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The North Atlantic Triangle And Changes in the Wheat Trade Before the Great War

As the nations of Europe became increasingly industrialized in the nineteenth century, they became dependent on the lesser developed continents for primary products. Among primary products, wheat assumed a special importance in the last half of the century. Wheat became the international medium of exchange. Europeans exchanged manufactured goods for wheat from around the world – Russia, India, Australia, Argentina, the United States and Canada. Foremost among these wheat producers was the United States. Americans had the good fortune of possessing a seemingly endless agricultural frontier where high quality grain could be produced cheaply for the export market. American wheat was accepted in the grain markets of the world as the standard, and American production and processing techniques were studied and emulated by the other producing nations.[1]

Despite this established dominance in the wheat trade, the United States' position was seriously threatened by Canadian wheat production after the turn of the century. The causes of this turn of events are three-fold. First, changing economic and social conditions in the United States robbed American wheat production of its former vitality. Second, Canadian wheat growing entered a booming period of expansion that was geared specifically for the export market. Finally, the role of Great Britain as the world's primary dealer in grain was more advantageous to Canada than to the United States. Combined, these factors broke the American grip on the wheat trade and prepared the way for the ascendancy of Canada as the world's largest wheat exporter in the twentieth century.

By 1900, expansion in the United States was nearly over. For the first time, resource management became a serious consideration in economic development. Wheat was a natural money crop when land was cheap, but its extensive land requirements were not suited to a situation of rising land values. California was the first area of the country to feel economic pressure on its wheat lands. The period after the Civil War saw California number among the major suppliers to the wheat exchanges in Great Britain. Declining wheat prices and increasing land costs forced more and more California farmers out of the grain business until by 1890 west coast grain shipments were insignificant.[2] The same situation was occurring elsewhere in the United States, although to a lesser degree. The population growth placed greater demands on the land, and as land values climbed farmers began to diversify. Expanding wheat production was sacrificed for more intensive crops needed to feed the growing home market. The resource situation in the United States was summarized by a contemporary figure who, upon surveying the possibilities of world wheat expansion, commented, "...the limit of wheat production in the United States has approximately been reached."[3]

On top of the resource problems of American wheat producers there were also handling and marketing problems in the grain trade. Most of the problems stemmed from the contrast between the well-managed organization of grain dealers on one hand and the "ruinous, anarchistic form of competition" among producers on the other.[4] The Minneapolis Chamber of Commerce became the villain of the northwestern grain trade. The Chamber was the largest grain trader in the States, and it dominated the hard red spring wheat market which supplied some of the highest grade wheat to Britain and Europe.[5] Farmers were convinced that the Chamber of Commerce was fixing prices, and their frustration gave rise to a variety of prairie political protest movements in both the late nineteenth and early twentieth century – the Farmer's Alliance, the Populists, the Non-Partisan League.[6] On the economic front the farmers tried to organize the Equity Cooperative Exchange after the example of the successful Canadian Grain Growers Associations. The Exchange was established in Minnesota in 1908 and spread to North Dakota in 1911.[7] Much of the Exchange's intended advantage, however, was subverted by the continual opposition of the Minneapolis Chamber of Commerce.[8] The farmers and the Chamber were locked in recurring court battles involving charges and countercharges of monopolistic practices. The major result of this conflict was a friction between producers and dealers that disrupted the American wheat export trade.

In the market place of a major staple product like wheat, innovation plays a large role. The United States moved to the leadership of the grain market with innovations like the use of elevators instead of warehouses, the concentration of elevators at the terminal market for larger scale operations, and the use of standardized wheat grades to guarantee the quality of an unseen product to British buyers.[9] Unfortunately, as the grain business grew in size and complexity it became less open to new ideas. One particularly important advancement was noticeably absent from American grain production. The quality of the wheat itself was not improved. Northwestern farmers clung to Red Fife hard spring wheat long after better quality strains were available. In fact, Marquis wheat was not widespread in the United States until 1924, a time when Canadians were already moving to a still more productive strain.[10]

American wheat farming was in such a poor state by the end of the first decade of the twentieth century that wheat was actually being brought in from Canada. *The New York Times* in 1911 cited the need for grain imports because too many farmers had diversified, and because the quality of foreign wheat was better.[11] That same year a smuggling scheme was discovered in the northwest in which American farmers were buying wheat from Canadian farmers, mixing it with their own grain and selling it to the Minneapolis millers.[12] They were getting a better price and avoiding the tariff that would ordinarily bar Canadian wheat from United States' markets.

The year 1911 was a critical year for the American wheat trade. The controversy over a reciprocity agreement negotiated in 1911 between Canada and the United States revealed some of the problems handicapping American traders. By 1911 population had forced the domestic price of wheat above the world price.[13] This situation was fine for farmers as long as domestic demand for wheat remained high. The millers of Minneapolis, however, were in quite a different predicament. The high cost of domestic wheat meant a higher price on their flour and subsequently made them unable to compete in the international market.[14] Aside from the price disability the millers had to contend with the better grade of flour made across the border from harder Canadian wheat. While the farmers opposed reciprocity vehemently, "Twin Cities millers, anxious for Canadian hard wheat to blend with softer American varieties", gave their full support to the agreement.[15] The millers were so confident of reciprocity's acceptance that they signed huge flour contracts in anticipation of the flood of Canadian wheat. When Laurier and the Liberal supporters of reciprocity were defeated in Parliamentary elections, wheat prices soared, and millers were forced into bankruptcy by contracts they could not fulfill.[16] The economic disaster in the wake of the defeat of reciprocity served to underline the vulnerability of American wheat exporters.

Of all the indices of trouble in American wheat farming, perhaps none is more persuasive than the shifting tide of immigration. With only a few exceptions, immigration between Canada and the United States has always been north to south. The period from 1900 to the beginning of the Great War was one of the exceptions. Early in the period, American prairie farmers flooded north across the border to buy cheaper Canadian land.[17] The tide was so great that for the first time there was concern about depopulation south of the border.[18] In some ways the immigration was reminiscent of the opening of the American prairies in the nineteenth century. There was the frontier sense of expansion, the cheap land, the high yields. Nearly all of the basic ingredients that had once made the United States the world's bread basket could be found on the Canadian prairie.

The export figures after the turn of the century tend to support the view that American wheat exporters were in trouble. In 1901 the United States was still exporting at the high level of over two hundred and sixty-six million bushels. The quantity of exports declined rapidly throughout the decade until by 1910 only ninety-two million bushels were being exported.[19] A profile of the exports is even more revealing. Winter wheats, soft wheats, and durum wheat were the only wheat grains exported. Hard red spring wheat, the highest quality wheat, was not exported at all by the end of the decade.[20] High domestic demand and Canadian competition kept it out of the international market. Before the beginning of World War I, the highest quality American wheat, the production standard of the last half of the nineteenth century, was no longer a factor on the grain exchanges of the world.

Whereas expansion was drawing to a close in America in 1900, it was embarking on a golden era in Canada. In the Canadian west of 1884 there were only three hundred thousand acres of wheat. By 1907 there were five million acres of grain blanketing much of Manitoba, Saskatchewan, and Alberta.[21] Saskatchewan alone was the scene of a sevenfold increase in the number of farms and a ten-fold increase in total acreage in the first decade of this century.[22] In the first six years of the decade total Canadian production increased one and one-half times while total yields south of the border were actually declining.[23] The availability of land was a major factor in this spectacular growth, but the much-maligned Canadian climate also contributed to the profitable northward spread of wheat farming. The hard, deep freezes of the northern prairie winters held the soil's moisture near the surface. In the spring, farmers were able to plow the thawed top layer of soil; and the newly planted wheat could grow for several weeks, requiring only the moisture from the thawing earth below.[24] Such moisture retention is a significant advantage on the prairie where the scarcity of water is the greatest obstacle to successful farming. The favorable climate and the expanse of virginal land gave Canada the resource base necessary for a serious venture into the wheat export market. One notable source as early as 1908 examined Canada's resources and predicted her rise as the world's next great wheat producer.[25]

The orderly, efficient manner in which the grain trade developed in Canada was in sharp contrast to the disorganized free-for-all of the American marketing system. This was due in no small part to the active role the Canadian government played in the management of the industry.[26] The government was well aware of the value of its western territories, and it was willing to take the necessary steps to develop the wheat economy and to prevent the west from slipping into the American union. The first Canadian wheat exports in 1878 had to be shipped in bond through American ports because of the lack of transportation facilities connecting the west with the St. Lawrence.[27] The extension of the Canadian Pacific Railway in 1884 permitted the first use of an all-Canadian route, and by the time the boom began after 1900, the government had facilitated the construction of two additional trunk lines to haul prairie wheat.[28] This expense of subsidizing the railways was the beginning of a government committment to involvement in the wheat trade.

In 1899 the Royal Grain Commission was appointed to investigate elevator monopolies and the railroads' system of handling grain.[29] During the next thirteen years, successive federal and provincial legislation gave Canadian wheat production the reliable character for which it was noted in British markets. The Manitoba Grain Act of 1900, a federal law, placed the inspection and transport of grain under federal jurisdiction. A similar law cannot be found in the United States until 1916 with the Grain Standards Act.[30] The Canadian government took on the responsibility of guaranteeing the grade of grain to foreign buyers, giving Canada a unique position in the marketplace.[31] In 1908 the law was modified to provide for continuous inspection of cleaning, storage, and shipping procedures.[32] Continuous inspection allowed Canadian farmers the chance to appeal a grading decision before the wheat left the country. American farmers had no alternative but to accept a private inspector's grade as final. The Canada Grain Act was passed in 1912 giving Canada "the most thoroughgoing system of national grain trade regulation to be found in any country".[33]

Beginning in 1901 the provincial governments in Manitoba, Saskatchewan and Alberta set up provincial corporations and backed loans for the purpose of providing farmers with elevator companies they could control. Saskatchewan farmers alone controlled one hundred and thirty-seven elevators by 1912.[34] Consequently, rates at privately owned elevators were held in check. American grain farmers encountered persistent problems with elevator monopolies, dealer price fixing, and poor grading procedures. The Canadian government learned from the American mistakes and was able to take corrective measures.

Canada's agricultural resources and marketing organization meant that more wheat could be grown and more exported. Scientific advancement in the quality of the grain earned Canada a reputation as a large producer of high grade grain. As early as 1892, C.E. Saunders, the Dominion Cerealist, was experimenting with grain hybrids that were hardier, were more productive, and made better bread. In that year he made the first cross of Red Fife, the standard North American wheat, with Hard Red Calcutta, an Indian variety.[35] He distributed some of the resulting seeds in Indian Head, Saskatchewan in 1908 on an experimental basis. Three years later this wheat, which became known as Marquis, was practically the only wheat strain grown on the Canadian prairies.[36] Marquis was faster maturing so it extended the agricultural frontier northward. It yielded more per acre so it increased the volume of production. Most important of all it was formally recognized as the "best wheat in the World", and as such it became the world standard for quality.[37]

The drive to expand wheat exports between 1900 and 1914 had impressive results. Only about twenty million bushels of grain were exported in 1900. By 1909 that figure had risen to almost sixty million bushels.[38] Canadian exports tripled during a period when American exports decreased by about half.[39] The first decade of the century saw Canada's share of the world market rise from one percent to ten percent.[40] *The Times* of London noted that as of 1912 any increases in North American wheat exports could be interpreted as increases in Canadian output.[41] On the eve of war British and European grain importers were setting aside their traditional reliance on American wheat in favor of the ample supplies of better quality wheat pouring out of the Canadian prairies.

Canadian wheat production for export would very likely have outstripped American exports for purely North American reasons. There is considerable evidence that American wheat growers were faltering while Canadian farmers sent more grain to market every year. Canada also had an additional competitive advantage in that the major grain market of the world was Great Britain. In fact, Britain was both America's "chief market" and "Canada's best customer".[42] Britain's wheat importing began in 1846, when her industrialization and population growth outran her food production. Shortly after the turn of the century Britain was importing forty percent of the world's wheat,[43] and three-fourths of that went through a single marketplace – Liverpool.[44] Britons became the world's sharpest grain agents, and the world price was set by the British market.[45] Americans were bitter about British control of the price of wheat, and falling prices forced American merchants with their high operating costs to withdraw their grain from sale.[46] Canadians did not suffer from such high costs and were less likely to abandon the market, although they might threaten to do so in order to force up the price.[47]

The manner in which the Canadian product was marketed and the organized efforts to improve the quality of the product appealed to the British grain merchants. They particularly appreciated the Canadian government's attempt to improve grain production. Even a minor detail like government inspection of seed grain packages for purity won notice in Britain.[48] When standardized grading was introduced in Liverpool in 1903, all Canadian hard red spring wheat was graded A, but some American wheat was dropped to B.[49] Canadian wheat was so highly thought of that British scientists imported several strains to cross with native varieties in order to increase the baking qualities of home grown wheat.[50] The British were enthusiastic about the Canadian wheat boom, and their enthusiasm was only encouraged by the traditional tie between the two nations.

In spite of the much-deserved reputation of the British merchants for sharp dealing, there is some indication that emotionalism and sentimentality played a role in their dealings with Canadian grain sellers. The sudden increase in wheat production after 1900 coincided with the high tide of British imperialism. The Boer War underscored Britain's need for Canadian food. Canada made one of its greatest contributions to the war effort by supplying foodstuffs to the troops in South Africa.[51] A leading contemporary journal argued that Britain should buy all of its food from within the empire. Foreign policy differences made the United States an unreliable source of food, and there was really no need to depend on American when Canadian production was increasing so rapidly.[52] The theme of empire self-sufficiency recurred throughout the early years of the twentieth century. With regard to wheat as with other food products the imperial argument had two faces. Canadian wheat should be purchased because Canada was a loyal member of the empire, and moreover buying Canadian wheat spared the British merchants "the machinations of the ruthless American speculator".[53] It is difficult to measure what effect this imperial feeling actually had on the competition between Canadian and American grain on the British market, but the evidence seems to indicate that any effect was to the advantage of the Canadians.

The time between 1900 and the First World War was a time of dramatic shifts in the world wheat market. The United States, the former giant of the wheat trade, was yielding its dominance to Canada. Encouraged by Great Britain, Canadian producers broke into the market with a flood of higher quality grain. Both the United States and Canada were later to profit by increased war demands for their food products, but it was obvious before the war that in the future Canada, not the United States, would be the world's bread basket.

FOOTNOTES

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