

# The Export Market

and

# The Farmer

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THE relative importance of agriculture in the domestic economy and in the export trade of Canada increased from Confederation until about the early 1900's. After a period of stability a gradual decline started in the middle 1920's and is still going on.

The following table shows the trend in the acres of crops and total animal units on farms per person of the total population.

TABLE 1

Year	Acres of Crops Per Person*	Animal Units Per Person
1871.....	2.5	.74
1881.....	2.6	.77
1891.....	3.2	.80
1901.....	3.7	.93
1911.....	4.9	.83
1921.....	5.7	.82
1931.....	5.6	.75
1941.....	4.9	.73
1949.....	4.8	.63

\*Acres and animal units of each period divided by total population.

Animal units per person increased until the early 1900's and have declined steadily since then with the exception of a temporary upturn during the recent war. In 1949 the lowest level since Confedera-

tion was reached. It will likely reach a new low level in 1950.

Acres of crops per person rose steadily from about 1880 to the middle 1920's and has slowly fallen since then.

It is significant that although there have been shifts to more emphasis on livestock in certain regions yet the overall picture shows a decline in livestock compared with crops since 1870. This is indicated in the following table:

TABLE 2

Acres of Crops Per Animal Unit	
1871.....	3.29
1881.....	3.34
1891.....	4.07
1901.....	3.96
1911.....	5.91
1921.....	6.88
1931.....	7.44
1941.....	6.7
1949.....	7.56

The shift is due to the great expansion of grain growing in the west which far outstripped the increase in livestock production over the years.

It is also significant that the rapid expansion of livestock from 1870 to about 1910 was based largely on an expanding export of livestock and livestock products. The expansion of grain growing was also dependent upon the export market. But livestock has since declined in relative

importance compared with grain which leads us to conclude that livestock producers, with some exceptions, could not stand the international competition as well as grain growers.

The export trade in farm products grew steadily from 1870 and reached a peak of relative importance of the total export trade in the 10-year period 1901 to 1910. During this period half our total export trade was in farm products. In some years of this period, cheese exports exceeded 200 million pounds, bacon exceeded 100 million pounds, butter exceeded 30 million pounds and live cattle averaged about 170,000 head a year. The export of apples reached 1.5 million barrels a year.

Since the 1901 to 1910 period butter exports have disappeared entirely; exports of cheese declined steadily to 60 million pounds in 1934. After a temporary rise during the war they again fell to a new low level in 1949. Bacon exports, apart from a short time increase in World War I, declined to the low level of 10 million pounds in 1930. During World War II they rose to the fantastic height of 700 million pounds in 1944 and dropped rapidly to about 90 million pounds in 1949. Exports of apples gained a little from the 1901-1910 period reaching a peak of about 2.5 million barrels a year during the middle 1930's. For some years during the war they ceased altogether but in the post-war years have averaged about one million barrels a year.

Exports of live cattle, mostly beef, have held up well for the past 40 years, except for a few years in the early 1930's. In 1949 we exported more than 400,000 head of live cattle. The export trade in cattle has been influenced a great deal by the tariff policy of the United States and the embargo on imports to Britain because of foot and mouth disease regulations. Generally speaking when the United States tariff is low, cattle prices in the United States are in the high phase of the cattle price cycle. Then we export heavily to that market. When the cattle price cycle is low in the United States, in the past they have raised the tariff

and our exports have fallen off badly. At these times we have shifted to the United Kingdom, usually a poorer market for our live cattle.

Exports of wheat increased rapidly from 1890 to about the middle 1920's. They have remained high since then with no significant trend.

The brief analysis above indicates that apart from the stimulus of wars, exports of bacon, cheese and butter have declined steadily since the early 1900's. This has been due to the rapid increase in the population of Canada and the rise of the importance of other sources of food for Britain, particularly Denmark, New Zealand and Australia. Denmark and to a lesser extent other European countries over a period of years apparently have a comparative advantage over Canada in producing bacon for the British market. Consequently our bacon producers are gradually retiring from the export market. The facts of the export trade prove this.

New Zealand and Australia butter is produced under more advantageous conditions than in Canada, so we have completely retired from the export market for butter. In cheese, New Zealand for some reason has not as great an advantage over Canada as she has in butter production. Thus our gradual retirement from the export market for cheese has been slower.

Our export trade in beef cattle has been well maintained or even increased because we are competing on at least equal terms with the United States under very similar conditions.

Our export trade in wheat has been well maintained because we have a definite comparative advantage and over the years can maintain the industry under conditions of world competition.

The export trade in apples has been maintained until quite recently because it has been mostly a trade between Britain and Nova Scotia based on a cheap water haul.

Until the last war we never exported eggs to Britain in either shell or processed form, and are not likely to do so in the

future. Eggs have too much water in them to warrant long distance transportation and dried eggs are a relatively low priced product. The same situation holds true for evaporated milk. This watery product could stand the long freight haul in war-time but not in peace-time.

Unfortunately over-optimism and poor judgment on the part of some responsible people a year or so ago led the farmers to believe that we could maintain a high level of exports of animal products to Europe after the war. Hansard reeks with such thoughts. One responsible individual of the House of Commons said we should aim at a post-war average of 400 million pounds of bacon a year to Britain.

It was inevitable that the export trade in most agricultural products would sooner or later revert to the pre-war levels. The war-time levels of export trade or even a moderately reduced level could only be held if the post-war competitive position with different countries was more favourable for Canada than the pre-war situation.

## II

**A** PART from wheat, which goes to practically the four corners of the world, there are really only three main markets for Canadian farm products, the United Kingdom, the United States and the domestic market.

Traditionally the United Kingdom has been the important market for wheat, bacon, cheese and apples. Small quantities of coarse grains have also been shipped. She will continue to take our wheat, coarse grains and cheese. For some time to come she is not likely to take bacon or apples. By the time she is in a position to take these products again it is likely our domestic demand will have expanded to such an extent that we shall have no surplus to export.

Had it not been for the change in policy allowing the free manufacture and sale of margarine in Canada in a few years our cheese exports would have vanished due to the expanding demand

for milk in the urban centres. As it is now however, the diversion of some milk from butter to cheese will likely maintain our cheese exports for some years. The manufacture of cheese acts as a stabilizer on the entire dairy industry. A satisfactory outlet for cheese is essential for a healthy dairy industry. The present United States tariff rates on cheese (3.5 cents a pound or 17.5 per cent ad valorem, whichever is the higher) make that country an unsatisfactory market. We must do our utmost to hold a substantial place in the British market for our cheese.

From time to time we shall have an export surplus of barley, chiefly the malting grades. The United States over the years has been a good market for malting barley and the future looks bright for this trade.

Present tariff rates on live cattle and dressed beef entering the United States are quite favourable to Canadian producers. Our surplus beef comes mostly from the Western provinces where they are produced under low cost conditions. For many years we shall need good export markets for beef. The United States is a natural short haul market provided there is no sudden change in tariff policy.

The United States is not likely to be a good market under present tariff rates for such products as eggs, bacon and cheese. Cheese we can send to Britain, the eggs and bacon we shall have to eat ourselves. What small exports we do make to the United States of eggs and bacon will only be intermittent. It is not likely that Canadian farmers can produce at low enough cost to be in the United States market for these products as a permanent proposition.

Canada has developed a substantial export trade in grass and clover seed (\$19 million in 1949) to the United States. The relatively low tariff and strong demand from the emphasis on forage production and soil conservation in the United States indicates a good market there for some time.

Space will not permit any extended discussion on numerous small export markets. It is true we can endeavour to search out small overseas markets for



very limited quantities of agricultural products. But with the exception of wheat our chances of shipping significant quantities of farm products at world price levels to such markets are very limited indeed.

The biggest market, with the exception of wheat, is the domestic market. This market over the years for food has expanded at about a rate of 2 per cent per annum (compound rate). For basic foods such as wheat, potatoes and beans, the rate of expansion has been less than this; for other perishable products such as fruits, vegetables, meat and dairy products the rate has been higher. Animal production is increasing at a slower rate than population (with the exception of beef production). Over the coming years the surplus animal products (again with the exception of beef) and apples available for export will likely decline. The domestic market will absorb an increasing proportion of production. For cheese, the margarine situation will prolong the final withdrawal from overseas markets.

The outlook for profitable overseas markets for farm products is poor. Even without devaluation it is doubtful if the natural factors of production in Canada were favourable enough for Canadian farmers to gear their production to a level which would mean permanent competition on world markets. With the exception of wheat, natural factors and distance are against us. Another excep-

tion is the production of beef cattle on western ranges which over a period of years can successfully compete in the United States markets.

With devaluation the competition has increased. To-day the farmer faces the necessity of withdrawing from overseas markets and reducing production to satisfy the domestic market.

Canada is rapidly becoming an industrial nation behind a tariff wall which favours industry. Higher farm material prices because of tariff protection and the higher farm wages due to competition with wages paid to highly organized labour in an expanding industrial economy make it difficult for farmers to produce at low enough prices for the export trade.

There is one bright spot for the farmers. Wheat and beef production of the west are natural to the region. Given fair competition with the United States we can maintain our beef exports to that market. Given unrestricted world trade in wheat our wheat farmers can face world competition successfully. If these two trades are not blocked we shall not have large quantities of animal products to dispose of. Under these conditions, full employment at home and our own expanding economy will likely soon result in no exportable surpluses of food products. But for a few more years the prices received for the small quantities of exports of some products will be a dominant factor in the prices received by the farmer.