The Case for Free Wheat

An Extract from a Speech delivered in the House of Commons, on April 17, 1914

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I intend now, as representing a rural constituency, to take a brief for the farmers of that constituency. The wheat farmers of the Prairie Provinces contend that they are at a disadvantage compared with the wheat farmers of the west of the United States, with whom they have to compete in the markets of the world, and that that disadvantage is now unnecessary. They say that the majority of the Canadian electorate rejected reciprocity on the ground that it would have hindered our development as a free nation, as an integer in the British Empire; that it would have subjected us to the fiscal control of the United States and made us an adjunct thereto, and so would have been an injury to the whole of Canada in all its sections and classes. They contend that now, without any fiscal entanglements with our neighbors, without any international agreement, they can at the sweet will of our Government have a free market for their wheat in the United States by a small tariff change, and that the Government can, without consulting any nation, alter again that tariff as it likes, and so have opened to them all the markets that their competitors have, thus removing this present disadvantage. They claim that the United States Government, by its policy, has established in its west large milling industries at Minneapolis and that district; that the United States Government has so developed and controlled its transportation systems, which carry the wheat from Duluth to the seaboard and from its ocean ports to the world wheat markets, that there is a better price to the farmers of the Dakotas and Minnesota for wheat, and a better price at their western mills and at Duluth. And I charge that the disadvantage under which our Western farmers now labor in having a lower priced wheat market is due to the neglect of the late administration in not fostering and establishing milling industries in the West during their long fifteen years of power, and in not providing cheaper transportation for wheat to the ocean and across the ocean to Liverpool. The Western farmer is now suffering as a result of that neglect. The wheat of Minnesota, the two Dakotas and Montana is marketed at the same time and with the same expedition as the wheat of the Prairie Provinces.

A Better Price

It cannot be controverted that for the former a better price is received. For instance, during the market period of our Western wheat, say from September 15 to the end of the calendar year 1913, the average price in the Western States was: At Minneapolis for the first grade, 87.4; at Duluth for the first grade, 86.6; at Winnipeg or Fort William for the Canadian first grade, 84.6, a difference in favor of Duluth of two cents, and of Minneapolis of three cents. The Winnipeg and Fort William prices are practically the same. I have made up these averages from a statement which I hold in my hand extending over the period which I have mentioned, which shows the prices for the different grades. I will not trouble the House by reading that statement; I will give only the results.

When consideration is given to the fact that Canada's first grade is of a higher quality than the American first grade, and that an allowance of two cents is generally considered fair, the average prices to the Americans for the same quality of wheat during the period stated would be: At Minneapolis, 89.4; at Duluth, 88.6; a difference in favor of Duluth of four cents and of Minneapolis of about five cents. The spread between the non-contract or commercial grades, of the same class, usually sold on sample, was considerably higher at those points in the States.

HAULING THE WHEAT
Scene on Farm of G. S. Morrison, High Bluff, Man.

The Western farmer claims that he should have the opportunity of getting that higher price. And why should he not? Are there any sufficient grounds against giving him the opportunity? One reason assigned against it is that if the Canadian wheat had free access to the Minneapolis market, prices would be equalized on both sides of the line. There is considerable force in this argument and anyone who reads the debates in the Senate of the United States on this subject when the reciprocity agreement was being considered, particularly the speech of Senator Gronna, and of other senators, can see that there is foundation for that contention. The equalization, however, does not mean that the Minneapolis market price would fall to the level of the Winnipeg price. The probability is that the Winnipeg price would rise some and the Minneapolis price lower; thus they would be on the same level. The prairie farmers claim they would, in any event, get a higher price than they at present receive.

They point out in this connection the important circumstance that it is well known that the three States immediately to the south of the Prairie Provinces are "hard wheat" producing States, growing practically the same variety of wheat that is grown in the Prairie Provinces. A large percentage of the United States spring wheat is marketed in Minneapolis, or in small centres adjacent thereto, but that this milling industry does not consume the entire production is shown from the fact, as it is given to me, that during the crop year 1909, speaking in round figures, 54,000,000 bushels of wheat were shipped from Duluth; for the crop year 1910, 26,000,000 bushels; for the crop year 1911, 25,000,000 bushels; for the crop year 1912, 78,000,000 bushels, and up to the present time, for the crop of 1913, 45,000,000 bushels, proving conclusively that more spring wheat is grown in the United States tributary to those mills than is required by the mills.

It can be readily seen, therefore, that the Minneapolis mills do not need our wheat for grinding purposes, even for their home consumption. Nor do they need it for grinding flour for the foreign market.

Refund of Duty

Allow me in this connection to call your attention to the following extract from page O-98 of the tariff of the United States:—

"That upon the exportation of articles manufactured or produced in the United States by the use of imported merchandise or materials upon which customs duties have been paid, the full amount of such duties paid upon the quantity of materials used in the manufacture or production of the exported product shall be refunded as drawback, less 1 per centum of such duties."

But that is not all. There is this further proviso:—

"Provided . . if, however, the principal product is exported, then on the exportation thereof there shall be refunded as drawback the whole of the duty paid on the imported material used in the production of both the principal and the by-product, less one per cent., as hereinbefore provided."

Which means this: That if flour manufactured from the imported wheat is exported, the by-products, bran, etc., remain free of duty, and notwithstanding that tariff provision there is no practical demand in Minneapolis for the wheat of the Prairie Provinces for the purpose of manufacturing for export.

As the Minneapolis miller can select from an abundant supply and leave a surplus to be sent out via Duluth, our farmers contend that any addition to that surplus would not reduce the American price, and that in no event would it be reduced below the Duluth price. Duluth is the point where the grain leaves the West and becomes subject in respect of price to Eastern and export market influences. There seems to be no doubt that the Duluth price is higher than the Winnipeg or Fort William price, as I have pointed out, and our farmers claim that if they are allowed to sell their grain on the American market they will receive the American Duluth price. The rate of freight to Duluth corresponds to the freight rate to Fort William. There is a great difference between selling at Duluth and sending thru the States in bond. In the one case the American dealers can sell in the Eastern States and choose their own time and vessels and quantities for shipping to any point in the United States, or from there to ocean ports, whereas the Canadian dealers cannot do so in the one case at all, or as well in the other.

The cause for the higher price at Duluth may be accounted for at all events partially by the reasons just assigned the market of the Eastern States and somewhat lower ocean rates to final markets. Undoubtedly when the United States ceases to produce more wheat than it consumes it will become an importer and the prices will rise. It has not yet reached that stage. When it does it will open its dors to world competition. Already Argentina, which is Canada's biggest competitor in the production of wheat, has made its tariff laws conform with the conditions of the United States tariff, and wheat and flour from that country will be admitted free of duty into the United States.

Effect on Railways

Another argument used against a free United States market for wheat is that it would involve loss to our railway transportation system. Undoubtedly the lines of transportation in Canada are east and west, and if the removal of duty would in a marked degree remove the traffic from those lines it would be an economic loss to Canadian railways and Canadian vessels and to the many people employed on them in Canada. But would it cause such diminution of traffic over Canadian lines? The Western farmers claim that in the three States producing hard wheat adjoining the Prairie Provinces, the cost to the Dakota, Montana or Minnesota farmer to move his grain over American routes to the Eastern States is substantially the same as the cost to the Prairie farmer over the Canadian routes to the East. If, as pointed out, the Canadian grain is not a necessity to the Minneapolis miller, it can find its way to the Eastern States as cheaply over the Canadian as over the American routes and, therefore, the Canadian lines will have no difficulty in retaining the traffic. The average rates on wheat from Central North Dakota to Duluth is 15 cents per 100 lbs., corresponding to a similar distance to Fort William from Canadian grain fields. If shipped by Minneapolis the rate will be 20 cents per 100 lbs. for stopping and transfer, and to unload, 1 cent a bushel more. Thus, the farmers contend, it is clearly impossible for the Minneapolis dealer to bring Canadian wheat to that market unless it is required for milling there. To ship by Duluth does not cheapen transportation to the Eastern States market as compared with shipment by Fort William. If that be so, the farmers ask what have the transportation companies to fear? Indeed, the farmers say if our rates were cheapened as suggested by the Finance Minister why should not Canadian railways carry Western American wheat from Minnesota, Montana, and Dakota to the Eastern States? Let me call the minister's attention to this that the all water route for grain during the open season is by the Welland Canal. For this water route there are not sufficient boats of canal size to carry the grain that would be offered for the all-water route and large vessels are used for its transportation to Port Colborne, where it is transferred to the river boats. Port Colborne lies about twenty miles west of Buffalo. The rate for wheat to Buffalo was at the opening of navigation 1½ cents per bushel. The rate demanded to Port Colborne, which port can only be used by Canadian bottoms, was 2 cents per bushel. I am informed that the same is also demanded for Georgian Bay ports. It is said that Canadian boats demand more for hauling grain to Canadian ports than do the American boats to American ports, and the same grain can be carried a longer distance in American boats cheaper; but the coastwise laws prevent our using American boats to Port Colborne.

The Western farmers also point out that the new market in the Eastern States would have a steadying effect upon the price of wheat; and as we produce the best hard wheat, the Eastern States as well as Europe would compete for it. They also point out that the business in Canadian wheat is largely centralized and controlled by one English firm to the detriment of the Canadian producer, and another market would aid in checking that.

The Millers' Objection

Another argument urged against free wheat is that it would injure Canadian milling interests. I understand from some millers who visited Ottawa that they would not seriously object to free wheat if they could get better ocean freight rates for flour. The farmers say: How will the Western millers be injured? The Western home market is

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