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## "The Challenge of Grain Production"

By HON. D. G. MCKENZIE

MR. MCKENZIE:—Mr. President, members and guests of the Canadian Club of Toronto: may I at the outset express to you the honor I feel that you have done me in asking me to address your Club. You have suggested that I should discuss for a time something of the problem of agriculture and its position in the economy of Canada. Your Secretary's words were the challenge of agricultural production. What is that challenge? To whom is it directed, and why? Is there a challenge to anyone?

One does not look on the agricultural situation in Canada for long without realizing one basic problem that in itself alone is influencing the position of agriculture in the economy of Canada, and that problem is related to the production of wheat.

Today I want to be as brief as possible and establish a background that will suggest to you the importance of the work already mentioned by your chairman—the question of putting chemistry and applied science to work for agriculture.

What is wrong today?

The difficulty arises from the fact that the countries of Europe are today importing annually on an average two hundred million bushels of wheat less than they did a few years ago. The world demand is for 540 million bushels, and the supply is 840 million bushels. As we look forward to the carryover in the present crop year we find we have eleven hundred million bushels as against six hundred million and we have to recognize that Britain has reduced her imports about five per cent, Germany and Italy about seventy-seven per cent, and other countries approximately thirty-three per cent, but the increase in supply still goes on.

I am not going to take time to go into the causes of this in detail, but I should like to mention some of the reasons that have led to this change in the purchasing customs of the buying countries of Europe. You know something of the insane nationalism abroad today, and the desire of these countries to be self supporting for fear that if a world war develops the fact that they were not so, might mean defeat.

You all know something of the wild race for armaments, the huge expenditures that have been made in this desire to be self supporting and to build up the strongest possible armaments, expenditures which have diverted huge sums of money that otherwise might have been used in world trade and have tended to limit the desire and ability of people to secure those things they would like to eat. In those countries today, in spite of the price of sixty cents a bushel at Fort William, the consumer is paying a dollar and a quarter to two dollars a bushel for wheat.

We find, too, that Germany is re-entering the whaling industry and for that reason is forcing people to eat the products of whale oil and blubber rather than butter and fats of that kind. Has that any relationship to our surplus of twelve million pounds of butter. We find Germany forcing the consumption of fish—and so the picture goes.

But what are the results on world trade?

We find the first results in the restriction of world credit. We no longer have the old gold standard. That in itself is partly the cause of the reduction in world trade, for without a common basis trading is difficult. There are many things that contribute to this cessation of buying, and so far as we are concerned the result is a growing surplus in the Dominion of Canada.

Can we translate the effect of all this into its application to the economy of Canada? Does it not mean that we have this problem of unemployment on our hands? Does it not mean restriction of business turnover and resultant added insecurity both for the individual and the community.

All these things have led to our marketing problems and the absurdly low prices that have been the rule for the last few years. But what do they mean when translated into their effect on Eastern Canada.

Last year we had a carryover of a hundred million bushels of wheat, and this year, with a normal crop it will be two hundred millions. There is your problem, and you can see for yourselves what is its effect on employment and business turn over.

Let us see what measures have been taken by governments to meet these problems. The United States last year set aside four thousand million dollars to be spent on a public works program designed to meet the problem in that country, and the Dominion government set up a housing scheme. Municipal works have been started for the same purpose, but for all these things money has to be borrowed, carry interest and be repaid.

What is the picture with regard to agriculture?

Agriculture last year contributed one billion fifty-one million dollars of new wealth dug out of the soil, wealth that does not carry interest rates and does not have to be repaid. The Monetary Times of July last expresses itself thus:

"This country without aid of inspired political financial operations is producing its own priming for the industrial and business pump. This priming will not carry interest costs nor the shadow of necessary future repayments of borrowed capital. It will come unburdened of these and its dilaments of pure gold will filter down into the deepest crannies of the commercial and industrial community. The possible western crop of 300 million bushels is the potential young Lochinvar who will save the Eastern industrialists from another depressed season."

The whole of Canada is deeply concerned with the success of the farmer. Transportation, finance, industry and labor all benefit from it. His products must be hauled, processed and sold, all of which gives work to railways, factories, wholesalers and retailers. Consider only the effect on labor so far as the farm itself is concerned. Last year in the harvest season, six thousand men from Winnipeg alone found employment in the harvest fields, and the farmer shares by enjoying whatever is left. There can be no question about it. The farm is the great concern of the people of Canada. When prosperous it constitutes industry's largest market. It is a great source of raw materials for

industry and provides labor for the unemployed. It has been said that almost one in every three Canadians employed is engaged in agriculture, but to prosper they must produce things that can be sold, and we must find ways to increase the field for their produce, for it has to be handled and re-handled, processed, sold and delivered and every single operation means work for someone.

I want to stress that, because while the farmer of the west is the producer, it is the East that transports, processes and sells the product and the interests of each demand cooperative action. There have been appeals that try to stir up class against class, and town against country, but I say to you that anyone who makes an appeal on such basis is not a good Canadian. This implies a new concept of agriculture, a concept that recognizes that the farm, labor, transportation and manufacture are interdependent. I like that conception because it recognizes that agriculture is on an equality with transportation and industry, because it implies co-operation and co-operation means that each must seek to find a solution for the problems of the other.

May I discuss for a moment some of the facts affecting agriculture in this country? Approximately fifty per cent of the people of Canada make a living directly from it. Four and three quarter billion dollars, one fifth of the money invested in Canada is tied up in it. Agriculture produces half the primary products of the country, and a quarter of the primary and secondary. I find further that Agriculture spends seventy-five per cent of its gross income on goods and services and so really does mean something in the economy of Canada.

But the problems associated with agriculture are many and varied, and the chief is: "Can we sell our wheat?" That certainly is not an easy task, but, I feel the picture is not quite as black as some of us are prone to imagine. There are certain factors that will help to sell our wheat. Canadian hard wheat is still the standard of perfection, and so long as we maintain that quality of wheat we can look for a permanent and preferred place in world markets. Great Britain imports from two hundred and ten to two hundred and twenty million bushels a year, and for many reasons she looks to Canada for the major portion. In the event of world

war is there any place to which she could look except to Canada. In the present world position we are moving either towards peace or war. We cannot continue for ever in the present uncertainty. In either event the position of agriculture will be improved, but I hope the improvement will not be the result of war.

But supposing we cannot sell wheat. What are we going to do then? Some say we should limit production, but I would like to suggest to you some of the effects that such a course would have on Canadian life. If we reduce our wheat acreage that land is not going to lie idle. It will be put into coarse grains and livestock, and if the western farmer does that he will come directly into competition with Ontario. That will not solve the problem. If we raise 250,000 head of cattle in the west is that going to help the problem? I do not think so. It is only going to shift it from the west to Ontario.

Furthermore we must realize that limited production does not necessarily mean increased prices. The world can very easily turn to subsidies and the price will still be kept down. Shall we reduce the production of all farm goods—lumber, wheat, cattle and dairy products to such quantities as we can sell easily on the retail market? What effect would that have on the economy of Canada? It would mean reduction in farm income, and any reduction of that means loss in purchasing power and that means business stagnation, and business stagnation means more unemployment, and more unemployment means more insecurity. No, limiting of production is not the answer. The western farmer must be encouraged to continue to produce, but agriculture is to be maintained and wheat growing to continue, consideration must be given to a number of things. First is the emergency of the present situation. Are factors today any different from a year ago? I do not think so, the emergency is just as great. So we must consider the development of a sound marketing policy and the continuance for the 1939 crop of a guaranteed price by the government. The full responsibility for the wheat situation falls on the country as a whole for it is the direct result of the years of encouragement of immigration and the opening up of the west. The whole national plan for Canada twenty or thirty years ago

was to build up an enormous wheat trade. Wheat, therefore does occupy a special position with regard to the national economy, and that position must be recognized if we are ever to get out of our troubles.

Let me again quote the Monetary Times :

"The value of the crop to the general business community depends so largely on the price obtained by the farmer that from here out every business man is doubly interested in the price of wheat.

"Consideration of wheat yields and prices shows the amazing importance of this commodity on the general welfare of Canadian business. The prosperity years of 1927-9 are those when bumper crops and excellent prices both obtained. During the depression years of 1930-33, crops continued excellent varying from three to above four hundred million bushels, but prices had fallen to half and in 1931 and 1932 to a third of the 1929 level. The return to better conditions paralleled the upturn of the price of wheat and in 1934-5 and 1936 good crops and better prices reaching as high as an average of 89 cents for the bulk of the crop in 1936 boosted every sort of Canadian business activity. The almost complete crop failure in Saskatchewan in 1937 bringing the country-wide total of production down to 182 million bushels assisted the forces of decline even though the price level of the previous year was maintained.

"Prosperity depends so largely on the coincidence of both large production and high prices for the bulk of the crop that any effort to maintain prices can only be advantageous to the whole community. It is not long since the industrial East objected very strenuously to the pegging of wheat prices or the purchasing of wheat by the Wheat Board. Those days have passed and proof has been complete of the value of this single crop to everyone.

"Railway, farm implement, and consumer goods manufacturers will all benefit from the crop, but only to the extent that it returns the farmer a substantial amount over and above his out-of-pocket expenses. Railways will make money if they have a two-way haul, and this will only be possible if the farmer makes a profit. And that on the average means getting over fifty cents a bushel. When the October future at Winnipeg is around 75 cents the farmer is fairly sure of

getting 50 cents for his best grades. His wheat usually averages somewhat lower than the best and he must therefore get above 50 cents for top grade to make a profit. The pegged price must therefore be at least ten to fifteen cents higher or around 90 cents.

"Should these factors of crop and price obtain this, the fall and winter should show increased activity in Eastern manufacturing and commercial groups. Railway earnings should be very favorably affected and farm implement makers should find sales more abundant and collections easier. The priming of the business pump seems to have taken its place as the latest sport of politics, but priming it with wheat appears to be a much more sensible and effective method than with long-term loans."

Let us consider for a moment what can be done to raise the production and price of wheat without government guarantees, which, may I say it frankly, I do not consider, offer a permanent solution.

First we must take steps to ensure larger sales of wheat and other agricultural products in foreign markets. Second we must encourage the farmer to keep up the quality of his product. Third protection for the consumer must be provided, for too high prices would defeat their own ends. Fourth an aggressive advertising and sales campaign must be undertaken. Fifth steps must be taken to reduce production costs, transportation costs, credit costs, and equipment and labor costs. Sixth we must enlist the aid of science and research workers to create new products and industries that will absorb farm produce as their raw materials.

I was amazed two years ago when I began to look into the possibility of industrial uses for farm products. In 1934 Industry turned to the farm for \$440,000,000 of raw materials. Why not \$550,000,000? Why not double? Can it be done? I think so. Let us turn to the United States and find out what is happening there.

A short while ago Mr. Henry Ford gave some figures on farm products that are used in his plants for the manufacture of cars. He estimated that in the production of a million V8 automobiles his company used 89,000,000 pounds of cotton—the crop from 558,000 acres—for making upholstery, brake lining, timing gears and safety glass;

500,000 bushels of corn from 11,280 acres for rubber substitute, alcohol and solvents; 2,400,000 pounds of linseed oil—the yield of 17,500 acres of flax—for making paints, core oil, soft soap and glycerine, and 2,500,000 gallons of molasses from 12,500 acres of sugar cane for making antifreeze shock absorber fluid and solvents. Products of animal husbandry used amounted to 3,200,000 pounds of wool from 800,000 head of sheep for upholstery, gaskets, anti-rust, floor coverings and lubricants; 1,500,000 square feet of leather from 30,000 head of cattle for making upholstery and hide glues; 20,000 hogs for lard oil, oleic acid and bristles; and 350,000 pounds of mohair from 87,500 goats for making pile fabric for upholstery. An immense market for the soya bean is evidenced in the use of 2,000,000 pounds of Soya bean oil from 10,000 acres that goes into the enamel on the bodies of the cars.

What is being done in Canada? A great deal, I think. Thirty-five industrial products are now made from corn and three from oats. There are many from wheat, including furfural, and before long production of that one chemical will account for large amounts of wheat. Use of dairy products has increased tremendously. By the development of new processes of fermentation, fifty varieties of cheese are now produced where there were only four. Plastics are made from waste agricultural materials, and I have recently been shown a sample of wall board made from wheat straw. It appeared to be a very fine product, and according to its maker it will be very much cheaper than the standard board.

The possibilities are great, and it is only by programs of this kind, I think, that we can free wheat production from the necessity of government subsidy. Canada is a great country. Is there any country so rich in natural resources? If we develop them intelligently there seems no limit to what we can achieve. We have the brains and ability to carry out that task, and I come to you as a citizen of Western Canada to challenge your interest in solving this great problem. If we work together we can achieve for Canada the finest civilization in the world.