

Arrangements on these lines would absorb Canada's estimated surplus of cheese and pork for at least eleven months of 1949 and possibly for the whole year. It would be necessary, however, to open the U.S. market to Canadian fresh eggs at an early date while U.S. prices were still high.

6. Mr. Gardiner pointed out that, under such arrangements, consideration might have to be given to the establishment of floor prices for these commodities if production proved larger than expectations or if domestic consumption fell off. This problem need not be dealt with at present.

(Department of Agriculture memorandum, Nov. 9, 1948).

7. Mr. Gardiner said that, if the U.K. government were unable or unwilling to accept arrangements of the kind proposed, the only possible course would be to terminate all food contracts for 1949 and permit both the United Kingdom and the United States to buy Canadian food-stuffs freely on the open market at going prices.

8. The Minister of Finance expressed agreement with the proposals put forward by Mr. Gardiner.

It should be kept in mind that, while the only intimation given to U.K. authorities with regard to further credit was a private assurance that \$60 million could be made available during the first six months of 1949, U.K. import figures were based on the expectation that \$120 million would be freed during the whole of the next calendar year. In the circumstances it would now seem appropriate to indicate privately that an amount of \$120 million would be made available in 1949 on the understanding that, throughout the period, E.R.P. continued as presently forecast with satisfactory offshore purchasing in Canada and that, in these circumstances, the United Kingdom would hold to their present intentions with regard to Canadian food purchases. The extension of such credit would depend on continuation of U.K. food purchases in satisfactory volume even if the food contracts were terminated.

It might be expected that, in negotiating the food contracts during 1949, the U.K. authorities would seek agreement on Canadian wheat purchases during the 1949-50 crop year.

9. Mr. Gardiner expressed the opinion that arrangements in regard to wheat could be made more satisfactorily some time early in December when indications regarding future wheat price trends would be somewhat clearer.

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