

these authorities and with the regular departments of the government and very little friction appeared where the functions of one extended into the field of another or required supplementary action by the other. It may also be noted that in 1916 action began with the imposition of penalties for profiteering, hoarding, price fixing, etc., with provision for investigation and prosecution, also for the collection of statistical data. As it appeared, and was learned from the experience in other countries where price fixing had been tried since the beginning of the war, that regulation must include the control or direction of supply as well as the promotion of increase in production, prevention of waste, and the control of transportation

and distribution, measures for these were also taken and in coal mining were extended to some control of wages, owing to labour disputes. In the present war, having the advantage of the experiences during the Great War, provision for the control of prices and trading was made from the beginning and to a great extent centred in the War-time Prices and Trade Board, consisting of permanent officials in various departments of the government service, with wide powers of investigation and control of trade through administrators or controllers responsible to the Board, many of them from the permanent civil service, while others are drawn from business or the professions in order to have the advantage of their special knowledge and experience

Wheat in a War Divided World

By HELEN C. FARNSWORTH

BEFORE September, 1939, when Adolph Hitler sent his troops on their fateful march into Poland, one could talk meaningfully of a "world" wheat problem. At present, with the swastika flying over most of Continental Europe, and naval blockades curtailing outside shipments to that area and to Britain, it is necessary to distinguish between two different wheat problems: (1) the critical scarcity of wheat in Europe, and (2) the burdensome surplus in the overseas exporting countries. If the European war could immediately be ended, the former problem would vanish, but the more basic wheat-surplus condition would persist, at least for another year or two.

EUROPE

Within Europe, the degree of wheat scarcity varies from country to country. Britain, and Britain alone, has had full access to the large wheat supplies overseas. Yet even Britain, faced with heavy

shipping losses, has taken steps to curtail wheat consumption by prohibiting feeding and by requiring increased extraction of flour from a given quantity of wheat. Excellent bread, however, is still obtainable in Britain, and in unlimited quantities at a cheap (subsidized) price.

The various neutral nations of Europe have had a more limited access to overseas wheat. Under British navicerts they have been permitted to import wheat for current consumption and for the maintenance of stocks not in excess of two weeks supplies. But inadequacy of shipping facilities and lack of foreign credits have greatly restricted such imports. Portugal, Switzerland, and Sweden seem to have had ample supplies of bread grain during the past year, and Eire and Finland faced no really critical shortage. On the other hand, Spain had to adjust to a serious deficiency of bread and other food, in spite of the importation of at least 20 million bushels of wheat (mainly from Argentina).

Greece was reasonably well supplied with basic calorie foods until she was

EDITOR'S NOTE. Helen C. Farnsworth, Ph.D., is Associate Economist in the Food Research Institute, Stanford University. For the past ten years she has been partly or wholly responsible for the analytical surveys of the current wheat situation, published every four months in *Wheat Studies*.

forced to submit to German rule. Thereafter, foreign food supplies were shut off, and transport difficulties so interfered with the internal movement of food that hunger became widespread. In June the bread ration in Athens was one of the lowest on the Continent.

Broadly, the greatest scarcity of wheat, and of food in general, has been in the Nazi-dominated area of Europe. Germany herself has fared moderately well, partly as a result of large "war reserves", partly because she has had first claim to the choicer foods available in all the vanquished countries. Italy has been less fortunate, as is evident from her low meat rations, from the poor quality of her bread, and from the restrictive rations established for macaroni and rice. But the Nazi-dominated countries where people have really clamored for bread that was not available, where hunger (though not starvation) had been widespread, are Poland, Belgium, unoccupied France, Greece (since April), and perhaps Norway. Of the so-called neutral countries, only Spain has suffered similarly, and for reasons other than the Continental blockade.

Everywhere in Nazi-dominated Europe millers are now required to extract from each 100 pounds of wheat some 10 to 20 pounds of flour more than usual, and to mix with bread-grain flour maize, barley, and, or potatoes. Even the poor sorts of bread thus produced are strictly rationed, except in Italy. And in many of the countries, the rations in force are considerably below customary consumption standards.

FOUR CHIEF EXPORTERS

In sharp contrast with the serious wheat shortage faced by belligerents and neutrals alike in war-torn Europe, are the overflowing granaries in Canada, the United States, Argentina, and, less noticeably, Australia. On August 1, 1941, these four major exporting countries held heavier stocks of old-crop wheat than ever before. And the "world" carryover on that date was also unprecedentedly large, despite virtual exhaustion

of old-crop wheat supplies in a number of European countries.

The wheat-surplus condition evidenced by these heavy carryovers can not be blamed primarily on the war. If Hitler's war machine had remained inactive in Germany, the "world" wheat carryover of 1941 might have been 100 to 200 million bushels smaller. But even so reduced, it would have been greatly excessive; and Canada and the United States, in particular, would still be troubled with burdensome stocks.

Rather must the current wheat surplus be attributed to non-war factors—primarily to the group of circumstances responsible for the two successive bumper world crops of 1938 and 1939. The huge harvest in 1938 was the product of unprecedentedly heavy sowings of wheat and a record average yield of wheat per acre. Thus attributable to both Man and Nature, that bumper harvest was reflected in a near-record world carryover on August 1, 1939—just before the outbreak of war in Europe. Had the 1939 crop turned out as poorly as the small crops of 1934-36, the world carryover would have been considerably reduced in the following year. But the large harvest of 1939 added materially to the existing burdensome stocks. In the absence of war, the ensuing moderate crop would probably have been used in full to cover the world's consumption requirements. But with consumption curtailed by the European war, that crop, too, proved excessive, adding another 100 million bushels to the world carryover.

Faced with growing surplus wheat supplies for which no export outlet was immediately in prospect, the governments of the major exporting countries were forced to assume part of the financial burden associated with the heavy stocks. They also began to devise means of preventing further substantial accumulations.

AUSTRALIA

Australia, whose wheat problem is least pressing because of a fortuitous crop failure in 1940, adopted a wheat

stabilization program providing for government-financed purchase of 140 million bushels of wheat at a guaranteed minimum price, f.o.b. ports, roughly equivalent to 68 Canadian cents per bushel. The same program provides for the licensing of all wheat farmers and the assigning of "normal" wheat-acreage allotments based on plantings during recent years.

For 1941, the Australian Wheat Board did not require any reduction in wheat sowings, but announced that farmers should not plant more than they had on the average over the past three years. Since drought persisted in Australia until June, the actual sowings seem likely to be somewhat below the three-year average, though about the same as last year. One might guess that the new Australian crop will not exceed the limited figure which the government has indicated a willingness to help finance and that Australia will not be called upon in the near future to carry a heavy burden of wheat stocks.

ARGENTINA

Argentina's wheat position is worse than Australia's, but not nearly so bad as Canada's. Because she harvested a large crop last December, Argentina now has on hand heavy surplus stocks for which the current export demand is inadequate. These stocks, however, are materially smaller than the record ones Argentina held two years ago; and they shrink almost to insignificance as compared with the huge stocks of corn that government is attempting to handle.

It is still too early to guess how much the Argentine government will be obliged to pay for its current wheat program. Under this program the Argentine Grain Board is committed to purchase an unlimited quantity of wheat at a basic minimum price in Buenos Aires equivalent to about 60 Canadian cents. Part of the wheat so purchased can be resold by the Board to domestic millers at a gross profit of around 19 cents per bushel, and such of the remainder as is demanded can be sold for export at whatever price the Board deems acceptable. So far

this year, the Board's export offers have been maintained at a level only a few cents below the legal minimum buying price. On the wheat it has sold, therefore, the Board has probably more than broken even. But the large amount of wheat remaining in the hands of the Board constitutes a big financial drain in the form of accruing interest and storage charges.

In spite of the financial burden associated with Argentina's existing heavy wheat stocks, the Argentine Grain Board did not require the farmers from whom it purchased 1940 wheat to reduce their planted acreage this year. Although such a requirement could legally have been enforced under the terms of the purchase contract, the Board merely advised growers to reduce their wheat sowings ten per cent. Recent reports suggest that only a slight reduction has been effected.

U. S. A.

In the United States the planned Ever Normal Granary has threatened over the past three years to develop into an Ever Abnormal Glut. During these years, the government's wheat program has consisted of several parts, the most important of which has been a system of wheat loans—the American counterpart of a guaranteed minimum price. Under this system "cooperating growers", who plant within their government-assigned wheat-acreage allotments, are given the opportunity to "borrow" from the government, without obligation to pay back, a specified amount of money for each bushel of wheat they store under government supervision. Similar loans are not available to non-cooperating farmers (except on a limited scale when marketing quotas are enforced), and such growers normally profit only through the higher market prices brought about by the loan program.

Started in a modest way in 1938-39, the American wheat-loan program has since expanded in a threateningly un-economic manner. Each year the loan rates have been raised; each year more

wheat has been placed under loan; each year more has passed to the government against defaulted loans. In 1938-39 the basic loan rate for No. 2 Hard Winter wheat at Chicago was 77 cents (U. S. currency); in 1939-40 and 1940-41 it was 80 and 81 cents respectively; and for 1941-42 it has been raised to \$1.15 (U. S.) or \$1.27 (Canadian).

Reflecting the strong political influence of farmer's organizations in the United States, American wheat-loan rates have constantly been maintained above the level of wheat prices on free international markets. To the high level of the rates, rather than to the loan system itself, must be attributed most of the economic maladjustments that appear to be due to the loan program. A low guaranteed minimum price or loan rate may be defended as a necessary measure to prevent severe distress among wheat growers in certain periods of agricultural emergency. But this is certainly not the primary purpose of the current American loan rate of \$1.27 (Canadian currency) at Chicago, in contrast with prevailing guaranteed minimum prices of 61, 68, and 70 Canadian cents respectively, for Argentine wheat at Buenos Aires, Australian at specified ports, and Canadian at Fort William-Port Arthur.

The American wheat-loan program has been supplemented by (1) soil-conservation payments to "cooperators", recently amounting to 8 to 17 cents per bushel of the normal yield; (2) small intermittent purchases of wheat on the open market for domestic and foreign relief purposes and for certain restricted export sales; (3) export subsidies granted to wheat and flour exporters to bridge the gap between foreign and domestic wheat prices and to insure a share of the world export market to the United States; (4) low quotas on wheat and flour imports into the United States, established on May 28, 1941 to prevent sizable imports from Canada in response to artificially inflated wheat prices in United States markets; and (5) wheat marketing quotas for 1941-42, which permit cooperating growers to market their entire

crop without penalty, but require non-cooperators to pay 49 cents per bushel for all wheat marketed in excess of their allotted quantities.

At least two, if not three, of these complicated provisions were designed to counteract the maladjustments in America's wheat economy introduced by the government's high loan rates. Moreover, further counteracting measures are likely to be adopted in the coming year. First, there is the embarrassing problem of storage or disposal of the large wheat stocks now owned or likely to be owned next July by American government agencies. Either stored or offered for commercial sale, these stocks would compete with the wheat owned by American farmers. For political reasons such competition is intolerable. The answer will probably be government-sponsored disposal of surplus wheat through non-commercial channels, such as diversion to American feeding troughs or as gifts to China and other countries.

Also in the foreground now is the problem of America's "share" in the world export market. Clearly, it would be to the interest of the American government if it could arrange to send part of its surplus wheat abroad without the expense of providing export subsidies or of making gifts of wheat to needy nations. This was probably one of the ideas back of the international conference of surplus wheat-producing nations called by the State Department of the United States for July 10. The results of the conference, which later adjourned to meet again on August 18, are as yet indeterminate. However, it is generally expected that some type of an international agreement will be framed which will provide for (1) an international Ever Normal Granary, (2) an "equitable" division of the available world-export market, and (3) the introduction and strengthening of production-control systems in the four major exporting countries.

CANADA

Canada has so far avoided some of the more costly mistakes in wheat planning

made by her well-to-do neighbor. But Canada nevertheless has serious wheat-surplus troubles of her own. Indeed, among the four major exporting countries, Canada's current wheat position is the most critical. Her unprecedentedly large wheat carryover on August 1, 1941, was over three and a half times the annual consumption requirements of her population, whereas the United States carryover on July 1 was considerably below a year's domestic needs and the prospective carryovers of Australia (December 1), and Argentina (January 1, 1942) both promise to be smaller than the corresponding annual requirements.

Canada's present difficult position is the result of two successive bumper wheat crops, attributable to heavy sowings and favorable weather in 1939 and 1940. Those huge crops could scarcely have come at a worse time from the standpoint of foreign demand, because of the progressive contraction of the European import market after September 1939. The development of Canada's enormous wheat surplus was thus to a large extent fortuitous, and its origin as well as its size clearly demanded that it be dealt with as an emergency problem.

Viewed as an emergency measure, the wheat program adopted by the Canadian government last spring appears quite reasonable. It provided for purchase by the Canadian Wheat Board of a limited amount of 1941 wheat—230 million bushels—at a minimum price of 70 cents per bushel for No. 1 Northern wheat at Fort William-Port Arthur. Deliveries of wheat by individual producers in the Prairie Provinces are to be based upon 65 per cent of their wheat acreage in 1940, or, in exceptional cases, in certain earlier years.

The Canadian government requested, but did not require, contraction of wheat plantings in 1941. With the request went an offer to pay farmers bonuses of \$2.00 to \$4.00 per acre for diverting wheat land to other specified purposes in 1941. Under this program, Canadian farmers are reported to have reduced their wheat sowings about 6 million acres or 22 per

cent—a truly remarkable achievement.

Current forecasts of the growing Canadian crop, based on the reported crop condition as of August 1, suggest an outturn only about half as large as last year's. However, even a crop of this reduced size, combined with Canada's record old-crop carryover, would leave the Canadian wheat position only moderately better than in 1940-41.

The wheat supplies of the other three major exporting countries seem more likely to be increased than decreased in 1941-42. For the United States this prospect is now definite; but much may still happen to the growing crops in Australia and Argentina. In any case, there is no good reason to anticipate material lightening in 1941-42 of the general burden of wheat surplus borne by the four chief exporting countries. And although the need for wheat in Europe may prove to be greater next winter than it was last, overseas exports to Europe will presumably remain small as long as the present war continues.

FUTURE PROSPECTS

What of the more distant future? The current heavy burden of surplus wheat stocks may be greatly lightened in any one of three ways: (1) through extremely low yields of wheat per acre resulting from unfavorable weather conditions in the leading exporting countries, (2) through further contraction of wheat acreage in those countries, and (3) through establishment of a type of world peace that will promote international confidence, trade, and prosperity.

At present, neither exceptionally low nor exceptionally high yields per acre can safely be predicted for the chief exporting countries over the next few years. On the other hand, the national wheat-acreage allotment for the United States has already been reduced seven million acres for 1942, and the other three exporting countries have the legal machinery for curtailing wheat plantings whenever such a policy is deemed necessary. Government-sponsored acreage curtailment, with payments to cooperating

growers, is defensible as an emergency measure, but not as a prolonged program which serves to maintain a larger farm population than is likely soon to be demanded.

There would be no need for permanent contraction of wheat acreage in a postwar world organized effectively to promote international goodwill and general prosperity. In such a world, international trade would expand, and for some years,

at least, per capita wheat consumption would probably average higher than it has over the past decade. Ever since the late 'twenties', if not also before, government measures in various countries have restricted wheat consumption, directly or indirectly, intentionally or unintentionally. If the victors of the present war are to win the ensuing peace, they must see to it that the world is so reorganized that such restrictions will be deemed unnecessary.

The Food Stamp Plan in the United States

By HERMAN M. SOUTHWORTH

THE Food Stamp Plan has become one of the chief programs in the United States for moving foods for which farmers are underpaid into the hands of consumers who are underfed. Initiated as an experiment in Rochester, New York, in May, 1939, 2 years later the plan was in operation in 347 areas, and 39 others had been designated for inclusion in it. These areas included over half the population of the country. Operation was statewide in 5 states. During May, 1941, the plan increased the food-purchasing power of some 4 million persons by almost 10 million dollars. The expanding scale of operation of the plan, the widespread interest in it, and its potentialities as a program of social adjustment justify a description of its background and development and an analysis of its method of operation.

FARM SURPLUS DISPOSAL AS AN EMERGENCY PROGRAM

Two related phenomena of depression in many countries were underconsumption of food by families on reduced income and reduction of farmers' incomes because of low prices for foods. This situation was one symptom of the breakdown in the mechanism of income distribution; it pointed obviously to the need to

supplement this distributive process by social action.

An early response to this problem in the United States was the purchase of surplus farm products by the Federal Government for free distribution to needy persons. This program of Direct Purchase and Distribution, administered under the Department of Agriculture, began in 1933. Among its first major projects was the buying of livestock in drought-stricken areas. After the drought emergency, it turned increasingly to the relief of farm marketing crises in other commodities through purchasing supplies in sufficient quantities to bolster farm prices.

Foods thus purchased were shipped to administrators of public assistance in the several States, who distributed them to families on relief and to various institutions serving the needy. Schools serving noonday meals to underprivileged children have been an increasingly important outlet for these surplus commodities. Labor for storing, packaging, and distributing the foods has been provided chiefly through the Work Projects Administration as a part of its program of unemployment relief.

This surplus marketing program, like many other measures undertaken to relieve depression, was viewed originally as a short time, emergency measure. Again like other measures, experience demonstrated the necessity of continuing

EDITOR'S NOTE: Herman M. Southworth is Associate Agricultural Economist of the Division of Marketing and Transportation Research, U. S. Department of Agriculture.