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CANADA AND THE WORLD FOOD SITUATION

An Address by Mr. J.G. Gardiner, Minister of
Agriculture, before the Fifth Session, FAO
Conference, in Washington, D.C., on
November 24, 1949.

...A Canadian reading the "Review of the World Food Situation" will be likely to make two criticisms. The first would be that it deals with two periods which were quite abnormal; the ten years of war and the ten years before the war. It tends to leave the impression that our objective should be to return to conditions existing prior to the war when many nations were motivated by policies which pointed the way to self-sufficiency.

Canadians would be inclined to favour a return to the conditions in trade which existed before Hitler and during the period when an effort was being made in Europe in the early twenties to establish democracies interested in one another's prosperity.

The second would be that the report blocks Canada with the United States in speaking of North America and loses sight of the marked difference between the two countries which does exist under economic practice following the war. We in Canada are proud to be associated with our great and prosperous neighbour and I above all persons should be the last to criticize because I owe the cost of my elementary education to the citizens of the United States. Nevertheless, I think it is well that we should understand the economic relationships of our two countries.

During the early part of the war, as the Canadian member of the three-nation Combined Food Board, I was asked to have an embargo placed upon the shipment of wheat to the United States. The Government in Canada indicated that we would prefer to have that embargo placed on by the United States Government. It was placed on and is still on. We may wish at present that we had put it on and therefore could have taken it off, but the fact is that we ourselves are to blame for the action being taken as it was. There are other instances in association with other food products when Canada was responsible for establishing a distinct line of separation between Canada and the United States which has resulted in our relationships to world demand for food being quite different. This separation has resulted and can result in difficult surpluses beginning to appear. We are of opinion in Canada that it would be helpful in dealing with difficult surpluses if these obstructions to trade could be removed.

I think it necessary to make these observations before proceeding to make observations with regard to the Review itself. Having made them I will proceed to comment upon the Review.

Published in 1949 by the Food and Agriculture Organization of the United Nations.

The "Review of the World Food Situation" prepared by the Council of FAO presents a disturbing picture. Parts of it, in fact, must raise the question in the minds of many as to whether FAO's goal of a better-nourished world is likely to be realized - at least in the foreseeable future.

The picture presented in that report shows that, while total world agricultural production has regained pre-war levels, it has not kept up with increasing world population - and that the supplies available per person are still below pre-war levels. Even more serious, however, is the fact that although production gains by countries are unevenly distributed, monetary difficulties are threatening to prevent freedom of movement of foods and other necessary products from "surplus" to "deficit" areas. This, in turn, might easily lead to a slackening of the productive effort in some countries and an increase in costs which may deny food to the people of other countries.

"Most under-developed countries," states the report, envisage reduced imports and expanded exports of food and agricultural products, even where food consumption is low. This is related to their desire to have the maximum possible quantity of foreign exchange available for purchases required in connection with industrialization and general economic development, and to their general inability to export any large quantity of products other than food and raw materials."

Canada's difficulties are not confined to those stated. We are also producers of other natural products, particularly mineral wealth, and importing countries are now forced, in view of currency difficulties, to use their scarce dollars for the purchase of minerals and other products and to leave food on our hands. This would deny Canada her natural market abroad for food, would deny her natural customers food, and would accordingly limit her ability to buy goods from other countries. Canada, which is the largest customer of the United States, would be prevented from buying United States manufactured products.

Again, the Report states, "The majority of the more developed countries have policies designed to reduce food imports and expand food production. Most, though not all of these countries, are driven to these policies by their balance of payments and other post-war difficulties."

This threat of accumulating food supplies in some parts of the world while people in other parts of the world are under-fed must evoke unpleasant memories in many of us. We saw something like this a score of years ago - and all of us can recall the miseries of the world depression that resulted. At that time, world trade in food and other commodities broke down because of trade barriers set up by many countries - some, but not all of them based on the desire of nations preparing for war to achieve self-sufficiency at any cost. The ideals of member nations of FAO are vastly different today - but monetary difficulties threaten the same lamentable result.

...Our monetary difficulties today threaten to reproduce the situation which existed twenty years ago, a lack of that free movement of food from those with food to spare to those in want. And unless some way can be found of solving this problem we cannot hope for that "all-out" effort by exporting countries that is needed if the people of the whole world are to be adequately fed. In other words, it is difficult to persuade a farmer to produce more food for the hungry in some other land if he sees no likelihood of its ever getting to the people who need it - if, in short, it is likely to remain on his hands... The representative from

Ireland ... has pointed out that the British are hungry for their joint of beef and hunk of cheese. We, in turn, must find some other natural market for these products or shrink our production of them because the United Kingdom has not the dollars with which to buy. And I repeat, if the farmer cannot sell his produce he cannot buy the industrial products of his own or other countries.

The seriousness of the situation is stressed in Paragraph 26 of the "Review" by the Council, which reads: "Unless a concerted effort is made to restore trade and payments equilibrium, the persistence of present difficulties threatens to reverse the trend towards freedom from want. It would compel some of the largest surplus producing countries to restrict their agricultural output and deficit countries to expand their production at any cost".

The Report further points out that we may be threatened in the near future by "surpluses" - however artificial they may be from a world standpoint - in such commodities as bread grains, coarse grains, rice, sugar, fats and oils and fish. We have already been threatened in Canada by surpluses of most of the foods referred to, the exceptions being rice and sugar.

The imminent appearance of food surpluses in the world is of particular interest to Canada which, since the beginning of the century has been a food exporting country. As a result of the wartime expansion in production, both industrially and agriculturally, Canada became the third most important trading country in the world.

This development in Canada's trading position took place largely after 1939 in an effort to meet needs in a world devastated by war. In this effort the farmers of Canada played a major role and the expansion in the production of food enabled exports to the Allies at levels never attained before, and we may have difficulty in attaining them again. Wheat shipments, for example, increased from the 1939 export of 193 million bushels to 344 million in 1944, but in 1947 were 196 million. Pork exports increased from 1939 level of 195 million pounds to 718 million in 1944, but, again, there has been a drop to 56 million pounds in 1948/49.

With reference to cheese we find a similar increase in exports from 90 million pounds during 1939 to 135 million pounds for the year 1945 and it has dropped to 40 million in 1948. This was not because the United Kingdom did not want our cheese but because we did not have the dollars to pay for it. This same situation is not true in the case of beef. Our beef is not being sent to the beef hungry people of the United Kingdom. Our beef is exported to the United States because the British have not the dollars with which to buy it which Canada needs with which to buy United States goods. I feel that there is much truth in the argument made by the delegate of Ireland. If we could remove that one difficulty of lack of dollars we would have solved many of our problems.

We listened with interest a few minutes ago to the comments of the delegate of the United States on the question of handling surpluses.

The United States has done a marvellous job in supplying dollars through the Marshall Plan. If there is any method by which the problem of inconvertibility can be dealt with which would help in removing those surpluses which E.C.A. funds do not provide for I am sure the one country which would be best qualified to state it could be the United States. I am sure that if they could make such a proposal to the conference it would be most welcome.

A reduction in Canadian export volume from the peak year of the war does not reflect corresponding reductions in production but is in part because of increased domestic consumption. The Canadian agricultural economy, at the present time, is producing at a level which meets the effective demand and in some commodities tends to exceed it. But the effective demand, when we take into consideration the dollar supply, is restricted by monetary difficulties and trade restrictions rather than lack of hunger.

The importance of agricultural exports in our economy places Canada in a unique position. Products of farm origin, while below war-time levels still represent a substantial part of total exports, and of these wheat alone accounts for about 15 per cent. Canadian farmers, therefore, are still vitally concerned with world markets and are fearful lest monetary difficulties and other trade obstructions deny them entry to their natural market which is the market of Great Britain. We are the nearest of all countries which supplied them in war-time. We still want to supply them until their needs are satisfied. If we did that we would not have any marketing problem in those products which they required from us during the war.

During recent years as much as 44 per cent of our farm production has entered export trade. To refer again to wheat as an example, about 75 per cent of our production has been sold abroad. Thus, in relation to some other exporting countries Canada has an economy which is particularly dependent upon exports - both from the point of view of the volume and the consequent reaction of Canadian prices to changes in world prices.

We welcomed the statement of the United States representative that they are anxious to put part of the area now in grain back into grass and the economy of Canada would benefit by that being done at an early date. It is essential for us to export 75 per cent of our wheat. Unless our exports can be maintained we cannot continue to purchase large quantities of goods from the United States and the United Kingdom. We should purchase from other countries, including those two, such goods as they can produce at lower costs than they can be produced in Canada.

I hope that nothing in the Report will suggest that the United States should not follow the conservation measures which have been outlined by the Delegate from that country. That, together with the removal of the embargo on the export of wheat from Canada to the United States would eliminate most of our difficulties and would go a long way to solving any international wheat problem with surplus wheat.

As pointed out in the FAO Report, Canada and the United States are now exporting two-fifths of the food commodities moving into international trade. It should be remembered, however, that this overall figure conceals some important changes in export supplies over the last ten years. Immediately prior to the war Canada's exports of wheat, for example, made up almost half the international trade in this commodity. The International Wheat Agreement of 1942 assigned 40 per cent of the agreed exports to Canada and less than half of this amount to the United States. Today, however, the latter country is providing the major share of cereals to importing countries. In the case of wheat, for example, the Report states the United States is today supplying almost one-half the total quantity entering into international trade. This contribution of United States agriculture to the needs of people in many countries of the world could be assumed by Canada as in the pre-war period if there existed any large effective demand and the need of the world would not suffer.

It hardly needs saying, therefore, that Canada is particularly interested in any international co-operation which could make the best use of world food supplies - which would contribute to the health and efficiency of all people at reasonable costs - and which would bring a measure of stability in price to agricultural producers.

Last year we had a number of commodities which were prevented access to their natural market because those commodities were declared surplus under the provisions of E.C.A. We could have supplied some of these items at fifty per cent less cost to those paying than they were supplied.

Canada, therefore, is prepared to give serious consideration to any international action designed to attain production and distribution of food. From this point of view we are interested in the proposal advanced by the Director-General for an International Commodity Clearing House. While endorsing the principle underlying this proposal we are not in agreement with the means which, it has been suggested, are necessary to reach the objectives. In this connection we may appear to agree with what has been said by the United Kingdom and United States representatives.

Any transactions developed under the short term trading functions will be subject to concurrence by the governments concerned, and the major details of such transactions will also be subject to agreement by governments. This being the case it hardly seems necessary to have an international agency actually buying and selling in commodity markets. It may even be questioned whether such activity in commodity markets by an international agency is desirable. It seems to us, therefore, that the question of the creation of a large capital fund for such a purpose is not necessarily an issue.

We can see considerable merit, as a long-run development, in the proposal that stocks of food should be held against shortage situations which experience has shown will develop.

Lord Boyd Orr, in presenting his proposal for a World Food Board, had in mind the fact that the world had surpluses during certain periods and extreme shortages in other periods. It was his purpose to stabilize returns to producers and costs to consumers by setting aside surplus quantities in good years for periods of shortages. As has been pointed out in other Conferences, however, national governments can, and do, perform this function and we do not see that stocks held by an international agency will, in the short run, contribute to any improvement in the present situation. Canada, for example, has provided for the holding of stocks of wheat under government control. Moreover, it is probably consistent with other developments to envision the long-term holding of stocks as an element in all overall commodity agreement.

We are inclined to agree that an international agency might well perform a useful function by keeping the supply and requirements for food constantly under review, and by exploring the possibility of facilitating adjustments between countries having food available for export and those where shortages are a problem, and finally by bringing together groups of governments of such countries to promote the orderly disposal and effective utilization of commodities which appear to be accumulating in exporting countries.

In suggesting the above functions for a co-operative agency it is realized that other means may be found to achieve the desired objectives. However, no matter what type of agency is involved it will have to take cognizance of a responsibility referred to in the preamble to the Director-General's recommendation about an

International Commodity Clearing House. The Director-General's Report on World Commodity Problems points out the necessity for the agency to conduct its transactions so as to supplement and support, but not compete with or replace, the normal channels of trading enterprise.

This would have particular application in cases where exporting countries, because of the inconvertibility of currencies or for other reasons, may find it expedient to dispose of surpluses in countries to which they would not otherwise export such quantities. It is obvious under such conditions, and lacking any co-operative international action, that such methods of disposal might easily result in other exporting countries losing commercial markets.

Unless the proposed international agency, with the co-operation of the governments concerned, could direct the disposal of any substantial surpluses which may arise in a way that would avoid this kind of development, then the effort of other exporting countries to maintain production levels in keeping with natural demand would be jeopardized and far-reaching effects might result throughout the entire food and agriculture economy of the world.

In conclusion, we in Canada agree with the United States and the United Kingdom that suggestions should be considered by a Working Committee. The Canadian delegation will co-operate in every possible way on such a Committee. We hope that out of this conference will come a suggestion that we can all agree on.

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