The Economic Problems of the Agricultural Producer in Canada.

by

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The Economic Problems of the Agricultural Producer

in Canada.

Chapter I. Introduction.


The Royal Commission appointed on the 7th day of July, 1934, brought to light much information pertinent to the present study. The evidence presented before this Commission and the Committee of the House which preceded it, (appointed on the 2nd day of February, 1934) together with the final report of the Commission itself, will, therefore, serve as a basis for the present discussion. There remain, however, many aspects of the subject not fully explored by the aforementioned bodies, in study of which, recourse will be had to other source material. The main problems of the agricultural industry will be examined with little specific reference to local situations.

In the immediate study, special reference will be made to production and marketing insofar as they are concerned in the treatment of the agricultural position. By way of general introduction, the situation in four phases of agricultural industry will be reviewed. For this purpose the findings of the Commission will suffice.

2. Facts in various phases of Agricultural economic life.

(a) The Tobacco Grower.

As well as other items, The President of the Imperial Tobacco Company, in giving evidence before the Special Committee on Price Spreads and Mass Buying, stated that the net profits of his company for 1933 were $5,670,176.60. (1) This amount came as somewhat of a surprise in view of the fact that 1933 was considered the worst of the depression years. That these profits were achieved by
unduly decreasing raw tobacco prices paid to the growers is made clear by the following table. The tobacco industry furnishes a splendid example of a strong single buyer and many weak and disorganized independent sellers. The clash between two such types of buyer and seller must inevitably result in the enhancement of the former at the expense of the latter. The statistical table reveals at a glance the wide spread in raw and manufactured tobacco prices.

<table>
<thead>
<tr>
<th>Raw Tobacco</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Burley</td>
<td>100</td>
<td>114.5</td>
<td>95.0</td>
<td>78.5</td>
<td>95.4</td>
<td>78.5</td>
<td>48.5</td>
<td>41.1</td>
</tr>
<tr>
<td>Virginia</td>
<td>100</td>
<td>94.8</td>
<td>79.4</td>
<td>79.4</td>
<td>74.4</td>
<td>51.0</td>
<td>42.9</td>
<td>43.6</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Manufactured Tobacco</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Showing Star</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>98.7</td>
<td>98.0</td>
<td>98.0</td>
<td>96.4</td>
<td>81.9</td>
</tr>
<tr>
<td>Players</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>101.7</td>
<td>96.4</td>
<td>98.7</td>
<td>90.1</td>
<td>98.6</td>
</tr>
<tr>
<td>Virginia</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

(b) The Fruit and Vegetable Grower.

As with the tobacco industry, the question was raised as to whether the producer received fair treatment by the buyers, or rather from the buyer, since the canning industry, which is the largest single market for fruits and vegetables, seemed to be a quasi-monopoly. Evidence which was produced showed that in the face of the demand this table is based on the price of tobacco to the company per pound. In the manufactured tobacco figures, the column entitled "showing star" is based on the wholesale price, the one entitled "players cigarettes" is also based on wholesale prices, and that entitled "virginia cigarettes" is based on retail prices.
inating buyer the growers had little bargaining power and that during the last few years they had suffered severely from unusually low prices. (2) There are two aspects of the situation which are of vital concern to the grower, namely, the proportion that the cost of his product bears to other costs in the canning industry, and the contractual relationship between himself and the canning company for the supply and sale of his produce. According to the evidence submitted, the grower's share of prices received from Canadian Canners, Limited, for eight important products during 1933 (tomatoes, peas, corn, cherries, beans, plums, peaches) as determined from the company's own records, revealed that the growers received on the average 19 per cent of the sales value of the finished product. For the five year period ending in February, 1933, 21 p.c. of the total sales paid for all fruits and vegetables purchased by the company during that period. In 1933 the cost of the produce was less than the cost of the containers. The situation with regard to tomatoes will illustrate the point. Tomatoes are the most important of canned goods.

Cost of Packing and Selling 1 Doz. Cans of Tomatoes, No. 2 Size can and average selling price.

<table>
<thead>
<tr>
<th>Cost of Produce</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prime Cost</td>
<td>.786</td>
<td>.634</td>
<td>.670</td>
<td>.94</td>
<td>.694</td>
</tr>
<tr>
<td>Indirect Labour</td>
<td>.048</td>
<td>.048</td>
<td>.048</td>
<td>.079</td>
<td>.036</td>
</tr>
<tr>
<td>Overhead</td>
<td>.077</td>
<td>.109</td>
<td>.092</td>
<td>.105</td>
<td>.036</td>
</tr>
<tr>
<td>Selling</td>
<td>.033</td>
<td>.030</td>
<td>.026</td>
<td>.023</td>
<td>.027</td>
</tr>
<tr>
<td>Fixed Charges</td>
<td>.416</td>
<td>.297</td>
<td>.346</td>
<td>.416</td>
<td>.444</td>
</tr>
<tr>
<td>Average Cost</td>
<td>1.353</td>
<td>1.265</td>
<td>1.104</td>
<td>1.217</td>
<td>1.189</td>
</tr>
<tr>
<td>Average Selling Price</td>
<td>1.312</td>
<td>1.176</td>
<td>.91</td>
<td>.84</td>
<td>.84</td>
</tr>
<tr>
<td>F.R. &amp;.d. growers per bushel</td>
<td>.42</td>
<td>.44</td>
<td>.36</td>
<td>.26</td>
<td>.26</td>
</tr>
<tr>
<td>Percentage of S.P. to</td>
<td>19.4</td>
<td>24.5</td>
<td>25.3</td>
<td>17.9</td>
<td>16.8</td>
</tr>
</tbody>
</table>

Coincident with the payment of the lowest price per bushel, namely, 20 cents in 1933, was a donation of a bonus to holders of Second Preferred Stock, mostly owned and controlled by officers and
directors of the company. For a considerable period the grower sold his tomatoes below the actual cost of production. Such a state of affairs is bound to be detrimental to the economic welfare of the country.

The relation between selling price and cost of produce is strikingly indicated by the fact that if, in 1933, the consumer had paid one cent more per can of tomatoes the increase, triply divided, could have been passed on thus: 24 p.c. in gross profit to the company, 30 p.c. in wages to employees and 40 p.c. greater return to the grower for his product.

Little comment is required on the statistical tables cited. The evils of such practices as are depicted are self-evident.

(c) The Milk Producer.

The problems of the dairymen in Canada are of a more local nature than some of the others, yet they are none the less grave. In Ontario the price paid by dairies for whole milk ranges from $1.65 per hundred weight to $2.10. In most urban centres milk is not sold to the consuming public for less than 10 or 11 cents a quart, 40 to 44 cents a gallon, or well over 4.00 per hundred weight, calculated on the same basis. Granted, for the sake of convenience, that the average price paid to the producer is $2.00 per cent, then it is evident that the distributors retail the milk for a price at least double that received by the primary producer. In the dairy industry marketing problems are very serious. Cross routes and a highly competitive distributive economy have been devastating to producer and consumer alike. This aspect of the industry will be examined later in this thesis.

(d) The Live Stock Producer. (2)

The live stock industry provides another good example of the weakness of the seller and the comparative strength of the buyer. The
position of the farmer who raises live stock is unlike the grain
grower's in certain respects. The latter has several possible choices
when disposing of his grain; namely, he may sell it, or hold it for
feed it. If he chooses the latter alternative he exposes himself to
exploitation at the hands of the buyer of live stock.

In the evidence submitted to the Royal Commission investigating
the packing industry, many irregularities were uncovered. The last
few years have been characterized by the virtual elimination of the
wholesale butchers and small packing establishments, either by means
of cutthroat competition or by merger and absorption. Canada Packers
have grown to such proportions that they are larger than five of
their nearest competitors combined. The large packing houses, Canada
Packers, Swift's and Burns send buyers into the principal stockyards
where they do not compete with each other and force prices up, but
tacitly agree amongst themselves to minimize prices. The policy of
"laissez-faire" here seems to have proven detrimental to the agricul-
tural producer. Competition in production is keen but competition
among buyers for the purchase of the farmers' goods is decidedly less
noticeable. Such a system where strong competitive forces are at
work among scores of producers and where weak or inoperative competi-
tive forces exist among few buyers requires careful investigation
and some correction.

3. Farm prices in comparison with other prices. (3)

On the accompanying chart a graphic representation of how
prices have varied over the past seven years is made. As will be
observed from the chart, prices moved fairly closely together during
the year 1929. Since that time the lines on the chart diverged,
reaching the greatest spread in December, 1932. While December, 1932,
was the low point for prices of farm products, the lowest monthly
record of physical volume of business and also that of industrial
PRICE RELATIONSHIPS

RETAIL PRICES
WHOLESALE PRICES
PRICES OF FARM PRODUCTS

INDEX NUMBERS

120

100

80

60

40

1929 1930 1931 1932 1933 1934 1935

*DATA FROM DOMINION BUREAU OF STATISTICS

CHART NO.1.
production was reached in February, 1933--two months later.

Under conditions where production is carried on by specialization, the necessary prerequisite for regularity of employment is that prices shall be somewhat in the neighborhood of one another, in order that exchange of goods and services may take place in volume. It is only when such conditions are approximated that business can be brisk, and labor well employed. For that reason times were good in 1929. Prices must be kept close together for the system to function properly. These three classes of prices--retail prices, wholesale prices, prices of farm products--are like the strands of a rope. As long as they are closely intertwined the rope is strong. One strand may be on top for a short time and then another has this position, but to ensure strength the positions must be alternated. If the strands are kept tightly together it makes small difference whether the rope goes up or down, it is still strong. When these strands become unravelled and separated the individual strands may be easily broken. The rope is soon discarded when any strand is broken. The lower strand has been weakened by low prices. The upper strands have been weakened by unemployment.

When prices become out of line with one another to the extent that has occurred since 1930, it becomes a physical impossibility for providers of goods selling at the low price to get in exchange for them sufficient of the high-priced goods to keep the providers of the latter occupied. One result is unemployment. Then the lines converge somewhat like they have done since 1932 business in general, improves and unemployment is reduced.

Where the greatest amount of unemployment prevails is fair evidence of the logic of this contention. There has been no great amount of unemployment in agriculture during this time. Anyone trying to make a living by farming will corroborate this statement. The lack of
INDEX NUMBERS

RATE OF WAGES

PRICES OF MANUFACTURED GOODS

PRICES OF FARM PRODUCTS

DATA FROM FEDERAL DEPT. OF LABOR

CHART NO. 2.
employment has been most noticeable in those industries closely dependent on the purchasing power of the farmer. The domestic consumption in Canada of agricultural implements will serve as an illustration of this point. The figures in round numbers are as follows:

**Domestic consumption, Farm implements, Canada. (4)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Figures in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1929</td>
<td>$82,</td>
</tr>
<tr>
<td>1930</td>
<td>39,</td>
</tr>
<tr>
<td>1931</td>
<td>12,</td>
</tr>
<tr>
<td>1932</td>
<td>6,</td>
</tr>
<tr>
<td>1933</td>
<td>6,</td>
</tr>
<tr>
<td>1934</td>
<td>9,</td>
</tr>
</tbody>
</table>

When any industry loses seven-eighths of its volume of business and remains at such a low level for two or more years, some unemployment is practically inevitable. Also when the proportion of business lost is as great as in the case cited above, there is likely to be considerable deferred demand. Once purchasing power is more equitably reassessed that deferred demand will soon be satisfied, but not necessarily satisfied.

When exchange takes place at such an obvious disadvantage as was seen in the case illustrated, the policy of the farmer is that of producing more for use and less for market. Such a policy affects adversely international trade, inter-provincial trade and individual trade. Therefore, the necessity for equilibrating the bargaining power of the various classes in society will be discussed in a following chapter.

4. The General Tendency.

The pages of history reveal that theories, inventions and hypotheses are usually products of their times. As a rule new doctrines are inspired by environmental conditions. Thus it is not surprising that this present era should produce new theories and panaceas, and changed attitudes regarding certain well-established principles and
customs. The strength of the malcontented forces seems to have been
gathering impetus by leaps and bounds during the last five or six
years. The whole policy of governments has been subjected to kaleido-
sopic changes. Parties, traditionally conservative, have become
very moderate and socialistic to a degree. This reversal of outlook
will receive further consideration in this study.

Agriculture seems to be losing its ground as a basic industry in
many countries. Unfortunately, such is the case in Canada. In the
gradual transition from a simple self-sustaining agricultural to a
mechanized exchange economy the underlying importance of the agricul-
tural industry has been overlooked. The present discussion will,
therefore, include an examination of certain theories and practices
in the light of their effect on agriculture. It will also discuss the
influence of the agriculturalists in determining these theories and
practices.

In the subsequent discussion, the various phases of agriculture
will be dealt with as a whole, statistical details as to conditions
in specific localities being largely omitted. Attention will be given
not only to practices but to theories insofar as they relate to the
problems of the agriculturalists or have been influenced by them.
Evidence from the Price Spreads Report will be sparingly used because
it is so oft-cited now. The dissertation, on the whole, centres around
problems of production and marketing.

References:
1. Evidence submitted before the Royal Commission investigating
price spreads in Canada--Pages 1441, 1471.
3. Prof. J.B. Lattimer, Macdonald College, "ue.; "Unemployment--its
cause and cure"--The Canadian Countryman, Mar. 14/36.
4. Data from Dominion Bureau of Statistics.
Chapter II.

The Agricultural Industry.

1. The Origin and Nature of Agriculture--

Agriculture is the most necessary of man's pursuits. Without food one is incapable of living for any length of time. The agricultural industry is the result of a growth from barbarism to a more or less civilized order. Daniel Webster once said in speaking of The Agriculture of England:--"Let us never forget that the cultivation of the earth is the most important labor of man. Man may be civilized in some degree without any great progress in manufactures and with little commerce with his distant neighbors. But without the cultivation of the earth, he is in all countries, a savage. Until he gives up the chase and fixes himself in some place and seeks a living from the earth, he is a roving barbarian. Then tillage begins other arts follow. The farmers, therefore, are the founders of civilization." (1)

Agriculture involves a modification of the process of nature, it is interference with nature, and, as the Physiocrats said, cooperation with nature. Harvesting is an interception by man of the food reserves of plants stored up for their own use. (2) Man, however, may cooperate by giving Nature the best material to work with and by aiding in cultural work during the period of pregnancy. The production of animal crops is similar, though more elaborate. The natural cycle of animal life must be encouraged and stimulated in order that the results may be intercepted. But nothing can be gathered except what the animal can itself produce in the course of its processes.

Thus, agriculture differs from all other industries carried on by man in its ultimate dependence on the processes of natural growth. In becoming a cultivator man is not a creator; he does not make
things grow. However he is not an idler; he does more than watch, he initiates, alters, defects and stimulates. Man is the manager. If there were not processes of growth, agriculture would be simply manufacture, and if these processes of growth entirely eluded control, there would be no science of agriculture at all.

The extent to which man's control over nature can be exercised depends largely upon climatic and other circumstances over which he has little influence. In a monsoon region dependence on nature is very great, because the ground cannot be tilled or ploughed until the rains come. If man tries to overcome the dictates of nature by "forcing" crops, as under glass, they are still the result of laws of growth just as much as trees of a forest. He cannot evade the fact that, ultimate conformity with Nature is the agriculturists' salvation: it is an industry where nothing can be made or manufactured, but where everything has to grow and to become.

In agriculture there are many supply factors. "Free goods of Nature are utilized very largely by agriculture. It is dependent for its existence on sunshine, min, vital energies and other aspects of nature which remain "free" goods and cannot themselves be subjected to property rights." (3) Agriculture uses natural stores and forces which are subject to human control to a far lesser degree than the materials and forces of industry. Agricultural civilizations are cultural adaptations to natural circumstances; industrial civilizations are departures from Nature, therefore, artificial.

Since agriculture is less dependent on the actions of mankind than is industry, one finds it very difficult to discuss them on a common basis. Agriculture might properly be termed a biological industry. Because of this fact there are several visible difficulties which have to be taken as a matter of course because human inventive ingenuity has thus far proved incapable of speeding up the time cycle...
production to any appreciable extent. New breeds of wheat have been
developed which will ripen in fewer days than formerly but in the
animal life scientists have found that changes of time bases are
commercially unattainable.

Agriculture is largely a seasonal industry. The products of
the producers thus swamp the market at certain times with an excess
of crops. This system necessitates storage facilities to adjust the
supply to meet a more or less continuous demand. As a result, credit
and elaborate marketing machinery are required. Since agriculture
is carried on under very narrow margins of profit, not enough cap-
ital is provided by agriculture itself to financially support these
activities. It is here that the intermediary is required. Middle-
men we see themselves in between the farmer and the ultimate consumer.

There is also a noticeable lack of control over the quantity of
agricultural production. Acreage adjustment is generally an inade-
quate means for controlling the quantity of output. For example,
tree crops such as apples, pears, plums and peaches will be a failure
one year and a bumper crop the next. The effect of the lack of
control over quantity on the marketing problem is similar to that of
the lack of control over the time cycle.

Lack of control over quality is also quite obvious. Industry
tends to turn out "homogeneous products whereas the output of agric-
ulture is noticeably heterogeneous. Since there must be a certain
minimum of homogeneity for the market, marketing machinery is nec-
essary to bridge the gap between the uncontrolled heterogeneity of
supply and the market.

Agriculture can be carried on in practically every country in
the world. Forty per cent of the land area of the world, exclusive
of the Arctic and Antarctica, is cultivable. A goodly portion of
the remaining 60% is capable of supporting plant, vegetable and
animal life. Zimmermann says "the basic resources on which agriculture rests are commonalties (aspects occurring often)". (3) Agriculture is spread widely throughout the world as a result of these commonalties.

Agriculture is a very highly competitive industry. The products of the farm are usually staples of wide demand and although the demand is great, the quantity produced is usually more than sufficient to meet it. Agriculture also suffers a severe handicap when it becomes specialized because of the waste due to the time its machinery is not in operation. Investment in a machine pays in proportion to the use made of it.

It has been stated by an eminent economist (3) that the maximum output of industrial establishments usually occurs during periods of prosperity, and on the other hand, that the most important factor determining the price of agricultural commodities is volume of output. Usually the farmer has to sell his biggest volume at low prices.

Most of the economic and social problems peculiar to agriculture can eventually be traced back to some of the conditions just stated. These may be summed up as follows: the unabbreviable interval lying between the effort of sowing and the reward of harvest, the rigid necessity for carrying out operations at the right times; the simultaneous arrival of the harvest for all cultivators together; the irregularities of the amounts reaped contrasted with the insistent demands of human beings for perfect smoothness of supplies.

From all these conditions difficulties inevitably mount. In the first place the agricultural producer must be maintained during the gap between sowing and harvest and between harvest and sowing. With the advance of civilization the problem becomes disguised and softened. Discoveries have enabled certain forms of food to be preserved; there is no longer the difficult task of keeping man and beast alive during
the winter. However the physical puzzle has perhaps been solved, but a new problem has thus been added or transferred to the economic field. As the percentage of the population engaged in agriculture decreases the brunt of the disadvantages of the agricultural pursuit is borne, not by society as a whole, but by the agriculturist. The suffering during the "dead" season in agriculture is often very considerable, and even more so when a society has reached the stage where one class suffers more than the remaining classes. This differentiation takes many forms, but usually tends towards the disadvantage of the agriculturist, simply because he is the one most directly affected by the natural laws cited above.

The law of periodicity, as well as the law of the waiting period, has certain social consequences. (2) That harvests, over certain areas, come at the same time has and invariably will have profound economic consequences. The simultaneous arrival of the reward to all those expecting it can positively rob that reward of a portion, or of most, or sometimes of the whole, of its value. What all can offer no one will pay highly for. Each fresh bushel which reaches the market destroys with fantastic rapidity the value of supplies already there. Thus the harvest which is abundant is the low-priced harvest, the harvest which is super-abundant is unsaleable and the poor harvest alone is the valuable one.

It is one of the curiosities of modern economic life that profit may be made in food production, not by superior quality of product, nor yet by producing in bulk a much needed popular article, but merely by the gain of a few days in harvesting to limited markets products too often of a luxury nature. The early strawberry, which is inferior in quality to the later one, makes plenty of money while three weeks later the crop lies rotting on the ground. This is undoubtedly a fine example of the economic theory of scarcity value, but it is
unjustifiable socially.

Demand, as was mentioned before, is fairly even in character. Man should have food every day and requires approximately the same amount daily. This evenness of demand is the result of necessity, not of caprice, and is very hard for agriculture to satisfy. There appears to be the same expectation of an even consumption of non-vegetable commodities without regard to seasonal intervals; in no cases do cotton factories open or close as the cotton crop is just harvested or sown.

Thus there is an immense problem in connection with agriculture, it is distribution. Someone has to fit seasonal supplies to continuous demand and usually much risk and capital is involved in the process. Hitherto, agriculture has wisely not attempted to do this; it is a business in itself to smooth out supply and demand between those who are subject to nature's periodic swing and those who expect to both eat and be at work all the year round.

However, the outlook for agriculture is not altogether a pessimistic one. It is an industry which produces primarily that which is an absolute necessity—food. If the pinch of necessity comes it will be bought before any other product. Therefore with increasing prosperity more will be bought and before other things. The permanence and persistence of demand is of great benefit to agriculture; it is hard to expand an agricultural market, at least rapidly, and it cannot finally be destroyed. The agricultural market, in the long run, a potentially great one, for world demand for food is far from having reached saturation point; there exist many under-fed populations and under-fed individuals in well-fed populations. The relation of the cultivator to the community, however, requires very careful adjustment. Henry Ford, the motor magnate once remarked: "The land supports life; industry helps the man to make the land support him, and when it (industry) ceases to do that and supplants the land and the land is forgotten, and man turns to the machine for suste-
since, we find out that we do not live off the work of our hands but off the fruits of the soil." (4)

2. Modern Agriculture and the Growth of Specialization.

Generally speaking, modern agriculture is subject to the law of decreasing or diminishing returns while manufacturing is carried on under conditions of increasing returns. If a farmer intensifies his work he usually does so under conditions of increasing costs. The net profit per unit declines with the increased quantity of production. A manufacturer may produce a commodity at a high initial cost, but upon receiving orders for additional supplies he may be able to reduce the actual costs per article and thereby increase his net return for each unit produced. Undoubtedly there does come a time when costs either become constant or actually increase thereby inducing diminishing returns, in manufacturing, too, if it be the manufacture of some commodity which has been and still is of very wide demand. That is, in the long run Ricardo was correct. However, the problem centres around what is actually meant by "the long run". For practical purposes, it is legitimate to consider the expression a misnomer. In most cases of manufacturing which most vitally affect the well-being of the masses "the long run" is not reached. Especially is this so in our modern industrialized economy where new inventions are continually flooding the market (e.g. radio, television, etc.) in which initial profits are colossal.

To substantiate some of the preceding statements, a quotation from L.A. Buffon is used. He says; "in extractive industries, such as agriculture, costs of production per unit of product tend to increase with the expansion of output as a result of the differences in the qualities of land and the operation of the law of diminishing returns. The tendency towards increasing costs exists in manufacturing industries as well, but this tendency is usually offset by the econ-
omies of large scale production which bring about decreasing unit costs as output expands."(5) Reduction in manufacturing costs together with the elasticity of demand for most manufactured articles accounts for much of the prosperity of modern industry. The agricultural situation is almost the reverse.

Agricultural products may be roughly classified under three heads, food, feed and industrial raw material. Food is a necessity therefore its demand in the aggregate is inelastic. The animal cycle is usually longer than the crop cycle and this tends to create serious perplexities, which tend to reduce the stability and the emoluments of agriculture.

A normal man requires about 3500 calories of food per day. Continued deficiencies cannot long persist or else population will diminish. Nature fixes that normal demand. Surpluses, then, become almost unmarketable. The bulk of agricultural production is in foodstuffs, with industrial raw materials such as tobacco, wool and cotton accounting for only about 10%.

Great interchangeability and substitutability in agricultural products is possible. The human species as well as the sub-human species and all the animal kingdom requires certain proteins, carbohydrates, fats, starches, minerals, salts and vitamins. These may be obtained from many sources. The competitive or substitutional nature of agriculture is not confined within the class of foodstuffs alone as yam may be used in place of wheat, potatoes for corn, and nuts or cheese for meat.

As a result of the supply and demand conditions prevailing, agriculture has lost the position of dominance it once held. In exchange economy, agriculture suffers a distinct handicap. The unprofitability of agriculture leads to progressive dependence on outside capital which includes technological and political aspects as
well. Under the impact of capitalistic industry, farming becomes so efficient that the number of farmers required to feed the population decreases. In democracies there exists a strong positive correlation between political influence and the relative numbers of the class exerting the influence. Hence the numerical loss in agriculture is indicative of decreasing political power. (3)

With the growth of industrialism, one sees corresponding changes in operations of agriculture. There has been a great deal of acreage expansion due to the invention of refrigeration and quick freezing devices. Frontiers have been rolled back to remote outlying backwoods. Drainage and irrigation projects have brought much land into cultivation. New species and cross-breeds have enabled mankind to partially combat nature. Great changes in processing methods have also aided agriculture in its struggle to keep above water in the swirling eddy of industrial upheaval.

In order that soil may remain fertile, man has began to apply artificial fertilizers which are mostly by-products of industry. On account of the rapid expansion of the use of machines some land, because of unfavourable topographical features, has had to remain uncultivated. Tractors will not travel in all the places a horse can, without serious injury to somebody or something. A combine can be used only on fairly level land.

There has been an increase in the performance of the individual farm laborer or farmer because of the increasing supply of tools or producer's goods at his disposal. Banking houses have aimed at facilitating to a certain degree, the work of the farmer by providing credit. Space does not here permit a discussion of whether their rates of interest have been exorbitant or not.

Agriculture has lost much of its autonomy. In keeping with the progress of specialization and international division of labour, hum
marketing organizations have been founded. Two important factors have had far-reaching effects. First, the development of rapid and relatively cheap mechanical transportation by rail, water, road and air, enabling the farmer to send away his surplus goods and to specialize in producing that surplus, and at the same time to get manufactured goods and fuel and supplies in return. Second, these changes in farming can be traced to the growth, in the factories of the cities, of quantity production by machine methods of all kinds of clothing, tools and supplies, formerly made on the farm or not to be had at all. (6) These two causes of change, modern mechanical transport and modern machine production are the distinguishing features of the machine age.

Although they are entirely outside of agriculture, they have completely upset its earlier types of organization, demand the purchase of much more materials from the towns and making Canadian farmers dependent on world trade.

Increased competition is also noticeable. Capitalistic enterprise seems to prefer perennial crops and also developments in tropical rather than temperate zones. However, experience has shown that capital flows freely into the agricultural activities which are intimately concerned with machine industry. Industrial products are more and more replacing agricultural products. Lumber is being replaced almost entirely by steel, cement and bricks. Industrial alcohol can now be obtained from coal instead of from wood, corn, molasses or other vegetable sources.

The effects of industrialization on demand for farm products are worth noting. First, the replacing of beasts of burden by tractors and engines has enormously reduced the demand for food-stuffs. Second, with the advancement of science and medicine, there has been an increasing scale of dieting and of giving the correct foods. This practice has reduced actual demand, summarizing one
finds that the capitalistic mass production system has stimulated the output of agricultural production and has led to the development of competitive enterprises exploiting agricultural resources and, finally, has reduced the demand for agricultural products.

Canada is a relatively new country and has not as yet reached the third and final stage of industrial maturity. The three stages of economic development in a new country are:

1. Exploitive.
2. Industrial development.
3. Industrial maturity.

The first is characterized by outside borrowing, recklessness and waste, the second, by repayment of loans and interest, the production of the fields, forests and mines trying to maintain credit in the world. Gradually there is built up a domestic surplus fund of capital, Canada should be included in the second group. The effects of industrialization have only become noticeable in Canada in the last few years. Specialization, aided by machinery, has revolutionized Canadian farm life.

The result has been that, whereas half a century ago, the farm family was largely an economic world unto itself, today its young members jump on a train, or bus or into an automobile and scatter to this or that town or city, where they follow pursuits completely divorced from farming, as that term is now understood. Much of what was known as farming is now considered within the realm of manufacturing. The farm, which was once an all-round factory, is now the place where raw food and certain other raw materials are produced, chiefly in order to be sold to pay for manufactured goods and imported food and fuel. (5) Farmers go on producing unaware of the fact that people in cities and towns would starve if they did not, and produce more than they consume at home so that there may be returns enough to en-
able them to buy consumer's goods, chiefly so that they may live. Producer's goods are also purchased but only to make possible further consumption of the enjoyables of life. Thus there exists justification for the statement, consumption is the aim and end of production. People produce in order that they may consume what has been produced either by them or by some one else. It matters little who does the producing, as long as it is within the country.

Most countries grow products which are meant to sustain the home population and produce commodities for trade purposes as well. Denmark is sometimes called an agricultural factory. She imports from abroad vegetable-stuffs, feeds these to her animals (pigs) and exports bacon; she is carrying on a sort of finishing process. (2) This shows how widely agriculture has diverged from the original idea of local subsistence.

3. The Limits of Specialization in Agriculture.

Wider and wider division of labour seems quite logical and commendable in industry. However there are certain checks to specialization in agriculture.

A specialist in the strict sense is one who devotes his entire labour time to a single line of activity. He may produce any one of a thousand articles. As a producer he makes one article or just a part of an article. As a consumer he utilizes many commodities. No wheat farmer does without clothes. (Doukhobours are not usually wheat farmers) and no manufacturer of shirts can easily get along without wheat in some form. Moreover, a wheat grower can and does produce more wheat than he himself can use. Likewise a shirt manufacturer can wear only a few of the myriads of shirts his factory fabricates. The process of specialization implies exchange. The greater the extent of specialization and efficiency, the greater is the number of exchanges that must follow.
Exchange is more than simply passing goods over a counter in return for money. It entails the whole process of putting the goods into the hands of the consuming public. It necessitates packing, selling and storing. It means shipping commodities long distances by road, rail and sea with extreme dependence on cheap and rapid transportation. Many farm products have been sent to distant markets in exchange for sugar, tea, clothing and machinery since the arrival of the "machine age."

Every time exchange takes place a bargain is struck between the parties concerned. If both parties do not have equal bargaining strength there is danger of the weaker one being exploited. If continued exploitation persists then the weaker party is finally forced to cease operations because there remains nothing to exchange. A detailed study of the relative bargaining power of the different classes of society will be made later. There is undeniable evidence that in the last decade or so Canadian agriculture has suffered from the expansion of the number of exchanges. (6) Therefore, until a satisfactory readjustment is made it seems that the limit of specialization has been attained for some time.

A specialist in any line becomes such only by thinking and doing the same thing repeatedly. A professional singer or pianist does not achieve his skill by teaching economics, or milking cows, or digging ditches. Also the most expert shoemaker does not cut the sole, punch the eyelets, box the shoes or shine them. Specialization is the eventual result of hours and years of continual repetition. However, specialization with the help of a machine can replace a human being at work, only if the material which it works upon is so uniform as not to require any adjustments requiring the aid of human intelligence.

In farming there are certain very pronounced checks to both that
continuity of action and that absolute uniformity of materials waked upon, which is the essence of machine production. Farming depends on the seasons. Crops grow and ripen in the period nature has chosen for them to do so. Wheat which matures in 90 days is an improvement on old varieties, but still it must be planted in the spring and be reaped in the summer or autumn. Hay must be cut in season and potatoes cannot be dug in January. The seasonality of farming makes for discontinuity in distinct contrast to the regularity of manufacturing.

Besides the impossibility of continuing at the same work for many days in a year, there is also the impracticability of continuing at the same job many hours in a day. Weather conditions can change most rapidly. A five minute downpour will often suspend having or harvesting operations for several days, implements also will cease to function properly unless climatic conditions are proper. Milch cows may be made to freshen in winter instead of summer, but there has never been a cow sufficiently good to warrant ten hours of continuous milking. Hogs are usually credited with having voracious appetites but no hog will, by any stretch of the imagination, require more than an hour of the feeder's time in any one day. And so on ad infinitum, be it the daily program or the yearly program, discontinuity is the rule.

It is easily seen that a farmer must be a jack-of-many-trades and that adaptability and versatility are real requisites. For a splendid example of the extreme specialization in industry there is the oft-cited case of the workman in the Ford motor factory who stands in one place tightening nuts for hours upon hours, day after day (and another man in his place at night.) In the agricultural industry no such

\[\text{For further evidence let the reader try cutting grain with a binder while the straw is damp and tough with dew or rain.}\]
specialization of effort is practicable. The type of work lacks uniformity as also do many of the materials worked with or upon. For example, milk taken from cows is sufficiently uniform to be put through a cream separator but not all cows have udders and teats sufficiently uniform to permit the successful operation of a milking machine. Similarly, combines may work well where wheat is of uniform uprightness but is unsatisfactory if the wheat is not all of sufficient hardness and where the stalks have become tangled and twisted and flattened. Agriculture is subservient to the will of nature which is unpredictable.

Land is an important factor determining the manner in which farming is carried on. In manufacturing, land is used chiefly to stand on, that is, a plant capitalized at millions and employing thousands of wage-earners will require only a few acres of terra firma. No matter how fertile the soil may be, an acre will only grow so much. Four or five stalks may grow where one or two formerly did, but fertility is not the only consideration when raising a crop. There needs must be space for plants to stand in and also space to permit cultivation and sunlight during the growing period.

The problem of space has a direct bearing on management. The larger the area the more difficult is the task of the farm manager. In a factory the foreman can easily keep a check on the hired labour and keep efficiency high but on a farm extending over several hundred acres the efficiency of the hired help is frequently low. While the boss is busy with some repair work which confines him to the repair shop or implement shed, the hired man may recline under a distant shade tree, or the young cattle, or the colts may break through a fence and wander away. Then another problem arises when farms are

It recalls the old saying, "When the cat is away, the mice will play."
too large, namely, the time and energy wasted moving from one end of
the farm to the other and to the barn. It is really a transportation
problem.

Undoubtedly there are advantages in specialized, over mixed
farming; and Canadian farmers have tended to become more specialized.
As was pointed out above, there are many factors which undoubtedly
limit the extent of the applications of industrial efficiency to agri-
culture. Canadian agricultural history shows that with few exceptions
it has not been possible to secure enough revenue from any single
branch of farm enterprise to keep the farmer and his family throughout
the year and do it consistently year by year. Wheat-growing in Western
Canada is an example of "one-crop farming", and it was successful only
because land prices were low enough to permit an acreage sufficient
for relatively large scale operation, because land was more than ordi-

narily fertile, because it was adapted to the usage of machinery, be-
cause wheat farming makes the least demands on management of many of
the farm enterprises, and because the demand for Canadian wheat has,
until comparatively recently, been exceptionally strong. (6)

Suppose a farmer decides to specialize in wheat growing. To
do this he must obtain and operate not only a plow, but also a harrow
or cultivator andiso, a seed-drill, a binder or a combine; he will have
to harness horses, select seeds, operate a fluming-mill, stock grain,
pitch grain, repair implements or harness and buy and sell. This so-
called specialized farming demands versatility and skill in management
and labour force to ensure beneficial results. Each machine is ad-
apted to its own purpose which is usually seasonal and at the most,
is not used more than several weeks in a year. Without fail high
interest charges will be incurred on account of money spent on machines
and implements and more which is invested in implement-sheds. There
is a very high overhead cost because of the large amount of unused
capacity. A machine pays for itself according to its efficiency and the continuity of its use. In industry there may be a little disuse but in agriculture, there must always be plenty.

"One-crop farming" is contrary to the principles of good farming. A glance at some of the "turned-out" areas of Western Canada conveys the story of specialization in wheat growing. Soil loses its fertility when nothing is returned to it and when it is cropped continuously. For that reason rotation of crops is a practical necessity. Thus specialization to the utmost intensity has serious drawbacks in almost any line of agriculture. Mixed farming allows various "minor" crops to supplement the main one; these serve as "risk-spreaders" and utilize labour in slack periods. Specialization by area, by person and by machine has gone far. It would seem reasonable, therefore, to expect it to go further. But the obvious limits certainly will be reached sooner in agriculture than in industry. There still remains much to be done in studying the economic fitness of various regions for this and for that industry. The fact remains, however, that early and definite limits have been reached in specialization and there are many obstacles which will serve as real checks to the furthering of the tempo of industrialization as applied to agriculture.
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Chapter III.

Production and its control.

1. History of Attempts at Control of Production of raw materials.

For varying periods during the last decade several important world commodities have been subject to restriction of output. The most important of these are rubber in the Malay States and Jeylon, coffee in Brazil and sugar in Cuba, Java and Europe, and wheat. Production of raw materials has been carried to a point where supply is far in excess of demand, the inevitable result being a price decline to below the ordinary costs of production.

(a) Coffee: Since Brazil was the largest producer of coffee her efforts were turned towards attempting to control its price. The scheme undertaken for controlling the market was called the "valorization scheme". In 1890 the price of raw Brazilian coffee in the New York market averaged 17 cts. per lb. During the next 6 years Brazilian coffee planters enjoyed prosperity and there was a noticeable expansion of coffee planting, especially in the state of Santa Paulu. The coffee plant takes from 5 to 7 years to reach maturity and, by 1897, the rush into planting had swamped the markets and coffee was selling in New York at 7 cts. per lb. By 1900 the price had fallen to 5 cts. and Brazil was facing ruin. The government made an agreement with Gloloken, the largest importer into the United States, whereby the state of Santa Paulu should buy up the entire crop and sell it through Gloloken in United States. For a few years the scheme worked fairly well, but by 1900 the State of Santa Paulu had bought 8,357,000 bags and the crop in Brazil was 20,000,000 bags. The state declared itself bankrupt and broke the agreement with Gloloken who then made an agreement with the banking house of Rothschild to put pressure upon the state to prohibit the export in any year of more than 9,000,000 bags. This scheme was also for a time successful and in 1909 the
price rose to 9 cts per lb. The war raised the price of coffee once
more and in 1920 it was selling at an average of 20 cts. per lb. At
the crash of 1921, the price dropped to 10 cts. and in that year the
Brazilian Government made an issue of paper money and bought 4,500,000
bags. This policy was again successful and in 1925 the average price
was 25 cts. With rising prices more planting took place and by 1929
the situation became critical. In October the whole market collapsed
and prices fell at once from 20\(\frac{1}{2}\) to 13\(\frac{1}{2}\) cts. Again Brazil tried to
support the market and the "Coffee Defence Institute" was formed to
buy coffee. Millions of bags were bought and destroyed but the price
continued to fall. In April, 1930, a coffee realization loan was
floated for 20,000,000 pounds sterling. It was hoped this would be
sufficient to enable Brazil to hold her coffee until it touched 12
cts per lb. In April, 1931, it was selling at 5.2 cts.

It is true that for a time the Institute was successful in main-
taining prices at a profitable level, in spite of the fact that the
1928 crop amounted to 28,000,000 bags, 4,000,000 in excess of the
world consumption. Its chief purpose, (that of maintaining prices
at a profitable level) was being accomplished, despite several em-
barrassing situations in regard to finances which were alleviated
through Government aid. However, in its endeavours to restrict the
market supply, it accumulated an unmanageable surplus, which, in 1930,
amounted to 21,000,000 bags in storage. This to be disposed of over
a ten year period, at world prices, and restriction of output is not
to be applied to future crops, which are to be sold as soon as prac-
ticable after harvesting.

Even the Coffee Realization Loan of 1930, which was hailed by
many as the death knell of valorization, specifically provided for
winding up selling campaigns every 24 months thus vaguely and perhaps
inadequately recognizing the tendency toward extreme annual fluctu-
ations in the coffee crop. Moreover, the wholesale destruction of
millions of bags of coffee could hardly be interpreted as a return to
"laissez-faire". That Brazil did not materially weaken her position
as the premier coffee-growing country of the world appears from the
following table. It is to be noted that the quoted figures are for
years immediately after the collapse of the price-fixing scheme in
Brazil. The coffee production amounted to (1)

<table>
<thead>
<tr>
<th></th>
<th>millions of bags</th>
<th>Brazil</th>
<th>Others</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1930-31</td>
<td></td>
<td>14.8</td>
<td>8.6</td>
<td>23.4</td>
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<tr>
<td>1931-32</td>
<td></td>
<td>23.5</td>
<td>9.5</td>
<td>32.0</td>
</tr>
</tbody>
</table>

Thus ended Brazil's attempt to control production and stabilize
prices by restriction of supply without curtailment of actual pro-
duction. (2)

There are several obvious reasons for the institute's failure.
Firstly, an enhanced price caused an increase in acreage in Brazil, and
also in other coffee producing areas. Br. East Africa alone increased
her acreage from 28,000 in 1920 to 69,000 in 1928. The stabilized
price also raised the profitable production age of bushels already
mature.

Second, benefit accrued to other producing countries through en-
larged markets, and an unsatisfied demand. Brazil, as was observed,
limited her exports and created an artificial demand.

Third, an increase in the cost of production in Brazil was in-
evitable, because administration costs of the institute for the Perman-
ent Defence of Coffee had to be borne by the producer in the long run.

This is the fate of a scheme which it was hoped would end success-
fully, because Brazil had the lion's share of the coffee markets and
was almost in a position to obtain monopolistic preferences.
(b) Rubber

Chiefly on account of over-expansion in planting and improvements in the methods of culture, production of rubber in Ceylon, the Dutch East Indies and the Malay Peninsula increased very greatly and prices fell so that they were below the cost of production. As a result the British Colonial Office appointed a committee of investigation, headed by Sir James Stevenson, to investigate the situation and advise some plan which could be followed to alleviate the rubber industry. The outcome was the famous Stevenson Restriction Act, put in force in 1922 in the Malay Peninsula and a short while later in Ceylon.

The Act purposed to curtail production by means of restriction of export, to be effected by levying an export tax against all crude rubber shipped out of Ceylon and the Malay States. Fifty per cent of the estimated normal crop was to be subject to a small minimum export duty and exports in excess of this figure were to be taxed heavily, the greater the excess the heavier the duty. The Dutch government refused to co-operate by bringing plantations in the Indies under the same system.

At the inception of the Act, Ceylon and the Malay States were producing practically 70% of the world's crude rubber. It was expected that little, if any, difficulty would be experienced in controlling the market. At first results were as anticipated. The price of crude rubber in New York rose from 14¢ to 27¢ in less than a year.

Rubber is a basic commodity of which the demand is almost impossible to anticipate properly, because new uses are continually being found for it, and new inventions are also threatening to limit its use. To predict the future demand for rubber is thus a hazardous and almost futile task.
Greater profits were being derived from the artificial price by Dutch producers whose costs of production were lower since they were not included in the curtailment plan. It was to be expected then, that production should be stimulated in producing areas not controlled by the Stevenson plan. Individual concerns even bought or leased huge tracts of land in producing areas and started planting on a large scale. The Ford Motor Company commenced planting in the Amazon valley; the Firestone Company leased some million acres in Liberia and 30-year interest started operations in Sumatra.

The outcome to the growers in the areas where exports were restricted was inevitably disastrous. The Act was repealed in 1928 when Ceylon and the Malay States had lost nearly 30% of their former trade. In 1920 they produced 70% of the world's rubber; in 1928 only 50 per cent.

The application of the Stevenson plan was also responsible for greater utilization of old and reclaimed rubber. When the Act was repealed rubber production soared; 950,000 tons were produced in 1929; it was an excess of world consumption by 75,000 tons, which in that year was the greatest on record. As in the case of coffee, the results of the Restriction Act took the form of increased acreage, loss of markets and higher production costs. (2)

In 1934 a new era began for the rubber-growing industry when an international regulation agreement was put into force in practically every eastern rubber-producing country. The administration of the regulation is divided into two main categories; i.e., that over plantations of 100 acres and over, and that over plantations under 100 acres. Plantations in the former category are generally called "estates" while those in the latter are generally called "small holdings."

The administration over estates is generally exercised directly by the rubber controller in conjunction with the departments of trade.
and customs, each estate being allotted a certain share, or assessment, of the country's quota. There is no direct regulation of the amounts that may be produced on individual estates. If the rubber is not covered by export rights, however, there can be no objection in producing it, for dealers are not permitted to hold rubber which is not covered by export rights. The Governor of British Malaya has more than once intimated that the price is not going to be allowed to increase greatly. If that is the case, the regulation should be a pertinent factor in maintaining a constant and reasonable price as well. (3)

The early attempts at control of production applied to coffee and rubber seemed to lack three fundamental conditions for success which are of paramount importance in any scheme of restriction. These features were:

1. Control of actual production in the countries which are themselves attempting restriction of output.

2. Control over other producing and prospective producing countries.

3. Ability to control output, since production is not entirely subject to human agencies.

Explanations regarding the first, control of actual production where output is restricted hardly seem necessary. It is generally known fact that with restrictions on exports there is normally a consequent increase in price, which automatically stimulates production, thereby defeating the purpose of the scheme. When the Sao Paulo Coffee Institute withheld its coffee from the world's markets, prices rose so that the Brazilian grower earned a good return for his labour and investment, in fact, the price was so high he was encouraged to increase his acreage. The fact that the coffee had not been sold to the ultimate consumer made no apparent difference to him. Under the Stevenson plan the grower could dispose of 60% of his crop at a
price sufficiently high to cover the entire costs of production, with a small profit besides.

For a scheme of restriction to be successful every producing and potential-producing country must accept it. In the case of most commodities of international movements an absolute monopoly of production does not exist.

If any real attempt at curtailment of output is to be effective, production of the commodity must be subject to human agencies. The goal of any scheme of restriction is price stability at a point where a fair return will accrue to the producer, and one of the main requisites of stability of price is stability of supply. Thus in commodities like coffee and rubber one has fine examples of the work of natural and not entirely human agencies.

Another important point which must be considered in competition from substitutes. A fair price for the producer, resulting from restriction, may be a price higher than the consumer is willing to pay and sooner or later he will seek ways and means of obtaining a suitable substitute. Synthetic camphor, (which was discovered when Japan curtailed production of the natural product) and synthetic nitrogenous fertilizers, which are now used so extensively in competing with the nitrates of Chile, are examples of substitutes which were discovered when the price of the natural product was raised by artificial means.

Again, increased prices of any commodity are almost certain to lead to decreased consumption of the commodity, provided that all prices do not rise in the same ratio. In the five or six years previous to 1930 the price of wheat was on a perceptibly upward trend while its consumption showed an inverse tendency. in other words, restriction of supply, which is usually only attempted when there is already a surplus of any commodity, may be accompanied by decreasing
demand, thereby adding to the difficulties of disposing of the over-supply.

(c) Wheat.

The two commodities just discussed, coffee and rubber are not, of course, produced in temperate areas so that Canada is a non-competitive producing country of either of them. However, wheat, one of the world's staples, is of vital importance to Canada. Wheat growing is Canada's greatest single industry for export trade.

The possibilities of restricting the export and consequently the acreage of wheat itself for Canada alone, are decidedly limited. There are many other wheat-producing areas in the world and, unless an agreement were consummated with them all, no schematized plan of restriction of export could successfully operate. Wheat like coffee, and rubber, is subject to the vagaries of fluctuations in world demand and supply.

The reader will, no doubt, have observed by this time that the purpose of this chapter is to refute the arguments which persist regarding the feasibility of plans to restrict production, especially in world export commodities. The matter is particularly important because of the great importance of fair wheat prices to the Canadian wheat grower.

Undoubtedly there had been over-production of wheat. The carryover of wheat in elevators on July 31, 1933 for the four great exporting countries, United States, Canada, Argentine and Australia, was 680,000,000 bushels. This over-production of wheat resulted from many factors which became potent during the present economic depression. The Conference held in London in the summer of 1933 to alleviate the wheat situation recognized many causes of the present plight of wheat growers. Some of them are:

1. Far-reaching improvements in the scientific method of
wheat culture, due to better facilities for production, transportation and marketing.

2. Lack of purchasing power on the part of the importers.

3. Excessive stimulation of wheat growing in exporting nations during and immediately after the Great War and the temporary cessation of exports from Russia.

4. The attempts by the governments of certain European Nations (Italy, France and Germany) to encourage domestic production to combat high prices.

5. The re-entry in 1929-1930 of Russia into the world wheat market.

6. Attempts by exporters to restrict exports in the hope of raising prices to artificial levels. In this category the Western Wheat Pools are to be remembered as the worst offenders.

The ultimate success of the London Wheat Conference of 1930 seems to have been doomed from the start. It attempted to curtail domestic wheat production in the importing countries and history has shown that, at least heretofore, all schemes of restriction of production are impossible. It was foolish to expect European farmers to limit the production of wheat when the domestic price had risen.

The three Western Provincial Wheat Pools' "are genuine farmer-owned co-operative institutions, composed of members who sign individual contracts to deliver to the Pool elevators, or to other elevators indicated by the Pool, all the wheat produced by the member or over the marketing of which he has control." (4) The main policies of the pools, which will be discussed in a following chapter seem to have been fairly successful. However, the Pool endeavoured to go a little further than its original aims when it held out for higher prices from Liverpool for undue periods, with the eventual loss of a large part of the Canadian Market for wheat in Great Britain. A cursory glance at the figures of imports of wheat into Great Britain
shows that Liverpool did not care where the wheat came from as long as she obtained the lowest possible prices for fair quality wheat. In 1926 Great Britain imported 11,899 hundredweights\(^\text{1}\) of wheat from Argentina and in 1929, 46,373 cwt, while from Canada she imported in 1926, 33,069 hundredweights and in 1929, considerably less, 27,190 hundredweights, a decrease of nearly 6,000, while her total imports showed a big gain, i.e., they rose from 96,856 in 1926 to 111,757 in 1929.

Apart from this lack of foresight, the work of the wheat pools has been fairly commendable. They have ensured more uniform prices of wheat to the farmers and have often paid the grower, much in advance of the actual sale of his crop. It seems that the success of the pool depends largely on its objectives and its management by efficient and capable men, just as any other public undertaking. It is also a generally recognised fact that big importing firms in England prefer to do business with the pools, provided, of course, that they do not demand a price above that determined by the market demand and supply.

The wheat situation does not seem to be cleared up as yet. Europe's population growth is not as rapid as formerly. It is expected that before many years have elapsed, the population of the great wheat importing countries will be diminishing. As a result the "normal" European market of the future is not likely to grow as fast as in pre-Versailles Treaty days. The prospects of a large demand from the Orient are remote. Also, there is good reason to believe that Canada's high grade hard wheat is no longer as necessary as it used to be in the making of good bread, and that the additional price which can be secured on the ground of quality may not be as

\(^1\) A hundredweight (cwt) equals 112 pounds.
high in the future as in the past. Canadian hard is now being used
more sparingly by importers and for blending purposes chiefly.

For all these reasons it seems sensible to count on narrow mar-
kets and unsatisfactory prices for wheat for an indefinite time to
come, in view of the limited scope for adjustment on the prairies,
due to the absence of profitable alternatives to wheat growing and
the limits to cost reduction on the farm itself, it is imperative
that the greatest possible adjustment should be made in taxes (es-
pecially customs duties) imposed by governments, in the freight
rates charged by railways and in the prices of manufactured goods
which the farmer buys. When all is said and done, it is much easier
to adjust prices and even contracts to a changed situation, than it
is to evacuate half a province and close down a great industry with
subsequent distress to all concerned. It is easier still, however,
for those who are not themselves feeling the full weight of poverty
to let the situation drift on, until a new backwash of rural slums
and an impoverished peasantry have begun to appear in the affected
areas. Such is the plight of the farmers of Western Canada to-day.

The Wheat Board of Canada has just recently released the carry-
over figures as at Dec. 14, 1935 at 299,373,703 bushels. (3) The
Board said it was evident that to bring the Canadian carryover down
in the neighbourhood of 50,000,000 bushels, average weekly shipments
of 7,000,000 bushels would be required for the last 32 weeks of the
crop year up to Aug. 1, 1936. However, present indications show
that no more than half this amount will be disposed of, thus leaving
another abnormally large surplus.

The experience of schemes already cited would give the impression
that government action in pegging prices is not usually desirable.

The present fate of Canada's wheat is said to depend upon Argentina's
move in pegging the price of wheat to farmers at 70¢ a bushel. Price
pegging has become so popular that the wisdom of the movement has been open to question. It is in direct opposition to the natural economic system where free competition between buyers and sellers is supposed to exist.

Last Fall the Canadian Government pegged the price to Canadian farmers at $7\frac{1}{4}$ a bushel. The effect on the market was almost instantaneous. Speculators and others leaped to the instant conclusion that if the Canadian government was guaranteeing $7\frac{1}{4}$ to producers, it would continue to be a hold-out on the Liverpool market until it could get sufficient margin over the $7\frac{1}{4}$ to at least break even on the deal.

But in spite of early buying on the above basis, the Liverpool market eventually declined to step into the trap. Consequently, the price of wheat gradually fell in both Winnipeg and Chicago.

A few weeks later when Canadian wheat was under the pegged price of $7\frac{1}{4}$, the Argentine government stepped into the forefront by guaranteeing its producers $90\%$ and possibly a little more to bear the costs of marketing. Liverpool again remained unperturbed. No action was taken for two days by Liverpool towards buying the South American wheat.

The Mail and Empire\textsuperscript{8} quotes a writer in the New York Times who is discussing price-pegging and this is what he has to say about it, in part: "The late Senator Dwight W. Morrow once said, in effect, that there is no group of men wise enough, let alone disinterested enough, to fix the price of any commodity. Ten years ago the rubber industry had its Stevenson Plan; the copper industry for a year ending in the spring of 1930; Brazil has suffered financial and economic ills in an effort to peg the price of coffee; in cotton the Hoover administration once entertained the idea of a $16\%$ minimum (the price dropped

\textit{Mail and Empire, Toronto, Dec. 26, 1935.}
to 50 per lb. in 1932,) and now that the present idea under the
A.A.A. is for 12½, or better, it cannot be said that pegging in this
industry is successful.

"Efforts to peg wheat prices did not prevent on one fine Dece-
ember day in 1932 the lowest price in generations (Liverpool then re-
ported the lowest levels since Queen Elizabeth); now, witness the
debate in the silver market, following the Treasury's attempt at
pegging pursuant to the Silver Purchase Act. The foregoing are but
a few of the well-known attempts (and mostly failures) at price-
pegging on an international scale. But what may never be known is
the cost, direct and indirect, of these uneconomic adventures."

2. The Lessons to be learned.

The schemes for controlling the price and supply of coffee,
rubber and wheat have been described. The result in each case was
similar; price-pegging has been abandoned, practically speaking
(Man. wheat Board still pegs price of wheat at 87.50). Other price-
fixing schemes dealing with sugar, copper, cotton and silver have
likewise met a disastrous fate. Thus one can only conclude that
Nature in her own way, acting through the laws of demand and supply,
really determines prices. Men are incapable of defying most of the
forces of nature (6) unless there be an absolute monopoly of some
commodity, control of production is impossible. Most of the schemes
which aimed at adjusting prices and production failed through faulty
and incompetent management, in addition to the causes previously men-
tioned in this chapter. Although a scheme has failed in the past,
primarily on account of mismanagement, there does not exist absolute
justification therein for expecting every future plan to fail. In
the gradual evolution of a scientific civilization man may overcome
obstacles which heretofore have proved insurmountable in successfully
executing a schematized system for the control of production.
Thus, in economics, there is no dearth of schemes to regulate production to meet the exact needs of consumption and so maximise pleasure which itself has been spoken of as the problem of economics. (7)

Mention was made of the failure of price-fixing schemes to achieve their desired end. In some quarters international cartels, which, of course, are usually monopolistic in practice, are considered to be economically expedient. International cartels are essentially capitalistic, that is, profit-making constitutes their sole "raison d'être". They pursue such policies as are likely to pay them best, whether or not these happen to coincide with the best interest of the consumers, wage-earners or society as a whole. In view of this practice, it is not surprising that among most classes an attitude of suspicion and fear has arisen before the alleged "minister machinations" of what is frequently an international commercial colossus. Opinion differs as to the economic desirability as to the higher form of cartels which attempt to exert a more far-reaching regulation of the market price through production and marketing restrictions.

Experiments usually benefit most, not those who make them, but those who are in a position to profit by the mistakes of the experimenters. Most of the foregoing schemes for restriction of output and price-stabilisation have been experiments. Their aims were commendable. Their impracticability was discovered. The real lesson which one learns in studying their experiences are that control of output cannot be effective without all producing and potential-producing areas being included in the plan, that there is always danger of substitutes supplanting the controlled product, that in all primary products human agencies have little power to control output and that efficient and honest management is a prerequisite to success. For the above-mentioned reasons, therefore, a permanent policy for strict control of production and prices cannot conceivably be workabl
The lesson which Canadians need to be taught, for their own benefit, is ably expressed by an eminent economist in the following words. He says: "all price control schemes which are designed to keep alive productive capacity, permanently obsolete or clearly in excess of a reasonable market absorption, are apt to be not only ineffective but even thoroughly vicious. On the other hand, the temporary measures which are capable of bridging passing emergencies and of keeping above water plant capacities which at the termination of the crisis will be again needed are economically sound". (3)

References:

Chapter 17  Production in Canada.

1. Topographical factors affecting production.

In Canada there are three fairly well-defined economic areas. Agriculturally, these may be divided as follows: (a) from the Atlantic to the Lake of the Woods or Manitoba; (b) Manitoba, Saskatchewan and Alberta; (c) British Columbia, west of the Rockies. It is necessary to keep these divisions in mind if one is trying to understand the variations in farm organization, and production, and farm problems in general.

(a) The first area has so much territory which is geologically unsuited to farming that the population finds employment in a variety of pursuits. Arable farming in the areas suitable for it is largely confined to raising feed for live stock and specialties for a domestic market. Seventy per cent of the nation's entire population is huddled in this area. Its nearness to the market makes dairying, poultry-raising, vegetable-growing and special crops possible and profitable and lessens dependence on export trade. This area is, on balance, one with a deficit of staple farm products.

(b) The Prairie Provinces contain 67% of the occupied farm land of Canada; in 1931 they contained 76% of the field crop acreage and only 24% of the population. Western Canada, for the most part, has scanty precipitation, therefore mixed farming is not universally practicable. This district is highly suited to grain growing and ranching where water is readily available, but in much of its territory a great diversification of production is impossible. Roughly speaking, the specialized wheat areas cover the southern short grass plains from the Red River Valley of Manitoba to the foothills of Alberta and attain their greatest width in Central Saskatchewan. In this belt, lying mostly north of this region, mixed farming is possible. The Park region is suited to mixed farming because of
the fertility of the soil and the heavier precipitation. Coarse
grains and natural hay are utilised for live-stock feeding. (2)

This western area is the region of surplus farm products. As
a result its economic welfare is highly dependent on world market
conditions. Population increase in the Prairies is unlikely for a
few years, or at least, until tariff walls and nationalistic pre-
judices can be broken down. If the margin of cultivation is pushed
outwards in western Canada it will include the Peace River district.
The land is very fertile but its inaccessibility to markets reduces
its economic rent. Thus, before intensive farming methods are prac-
tised, the present unoccupied Peace River area is likely to become
thickly settled.

(c) British Columbia is another deficit area like the eastern
district. It is, primarily, a timber region and, of course, ex-
ports lumber and lumber products. It is the only part of Canada
enjoying a long growing season. In certain parts reforestation is
being carried out on an increasing scale because it provides the
best way of utilizing the soil. Farm operator-ownership is more
prevalent than in either of the other two districts.

Export wealth, on which Canada hopes to build in the future,
is based predominantly, indeed almost exclusively, on the export of
primary products. (3) Agricultural resources are vast and capable of
such expansion. Moreover, agricultural technique is becoming more
advanced and rural interests are showing signs of becoming organized.
The course of Canada's growth can be traced to the past (and antici-
pate) commercial success of the farming industries. Included with-
in Canada's fair domains, are innumerable types of soil and climate.
These have made possible variations in farm production and the
creation of surpluses which have contributed to the nation's devel-
opment.
One often hears of someone stating that Canada is underpopulated, that if she were to have fifty or sixty million inhabitants, the resources of the country could be more adequately utilized. The opinion of an eminent economist is that Canada could not comfortably support a population greater than 30 or 35 million million people. Actually her productive resources are limited because of the topographical features. The presence of stones, trees, hills and valleys obviates fairly small scale farming with limited use of machines and mechanical implements.

However, should consumptive demand noticeably increase there is no doubt that productive output could be vastly increased, through the utilization of sub marginal lands (sub-marginal lands includes both those of poorer fertility and those in disadvantageously situated out of the easy reach of markets) and a gradual evolution of intensive farming, as has taken place in most European countries, Domestic consumption is not likely to increase much until a more equitable distribution of wealth takes place; also because population growth is very slow, export markets, by returning to previous heights of activity, could easily absorb much of the surpluses of farm produce in Canada. This would solve one of the greatest problems.

2. Production Per Man.

The numbers employed in farming depend upon two major factors. These are, first, the crops grown and the type or types of farming followed and second, how these operations, whatever they may be, are carried on. The crops grown and the types of farming adopted are limited, as was just stated, by the resources of the country and the markets available. The methods pursued obviously are those offering the greatest prospect of reward.

The stage of development found in different areas varies considerably. This is natural in a country with such an expanse.
development of some areas is so recent that the best authorities hesitate to limit or define potential resources. The limits set to the choice of suitable crops are restricted greatly by dependence on distant markets. it is easily seen that Canada's agricultural resources favour the production of farm staples which can be grown in a comparatively short growing season. Exceptions to this do occur in the older provinces, and in British Columbia. The major portion of the crops are adaptable to machine methods of production, however limited they may be, and consequently labour requirement is generally low.(4)

On the whole, the labour utilized in agriculture is not great considering the extent of the country. Conditions in this respect vary from section to section and from time to time. The number employed also varies according to the method of organization and the way the industry is carried on. The man power required for a given output varies with the technique with which the industry is operated.

Farming has usually been considered ill adapted to change. Recent movements have modified this view to a certain degree. The changes in technique made possible by scientific investigation, invention and education, have had and will have a great influence on the man power necessary in business.

(a) Employment by industries.

It is instructive to examine the development of the industry over a period of years. The allocation of labor force between different industries has changed rapidly in the last half century. This is one of the most important phenomena of the times.(1) The following table shows that occurred up to 1931. (6) This is the last com-

(4) These authorities do not include the Premier of Alberta.
It is to be noted that providers of time and place utilities have increased disproportionately in recent decades, while the makers of form utilities, such as farmers and manufacturers, have not done so. The man power required in farming has been somewhat reduced by transportation facilities, or the provision of place utility, which has enabled the farmers to devote their labor and capital to the actual operation of their farms.

(b) Labor employed in Farming.

There has been a perceptible decline in the proportion of the gainfully employed who are engaged in agriculture during the last several decades. This is shown in the table just cited. Several factors contributed to this condition. There has been a movement to the city of many who formerly lived on the farm but not by farming and there has also been an improved technique of farming.

As a result of the application of machines to the agricultural industry labor requirements at certain peak periods have been minimized. The grain binder is credited with revolutionizing farming and giving the world cheap bread. (4) The labor displaced by machinery has been partly reabsorbed in the making of machines, a less
seasonal operation. Efficiency is thereby increased and one operator can cultivate large acreages. It is striking that there has been a large increase in the production of farm products with a comparatively small addition to the labour force.

For the past quarter of a century the securing of food has necessitated a decreasing proportion of the expenditure of effort. This is a statement which has been repeatedly challenged. How could food be secured with the expenditure of a decreasing proportion of effort and the growers be prosperous as well? The answer is simple. It is by increasing efficiency through improved methods and better equipment. Neither slavery nor serfdom nor peasant farming practices improved efficiency. The mechanized farming of this continent and also of Australasia has proceeded far in this direction, farther than the man with the hoe. If this point could be impressed on protectionists part of the world’s difficulties would be eradicated. No longer would there be that incessant howl about unfair competition from a country of low wage rates and a low standard of life.

The present development is sometimes deplored because it leaves no jobs for laborers in the farming industry. The “good old days” are frequently lamented. The departure of the “pioneering instinct”, whatever that may be, is an ever-present topic for journalistic comment. If too many people, however, engage in farming the returns are apt to be low as well as the standard of living. It has been suggested in a book entitled, “Too Many Farmers,” that the incomes of the farming class are low because too many people seek a living in agricultural pursuits. (7) The writer further elaborates his point by saying that it is in perfect harmony with natural tendencies that individuals should build hot-dog stands and lunch-counters and gasoline stations along the highways and cater to a travelling public which more and more buys its meals wherever it happens to be.
long as these "one-time" farmers can maintain themselves on a decent standard of living they are benefiting the agricultural class, as well as themselves. And, of course, it is good economics. It is to be expected that when prices are forced down, many producers once producing just on the margin will be relegated to the sub-marginal class and consequently will be forced out of production sooner or later.

The best way to secure food easily is to combine a little labor with much waiting, as Alfred Marshall points out. In other words, one should use better and more machinery as well as the most efficient and up-to-date practices. This increasing tendency in Canada, especially in wheat-growing, explains why about one million farm workers have been able to grow upwards of one half of the world's import requirements for wheat.

The number employed in farming is still very considerable. It is true that many farm laborers have been technologically unemployed. But the number of workers supplanted by machinery in farming is almost negligible compared with the number dismissed in other industries. Farmers usually produce their largest crops when prices are low because they act individually. From their own standpoint, they believe that this policy will procure for them a larger income. If production could be closely adjusted to demand then this deplorable situation might not exist. Let us for a moment consider the interrelationships of supply and price.

3. Interrelationships of Supply and Price. (9)

The statement is commonly made that supply and demand govern prices. Even if such a generalization were always true it would be of little value, because it does not state what effect any given supply will have on prices, nor does it state how demand affects prices; of course every added bushel reduces the price. How much reduction takes
place depends on the particular product sold and the point at which
the price is taken. A large supply reduces the farm price by a much
greater percentage than it reduces the consumers' price.

The only price which affects consumption is the price which the
distributor pays. The only price which affects production is the price
that the producer receives. Wholesale prices do not govern consum-
tion nor do they govern production.

For agricultural products supply is much more variable than de-
mand. The price to the farmer in a surplus-producing region grows
steadily lower and the supply grows higher, and approaches a fixed
quantity above zero. This fixed quantity is the charge for assem-
biling, transporting and distributing.

For most farm products there are regions where the local supply
is not sufficient for local needs. In such a region the farm price
has the characteristics of a retail price, so that when the whole
crop is indefinitely large, the farm price approaches the cost of
getting a supply from the surplus area. The average farm price for
the entire country is therefore a mixture of prices like retail
prices and producers' prices. In surplus areas, prices fluctuate
much more violently than do average prices.

Several investigations were made in United States to determine
the effect of supply on prices in certain commodities. (0) A potato
crop of 30% of the average sold for 30% more than the average price.
A crop of apples 30% below normal increased the wholesale price to
40% above normal. A 42-per-cent-above-normal price occurred where
the corn dropped 30%. Similarly a crop above the average would de-
press prices at a different rate for each commodity. The data ob-
tained tends to show that each individual commodity has certain char-
acteristics which affect the reaction to it by consumers. If the
production of all basic products were curtailed by the same per cent-
age naturally the resulting prices would not all be the same per cent-
age higher, demand remaining the same.

The agricultural depression is attributable in part to high handle-
ing charges which have resulted from deflation. Prices and handling
charges will in time come into adjustment. Before this occurs, forces
will be set in motion which will result in a shortage of food and high
retail prices. (9)

The producer pays the freight and all other distributing costs
until such a time as he is able to reduce production and so pass on a
part of these charges to the consumer. If retail prices were raised
because handling charges were raised, the consumer would not take all
the product and prices would have to be lowered.

For most farm products a number of years are required in order
to reduce production and pass on a part of the distributing charges.

As was demonstrated before, for most industrial products, a year
of high supply is a year of high prices. For farm products, high s
supply means low prices. Consumers pay more for a large coop than
for a small one but the extra amount paid by the consumer remains in
the city.


The extraordinarily low prices for farm products has notice-
sably altered production in some parts of Canada. The relationship
of price to production has been well illustrated by the decrease in
production of hogs following the decline in livestock prices.

Hon. P.J. Vachon, Minister of Agriculture for Manitoba, in
his cross examination before the Price Spreads Committee stated that
Manitoba farmers annually plan to adjust their grain acreage to meet
the needs of the livestock production program. (10) The two prin-
ciple reasons for this gradual change in farm practice are the low
financial returns from straight grain growing and the difficulty experienced in weed control. Coupled with these two reasons is the recognition of the constant drain upon virgin soil, fertility, from continued grain growing. Also Eastern Canadian farmers have been evolving a more diversified economy; an economy closely akin to mixed farming where weather and soil conditions permit.

Perhaps the greatest and most far-reaching cause for changed productive means is the new attitude of public opinion towards governmental regulation, or, in other words, "the new mercantilism". In some cases the control obtained has resulted from voluntary action of producers encouraged or sanctioned by a sympathetic administration.

A report prepared by the Bureau of Agricultural Economics, Washington lists 33 countries which have adopted price supporting measures. A rough analysis of these enactments indicates that in 27 countries control over the purchase and sale of at least one agricultural product is given to organizations of producers; in 25 countries such control is now a government monopoly; price fixing is permitted by the legislation of 25 countries and regulation of production by 15. Quotas are in effect in 13 countries and "mixing regulations" in 10.

In spite of the evident differences in the measures adopted in various countries, they have a common purpose, namely that of improving conditions of production and marketing.

Towards the end of last century amalgamations of business firms to defeat the ill effects of competition became the order of the day and governments found it necessary to legislate to prevent such combinations when it appeared that their objective was restraint of trade and undue enhancement of prices. During the period since 1900 much has happened. The productive capacity of the world has continued to increase and the difficulty of disposal of products has become a serious problem. Combinations and cartels still exist but
a new condition has arisen which attracts attention as well, a condi-
tion of competition so intense and at times, remorseless as to
cause people to ask governments for regulation.

The two most important factors which have contributed to pre-
sent developments are: first, production and competition for world
markets; and, second, changes in national and international trade
policies. It is frequently argued that agricultural production has
outdistanced other production and that the existence of vast sur-
pluses of wheat illustrates this point. Let us examine some figures
prepared by the League of Nations covering business activity and the
volume of international trade, non-agricultural production and agricu-
lultural production during the years 1929-1932, (from the peak of a
boom to the depths of a depression). (11)

<table>
<thead>
<tr>
<th>Year</th>
<th>1929</th>
<th>1932</th>
</tr>
</thead>
<tbody>
<tr>
<td>World Industrial Activity</td>
<td>111</td>
<td>77</td>
</tr>
<tr>
<td>Volume of international Trade</td>
<td>111</td>
<td>80</td>
</tr>
<tr>
<td>&quot; &quot; Non-agricultural production</td>
<td>114</td>
<td>73</td>
</tr>
<tr>
<td>&quot; &quot; Agricultural &quot;</td>
<td>104</td>
<td>102</td>
</tr>
</tbody>
</table>

(Based on base 1923-29 = 100)

Figures from "World Production and Prices, 1925-31", League of Nations

One can observe at a glance the rigidity of the volume of pro-
duction of agricultural products and the elasticity of the volume of
production of non-agricultural commodities. Disequilibrium is almost
inevitable when such a situation exists. It was to be expected that
plans for controlling the supply of agricultural production should
have been propounded and experimented with in the hope of alleviating
the agrarian situation.

5. Heguru.

Canada's immediate agricultural problems have arisen from
two main sources namely, a lack of conscious control of production
and weak bargaining strength of the primary producers. It is diffi-
cult to control one without the other. Certainly one could not
control production without containing marketing as well. A certain
degree of control of marketing can be effective without concomitant control of production. Canada does not at present, suffer from any deficiency in productive means; she definitely does suffer from inequalities in the respective bargaining power of the various classes. Typographical factors may hamper the growth of population because they present difficulties in finding a means of subsistence, yet areas such as the Peace River belt are physically capable of great development. It is not expected that Canada will ever be able to support a population similar in numbers to that of the United States.

Production per capita has increased greatly in the past few decades. Less labour is being required to perform farm jobs year by year, chiefly because of improved efficiency. Criticism of the smallness of the size of the farm unit in Canada has often been heard. It is said overhead costs are too high and that farm units could be much increased without much more outlay on fixed capital expenditures such as buildings and implements. During the decade 1930-1939 every province recorded a considerable increase in the size of farms. The increase averaged 2.6 acres per farming unit. (12)

The real purpose of this chapter has been to discuss the potentialities for Canadian productive capacity and at the same time discuss the relative significance of changes in supply of agricultural products on price. The problem has been discussed with a view to observing the real problems and difficulties connected with this end of economic enterprise. The end of all production is said to be consumption. The producing and selling of his produce are the principal tasks of the farmer, therefore, these two operations vitally concern every farmer. It logically follows from a discussion of production problems, that one next consider the problems involved in marketing and see exactly how a farmer can get a fairer share of the retail selling price.
References:


10. Special Committee on Price Spreads and Mass Buying, p. 1000.


12. Gray, J.D.; "Introduction to Agricultural Economics."
1. Definition.

A suitable definition for the term "marketing" is, "the performance of the services necessary to move goods after they have been physically created, or given form utility into the physical possession and ownership of the final consumer". (1)

It is generally considered that marketing is a distinct aspect of the economic process; distinct from production. However, the truth is that there are really four separate aspects of economic life; namely: production, the determination of value-in-exchange, distribution and consumption. Production includes, as well as the physical transformation of products, transportation and marketing services, which in the business world, are quite generally referred to as processes of distribution. The determination of value-in-exchange involves the process of arriving at the ratios at which goods exchange, one for another. Price is the value in terms of money. Distribution in economics has a meaning different from its common connotation in everyday life. It has reference to the division of the social income among the various factors of production or among the individuals cooperating in the creation of that income. The principles of distribution in economics include those governing wages, interest, rent and profits. Consumption refers to the utilization of either material goods or personal services. There may be consumption of the services of the physician, or musician, or the benefits of a park, as well as the consumption of food, of housing facilities and the like.

The intensely cooperative nature of our modern economic life makes it imperative that a discussion of cooperation as applied to production and marketing follow.

There are two uses of the word "cooperation". It is loosely used to mean unconscious cooperation or interdependency. The narrow
use of the term means conscious cooperation such as is shown by co-
operative organizations of production and marketing. The whole modern
world is a cooperative world in the sense that it has superseded the
individual stage of production. Conscious cooperation has contributed
greatly to the progress of civilization in many parts of the world. So
long as it does not stop competitive forces from making for efficiency
in the present economy, it is beneficial.

2. TYPES OF COOPERATIVES.

There are really three distinct types of cooperative associations:
producers’ cooperatives, consumers’ cooperatives and a combination
of the two, such as is found in Sweden. (2)

The possibility of mobilizing men and women for mutual aid was
visualized by two men, whose ideas were not exactly similar, but,
evertheless, were enough alike to bind them together in a common
cause. Reference is made to Dr. William King and Robert Owen, the
real founders of modern cooperative movements. The establishment of
the Rochdale Pioneers’ store in 1844 was the beginning of a coopera-
tive system which has become highly organized and integrated in many
parts of the world. In Canada the pooling system is an outgrowth of
cooperation. Under the pooling system persons who raise similar pro-
ducts combine for the marketing of such products.

The pools may be seen operating in certain fields. Tobacco
producers, wheat growers, milk producers and fruit growers are, in many
sections of the country, marketing their products through pools.
Canadians observe with amusement the successful functioning of another
form of cooperative, namely, the laissee populaires.

The belief is held that cooperation is here to stay whatever
political or economic changes the future may bring, (3) and in spite
of the growing power of collective control and collective ownership
of the means of production, distribution and exchange.

Cooperation has been advocated to cure many economic and agronomic
maladies. There are certainly many obstacles to a completely cooperative agricultural economy. Some of these obstacles are found only in agriculture. A few of these difficulties existing in the agricultural industry of Canada are:

1. Most agricultural work is carried on alone and away from the masses; each farmer is an independent corporate unit, not in hourly or daily contact with fellow workers.

2. Cyclical and seasonal fluctuations are very severe in agriculture. A farmer must take the vicissitudes of the weather in the ordinary course of operations, because he has no control over them. They determine yields, to a large extent, hence yields are largely uncontrollable; to this extent production is uncontrolled.

3. There are many short-sighted producers, who, though acting in a minority, often undersell cooperative prices. When this happens the price level falls below that set by the cooperatives and the efforts of the latter are thus brought to naught.

4. The difficulty of obtaining efficient management for farmers' cooperatives is sometimes encountered. Managerial ability is frequently lacking amongst the members themselves, and distrust of outsiders who are imported to manage their affairs is common.

5. The heterogeneity of Canada's population militates against the success of cooperation. Among different racial groups there are varying standards of living. For example, in British Columbia 75% of the berry and vegetable growers of the Fraser valley are Orientals, who work long hours and receive small returns.

6. There are geographical obstacles in the way of cooperation in agriculture, especially in Canada. The agricultural industry is far from being integrated. The cost of administration of an act enforcing producer's cooperatives would be tremendously great.

The history of cooperative effort in agriculture in Great Britain
is a modest affair compared with the history of the work of the great distributive societies. (4) However, the difficulties are not so huge as to be insurmountable.

Everywhere one looks nowadays, traces are found of benefits accruing from cooperative action. One example of a successful cooperative effort is exhibited in the case of the milk producers' organizations in Ontario which bargain corporately on behalf of a large number of both big and small producers. The executives of said organizations almost incessantly have alterations with the milk distributors but the result has been a better price for the dairy farmer.

At the present time in the Hamilton district, dairies are paying two dollars per hundredweight for standard milk (testing 3.4% butter fat). In addition, much of the milk shipped to the dairies is called "surplus", by the latter. It is not infrequent that a shippers statement from the dairy reveals as much as 40% surplus. For surplus milk the producer is paid on a butter fat basis, the actual price received amounting to no more than approximately half the standard price. The producers' organization has refused persistent demands of the distributors for a price reduction. It is safe to say that a ruthless and ruinous price would prevail had the producers not organized and cooperated in bargaining with the retailers in the orderly marketing of fluid milk. As will be shown below the figure of two dollars per hundredweight for standard whole milk is in itself not sufficient to cover the cost of production, and yet it was only a short time ago that the dairies were paying $1.45 for the same quantity and quality of milk.

One of the largest shippers in the Hamilton district, and, in fact, Ontario, recently completed an experiment which had been conducted over a period of several years. It aimed at obtaining the actual cost of production of whole milk per hundredweight. This
dairyman is the owner of a very large dairy herd, besides being a former cabinet minister in Ontario. His accounting methods were sound and his experiment was, all in all, a most scientific one. His actual findings showed that the cost of production of one hundred pounds of whole milk totalled two dollars and thirty-eight cents ($2.38). This figure is much more than the present prevailing price. Surely if a large scale moderately-equipped dairyman has an actual cost figure of $2.38, it is logical to infer that many, if not most, small scale producers are providing milk at costs greater than that.

How long can producers continue to produce when they do not meet their actual costs of production? Certainly not much longer than they already have. This 'état d'affaires' had been prevalent in all lines of agriculture during the past few years. The farmer has not been receiving the cost of production. The present situation cannot possibly continue for an indefinite period or everyone will be on relief and more income taxes will, of necessity, be levied. Re-adjustment is slow because in agriculture the sub-marginal producers are not easily eliminated. Farmers will continue to produce for some time after their income has dwindled very low. As a rule farmers seldom keep accurate credit and debit accounts and mislead themselves by believing that they are not doing badly. The number of farmers who calculate their own and their family's labour cost is practically nil. Thus, if cooperatives can arouse in farmers an interest in finding real costs and can create more efficiency in management, simply by acquainting them with the inside workings of a cooperative, a real service is being rendered.

There are splendid possibilities for the expansion of the cooperative movement advancing in Canada. In certain localities cooperatives are operating on a small scale with gratifying results. It is true that Canada's population structure is very heterogeneous
and that the fluidity of her population is much greater than in older
and more compact countries. These two circumstances increase the
difficulties but they are not insurmountable.

3. Compulsory agricultural cooperation in Canada.

In some parts of Canada a compulsory form of cooperation, if
such it may be called, was deemed to be essential to the welfare of
the country generally. The history of the regulation of the grain
trade in Western Canada reveals two reasons for regulating the mar-
keting of farm products.

First, the problem of transportation is great. North America
has but three waterway systems, namely; the Hudson’s Bay, the St.
Lawrence and the Mississippi and Gulf of Mexico. The greatest wheat
producing belts are inland, and about as distant from a waterway as
possible. This state of affairs necessitates rail transportation
which is much more costly. In addition a car shortage often occurs
during the crop-moving season. The high cost of transportation
places Canadian wheat at a disadvantage on the world markets. Regu-
lation of marketing was absolutely necessary to eliminate excessive
transportation, handling, dockage and storage costs. A large coop-
erative doing business on a larger scale than individual farmers has
superior bargaining strength and can achieve economies in disposing
of wheat.

Secondly, since wheat is both a commodity in production and a
commodity in commerce, some regulation of its marketing was thought
necessary so that its orderly disposal would not ruin or unduly de-
press market prices for wheat. (5) Wheat furnishes one of the best
examples of a frontier crop. Much of the economic welfare of Canada
is dependent upon a brisk and prosperous wheat trade.

The sale of grain first came under regulation in Canada in 1853
and grading measures were adopted in 1863. (7) In the early days of Canadian history the need for restrictive regulation of a competitive market was fully appreciated. Later a noticeable need for more cooperation appeared. At first cooperation on a small scale provided a partial remedy for the then-existing abuses of the grain trade. Prof. Mackintosh asserts that if cooperative systems based on the ethics of Ruskin had been carried into practice the results would have been amazing. In fact, the common man would dominate the legislatures and state ownership of public utilities and natural resources would be a reality. (5)

(a) A successful Cooperative.

For purposes of illustration of a highly successful cooperative marketing organization in Canada, one may consider the Canadian Cooperative Wool Growers Association. Before this organization was set up, Canadian wool had a very poor reputation amongst buyers. Consequently the price of Canadian wool, whether price levels were high or low, was low in comparison with prices received by growers in foreign countries where strict grading and sorting laws were in force. By introducing efficient marketing methods the organization has directed millions of extra dollars into the pockets of Canadian sheep owners and at long last, has given Canadian wool a rightful place in the markets of the world.

The association did not have all plain sailing. At first, difficulties were encountered, but in recent years the management has been efficient and honest, in contrast with that in some other cooperative marketing organizations, and it has steadfastly refused to gamble or speculate with the produce of its patrons. While the cooperative is naturally desirous of obtaining the highest price possible for the shepherds, and while it does not dump its product on the market regardless of price, it does fall prey to the mistake of holding wool over from one year to another in the hope of securing higher prices.
The surplus however, is usually small. The clip is sold during the wool marketing season—a period of nine months—and there is not a large carry-over to depress prices the following year, as with wheat and other products. Last year the company handled more than five million pounds of wool for Canadian growers. This total was more wool than has been marketed in any one year by the cooperative since its inception and there was an increase in the number of shippers from every province in the Dominion. This increase in itself indicates that the wool marketing cooperative had been successful to a degree which encouraged other wool growers to enter. For a large number of independent producers a cooperative such as the above-mentioned provides a most useful weapon in the struggle between buyers and sellers. Usually the sight of the weapon induces buyers to offer better prices without hesitation, and so as an agency for equilibrating the relative bargaining power of various classes, the cooperative wields much power.

(b) A less successful Cooperative.

It would be misleading to cite a successful cooperative without, at the same time, describing one which is functioning less satisfactorily. The Canadian Wheat Board was at one time severely criticized by the Financial Post, on the ground that it was "fooling the farmer." (8) At that time many statements emanated from Ottawa which blamed the big speculators for the collapse of wheat prices, but it is reasonable to suppose that they made little impression on those who knew anything about the marketing of wheat, for the simple reason that the price of Canadian wheat is not determined primarily by the price prevailing on the Winnipeg wheat exchange, but by the price in Liverpool, and it is obvious that speculators, whether domestic or foreign, could not depress prices in Winnipeg for very long if the Liverpool prices were rising.
The Financial Post further accuses the Canadian Government by stating that it is the world's greatest gambler in the wheat market. Evidently the claim that the so-called stabilization operations of Mr. MacFarland had been worth $200,000,000 to Canadian wheat growers made little impression. The Post maintained that government intervention in the wheat market had cost the Canadian farmers between $200,000,000 and $300,000,000, "or more".

The government erred in the first place by stepping in and guaranteeing the loans of the wheat pools. Some would say that, under the circumstances, this was inevitable. However, having committed a blunder the government should have taken a loss and gotten out of the market as quickly as possible. The wheat gambling operations were thoroughly bad from the standpoint of the farmer because for five or six years surpluses were piled up, which proved to be one of the major reasons for depressed wheat prices during that period.

It seems that the real trouble so far as the wheat grower is concerned is that speculators have been discouraged from entering the market. That is needed to boost wheat prices is not fewer but more legitimate private speculators. As long as the Canadian government holds vast quantities of wheat the speculator is not going to plunge into the market in a big way because he has the constant fear that the government may unload its holdings at any time and he will be left holding the bag. Thus cooperatives should try to keep surpluses to a minimum.


Differences between agriculture and the other industries arise chiefly because of the relative smallness of the unit of production. That smallness in the unit of production leads in almost every case to retail or small scale buying and selling, and of nec-
essity, to the existence of a large number of middlemen who perform the necessary functions of assembly and distribution in the agricultural selling and purchasing markets.

In the field of cooperative marketing, particularly of grain, some notable successes have been achieved. (5) Financially the United Grain Growers, Limited, and the Saskatchewan Cooperative Elevator Co. are on a sound and permanent basis. The "middle man" has become to a large extent, the farmer's agent because of the effective competition of the farmers' cooperatives.

The steel industry offers the familiar example of an integrated industry. In agriculture selling problems are more pressing than buying. Diversity of products is often a bar to profitable integration of the selling function, but the more effective obstacle is the isolation of the small agricultural selling department on any expenditure sufficient to enable him to reach a central market.

In Western Canada there has been ample opportunity for adding field to field and increasing the unit of production through horizontal combination in agriculture. There the stimulating motive to cooperative selling has been the economic advantage of a close and direct relationship to markets. And it should not be forgotten that markets are a guide for industry. Adam Smith noted the dominant position of the market in industry. Agriculture, like manufacturing, should be governed by its market.

The effective functioning of a market requires that the effective demand of the consumer exercise as direct and strong an influence as possible upon the productive enterprise of the producer and that the decisions of the consumer as to quantity and quality of commodities shall be clearly known and effective in influencing production. The more indirect the relation of the producer to his market, the greater the difficulty of making the relation economically effective.
By linking, through a cooperative, his business organization and the central market, a farmer is enabled to organize his productive enterprise according to market results which he is in a position to evaluate and interpret. Benefits of cooperation are to be judged partly on their effect in acquainting the producer with his market.

Farming, like medicine has become a science. The empirical shrewdness of the old-fashioned farmer is no longer sufficient. To be a successful farmer one must be a successful producer, consumer, distributor, employer, worker, investor and salesman. To be progressive one must use only scientific methods and the best breed of everything. In Western Canada scientific methods and the open prairie formed a fecund combination. Annually a sea of wheat has to be swept east and west, poured hurriedly through narrow outlets, milled or transported, shipped and marketed; and while faith may move mountains little more is needed to move wheat.

World trade has necessitated the complicated paraphernalia of marketing and distributive agencies. In the shuffle the farmer began to lose his bargaining strength because of the increasing number of people employed in rendering these services. It is not surprising under the circumstances, that farmers demanded protection. They sought it in two ways. First, they combined into a cooperative producing and marketing organizations, and second, they turned to the government to curb unfair and immoral business practices which did not favour of free and equal competition.

The fact that farms remain small, numerous and individually owned, while manufacturing and commercial enterprises are large, few and corporately owned explains in a nutshell the present unsatisfactory relationships between agricultural and other classes of producers. If farmers would only act unitedly they could obtain practically the same relative bargaining strength as large corporations
in industry. However, there are certain obstacles to be overcome in arriving at such an ideal, quite apart from the difficulty of getting human beings to agree corporately. The produce of one hundred farmers is apt to be heterogeneous. Uniformity and homogeneity are price requisites in effecting a good bargain with purchasers. Such examples of united growers' associations like the California Fruit Growers serve to prove the point.

It seems that in agriculture, it is as yet very difficult to interfere with the free working of the individual competition as a regulator of production and price, whereas in other sections of economic endeavour, ownership in a few hands allows production and therefore price, to be controlled. Individual inability of farmers to control the total output of any product forces farm prices close to the cost of production, while the power of a few manufacturers to control output keeps prices of their products well above production costs. It is a generally known fact that the price of agricultural implements dropped but little during the depression yet production was curtailed 80%.

It is permissible to say that, up to the present, the agricultural policies of Canadian governments have been concerned with, first, making several blades grow where one grew before and second, making each blade grow at lower cost than previously. So long as the demand for farm products remained keen and apparently inexhaustible, the first of these policies was most commendable. A keen demand meant a selling price above the production cost no matter how high that cost might be, so there did not appear to be a crying need of studying prices and price fluctuations. This policy, in brief, concentrated on purely physical production assuming that it would be profitable production.

In recent years world competition in the production of farm
products sold on world markets has become intense. New Zealand, Den-
mark, Australia, Argentina and Russia, to name only the most serious
contenders, have striven to obtain the British and European markets
for their farm produce. As this struggle continued, the Canadian
farmer was told that his hope lay in producing at lower unit cost
than his competitors. This advice was good to a limited extent. If
one wishes merely to see one farmer gaining at the expense of another
- the farmers of one province gaining at the expense of those in an-
other province—-or Canadians at the expense of New Zealanders—-or
Danes or Russians—one is justified in a competitive society, in
continuing the advocacy of the cost-reduction idea. The cost-redu-
cution method may prove to be a tonic to internal ailments in the
agricultural industry. However, the chief problem of agriculture to-
day is external, and the cost-reduction method will not suffice.

Greater unification of action, that is in matters of producing,
buying and selling is needed in the farming industry. Farmers re-
quire more collective bargaining to bolster up their present weak
bargaining strength. Trade unions have achieved success in organizing
their members, and farmers can conceivably do the same. As was men-
tioned before, Canadian experience, in agricultural cooperation has
shown both successes and failures. The moderate success of coopera-
tives in some parts of Canada has taught some lessons which must not
be overlooked in the future. The Canadian Wheat Pool has been inter-
nationally observed, praised and criticized.

Before this chapter is concluded, it seems advisable to refer
to an example of just what happens under absolute lack of coopera-
tion. Mr. J.A. Haydon, Editor "Country Life", Vernon, British Colo-
mbia, in addressing the Marketing Conference and Cooperative In-
stitute in 1934, told of a sheep breeder unconsciously breaking the
Vancouver market. This man was an active member of the British Col-
umbia sheep breeders association. He had been advised by a buyer to bring down enough lambs from his range to fill a car. He drove the flock about twenty-five miles to a way station, and filled the car. By this time the buyer approached him with a sad telegram and a "soo" story saying that the market price at the coast was down two cents.

What was the breeder to do? Take his lambs that long trying journey back to the mountain range which would cost him about the difference in price? He calculated that it would be cheaper to take his loss and so he reluctantly accepted five cents. His earload went to Vancouver and promptly broke the market from seven to five cents. That is a case of a loyal cooperator manoeuvred into breaking the market for himself and for fellow members of the association.

About the same time at a convention in New Westminster evidence was submitted by several prominent sheep-men that buyers played one breeder against another and even produced spurious telegrams regarding prices.

These are just a few of the countless causes which, as the Financial Post put it, "aroused an army of a million primary producers of Canada into a single force behind the Dominion Marketing Act."

If Canadian farmers are suffering from lack of cooperation and it is certain that they are, then the causes of the failures of past societies must be eradicated. The two foremost ones are: first, lack of true cooperation within the ranks of the cooperative; and second, competition from those who do not believe in cooperative marketing, including producers themselves. (10) Ninety per cent of the world's farmers still produce and sell as individualists, marketing as well as they can in an unorganized way, trying to counteract keen competition from organized chain stores, packing plants and other well-defined and illustrious purchasing agencies, with the result that agriculture has suffered to such an extent that governments all over
the world are legislating or have legislated to control the marketing of the produce of the farm. In some cases this action has been taken for fear of a complete collapse of the country's basic industry, agriculture.

The question is asked, "could the farmer save himself if he were well organized for buying and selling?" Undoubtedly the answer is in the affirmative, if he organized one hundred per cent, like many of the large commercial organizations. Some say that one hundred per cent organization is impossible. So it is if conducted on a voluntary basis. Legislation seems to be the only way to obtain this complete organization. True cooperators must display unbounded confidence and loyalty. A failure always damages the movement. Thus continuity is essential.

The greatest competitor the cooperative movement encounters is the individual on the outside who undermines the cooperative efforts of his fellow men. Even though a large area be well organized, five per cent, non-cooperators could easily disorganize the selling or buying agency containing the remaining ninety-five per cent of the total farm population. If one studies the experience of cooperatives on the North American continent during the past fifty years, one will find that the farmers themselves, more than anyone else, have been the means of destroying their own cooperative movement.

There must not be any choice. The minority must be controlled and only by legislative authority can they be induced to side with the majority. The genius of the cooperative movement is that it is self helped through mutual association. Better products and better marketing are worth while, but its success in making better homes, inhabited by happier and more contented people is the true test of the success of the movement.

Farmers must be taught that cooperation in selling alone will
really achieve little permanent benefit without equal cooperation in producing. No lasting gain is possible from the cooperative sale of an uncontrolled output. No worthwhile solution of the farmer's economic problems seems feasible until he can equilibrate production with consumption or demand so as to obtain an adequate price.

Undoubtedly the bargaining power of the land-tilling classes is too weak; it should be placed on a par with urban bargaining strength. While the farmer's bargaining strength is being increased the manufacturers' power may have to be curtailed in order to bring equilibrium more swiftly.

It is well that some figures be examined dealing with the net value of agricultural production and the farmers' incomes in Canada:

<table>
<thead>
<tr>
<th>Year</th>
<th>Net value of Agricultural Production in Canada ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1923</td>
<td>$1,501,000,000</td>
</tr>
<tr>
<td>1924</td>
<td>$1,084,000,000</td>
</tr>
<tr>
<td>1925</td>
<td>$860,000,000</td>
</tr>
<tr>
<td>1926</td>
<td>$532,000,000</td>
</tr>
<tr>
<td>1927</td>
<td>$475,000,000</td>
</tr>
<tr>
<td>1928</td>
<td>$464,000,000</td>
</tr>
<tr>
<td>1929</td>
<td>$523,000,000</td>
</tr>
</tbody>
</table>

Whatever the cause of the drastic decline in the value of agricultural production, the result was that in the year:

1929 the farmers' income was \$457,000,000
1929 the farmers' income was \$441,000,000
1930 the farmers' income was \$933,000,000
1931 the farmers' income was \$1,086,000,000
1932 the farmers' income was \$1,037,000,000
1933 the farmers' income was \$976,000,000
1934 the farmers' income was \$976,000,000

Average for six years \$51,000,000

If all the farmer's expenses had declined as rapidly as his income, his purchasing power would not have been affected by this sudden decline in the dollar value of his production. He could still have bought the same quantity of goods on the lower price level as he had formerly bought on the higher level, and the production and distribution of these goods would have given just as much employment
and distributed just as much purchasing power to those employed as ever it did.

But the farmer's expenses did not come down. His taxes did not come down. His interest did not come down. Retail prices did not come down. Manufacturers and merchandisers did everything in their power to maintain prices of their wares. The government lent its aid to this short-sighted policy by shutting out cheap imports that might have forced a reduction in the prices of manufactured goods. "Maintained prices in order to maintain wages!" became a popular cry (as well as a very foolish one). The extent to which this policy of price maintenance was carried is revealed in the following figures from the Bureau of Statistics:

<table>
<thead>
<tr>
<th>Year</th>
<th>Index Figure</th>
</tr>
</thead>
<tbody>
<tr>
<td>1928</td>
<td>99.9</td>
</tr>
<tr>
<td>1929</td>
<td>99.9</td>
</tr>
<tr>
<td>1930</td>
<td>99.8</td>
</tr>
<tr>
<td>1931</td>
<td>89.6</td>
</tr>
<tr>
<td>1932</td>
<td>81.4</td>
</tr>
<tr>
<td>1933</td>
<td>77.7</td>
</tr>
<tr>
<td>1934</td>
<td>79.0</td>
</tr>
</tbody>
</table>

It will be seen from the above that during the first two years of the depression there was practically no reduction in the price of things farmers buy, while their income had declined nearly 50%. This precipitate decline in the farmer's income, accompanied by practically no reduction in the price of things he had to buy, left the farmer in a position where he could buy only the barest necessities. In many lines he practically withdrew from the market. Thus it is clear that the chief trouble originated in the decline of the purchasing power of the primary producer.

The true remedy lay in reducing retail prices and fixed charges to the same level as the prices of primary products.

Why did retail prices not decline along with the prices of primary products? Because certain factors in the price structure had be-
come rigid and refused to adjust themselves to altered conditions. The factors that make up the retail price of an article are as follows: cost of material, cost of labor, interest, taxes, rent, fuel, freight, profit and depreciation. The cost of raw materials declined by far the most. The other factors in the price structure resisted the decline as long as they could. Taxes, freight, rent, interest, labor and profit all refused to yield.

With 60% of the people unable to buy at old prices and prices refusing to adjust themselves to the altered conditions, business was bound to languish until some force came into the market strong enough to break down the resistance of the rigid factors in the price structure. That force was supplied by the consumer. Unorganized and voiceless, he found selfish interests on every hand conspiring to extract more from him. The consumer exercised the only right he had left—the right to do without things. Then his problem became everybody's problem. And so the crisis gathered momentum. Necessary readjustments were attempted but no immediate remedy was proffered, because there was none.

And so one could describe how Canada's problems began with a maladjustment between prices for primary products and prices for secondary products. If the primary producers had been more equitably fortified with bargaining strength through efficient cooperatives much of the distress might conceivably have been prevented.

It was natural that the government should be appealed to in a time of crisis. Nearly all are. The next chapter is therefore devoted to a discussion of government enactments designed to alleviate the crisis in agriculture. Special reference is made to specific measures adopted in Canada, including the Dominion Marketing Act.
References:


9. Rankin and McDonald: "Recovery by Control", p. 137.


Chapter VI  Agricultural Legislation.

1. The Passage of Acts.

(a) Early causes:

Government enactments for controlling the production and marketing of farm products are not of recent origin. The earliest example to be found in Canada dates back to 1676 in Quebec. There, the price of bread and the price of wheat were fixed by the inhabitants at mass meetings held semi-annually. Popular clamour against the charges of the "boulangeries" necessitated this action. (1) Evidently discussions of "spreads and mass buying", now so well-known in Canada, existed in earlier times. However, it is safe to say that throughout the latter part of the eighteenth and most of the nineteenth century, freedom of action was the rule. Adam Smith, if living today, would undoubtedly have received a rude jolt on observing England returning to the protective tariff after several centuries of abandonment. The inability of individual producing units to successfully finance and manage their own undertakings has necessitated government intervention. Such intervention is generally from the point of view of the interests of the great masses of the people, rather than that of individual or special interests.

(b) The Measures.

(1) Provincial Acts

The scope of agricultural legislation is ever increasing. Some countries can boast of elaborate schemes for the rehabilitation of agriculture. Canada is unique in that she is divided into provinces whose powers closely parallel those of the Dominion with regard to agriculture. The Department of Agriculture of Saskatchewan has supplied a list of 28 acts passed since 1929 for "the assistance and rehabilitation of agriculture." (2) included among these are acts...
dealing with provisions for debt adjustment, postponement of issue of certificate of title to land sold for taxes, land settlement, relief measures and specific legislation concerned with the production and sale of milk by local government boards.

On the other hand, relief measures in Ontario are less numerous. The significant ones deal with the extension of credit, establishment of a central marketing board, control of milk marketing, grading and sale of fruits and vegetables and marketing of live stock.

It is worth noting that in Alberta an effort has been put forth for the reconstruction of agriculture in a few areas where climatic and economic conditions combined have forced the abandonment of large acreages. The fundamental purpose of the programme is to enable those still operating farms and ranches to continue on a more satisfactory basis.

Problems of drainage, dyking and interior development are covered by legislation in British Columbia. The latter is the Canadian "home" of regulated marketing, for there, in 1926-27, was passed the Produce Marketing Act (later declared ultra vires of the provincial Government which placed the marketing of certain products under the authority of "committees of direction."

The Maritime provinces have also enacted marketing rules and regulations. Their geographical location has caused them to keep an ever-watchful eye on ways and means of improving export, as well as domestic trade. Their statutes contain provisions for seed distribution, agricultural credit, land settlement and general relief measures for the rehabilitation of farming.

It appears that the provinces have gone a long way towards aiding the farmer. In fact their powers would not permit much greater assistance. It would seem that the only way they can give substantial further help would be by strongly encouraging and fostering education
el projects dealing with the complexities of agriculture. It should be made a compulsory subject of study on all the high school curricula of Ontario. Also it seems reasonable to assume that if provincial grants to rural agricultural societies were greater, interest and enthusiasm would thereby be aroused, and a general benefit to all would ensue. Of course most people are appreciative of the work of the government through agricultural experimental stations and representatives of the department of agriculture. And well they should, though there are always some people ready to criticize their work. Governments, by issuing pamphlets and bulletins, are trying to educate the less informed, but the latter are frequently unappreciative and do not even take advantage of the government service at their disposal. They do not realize that the government is, or ought to be, their servant rather than their overlords.

(ii) Dominion.

Approximately one third of the 725,000 farmers in Canada derive the major portion of their income in normal periods, from the sale of wheat. Consequently during the period of declining prices from 1930 onwards the governments of the Prairie Provinces felt compelled to come to the assistance of the wheat pools. They guaranteed bank loans to the extent of about $23,000,000 (4) In addition the Dominion responded to calls for aid, in 1931 Parliament passed an act providing for the payment of five cents per bushel for every bushel of wheat grown in the Prairies and which was delivered to marketing organizations. This act expired on July 31, 1932, and the total amount paid on this account equals $12,719,900.73. (4)

Currency fluctuations have at times proved to be an obstacle to the farmer producing for export. In 1932 some farmers clamoured for the "linkage" of the Canadian dollar to sterling. However, Canada's heavy commitments to United States on capital and interest accounts
proved too great a deterrent to such action. For the most part, Canadian farmers have been at an advantage over American farmers in competing on foreign markets, but at a disadvantage over those of Australia and New Zealand, because the currency of the two latter countries has been depreciated on foreign markets. Export bounties were attributable to exchange depreciations. The bonusing of Canadian exports to countries with depreciated currencies was not an economically sound policy yet it was politically expedient. Early in 1933 an Agricultural Stabilization Fund was established. From this fund amounts equal to differences between the price actually received and the pound sterling valued at $4.00 were to be paid to persons exporting certain farm produce and fish to the United Kingdom.

The compulsory reduction in mortgage interest rates is considered by some to have had a beneficial effect on agriculture. (4) In United States the amount of farm mortgages totalled $11½ billion in 1933, and the interest rates averaged higher than 7 per cent. (5) Interest charges alone amounted for $700,000,000. If interest rates had been reduced to 4%, then a saving of over $200,000,000 could have been applied to the amortization of farm indebtedness. These figures reveal the extreme importance of a fair mortgage interest rate.

The establishment of a Central Bank should have no ill effects on agriculture in so far as it is designed to have a stabilizing influence over prices, and to give special recognition to the peculiar problems of farmers.

The proposed Unemployment Insurance Scheme will not benefit agriculture in any direct way, nor agricultural laborers, because the farming industry is not covered by unemployment insurance in the Act. The farmer will have to bear some of the burden of increased taxation but his share will be comparatively slight since it will be collected in the form of excise and customs duties, as well as sales taxes.
Some of the national measures so far discussed have been in the nature of "emergency operations". There are several other important acts which were intended to "rehabilitate" Canadian agriculture. They deal with: (1) Debt adjustment; (2) Extension of credit (3) Agricultural Marketing.

(1) Debt Adjustment.

The mortgage indebtedness of Canadian farms according to the 1931 census was $726,036,000. The estimated value of short term indebtedness exceeds $200,000,000. Therefore at the time of the 1931 census the total indebtedness was presumably about one billion dollars. It is difficult to estimate how great the present indebtedness is today, but most certainly it is much greater than in 1931. Most of the 1931 debt was contracted during periods of higher prices, than those now prevailing and could not be repaid at prices which the farmer is currently receiving. Thus a long time policy for agriculture must aim at either debt reduction, or an improvement of prices, or both. During the first part of the period of depressed prices the consensus of opinion seemed to be that prosperity would soon return. Because of this attitude no general relief measures were adopted and pressure became more and more acute.

Since 1930 posers have been enlarged in certain provinces to give debtors some protection from their creditors. Such enactments have in substance benefited the agriculturalists by granting them a moratorium against their creditors.

(2) Extension of credit.

Because, after five years of serious maladjustment, there arose the obvious necessity of some sort of machinery to bring about the resumption of normal lending operations, the Parliament of Canada, at its first session in 1934, passed "The Farmers' Creditors Arrangement Act." All parties supported it.
it recognizes "two types of farmers in difficulty—the man who
is so hopelessly involved that only through the Bankruptcy Court
would be get relief, and a fresh start, and the other man technically
insolvent yet with sufficient assets to meet his obligations and
in a position where rearrangement of his debt was necessary."(6)

The act provides for the appointment of "official receivers" in
each judicial district or county to arrange satisfactory agreements
for debtor and creditor. The procedure under the new bankruptcy act
is completely straightforward and inexpensive.

Another provision of the act states that whenever the ratio of
interest on a farm mortgage exceeds 3½ the mortgagor may tender the
amount due, together with three months further interest in lieu of
notice and thereafter if payment is not accepted, interest shall not
be chargeable or recoverable at any rate in excess of 5½ per annum.

An estimation of the success of the scheme would be perhaps
little premature as yet. Judging it on the basis of work already
done, it may be stated that some of the results have been satisfac-
tory. These results include reductions in interest, reductions of
principal, extension of time and consolidation of accounts.

During the 1934 session of Parliament the functions of the
Farm Loan Board were greatly extended. The Dominion Government may
now hold $40,000,000 of Farm Loan Bonds and may guarantee principal
and interest on an additional $30,000,000 of bonds sold. The cur-
rent rate of interest on first mortgage loans is 5½; formerly first
mortgage interest rates were 6½. Second mortgages still carry a 6½%
rate however. These bonds are issued to assist both the farm operator
and the mortgage holder, where neither is in a position to furnish
the necessary operating capital.

(3) Marketing legislation— Undoubtedly the most important mar-
keting legislation ever passed in Canada was placed on the statutes i
1934. It is so important that a special section of this chapter will be presently devoted to the Natural Products Marketing Act.

2. The Trend.

In Canada alone one can see a steadily accumulating drift towards what some people call "government intervention," and what others call "government control." In a recent speech, Dr. Wallace (7) stated that "the development of groups was a logical one and the whole body of social and industrial legislation as we have it to-day, was the outcome, and the swing to-day is very strongly toward more and more state control." The question is rightly being asked "how far can we go in such a development, if the governments are going to become involved." Dr. Wallace added further that he had once been told a very wise thing with respect to control exercised over the members of a university staff and what they could say. It was this, that, "if you are going to tell these men what they must not say, then you must assume responsibility for what they do say." The wise institution took no such responsibility. Such a sound statement was applicable to the exercise of state control in business, he believed.

The ultimate logical outcome of the present swing toward state control is complete state capitalism or socialism. Some may hesitate in accepting this statement but the post-war period has shown how far such a movement has gone. The producers in many lines have become organized to regulate their particular industry, some successfully, some not. It is apparent that the world is rapidly moving towards a system of collection, or concentrated ownership and control of the means of production, in general.

The individualistic system developed under the old liberal Manchester school, does not seem to meet the needs of to-day. There is much more planning and the state must take a hand in the planning, not because individuals do not know their own interests well enough, but to provide an arbiter to guide the individuals in a more exact inter-
pretation of the rules of the game. It is often felt that the safest plan is for people to develop a system of their own initiative and come to the government only when permissive or regulative legislation is necessary.

3. The Natural Products Marketing Act.

1. Purpose.

The preamble of this Act reads "An Act to improve the methods and practices of marketing of natural products in Canada and in export trade and to make further provision in connection therewith." The assumption clearly is that the methods followed in marketing natural products in Canada and in export trades are not satisfactory and that, in connection with these methods undesirable practices obtain. The Act, therefore, intended to provide legislation by means of which these methods and practices can be changed. (9)

Although the primary purpose of the Act is to provide machinery through which those interested may regulate the marketing of natural products, it does not aim at production control, although regulation of marketing may in some instances lead indirectly to such results. Neither does it provide for the fixing of prices.

2. Application. (9)

The products to which the Act is applicable include those defined under the term "Natural product".

"Natural product" includes animals, meats, e.g., wool, dairy products, grains, seeds, fruit and fruit products, vegetable and vegetable products, maple products, honey, tobacco, lumber, and such other natural products of agriculture and of the forest, sea, lake or river, and any article of food or drink wholly or partly manufactured or derived from any such product that may be designated by the Governor in Council in accordance with the provisions of the Act."

The legislation sets forth what may be called permissive powers
which may or may not be exercised. Until they are exercised the provisions of the Act do not become effective as law. These powers are vested in the Governor in Council, the Minister administering the Act, a Dominion Marketing Board of five men, and local boards which may be created under the act.

3. The Four Principal Features.

(1) Provision is arranged for the formation of local boards to exercise powers, under the supervision of the Dominion Board, which may be delegated to them by it, for regulating the marketing of natural products produced or owned by those who come within the jurisdiction of such boards. This provision is made to enable those who produce and market natural products, to institute control machinery of their own through which they may regulate the movement and direct the sale, without the power of buying and selling or of fixing prices, and determine the practices that shall prevail in the marketing of such products. Local boards may apply regulations to products in inter-provincial trade, interprovincial trade and export trade. This power is provided by reciprocal Federal and Provincial legislation.

(2) Provision for the regulation of marketing and the marketing of natural products in interprovincial or export trade, by the Dominion Marketing Board directly or in co-operation with local boards or through any agency which it may establish is established. This provision is made in order that action may be taken when it seems called for in cases where local board organization does not exist, or when it covers only part of the field; also where satisfactory organization under local boards is difficult, and where emergency market conditions seem to call for special action.

(3) Provision is made under Order in Council to regulate or restrict the importation into Canada of any natural product which enters this country in competition with a regulated product and to regulate or restrict the exportation from Canada of any natural product.
This provision was made because of the existing disorganized trade conditions, and in order that it may be possible to deal with situations that may arise through conditions in the markets of other countries or through action that other countries may take in respect of markets and marketing.

4) Provision for the investigation of marketing conditions and practices is established in connection with natural products, and the power to prosecute every person, who, to the detriment or against the interest of the public, charges, receives or attempts to receive any spread which is excessive or results in undue enhancement of prices or otherwise restrains or injures trade or commerce in the natural or unregulated product. This provision is made in the interests of producers, marketers and consumers for the following purposes:

(a) To obtain reliable information as to the costs of marketing.

(b) To effect economies in marketing.

(c) To prevent exploitation and injury.

This enactment represents an attempt to give relief to the primary producer as a means of reviving business in Canada. Of course no marketing or distributing system can hope to attain rigid control over prices without control over production. Canadians, so far, are afraid of the implications of that phrase but it is quite possible that their attitude towards this type of control will change as it has changed with respect to others in the past.


Powers that can be granted by Order in Council for marketing administration are vested in the Dominion Board which may relegate the power to Local Boards which will become the administrative bodies. Included among the powers are those dealing with time and place of marketing, distribution, quantity and quality. This provision means that that local Board can control the movement of the product.
in addition, certain other powers may be delegated to local boards, such as exemptions, pooling and compensation, compensation through currency depreciation, or export bounties, grants and loans, registration or licensing and others.

One of the difficulties of the Act was that of divided jurisdiction, the powers of the Dominion and provincial Governments in overlapped. It has been overcome by the Federal parliament endowing bodies within the provinces with power sufficient to apply the act and thus make enforceable phases of the act applicable in those provinces. The financing of local boards is a charge upon the product and industry concerned.

5. Schemes Approved by Dominion Marketing Board.

The British Columbia Tree Fruit Scheme was the first approved under the R.C.M. It was designed to regulate the marketing of tree fruits grown in interior B.C. and by so doing to promote an efficient marketing of the products of the tree fruit industry. The scheme gives the local board authority to regulate the time and place at which tree fruits grown in the area may be marketed.

The Fruit Export Marketing Scheme purposes to regulate the marketing for export from Canada of fresh apples and fresh pears. Nova Scotia, Ontario and British Columbia are chiefly concerned. It is hoped that an even flow of exports may be assured to the United Kingdom thus eliminating some of the danger of a "glut" in that market.

Other schemes, no less important than the aforementioned ones, must be passed over to conserve space. These other schemes are: British Columbia Red Cedar-Laplace Scheme, The British Columbia Dry Salt Herring and Dry Salt Salmon Scheme, Ontario Flue-cured Tobacco Scheme, Eastern Canada Potato Marketing Scheme, Milk Marketing schemes of various provinces.
4. Agricultural Measures in other Countries.

(a) Australia

Australia's economic problem in 1931, was in all essential respects similar to our own. Both Canada and Australia had been built up on the assumption that there was a large and expanding market abroad for the products derived from their farmlands, forests and their mines. When the export market for these products fell off and world prices dropped both Canada and Australia suffered a loss in national income and the disequilibrium of that loss was felt most keenly by the farming and wage-earning groups.

Because of the stupidity and the economic atrocities committed by a succession of Labour governments in Australia, that country was headed for a crisis when the world depression hit her. Prof. Copland writes as follows in his book, "Australia in the World Crisis", the weaknesses in the Australian economy were, too high a tariff, too high an internal price level, too high a wage rate, and too much government spending." (10)

Immediately after the world collapse in 1929, things grew worse in Australia, partly on account of the further raising of the tariff in 1930. In 1931 a committee of economists (known as the Copland Committee) was appointed to consider the situation and make recommendations to the government. At a conference of the Premiers of Australia this report was analyzed and eventually used as a basis of the Premiers' Plan.

The plan adopted embraces the following measures:

"(a) A reduction of 20% in all adjustable government expenditure, as compared with the year ending June 30th, 1930, including all emoluments, wages, salaries, and pensions paid by the governments, whether

Although the following plan was not primarily an agricultural measure; nevertheless it was designed for the express purpose of aiding all economic life, including agriculture."
fixed by statute or otherwise, such reduction to be equitably effected;

"(b) Conversion of the internal debts of the Governments on the basis of a 22½ p.c. reduction of interest;

"(c) The securing of additional revenue by taxing both Commonwealth and State;

"(d) A reduction of bank and Savings Bank rates of interest on deposits and advances.

"(e) Relief in respect of private mortgages."

In addition to helping agriculture by cutting wages, interest rates, governmental expenditures, debt legislation and downward tariff revision, Australia further aided agriculture and the export industries by depreciating her currency.

It would be undesirable for the Canadian people to adopt the Australian program in its totality, because, while in Canada the problem is in the main the same as that of the sister Dominion, there are minor differences which would have to be considered. In Australia "Sacrifice of Sacrifice" was the slogan used to popularize the Premiers' Plan. If the plan for economic recovery were given proper publicity, and if a committee of good economists to review the economic situation and make recommendations were to be appointed, Canada might begin a sane recovery program specifically adapted to her needs.

To the economists of Australia, the problem there seemed to be one of loss of national income, the incidence of that loss, the spreading of the loss, and the restoration of balance among the several groups of producers. Before the depression, economic discussions had emphasized the concept of national income. This was necessary because many elements of Australian policy—wage fixation, tariff, immigration, borrowing, social expenditure—had to be tested by their effects on national income. Economists were agreed upon the amount and nature of the national income. When the depression occurred they at once began to consider the effects upon, not only the amount, but also the distribution of
national income. They discussed the problem among themselves, with political leaders, and with the public.

This venture in the economic education of a people during a depression had unexpected results. The concept of national income became familiar to all thinking people. Prof. Jopland tells of one of his colleagues who returned early in 1931 after a year's absence abroad, and was greatly impressed by what appeared at the moment as a somewhat trivial incident. On the day of his return, he and Prof. Jopland were writing on a railway station when a stranger approached the latter and begged leave to ask a question about the national income. He was a railway clerk and the subject had been freely discussed in his office. Was his salary part of the national income? There ensued five minutes of quite intelligent conversation on the subject, and the young man went away and accepted some loss of salary as inevitable and fair in the circumstance. It was the general acceptance of this point of view that was the real achievement during the first phase of Australian Economic recovery program.

(b) United States

Canadians are familiar with the term "A.A.A." (Agricultural Adjustment Act). Its purpose was to increase farm prices by inducing farmers to curtail production, and thus place agriculture more nearly on a par with industry. Its history, until the time it was ruled void by the Supreme Court, is not particularly enlightening. The danger of a "scarcity economics" is self-evident.

The experience of the A.A.A. in practice showed that acreage reduction was not synonymous with yield reduction, and that higher farm prices did not necessarily imply increased agricultural purchasing power. For example in the cotton industry, the area was reduced in 1933 from 41 million to 30 million acres. Intensive cultivation, ideal weather conditions and the use of fertilizer caused the yield to amount
to 209 million lbs, whereas the average production for the previous five year period was 174 million pounds. (11) In addition foreign production soared in anticipation of higher prices.

United States aimed at obtaining a balanced economy, not only within her own borders but with other countries. One way attempted, as previously mentioned, was by cutting down production and thus reducing exports. This method of restoring balance in international trade is not nearly as desirable as the way suggested by Mr. Wallace, Sec'y. of Agriculture, viz., by increasing imports and thus making it possible for other countries to buy the surpluses which the United States would normally produce.

Many other countries could be mentioned where measures have been taken to cure their economic fevers. In all countries it is realized that the need of agricultural aid is predominant. One of the lessons to be learned from the American system is the inadequacies of a scheme based on "scarcity economics". In this connection an interesting story is told by James Truslow Adams in the Financial Post of March, 1936. It appeared that Mr. Adams had a friend who owned a plantation in the South on which he had never grown or tried to grow cotton, but the Agricultural Adjustment Administration sent him a cheque for $1500 for not growing cotton. Being an honest man he sent the cheque back to the A.A.A., but they refused to accept it. He was down on their books as a landowner in a cotton-growing state who was entitled to receive so much money for not growing cotton, and presumably their whole book-keeping system would have been upset if they had taken back the cheque.

The absurdity of such a system must be removed. It is not surprising that the A.A.A. was ruled unconstitutional.

5. (4) The Ultimate Goal.

Due to the inherent individualism of the farmer and despite the fact that seventy per cent of the world's population is directly em-
ployed in this industry, it is only in periods of crisis that this occupation attracts the necessary attention to bring about legislative action in behalf of the agriculturalist as a class. (1)(Macallum, J.E "Planning in Agriculture" Journal of Can. Dkers, Ass'n, July, 1938) A report prepared by the Bureau of Agricultural Econ., Washington, D.C. in 1933, lists 39 countries which have adopted price-supporting measures. A rough analysis of these enactments indicates that in 27 countries control over the purchase and sale of at least one agricultural product is given to organizations of producers; in 25 countries such control is now a government monopoly; price-fixing is permitted by the legislation of 25 countries, and regulation of production by 15 votes are in effect in 18 countries and "mixing regulations" in 10.

Facing the threat of social upheaval, whether engendered by the advent of new social philosophies or economic depression, the statesman has come to recognize the essentially conservative attitude of the agriculturalist. It may be good public policy to subsidize the farmer as a means of avoiding a revolutionary change in a state's political administration. The farmer is an intense individualist, and, if his interests are being protected, he can be counted upon to poll his vote for democracy. But governments that favour restoring the normal relationship between agricultural and industrial prices cannot push their price-raising schemes beyond correction of the disparity brought about by excessive agricultural supplies without depriving the country of the supporting activity of the export trades. The governments of Great Britain, U.S.A., and Canada in turn, introduced agricultural marketing legislation to restore rural purchasing power while safeguarding the community cost of living.

A study of the price of farm products, and the price of other goods from 1786 down to the present time, made by Professors J.E. Garren and F. Pearson shows that during the 100 years from 1820 to 1919 there
was a gradual upward trend in the purchasing power of farm products. There were times during the period studied when the purchasing power of farm products was unduly depressed, but after several years of hard times the purchasing power of the farmer's dollar was greater than before. The outlook for agriculture, therefore, does not seem to be as dreary as one would suppose.

Yet most people do not look at things from a long run point of view. It may be only a cyclical economic depression in the throes of which the world is now tossing. It is likely that governments will continue to legislate, perhaps on a wider scale, so that all economic activity may be included within the sphere of government action and industries will be socialized. This conclusion is based merely on the assumption that the present swing toward government intervention will continue unabated.

A return of prosperity might easily curb the powers of governments and give untrammelled liberty to individuals and corporations.
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Chapter VII

Conclusion

1. The Changed Outlook for Production.

(a) Causes.

The past few decades have witnessed vast changes in the technique of production and the amount of output per farm worker. Large surpluses of agricultural products have accumulated. No longer is a deficiency in productive facilities imminent. Indeed the present difficulty is one of excess agricultural capacity. Many countries have undertaken schemes designed to alleviate the resultant agrarian crisis. In nearly all such programmes, the necessity of limitation and control of the means of production was recognized. Through this necessarily involves a curtailment of individual liberty it seems to be the only method of the disposal of the producer if ruinously low prices are to be avoided in an industry where there seems to be a chronic tendency to overproduce. This policy has been part of the stock in trade of corporation executives for many decades. Nevertheless, the history of attempts to control the production and marketing of a few well-known agricultural commodities, such as coffee, rubber, sugar and wheat, is far from reassuring and serves to discourage further endeavours along similar lines.

The difficulty of control of agricultural production is self-evident. Industrial output can be more accurately gauged. When production is curtailed or stopped before it has greatly overstepped estimated demand. Once a crop is sown, "Nature in her inimitable fashion proceeds to combine the forces of sunshine, rain and soil fertility in a manner which is unpredictable for any given growing season. It is possible to estimate fairly accurately average future yields on the basis of an average for the past few years, but to estimate the precise yield, for any one year, is another matter. Rigid control of agricultural output will, doubtless, never be attained. Limitation of pro-
duction has often been suggested in Canada, but strong opposition has hitherto rendered any such plan impracticable. It is not surprising, therefore, to find that a new altitude now prevails towards agricultural production. Nevertheless, the situation with respect to several major agricultural products is such that the possibility of limitation of supply cannot be summarily dismissed.

In 1928 when world wheat production reached a record, and in spite of an exceptionally large trade in wheat, a considerable amount was carried over into 1929-30, both in Europe and in the major exporting countries. Since that time the world has been saddled by an excess which it has carried, like Job, carried the Old Man of the Sea. (2) No certain relief is in sight because it is to be expected that the recent cycle of dry years is but a precursor of a series of more favourable seasons. For that reason, if there still remains a surplus, and there does, excessive production is likely to be a problem for many years to come.

(b) Cons and Pros of Limitation.

(1) Cons.

For a long time the words "Canada" and "wheat" were practically synonymous. (3) To-day Canada's economy is more diversified and wheat growing is not of such predominant importance as formerly. Yet Canada is still second to none as a grower of quality wheat; and quality considered, she can produce wheat more cheaply than any other country. (3) In addition she holds first place among the wheat exporting countries. Since Canada has such efficient and abundant equipment for the production and the handling of wheat, it would be unfortunate for her to relinquish her position as the major wheat exporter in favour of less well equipped areas, through a policy of price maintenance and limitation of supply.

Many regard economic laws as possessing an inevitability and an invariability like physical laws and consider the existence of a wheat surplus as the evidence of some interference with the ordinary and ex-
derly functioning of the market. Those same people say that the law of supply and demand, if unimpeached, would clear away such excesses as remain; prices would drop and producers near the margin would eventually cease to operate. Thus, in due course, equilibrium between producers and prices would obtain.

Others regard the impracticability of limitation of production as axiomatic. The main results of the attempts at control, described in Chapter III, were the acquisition of the markets by non-complying interlopers and a collapse of the marketing system within the areas where the scheme was in operation. In short, the results were almost the reverse of those intended. And also, as has been previously stated in this chapter, a policy of limitation can never hope to be successful where yields cannot be gauged in advance. Apart from the vicissitudes of the weather, a farmer can often produce more from a restricted acreage by thorough farming methods and the wise use of artificial fertilizers. Limitation of acreage would therefore, not necessarily be effective in limiting output. Difficulties would also arise in connection with quota allotments because of soil conditions and types of holdings and the alternate uses to which acreages could be put. There would arise the further problem of compensating the farmer for the limitation imposed. In the United States this was cared for by processing taxes which the consumer was forced to pay and which created a great many secondary and unforeseen disturbances in industry.

Further, even if limitation achieved its object in eliminating a world surplus, this would not necessarily assure an increase in price. Wheat is not an indispensable item of gastronomic economy and if the price soared too high for the consumer to pay, substitutes would be used. (4)

The objectors to the wheat limitation proposal claim that the root of the trouble is in Europe. There agriculture is subsidized by
governments at the expense of lowered standards of living for their nationals. The sound method of attacking the problem, therefore, they esasereate, is to demonstrate to the European countries the injustice they are doing themselves in persisting in these uneconomic practices and in persuading them to adopt more rational international trade policies. The advancing of the price of wheat on the part of exporting countries will not necessarily be effective in securing this end. But, if not amenable to human suasion, all nations are vulnerable to the inexorability of economic laws, and, sooner or later, these disagreeable truths will be driven home. Therefore, conclude its opponents, limitation as a policy for Canada is unnatural, absurd, unnecessary, iniquitous, dangerous and impossible.

(ii) Pros.

"You cannot have planning and economic control, and individual freedom" remarked Uden Hills a short time ago. (4) The farming classes feel that they have been under more or less covert control, especially with respect to the selling price of their products and that they might as well accede to a programme of further, but overt, control, particularly when it is proffered as a solution to their difficulties. Marketing control may not be a panacea for all ills, economic and agronomic, but if offers the hope of emergency relief from the ill effects of surpluses. (5) Limitation of production, if it can be made effective should be directed towards enhancing prices and maintaining them at profitable levels.

About a year ago Broomhall remarked: "with huge quantities of wheat showing up year by year there has not been the slightest reason to purchase wheat in an anticipation of a rise in the international price." And it goes without saying that the price is what counts, not only to the farmer, but to all who are commercially dependent on him. The price of agricultural products is particularly important in an
agricultural country like Canada where general prosperity can only as a result and a reflection of a healthy agricultural position. More and more it is being realized that the general prosperity of everyone depends on the economic well-being of the farmer.

Before the dismissal of the case for limitations of production and the accompanying control of marketing, examination of a proposal brought forward by Mr. John E. Stevenson of New York, might be interesting. (6) He advocates regulating the operation of demand and supply, rather than allowing prices to be dominated as they now are, to favor the controlled direction of the law of demand and supply for the profit of the farmer and the benefit of all, just as other great natural laws and forces have been controlled and directed. He points out that it is possible to predetermine the output of a given acreage with a marked degree of accuracy over a four or five year period. In this way a working surplus could be maintained to take care of the deficiencies of lean years and agricultural yields could be regulated in much the same way as industrial output.

Sufficient power, he claims, could be vested in an authoritative body, say a department of the government, to effect the necessary limitation of supply. He argues further, that, just as no individual has a right to engage in trade, and has no inherent right to ruin an entire industry for his individual profit, so no farmer has an inherent right to farm and should be allowed to do so only to such an extent that it will be beneficial to himself and to the millions of others engaged in the same industry. It is assumed that the interests of the consumer are not sacrificed.

Such a system must abrogate in individualistic control over production. Since uncontrolled individualism is now a thing of the past it appears that a democratic regulation and control of the means of production and distribution would be acceptable. (7)
The Canadian people might be inclined to agree with Prof. Blackett in part, when he says: "Planning is not only a desirable means of progress but an unavoidable necessity," but they have not, as yet, had sufficient experience to know what is most suited to their type of political, economical and social make-up.

If agricultural production remains unsocialized in Canada and it is expected that it will, at least for a few years yet, other measures must be undertaken to cope with the agrarian situation. One of the most effective of these other means of aiding the farmer is an up-to-date, sound marketing system(9). A short discussion of its benefits follows.

2. Cooperative and Compulsory Marketing

(a) Better price and Better quality

In chapters V and VII the marketing problems in Canada were discussed. It was found that individuals who formerly sold independently, and who now belonged to cooperatives received enhanced prices for their produce. Independent sellers often undermine organized groups of producers who, by their organization, obtain and exert a greater bargaining power. The establishment of marketing organizations has achieved another desirable end——better quality produce has resulted.

However, it should be emphasized that marketing legislation is not always an effective weapon in reducing the spread that exists between what the farmer receives for his products and what the consumer has to pay. There was a milk investigation in Ottawa several years ago. It showed that the cost of marketing milk had increased and that the spread was too wide. Was this spread reduced by the milk investigation? Not at all. It is just as wide as it ever was, and it appears certain that the cost of distributing farm products will not be much reduced by the marketing act. The real advantages of the latter act
have been frequently overstated. Really this country depends for its well-being on the export market. A sound and business-like marketing system can act as a palliative only by strengthening the bargaining power of the independent producers.

It was just stated that Canada's well-being is highly dependent on her export trade. Recent events should clarify this point, because practically all improvement that has taken place in the last several years can be traced to an improvement in the export market. Canada could, if her people were willing that they and their children pay the price, free herself from the influence of world markets and live within herself, but to do such would bring a standard of living much below the customary and prevailing one.

The settlers who came to this country had the land and labor necessary for production, but they lacked capital. Naturally they "hired" it from countries like England which had a surplus of capital. Then a country obtains capital from abroad it often does so in the form of goods. This the pioneers did. They needed machinery and equipment for clearing land, burning down forests and digging for minerals. This borrowed capital naturally had to be paid back and it was paid back with the small charge that was made for its use by the wealth that it helped to produce and thus arose an enormous export trade in the products of the farm, forests, and mines.

Thus it is fair to criticize those who believe that the Dominion Marketing legislation is a cure-all for the bargaining troubles of the producers, when they assert that Canada should not depend primarily on her export markets for greater prosperity. Of course it is fortunate that there is such an enactment because it does bring some minor benefits as an improved bargaining status which will undoubtedly aid in realigning agricultural and industrial prices.

It has been asserted more than once that the cure for the agricultural depression is not restriction of production but recovery in
trade and exchange. A well-considered and comprehensive programme
for the rehabilitation of the Prairie Provinces has been outlined by
Premier Bracken of Manitoba. It is worth considering at this juncture
daybecause it epitomised what the rest of this chapter discusses.
The highlights of the plan are:

1. The restoration as rapidly as possible and by all reasonable
means, of international trade.

2. Raising the prices of agricultural products to a normal relation-
ship with the other commodities, including fixed obligations.

3. Refinancing the farm debt in a manner that will make possible
both its repayment and the continuance of present settlers on the land.

4. A national marketing programme for surplus products, including a
domestic programme of specialization of production to meet the require-
ments of outside markets.

5. A specially co-ordinated federal and provincial programme for
bringing about: (a) More efficient adaptation of farming systems to the
different soil and climatic conditions of Canada;

(b) Higher quality production;

(c) More efficient use of sub-marginal lands;

(d) A reduction in costs not only of production, but of distri-
butation and marketing, including transportation.

The plan sounds very encouraging to the distressed farmer, yet it
does not actually attempt to eradicate many of the inherent defects in
our economic order. It is natural that one observe these defects.

3. Inherent defects in the economic order.

(a) Unstable currency.

As long as changes in the price level persist, the relative pur-
chasing power of different classes is bound to be adversely affected.
Dr. Irving Fisher proposes a plan of stabilization which postulates that
the Government should vary the price of gold according to its worth re-
relative to other commodities, rather than keeping it artificially constant as at present. By so doing and by having a strongly unified banking system it is believed that variations would be almost negligible. Professor Leibfrit has suggested an alternative plan which really consists of an international control of gold production so that the actual supply of gold may be adjusted to maintain a fixed price level. Like nearly all proposals for international co-operation the scheme is impracticable. Fisher's scheme sounds more practicable, though its actual operation would be difficult.

(b) No credit control.

The business cycle is greatly accentuated where there is little or no control, or unwise control of credit. John Keynes says a Central Bank is the best agency to handle that control, because it can govern the volume of cash and reserve money in its monetary system by the joint use of bank rate policy and open market operations. If it is "master of the situation, it is in a position to control not only the volume of credit, but the rate of investment, the level of prices and, in the long run, the level of incomes, provided that the objectives it sets before itself are compatible with its legal obligations."(10)

In practice the plan is unworkable because international cooperation is lacking. It is thought that the Central Bank of Canada might be able to get a better control of credit than it now does, simply by using the bank rate to check or encourage investment, by further lowering the discount rate. If international co-operation could be obtained adequate results would, no doubt, follow.

(c) Unwise Tariff Policies.

Canadian government tariff policy has for the past few years been quite in harmony with the general trend throughout the world. High tariffs do not aid the agricultural industry in this country. More far products are produced than can be domestically consumed, which means
that tariffs injure farmers because they must accept world prices for
the goods they sell, while they are forced to buy in a protected market.
If other countries are foolish enough to handicap themselves by restric-
ting imports (and therefore their own exports) that is no reason why
Canadians should be equally foolish.

"One Canadian economist has estimated that the capital investment
in Canadian industries that are benefited by the present tariff policy
amounts to approximately 1,730 millions of dollars, while the capital
investment in the industries that suffer from high tariffs amounts ap-
proximately to 15,700 millions of dollars."(11) Of the industries
 hindered by a high tariff programme agriculture is the most important.
It is estimated roughly by the same economist, that for every person
deriving benefit from high tariffs, eight persons are injured by them.
Obviously, since prosperity depends basically on a brisk export trade,
it would be extremely sage to aid the export industries, such as agri-
culture, by removing the added burdens placed upon them within the past
few years.(12)

In a world imbued with nationalistic sentiment(13) there seems lit-
tle hope for politicians acting otherwise than they have in the
past. The question arises: "Should Canada lower her tariffs despite
no similar action by competing countries?" Should she, in the face
of an armed world throw aside some of her armor? The answer is to be
found in a statement made by the economists of Queen's University,
Kingston. They say: "Having in mind the number and distribution of
our population, and the character and disposition of our resources,
the economist must answer:"Yes". He must remind the legislator that
our own tariffs are a burden on our export industries no less than are
the tariffs of other countries. If we cannot remove the obstacles
which the tariffs of other countries place before us, it is no help
to impose further burdens on ourselves."
As Adam Smith pointed out, sharp tariff reductions are often accompanied by acute distress and unemployment, therefore a wise policy would arrange gradual tariff curtailments to offset the disequilibrium and chaos which might follow sharp and drastic tariff lowerings.

(d) The Policy of Organized Labour.

Organized labour by demanding shorter hours and more pay is retarding recovery and by so doing may be digging its own grave. It would be foolish to blame organized labour for the depression, but it may fairly be charged with having prolonged it, because our economic system requires a fairly high degree of flexibility for its survival, and this means that when the prices of farm products and other basic products fall there must be also, a fall in the rate of wages paid to urban workers, and this organized labour is apparently determined to resist.

Organized labour denounces the action of people giving to the unemployed, jobs, such as painting a garage or gardening, etc., at rates below union figures. This sort of labour it calls "scab". If organized labour had its way the employer would have been compelled to hire a member of a trade union—at double the price to do the job. He could not afford to do so. Therefore it is clear that organized labor is retarding recovery, because by maintaining wages at a high level it is maintaining prices of processed articles at a higher level than most people can afford, and this makes it necessary for farmers and others who do not belong to trade unions (and this applies to the vast majority of people in Canada) to curtail their buying, or allow their money (if they have such) to remain idle in the bank where it is relatively ineffective as a means of promoting a return to better times.

The maladjustment that had existed for the past 7 years between the price of primary products and that of secondary products cannot last inde
last indefinitely. If our present political and economic system is to survive there must be a change for the better fairly soon. If there is not, our system lies in danger of being scrapped and of a dictatorship being established in its place; and with a dictatorship trade unions would lose all the privileges they had enjoyed in the past, and those who are at present members of trade unions would have to take whatever work was offered to them and accept whatever wages the state would be willing to pay them. This may be the result in Canada, because unemployment on a wide scale will persist as long as the rate of wages demanded by organized labour in the towns and cities is double "the rate of wages" received by the most important labour of all, namely, the labour which is engaged in agriculture. That was the fate of organized labour in Italy and Russia.

The resistance to reduction in the rate of wages by some groups indicates that a high wage rate is not conceded to be a major cause of unemployment. If further evidence is necessary it may be found in the records of yearly earnings of recent years. The chief factor in cost of production of both farm products and industrial goods is labour. Therefore a comparison of earnings in farming and industry is important. Since 1917 yearly earnings in manufacturing have been recorded. In 1917 the yearly earnings of farm laborers including the value of board amounted to 50% of the yearly earnings in the manufacturing industries. By 1926 the percentage was 66%. In 1929 it was 60% and in 1932 the earnings of labour in farming were 40% of those in manufacturing. (14) It is possible under these circumstances for those who retain their jobs in industry, apart from farming, to enjoy for a time shorter hours and a higher standard of living, but sooner or later unemployment will occur. This unemployment will be first felt by industries most directly dependent on the purchasing power of the farmer. From such industries a gradual infiltration of the ill
effects into all enterprise is inevitable.

The lowering of prices of other goods more nearly to a level of farm products would enable farmers to compete in the world market and buy the goods they now need. This would increase employment as there is a potential, deferred and in some cases accumulated demand from farmers for things which, during the past six years, they have been compelled to forego. Labor in industry in catering to this demand, at a price that farmers can afford to pay, may secure more employment when it does so choose.

However, before dismissing the case, it is important that one recognize that really wages of unorganized labour are not high enough to maintain a decent standard of life. The fact is the wage scale is badly out of line and this fact organized labour is unwilling to admit.

4. Indirect Palliatives.

The effect of the defects inherent in the economic organization and business practices in agriculture have been discussed. Also a tentative solution was offered for each of these. Before concluding this chapter, there are several other suggestions which seem practicable and intelligent.

(a) Enlightened public opinion.

Canada is supposedly democracy. Yet few of her electors are really well-informed. Since agriculture is the back-bone of the country it is natural that the electorate or citizenry should be aware of such problems as arise in connection with the agricultural industry so that a more appreciative understanding of the difficulties there encountered be evidenced. (15)

Probably the best way to create an enlightened public opinion is by compulsory measures. Agriculture could and should be made a compulsory subject for study in secondary education. Simply studying agriculture is not sufficient for higher education. There a more com-
practical course dealing with agricultural economics could be most useful in promoting a better informed citizenry. The study of agricultural economics is really not very difficult and is very illuminating and interesting. Therefore, it should be made an elective if not obligatory course of study, at any seat of higher learning where political economy is taught at all.

Also the public should be encouraged to make use of the services for which they are paying; that is, bulletin and pamphlet service such as the governments in Canada so admirably perform. Through a little encouragement many more people could be brought into the informed class by the governments. Too few avail themselves of the material and knowledge to which they are entitled and accessible.

(b) Greater economic planning: Economic Council for Canada,(16)

In all forms of business activity some sort of planning is essential. Governments should plan more wisely and further in advance than they sometimes do. But they are not the only or even the worst offenders. At times individual producers show surprisingly little intelligent foresight. A farmer should be closely in touch with price fluctuations and price predictions and general economic trends. If he foresees a chronic shortage of some commodity and he be a mixed farmer, he should at once devote more productive power towards producing to satisfy the greatest need.

The suggestion of an Economic Council for Canada seems to be a good one. It is a generally recognized fact that politicians do not always legislate in the economic interest of a country. Most politicians practice poor economic principles. One need only look at tariff for substantiation of this statement. Economists cannot all be wrong, and yet all are agreed that freedom of trade is most advisable. A well-trained group of economists rounding out an able personnel for an advisory council to the Canadian government would, doubtless, have tre
mendous influence in moulding the course of government action, similar to the system in Australia. Most people would agree that the benefits which should arise would compensate for all the expense of such a body.

Since the sphere of government action is constantly being increased by the insistent demands of the public, greater and greater emphasis must be laid on an efficient and conscientious civil service. Ability and integrity must be uppermost and a swift removal of the "spoils system" would appear to be the prime prerequisite. There must go hand and hand with the increasing activity of governments a better-informed electorate which is not easily hoodwinked. Greater responsibility is vested in the individual elector now that free incomes have been increased because of the passage of acts of an eleemosynary nature.

5. Resume.

The problems of the agricultural producer are many and varied. The major ones have been discussed, while a few minor ones have been disregarded. The policies for the rehabilitation of agriculture are likewise many and varied. The major ones have been investigated and no doubt, many others overlooked. However, it is believed that many of the problems mentioned can be adequately solved by such plans as have been proposed.

In conclusion let us examine the agricultural situation and outlook. (2)

Wholesale prices have risen in Canada and abroad; prices of most farm products are higher than a year ago; business has become more active; employment has increased; and while the cost of living has risen somewhat it has not been in proportion to the rise in prices and thus there appears to be an increase in purchasing power from which farm products should benefit. A continuation of recovery is forecast for 1936.
Chapter VII

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