

Western Farmers Hit by Drop in Wheat

But They Are Not the Only Ones Caught by Falling Prices—Producers Must Lose by Movement Which Benefits Consumer—Two Dollar Wheat Would Net Farmer Just \$1.70—Farming Profits May be Small This Year

By ANGUS LYELL

FARMERS all over the west will be hard hit if there is any further material drop in the price of wheat. The cost of putting in and taking off the crop has been abnormally high, and if less than two dollars a bushel is realized, the margin of profit, in a good many cases, will be very small. The government has rejected the appeal of the Canadian Council of Agriculture for the re-introduction of a wheat board, similar to that employed last year, on the ground that the concerted control of the foreign markets which then existed is no longer operative. The government will interfere only if a situation develops similar to that which existed last year.

What gain the average farmer will make with wheat selling round two dollars a bushel can at best be but estimated. An important factor—in fact, the controlling factor—is the yield per acre, which varies considerably. In some districts, it may be heavy enough to provide for a reasonable gain even if the price dropped to a dollar and a half a bushel, while in others, it may be so scanty that two and a half dollars might be required to avoid a loss.

It is often hard to determine just what is the actual gain or loss on farming operations. Proper records of operating expenditures may not have been kept. Allowance may not have been made for capital outlays, or for depreciation on the equipment used or other factor of production. One farmer who gave evidence the other day before the Tariff Commission at Edmonton stated that he expected a return of \$3,685 from a five-hundred-acre farm. But he admitted that he was not including his own labor and that of his adult son in the operating charges. Very likely he was also omitting other proper charges against his revenue, such as interest on his capital investment—in land, buildings, machinery, work-horses, and so on—and depreciation on his wasting assets. A marked drop in the price of wheat would likely eliminate this man's gain.

Costs Were High This Year

The year has been a hard one on the farmers in the west. Owing to the poor crop last year, there was in several districts not only a shortage of seed but insufficient feed. This led, in many cases, either to a loss in disposing of live stock or a heavy outlay for maintenance. The cost of seed was high. In Alberta, for example, seed oats cost from \$1.25 to \$1.75 a bushel, and wheat from \$2.50 to \$3. Many farmers had to purchase their seed. Then labor for spring operations cost about one hundred dollars a month, exclusive of board, and, in some cases, men had to be engaged for the whole season so as to ensure the harvesting of the crop. Day wages in the fall soared to eight and ten dollars a day.

On an average, about two and a half bushels of wheat is required per acre for seed. At three dollars a bushel, the cost per acre for seed would be \$7.50. Then let us put the average cost of labor per acre at \$11, which, I think, is not excessive for all operations—plowing, discing, harvesting, thrashing. Estimate the interest on the capital invested in land, buildings, work-horses, and equipment at \$6.50 an acre, and we have total charges of \$25 an acre.

Net Return from Two Dollar Wheat

The average yield of wheat in Alberta this year will be about twenty bushels to the acre, which is better than the yield in Saskatchewan. Now, twenty bushels at two dollars each gives a return of \$40. But wheat selling at \$2 would net the producer only about \$1.70 at the elevator, or \$34 an acre, which, according to our estimate, would give a gain of \$9 an acre. The return from a five-hundred-acre field, which

is much larger than the average under cultivation, would be but \$4,500. But were the market price to fall to \$1.60 a bushel, it is obvious that the margin of profit might be entirely eliminated. In pre-war days, when wheat sold at ninety cents a bushel, the cost of operation was very much less.

Wise Action in Removing Control

It is unfortunate from the viewpoint of the farmers that there has been a marked drop in the price of wheat, because of the heavy cost of production. But I think the government acted wisely in abolishing price control, and I cannot see that it would be in the best interests of the people as a whole were any measures now taken—if any could be taken—to bolster up a falling market, even though the agents of those European nations which most need our wheat may be helping to manipulate prices.

Market conditions last year were very different from those which now exist. European buyers were short of capital, and the buying and selling devolved on the nations interested. Both the United States and Canada, as exporting countries, had to finance the European powers that purchased their wheat, either by granting loans or credits. For that reason, it was necessary to fix prices and to practically eliminate a free trading market.

This year there is no such restraint. There is no concerted purchasing by the European nations. The European nations are receiving no aid from Canada or the United States to help them in financing their imports. There is an open market.

We all know very well that the high level of prices of commodities cannot be maintained. We know that, when a sharp break comes, some—producers, manufacturers, jobbers, speculators, and others—are bound to suffer loss. It will be unfortunate if our farmers are "nipped," but a general decline in the cost of food will be a blessing to millions. Once there is a marked reduction in the cost of the necessities of life, there will be a general break in the cost of everything. We will be well on the road to normal conditions.

World Market Must Rule

European buyers cannot well be criticized for purchasing in the cheapest market. France has an excellent crop, perhaps more than ample for her needs. Britain, too, has a good crop, although it is considerably short of her requirements. To-day, both the Canadian and the United States dollar are at a premium in the London market. You can (at the date of writing) buy the pound sterling in Canada at \$3.85—a discount of about twenty-two per cent. This means that if the market price of our wheat is two dollars a bushel, the British purchaser has to pay an extra forty-five cents for it. The premium on the United States dollar is higher. While present exchange conditions continue, overseas buyers will undoubtedly delay their orders as long as possible and then reduce them to a minimum.

But the good harvest this year will be a blessing to the average man. While the tendency in the west is for the producers to hold their wheat in expectation of an increase in the market price, the wheat cannot be carried in storage for ever. It will be forced on the market by sheer necessity. There is little money at present in circulation, business is far from active, and merchants are beginning to insist on settlement of their accounts. Very soon a condition will be reached where it is imperative to sell. And while a loss to the farmers is to be regretted, more so than a loss to the sugar refiners who endeavored to bolster up prices, a general reduction of prices will be of untold good to the community.