

Agricultural Implement Industry Vindicates Canada's "National Policy."

President of Massey-Harris Company, Limited, Tells Tariff Commission What it Means to this Country
—Canadian Implements Invariably Bring Higher Prices Abroad than at Home—Average Difference in Prices in Canada and United States Not Equal to Average Difference in Freight Rates—Free Trade Possible if all Supplies and Machinery Come in Free.

To the Committee of the Cabinet appointed to hear evidence relating to the Canadian Customs Tariff.

Gentlemen:

While I am appearing before you to-day merely as a representative of the Massey-Harris Company and not of the agricultural implement industry as a whole, it would seem appropriate to refer, in opening, to the history of the industry in Canada.

The first implement companies began operation between 1840 and 1850, and a few of them have been in continuous operation since that date. It would be hard to conceive of any more natural line of manufacture for Canada than that of agricultural machinery. The development of agriculture and the making of agricultural implements have been very closely interwoven. Without the great advance in the design and manufacture of machines which has taken place during this period, agriculture on its present scale would have been quite impossible, and only the mechanical progress of the past forty years has made possible agriculture as it is now carried on in Western Canada. Canadians, in proportion to their numbers, have had a very large share, indeed, in designing and perfecting farm machinery, as your patent records will show.

In 1883 a tariff of 35 per cent. was placed upon farm implements, and, considering the then limited agricultural area of Canada, an extraordinary number of companies entered into the manufacture of implements. For example, between the years 1886 and 1890 there were nineteen different companies in Ontario making binders, while at the same time in the United States, there were only nine companies in this line. This was a case where a high tariff most certainly acted to the advantage of the consumer. The presence of so many companies caused a competition so bitter that most of them were in time driven out of business, prices—through the competition—being too low to permit of their making any money.

Comparatively few of the original companies survived, but the industry is still a very important one, having at the present time a capital investment of \$93,255,000 and employing, in all branches, 31,000 persons. (A list of firms is attached as Exhibit "A.") I venture to assert here that no industry in Canada has more thoroughly vindicated the "National Policy" or has brought more credit to the country.

Two political parties have placed "free agricultural implements" in their platform, and I come before you on the defensive, for reasons to be touched upon later. I submit that there is considerable public opinion, particularly among the farmers of Western Canada, in favor of free trade in farm implements, but I submit, and will endeavor to prove, that this opinion has been based upon false premises, due to a political and newspaper campaign over the past fifteen years or more, which has systematically misrepresented the position of the agricultural implement makers of this country. So persistent have been the false statements made that they have long ago been accepted by a large number of people as facts. We have not endeavored in the past, to any large extent, to meet the allegations sown broadcast, because, in the first place, they seem too grotesque to be accepted by any large number of people, and in the second place the agencies spreading them were too numerous for us to hope to offset the effect of their propa-

ganda. It is evident, however, that a very large number of people accept anything that is printed as having at least some basis of fact.

The most plausible of the charges which have been freely made are as follows:

First—It is said that Canadian implement companies sold their goods abroad at lower prices than at home.

Second—Totally misleading comparisons have been made between the price of implements in the United States and in Canada.

Third—Foreign and domestic drawbacks have been described as bonuses to Canadian implement firms.

Before dealing with these questions I wish to say that many politicians and many journals who have circulated these stories have had indisputable evidence placed in their hands as to the inaccuracy of their statements, but, I am sorry to say, they were unfair enough to prefer to make their point rather than let the truth be known. In this they take the position of a senator in the United States whom a friend of mine heard state at a political gathering of farmers that a large implement firm in the United States sold its machines at prices in Russia so far below the prices in the United States that farmers would make money to buy them there and pay the freight back. My friend, who was an implement man, who knew the facts and who knew the senator, saw him after the meeting and told him he was sorry to hear him make a statement so far from the truth, and gave him the facts of the matter. The senator simply said—"That's all right, old man. You know the implement business, and how to make the most of it. I know the political game. I told the farmers what will get votes—to hell with the truth."

Prices at Home and Abroad.

My company has exported machines to practically every grain-growing country in the world for well over thirty years, and we have never during that time sold machines in foreign countries at so low prices as at home.

Australia provides a fair basis of comparison with Canada in the matter of farm implement prices, because in that country—and in that country alone—we use the same system of distribution to the farmer direct through commission agents as in Canada. We submit herewith marked "Exhibit B" an Australian retail price list of 1913, and retail price list for Alberta and Ontario for the same year. (Exhibits "C" and "D".) These two Canadian price lists give the lowest and the highest prices.

We could give retail prices for the same year in Great Britain, France, Germany, Russia and also for Argentina, but, because of the different systems of distribution in these countries there are no printed lists in existence to substantiate the statement.

For years the implement makers of the United States were confronted with the charge that they sold more cheaply in foreign countries than at home. They finally appealed to their government to instruct their consular agents in various countries to report officially on the retail prices, in their different countries, of farm implements of United States manufacture, and Mr. Cyrus H. McCormick, President of the International Harvester Co. of America, issued a pamphlet on December 29th, 1911, summarizing the result of the government investigation and report. He says:

"The results of our Government's investigation of foreign prices were published in the Daily Consular and Trade Reports. French prices in the issue of February 22nd, 1909, No. 3413; prices in Germany, Denmark, Sweden, Hungary, Russia and Siberia, March 31st, 1908, (No. 3420), and those in Great

Britain, April 8th, 1909, (No. 3450)." These reports show that, while the American farmer was buying the 6-foot self binder for about \$125.00, the same machine was sold in Great Britain at \$135.16; in France for \$173.70; in Germany for \$203.00; in Denmark for \$167.50; in Sweden for \$160.80; in south Russia for \$168.95; in north Russia for \$180.25, and in west Siberia for \$187.98. So also as to reapers, mowers and rakes. Furthermore, the wholesale price charged and received by the American manufacturer is greater on the exported machines."

We have no doubt your commission could secure copies of these consular reports and compare them with prices prevailing in Canada at that time. The result will be to prove amply the assertion we have made that prices at home were much lower than prices abroad. Moreover, if you could instruct Canadian trade commissioners in these countries to report on the pre-war retail prices of machinery, you would have an official confirmation of our statement that our prices abroad were in every case higher than our prices at home.

Information as to present prices shows that the difference has been tremendously increased since the war in favor of the Canadian price. For instance, a 6-ft. binder with carrier sells in England to-day for \$394.56; in France for \$940.80; in Argentina for \$460.00, and in Australia for \$316.33.

The action of the United States Government in investigating foreign prices and publishing them in their consular official reports put an effective stop to the campaign of falsehood in regard to this matter which, until a few years ago, was carried on in the United States just as strongly as it is still carried on here. One of the commonest statements in the Western Canadian papers during the past ten or fifteen years has been that machines were sold in Australia much cheaper than in Western Canada. The exhibits we have filed will show how far from the truth these statements were.

A Western Australia paper some years ago published a comparison of retail prices in Australia and in Western Canada, complaining bitterly of the disadvantage their farmers were under through the much higher prices they were forced to pay. At that time I checked up the figures given and found they were correct in both countries, this paper seeming to prefer facts to fiction.

Just one other proof—a statement which we will be glad to verify to your commission by our books, if you desire. In the last year before the war, in volume our business was: Home, 40 per cent.; foreign, 60 per cent. The source of our total profits for the year represented by the following percentages:

Home trade	28.1 per cent.
Foreign	68.3 per cent.
Investments	3.6 per cent.

We submit that no stronger proof could be given to support our statement that prices abroad were greater than at home.

During the war the British Government treated implements as munitions of war and furnished transport from Canada to England. For this they demand the right to control the retail prices at which implements thus transported should be sold to British farmers. In 1918, the last year of the war, this controlled price, fixed by the British Government, was as follows:

Five-foot binder, with transport truck, \$301.73. During that year the same implement sold to the farmers of Ontario for \$212.00; to the Manitoba farmer for \$220.50. The British controlled price for a 5-foot mower was \$107.07, as compared with a cost to the Ontario farmer of

\$81.00 and to the Manitoba farmer of \$84.00.

The French Government also controlled prices of implements and their price in 1918 (expressed in the Canadian equivalent to francs) for a 5-foot binder without transport truck was \$450.00 and for a 4½-foot mower with dropper attachment, \$200.00; for an 8-foot dump rake, \$100.00.

As stated above, prices in England and France are relatively much higher now than in 1918, but the exchange is now so high that although comparisons at present are greatly in our favor they are hardly fair.

Comparisons Between Canadian and United States Prices

The relative costs of implements to the grain growers in United States and Canada have been grossly misrepresented. The grain grower is interested only in the retail price. Nevertheless, nearly all the comparisons made in the past contrast the Minneapolis wholesale prices with Winnipeg wholesale prices. To realize the situation it is necessary to understand the difference between the Canadian and United States practice in the sale of machines. In Canada we sell every dollar's worth of our goods direct to the consumer through the medium of a commission agent. We fix the retail prices, which are uniform over large zones and vary simply to the extent of the difference in freight rate from one zone to another. Our goods are delivered free of charge at the customer's nearest station.

In the United States by far the largest percentage of the business is done through dealers who buy their goods from the manufacturers and who fix their own retail prices. Such prices vary in accordance with the dealer's judgment as to what is a fair margin for expense and profit, so that many different retail prices will be found in the same state. Secondly, their sales are made based, to quite a large extent, on the price at their distributing centres, the customer paying local freight.

We contend that a proper comparison must be based on retail prices and that retail prices of states such, for instance, as Wisconsin, Southern Minnesota and Illinois, thickly settled and contiguous to implement factories, should be compared with Ontario prices, whereas our Western province prices should be compared with points in Northern Minnesota, the Dakotas, Montana, Idaho, Washington, California, Texas, etc.

Just prior to the outbreak of the war, Sir Thomas White, then Minister of Finance, sent a special customs official into Minnesota, Dakota and Montana, to enquire as to the prices, and this officer's report was quoted by Sir Thomas White in Parliament and is recorded in Hansard of April 30th, 1914, (No. 70, p. 3257).

We have figures of our own, procured by having sent an official of the company at two different periods over this ground to secure at first hand retail prices. Our figures are somewhat more favorable than those secured by the customs official who naturally, on such a mission, was inclined to quote rather the lowest than the average prices. However, we are quite content to rest our case upon the official figures given in his report and set out in the above-mentioned issue of Hansard.

On April 1st, 1914, the *Grain Growers' Guide*, of Winnipeg, published an article on comparative prices in Winnipeg and Minneapolis, the article, as usual, being highly misleading. One June 3rd, 1914, we wrote a letter (attached as Exhibit "E") to the Editor of the *Grain Growers' Guide*, pointing out the fallacy of their price comparisons, quoting at length the information secured, both as to prices by the government official and also as to comparative freight rates, and analyzing very carefully the difference in retail prices as disclosed by the customs officer in Fargo, Grand Forks, Valley City, Devil's Lake, Lansford, Minot, Gardena, Williston, Havre, Great Falls, Billings and corresponding points across the Canadian border.

Summed up, the analysis will show the price of an 8-foot binder at Fargo, taking account of the different equipment, was \$9.50 less than at Winnipeg, but the difference in freight alone accounts for half the difference in price, and if prices had