,989	115,056	1935			
1901		46,244	119,050	1936 (2)			
1902		31,743	148,927	(1) Over 700 lbs.	.03 per lb.		
1903		10,432	161,170	Under " "	.02½ " "		
1904		3,517	148,301	(2) < 175 lbs.	.01½ " "		
1905		3,696	159,078	> 700 "	.02 " "		
1906		4,728	163,994	Dairy Cows	.01½ " " (subject to		
1907		8,184	149,340	quota regulations.)			
1908		23,612	124,015				
1909	Same as 1897.	16,130	143,661				
1910		12,220	140,424				
1911		7,576	113,795				
1912		9,807	47,868				
1913	Free	180,383	9,878				
1914		145,722	—				
1915		179,016	1,752				
1916		104,227	—				
1917		148,077	—				
1918		200,666	—				
1919		453,606	159				
1920		236,642	320				
1921	30% ad. val.	135,257	33,053				
1922	Under 1050 lbs. .01½ p. lb.	189,760	18,475				
1923	Over 1050 lbs. .02 p. lb.	96,873	57,672				
1924		97,847	79,435				
1925		86,748	110,868				

April, 1934 the British Government subsidized native stock-raisers to the extent of 3,000,000 pounds for six months. Since then the British Government have voted to continue the cattle subsidies which expired on September 1, 1934. The temporary arrangements for meat imports from the Dominions, a limit set to not less than the average for the corresponding quarter of the previous three years, meant a curtailment of Canadian exports to about 50,000 head of cattle. In July, 1934 the Secretary of the Western Canada Stock Growers Association stated that the British plan to regulate cattle imports was a grievous blow to the cattle industry of Western Canada, and the blow falls with proportional severity upon the lesser cattle raising sections of Ontario and Quebec.

With these general conditions in mind the statistics of export of cattle to the United Kingdom and to the United States since 1890 become more significant. Prior to 1912 the volume of cattle exported was irregular; on the whole, greater numbers were exported to Great Britain than to the United States. Shipments of live cattle to the United Kingdom began in the 1870's. In 1871 there was no trade, but by 1890 66,965 head went to Great Britain. In 1892 there was a temporary set-back because of the British embargo requiring slaughter at the point of entry. After 1906 exports to the United Kingdom declined, and increased numbers were sent to the United States. From 1909 to 1912 export to the United States declined owing to expanding domestic production and favourable market in the United Kingdom.

In 1913, however, the Underwood Tariff removed the American duties and from then until 1920 exports to the United States increased rapidly. For several years, practically no cattle were sent to the United Kingdom. During the war years larger amounts were needed to satisfy abnormal demands, and the cattle population of both Canada and the United States increased rapidly. The greatest movement took place in the post-war years, 1918 to 1920, inclusive, before the imposition of the Fordney McCumber Tariff in 1922. After 1922 the export figures show a decided decrease and an increase in Canadian cattle sent overseas. British restrictions on cattle import requiring slaughter at the point of entry, had been relaxed and the increase in 1925 was due to added ease of ingress into the British market as well as to American tariff barriers.

In 1926 prices rose in the United States sufficiently to attract Canadian cattle trade. There resulted a decline in overseas exports and, as during 1913 to 1920, exports to the United Kingdom stopped entirely. Many other factors, however, entered into this re-direction of export trade. Although Great Britain had seemed to offer a promising outlet for Canadian cattle, internal difficulties seriously restricted general purchasing power, and the low prices ruling in that market made it unattractive to Canadian producers. Price levels were depressed by a coal strike affecting the wages of a large group of the consuming public, coupled at the same time, with a prevalence of hoof and mouth disease among feeder which had a devastating effect on the prices of fresh meat.

In 1929 two reason became operative in lessening cattle exports to the United States: as domestic production increased the attractive prices fell to unattractive levels and the exorbitant duties, of the Hawley Smoot Tariff were imposed in response to the demands of the American cattle producers. Canadian exports moved again to Great Britain and aided by a British penalty on Irish cattle, Canada secured an outlet which enabled her to dispose of some of her surplus. This alignment of the cattle trade continued, with minor fluctuations, until early in the year 1935.

Exports of Cattle from Canada to Great Britain and the United States, 1925-1932.

Year.	To Great Britain.	To the United States.
1925	110,868	86,748
1926	79,985	92,962
1927	8,263	204,336
1928		166,496
1929		160,103
1930	5,400	19,483
1931	27,148	9,159
1932	16,568	9,010

A glance at the above figures of exports before and during the years when the tariff barriers erected by the United States became such a militating factor against Canadian export trade serve to illustrate one point. That is, that when the American market became closed to Canadian cattle, even after a two year period in which there had been no overseas trade, the United Kingdom market was shown to be capable of expansion for Canadian products and relatively willing to accept them. New developments, however, are taking place rapidly due mainly to a protective agricultural policy. In recent years more than one-half a shipment of 44 breeding cows, young Holsteins from Ontario farms, and Government inspected at Montreal, were declared unfit and 23 rejected and ordered slaughtered. Not only must shippers contend with these rigid regulations but also with the resumption of Irish cattle exports.

In 1935, for the first time since 1930, Canadian shipments of cattle moved into the United States market. During the months, January, February, and March of 1935, 1400 head of pure-bred Holstein cattle were shipped and Ontario producers felt the benefit of an opening market. The demand for Canadian Holsteins because they are able to meet health requirements, has nearly trebled in New York State, Pennsylvania, Massachussetts, and Vermont and is steadily increasing.

The importance of milk in the diet has helped to enlarge the demand for this type of cattle.

The reasons for this trade despite the continued high tariff rates are the decline in numbers and consequent high prices caused by the unforeseeable drought, coupled with the United States Government policy of arbitrary restriction achieved by slaughtering cattle in the dried out areas. It is estimated that about 8,000,000 cattle were lost in these ways. In March 1935, Buffalo prices of .13 per pound for livestock were about twice the price for the same grade at Toronto. This enabled Canadian producers to pay the duty of .04 per pound and still make a greater profit than would have been realized from selling the cattle on the home market. In April 1935 there were no Canadian cattle on the United Kingdom market, although the demand for Irish store cattle was strong.

The good reception given Canadian cattle in the United States indicates that there is probably a market for dressed meats and the favourable beginning to 1936 has been a source of optimism to producers. On January 1, an agreement came into force between Canada and the United States which settled, for a few years, at least, the direction of the bulk of Canadian livestock exports. The prohibitive Hawley Smoot tariff was reduced on certain types of cattle. Reductions in duty renged from 33 1/3% to 50% on live cattle falling within two different weight ranges, and on dairy cows. The weights excluded from the agreement are those of which Canada is not the chief supplier. The interests of the American raisers are protected by the quota provisions. These tariff quotas are aggregate quantities and apply to imports from all countries. But no other country can ship calves under 175 pounds or dairy cows to the United States, while, with respect to cattle weighing 700 pounds or over, including milch cows, Canada supplied 56,781 head out of a total of 59,648 head, in the first nine months of 1935. Since, according to Article II of the agreement, quotas will be allocated to supplying countries on the basis of a representative period, Canada is assured of around 95% of the cattle tariff quota, and even the freer admission of such a minute fraction of American domestic slaughter will be important to Canadian producers. The resultant average saving in duty is estimated at around $9.00 per head of cattle.

Conclusion.

Canada needs an export outlet for her cattle. Cattle producing is a long term business, and it means bankruptcy for stock raisers, if, at the peak of their production, the export outlet is closed. It is also necessary to avoid congestion in the different livestock areas in Canada. For example, during 1934 cattle were shipped from the West to the eastern markets, as a direct result of the closed American market, the cattle of Ontario and Quebec were forced to compete with the western exportable surplus of about 200,000 cattle.(1) The American tariff affected the central provinces with double force.

It is true that the United States is Canada's natural outlet for surplus cattle, but it is impossible to dismiss the problem thus lightly. Detailed study of the history of Canadian export trade in livestock, indicates possible alternatives to natural catastrophes. While the principal of the "natural market" including, as it does, the factors of ease of shipment, sympathetic price levels, and close monetary inter-relations is a very important basis on which to calculate export trade nevertheless the barriers to further

(1)Shipments of Western to the Eastern provinces for 48 weeks of 1934 compare with the same period of 1933 as follows:

	1934	1933
Feed lots	15,453	13,288
Stock yards	50,552	47,779
Packers	44,750	22,807
	110,755	88,874

development of an overseas market are neither insurmountable nor out of line with future predictions of Canadian prosperity. In the absence of the most desirable expedient it is necessary to co-relate existing circumstances to the next best alternative in such a way as shall be productive of the maximum good in terms of market expansion, and a reasonable profit for the producers. It is true that the alternative of an overseas market or markets is a decidedly second best one, nevertheless increasing facilities of transport and refrigeration render the most obvious difficulties of comparative insignificance as contrasted with the 1929 - 1936 American tariff barriers. For example, an increase in bacon exports would undoubtedly relieve the cattle situation in Eastern Canada. The British market is open to Canadian bacon, where competition must be met on the basis of quality, and consistently maintained quantity.

The problem before cattle producers is a clear evaluation of the advantages to be obtained in the "natural" though capricious American market as contrasted with a permanent place in the British market which could be built up by better organization of export trade,(1) and concentration on high standards in quality. It must not be forgotten that the high prices which made the American market attractive in recent years were the result of seasonal factors, and unlikely to continue. Although the British agricultural policy limits the extent of the market which can, at the present time, be built up, the long run value of a smaller steady market might outweight the advantages of a short, large one. The situation cannot be forecast beyond a possible

(1) Local boards, under the Dominion Marketing Board, should be set up to control the marketing for export of beef and dairy cattle fromt the provinces, regulate the quality and grade and prohibit export without a permit. Such regulation would help to eliminate unnecessarily high costs of production caused by overlapping in the process of marketing.

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Swine.

In 1871 Ontario and Quebec raised almost the total number of swine in Canada, and since then have maintained a fairly constant production which is about one-half of the total Canadian production. Ontario is a greater producer than Quebec.

Exports of swine to the United States have been of the border variety; efficient production is carried on in that country, and Canadian exports are, therefore, of a very irregular nature. Until 1925 they were insigificant, but after that year higher prices in the United States attracted imports from the Dominion, reaching in 1927 of 173,072 head.

The Ottawa agreements with the United Kingdom brought about a transformation in the hog industry in Canada. There is an annual surplus production of hogs of approximately 1,000,000 and by the agreement, Canada secured an outlet for this surplus. During 1934 there was shipped to Great Britain the product of just under 1,000,000 hogs; by the quota agreement Canada is allowed to ship the product of 2,500,000 hogs. During 1934 hog prices were active and buoyant for the benefit of the United Kingdom market lies in the high prices at which the Canadian surplus is taken. The policy of the British Government of making pig raising a profitable business for the British farmer, has bolstered prices to a profitable level for the Canadian exporter. The price was maintained by cutting down imports of bacon from other countries on the quota policy. The average price paid for bacon hogs throughout Canada in 1933 was $7.89 per 100 pounds f.o.b., Ontario country points. Had it not been for the the British policy the price would probably have been about the same as during 1932, that is , approximately $419 per 100 pounds.

In 1930 the Hawley Smoot Tariff increased the duty on hogs exported to the United States from .0½ to..02 per pound. This deprived the trade of what little impetus it had and in 1933 only 1,662 swine were sent to the United States. The United States advanced the tariff to restrict the development of competition from two potential sources, Canada and Mexico. Both countries were concentrating on expansion of the industry; in particular, Canada was improving her breeding of swine, to face Danish, Dutch and Swedish competition in the British market. Increased duties on pork were scheduled in order to equalize price differences in the United States and competing countries. It was pointed out that if the rate on live hogs were not raised it would encourage imports for slaughter, to evade the duty.

Bacon, as an export commodity.

The hog industry, while it has continued to grow is not yet sufficient to take care of the needs of both domestic and export markets. In 1930 exports of bacon to Great Britain were no greater than 37 years before. From 1893 to 1900 there was a rapid rise in bacon exports, which, in 1900, became a recession, increasing again between 1901 and 1904 and steadily decreasing from 1904 to 1914 until exports were almost to the 1893 level.

During the years, 1914 to 1918, the enormous war time demands caused exports to increase but they have since moved in a rapid downward trend. In 1929 our exports to the United States were almost balanced by our imports,to illustrate the fact that Canadian hog producers are producing just enough for the domestic market. The situation which prevailed in Canada in 1929 - 1930 was characterized by a shortage of hog products on the home markets and the resultant high prices. The trade in bacon with Great Britain suffered as a result of these circumstances.

In 1930 after the passage of the Hawley Smoot tariff there was a shortage of supply which made the pork industry a difficult one in view of the high prices of hogs and the markedly reduced buying power of the American people. Export to the United States was reduced to small quantities. Moreover, due to a marked increase in her production and export, in 1930 Denmark became Canada's chief competitor in the bacon trade in Great Britain.

Summary and Conclusion.

The export trade in swine is insignificant. There is always the possibility that rising live hog prices might make it possible for the Canadian producers to export to the United States, with a reasonable profit. However, the rise in price is due to the same seasonable factors which initiated the recent demand for cattle; in August and September, 1933 more than 6,000,000 pigs and sows were slaughtered and liquidation of swine since then has reduced the supply to a very low point.

The export trade in meat products to the United States is insignificant compared with trade to Great Britain. In the long run, it is probably best to base exports calculations on the permanence of the British. Emphasis on grading, and efficiency of production are necessary if Canada is to meet foreign competition in the overseas markets.

Exports of Bacon, Mutton and Lamb from Canada to United States and to the United Kingdom.

	Bacon		Mutton and Lamb.	
Year.	To U.K.	To U.S.A.	To U.K.	To U.S.A.
1870-1	10,258,000	77,100		
1880-1	10,317,155	19,715		
1890-1	7,529,529	1,429		
1900-1	105,130,008	357,638		
1910-11	59,754,928	82,508		
1912				
1913				
1914				
1915				
1916				
1917				
1918				
1919				
1920				
1921	101,726,000	154,600	738,900	6,122,000
1922	98,726,000	219,300	34,100	4,497,800
1923	99,230,100	282,400	29,500	1,553,000
1924	111,968,800	715,500	690,400	110,000
1925	130,503,700	1,277,600	293,900	2,114,700
1926	90,843,600	1,596,800		1,060,500
1927	53,059,100	4,162,500		1,599,000
1928	37,078,600	3,489,200	9,700	837,400
1929	25,822,900	2,333,800		341,800
1930	13,011,400	1,347,100		40,700
1931	10,961,700	1,173,900		
1932	30,693,400	1,495,600		
1933				
1934				
1935				
1936				

Sheep.

Ontario and Quebec produce more than one half of the total number of sheep raised in Canada.

From 1871 to 1907 exports to the United States were relatively unrestricted by tariff barriers, and relatively large numbers went to that market; since then the trade has declined considerably. In 1925 high prices in the United States caused an increase in the export of live sheep and lambs; shipments totalled 38,612 head. The next year, 1926, was a slump year and only 20,437 head were sold in American markets. During this year exports of mutton and lamb decreased to 1,274,000 pounds from the 1925 quantity of 2,640,000. pounds. Moreover, in 1925 Canada exported approximately 300,000 pounds of mutton and lamb to the United Kingdom and in 1926 exports of these products had ceased entirely. This is probably an explanation of the lower prices which were the order of the day in the domestic market for sheep and lambs.

In 1927 there was an increase in value, although a decrease in the numbers of sheep moved into the United States over the 1926 total. In 1927 18,566 head, valued at $249,295 amounted to 1,861 head less than the previous year, but the revenue exceedad that of 1926 by $49,513. The shorter volume of livestock was made up in the increased value of exports of mutton and lamb.

In 1928 - 1929 there was an decrease to 11,506 head and 11,143 head respectively. Quantities of mutton and lambs were sharply reduced. At the same time Canadian imports increased, mostly from Australia, resulting in an increase of imports over exports of almost 4,000,000 pounds. In 1930 the American tariff was raised from $2.00 to $3.00 per head. This heavy increase stopped export movement andin addition, low price levels for wool were a dead weight on the industry; business was almost entirely confined to the home market. More than that, Canada became an importing country and sold only

2,876 head and 241,500 pounds of mutton and lamb to outside markets. Canada's imports totalled 4,411,711 pounds of mutton and lamb, imported from various sources. In 1931 sheep exports further decreased but imports of mutton and lamb were down also to 1,189,000 lbs. and exports were up slightly. In 1932 the export trade was negligible but imports had been restricted almost to the vanishing point.

The tariff investigation of 1929 in the United States, responsible for the higher duties on sheep, showed that imports had not been of any considerable importance during recent years, but an increase in the duty was urged in case such larger importations resulted from an exportable surplus in sheep producing countries. It was this "potential" competition from Canada and Mexico which was the main reason for the increase, although tariff demands also came from the sheep-producing areas in the mountainous grazing districts from Western Texas, north to the border and the western slope of the Rocky Mountains. The sheep raising industry is an important one in the United States representing an investment of approximately $354,000,000.(1)

The most conclusive proof of the adverse effects of the American tariff legislation on the livestock industry of Ontario and Quebec is found in the decrease in the revenue of the two provinces from this source. In 1931 revenue from Ontario's farm animals was $33,486,000 which declined in 1932 to $23,222,000. In Quebec revenues in 1931 were $19,729,000; in 1932 total revenues were $13,314,000. The Hawley Smoot Tariff effectively blocked export in livestock and better conditions in the industry, are to a large extent, dependent on the receptiveness of the United States markets.

(1)Estimated by the United States Census of Agriculture for 1925.

Exports of Sheep and Swine from Canada to the United States and to Great Britain.

Year.	Sheep. Duty.	Sheep. To U.S.A.	Sheep. To U.K.	Swine. Duty.	Swine. To U.S.A.	Swine. To U.K.
1894	20% ad. val.					
1897	Over 1 yr. $1.50 Less " " .75					
1898						
1900						
1905						
1909	Over 1 yr. $1.50 Less 1 " .75					
1910					213	
1911		9,421	34,191		9,435	94,478
1912		5,889	11,130		1,180	
1913	Free	5,340	6,167	Free	14,942	
1914		13,237	4,609		31,450	
1915		35,293	6,809		4,294	
1916		74,178	18,739		9,435	
1917		43,513	14,935		1,180	
1918		114,016	20,191		14,942	
1919		93,808	25,299		31,450	
1920	Over 1 yr. $2.00 Less " " 1.00	198,524 (all)			4,294	
1921		183,634				
1922	$2.00 per head	97,119		.0½ per lb.	2,449	
1923		73,691			1,184	
1924		37,579	18,945		324	
1925		25,146	38,612		66,845	
1926		30,957			48,382	1,412
1927		17,454			173,072	
1928		15,907			116,581	
1929		9,694			6,758	
1930	$3.00 per head	4,432		.02 " "	1,793	
1931		33			244	
1932		123			1,166	
1933		33			1,662	
1934						
1935						
1936						

GRAINS: Barley, Oats and Flaxseed.

Barley.

The most important use for barley is as a feed grain for livestock. In Canada the knowledge gained from feeding tests which proved conclusively that barley is the best substitute for corn as a feed for fattening animals, will probably increase the demand among livestock producers. Barley is also used in the malting industry which requires the attainment of a certain standard before the grain can be used. The six-rowed variety produced in Canada, particularly in Ontario and Quebec, is superior for this purpose. Barley malt is , in turn, a product with a number of uses which makes it commerically valuable. It is useful in the brewing and distilling industries, as a flavouring material, in the manufacture of yeast, and in the preparation of a wide range on consumers goods such as soups and medicinal products. In addition, rolled barley is used as a breakfast cereal.

Barley is the third most important cereal crop produced in Canada, only exceeded in quantity by wheat and oats. Since 1910 there have been two major periods of expansion. From 1910 to 1919 barley acreage increased from 1,286,611 to 2,645,509 acres; during 1914 to 1919 barley acreage increased to double the former area to supply war time needs. There followed a reactionary decrease which became an expansion again in 1920, and from 1920 to 1929 barley acreage doubled again. In 1929, 5,926,000 acres were sown as compared with 2,551,119 acres in 1920. There followed a sharp decrease and during 1930 to 1931 the area sown decreased by over 2,000,000 acres.

The production of barley in Ontario used to be of greater relative importance than at the present time. A study of cereal statistics in Ontario prior to 1890 shows that barley was a considerably larger crop than at any time since. In 1888 Ontario produced 23,366,569 bushels of barley and in 1889 the crop was estimated at 23,386,388 bushels. In 1890, however, production decreased sharply to 15,600,169 bushels and from 1893 to 1899 averaged only about 12 million bushels.

The barley industry has been relatively stable in Ontario and Quebec. The 1932 acreage in Quebec was just under the 1910 acreage and in Ontario the 1932 area sown was 50,000 acres lower than the 1910 total. Acreage statistics show, however, that demand for cereals during the war produced expansion in both provinces. Barley acreage in Quebec reached its maximum in 1919 when 234,000 acres were sown. Since that time the area has steadily declined to about the pre-war level. Much the same course of development is seen in the case of Ontario, when barley acreage increased sharply in 1918 and 1919. Following a gradual contraction in acreage in ensuing years, the area sown in Ontario increased in the period, 1926 to 1929 when the post war high point was reached. In the last three years acreage has again decreased in Ontario. In general, however, the industry has been relatively stable in eastern Canada reflecting the nature of the demand for barley in industry and in livestock production.

Canada and the United States have a barley acreage in 1932 of 16,971,000 acres; this is a little more than one half of the European acreage. Canada has a total of 3,758,000 acres of the North American acreage, as compared with 13,213,000 acres in the United States.

There was a steady export trade with the United States of considerable proportions, from 1868 to 1890. The barley grown in Ontario and Quebec was found to be especially suited to the American needs and they purchased large amounts annually. For the fiscal year ending April 1, 1890, exports of this grain amounted to about 10 million bushels. In the following year exports dropped sharply to 4.8 million bushels and in succeeding years the trade declined to insignificant proportions.

The position of the Ontario barley industry was definitely affected by the American tariff of 1890. Under the duty imposed in 1883 Canada had shipped barley subject to a duty of only .10 per bushel. In 1890 the tariff was increased to .30 per bushel and this important increase in duty practically stopped the importation of Canadian barley in to the United States.

Exports then moved to the British market but the American tariff was followed by decreased production and the loss was still greater than the gain in overseas trade. During the war and post war years, production having rapidly increased, an export peak was reached in 1928 - 1929 of 49,147,702 bushels. In the twelve years from 1920 to 1932 about 24% of Canada's annual production of barley went into the export trade.

In 1931 the United States imported from Canada nearly 7% of the domestic consumption. It was mostly taken in at New York and Chicago from Toronto and Winnipeg. Since this increase took place under a tariff, unchanged since 1921, of .20 per bushel of 48 pounds, the gain must be interpreted as an increase in demand, owing probably to the growing use of malt-syrups and extracts. The 1933 gain in exports was barley entering as malt. Moreover, a factor which has been operative in accelerating the export of barley is the reduction of the United States production due to the drought. The four feed grains, corn,oats, barley and sorghum, together turned out one half a crop in 1933, that is, 50,000,000 tons as compared with average totals of 100,000,000 tons.

During the period 1927 to 1931 the average annual exports of Canadian barley to the United Kingdom were about 16,000,000 bushels while the total exports to all countries averaged about 23,000,000 bushels. The United Kingdom absorbed over half of all Canada's barley exports and the balance went to Continental European countries with the exception of small amounts exported to the United States. Of the European countries Germany is Canada's largest barley market. Here,as in other countries, practically all the barley is used for feed purposes.

The 1936 trade agreement with the United States leaves the rate unchanged so that little improvement in the export situation can be forecast. Irrespective of the export situation, however, interest in barley in certain sections of Canada continues for two main reasons. The future of wheat as a cash crop remains uncertain; diversion of some acreage to barley serves to divide the risk. Moreover, there is a growing appreciation of barley as a feed for livestock, the market prices of which are relatively high. The demand for a quality suitable for malting purposes, while limited to approximately 5,000,000 bushels per year, has also stimulated considerable interest, although the premiums offered are now relatively low. These conditions would seem to justify a forecast of improved conditions in the barley industry in the domestic market, at any rate.

Exports of Barley to the United States and the United Kingdom from Canada, 1868 - 1933, showing the changes in the American duties.

Year.	Duty.	To U.S.A.	To U.K.	Year.	Duty.	To U.S.A.	To U.K.
1868		3,937,647	18,198	1903		37,112	626,106
1869		4,629,608	400	1904		86,175	703,116
1870		6,657,860	6,003	1905		101,111	787,577
1871		4,821,065	11,645	1906		47,245	790,804
1872		5,547,006	59,302	1907		19,094	1,115,979
1873		4,346,845	—	1908		210,788	1,392,783
1874		3,745,087	24	1909	.30 p.bu.	266,096	2,160,890
1875		5,413,844	—	1910	(40 lbs.)	147,596	1,431,922
1876		10,164,551	22	1911		86,295	1,116,116
1877		6,338,698	95,696	1912		919,967	921,757
1878		6,498,444	764,062	1913	.15 p.bu.	773,281	5,556,090
1879		5,193,324	186,580	1914		1,584,851	10,905,712
1880		6,732,403	486,806	1915		366,101	4,388,577
1881		8,724,931	69,188	1916		366,573	4,915,517
1882		11,577,251	6,306	1917		500,536	9,056,229
1883	.10 per bu.	8,741,626	38,729	1918		1,093,530	5,753,243
1884	(48 lbs.)	7,700,581	65,238	1919		165,380	2,260,395
1885		9,028,314	30,077	1920		1,050,031	12,686,866
1886		8,528,287	19,153	1921		304,878	7,940,979
1887		9,437,717	10,443	1922	.20 p.bu.	5,167	9,481,888
1888		9,360,521	1,687	1923		949,408	11,854,372
1889		9,934,501	6,312	1924		102,117	13,456,126
1890	.30 per. bu.	9,939,745	27,132	1925		9,881	21,108,384
1891		4,752,953	132,650	1926		4,790	28,423,811
1892		2,721,168	2,439,959	1927		5,629	26,262,336
1893		1,431,398	550,695	1928		13,262	19,209,599
1894	.40% ad val.	493,551	97,971	1929		67,816	25,960,614
1895		1,674,193	30,365	1930	.20 p.bu.	88,426	11,301,028
1896		787,787	45,768	1931		632,119	2,235,137
1897	.30 per bu.	1,246,343	534,096	1932		55,723	8,168,571
1898		84,083	308,424	1933		133	5,758,394
1899		122,374	116,131	1934			
1900		164,468	1,758,135	1935			
1901		190,547	2,009,708	1936			
1902		17,461	345,936				

Oats.

Oats are particularly suited to a cool, moist climate and are grown in Ontario and Quebec in larg e quantities. They are chiefly used as feed for livestock, in particular, for cattle, hogs and poultry; they are grown as a hog crop and harvested before maturity for feed. A relatively small amount is sold for human consumption as rolled oats and oatmeal. Oats are also used extensively in crop rotation places.

The acreage sown in Ontario and Quebec passed through a period of expansion from 1910 to 1920. The maximum acreage was reached in 1921, Ontario having 3,094,958 and Quebec 2,366,810 acres in cultivation; this was slightly over one third of the total acreage in Canada. Since 1921 the area has gradually decreased in Ontario and Quebec. In 1932 the acreage of Ontario was about 700,000 acres than the peak year. From 1929 to 1932 the area has remained relatively stable in both provinces. Estimated on the basis of the production and acreage of 1932, of the total acreage sown to oats Ontario had 17.8% and Quebec 13.1%; together the central provinces produced 30.9% of the Canadian acreage of oats. The prairie provinces accounted for 65.1% of the total.

The export of oats has been erratic. They were inconsiderable in pre-war days, but during the war export increased rapidly. The United Kingdom is the most important market in the world, taking during 1929 to 1931 about 26% of the total world export. The American market is a small one, in comparison. In 1929 a small increase in the Hawley Smoot tariff of .01 per bushel was levied, primarily in order to place the duty on oats on a comparable basis with the proposed rates on other grains. Exports have since been limited to an inconsiderable amount. There was a 50% reduction in the United States tariff on January 1, 1936 which may aid the export trade slightly, and increased numbers of livestock may stimulate demand in the home market.

Exports of Oats fromCanada to the United States and the United Kingdom, with the American duty, from 1868 to 1933.

r.	Duty.	To U.K.	To U.S.A.	Year.	Duty.	To U.K.	To U.S.A.
1868		927,642	776,920	1903		5,623,116	120,702
1869		431,075	271,337	1904		3,607,938	189,039
1870		188,299	1,973,464	1905		1,617,310	78,533
1871		90,050	420,906	1906		1,885,166	152,602
1872		46,253	416,149	1907		3,853,795	125,188
1873		411,119	197,141	1908		5,617,102	350,991
1874		788,654	138,125	1909	.15 p.bu.	2,588,995	1,554,251
1875		1,524,648	1,350,692	1910		1,024,491	1,285,660
1876		1,984,574	88,372	1911		4,028,746	128,538
1877		2,696,703	72,378	1912		7,014,645	203,560
1878		2,181,815	19,378	1913	.06 p.bu.	7,293,104	1,726,580
1879		1,909,983	8,940	1914		13,903,389	18,932,721
1880		3,032,940	481,138	1915		8,537,236	3,827,609
1881		2,504,331	54,407	1916		17,597,470	1,364,479
1882		1,839,710	1,796,104	1917		52,307,798	3,298,380
1883		129,117	607,953	1918		32,157,164	7,141,102
1884		901,069	22,985	1919		8,497,888	767,889
1885		1,866,221	94,971	1920		3,610,792	3,751,111
1886		3,280,787	240,159	1921		7,096,416	4,756,202
1887		1,627,629	40,342	1922	.15 p.bu.	20,735,804	3,217,419
1888		177,194	25,182	1923		20,965,361	824,931
1889		2,568	16,789	1924		19,169,092	1,001,365
1890		454,090	27,530	1925		21,205,638	4,488,246
1891		16,528	2,264	1926		21,916,404	583,733
1892		5,748,720	165,947	1927		6,757,348	536,792
1893		6,261,258	63,300	1928		2,439,966	876,284
1894		1,738,666	63,342	1929		6,298,471	31,662
1895		257,253	175,043	1930	.16 p.bu.	2,373,314	33,988
1896		487,252	45,320	1931	(32 lbs.)	850,599	817,414
1897		5,409,808	43,470	1932		6,082,621	46,729
1898		8,143,107	65,574	1933		8,522,742	18,897
1899		8,977,646	129,954	1934			
1900		6,028,704	137,785	1935			
1901		6,611,396	63,446	1936	.08 p.bu. (unfit for human consumption.)		
1902		3,544,674	137,081				

Flaxseed.

Flax can be grown under diverse climatic and soil conditions; Canada, the United States, South American countries and India produce it. It is of two main types, one is cultivated for the production of fibre and the other for the production of flaxseed. In Canada the cultivation is mainly for flaxseed, of which the United States is one of the greatest importing nations.

Flax fibre is used in the manufacture of linen goods and seed flax fibre in the manufactures of yarns, threads and textile goods, but mainly in the production of linseed oil, oil cake and oil cake meal. Linseed oil is used in the manufacture of varnishes, and paints. Oil cake and oil cake meal constitute an important factor in balancing livestock rations.

Flaxseed was first introduced into Western Canada in 1875, but it was not until about 1909 that Canada appeared as a significant source of supply due to the opening of new lands in Manitoba, Saskatchewan and Alberta. The popularity of flaxseed as a field crop, which reached its height in 1912, has since declined as the weed problem became more serious, for flaxseed requires a clean seed bed. In 1933 production fell below normal requirements and had it not been for a carry-over of slightly over 1,000,000 bushels, Canada would have had to import considerable quantities.

The acreage sown to flaxseed in Canada has varied greatly. The relatively high pre-war acreages reflected the breaking of new land and the use of flaxseed asa an initial crop. Large acreages were reported in 1918 to 1920 followed by substantial declines in 1921 to 1923. In 1924 flaxseed acreage doubled and reached the post war peak. During the past nine years flaxseed area has tended downward, reaching the lowest level in over twenty years in 1933 when only 243,600 acres were sown.

The production in Ontario and Quebec shows the same general trend. Apart from rapid expansion in 1917 to 1920 the acreage has been relatively stable. Since 1920 acreages have been slowly declining. These provinces produce only a small percentage of total Canadian production.

A very large part of the world production of flaxseed moves into international trade. Until 1909 exports of flaxseed from Canada were insignificant; the United States was the chief market for such quantities as were exported. In 1909 the United Kingdom became an important market and large exports of Canadian flaxseed went there. The increase of production was mainly due to the opening of new lands in the western provinces.

Canada has exported flaxseed in larger proportions to the United States than to any other country to fill the large demand for linseed oil. The greater proportion of United States domestic production is used in the manufacture of paints and varnishes. Oil cake and meal are in demand by dairy farmers. Production in the United States decreased for the same reasons that Canadian production expanded, that is, more extensive sowing. The flax plant, especially adapted to the opening of new lands, becomes affected by parasitic diseases after continual cropping of the soil.

In 1910 the total area under cultivation in Canada was 582,326 acres. By 1912 it had increased to 2,021,900 acres. From 1909 Canada's exports to the United States increased rapidly and reached a peak of 10,164,536 bushels in 1914. From 1914 to 1920 they decreased , due in some measure, to the fact that the United States resumed imports from the Argentine which had been curtailed in 1912-1913 due to reduced South American supplies. During that time Canada was almost the sole source of supply for the United States and large amounts of the crop moved southward.

During the war Canadian production decreased and after 1920 the Argentine became the leading source of United States imports. Canada's acreage has steadily declined since 1924, except for a slight upward movement in 1930 - 1931. The reduction of acreage is the principal reason for the reduction of exports, and to a large extent, the acreage decrease, is due to the inherent characteristics of the flax plant.

Tariff restrictions, however, increased since 1913, have limited Canada's trade with the United States. Until 1929 the American duty was rather a source a revenue, than a protective measure, because the United States is dependent so completely upon foreign sources for flaxseed that the effects of the tariffs have usually been offset by drawbacks. In 1922 the production of goods made from flaxseed was entitled to a drawback of 99% of the duty paid on seed used in making the export products, provided that all products thus obtained were exported. Later refunds ranged from 18% to 25% to the amount of duty collected.

In the 1929 investigation into the proposed tariff increases, the new duties were definitely advocated as a means of protecting the domestic industry. American growers of flaxseed, because of differences in production costs, demanded tariff protection; it was also though advisable as a means of transfering acreage from surplus crops to the production of flaxseed, in which there is a continuing deficit, and offers, therefore, opportunity for expansion. There is hardly any doubt that a reduction in the .65 per bushel duty would be a boon to flaxseed growers, particularly to the Western provinces and to a lesser degree, to Ontario and Quebec.

Exports of Flaxseed from Canada to the United States and the United Kingdom, showing the American duty, from 1868 to 1933.

Year.	Duty.	To U.S.A.	To U.K.	Year.	Duty.	To U.S.A.	To U.K.
1868		42,477		1903		—	
1869		27,108	3,266	1904		1,411	
1870	.28 per bu.	53,836		1905		314	
1871	(of 56 lbs)	29,314	39	1906		2,824	
1872		8,118		1907		1,450	120,132
1873		887		1908		1	10,993
1874		15,257		1909		12,395	626,835
1875		4,648		1910		449,739	476,769
1876		5,981		1911		1,667,062	019,057
1877		5,543		1912		991,802	495,496
1878		323		1913	.20 p. bu.	7,561,104	536,336
1879		6,584		1914	(56 lbs.)	10,164,536	8,579,713
1880		32,543	8	1915		7,006,249	675,318
1881		14,947	12	1916		1,930,692	13,951
1882		29		1917		4,979,534	216,398
1883		—		1918		6,371,285	53,625
1884		431		1919		1,723,161	166,117
1885		—		1920		1,020,192	72,785
1886		—		1921	.30 p. bu.		—
1887		364	325	1922	.40 p bu.	3,617,101	16,392
1888		32		1923		2,494,068	1,319
1889		8,284		1924		2,482,205	71,536
1890	.30 " "	—		1925		2,961,255	68,850
1891		92		1926		5,378,423	
1892		—		1927		2,664,058	
1893		—		1928		2,170,096.	
1894	.20 " "	7	390	1929	.56 p. bu.		
1895		42,261	22,891	1930	.65 " "		
1896		10,381	51,741	1931			
1897	.25 " "	1,976	76,877	1932		1,041,602	4,872
1898		5,970	9,811	1933		334,621	36,817
1899		—	8,811	1934			
1900		301		1935			
1901		239	714	1936			
1902		868					

POTATOES.

Potatoes are grown in large quantities in Ontario and Quebec where they were first cultivated in 1758. The central provinces generally produce over one half the total production of potatoes in Canada. Over the period, 1871 to 1933, Quebec has a lead over Ontario in total production. The spread is greatest in the years 1918 to 1920 when Quebec produced a much larger percentage of the record crop of those years.

The demand for Canadian potatoes in the United States has been the result, mainly, of short domestic crops. Seed potatoes, of the firm Canadian variety, are imported. Location plays a major part in giving Ontario and Quebec an advantage in the American market. The bulk of potatoes for export are grown in these provinces and transportation to the United States is both convenient and inexpensive.

Until 1913 the rate of .25 per bushel prevented Canadian exports from assuming very large proportions because of Canada's inability to meet European competition in the United States. Imports from Canada were supplementary to American domestic crops and to other imports. In 1913 the Underwood Tariff removed the duty from potatoes. In the next year, 1914, Canada exported 1,001,295 bushels, and the increase from the 152,557 bushels exported in 1913 was almost entirely due to the removal of tariff restrictions. Another factor which gave Canada an advantage was the quarantine which the United States placed on European potatoes after 1913 to prevent the potato wart disease from coming into the country. Although enacted against Canada also, it was removed in 1917, giving Canadian potatoes a direct advantage in the American market.

In 1915 - 1916 domestic production fell, as did exports, from the high point of 1913 but from that time they increased steadily until the imposition in 1922 of the Fordney McCumber tariff of .50 per bushel. Exports fell from 1923 to 1925, increasing in 1926. Since the Hawley Smoot tariff of 1930, of .75 per bushel, the trade has declined to very small proportions.

Potatoes are an important export commodity of Ontario and Quebec and show the direct influence of the raising or lowering of the American rates. Only small quantities are exported to the United Kingdom and the United States is Canada's best outlet for surplus production. The United States imports potatoes principally from Canada, Burmuda and Mexico. In the tariff investigations of 1929 before the imposition of the .75 per bushel rate, American growers demanded protection from Cuba and Burmuda in their winter market and the Northern states demanded protection from Canada in their summer market.

Prince Edward Island produces from 50% to 60% of all the certified seed potatoes used in North America of the Irish cobbler variety. There is an unavoidable necessity for the United States to import certified seed potatoes and the duty represents an injury to potato cultivators of the United States as well as to the export trade of Canada. The State of Maine produces the same varieties as are grown in Ontario and Quebec and the elimination of competition to their industry was one of the primary reasons for the increased duty.

On January 1, 1936 the rate was reduced from .75 per 100 pounds to .60 per 100 pounds. The quota provisions allow Canada the reduction in duty on 750,000 bushels of Government certified seed potatoes from December 1, to the end of February, and to .45 per bushel during the period March to November. Restrictions to production under the Potato Act in the United States should enable Canada to take full advantage of the market.

Exports of Potatoes from Canada to the United States and to the United Kingdom, showing American duties, from 1871 to 1933.

Year.	Duty.	To U.S.A.	To U.K.	Year.	Duty.	To U.S.A.	To U.K.
1871		14,136	63	1922	.50 cwt.	563,975	240
1881		1,902,709	27,331	1923		413,729	367,533
1883	.15 per bu. (of 60 lbs)			1924		3,714,485	
1890	.25 " " "	3,326,546	2,278	1925		6,220,899	
1891		135,324	5,648	1926		5,193,680	
1892		800,225	5,876	1927		1,873,317	
1893		635,959	3	1928		5,393,657	
1894	.15 " " "	773,707	628	1929		5,010,348	
1895		77,072	787	1930	.75 cwt.	2,949,377	
1896		80,180	6	1931		774,821	
1897	.25 " " "	961,613		1932		957,000	
1898		134,360	375	1933		327,000	
1899		44,091	392	1934			
1900		$ 70,174	$ 1,378	1935			
1901		678,632	201 bu.	1936			
1902							
1903							
1904							
1905							
1906							
1907							
1908							
1909	.25 " " "	22,271	283				
1910		27,286	1,182				
1911		152,557	8				
1912		1,001,295	20				
1913	Free	89,660	102,090				
1914		53,922	10				
1915		1,645,155	2				
1916		1,957,678	808				
1917		1,813,498					
1918		5,480,754					
1919		4,204,684					
1920		1,822,004					
1921	.25 per bu.	771,638					

APPLES.

The wide range of climatic conditions in Canada makes specialization in different branches of agriculture inevitable, and profitable. Fruit-growing, especially the cultivation of apples, Canada's most important commercial fruit, is carried on extensively on a domestic and export basis. There are three principal sections of Canada, the Annapolis Valley in Nova Scotia, the Niagara Peninsula and the Okanagan district in British Columbia where the apples cultivated are known internationally for their excellent qualities.

Apples have been grown in Ontario from the middle of the eighteenth century, but commercial orchardising has only been developed during the last fifty or sixty years. Commercial fruit-growing was only possible on an extended scale when the building of railways permitted trees and fruit to be rapidly transported.(1) Quebec is known for the production of the Fameuse apple, which has grown in the St. Lawrence valley for over 200 years. It is unsurpassed as a dessert apple, and is in heavy demand in Great Britain. The MacIntosh, of the same variety as the Fameuse also originated in the St. Lawrence valley, in eastern Ontario, some hundred years ago. About 1835 it was propagated and distributed until now it is generally known, and in strong demand. Both these varieties grow best in the climate of Ontario and Quebec. They command good prices on the United States and overseas markets. In Quebec the most valuable orchards are within easy reach of Montreal by rail and water and easy transportation may be had to British markets.

(1) Canada Yearbook, 1933.

In 1935 the production figures showed an increase over 1933-1934. The loss from winter injuries, however, was heaviest in Ontario and Quebec and it is hardly to be expected that during the next five years the Ontario crop will be much more than 60% of the average of the period 1930 to 1934 which was 784,000 barrels.

Exports of apples to the United States have been in the nature of border trade, or to supply special varieties. Their quantity has been relatively insignificant when compared with the internal production of the United States. Since about 1909 to the present time the apple industry of the United States has been on an export basis. (1) In 1922, one of the more prosperous years for apple trade, 486,445 barrels were shipped south to the American markets. Apple production in the United States for that year was 202,702,000 bushels. Trade has usually been the result of seasonal fluctuations in the American supply. In 1920, for example, exports reached one of their highest figures; 1919 had been a year of greatly decreased production in the United States.

In 1913 the Underwood Tariff reduced the duty from. .25 per bushel to .10 per bushel and for the next two years, exports to the United States reached their peak; comparatively small amounts were exported to Great Britain. In 1916 the amounts exported declined sharply and increased shipments went to Great Britain. In 1920-1922 there was another increase in export to the United States due to a short domestic production. In 1922 the duty was increased again to .25 per bushel and exports fell and increased sharply to Great Britain. In 1927 Canadian production declined and it was reflected in decreased exports to all markets.

(1) The export of United States apples has increased from 922,000 barrels in 1909 to 6,010,000 barrels in 1932. This figure is exclusive of dried apples.

In 1929 increases in the United States tariff were advocated because of expansion in the dried fruit industry. New methods of preparing dried fruit so that the original flavour is unimpaired were tightening up competition in the industry. The United States Tariff Commission in response to the fear of competition from the dried and canned fruit industries, raised the duties on those types of prepared apples to corelate with other duties on fresh, dried and prepared fruits. (1)

The duties on fresh apples remained the same as the 1922 rate, that is, .25 per bushel of 50 pounds. Exports to the United States have fallen but the amounts sent to Great Britain have greatly increased. The cause, obviously not the tariff rate because it has remained unchanged since 1922, is the adequacy of the American production to supply home markets, and the results of the increased trade in the United Kingdom. The high figure of 115,007 barrels exported to the United States in 1930 can be attributed to a fall in the United States production covering the previous two years, and the rapid fall in Canada's exports after 1930 to an increase in American domestic production, plus the divergence of Canadian apples to British markets in response to the strong demand for the better varieties of Canadian dessert apples.

In line with Canada's experiment in controlled marketing, a Fruit Export Board was set up in 1934. It was the first scheme to be approved by the authority of the Natural Products Marketing Act. The Board is to prevent the export of low quality fruit or "domestics"; there is a market for them but British growers, whose products are of the low quality type, are

	1922	1930
(1) Dried, dessicated or evaporated fruit.	.02 per lb.	.04 per lb. but not less than 45% ad. val.
Otherwise prepared and preserved	.02½ " "	.04 per lb. but not less than 50% ad. val.

opposed to their shipment. Fruit cannot be exported from Canada without a Board license.

In 1934 the apple crop of Ontario was reduced two thirds and, far from exporting a significant quantity, both Ontario and Quebec imported low grades from Nova Scotia. Nova Scotia was prohibited by the Fruit Export Board from shipping the low grade fruit abroad and and disposed of it on the markets of the central provinces. On January 1, 1936 the duty was reduced to .15 per bushel. However, export of apples to the United States has always depended on seasonal shortages or on temporary demand for varieties which Ontario and Quebec are expert at producing. It is unlikely that such a demand will be greatly increased by this change in the tariff rate.

In summary, the United Kingdom is an attractive market, although there is rapid expansion in the apple growing industry there, under conditions well suited to increase it with profit to the producers. The American market, as has been shown, is of the seasonal variety. Therefore, Canadian producers should concentrate on improving the quality in order to get higher prices since there is little probability of an entirely new market growing up. The chief possibilities of expansion lie in the development of the "dessert" apple to capitalize on it s increasing popularity, and in the dried apple industry where intensive technical changes have taken place.

Export of Apples to the United States and the United Kingdom, from Canada, showing the changes in the American tariff, from 1890 to 1933.

Year.	Duty.	To U.S.A.	To U.K.	Year.	Duty.	To U.S.A.	To U.K.
1890	.25 per. bu.			1926		29,362	1,290,050
1891	(of 50 lbs.)			1927		32,827	944,152
1892				1928		57,263	800,515
1893				1929		48,089	866,030
1894	20% ad. val.			1930	.25 p bu.	115,007	1,558,375
1895				1931		53,039	1,167,736
1896				1932		17,292	1,422,603
1897	24 per. bu.			1933		17,074	1,877,220
1898				1934			
1899				1935			
1900				1936			
1901							
1902							
1903							
1904							
1905							
1906							
1907							
1908							
1909	.24 " "						
1910		48,272	1,523,901				
1911		17,932	476,190				
1912		10,596	1,481,485				
1913	.10 " "	9,793	1,245,932				
1914		858,413	68,932				
1915		1,041,913	28,124				
1916		6,413	525,316				
1917		8,554	503,840				
1918		15,807	34,589				
1919		23,686	345,567				
1920		236,000	590,400				
1921	.30 " "	48,017	1,272,533				
1922	.25 " "	486,445	1,315,938				
1923		71,744	1,325,658				

MAPLE PRODUCTS: Maple sugar and maple syrup.

Canada and the United States are the sources of practically all the world's supply of maple products. Their production is one of Canada's oldest and best established industries. Canada's output, although greater at all times than that of the United States, has greatly exceeded the American production during recent years. The major percentage of Canada's production comes from the province of Quebec. In 1931 the production was valued at $3,537,000, four-fifths of which came from Quebec and in 1934 two thirds of the $3,046,650 production came from that province.

Greater amounts of maple sugar are exported than syrup. The differences in quantity are partly the result of the absolute tariff of .04 per pound for both products, which tends to fall more heavily on maple syrup. The United States is a large importer. Maple products are consumed directly, and in addition used in the manufacture of blended syrup and candy confections.

Maple Sugar.

From 1911 to 1916 the amount exported annually was slightly over one million pounds , but in 1917 and from then to 1920 the amount increased. It was perhaps partly due to the decrease of duty from .04 per pound to .03 per pound by the Underwood Tariff, although for several years after the passage of the Act there was no important increase in exports. In 1919 - 1920 exchange rates were favourable and speeded up importation into the United States and in 1921 - 1922 the general depression conditions had its effect on exports. After 1923 the export of maple sugar increased steadily in spite of the return to the .04 duty in 1922. It reached a peak in 1930 with 12,477,894 pounds exported. American production decreased from 1929 to 1932 and that factor, plus the growing popularity of maple products, is accountable for the increased exports. In 1930 a duty of .08 per pound was imposed, but it was reduced by the Presidential

Proclamation of March 7 to .06 per pound. The trade has declined rapidly since 1931, affected by the higher rates and the general business depression. The restriction of the American market is reflected in the decline in the production of maple products from 1930-1931. It is estimated by the Dominion Bureau of Statistics that there was a decrease of $1,712,920 in the combined value of maple products, as a result of lowered production of maple sugar by 2,724,176 pounds and syrup by 870,697 gallons.

Maple products are in the nature of luxuries for the consuming public and depression conditions, favourable exchange rates and the like affect demand for them more noticeably than in the case of a staple commodity.

Maple Syrup.

The same conditions affecting the export of maple sugar apply generally to maple syrup. Until 1915 only small amounts of maple syrup were exported. From 1916 until 1920 there was, on the average, an increase in export. In 1922 the .04 per pound duty with its relatively heavier incidence on syrup than on sugar, caused the amounts to decline rapidly. In 1924 they increased again and reached a high point in 1927 - 1929. In 1930 the imposition of the .05½ per pound rate, caused a significant decrease. (1) In 1931 the Presidential Proclamation lowered the duty to .04 per pound and a record amount of 113,995 gallons was exported. American production declined by almost 1,000,000 gallons in that year which contributed to the Canadian export trade. In 1932 a marked decrease in export took place probably the result of a decline in domestic production. Maple sugar has always been the most important of the maple products in the export trade.

(1)

Year.	Amount exported to the United States.
1929	23,825 gallons.
1930	7,808 "

Almost the entire production of maple products in Canada comes from the Central provinces and any increase in revenue is beneficial to them. Maple sugar and syrup are steadily increasing in favour and the lowering of the duty on maple sugar to .04 per pound on January 1, 1936 should see an increase in consumption in the United States and quicken the export trade of Ontario and Quebec. There is, however, much room for expansion of the home market, not only within the central provinces themselves, but because of the localized nature of the industry, within the other provinces of Canada.

Exports of Maple sugar and syrup from Canada to the United States and the United Kingdom, showing the changes in the American duties, from 1897 to 1933.

Year.	Maple Sugar. Duty.	Maple Sugar. To U.S.A.	Maple Sugar. To U.K.	Maple Syrup. Duty.	Maple Syrup. To U.S.A.	Maple Syrup. To U.K.
1897	.04 per. lb.			.04 per. lb.		
1901						
1909	.04 " "			.04 " "		
1910						
1911		1,353,289	21,866			
1912		1,211,305	24,278			
1913	.03 " "	1,116,972	37,328	.03 " "		
1914		1,883,878	38,726			
1915		1,381,590	80,229			
1916		1,698,700	49,879		2,352	2,352
1917		2,743,450	63,306		3,792	6,900
1918		3,377,246	91,857		2,969	2,772
1919		4,412,178	169,270		2,182	3,758
1920		3,971,435	33,399		6,790	1,664
1921						
1922	.04 " "	2,052,774	28,511	.04 " "	2,739	768
1923		2,695,561	40,745		536	5,018
1924		2,763,697	15,551		4,829	1,390
1925		3,943,743	27,234		6,237	1,463
1926		4,525,645	56,564		7,287	1,550
1927		4,141,462	22,293		23,715	1,094
1928		6,508,519	38,229		13,572	1,748
1929		7,663,247	28,138		23,825	2,673
1930	.08 " "	12,477,894	13,212	.05½ " "	7,808	1,776
1931	Reduced by	6,940,840	33,311	.04 " "	113,995	3,118
1932	Pres. Proc. Mar.	3,144,600	29,284		10,919	2,785
1933	7, to .06 per lb.		25,944			
1934						
1935						
1936	.04 per. lb.					

CONCLUSION.

This study into the influence of American tariff fluctuations on the export of agricultural commodities from Ontario and Quebec, reveals how widely tariff policies affect economic welfare. It further reveals, however, that these provinces, and , in one way or another, the whole of Canada, is not entirely dependent upon the good will of the United States Tariff Board. The growing importance of Canada's place in the markets of the world, for example, in the United Kingdom, indicates that profitable re-alignment of trading routes is possible, when the far-sighted view is substituted for the ideal of present, maximum advantage in terms of adjacency and convenience.

The destination of agriculture in Ontario and Quebec is probably in wider and more intensive operations in certain regions where climate and soil make the production of a particular commodity most profitable. Undoubtedly greater specialization has been retarded by the high tariff barriers existing throughout the world, changing an exportable surplus into a drug on the domestic market. This negative argument will have less influence in the future than if has exercised in the depression year, if the tentative efforts of governments to promote better world trade relations by bargaining, is an indication of a definite retreat from the nationalist protection sentiment which has throttled trade since 1929.

Dairying and the raising of livestock have been the two staple industries of the central provinces. During recent years, however, the outstanding feature of Canada's export trade in farm products has been a change in the early predominance of animals and their products to the increasing export of field crops and their manufactures.(1) This indicates the direction that specialization in agricultural production is taking.

Dr. Grindley further points out the importance of agricultural export, not only in the absolute amount of Canadian trade, but since agricultural exports relate to imports in the ratio of 3 to 1, agriculture has a significant place in balancing Canada's external, total trade. About 40% of agricultural production enters into foreign trade, and exports of farm products make up about 50% of Canada's total export trade; imports of farm origin account for only 17% of the total import trade.

It would appear, therefore, that governmental policy in respect to trade treaties should be concerned with obtaining wider markets for agricultural products; the economic welfare of the Dominion is bound up, for better or worse, with the fortunes of agriculture.

(1) Grindley, T.W. "Canada's Foreign Trade in Agricultural Products". Proceedings of the Political Science Association, 1931.

THE EFFECT OF THE AMERICAN TARIFF ON THE AGRICULTURE OF ONTARIO & QUEBEC.

1867-1936.

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PART III.

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CONCLUSIONS.

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CONCLUSIONS.

What is the future for Canadian exporters of farm produce? What realignment of trading routes will produce the maximum returns for the agricultural community? A partial answer to these questions is found in an analaysis of the immediate state of Canadian-Anglo-American relations. It is possible that in the perspective of economic history, the changed trade routes causes by the arbitrary obstacles placed in the "natural" direction of Canadian trade will be marked as one of the most significant developments of the depression period.

This year the Ottawa agreements come up for extension, revision of repudiation. The attitude currently expressed seems to be that British agriculturists themselves are opposed to the continuance of these agreements. However, it is significant that such an attitude is generally imputed to them by opponents of the agreements in Canada, rather than a direct expression of the parties concerned. The agricultural policies of Major Walter Elliot are intended to safeguard the British farmers interests adequately, but even with domestic production at its best the British markets remain large ones for Canadian products. For example, in 1934 about 8,000,000 hundredweight of fruit had been harvested in Great Britian, but the market was still a substantial one. More than 75% of the fruit consumed comes from overseas of which 40% to 60% is apples, and Canada supplies from 33% to 43% of that amount.(1) The future in the British fruit and vegetable market is encouraging due to these possibilities of expansion, conclusively demonstrated since 1934. In that year 62½ pounds of fruit per capita were consumed whereas by 1935 this had risen to 80 pounds per capita. These market returns merit the closest attention of Canadian fruit growers, having the advantage of a preference of $1.00 per barrel under the Ottawa agreements. The British market for tomatoes is also a

(1) Up to January, 1936, the increase in British imports of Canadian apples over last season had been 46% on barrels and 31% on boxes.

large one, and at the present time Italy and Spain, although confronted with a 10% tariff, are supplying most of the British importation.

The greatest objections to a renewal of the Ottawa trade pacts will probably come from within the Liberal party in Canada. The revocation of the schedules of the Act is already being sought in the House of Commons and the substitution proposed of the 1930 amendment to the customs tariff brought down by the Liberal Government of that day and known as the Dunning Budget. Not only was British dissatisfaction with the agreement given as a reason for such a move, but the point was made, that a treaty having been made with the United States, it was now time to try this Budget which was designed to promote trade with this country and the United Kingdom.

In this connection it is interesting to analyze the possibilities of the permanence of the United States - Canada agreement. The strongest argument against renewal by the United States, supposing the treaty to run for the given three years, is inherent in the circumstances of the actual trade negotiations. It was not until 1934, when President Roosevelt was given power to negotiate directly, that any basis for agreement could be reached. Even then opposition from American agricultural and manufacturing interests was strong. The Secretary of State, Mr. Cordell Hull, who had charge of the American side of the negotiations, stated to a Senate Committee that "no sooner was a commercial agreement on the point of being signed than a flock of representatives of American industries descended upon Washington to protest against cutting away one jot or tittle from our regular tariff." It is, therefore, improbably that these interests will subside into a three year period of silent acquiesence, and agree to the renewal of an objectionable piece of legislation at the end of that time.

Moreover, the entire agricultural policy of the present administration in the United States is, in actual fact, in direct opposition to free trade in farm products. Since the Supreme Count's decisions invalidating the Agricultural Adjustment Act President Roosevelt has signed a soil conservation subsidy bill which also has restriction of production as its aim. The paradoxical situation of the American Government subsidizing agriculture at the rate of $500,000,000 a year (1) and at the same time permitting easy entry of Canadian farm products, augurs ill for a indefinite renewal of such an agreement.

Opinions have been expressed in the United States, however, that the concessions offered to Canadian agriculture will not appreciably affect the position of American producers, and the advantages gained will more than compensate for the slight increase of competition which will be experienced by American farmers. Opposition from the livestock interests in the Middle Western States was anticipated and answered by Mr. Cordell Hull with the assurance that the restrictions upon import of cattle would be adequate protection to them. Moreover, the benefits deriving from the revenue from imcreased exports, through enlarged payrolls and augmented purchasing power, will inevitably rebound to the ultimate benefit of American cattle raising and farming sections.

President Roosevelt defended the agreement by pointing out that

"agriculture, far from being crucified by this agreement, as some have told you, actually gains from it. We export more agricultural products to Canada than we have imported from her. We shall continue to do so, for the very simple reason that the United States with its larger area of agricultural land, its more varied climate, the vastly greater population produces far more of most agricultural products, including animal products, vegetables and fruits than does Canada. In the case of the few reductions that have been made, quota limitations are set on the amount that may be brought in at the lower rates."

(1) This provision is to remain in force for two years, after which the so-called permanent plan will come into effect, embracing a cooperative federal-state system.

The attitude of the American agricultural interests of the United States toward renewal will depend on how conclusively the course of trade in the next three years support these administrative predictions. Finally, branded a New Deal project by the Republican party, the treaty is doomed to mutilation if not to oblivion, should that party carry the forthcoming election.

The greatest opposition to renewal may be prophesied to come from the manufacturing interests of Canada. In one month of operation, January 1936, Canada's purchases of goods from the republic jumped by $3,128,000. Textiles showed an increase of $947,000. Books and magazines jumped $91,000 and paper $7,000. Iron and its products rose from $ 6,256,000 to $7,968,000, machinery from $1,111,000 to 4,886,000 and agricultuall implements, on which the duty was halved, from $174,000 to $319,000. Furniture imports almost doubled. Already a protest has been registered with the Tariff Board by the Furniture Manufacturers Association of Toronto. (1)

This added competition for Canadian industry, some of which is admittedly uneconomic, would perhaps be viewed with an approach to equanimity if equally beneficial results in the form of increased exports of farm products indicated that the treaty was stimulating the growth and prosperity of Canadian agriculture. According to the figures for January, 1936, this compensation is not materializing, although obviously, the short tenure of the new rates makes an arbitrary conclusion impossible. Aside from an increase in the export of cattle, naturally the first commodity to respond to the nearer market, the results to agriculture have been disappointingly small. In January,1935, Canadian exports of agricultural produce to the Republic were $2,193,000. In January 1936, they were actually less,$1,771,000, despite the treaty.

(1) Furniture, previously subject to a rate of 45% ad valorem when entered from the United States, when entered from France was subject, by treaty, to rates equal to the intermediate tariff, 30%n less 10%, or 27% actually. Automatically, under most-favoured-nation treatment, this rate became applicable to the United States.

Cattle exports, mostly from the West, rose from $67,000 to $498,000.

The problem to be resolved by Canadian agricultural producers is a difficult one. Will it be to their ultimate advantage to reroute their trade to the United States and make the most of the reduced rates while they last, meanwhile risking the loss of the place they have established in the British market? Or will they best serve the interests of the whole agricultural community by continuing to build up trade in the British market, on the basis of quality, which even a downward revision of the Ottawa trade pacts will affect less injuriously than will an abrogation of the existing American concessions?

For such farm products as Ontario and Quebec are fitted to produce in export quantities, for example: apples, soft fruit, bacon, hams, dairy products and cattle, the permanence of the market should be the deciding factor. It must be remembered that many cattle farmers were ruined by the imposition of the Emergency Tariff in 1921, after developing their industry through the years of the Underwood Tariff, on the basis of continuing export to the United States. While the principle of the "natural" market including as it does, the factors of ease of shipment, sympathetic price levels, and close monetary inter-relations is a very important basis on which to calculate export trade and on which to base our expectations of prosperity, nevertheless the barriers to the development of an overseas market are neither insurmountable nor out of line with future predictions of Canadian prosperity. In the absence of the most desirable expedient it is necessary to co-relate existing circumstances to the next best alternative in such a way as shall be productive of the maximum good in terms of market expansion, and a reasonable profit for the producers. It is true that the alternative of an overseas market is a decidedly second best one at the present time. Nevertheless, increasing facilities of transport and refrigeration render the most obvious difficulties comparatively insignificant as contrasted with the periodic repercussions of American tariff barriers, which are worse for being uncertain.

Whatever the outcome of current possibilties, it is true that a proportion of Canadian exports will continue to go to the United Kingdom. It is true also practically every farm product export to the United States from Canada is supplementary to domestic production. Certain products have a permanent market, for example, flaxseed and maple products, because they supply continuing deficiencies. Certain other commodities, for example, oats, potatoes and the recent export of cattle, are imported to compensate for temporary shortages in American production. It is quite reasonable to suppose that the border trade in such commodities necessary to fill special localized needs will continue under reasonable trade conditions. It is probable, therefore, that in the long run, it will be to Canada's advantage to make permanence her chief consideration in determining her markets, except where convenience is the ultimately deciding factor, or when higher prices attract export into its natural channels in spite of tariff barriers.

Agriculture is Canada's most fundamental industry. There is always the possibiltiy of an international scaling down of tariffs, when markets will be glad held by countries producing the best grade of farm produce at the lowest cost. It will be to the advantage of Canada to concentrate on improved methods of production and marketing, eliminating with all speed, such waste and duplication as now exists, in order to meet, successfully, competition in the markets of the world.

....

APPENDIX.

APPENDIX I.

(a) Treaty of Washington ..... Fishery Articles.

Article 18. It is agreed by the high contracting patties, that in addition to liberty secured to the United States fishermen by the convention between the United States and Great Britain, signed at London, on the 20th day of October, 1818, of taking, curing and drying fish on certain coasts of the British North American colonies therein defined, the inhabitants of the United States shall have in common with the subjects of H.B.M. the liberty for the term of years mentioned in Article 33 of this treaty to take fish of every kind (except shellfish) on the sea coast and shores, and in the bays, harbors and creeks of the provinces of Quebec, Nova Scotia and New Brunswick and the colony of Prince Edward Island and the several islands thereunto adjacent, without being restricted to any distance from the shore, with permission to land upon the said coast and shores and islands and upon the Magdalen Islands, for the purpose of drying their nets and curing their fish provided that in so doing they do not interfere with the rights of private property or with British fishermen in the peaceable use of any part of the said coasts in their occupancy for the same purpose.

It is understood that the above-mentioned liberty applies solely to the sea fishery, and that the salmon and shad fisheries and all other fisheries in rivers and the mouths of rivers, are hereby reserved exclusively for British fishermen.

(b) Treaty of 1818. .... Provisions relating to the Fisheries.

Whereas differences have arisen respecting the liberty claimed by the United States for the inhabitants thereof to take, dry, and cure fish on certain coasts, bays, harbors and creeks of H. B.M. dominions in America, it is agreed between the high contracting parties that the inhabitiants of of the United States shall have forever, in common with the subjects of H.B.M. the liberty to take fish of every kind on that part of the coast without prejudice, however, to any of the exclusive rights of the Hudson's Bay company, and that the American fishermen shall also have liberty forever to dry and cure fish in any of the unsettled bays, harbors and creeks of the southern part of the coast of New foundland, here-above described and of the coast of Labrador; but so soon as the same or any portion thereof shall be settled it shall not be lawful for the said fishermen to dry or cure fish at such portion so settled without previous agreement for such purpose with the inhabitants proprietors or possessors of the ground. And the United States hereby renounce forever any liberty heretofore enjoyed or claimed by the inhabitants thereof to take, dry or cure fish on or within three marine miles of any of the coasts, bays, creeks or harbors of H.B.M.'s dominions in America not included with the above-mentioned limits. Provided, however that the American fishermen shall be admitted to enter such bays or harbors for the purpose of shelter, and of repairing damages therein, of purchasing wood, and of obtaining water, and for not other purpose whatever. But they shall be under certain restrictions as may be necessary to prevent their taking, drying or curing fish therein, or in any other manner whatever abusing the privileges hereby reserved to them.

(c) 1. "Any or all of the following articles, that is to day: animals of all kinds, green fruit, hay, straw, bran, seeds of all kinds, vegetables (including potatoes and other roots,) plants, trees, and shrubs coal and coke, salt, hops, wheat, peas and beans, barley, rye, oats, Indian corn, buckwheat and all other grain, flour, of wheat and grain, butter, cheese, fish (salted or smoked), lard, tallow, meats (fresh, salted or smoked), and lumber, may be imported into Canada free of duty or at a less rate of duty than is provided by this act, upon proclamation of the Governor in Council, which may be issued whenever it appears to his satisfaction that similar articles from Canada may be imported into the United States free of duty or at a rate of duty not exceeding that payable on the same under such proclamation when imported into Canada."

2. "Any or all of the following things, that is to say: Animals of all kinds, hay, straw, vegetables, (including potatoes and other roots,) salt, peas, beans, barley, malt, rye, oats, buckwheat, flour, or rye, oatmeal, buckwheat flour, butter, cheese, fish of all kinds, fish oil, products of fish and of all other creatures living in the water, fresh meats, poultry, stone or marble in its crude or unwrought state, lime gypsum or plaster of paris (ground, unground, or calcined)or hewn or wrought or unwrought burr and grindstones, and timber and lumber of all kinds unmanufactured in whole or in part, including shingles, at less rate of duty than is provided for by an act at the time in force, upon proclamation of the Governor General, which may be issued whenever it appears to his satisfaction that similar articles from Canada may be imported into the United States free of duty, or at a rate of duty not exceeding that payable on the same under such proclamation when imported into Canada."

3. ".... Any or all of the following things, that is to say: Green or ripe apples, beans, buckwheat, peas, potatoes, rye, reyflour, hay and vegetables specified in item 41 in Schedule A to this act, shall be free of duty when imported into Canada from the country of production upon proclamation of the Governor in Council, which may be issued whenever it appears to his satisfaction that such country imposes no duty on the like product or products imported into it from Canada.

4. Barley and Indian corn shall be free of duty when imported into Canada from the country of production, upon proclamation of the Governor in Council which may be issued whenever it appears to his satisfaction that such country whence either or both these products are imported admits both these products free of duty imported into it from Canada."

APPENDIX II Table I.

Showing Exports to and Imports from the United States, 1853 - 1867.

Year.	Exports from B.N.A. to U.S.A.	Imports from U.S.A. into B.N.A.
1853	6,527,5508	19,445,478
1854	8,784,412	26,115,132
1855	15,118,289	34,362,188
1856	21,276,614	35,764,980
1857	22,108,916	27,788,238
1858	15,784,836	22,210,837
1859	19,287,565	26,761,618
1860	23,572,796	25,871,399
1861	22,724,489	28,520,735
1862	18,515,685	30,373,212
1863	17,191,217	29,680,955
1864	29,608,736	7,952,401
1865	33,264,403	27,269,158
1866	48,528,628	27,905,984
1867	25,044,005	25,239,459

See Table II for changes in American Tariff Schedules on specified commodities, 1867 - 1936. (Attached.)

Appendix II Table II.

Changes in U.S.A. Tariff Schedules on Certain Specified Export Commodities of Ontario and Quebec. 1867-1936.

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DATE OF TARIFF.	CATTLE.	SWINE.	SHEEP.	BUTTER.	CHEESE	
1870	20% ad. val. (1)	20% ad. val. (1)	20% ad. val. (1)			18
1872	Free	Free	Free			18
1883	20% ad. val. (1)	20% ad. val.	20% ad. val.	.04 per lb.	.04 per lb	18
1890	$10. (more than one year) $2. (one year or less)	20% ad. val.	$1.50 (one year or more) .75 (less than one year)	.06 per lb.	.06 per lb	18
1894	20% ad. val.	20% ad. val.	20% ad. val.	.04 per lb.	.04 per lb	18
1897	$2. (less than one year) $3.75 (valued at $14.) $1.50 (valued over $14.)	$1.50 per head.	$1.50 (one yr. or more) .75 (less than one year)	.06 per lb.	.06 per lb	18
1909	$2. (Less than one year) $3.75 (val. $14) 27½% ad. val. val. over $14	$1.50 per head.	$1.50 (one year or more) .75 (less than one year)	.06 per lb.	.06 per lb	190
1913	Free	Free	Free	.02½ per lb.	20% ad. val.	191
1921	30% ad. val.		$2. (one year or over) $1. (less than one year)	.06 per lb.	23% ad. val.	192
1922	.01½ lb. (less than 1050 lbs.) .02 lb. (more)	.0½ lb.	$2. per head.	.08 per lb.	.05 per lb but not less than 25	192
Presidential Proclamation 1926				.12 per lb.		1926
P.P. 1927					.07½ - 37½ ad. val.	1927
P.P. 1929						192
1930	.02½ lb. (less than 700 lbs) .03 lb. (more than 700 lbs.)	.02 per lb.	$3. per head.	.14 per lb.	.07 - 35%	19
1936	.01½ lb. (less than 175 lbs.) .02 lb. (more than 700 lbs .01½ lb. (dairy cows) (2)				.05 - 25%	193

		Free			.20 per bu of 56 lbs.	
		Free	.10 per bu.	.10 per bu.	.20 per bu.	$2.00 per ton
05 per gal.		.25 per bu.	.30 per bu. (48 lbs.)	.15 per bu.	.30 per bu.	$4.00 per ton
Free		20% ad. val.	40% ad. val.	20% ad. val.	.20 per bu.	$2.00 per ton
2 per gal.		.25 per bu.	.30 per bu.	.15 per bu.	.25 per bu.	$4.00 per ton
2 per gal.	.05 per gal.	.25 per bu.	.30 per bu.	.15 per bu.	.25 per bu.	$4.00 per ton
Free	Free	.10 per bu. (50 lbs.)	.15 per bu.	.06 per bu. (32 lbs.)	.20 per bu.	$2.00 per long ton.
.02 per gal.	.05 per gal.	.30 per bu.			.30 per bu.	
.02½ per gal	.20 per gal.	.25 per bu. (50 lbs.)	.20 per bu.	.15 per bu.	.40 per bu.	$4.00 per long ton.
	.30 per gal.				.56 per bu.	
.06½ per gal.	.56 6/10 per gal.	.25 per bu. (50 lbs.)	.20 per bu.	.16 per bu.	.65 per bu.	$5.00 per short ton
	.35 per gal.	.15 per bu. (50 lbs.)		.08 per bu. (unfit for human consumption.)		$3.00 per ton.

0% ad. val.			
5% ad. val.			
0% ad. val.			
5% ad. val.	.04 per lb.	.04 per lb.	
0% ad. val.	.04 per lb.	.04 per lb.	
5 % ad. val.	.03 per lb.	.03 per lb.	
12 per 100 lbs.	.04 per lb.	.04 per lb.	
25 per 100 lbs.	.06 per lb.	.05½ per lb.	
12½ per 100 lbs.	.04 per lb.		

ix II Table II

.S.A. Tariff Schedules affecting the export
fied commodities from Ontario and Quebec.
67 - 1936.

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