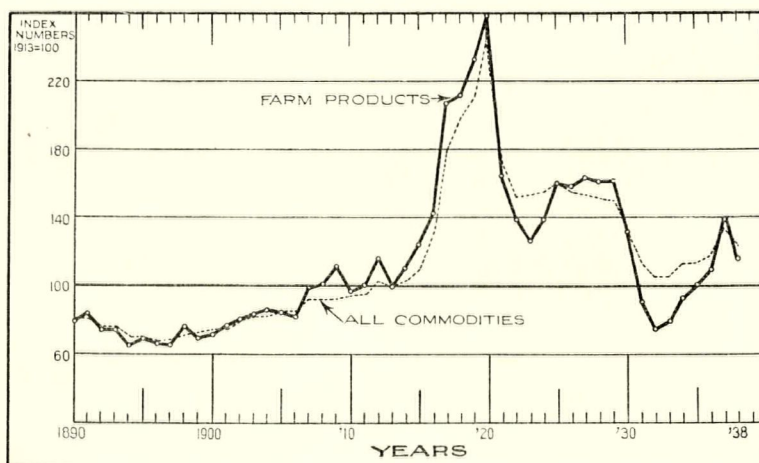


DOMINION OF CANADA
THE DEPARTMENT OF AGRICULTURE
CO-OPERATING WITH
THE DEPARTMENT OF TRADE AND COMMERCE

THE AGRICULTURAL SITUATION AND OUTLOOK

1939



WHOLESALE PRICES OF CANADIAN FARM PRODUCTS
AND
WHOLESALE PRICES OF ALL COMMODITIES, BY YEARS
1890 TO DATE

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and
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FOREWORD

THE Agricultural Situation and Outlook has been prepared under the direction of a sub-committee appointed by the National Advisory Committee on Agricultural Services.

It has been made possible through the co-operation of the several Services of the Dominion Department of Agriculture, the Commercial Intelligence Service and the Dominion Bureau of Statistics of the Department of Trade and Commerce, assisted by representatives of Provincial Departments of Agriculture and Colleges of Agriculture.

The purpose of this publication is to provide a brief statement of facts which will assist farmers in adjusting production and marketing plans in accordance with changing conditions of supply and demand for farm products in both domestic and foreign markets.

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SUMMARY

The Domestic Situation

Favourable Features

1. Industrial production, employment and payrolls were relatively favourable at the end of 1938 and it is reasonable to anticipate continuance of these conditions throughout 1939.
2. Canadian exports increased sharply in September and October of 1938.
3. Retail sales showed only a minor recession in 1938 and moderate improvement is anticipated for 1939.
4. Raw material prices, other than agricultural, showed a tendency to increase in the fall months of 1938.
5. Ample supply of short term commercial credit is available and interest rates remain low.

Unfavourable

1. The low level of farm prices is a factor retarding general economic recovery.
2. There has been little inclination on the part of industry to increase borrowings for expansion in anticipation of improving business conditions.

International Trade Conditions

Favourable Features

1. The decline in world prices of primary products which continued through the first half of 1938 appears to have been checked in the latter half of the year.
2. An increase in the number of trade agreements, especially those based on the most-favoured-nation principle has been a forward step in lessening trade restrictions.
3. Larger supplies of wheat and other farm products in Canada will probably result in a greater volume for agricultural exports in 1939.
4. The new trade agreements between the United States and the United Kingdom, and the United States and Canada should lead to an expansion of international trade.

Unfavourable Features

1. The decline in world movement of trade has been accompanied by an accumulation of world stocks of foodstuffs and raw materials.
2. International exchange rates were decidedly unsettled at the close of 1938.
3. Many restrictions on world trade in the form of quotas, exchange controls and clearing agreements were renewed in 1938 after some relaxation in 1937.
4. Lower prices of foodstuffs and raw materials in relation to manufactured goods have made trading between nations more difficult.

Grains

Wheat

1. An all-time record world wheat crop was produced in 1938. The Canadian crop of 348 million bushels was the largest since 1932.

2. Carry-over stocks were moderately higher in August, 1938, and with the surplus over requirements from the 1938 crop, the world wheat carry-over in August, 1939 will again be close to the record levels of 1933 and 1934.
3. With the return of a large surplus, wheat prices have declined to roughly half the level of a year previous.
4. In appraising the world outlook for the 1939-40 season, consideration should be given to the fact that some decrease in the world wheat acreage is expected.
5. Governmental policy in major wheat exporting and importing countries has been an important factor in determining prices received by growers in recent years.

Durum Wheat

1. World supplies of durum wheat in 1938-39 are plentiful for the second consecutive season.
2. The spread between the prices of the bread wheat grades and the durum grades is relatively unchanged.
3. With supplies being exported more readily in the current crop year, it is probable that the carry-over at August 1, 1939, will remain approximately the same as on August 1, 1938.

Flaxseed

1. The 1938 flaxseed crop in Canada was more than double that of 1937, despite a decrease in acreage.
2. Flaxseed prices have not fallen proportionately with other grains, and returns from flax production compare favourably with returns from wheat.
3. No appreciable surpluses of flaxseed are in prospect.

Rye

1. The 1938 rye crop was almost double that of 1937 despite a decrease in acreage.
2. Canadian exports in 1938-39 may exceed those of the previous year when domestic supplies were low.
3. Rye prices fell proportionately with other grain prices during 1938.

Seed Grain

1. The seed grain supply in the Prairie Provinces is regarded as satisfactory for the first time in several years. Supplies of seed of rust-resistant varieties of wheat should be abundant for 1939.
2. The supplies of seed oats and barley are adequate.
3. Supplies of registered and certified grades of seed grain are practically double those of a year previous.

Clover, Alfalfa and Grass Seed

1. Production of clover, alfalfa and grass seed in 1938 was for most kinds larger than in 1937.
2. Prices for the 1938 seed crop are sharply lower than in the previous year.
3. Export demand has declined owing to a larger than usual world supply.

Feed Situation

1. Feed grain supplies per animal unit for 1938-39 are about 38 per cent greater than for the previous crop year.
2. Feed prices have declined in relation to live stock prices and it is expected that the relationship will remain favourable for feeding throughout the 1938-39 crop year.

3. Production of tame hay, fodder and roots was slightly higher in 1938 compared with 1937.
4. No extensive movement of feed supplies from surplus to deficit areas will be required.

Live Stock

Beef Cattle

1. Cattle marketings to mid November, 1938 were materially below those of 1936 and 1937. Further declines in marketings are expected during 1939 and 1940.
2. While marketings of grain-fed cattle from the Prairie Provinces will be heavier in the early part of 1939, the increase will be offset, in part at least, by a reduction in marketings from Eastern Canada.
3. Some improvement in prices during 1939 may be expected due to prospective improvement in industrial conditions and reduced marketings.

Hogs

1. The output of hogs in 1939 will show an appreciable increase over that of 1938, especially in the latter part of the year.
2. While hog prices will be influenced by the increased supplies, improved domestic and export demand may be an offsetting factor.
3. There is some indication that exports of pig products to the United Kingdom market in 1939 may exceed those of 1938 by a considerable volume.

Horses

1. There was a further decline in numbers of horses on farms at June 1, 1938, chiefly in Saskatchewan.
2. Larger foal crops in recent years may bring about a reversal in the downward trend in numbers of horses.
3. Prices of horses after rising sharply from 1933 to 1937 declined in the spring of 1938, but not to the same extent as prices of other farm products.

Sheep and Wool

1. Sheep numbers in Canada showed a slight increase in 1938.
2. Inspected slaughterings during 1938 were somewhat smaller than in 1937. The decline was due in part to an increase in holdings of breeding stock, particularly in the ranch areas.
3. The movement of feeder lambs to the eastern feedlots was reduced in the fall of 1938. The reduced supply in the spring of 1938 should tend to maintain firm prices.
4. Wool prices in 1938 showed little change although there was a steep decline in the fall of 1937.

Eggs and Poultry

1. Egg prices were slightly higher in 1938 than in 1937. The decline in feed prices has resulted in a distinct improvement in the position of egg producers.
2. The favourable egg-feed ratio is expected to result in increased hatchings in the spring of 1939. This would mean larger supplies of eggs and poultry later in 1939.
3. Provided that the United Kingdom poultry market remains unchanged, poultry prices in 1939 should be about the same as in 1938.

Dairy Products

1. There will be fewer cows available for milking in 1939, but with the possibility of a greater percentage of the cows being milked and greater production per cow, production in 1939 should be at least equal to that of 1938.
2. Lower butter prices in the winter and spring months of 1939 as compared with the same period of 1938 may tend to divert milk from creameries to cheese factories.
3. Storage stocks of butter were particularly heavy late in 1938. For the first time on record, stocks exceeded 60 million pounds.
4. Cheese production declined approximately 7 per cent in 1938 as compared with 1937. Production in the Prairie Provinces, while still small, has been steadily increasing.
5. Cheese prices average slightly higher in 1938 as compared with 1937. Should cheese prices remain firm relative to butter prices an increase in cheese production may be expected in 1939.
6. There was an increase of 23 per cent in the production of concentrated milk products during the first nine months of 1938. Stocks at the close of 1938 were higher. This will probably result in lower prices or a check in the expansion of the industry.

Fruit

Apples

1. The upward trend in apple production, continued in 1938, the crop being 15.3 per cent above the five-year, 1932-36, average. Heavy plantings of apple trees have taken place in all years since 1934.
2. Exports of apples in the fall months of 1938 were sharply higher than in the same period of 1937. Exports in 1937 were slightly below the five year average.
3. The general trend of prices of apples to producers was downward from 1926 to 1932. Since that date, however, there has been some improvement in prices.

Peaches

1. Heavy plantings in recent years have increased the number of bearing peach trees and production has been increasing since 1936.
2. Prices for peaches fluctuate largely as a result of changes in supply. The larger 1938 crop sold at prices below those of 1937.

Other Fruits

1. Pear production was sharply higher in 1938, reflecting increased plantings in recent years. Prices to producers were lower.
2. The 1938 plum and prune crop was 4.1 per cent above that of the previous year.
3. Production of grapes was lower in 1938, especially in Ontario. Prices to producers were higher.
4. Cherry production was higher in 1938 but only 85 per cent of the five-year, 1932-36, average. Prices received by growers were lower than in 1937.
5. The 1938 strawberry crop was 4.1 per cent below 1937 but 1.5 per cent above the 1932-36 average.

Potatoes

1. The 1938 potato crop of 59.6 million bushels was the lowest since 1910.
2. Prices opened higher in the fall of 1938 and have continued to rise throughout the early winter.

3. Higher returns for the 1938 crop will probably result in an increased acreage in 1939.
4. Exports of potatoes are expected to be lower for 1938-39 because of short supplies.

Honey

1. The Canadian honey crop of 1938 was substantially higher than that of 1937. Production in other countries was also higher.
2. Domestic and export prices have been depressed by the large supplies.
3. The number of colonies in Canada in 1938 was the highest in the past 5 years.

Maple Products

1. Production in Northern Ontario, Quebec and the Maritimes was almost double that of 1937.
2. Prices were lower than in the previous year, but the total returns were the highest in recent years.
3. Exports during 1938-39 are the highest in ten years and little carry-over is expected.

Tobacco

1. The marked upward trend in tobacco production continued in 1938. The crop of 96 million pounds was the largest ever produced in Canada and was 24 million pounds above that of 1937.
2. Stocks of flue-cured tobacco increased during the year. Stocks of burley were reduced and those of other types remained about the same.
3. The negotiated minimum price for the 1938 flue-cured crop was set at 22.5 cents per pound, 2 cents below the 1937 negotiated minimum.
4. Exports of flue-cured to the United Kingdom were much higher in 1938, and stocks of Canadian tobacco in the United Kingdom are now at a high level.

THE DOMESTIC SITUATION

Industrial production, employment and payrolls were relatively favourable at the end of 1938 and it is reasonable to anticipate continuance of these conditions throughout 1939. Current rates of progress, however, would have to be accelerated materially in order to produce a return to 1937 peak levels within the coming year. Consumer purchases as reflected in retail sales recorded only a minor recession in 1938 and may be expected to register moderate improvement in 1939. Prices of non-agricultural raw materials used in industry showed increases in the fall of 1938. Although the low level of prices of farm products is a factor retarding general economic recovery, some improvement may be expected in 1939 as a result of anticipated increases in demand.

Business activity in Canada is closely associated with conditions abroad and will be affected by any change in the foreign situation. The gradual revival of industrial production in Canada during the latter half of 1938 coincided with similar movements in the United States and the United Kingdom. In this connection, it appears significant that Canadian exports in September and October, 1938, increased sharply and compared much more closely with the 1937 figures than did those in the preceding months. A considerable surplus of notice deposits over current loans provided evidence of ample supplies of short-term commercial credit. However, improvement in the business outlook has not yet been sufficient to cause any appreciable increase in the volume of industrial loans. Production of most agricultural products showed a substantial increase in 1938. Prices of farm products declined much more rapidly than did those of other commodities and the continued low level of farm product prices is an unfavourable factor in the domestic situation.

Industrial Production.—A hesitant advance in the volume of industrial production during the summer of 1938 was followed by a definite upturn in September. This was a reversal of the previous sharp decline of 17 per cent which occurred in the final quarter of 1937 and the opening months of 1938. Fairly broad improvement was shown by September manufacturing returns, although October figures indicated a minor contraction. Textile manufacturing suffered a more severe contraction than manufacturing generally during the first three-quarters of 1938, and the industry is still operating on a part-time basis. Pig iron production showed less severe contraction and a moderate upturn in September, which was not paralleled by steel. The automobile industry anticipates a considerably better year in 1939 than was experienced in 1938 due in part to distinctive model changes and lower prices and reduction in inventory of second-hand cars. Comparatively low inventories in the hands of merchandise wholesalers, an abundance of available credit, the lower level of industrial-material prices in relation to prices of manufactured goods and a well maintained volume of employment, favour the extension of this view to industry generally. Prices, however, have not yet followed the uptrend in industrial activity. Some decline from fall levels of industrial activity may occur during the winter months, to be followed by an increase again in the spring of 1939.

The record volume of Canadian mineral production during 1938 offset to a considerable degree declines in the manufacturing field. The output of copper and lead established new records, adding greatly to the activity in the several mining districts concerned. Although prices declined during the early part of

1938, increasing requirements for defence purposes and for the automobile industry in the second half resulted in the strengthening of prices. The gold mining industry expanded rapidly, breaking all previous records in both volume and value, but the coal mining industry, in which large numbers are employed, was less active than in 1937.

Forest products showed a sharp decrease in production because of curtailed exports of lumber and newsprint, as well as less activity in the furniture and construction industries. Construction contracts awarded during the first ten months of 1938 were nearly 20 per cent lower than for the same period of 1937. The volume of residential building shrank only slightly, however, and it should be stimulated by the recent decline in building-material prices. Since the new National Housing Act went into force in August, loans on new houses showed an increase of more than 70 per cent over those in the same period in 1937 and loans under the Home Improvement Plan were only slightly lower during the first ten months of 1938 compared with the same period in 1937. Recently these loans have been running above those in the corresponding months of 1937.

In view of expected increases in industry in 1939, the demand for farm products should be somewhat greater than in 1938. It is unlikely however that the increase in general activity during 1939 will be sufficient to restore business to the 1937 levels.

Domestic Consumption.—Consumer purchases seldom show the wide fluctuations which are apparent in figures of industrial production in times of successive prosperity and depression. This was borne out during the first nine months of 1938 when dollar volume of retail sales generally recorded an average decline of only 2 per cent from 1937 levels. This decline would have been somewhat greater except for the higher prices which prevailed for groceries and meats. September figures of retail sales reflected improvement in industry, and pointed to a moderate increase over sales in August, which were in excess of the usual seasonal rise at that time of year. Furniture, hardware, music and radio firms, however, failed to register increased sales during this period. Sales at country general stores in September were more than 3 per cent greater than in August, but this was less than the improvement for the same months of 1937, which amounted to more than 6 per cent. The greatest increases in country stores sales occurred in Saskatchewan and Alberta, the only provinces reporting business at higher levels than in September, 1937. This was more an indication of the low levels of 1937 business in these provinces than of the existence of satisfactory conditions in 1938.

Perhaps the most striking evidence of potential improvement in retail sales was offered by the record for motor cars. During the mid-summer months of 1938, sales totals ran more than 30 per cent below corresponding figures for 1937. In September, however, the deficit was reduced to 2 per cent, and widespread interest in new models points to sales expansion in months to come. For the first three-quarters of 1938, passenger automobile sales were almost equal to those in the corresponding period of 1936. Sales of trucks and buses were considerably above 1936 levels, but 14 per cent short of 1937 figures.

The moderate uptrend in industrial production is favourable to a slight improvement in employment levels, although the comparatively small recession in employment when industrial activity was curtailed early in 1938, would point to correspondingly minor advances in future months. However, stability of employment and wage rates should result in a well maintained volume of consumer purchases in 1939.

Financial Factors.—Ample funds are available for a material expansion in industrial activity, but to date there has been little inclination on the part of industry to increase borrowings in anticipation of improving business prospects and speculative interest has been revived only moderately as indicated

by the October advance in stock prices. A considerable surplus of notice deposits over current loans, and record prices for high-grade government bonds offer ample evidence of plentiful funds in both short and long-term money markets. There has been some increase in current loans by chartered banks during the past thirty months, but the total remains comparatively low. Undoubtedly this is due in part to industry financing a growing proportion of its needs from reserves, but it also suggests a reticence particularly on the part of smaller concerns, to borrow extensively in view of current prospects for future business returns. Industrial bond prices, unlike high-grade Dominion issues, were lower in 1938 than in 1937, and this coincided with a smaller volume of new corporation issues in 1938. Conflicting trends were also evident in the common stock market. November prices were materially higher than the year's low levels established in March. It is true also that losses suffered during the international crisis in September were quickly recovered, but from mid-October to the end of November, markets remained practically stationary.

Price Movements.—The most serious deterrent to further general recovery is undoubtedly the current level of farm-product prices, which declined much more drastically during the first ten months of 1938 than did the general price level. October averages for grains were more than 50 per cent below those of the preceding October. Live stock prices in October averaged approximately 18 per cent lower, although averages for the first ten months were down only 11 per cent from the same period of 1937. The decrease was mainly in cattle prices, hog prices averaging slightly higher than in 1937. Prices of butter, tobacco and wool also showed substantial recessions on the basis of October comparisons, although 1938 ten-month averages for butter and cheese were both above the comparable 1937 figures. Of the more important farm products, only for eggs and potatoes did October prices average higher in 1938 than in the previous year. A much greater production of grains in 1938 partially compensates for the depressed prices. Meanwhile prices paid by consumers for basic family living needs were practically the same in October 1938 as in October 1937. The consumers' position has been eased by moderate declines in retail food prices which in September commenced to react to lower wholesale prices.

Price movements have also adversely affected Canada's foreign trade position during the past year, the decline of over 20 per cent in export prices being more than double the drop recorded for prices of imports.

On the other hand, prices of non-agricultural raw materials showed decided strength in September and October. The severe recession in prices of agricultural products appear to have ended, although grain markets are still dominated by large world wheat stocks. A decline of 10 per cent in building-material prices from the 1937 levels will tend to reduce building costs. The most pronounced recessions occurred in the prices of lumber and paint materials. From the long-range viewpoint, it should not be forgotten that monetary reserves in the United States continues to increase, and are sufficient to support a marked rise in price levels. This is of peculiar significance to Canada, since Canadian price levels have followed those in the United States very closely throughout the past sixty years.

The Agricultural Situation

After five years of a low volume of output of food and feed crops, of which the two years 1936 and 1937 were abnormally low, with output falling to 66 per cent of the 1926-30 average, a fair measure of recovery was recorded in 1938. The physical volume of production of food and feed crops for the 1938 season reached 90 per cent of the 1926-30 average, an increase of 37 per cent over the low level of 1937. This recovery in production, however, has not been fully realized in higher cash income. Increases in supplies, and reduced

demand have combined to cause a very steep decline in farm product prices. In 1938 this decline has carried farm prices below the pre-war relationship with the general price level and has seriously interrupted the strong agricultural recovery which commenced during 1936.

The principal declines have taken place in prices of farm crops. While prices of live stock and animal products have also declined, they have not suffered to the same extent. As a result, those farmers converting feed into meat animals and animal products will be in a more favourable position than those who are selling cash grains.

In general, from the standpoint of income, the regional agricultural situation of 1938 is relatively the same as in 1937. On the basis of estimates of cash income for the calendar years 1937 and 1938, farmers in the Maritime Provinces have received greater cash returns from the sales of potatoes and apples, and live stock, but have not had as large incomes from hay and grain crops. Agriculture in the central provinces has benefited from larger income from potatoes, tobacco and live stock, but reduced income from other crops. Cash income in the Prairies remained low owing to reduced prices for grains, and to a lower volume of live stock sales. In many local areas the farmer's cash position was little changed from 1937. While there were more ample supplies of feed, the liquidation of live stock as a result of the 1937 drought did not enable the producer to take full advantage of the feed situation. Agriculture on the Pacific coast suffered from lack of rainfall during the 1938 season, and small crops were harvested. This will mean larger cash outlays for feeds to supplement the home-grown supplies. Income in the fruit farming areas for 1938 was lower than in 1937.

On a commodity basis, the following summarizes the outlook for income from the sales of the more important farm commodities. With more hogs to market in 1939 as a whole, and prospects of a steady demand at home and in export markets, the income from hog products in 1939 should not be any less than that obtained in 1938, even though the average price paid for hogs during 1939 may be somewhat lower. Income from beef cattle should be approximately the same in 1939 as in 1938 as reduced marketings are expected to be offset by higher prices. Returns from sheep and wool in 1939 are not likely to be very different from that obtained in 1938. It is likely that the gross cash income from all dairy products will not be any higher in 1939, and because of current prospects for lower butterfat prices, it is possible that it might be slightly lower during the early part of 1939.

The probability of a favourable export market for eggs and poultry and the outlook for some improvement in business conditions in Canada in 1939 are factors which, in spite of prospects for increased supplies, favour as large a gross income from poultry and eggs in 1939 as was obtained in 1938.

The gross income from the sale of the 1938 spring wheat crop will possibly be somewhat larger than that obtained from the small crop of 1937. The reduced prices for fall wheat, oats and barley will mean a smaller total income from these grains in spite of somewhat larger crops. Cash income from the 1938 crop of Durum wheat will be less as a result of a smaller production and of lower prices.

Relatively large apple crops, particularly in Nova Scotia and Ontario, quality above average in most regions, favourable export and domestic demand and reasonably good prices, should result in a larger total income from the 1938 apple crop than was obtained from the crop produced in 1937. A substantial increase in potato prices, as compared with those at which the 1937 crop was sold, should result in a larger total income for potato growers, in spite of the relatively small crop produced in 1938. The increased production of tobacco, red and alsike clover, and honey in 1938, should result in larger total returns from these commodities, in spite of lower prices than were obtained from the crops produced in 1937.

Farm Real Estate.—Average land values in Canada for 1937 were unchanged from 1936 and remain at the levels established in the early depression years. Since land values are a reflection of farm earnings, they serve as a measure of the recovery of agriculture in various regions. Average land values in the Maritime Provinces and the central Provinces have shown an increase since 1932. Land values have recovered slightly in Manitoba and have remained stationary in Alberta, since 1932. In Saskatchewan and British Columbia land values have continued to decline.

Prices of land have been increasing in those areas favoured by good crops, which have sold at remunerative prices. There are, however, many areas in which land values have shown very little tendency to recover. In the event of a rise in the general price level, carrying farm product prices upward, a rise in land values can be expected, providing that prices of goods used by farmers in production do not increase as rapidly.

Farm Machinery and Equipment.—A reduction in the prices of farm implements for 1939 has already been announced. The reductions announced will be of some benefit in enabling farmers to purchase much-needed equipment. While there may be further slight reductions in certain lines of imported implements as a result of the removal of the 3 per cent excise tax, no further marked declines are anticipated.

Further improvements on implements now being used and developments of new types of machines have been frequent during the past two or three years. These will likely result in increased sales and also some considerable changes in farm organization in the next few years, especially in Ontario and Quebec.

Farm Labour.—Farm wages, recovering from the low point in 1933, increased steadily up until 1937. Reduced farm income in 1938 and a decline in urban employment resulted in a small reduction in farm wages, although the volume of employment was increased by the necessity of harvesting larger crops.

The supply of farm labour during 1939 may not be as large as in 1938 because of an anticipated increase in industrial production. An upward tendency in farm wages might, therefore, be expected. This will be most marked in the central Provinces where the demands from industry and agriculture compete more directly in the labour market. Farm wages in the Prairie Provinces have not increased very much since the low depression years. As a result of depressed conditions, there is a large supply of labour available in rural areas in Western Canada.

INTERNATIONAL TRADE

The volume of world trade made significant gains during 1937, but a reversal in the recovery movement in major nations since that time reduced the volume of trade sharply in 1938. The decline in world movement of trade has been accompanied by an accumulation of world stocks of foodstuffs and raw materials. Restrictions on world trade in the form of quotas, exchange controls and clearing agreements were relaxed somewhat in 1937, but were renewed in many cases during 1938. World prices of primary products reflected the recession of business activity and suffered a severe decline in the first half of 1938. This decline appears to have been checked in recent months. International exchange rates were subjected to considerable strain throughout 1938 and were still decidedly unsettled at the end of the year. An increase in the number of trade agreements, especially those based on the most-favoured-nation principle has been a forward step in the lessening of trade restrictions. In the new Canada-United States Trade Agreement, valuable concessions have been obtained for a wide range of Canadian primary products exported to the United States. Larger supplies of wheat and other farm products in Canada will probably result in a greater volume of agricultural exports in 1939 as compared with 1938.

International trade of the present day is largely on a different basis from that of pre-war, or even pre-depression, days. Trading between nations was formerly based chiefly on comparative advantage in production. It was automatically regulated by the movement of capital and the flow of gold between nations, and by the changes in price levels. In recent years these methods of self-adjustment have given way in large degree to various methods of state control of trade—evidenced in the use of quotas, exchange regulations, clearing agreements and other measures. In many cases, the direction in which trade now flows, or is made to flow, is governed more by political and financial considerations than by price competition or other commercial factors. Further, the industrial development of the new world and the shift of the United States from debtor to creditor status, coupled with the sharp decline in international lending, have had far-reaching effects upon trading conditions. Again, changing national programs in European countries have led to a severe reduction in the demand from these countries for foodstuffs from overseas sources. For example, world net exports of wheat from net exporting countries, which averaged 818 million bushels for the five years 1926-27 to 1930-31, have fallen to an average of 555 million bushels for the five years 1933-34 to 1937-38. This and other changes in agricultural commerce are of vital concern to countries that are still essentially producers of primary products for export.

While the long-time outlook for international trade depends on many more elements that can be taken into account here, the year-to-year developments will, in the absence of serious political disturbance, continue to be subject mainly to such factors as trade policies, production, prices and exchange, which are discussed in the following paragraphs.

Trade Policies.—The widespread decline in wholesale prices, coupled with the shrinkage in the volume of commerce over the past year, has caused some countries to renew their restrictions upon international trade. Many countries had reduced duties and quota restrictions during the period of rapid recovery prior to the mid-summer of 1937. The progress of recovery during this period also brought with it some reduction in the stringency of exchange controls and

clearing agreements. In at least ten countries, duties on grain and other food-stuffs were reduced or suspended in 1937. This action was largely due to crop shortages. Bountiful harvests in 1938, and the recent world-wide decline in business activity and trade caused some countries to revert to former levels of protection, but up to the autumn of 1938 a number of the reductions were still in effect.

Reductions in duties have been made under trade agreements as well as by the independent action of individual countries. In the past year or two, there has been an increase in the number of agreements based on the most-favoured-nation principle. During recent years, the United States has negotiated 20 such agreements. The Trade Agreements recently concluded between Canada and the United States and the United Kingdom and the United States are of great significance for Canada. Valuable concessions have been obtained for a wide range of Canadian primary products exported to the United States. Canadian trade will not only benefit directly from these concessions, but Canada as a leading exporting nation stands to gain indirectly to a large degree from the impetus to world trade which will result from the reductions in duties provided for in the two Trade Agreements. By virtue of the operation of the most-favoured-nation principle, the reductions are extended to a great many other countries besides those directly participating in the Agreements. While the preferences on a number of Canadian products imported into the United Kingdom and British Colonies have been reduced by the United Kingdom-United States Trade Agreement, the general principle of tariff preference for Empire products is still retained on the great range of products shipped to the United Kingdom and other Empire markets.

While the movement for lowering duties by means of most-favoured-nation agreements is going forward, a number of countries—chief among which are Germany and Italy, and latterly Japan—maintain rigid control over external trade. Foreign exchange control is still widely in effect, and in many cases goods can not be imported from a given country unless a credit balance is available from the proceeds of exports to that particular country. This method of trading tends to force commerce into new and strange channels rather than to allow it to follow the course determined by ordinary business competition. As regards trade in agricultural products, the immediate outlook—having in view the present low level of prices and the increased supplies, especially of wheat—lends but limited encouragement to the prospect for early reduction of such trade barriers.

Trade, Production and Stocks.—The volume of world production reached record levels in the year 1937. Compared with 1939, total primary production was 10 per cent higher, the output of foodstuffs 6 per cent and the production of raw materials 19 per cent higher. World industrial activity during 1937 also surpassed that of 1929. The physical volume of world trade made significant gains in 1937 and reached the 1929 level in the last quarter of the year.

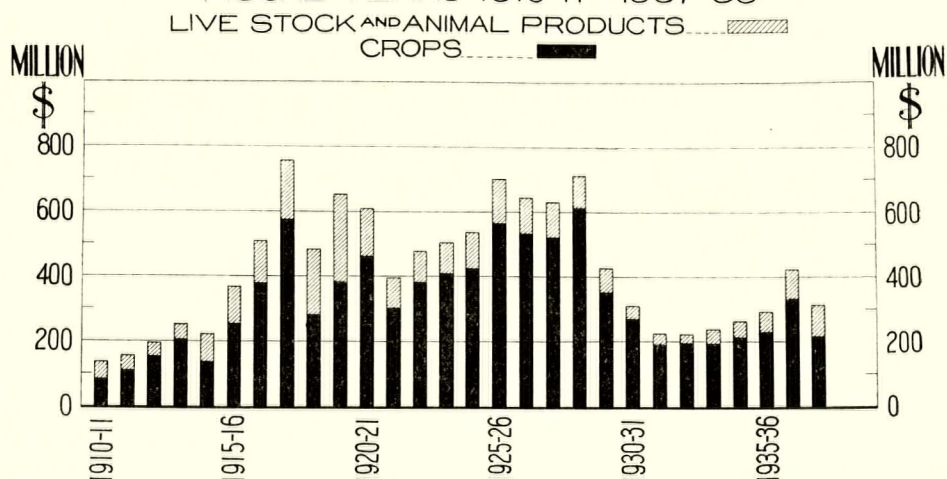
A break in the prices of raw materials, and a sharp fall in security prices occurred in the United States in April, 1937. This was followed by a serious decline in business activity in that country which caused a severe contraction in American imports—especially imports of raw materials. Meanwhile American exports remained at high levels. These developments depressed commodity prices in world markets, and adversely affected countries which exported to the United States. Decline in business activity spread to many other countries. While primary production continued at a high rate in most countries and prices of raw materials declined immediately, industrial production was curtailed and prices of finished goods remained comparatively high. The buying power of primary producing countries was thus reduced, making it more difficult to pay for imports from industrial countries. By the second quarter of 1938, the physical volume of world trade had fallen to 86 per cent of the 1929 level and

marked accumulation in stocks of foodstuffs, particularly raw materials, had taken place.

Prospects for 1939 indicate some improvement over 1938. The upturn in business activity in the United States, which commenced in the third quarter of 1938, is the most encouraging element in the outlook for international trade. Insofar as Canada is concerned, the immediate future is clouded by the fact that world stocks of wheat and cotton have risen considerably above the low point of 1937 and are again threatening to get out of hand.

Prices and Exchange.—The high point in the recovery of prices of primary commodities, reached in the spring of 1937, was followed by a severe decline which continued well into 1938. Most recent indications are that the decline has been checked, but prices are still well below those of a year ago. The indexes of wholesale prices in most of the major trading nations of the world have shown a downward movement during the past twelve months. Exceptions to this trend are found in France, where further currency devaluation kept internal prices rising and in Germany, where the decline has been very slight. The Board of Trade index for the United Kingdom fell from 111.4 in August, 1937, to 99.5 in August, 1938. The United States Bureau of Labor statistics index declined from 87.5 in August, 1937, to 78.1 in August, 1938, and the Canadian wholesale index from 84.6 in August, 1937 to 74.2 in September, 1938.

EXPORTS OF PRODUCTS OF CANADIAN FARM ORIGIN FISCAL YEARS 1910-11 to 1937-38



International exchange rates have been subject during the past year to considerable strain and nervousness, arising from a wide variety of commercial, financial and political factors. The relation of the pound to the dollar for the twelve months ended June, 1938, was comparatively stable, the pound holding strong at \$4.95 or higher despite the adverse trade balance of the United Kingdom. Since that time, however, sterling has been subjected to additional pressure, partly as a result of the fear of European war, and the pound in New York declined from an average of \$4.958 in June to \$4.815 in September, 1938. The pound in October was quoted at from \$4.80 to \$4.85 at Montreal and a further decline occurred in November. This has meant lower returns for Canadian exports to the United Kingdom than the former range of \$4.90 to \$5. A notable occurrence in the field of exchange during the past year has been the marked fall in the exchange value of the franc. The Canadian dollar has

maintained a level close to par in relation to the United States dollar, the fluctuations being within such narrow limits as to have little effect on trade between the two countries. As regards the "free" rate, the Argentine peso was depreciated further early in the year. This was followed by devaluation in November when the official selling rate was changed from 16 pesos to 17 pesos to the pound sterling. The Australian pound has reacted in sympathy with the pound sterling in recent months and declined at Montreal from about \$4 in June, 1938 to about \$3.85 early in October. Taking the exchange situation as a whole, the present outlook is decidedly unsettled.

Exports of Farm Products and Foreign Demand.—The value of Canada's export trade in products of farm origin increased considerably from the depression low point in 1932-33 to the year 1936-37, when the level of 1929-30 was reached. The value of exports for the year ended March 31, 1938, however, fell considerably below that of the previous year. The decline continued during the period of April to September, 1938. Short crops and depleted wheat stocks were largely responsible for the early decline, but later a decrease in cattle, hog and pork exports occurred. More favourable crop conditions in 1938 and a prospective increase in live stock output in the latter part of 1939 indicate that supplies available for export from Canada will exceed those of 1938.

The export demand for Canadian farm products depends on many factors. Industrial activity, general level of prices, production and stocks of commodities, as well as political conditions in a number of countries all have a bearing on the quantity and price of goods shipped from this country. Perhaps the major economic factor clouding the outlook is the fact that the 1938 world wheat crop is the largest on record, with the result that supplies are far in excess of world requirements.

Economic conditions in the United Kingdom and the United States are of prime importance in their direct effect upon the export demand for Canadian agricultural products. Moreover, their influence upon the course of world trade at large is so pervasive and so powerful that, by their indirect as well as their direct effects, they are of basic concern in any attempt to reach a sound appraisal of Canada's position and prospects with respect to export markets generally.

Conditions in the United Kingdom.—A pronounced decline in business activity in the United Kingdom occurred during the first half of 1938 in sympathy with the recession in the United States. The contraction in demand from the United States for British imports had an adverse effect upon some export industries. The overseas trade of the United Kingdom for the first ten months of 1938 discloses that the decline in the value of imports was slightly greater than the decline in the value of exports, with a consequent decrease in the excess of imports over exports. This improvement in the situation became evident in the third quarter of 1938. Much of the contraction of imports in 1938 was due to lower prices rather than to shrinkage in volume. This was particularly true in the case of foodstuffs. Exports have declined in both volume and value.

The sharpest decline in industrial production in the United Kingdom was recorded in the June quarter of 1938, although a moderate drop also appeared in the first quarter. The declines in the iron and mining groups of industries were particularly marked in the second quarter. The numbers of insured workers in employment were much more stable than the volume of industrial production, however, and retail sales up to August were actually higher than in the same period in 1937. The relative firmness of these factors, and evidence that the pronounced recession in the first half of the year has been arrested, indicate resistance to a continued decline in business activity.

In considering the future trend of business activity in the United Kingdom, it should be observed that recovery in that country commenced in the early part

of 1933 and continued for five years. As measured by the Board of Trade index of industrial production, the average annual rate of growth during this period of recovery was about 8.5 per cent. It would seem unlikely that much greater industrial activity will be experienced in the near future than at the peak of the recovery movement. The growth in the balance of merchandise imports probably is accompanied by a lower national income from external investments and from shipping and other services. However, there appear to be limits to the growth of imports, even with continued re-armament demand, unless a substantial expansion of exports should develop. The possibility of such a development depends to an important degree, of course, upon international political factors. A restoration of international security would definitely improve the outlook for world trade. In any case if the present business revival in the United States is sustained, it will do much to turn the course of international trade upwards again.

Conditions in the United States.—The importance of the effects of the business recession in the United States on international trade have already been indicated. The decline in industrial production that took place in the last quarter of 1937 was arrested during the first half of 1938. Signs of increasing production appeared in July and continued throughout the balance of the year. The rapidity of the decline and the protracted period of reduced output had widespread effects throughout the United States. This sudden change in business conditions and outlook was reflected in other countries and a sequence of adverse effects was set in motion by the declines in commodity prices and in imports into the United States. Exports from the United States continued to be heavy in 1938, although at somewhat lower levels than in the latter part of 1937. Imports were greatly reduced, the value of imports being in some months only half the value in the same month of the previous year. The resulting change in the balance of trade in the United States is striking, especially when the first nine months of 1938 are compared with the same period in 1937. Whereas in these months of 1937, there was a substantial excess of imports, in the first nine months of 1938 the excess exports from the United States was over \$800 million. There may be some significance, however, in the fact that shortly after industrial production increased, imports also increased.

In considering whether the upturn in business, first evident during the summer, is the beginning of a sustained recovery, it is necessary to examine some of the basic causes of the recession, which was so rapid and decisive in its action. The recovery that took place up to 1937 had many unusual features. The factors that stimulated business activity during that period appear to have been associated largely with the expansion of consumer purchasing power. It is doubtful whether any prolonged recovery is possible without the sustained demand for construction and for capital goods provided by private investment. There is some encouragement in the increased activity evident in the financial markets of the United States during the summer and fall of 1938. Other indications of improved business sentiment and relations have also appeared. With an improvement in the European situation, further support from private investment in the United States may occur. Increased cash reserves in the banking system and low interest rates provide the financial facilities for a revival of this kind, and increased public expenditures are providing a stimulating force by augmenting consumers' income. Furthermore, with the prolonged period of reduced production, surplus stocks have been lowered.

GRAINS

Wheat

An all-time record world wheat crop was produced in 1938, with good yields harvested from an acreage which remained at a peak level. Carry-over stocks were moderately higher at August 1, 1938, and with the surplus above requirements from the 1938 crop, the world wheat carry-over at August 1, 1939, will again be close to the record levels of 1933 and 1934. With the return of a large surplus, wheat prices on the open markets have declined to roughly half the level prevailing a year earlier. International trade in wheat is likely to show a moderate increase in 1938-39 over that of the previous crop year. A reduction in world wheat acreage is expected in 1939, which with normal yields would bring production more into line with consumption requirements. World carry-over stocks at August 1, 1939, are likely to be more than ample to offset any deficiencies through partial crop failures. Governmental policy in major wheat exporting and importing countries has been an important factor in determining prices received by growers in recent years. The Canadian crop of 348 million bushels in 1938 was the largest since 1932. Acreage was slightly higher than in the previous year. The Canadian carry-over at August 1, 1938, was the lowest in the past 15 years, but it is expected that this figure will be materially increased at the end of the current crop year. Prices to growers were sharply reduced during 1938. Fall moisture conditions are satisfactory in Alberta and Northern Saskatchewan, although deficient in Southern Saskatchewan and Manitoba.

World Situation

Supplies.—World wheat production in 1938, excluding Russia and China, reached an all-time record volume of 4,443 million bushels, representing an increase of 605 million bushels over that of 1937, and an increase of 692 million bushels over the average world production in the ten-year period 1928-37 of 3,751 million bushels. The world wheat area of 286 million acres remained approximately the same as in 1937, continuing at a record level. The world average wheat yield per acre, on the other hand, rose significantly from 13.5 bushels in 1937 to 15.5 bushels in 1938, the highest yet attained.

Most of the wheat producing countries experienced increased production in 1938. Among the major exporting countries, Canada, the United States, Argentina and the Danubian countries, except Bulgaria, had larger crops. Australia suffered serious drought which lowered the yield of the 1938 crop. European wheat production in 1938, excluding the Danubian countries and Russia, amounted to 1,351 million bushels, which was an increase of 150 million bushels over the production of 1937. The United Kingdom, France and Germany had larger crops than in the previous year, and France now has a considerable surplus above requirements. North African crops as a whole were slightly smaller than in 1937, while the Asiatic countries, chiefly Turkey and India, harvested larger crops in 1938.

World stocks of old-crop wheat at August 1, 1938, amounted to 602 million bushels, registering an increase of 75 million bushels over the very low world carry-over of wheat amounting to 527 million bushels at August 1, 1937. The increase in world stocks, added to the increase in world production in 1938, makes total world supplies for the 1938-39 season 680 million bushels greater than in 1937-38.

It is apparent that after two crop years in which export supplies and import requirements were in reasonably close alignment, a world wheat surplus is again in prospect. World wheat carry-over stocks at August 1, 1939, are likely to be in the neighbourhood of 1,100 million bushels, recording an increase of 500 million bushels during the current crop year. This will be a rapid transition from the low world carry-over at August 1, 1937, to a level at August 1, 1939, which will be close to the record peak of 1,199 million bushels established in 1934. Of the 1,100 million bushel world carry-over in prospect, 600 million bushels must be regarded as necessary reserves to supply consumption requirements before the new harvests are available. The additional 500 million bushels will represent excess carry-over supplies.

In appraising the world outlook for the 1939-40 season, consideration should be given to the fact that some decrease in the world wheat acreage is expected. The United States winter wheat area has been reduced by 10.2 million acres, while the latest United States government report forecasts a reduction of 200 million bushels in output comparable with a year ago. Later reports indicate further abandonment of winter wheat acreage. The present program of the United States government also calls for a reduction in the spring wheat area as well. It is also reported that moisture conditions have been poor in India and that appreciable acreage abandonment is expected. Normal yields on an acreage thus adjusted would bring total production more into line with consumption requirements. Recent unfavourable weather conditions in Europe may also affect production and thus contribute to the same result.

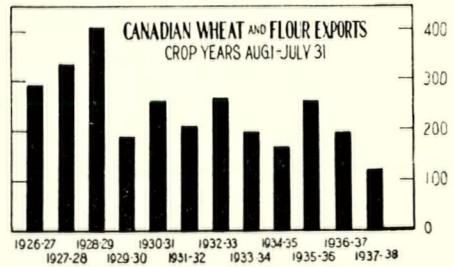
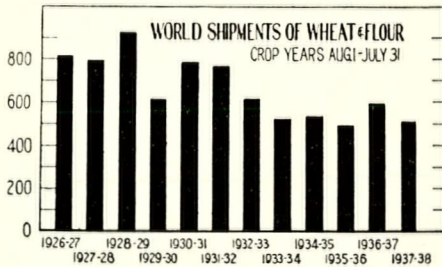
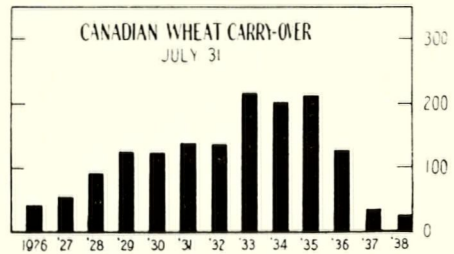
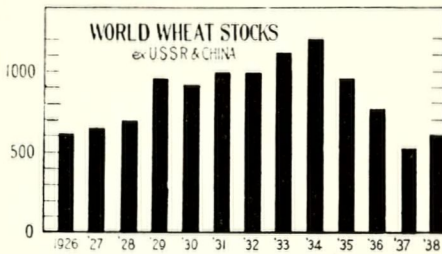
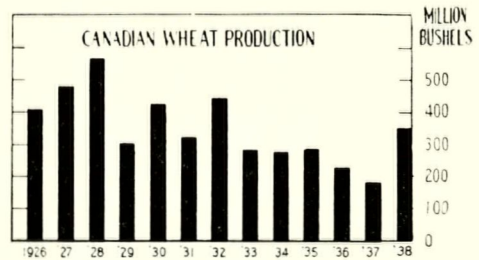
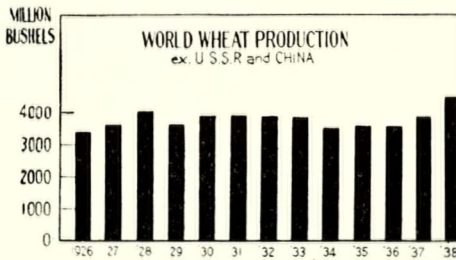
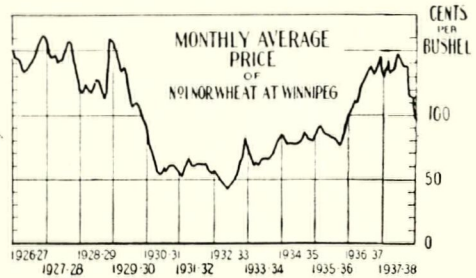
Apart from these changes in acreage indicated at the present time, much of the world acreage story is still to be revealed. However, the potential variations in 1939 world average yields are overruling in importance to the known acreage trends. Other things being equal, a repetition of 1938 yields in 1939 would add gravely to the current excess supplies. A repetition of 1936 yields would enhance their liquidation. Yields midway between these extremes may leave the current supplies unaltered. Average yields of wheat in importing countries have been relatively high in recent years and any reduction in yields might be reflected in increased imports.

Trade.—World net exports of wheat and wheat flour, including those from Russia, amounted to 546 million bushels in 1937-38, representing a decrease of 60 million bushels from the volume of net exports attained in 1936-37. Several uncertainties surround the prediction of the volume of world net exports during the current crop season. These may be listed as additional purchases of wheat for security reserves, possible over-estimates of production for certain countries, and increased human and animal consumption of wheat in response to relatively low prices. Against these possibilities for increased import requirements, the larger wheat production in most of the importing countries, results in less dependence on outside wheat supplies. With these factors in mind, it is estimated that world net exports of wheat and wheat flour for the 1938-39 season are likely to range from 540 to 565 million bushels.

Import Restrictions.—Exports of Canadian wheat to European countries other than the United Kingdom have declined materially in recent years. Canadian hard wheat is highly regarded in Germany, and at one time Canada supplied a large proportion of the total import requirements of that country. Since 1934, there has been a tendency to direct purchases to countries with which Germany has clearing agreements and special trading arrangements, regardless of the quality or price of the wheat offered. The importation of wheat into Italy is subject to ministerial licence and the government also controls and regulates the domestic production of wheat, the milling of flour and the baking and distribution of bread. Under these circumstances, no accurate forecast of Italian requirements is possible. France recently has had a large surplus of domestic wheat and imports are not permitted except for special

purposes and in amounts determined by the National Wheat Office. Millers may, however, import strengthening wheats under a system of temporary admission or as is now commonly called, of prior exportation. The importation of wheat into Switzerland has been restricted since May, 1932, by a quota system under which imports are taken largely from countries in which Switzerland has frozen credits. The result of this has been the diversion of a large proportion

FACTORS IN THE WORLD AND CANADIAN WHEAT SITUATIONS 1926-1938



of Switzerland's wheat imports to certain European countries, chief among which is Hungary. Belgian imports are controlled by a system of import licences and taxes the proceeds of which are used to pay a bounty to domestic wheat producers when necessary. Import licences are granted to anyone and for unlimited quantities, and importers may purchase wheat in the country of their choice except in special cases. The importation of wheat into the Netherlands since 1933 has

been subject to an import licensing system operated by the Central Agricultural Office. An import levy known as a "monopoly tax" is applied to all permits issued.

Prices.—During the spring and early summer months, as it became more and more apparent that both exporting and importing countries would have good wheat harvests, world wheat prices continued the downward trend which had been set in motion when the business recession commenced in October, 1937. The Liverpool December future, which averaged \$1.21 per bushel during November, 1937, had declined to 63 cents in November, 1938. Because of the very small supplies of hard milling wheats in 1937-38, Canadian wheat enjoyed an unusually favourable price spread which has since become more nearly normal with the return of more plentiful export supplies of wheat in Canada. The Winnipeg cash price of No. 1 Northern wheat averaged \$1.35 per bushel in November, 1937, and rose to \$1.49 in January, 1938. Since then it has declined to an average of 59 cents in November, 1938, which is less than half the price prevailing a year earlier.

Because of the decline in market prices during 1938, prices which growers receive have become a matter of government policy in the major exporting countries. In Canada, the Canadian Wheat Board is accepting deliveries from the 1938 crop by growers in the western provinces at the basic rate of 80 cents per bushel for No. 1 Northern in store Fort William-PortArthur which after allowing for freight rates, handling charges and grade differentials is equivalent to an average for all grades of approximately 59 cents to the farmer. Under the wheat loan program, the United States Government offers co-operating wheat producers loans at farm rates averaging about 60 cents per bushel. In addition, the government is subsidizing wheat and flour exports. This serves to prevent domestic market prices from declining to an international competitive level. The Argentine government is paying growers the equivalent of 59½ cents a bushel for top quality wheat delivered at Buenos Aires, with prices for the lower grades at appropriate spreads. The Australian government is paying a subsidy on the portion of the crop used in domestic human consumption, out of the proceeds of a tax on flour millings.

Canadian Situation

Supplies.—Following a five-year period of below-normal wheat yields in Canada, culminating in the unusually small 1937 crop of 182.4 million bushels, production in 1938 rose sharply to 348.1 million bushels. The Canadian wheat area increased slightly to 25.9 million acres in 1938, as compared with 25.6 million acres in 1937, and the ten-year (1928-37) average area of 25.3 million acres. The average yield per acre in 1938 rose to 13.4 bushels as compared with 7.1 bushels in 1937, the ten-year 1928-37 average of 13 bushels, and the 1908-30 average of 17.1 bushels per acre.

Since practically all available supplies were exported during the 1937-38 crop year, the carry-over of Canadian wheat at August 1, 1938, was reduced to 23.4 million bushels, the lowest level within fifteen years. When this small carry-over is added to the 1938 crop, total supplies of Canadian wheat for the current season amount to 371.5 million bushels. Deducting domestic requirements of 103 million bushels, there remain 268.5 million bushels available for export or carry-over, as compared with 114.8 million bushels in the 1937-38 crop year.

Moisture conditions in the Prairie Provinces last fall varied considerably, with above-normal rainfall in most of Alberta and normal moisture supplies in Saskatchewan, except in the southern districts. Practically the whole of Manitoba experienced an extremely dry autumn. Very little relief seed will be required, and with the availability of adequate supplies of rust-resistant wheats, it is

expected that all Manitoba and Eastern Saskatchewan growers of common bread wheats will use seed of the rust-resistant types.

Irrespective of the acreage sown next spring, growers will appreciate the need for keeping production expenses at a minimum in relation to their returns from wheat. The maintenance of proper soil practices, use of rust-resistant varieties in susceptible areas and employment of all possible control measures against insect damage will be necessary for the realization of the largest possible returns.

Trade.—Total Canadian wheat and flour exports during the 1937-38 season amounted to 93 million bushels, while wheat imports from the United States rose from 147,000 bushels in 1936-37 to 5.7 million bushels in 1937-38. Exports from August to November in the 1938-39 season totalled 72.4 million bushels, and it is expected that exports for the whole crop year will range between 150 and 170 million bushels. This volume falls considerably short of the average Canadian exports of 215 million bushels during the five crop years 1932-33 to 1936-37. Whereas Canada might ordinarily expect to export a similar volume of wheat in 1938-39 despite the continuation of restricted import requirements, the unusually large supplies available in competing exporting countries are making it more difficult for exports of Canadian wheat to reach this volume in the current season. However, the high quality of Canadian wheat continues to give Canada a special advantage in overseas markets.

Total exports of 150 to 170 million bushels will result in a carry-over of Canadian wheat on August 1, 1939, amounting to 100-120 million bushels. While a carry-over of this size is larger than necessary, a somewhat larger carry-over than that at August 1, 1938, would tend to ensure against deficiency in export supplies.

Prices.—The disappearance this season of the unusual premiums on top grades of Canadian wheat which prevailed throughout the 1937-38 season has been noted. Narrowing of these spreads in addition to the general decline of wheat prices has resulted in a 60 per cent decline in Winnipeg prices from the peak average during January, 1938, to the average in November, 1938. Farm prices in Canada averaged \$1.02 per bushel during the 1937-38 season. In the 1938-39 season farm prices are averaging about 59 cents per bushel.

Some of the basic factors which in the absence of new developments will affect market prices of Canadian wheat in the 1939-40 season will be the size of the 1939 Canadian and world crops, the 1939 carry-overs of old-crop wheat and general business conditions. Of these factors, the most clearly apparent at the present time is the considerable increase which will take place in the world carry-over of wheat, including an enlarged carry-over in Canada. General business recovery, if continued through the 1939-40 season, may provide moderate support for wheat prices.

Durum Wheat

World supplies of durum wheat in 1938-39 are plentiful for a second consecutive season. While prices are considerably below the level of a year ago, the spread between prices of the bread wheat grades and the durum grades is relatively unchanged. Canadian durum wheat supplies are being exported somewhat more readily this year than they were a year ago, although it is probable that the Canadian carry-over of durum wheat at August 1, 1939, will remain approximately the same as on August 1, 1938.

Canadian production of durum wheat in 1938 amounted to 22.0 million bushels, as compared with 26.4 million bushels in 1937. This reduction was mainly due to the smaller area of 1.7 million acres sown in 1938, as compared with 2.4 million acres in 1937. The reduction in acreage was due mainly to

the availability of substantial quantities of rust-resistant seed of the bread wheat varieties together with the discount of durum wheat prices in the 1937-38 season. The 1938 durum crop in the United States was 40.4 million bushels as compared with 28 million bushels in 1937. The United States again has durum wheat supplies beyond the needs of domestic requirements. The North African crops in Morocco, Algeria and Tunisia amounted to 42.0 million bushels compared with 45.9 million bushels in 1937.

While production of Canadian durum wheat was 4.4 million bushels less than in 1937, at least 8 million bushels of old-crop durum wheat were carried into the 1938-39 season, compared with a negligible amount a year earlier, so that the total supply for the current season is 30 million bushels, which is 3.6 million bushels larger than in the previous year.

Durum exports for the four-month period, August-November, 1938, amounted to 8 million bushels, whereas in the same period of 1937, durum exports were only 3.6 million bushels. The Mediterranean Basin and the Near East constitute the principal outlet for this type of wheat. The present crop year has witnessed three important developments in this area. For the first time Turkey has an exportable surplus amounting to 11 million bushels. Although there has been an increase of nearly 12 million bushels in the Italian crop, it is expected that most of this will be absorbed within that country. Despite the large surplus in the Mediterranean Basin, France will require to import from North America some 3.5 to 4.0 million bushels because of the short crop in French North Africa.

Winnipeg prices of No. 2 amber durum averaged 96 cents during the August-November period 1937, which amounted to an average spread of 39 cents below No. 1 Northern. In the same period of 1938, No. 2 amber durum averaged 48 cents with a spread of 17 cents below No. 1 Northern. Durum wheat continues at a discount below the bread wheat types and the present spread is relatively the same based on 1938 prices as it was a year ago.

Fall Wheat

The area sown to fall wheat in the autumn of 1938 amounted to 799,000 acres as compared with 815,000 acres sown in the autumn of 1937. The fall wheat area in Canada is almost entirely confined to Western Ontario, where it is grown as a cash crop. Winter abandonment of 9 per cent reduced the 1938 harvested area to 742,100 acres. Production amounted to 19.8 million bushels, as compared with 18.8 million bushels in 1937. The condition of the crop for harvest in 1939 at October 31, 1938, was 98 per cent of the long-time average compared with 93 per cent for the 1938 crop at the same time in 1937. Upwards of six million bushels are required annually for the production of flour for the manufacture of cake, biscuits and pastry, while smaller quantities are used in cereal breakfast foods. The remainder of the crop is utilized largely as feed.

The average price received by growers in November, 1938, was 58 cents per bushel compared with 99 cents per bushel in November, 1937.

Flaxseed

The 1938 flaxseed crop in Canada was almost double that of 1937. Production in other countries was greater than in 1937. Despite these increases in production, flaxseed prices have not fallen proportionately with other grain prices and returns from flax production now compare favourably with returns from wheat. The present situation indicates that this relationship will continue into 1939.

Canadian flaxseed production in 1938 amounted to 1,358,000 bushels compared with 698,000 bushels in 1937. While the area declined from 241,300

acres in 1937 to 221,200 acres in 1938, the average yield per acre rose from 2.9 to 6.1 bushels. The carry-over at the beginning of the present crop year was 219,000 bushels compared with 465,000 bushels a year earlier. Thus, total flaxseed supplies at the beginning of the 1938-39 season were 1.7 million bushels compared with 1.2 million bushels in 1937-38. Imports into Canada during the 1937-38 crop year totalled 1,116,000 bushels, compared with 991,000 bushels in 1936-37. These imports were chiefly from Argentina.

United States flaxseed production in 1938 was 6.1 million bushels, approximately one million bushels larger than in 1937. Indian production was 18.3 million bushels in 1938, compared with 18.8 million bushels in 1937. While it is too early for an estimate of the Argentine crop, it is expected that 1938 production will be appreciably higher than the below-average production of 60.6 million bushels in 1937.

Prices of No. 1 C. W. flaxseed at Winnipeg averaged \$1.36 per bushel during November 1938, compared with \$1.74 in November 1937. The percentage decline in flaxseed prices has not been nearly so great as that in wheat and other grains. Cash returns from flaxseed in 1938 were quite as good as those from wheat in the areas suited to flax growing. The world flaxseed area in 1938, apart from Soviet Russia where some reduction occurred, was very little changed from that in 1937, and present indications are that world production in 1938 was only moderately higher than in 1937. Canadian flaxseed production is still considerably below domestic requirements. With no appreciable surpluses of flaxseed in sight and with some increased demand from the construction industry in prospect, prices may be expected to remain relatively favourable in relation to the prices of other grains.

Rye

The 1938 rye crop was almost double the low production in 1937. Although European production was higher also in 1938, Canadian exports may exceed those of the previous crop year when domestic supplies were low. Rye prices have fallen proportionately with other grain prices and feeding of rye will be increased this year. Domestic requirements for distilling purposes continue at about the same level as in previous years.

Rye production in Canada in 1938 amounted to 11.1 million bushels as compared with 5.8 million bushels in 1937. While the area declined from 893,700 acres in 1937 to 741,400 acres in 1938, a sharp increase in the average yield per acre from 6.5 bushels in 1937 to 15 bushels in 1938 accounts for the considerable increase in production. Carry-over stocks of rye at August 1, 1938, were 982,000 bushels compared with 409,000 bushels a year earlier. Accordingly, total supplies of rye for the 1938-39 season are 12.1 million bushels compared with 6.2 million bushels in 1937-38. A large part of the rye produced in Canada is fall sown, and in the autumn of 1938, 596,000 acres were sown as compared with 582,000 acres sown the previous year.

Rye production in the United States was about 6 per cent greater in 1938 than in 1937. Canadian rye exports to the United States were negligible in the 1937-38 crop year, and are expected to remain low during the current season. European production in 1938 was 18 per cent greater than in 1937, and 9 per cent greater than the average from 1932 to 1936. Despite this increase in production, Canadian exports to Europe during the current season will probably be larger than in 1937-38, due to the present low prices and greater availability of export supplies. The carry-over of Canadian rye on the other hand is likely to be higher on August 1, 1939, than the below-normal carry-over of the previous two seasons.

A larger amount of rye is expected to be fed to live stock this year, while the small requirements for domestic distilling purposes continue about the same as in previous years. The use of fall rye for spring pasture is coming to be appreciated in many sections and this crop may also have an important place on hilly lands liable to suffer from erosion. Prices for No. 2 C. W. rye, which averaged $84\frac{1}{2}$ cents during October 1937, fell to 41 cents in October 1938, in response to the larger domestic supplies available this year and to the general decline in grain prices.

SEED

Seed Grain

Supplies of registered and certified grades of seed grain for the 1939 seeding are practically double those of the previous year and the wide-spread use of these grades should go far in improving the 1939 grain crops. The low prices received for the 1938 grain crop, however, may restrict the use of seed of this quality in the 1939 seeding.

For the first time in a number of years seed grain supply in the Prairie Provinces is regarded as satisfactory without the need of relief seed in large quantities. A few localities require some seed, where crop losses were caused by drought, hail and grasshoppers, and where black stem rust caused serious deterioration of the wheat crop. Gradually the production of rust-resistant varieties of wheat is spreading and losses from this disease are being minimized accordingly. The supply of seed of Thatcher and other rust-resistant varieties should be abundant for 1939 seeding and further replacement of susceptible varieties with this seed is advisable in areas in Manitoba and Saskatchewan where the black stem rust occurs. There is also an abundance of seed oats and barley. These crops matured well generally throughout Canada, without frost or other serious damage. The only exceptions were in some parts of the Maritime Provinces and eastern Quebec where excessive September rains spoiled some of the oat crop. The shortage may be made up from supplies available within these provinces.

Wheat.—Comparatively small quantities of relief seed wheat will be required in the Prairie Provinces next spring. As much as possible of the supply of registered and certified grade rust-resistant varieties should be distributed throughout the rust areas. The area affected by rust extended farther west in 1938 than in previous years. In Manitoba and Saskatchewan, the supply of registered and certified grades of rust-resistant wheat is reported as 1,867,000 bushels. In addition, there is an abundance of No. 1 commercial seed, mainly of the Thatcher variety. The total supplies of registered grade seed wheat of other varieties is 258,600 bushels and of certified grade, 475,500 bushels.

Oats.—All provinces appear to have ample supplies of oats for seeding next spring, although some local distribution will be necessary where rust and unfavourable harvesting conditions reduced the crop. There will be available some 885,000 bushels of registered seed oats as well as 317,000 bushels of certified grade. The latter are mainly in the Prairie Provinces, while the supplies of registered grade are distributed throughout all the provinces.

Barley.—The barley crop was generally good in all provinces in 1938, so that there should be an abundance of seed for 1939. Stocks of registered grade barley seed total about 131,000 bushels. The quantity of certified grade seed is approximately 59,000 bushels, most of which is held in Saskatchewan and Alberta.

Other Grains.—Other grains, including rye, peas, buckwheat, corn, field beans and soybeans, yielded well in 1938, and seed supplies for 1939 are regarded as satisfactory.

Clover, Alfalfa and Grass Seed

The commercial production of clover, alfalfa and grass seed in 1938, while varying in the different provinces, was larger for most kinds than in 1937. The total yields of red clover and alsike were larger than in the previous year and well above the average for the last five years. While less alfalfa seed was produced than in 1937, the total yield was well above the five-year average. Saskatchewan and Manitoba led in production, exceeding Ontario for the first time. The production of sweet clover seed in 1938 was the largest on record, being almost double the average production in the last five years. Timothy seed production in 1938 was about one-half of that in 1937. The production of brome, crested wheat and western rye grass in 1938 was much larger than in 1937. As a result of the increased production of most of these seeds and the present weak export demand, supply for domestic consumption in 1939 will likely be larger than usual with prices lower than last year. Export demand has declined sharply this season owing to a larger than usual world supply and prices for most seeds in the usual export markets have not been attractive.

Red Clover.—Canadian production of commercial red clover seed in 1938 is estimated at 6.1 million pounds as compared with the five-year average of 3.2 million pounds. The quality of the new seed is generally good. Domestic requirements for seeding in 1939 are estimated at 4 million pounds, leaving about 2.1 million pounds for export or carry-over. There is usually a brisk export demand, particularly from the United Kingdom, but prices in that market have been low owing to a large carry-over from 1937 and offerings of continental European seed at extremely low prices. It should be recognized, however, that the present market situation for red clover is decidedly abnormal and that a recurrence of this apparent over-supply is unlikely for many years. Buyers are paying growers 12 cents per pound for No. 1 seed as compared with 20 to 25 cents last year.

Alsike.—The production of alsike seed has assumed normal proportions after several years of short supply, amounting to about 6.8 million pounds in 1938. The total required for domestic seeding is about 2 million pounds, which leaves approximately 5 million pounds of the 1938 crop for export. Export demand for alsike this season has been rather slow and prices low due to a large competitive supply in the United States and Europe. Prices being paid to Ontario growers for No. 1 alsike range from 8 to 11 cents per pound as compared with 20 to 25 cents in 1937. At the end of 1938, there appeared to be little prospect for an improvement in demand, indicating a considerable carry-over against a possible short crop in 1939.

Alfalfa.—The production of alfalfa seed in Canada in 1938 is estimated at 4.0 million pounds as compared with the five-year average of 2.7 million pounds. The general quality of the new crop is good. The normal annual domestic requirements for alfalfa seed approximate 3 million pounds, which leaves a surplus of about 1.0 million pounds of the 1938 crop for export, which will probably be marketed in the northern United States. Much of the new crop, particularly in Saskatchewan, is of registered No. 1 grade and for this reason will likely command a premium of a few cents a pound over ordinary No. 1 grade. Growers are receiving from 14 to 20 cents per pound for No. 1 grade as compared with 19 to 25 cents in 1937. Registered grades command a premium of about 2 cents per pound over ordinary alfalfa seed.

Sweet Clover.—Canadian production of sweet clover seed in 1938, estimated at 11.8 million pounds, shows a substantial increase as compared with the five-year average of 6.2 million pounds. As the annual domestic consumption

is estimated at 4 million pounds, the surplus of the 1938 crop will approximate 8 million pounds. The prospect for marketing this surplus before the next season is only fair as there is a smaller outlet than usual for it in the United States, the only export market.

Timothy.—The production of timothy seed in Canada in 1938 is estimated at 4.3 million pounds as compared with the five-year average of 6.9 million pounds. The quality of the new crop is generally good. A large part of the seed in Eastern Canada is mixed with alsike. This increases its value in proportion to the alsike content. The decrease in production occurred principally in Ontario and British Columbia and was probably due to the low prices received for the 1937 crop. It is expected that the new crop, plus the carry-over from last year, will provide ample seed for requirements in the spring of 1939. Buyers paid growers in Ontario 3 to 5 cents per pound, as compared with 3.5 cents in 1937. A large supply of timothy seed in the United States is the main cause for the low prices in Canada this season.

Commercial Production of Clover and Grass Seeds in Canada, 1938 and 1937

000 lbs.

	Maritimes		Quebec		Ontario		Prairie Provinces		British Columbia		All Canada	
	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937	1938	1937
Red clover.....	40	.....	500	50	5,100	779	75	15	350	230	6,065	1,074
Alsike.....	1	20	.....	.....	6,771	393	88	.....	100	154	6,960	567
Alfalfa.....	.....	.....	.....	.....	1,011	2,618	2,965	1,450	67	75	4,043	4,143
Sweet clover.....	.....	.....	.....	.....	1,723	1,465	10,100	6,840	.....	.....	11,823	8,305
Timothy.....	135	325	700	1,145	2,451	4,507	850	490	170	1,000	4,306	7,467

Brome Grass.—The Canadian production of brome grass in 1938 is estimated at 2.3 million pounds as compared with 1.1 million pounds in 1937. The production of this crop is confined to the Prairie Provinces and the higher yield in 1938 was the result of heavier precipitation in Saskatchewan and Alberta during the growing season. Of the 1938 crop, Alberta produced 1.5 million pounds, Saskatchewan 500,000 pounds and Manitoba 350,000 pounds. It is expected that most of the seed will be marketed during the current season despite the fact that the demand in the United States may not be as great as last year. Prices being paid to growers ranged from 6 to 9 cents per pound as compared with 9 to 12.5 cents in 1937.

Western Rye Grass.—The production of western rye grass seed in 1938 amounted to some 85,000 pounds as compared with 20,000 in 1937. Admixture with couch grass to which western rye grass is related botanically, and inferior drought-resisting and soil-binding characteristics, compared with crested wheat and brome grass are mainly responsible for the declining popularity of this crop. The demand for the seed is slow with little seed being moved.

Crested Wheat Grass.—The production of crested wheat grass seed increased in 1938 to 1,746,000 pounds as against 643,000 in 1937. Production by provinces was as follows: Saskatchewan 1,300,000 pounds, Alberta 370,000 pounds, and Manitoba 75,000 pounds. This seed is mainly of Canadian Fairway strain which is highly regarded. Most of the crop is expected to be marketed during

the season either for export or for domestic seeding. Crested wheat grass has become increasingly popular owing to its drought-resisting characteristics. Prices are lower this year due to the large supply, 13 to 20 cents per pound being paid for registered and certified No. 1 grade. Prices in 1937 ranged from 15 to 25 cents per pound.

Canada Blue Grass.—The total yield of this grass seed, which is produced mainly in southwestern Ontario, is estimated at 112,000 pounds in 1938 as compared with 300,000 pounds in 1937. The acreage devoted to the production of this crop has fallen off because of low competitive prices of Kentucky blue grass seed of American origin. The small supply available will likely be absorbed by the domestic trade for use in lawn grass mixtures and permanent pasture mixtures. Growers received about 12 cents per pound for No. 1 grade as compared with 9 cents in 1937.

Bent Grasses.—The production of Prince Edward Island or Colonial bent seed in the Maritime Provinces in 1938 is estimated at 3,500 pounds as compared with 12,000 pounds in 1937. The crop of velvet bent in Prince Edward Island was 600 pounds as compared with 1,000 pounds in 1937. Creeping bent production was 5,000 pounds as against 7,500 pounds in 1937. The reduced production was largely due to wet weather conditions at the time of harvesting and to reduced acreage, the result of low competitive prices.

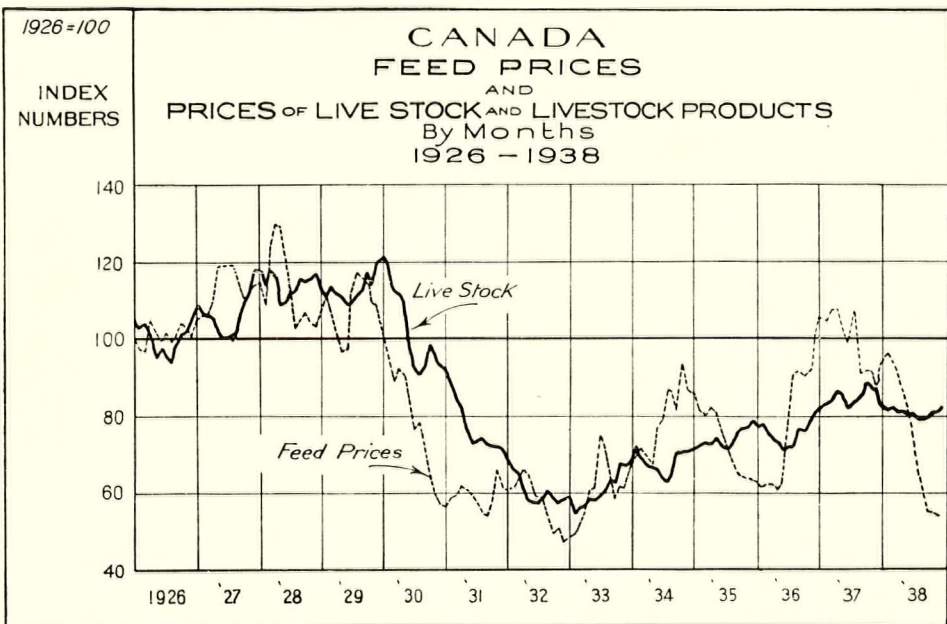
FEED SITUATION

Feed grain supplies per animal unit for 1938-39 are about 38 per cent greater than in the previous year and the highest recorded since 1930-31. Feed grain prices have declined greatly since the spring of 1938 while the prices of live stock and live stock products have remained relatively steady. Feed grain prices in Canada are expected to remain low during the remainder of the current crop season, due to relatively abundant supplies. It is expected that the relationship between live stock prices and feed grain prices will continue favourable for feeding throughout the 1938-39 season. Exports of barley and oats are not likely to exceed those of 1937-38. The Argentine corn crop was unusually light but feed grain supplies in the United States are large. In Europe also feed grain supplies are somewhat larger than those of the previous year while live stock numbers are slightly less than in 1937. Domestic production of tame hay and fodder and also of roots was greater in 1938 than in 1937 while live stock numbers were reduced. United States demand for hay is expected to be very light.

The Feed Grain Situation

Supplies.—The 1938 production of feed grains, including oats, barley, corn, mixed grains, buckwheat and peas amounted to 10.5 million tons compared with 7.9 million tons in 1937 and an average of 9.5 million tons for the years 1930 to 1934. The 1938 production was 32.9 per cent greater than that of the previous year and 10.3 per cent greater than the five-year (1930-34) average. The carry-over of feed grains at July 31, 1938, amounted to 514,000 tons compared with 426,000 tons at the same date in 1937. With the exception of 1937, this is the smallest carry-over recorded since 1922 and only 51 per cent of the average for the past ten years. Total supplies of feed grains for the 1938-39 season were 11.0 million tons, an increase of 2.7 million tons compared with supplies at the same date in 1937. At June 1, 1938, compared with the same date in 1937, a slight reduction was shown in the number of grain-consuming animals. On the other hand, the feed grain supply per animal unit at the beginning of the 1938-39 season was about 38 per cent greater than for the 1937-38 season and the highest since 1930-31.

The 1938 crop of oats amounted to 377.3 million bushels, an increase of almost 109 million bushels over the 1937 production. The total area of oats in Canada in 1938 was estimated at 13 million acres. This was almost identical with that of 1937, and represents a decline of one million acres from the peak for recent years established in 1935. The average yield per acre in 1938 was 29 bushels, which was an increase of 8.4 bushels over that of 1937. The improvement in yield accounted for the appreciable increase in the 1938 production. Yields were notably better in Saskatchewan and Alberta as well as in the eastern provinces. Only in British Columbia was a reduced oat crop harvested. Carry-over stocks of oats at July 31, 1938, amounted to 19.5 million bushels, an increase of 1.2 million bushels over the carry-over at the same date in 1937. Thus total supplies for the 1938-39 crop season amount to 396.8 million bushels, or about 110 million bushels more than in the previous year. As against relatively short supplies of oats for feeding in 1937-38, supplies for the 1938-39 season are ample and a larger farm carry-over may be expected at the end of the season.



Barley production in 1938 amounted to 102.7 million bushels, showing an increase of 19.6 million bushels over production in 1937. The 1938 barley area of 4.5 million acres showed an increase of about 3 per cent over the area sown in 1937. The larger crop in 1938 was largely the result of an increased yield per acre, which was 23.1 bushels as compared with 19.2 bushels in 1937. Yields were higher in all provinces except Manitoba and British Columbia. The carry-over of barley at July 31, 1938, amounted to 6.5 million bushels in comparison with 4.3 millions a year earlier. Total barley supplies for the current crop year amount to 109.2 million bushels. Domestic requirements of the malting industry in Canada approximate 6 million bushels annually and it is evident that Canadian supplies greatly exceed these needs. While small amounts of malting barley were exported to the United Kingdom and Europe last season, a somewhat larger overseas movement at present prices is anticipated this season. Because the malting types can be used just as readily for feeding, and also because of the low prices of barley generally, considerable amounts of malting barley are expected to be fed to live stock during the current season.

Corn for husking in Ontario in 1938 yielded 7.7 million bushels, an increase of 40 per cent over the crop in 1937. There was a considerable decrease from the previous year in the amount of ear corn harvested in Manitoba.

Imports and Exports.—Due to the short supplies of oats in the 1937-38 season, 11.8 million bushels were imported, practically all from the United States. With the large oat crop of 1938, total imports for 1938-39 are expected to be relatively small. Corn imports during 1937-38 amounted to 14.1 million bushels, and while still comparatively large, showed a decline of 31 per cent as compared with imports during the previous crop year. It is probable that total imports for the 1938-39 season will be considerably below those for 1937-38. Imports of other feed grains in 1937-38 were relatively unimportant. Soybean cake and meal imports were 17,600 tons in 1937-38. This was a marked increase over the 1936-37 importation of 2,300 tons. Imports of cottonseed cake and meal were 6,600 tons in 1937-38 compared with 3,000 tons in 1936-37. Imports of these latter feedstuffs are not likely to be so large in the current crop season as they were in 1937-38.

Exports of oats during the 1937-38 crop year totalled 4.8 million bushels, as compared with 6 million bushels during 1936-37. Increased supplies are available for the export market in 1938-39. However, production in the United Kingdom, which is the principal importer of Canadian oats, was about 9 per cent greater in 1938 than in 1937. Total barley exports during 1937-38 amounted to 14.7 million bushels, as compared with 17.6 million bushels in 1936-37. Whereas in 1936-37, the United States took the bulk of our barley exports, mainly for malting, the greater proportion went to the United Kingdom in 1937-38. Production of barley in both the United States and the United Kingdom was higher in 1938 than in 1937. Exports to the United States are, therefore, expected to remain negligible during the current season, while exports to the United Kingdom may be somewhat reduced.

Prices.—Feed grain prices were relatively firm during the autumn of 1937 and until March, 1938, but have declined steadily since that time. Thus No. 3 C. W. oats, basis Fort William-Port Arthur, declined from 50 cents in February, 1938, to 26 cents in October. Average prices for No. 3 C. W. barley dropped from 64 cents to 36 cents, while feed wheat declined from 80 cents to 35 cents during the same period. Feed grain prices are expected to remain low during the remainder of the current crop season, due to relatively abundant supplies.

The relation between live stock prices and feed grain prices is expected to remain favourable for feeding during the remainder of the current crop year, owing to the fact that prices of live stock and animal products are not expected to fall below their present levels, and may even rise moderately. Between February and October, 1938, the index of live stock prices declined fractionally from 81.1 per cent to 81.0 per cent in the 1926 level. The index of feed prices, on the other hand, dropped sharply from 96.4 per cent to 55.6 per cent of the 1926 average. By July, 1938, feed prices became relatively favourable for feeding with respect to the level of live stock prices. By October, 1938, the ratio between feed prices and live stock prices had become increasingly favourable for feeding, despite some declines in prices for commercial live stock.

Trends in Live Stock Numbers.—As a result of the very short feed supplies in 1936 and 1937, numbers of live stock on farms have declined considerably. The trend in cattle numbers has been downward since 1934. At June 1, 1938, there were 8.51 million head as compared with 9.01 million in 1934. While the downward tendency in numbers may be checked, numbers at June 1, 1939, are expected to show a further slight reduction. If normal feed conditions obtain in 1939-40, cattle numbers are expected to increase again in 1940 or 1941. The greatest reduction in cattle numbers has occurred in the Prairie Provinces,

particularly in Saskatchewan and Alberta. Future changes in numbers are therefore largely dependent upon feed grain production and range conditions in these provinces.

A very sharp reduction in hog numbers occurred during 1938, as a result of short feed supplies and an unfavourable relationship between feed prices and hog prices. The reduction was common to all provinces with the exception of Prince Edward Island. In view of the more favourable feed-hog price relationship prevailing in the last six months of 1938, an expansion in hog numbers is expected in the latter part of 1939. There were 3.49 million hogs on farms at June 1, 1938, compared with 3.96 million at the same date in 1937.

A slight increase in the sheep population was shown in the 1938 returns. Little variation has occurred in sheep numbers since 1933 and in view of low wool prices, no great changes in numbers are expected during the next two years.

There was a further decline in horse numbers in 1938 due to disease and lack of feed. The reduction in horse numbers since 1921 has released about a million acres of grain land for the production of cash grains and feed for other animals. While it is expected that the downward trend in numbers of horses will be reversed, it is unlikely that any considerable increase in the horse population will occur during the next few years.

Poultry numbers in 1938 were slightly below those of 1937, but in view of favourable feed conditions, the numbers at June 1, 1939, may show a considerable increase.

Total animal units on farms are now the lowest since 1931, and it is expected this situation will continue through most of 1939. The greatest reductions have occurred in the numbers of grain-consuming animals and it is expected that the greatest increases will occur in this class, particularly in hogs and cattle. If normal feed production is obtained in 1939 and 1940, supplies per animal are likely to be high because of the reduction in total live stock population over the past three years.

Situation in Other Countries.—The 1938 supply of feed grains in the United States was slightly greater than in 1937, and the highest since 1932. Live stock numbers have also increased, so that grain supplies per grain-consuming animal unit in 1938-39 will be about the same as for the previous year. Feed grain supplies in Europe were about 13 per cent larger in 1938 than in 1937 and live stock numbers were slightly reduced. Hence, import requirements of feedstuffs in Europe probably will be somewhat smaller during the current season. Due to drought, the 1937-38 Argentine corn crop was 50.2 per cent less than the 1936-37 crop and 48.3 per cent less than the average for the last five years. It is estimated that exports of Argentine corn for the crop year ending March 31, 1939, will be 129 million bushels as compared with exports of 269 million bushels during the previous crop year.

Situation by Regions.—Feed grain production in the Maritime Provinces, although exceeding the previous light crop, was still about 7 per cent less than the 1930-34 average. Prince Edward Island production was 1 per cent more than the 1930-34 average. With an increase in the number of grain-consuming animals, due largely to increased cattle numbers in Nova Scotia and New Brunswick, feed grain supplies in relation to requirements are considerably below average. Furthermore, the principal grain crop is oats, much of which is of light weight and inferior quality.

The 1938 production of feed grains in Quebec was 14 per cent more than the 1937 crop but 8 per cent less than the 1930-34 average. The quantity per grain-consuming animal is somewhat larger than that of the previous year and the quality is also superior. Ontario feed grain production in 1938 was 10.1 per cent greater than in 1937 and 4.1 per cent more than the 1930-34 average. The quality is fair and the quantity per grain-consuming animal unit above that of the previous year.

In Manitoba, the production of feed grains in 1938 was 6 per cent less than that of 1937 but 31 per cent more than the 1930-34 average. The quality of both barley and oats, however, was inferior to that of the previous crop. There was a slight reduction in the numbers of animals on farms but poor pasturage necessitated earlier feeding on a winter basis. Saskatchewan production of feed grains in 1938 made a good recovery from the very short crop of 1937, but was 1.2 per cent less than the average for 1930-34. Production, however, was patchy, but deficient areas were not uniformly affected and no extensive or long-haul movement of feed grains to deficient areas will, therefore, be necessary. There was a considerable decrease from the previous year in the numbers of cattle and hogs on farms in Saskatchewan. The 1938 feed grain crop in Alberta was 35 per cent above the 1937 crop and 32 per cent above the 1930-34 average. In the northern part, however, yields were light and in spite of a reduction in live stock numbers, some sections will have no more than enough for local needs. British Columbia feed grain production was 11 per cent less than in 1937 and 14 per cent more than the average for 1930-34. There has also been a reduction since 1937 in the numbers of grain-consuming animals on farms.

Commercial Feeds.—Mill output of wheat by-products and cracked corn was considerably lower in the 1937-38 season than in 1936-37, while the output of other ground feeds showed a substantial increase. Decreased production of wheat flour was responsible for the smaller output of bran and shorts, while the lower output of cracked corn was due to smaller corn imports. The increased output of other ground feeds was due to a fairly consistent demand for poultry feeds coupled with a need to supplement light farm supplies of inferior quality. Prices of bran and shorts rose from September 1937, to March 1938, and then declined steadily to September 1938, when prices were approximately \$6 per ton below the levels prevailing in the same month a year earlier. Since September, prices have turned upward again.

Hay and Fodder Situation

Production.—The total production of tame hay and fodder crops, including hay and clover, alfalfa, fodder corn and grain hay was 22.3 million tons in 1938 compared with a production of 20.8 million tons in 1937 and the 1930-34 average of 21.2 million tons. Fodder supplies per hay-consuming animal for 1938 were 2.11 tons as compared with 1.91 tons in 1937. Hay and clover production was 7.1 per cent greater than in 1937 and 4.0 per cent above the 1930-34 average. Alfalfa production was 2.3 per cent less than for the previous year but 32.4 per cent over the 1930-34 average. The fodder corn crop yielded 12.2 per cent more than the 1937 crop and 36.5 per cent more than the 1930-34 average.

Exports.—Exports of hay for 1937-38 were only 53,000 tons compared with 267,000 tons for 1936-37. Of this, 22,000 tons went to the United States and 19,000 tons to the United Kingdom. Reports from the United Kingdom indicate the need for moderate imports of hay. High production in nearly all parts of the United States plus a fairly large carry-over minimizes the possibility of any substantial outlet there this season.

Situation by Regions.—Tame hay and fodder production in Prince Edward Island was about 22 per cent less, in Nova Scotia about 9 per cent less and in New Brunswick about 13 per cent greater than for the previous year. Hay and fodder production in Quebec was about 14 per cent greater and in Ontario about 4 per cent greater than for 1937. There is more clover and clover mixed hay than usual in these provinces. Yields of fodder corn were better

in both Quebec and Ontario than in 1937. Production of hay and fodder in Manitoba was somewhat less than in the previous year, but quite sufficient for requirements. Saskatchewan production of hay and fodder in 1938 was more than double that of the previous year. Owing to drought and grasshoppers, however, supplies will be short of requirements in a number of local areas but available elsewhere within moderate hauling distance. In Alberta, hay and fodder production was 13·2 per cent more than the previous year, but in some of the northern areas, supplies will be no more than adequate and may be short if spring is late. British Columbia production of hay and fodder was about 14 per cent less than the light crop of the previous year, and while the quality of hay is good, supplies will no more than meet requirements.

Root Crops.—The total yield of turnips and other root crops was 4·6 per cent greater than for the previous year. All provinces from Ontario eastward shared in the increase with the exception of New Brunswick which showed a decrease of about 7 per cent. The British Columbia root crop was about 10 per cent below that of 1937. The 1938 sugar beet crop of 535,300 tons was 117,300 tons above that of the previous year. Most of the increase was in Ontario where production in 1937 was unusually light.

Pasture Conditions

Pasture conditions at the end of September 1938, were reported at 98 per cent of normal, and favourable weather has stimulated further improvement in some areas. Pastures ranged from good to excellent throughout practically all Eastern Canada except in part of Eastern Ontario and new seedings showed promise. Pastures were good throughout the season in the northern parts of Manitoba, but were very poor in the southern areas during the late summer and fall. In Saskatchewan and Alberta, pastures generally were poor in the early season but very good in the fall owing to late rains which stimulated growth on stubble fields and helped new seedings. Fall improvement in pastures was less general in the Peace River district. In British Columbia, pastures which were poor during the summer season made some improvement in the fall but winter pasturage on the ranges will be scant. New seedings were late in showing growth and do not promise well.

LIVE STOCK

Beef Cattle

Numbers of cattle on farms at June 1, 1939, are expected to show a further reduction from those of the previous year. The present cattle production cycle reached its peak in 1936. Net cattle marketings in 1938 were materially below those of 1937 and 1936. Further declines may be expected during 1939 and 1940.

The relative abundance of cheap feed in the Prairie Provinces indicates a volume of grain-fed cattle marketed from that area in the early part of 1939, in excess of the volume of any year since 1935. Any increase in marketings of grain-fed cattle in the Prairie Provinces during the early months of 1939 may, however, be offset in part by a reduction in marketings in Eastern Canada, since the movement of feeder cattle to farms in Eastern Canada during the autumn of 1938 was the smallest in four years.

Some improvement in price levels during 1939 may be expected owing partly to improvement in domestic industrial conditions, prospective reduction in net marketings of Canadian cattle and the reduced duty on cattle entering the United States. Little increase in the competition between beef and pork products is likely to occur until late in 1939.

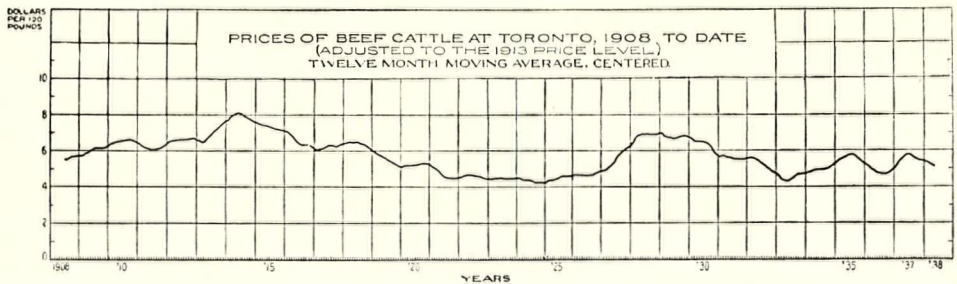
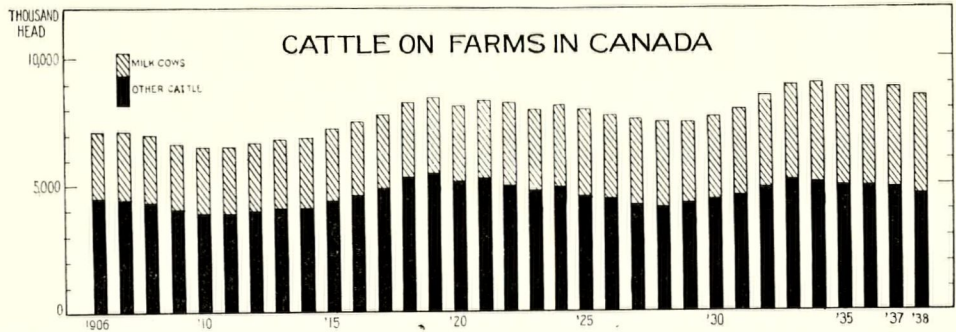
Production.—The numbers of cattle on farms at June 1, 1938, were estimated as fewer than at the corresponding date in 1937. Numbers at June 1, 1939, are expected to show further reductions. If, however, feed conditions are favourable in 1939-40, a subsequent increase in breeding would seem to be indicated. The present cattle production cycle reached its peak in 1936. Most of the decline in cattle numbers has occurred in the Prairie Provinces, particularly in Alberta and Saskatchewan. It would seem that any significant re-stocking which may develop will take place chiefly in these two provinces.

Sales of cattle and calves off farms for domestic and export trade from June to December, 1938, inclusive, were almost 30 per cent below those of the same period in 1937. Further declines in net marketings may be expected during 1939 and 1940. Since exports of live cattle and beef were considerably smaller in 1938, a larger proportion of the total supply was taken by the domestic market than was the case in 1937. In 1938 Canada did not export as many cattle to the United States as was permissible under the reduced rate of duty and while exports to the United Kingdom showed a substantial increase, the total export movement fell far below that of 1937.

The west-to-east shipments of feeder cattle to feedlots and stock yards in Ontario and Quebec, during the re-stocking period from June 1 to mid-November, were approximately 53,000 head as compared with approximately 177,000 head for the corresponding period of 1937. The movement of feeder calves totalled approximately 5,400 head as compared with 24,600 for 1937. The reduced movement was the result of the low spread between the price of feeder steers in the fall of 1937 and that of finished cattle in the spring of 1938, and to the fact that with an abundance of cheap feed in Western Canada, farmers in that area held cattle at a price higher than eastern farmers were willing to pay. The curtailment of the movement of feeder cattle to the East does not indicate a reduction in the total output of grain-fed cattle during 1939, but rather a shift in the areas from which these cattle will be marketed. While marketings of

grain-fed cattle from Western Canada may be heavier in the early part of 1939, this increase will be offset, in part, by a reduction in marketings from Eastern Canada.

Factors which seem to indicate some improvement in prices in 1939 include the prospective reduction in marketings of Canadian cattle, improved domestic demand and the further reduction in the duty on Canadian cattle entering the United States. Little increase in the competition between beef and pork products is likely to occur until late in 1939. The smaller marketings in 1939 may in part be the result of farmers retaining cows, heifers and calves for re-stocking herds depleted during the recent drought period.



Changes in total numbers of cattle on farms are shown in the chart above. The changes in numbers tend to follow a cycle of from 12 to 18 years from peak to peak. The slaughter or output cycle has about the same length but lags from three or four years behind the changes in numbers. Since reaching a high in 1934, cattle numbers have been declining. Slaughter on the other hand increased in 1936 and 1937, but indications now point to a downward trend in output during the next few years.

The second chart shows changes in adjusted beef cattle prices from 1908 to date. The prices were adjusted by dividing by the index of general wholesale prices, and the residual fluctuations largely represent changes in beef cattle prices as a result of changes in supplies. Beef cattle prices have shown an upward trend since 1934, with sharp rises in 1935 and 1937 as the result of drought and low feed supplies reducing the number of cattle coming forward to market in those years. If past experience is repeated, beef cattle prices in relation to the general level of prices should continue upward for the next three or four years.

Prospects for the export movement of calves during 1939 are much improved by the terms of the Canada-United States Trade Agreement which raises the maximum weight from 175 pounds to 200 pounds each and increases the quota. A further reduction in the duty and increases in the quota on imported live cattle would seem to improve the prospects for exports to the United States during 1939. The extent of the movement will depend upon the relative prices of beef cattle in Canada, the United States and the United Kingdom.

The Situation in Other Countries

The United States.—The number of cattle on farms as at January 1, 1939, may be somewhat larger than at the same date in 1938, but the extent to which cattle numbers may expand in the next few years is uncertain. The rate of increase in the numbers during the next few years will probably not be so great as that experienced from 1928 to 1934. As the upward trend is likely to be common to all classes of meat animals, it is reasonable to expect that increases will be accompanied by a downward trend in live stock prices. However, this depends upon the changes which may occur in consumer demand.

The United Kingdom.—Supplies of cattle on farms in England and Wales during June, 1938, showed a material increase in the number of cattle under one year, a small increase in cattle one year and under two, and a decrease in cattle two years old and over. Prospects for importations of live cattle from Eire into the United Kingdom are uncertain but the supply will likely be fairly liberal. The removal of the duty under the Anglo-Eire Trade Agreement would seem to have little effect on the prices of cattle in the markets of the United Kingdom.

Argentina.—The low levels of beef cattle prices in the Argentine, during 1938, were attributable to a reduction in domestic purchasing power, the policy of the United Kingdom in protecting the home live stock industry against imported products, inability to maintain domestic retail prices in the face of falling domestic consumption, to some extent, the influence of the unsettled international situation during the greater part of the year. Argentine exports were maintained despite the British import duty, but there appears to be some uncertainty as to the long-time effect of this on the demand for Argentine beef. Cattle prices are still well above the 1936 levels but prospects for any material improvement appear to be somewhat remote.

Australia.—Prospects for the Australian chilled beef trade during 1938-39 are favourable. This trade has been developing rapidly in recent years. In 1937-38 shipments of chilled beef to the United Kingdom amounted to 409,612 quarters as compared with 278,930 quarters in the 1936-37 season and 160,468 quarters in the 1935-36 season.

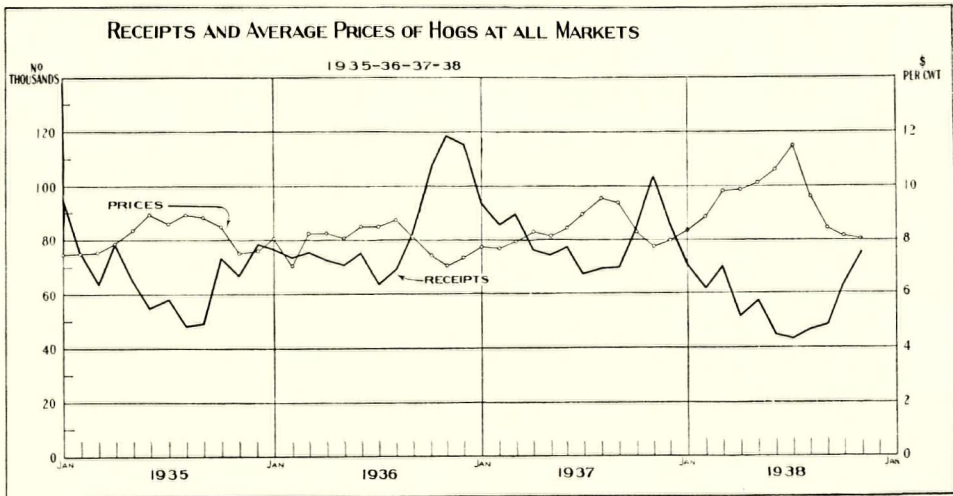
Hogs

The output of hogs during 1939 will show an appreciable increase over that of 1938, which was approximately 650,000 head below 1937. There may be an increase in marketings in some provinces during the early part of 1939, and a material increase in spring farrowings is expected which definitely will result in an increase in marketings in the autumn. Increases will be most pronounced in Western Canada where the sharpest reductions occurred in 1938, due to adverse conditions. There should be some increase in hogs for slaughter during the first six months of 1939, a further rise during the following three months, and a substantial increase during the last three months of the year. There is some indication that exports of hogs and hog products in 1939 may exceed those of 1938 by a considerable volume. Hog prices are expected to average about the same in 1939 as in 1938, improved consumer demand and a possible increase in exports tending to offset the larger supplies.

The output of hogs sold on stock yards, direct to packing plants and for export during 1938 showed a decrease of more than half a million from the record volume of 1937. This decline was due to an unfavourable feed situation which arose out of drought conditions in 1936-37 and 1937-38.

Hogs on farms at June 1 reached a peak of 4.1 million in 1936, declined to 4.0 million in 1937, and dropped further to 3.5 million in 1938. The heaviest declines took place in the Prairie Provinces owing chiefly to a shortage of feed. With feed prices relatively high as compared with hog prices during 1936-37, a general decline in numbers was to be expected. Hog prices, relative to other prices, began to rise at the end of 1932 and continued to advance until the summer of 1935. From then until August, 1937, hog prices declined. Since September, 1937, the trend of hog prices relative to other prices has been upward. The hog-barley ratio is distinctly favourable to increasing hog production.

Changes in hog production follow changes in the relationship between hog prices and feed prices. With comparatively low feed prices likely to be maintained through the 1938-39 crop year, it is expected that hog numbers and hog marketings in Canada will increase. Numbers of hogs on farms at June 1, 1939, are expected to be somewhat above those at June 1, 1938. Marketings during the present winter and early spring months of 1939 should be on about the same level as during the same months of 1938, with some tendency toward increase, particularly in Alberta, Manitoba and Ontario. The increase in fall marketings in 1939 will be appreciable and will continue into the winter of 1939-40.



It should be pointed out that during the years 1936 and 1937, declining hog numbers were associated with increased commercial marketings, because of a reduction in the numbers of hogs slaughtered locally and for farm consumption. Ample supplies of beef during the past three years have been a factor in enabling the maintenance of a substantial export movement of pork, although total hog supplies have been declining. There is evidence that the exceptionally heavy marketings in 1937 represented a good deal of forced liquidation of breeding stock, particularly in Saskatchewan and Alberta.

Hog prices are expected to average about the same in 1939 as in 1938. Improved consumer demand and a possible increase in exports offsetting the larger supplies. Prices should be relatively more favourable from January to June, 1939, than in the latter half of the year, although a general rise in the price level may tend to offset the usual seasonal decline in prices in the fall of 1939.

The Bacon Industry Act, 1938, which became law in July makes provision for the better organization of the British hog and bacon industries including assurance of economic price levels to farmers and curers. The average price

fixed by the Act is to be adjusted on a monthly basis with a view to ensuring a regular supply of hogs throughout the year. In addition, the regulation of imports is to be continued, which assures Canadian producers of a market protected from serious foreign competition. The number of sows kept for breeding in the United Kingdom as at September 4, 1938 was reported as being 5 per cent less than in 1937. The number of hogs on farms was 4 per cent lower.

Large and relatively low-priced feed supplies in the United States will result in a substantially greater hog slaughter in that country in 1939 than in 1938. This will be offset in part by a more favourable domestic and foreign demand situation. If feed production in 1939 is normal in the United States, a further increase in hog production is expected.

Under the recently signed Canada-United States Trade Agreement, the duty on hogs entering the United States was reduced from two cents to one cent per pound. This may result in a considerable regional export movement of certain types of hogs to adjacent United States markets. Exports of bacon and hams from Canada in 1939 should be higher than in 1938, and possibly may approximate the record exports of 1937. Storage stocks during the fall of 1938 were, however, considerably below those of a year earlier. In addition, the supply of beef may be somewhat lower, and, if total meat consumption is maintained, pork consumption in Canada may be slightly increased.

Sheep and Wool

Sheep numbers in Canada showed a slight increase in 1938. In some provinces there have been slight decreases due to unsatisfactory production conditions. Inspected slaughterings during 1938 were somewhat smaller than in 1937. This decline was due in part to an increase in holdings of breeding stock, particularly in the ranching areas affected by drought in 1937. While feed prices in the autumn of 1938 were more favourable than a year previous, the cost of feeder lambs was relatively high. As a result there were fewer lambs in eastern feedlots at the close of 1938. Therefore, the offering of finished feedlot lambs will not be heavy during the early part of 1939, and this should have a tendency to maintain prices on a firm basis. With an abundance of feed suitable for sheep available, there is every prospect, if winter conditions are favourable, of a considerable increase in the lamb crop in the spring of 1939. A further expansion of lamb production may be expected in 1940 as ewe lambs were retained in large numbers in the fall of 1938, especially in the west.

Wool prices in 1938 showed little change, although there was a sharp decline from prices of the previous year. Price increases are dependent mainly upon expansion of trade with the United States and improvement in domestic demand. These factors would counteract to some extent, the price-depressing effects of large supplies of wool on the world markets.

Sheep and Lambs.—On June 1, 1938, the sheep population of Canada was estimated at 3,415,000 head, an increase of 75,100 as compared with the corresponding date in 1937. The provinces of British Columbia and Saskatchewan showed some decrease, while Alberta and Manitoba showed increases. Drought conditions in Saskatchewan were responsible for the decrease in that province. In Manitoba, and Alberta, where feed conditions were about average, the increases indicate that farmers and ranchers are becoming more interested in sheep raising. In Eastern Canada, Ontario and Prince Edward Island were the only provinces which showed decreases in sheep population, and these were only small.

Slaughtering of sheep and lambs at inspected packing plants in 1938 were somewhat less than those in 1937. This may have been due in part to farmers and ranchers retaining more of their breeding ewes. This tendency was most evident in ranching districts, especially those affected by drought in 1937. In the latter areas, ranchers also kept all or most of their ewe lambs in 1938 for breeding purposes. The retention of these lambs curtailed the volume of feeder lambs moving into feedlots in the fall of 1938, and this will reduce materially the volume of finished feedlot lambs marketed during the winter and spring months of 1939.

Prices at the beginning of 1938 were somewhat discouraging to those offering finished feedlot lambs. The number of lambs reaching finish weight during January and February was larger than normal, and as lamb was in competition with fowl and other meats at that time of the year, the market was not in position to absorb any excessive amount, with the result that the usual upward trend in prices did not materialize until well into February. From February on, however, the price of lamb began to strengthen and finally established a level practically equal to that of 1937, in spite of the fact that the Canadian market absorbed one-half million pounds of New Zealand and Australian lamb. On account of disease affecting ewes and lambs in New Zealand, the prospect is for smaller supplies and higher prices in that country. Australian exports of lamb and mutton are increasing, having attained a record volume during the season of 1937-38.

The returns from lamb feeding during the winter of 1937-38 were small because of the high price of feeds. This may have been a contributing factor to the large volume of feeder lambs sold during January and February, and to the larger proportion of poorly finished lambs marketed. In the fall of 1938, the range feeder lambs were purchased by western feeders at prices ranging from \$5.50 to \$6 per hundred f.o.b. ranch station. The movement of sheep and lambs from the west to eastern feedlots and stock yards from June 1 to November 30, 1938 amounted to approximately 14,000 head as compared with more than 39,000 head for the same period of 1937. While feed prices in the fall of 1938 were much more favourable than in the fall of 1937, the cost of feeder lambs was considered by many prospective eastern feeders to be too high and as a result, fewer lambs were on feed in eastern feedlots late in 1938. As there is apparently a smaller number of feeder lambs available, it is not likely that there will be a heavy offering of finished feedlot lambs at any time in 1939. This should have a tendency to maintain prices on a firm basis.

With an abundance of feed suitable for sheep, available in both Eastern and Western Canada, there is every prospect, if winter conditions are favourable, of a considerable increase in the lamb crop in the spring of 1939. As ewe lambs retained in large numbers, especially in the west, will begin to produce lambs in 1940, a further expansion of lamb production may be expected in that year.

In Eastern Canada, there is a definite trend toward the production of early lambs. Many of these lambs are slaughtered locally during the tourist season and it is expected that the volume of early lambs will increase. This will have a tendency to reduce the volume of lambs sold during the fall months and make marketings throughout the year more uniform.

Wool.—The quality of the wool clip of 1938 was much superior to that of 1937, particularly in the West where the wool was comparatively free from dust. Eastern wool compared favourably with that of the year previous. The wool market was characterized by a lack of interest on the part of buyers during the year. A higher percentage of the 1938 clip was still in producers' hands late in the year, being held for higher prices.

An encouraging feature of the market in 1938 was the much wider sale of officially graded Canadian wool to domestic mills. Exports to the United Kingdom were well maintained. The outlet for paper felt wools to the United

States mills could be increased substantially if more of that type were being produced. Despite moderate increases in Australian production during the past three years, drought conditions during the past season probably will result in deterioration in quality and a lessened yield.

There was little change in wool prices during 1938, although a steep decline had occurred in the late months of 1937. Sales were made on the basis of world prices, with some Canadian grades selling at considerable price premiums. Stocks of wool in most importing countries except Japan were larger in 1938 than in the previous year. Supplies of wool in the southern hemisphere in 1938-39 are expected to be larger than those of a year earlier. The possibility of increasing prices depends mainly upon two factors—the expansion of trade with the United States, and improved demand as a result of improvement in business conditions. These factors should, to some extent, counteract the price-depressing effect of the large supplies of wool on the world's markets.

Horses

While the number of horses on farms in Canada at June 1, 1938, showed a further reduction, there is evidence that larger foal crops within the next few years will cause a reversal of the downward trend. The decline in numbers in 1938 occurred chiefly in Saskatchewan, where disease and lack of feed have caused heavy mortality. With the exception of small declines in Alberta and New Brunswick, increases were recorded in the other provinces. There was a good demand during 1938 for pure-bred stock for breeding purposes.

Increases in numbers of colts and fillies in 1938 were indicated in all provinces, with the exception of Saskatchewan. However, the larger foal crop in 1938 was not sufficient to offset losses. The 1938 outbreak of sleeping sickness was particularly severe in western and northwestern Manitoba, eastern and central Saskatchewan and central Alberta. In some localities, farming operations were seriously interrupted by lack of power.

Prices of horses, after rising rather sharply from 1933 to 1937, declined in the spring of 1938, but not to the same extent as prices of other farm products. The average price received by farmers in March, 1938 was \$93 per head as compared with \$95 in 1937 and \$85 in 1936. Exports of horses during 1938 were about half those of the previous year. Supplies of good work horses are still below normal. Increases in farm cash income and improved foreign demand should result in rising prices.

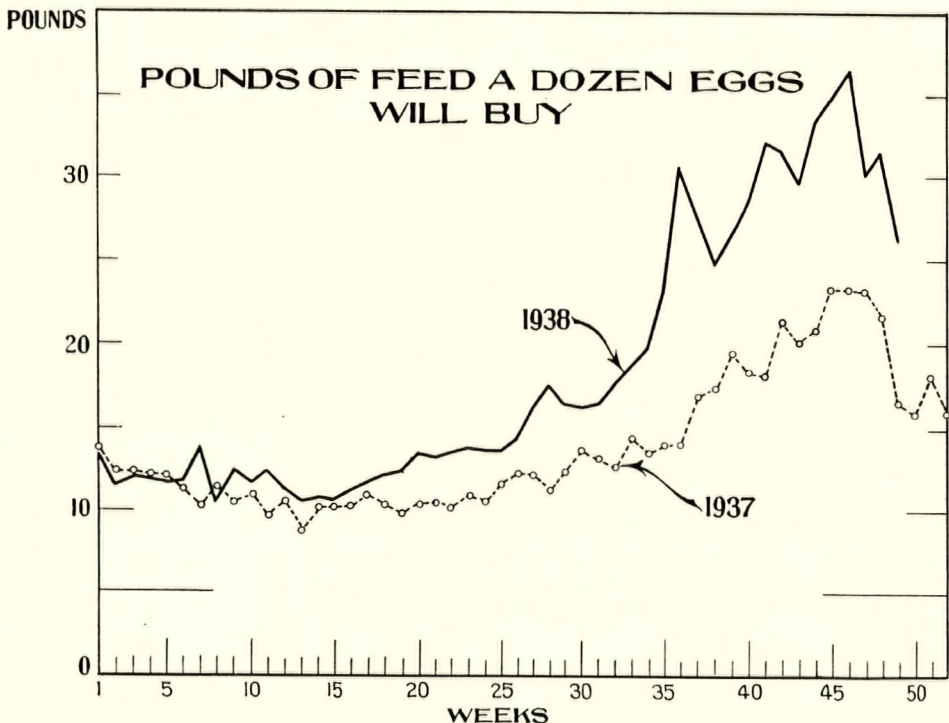
Tractor sales continue to increase, and in 1937 the number sold in Western Canada was double that of the previous year. Sales in Eastern Canada have also increased, in part as a result of the introduction of smaller-sized tractors and tractors suitable for row-crop work. The trend toward increased mechanization is expected to continue, but its rate of progress depends upon an upward trend in farm income. In spite of this tendency, horse prices are expected to continue favourable in relation to prices of other farm products for the next few years, in view of the fact that it takes three or four years to develop a work horse.

EGGS AND POULTRY

The position of the poultry producer improved materially in 1938 as a result of a reduction in feed costs. Egg prices showed a slight increase over 1937 but poultry prices were lower, particularly in the latter half of 1938. Increased hatchings are expected in 1939, as a result of which there will be a larger poultry crop, and heavier egg supplies during the latter half of the year. The heavy exports of live poultry to the United States in 1937 were not duplicated in 1938 and probably will not be in 1939. Poultry prices in 1939 probably will be affected by the United Kingdom market situation as was the case in 1938. Egg prices during the first half of 1939 should approximate those of 1938 but may be slightly lower in the latter half.

Eggs

Moderate supplies and a fairly good demand resulted in reasonably firm prices on Canadian egg markets during 1938. Spring prices were one to two cents per dozen above prices in the year previous and summer prices were



about equal to those of 1937. In the fall of 1938, the seasonal advance began earlier and attained somewhat higher levels than in 1937, the October average for Grade A Large at Montreal being 44.5 cents per dozen in 1938 compared with 42.8 cents in 1937. Thus the upward trend in egg prices, which started in 1934 and was temporarily arrested in 1937, was again apparent in 1938. Coupled with this upward trend in egg prices during 1938 was a reduction

in feed prices, resulting in a distinct improvement in the position of egg producers.

Hatchings in 1938 showed little variation from those of 1937 and the numbers of hens and chickens on farms at June 1 in both years were about the same. Volume of egg production during the first half of 1939, therefore, should approximate that of 1938. Heavier hatchings are to be expected in 1939 as a result of higher prices received for eggs in 1938 and relatively low feed costs. When the pullet crop of 1939 comes into production in the fall and winter, some increase in egg marketings as compared with previous years may be expected.

Demand for eggs during the first half of 1939 should approximate that of the same period in 1938. In 1938, a new outlet for spring eggs was developed with the export of 13,500 cases to Great Britain. While the volume was not large, these shipments helped materially to bring about the firm price situation which developed. Similar exports probably will be made in 1939. There was a good demand for eggs for storage in the spring of 1938 because storage stocks at that time were the lightest on record. In spite of this, eggs did not move out of storage freely in the fall because of handling difficulties arising from the unusually mild weather. Somewhat less active demand for eggs for storage may, therefore, develop in the spring of 1939.

Looking forward to the probable effect of the above factors on the egg market for 1939, it is necessary to consider the outlook for that year from two angles. In the spring and summer, conditions of supply and demand should approximate those of 1938. If the heavier hatchings expected in 1939 materialize, supplies of eggs during the latter half of the year will increase. It is uncertain to what extent domestic demand will take care of increased marketings at the average fall and winter prices of recent years. It is probable, however, that 1939 will witness a continuation of the trend of recent years, that is, a narrowing of the spread between spring and winter prices and a shortening of the period of extremely high prices.

Poultry

Light storage stocks from the 1937 crop brought about a favourable supply situation during the first part of 1938. Total holdings on January 1 were only 10.7 million pounds as compared with the average of the preceding five years on that date of 12 million pounds. Thus, early marketings were absorbed at fairly satisfactory prices. When the season of heavy marketings began, the market did not enjoy the buoyancy which characterized the 1937 season as a result of the heavy exports of live poultry to the United States. Lacking this outlet at the relatively satisfactory prices which prevailed in 1937, prices during the latter part of 1938 were one to two cents per pound lower.

The favourable egg-feed ratio which promises to carry through the first half of 1939, coupled with more normal feed conditions in the West, is expected to result in heavier hatchings in 1939 and a somewhat more abundant poultry crop in that year. Stocks in storage at the beginning of the year should be more nearly average than was the case at the beginning of 1938. This, however, is not necessarily an adverse condition so far as the domestic market is concerned, since exports to Great Britain during the first half of 1939 will probably be considerably heavier than in 1938.

The rather abnormal situation created through the heavy live poultry exports to the United States in 1937 was not duplicated in 1938 and probably will not be in 1939. Exports to that country up to the end of October were 260,900 head as compared with 953,600 head for the same period in 1937. Domestic supplies in the United States were light in 1937 but were heavier

in 1938 and are expected to be still heavier in 1939. Shipments to the United Kingdom in 1939 and shipments of the 1939 crop early in 1940 should be sufficient to absorb all surplus stocks and not leave them to be disposed of on the home market at prices which will have a depressing influence.

Exports of Canadian poultry to Great Britain in recent years have been of sufficient volume to make export prices the chief factor in determining Canadian prices. This was the case in 1938 and it may happen again in 1939, since it is not probable that the export movement to the United States will divert the trade as it did in 1937. Since the British market will likely absorb a considerably greater quantity of Canadian poultry than has been offered in recent years, the fact that the 1939 Canadian crop may be heavier than that of 1938 should not result in lower prices. During the heavy marketing season of 1939, prices should be about the same as in 1938. This outlook may be affected by any abrupt change in the United Kingdom situation.

DAIRY PRODUCTS

There will be fewer cows on farms than in 1938, but on account of the abundant supplies of home grown feeds, during the first quarter of 1939, the production of milk per cow should exceed that of the preceding year, and the total production of milk will probably be slightly above the 1938 level. Low butter-fat prices during this period may tend to have an adverse effect on dairy production later in the year. The domestic demand for dairy products should be somewhat better than in 1938 but competition from other countries is expected to retard any marked improvement in the export trade.

The production of creamery butter in 1938 was the highest on record, being approximately eight per cent above the 1937 output. Butter exports did not reach the level of the preceding year, and due to heavy stock holdings, low prices are expected to continue during the early part of 1939. Cheese production declined approximately seven per cent from 1937. Cheese prices for the first nine months of the year averaged slightly above those of 1937. Exports were somewhat lower. The production of concentrated milk products in 1938 was over 20 per cent above that of the preceding year. Exports of these products increased but prices fell below those of 1937. A heavy carry-over of both butter and concentrated milk products and the consequent low prices early in the year may cause some diversion of milk from creameries and condenseries to cheese factories.

During the past ten years, there has been a considerable expansion in the dairy industry. In some respects, the development in dairy production may be associated with the decline in prices of grain and live stock. Progress made in recent years appears to be of a more permanent character, particularly in Western Canada. This is indicated by the total milk production of Canada which has shown continuous increases during the past five years, moving from 15,900 million pounds in 1932 to 17,200 million pounds in 1937. The 1938 production will probably reach 17,500 million pounds, an increase of about 350 million pounds over that of 1937. Approximately 50 per cent of the 1937 milk supply was manufactured into creamery and dairy butter, and about 40 per cent was used for domestic consumption and for live stock feeding. The cheese industry took 8.3 per cent of the total milk production, while concentrated milk and other miscellaneous products accounted for the remainder. The total value of dairy production in 1937 was approximately \$228 million and the comparable figure probably will be about \$230 million in 1938.

The milch cow population of 3.9 million at June 1, 1938, was 66,000 below the number recorded at the same date a year ago, while dairy heifers estimated at 897,100 represent a reduction of 18,000 from the same date of the previous year. This will mean fewer cows available for milking purposes in 1939, although the number of heifers per hundred cows at June 1, 1938, was practically the same as at the same date in 1937. Sales of cows and heifers in the fall of 1938 showed a considerable decline as compared with the marketings of a year ago, indicating that farmers were retaining more young stock for breeding purposes. The percentage of cows being milked showed a slight increase during the first ten months of 1938 as compared with the same period of 1937. Likewise the milk production per cow for the nine months was 2 per cent higher than that reported in the same period of the preceding year and it is expected that this tendency will continue at least during the first quarter of 1939. These factors should lead to a slightly higher total milk production during the first

quarter of 1939. Low butter-fat prices during this period, however, may tend toward reduced production later in the year.

Based on an expected improvement in the domestic situation, some increase in the volume of dairy products consumed in the home market may be anticipated. The continuation of the improvement in business activity in the United Kingdom registered during the last quarter of 1938 promises to increase the demand for dairy products in that country. The situation in competing countries, however, indicates that production of dairy products will be maintained. Under the new Canada-United States Trade Agreement, further concessions have been made in the duty on whole milk, cream, skim milk, dried buttermilk and cheddar cheese entering the United States.

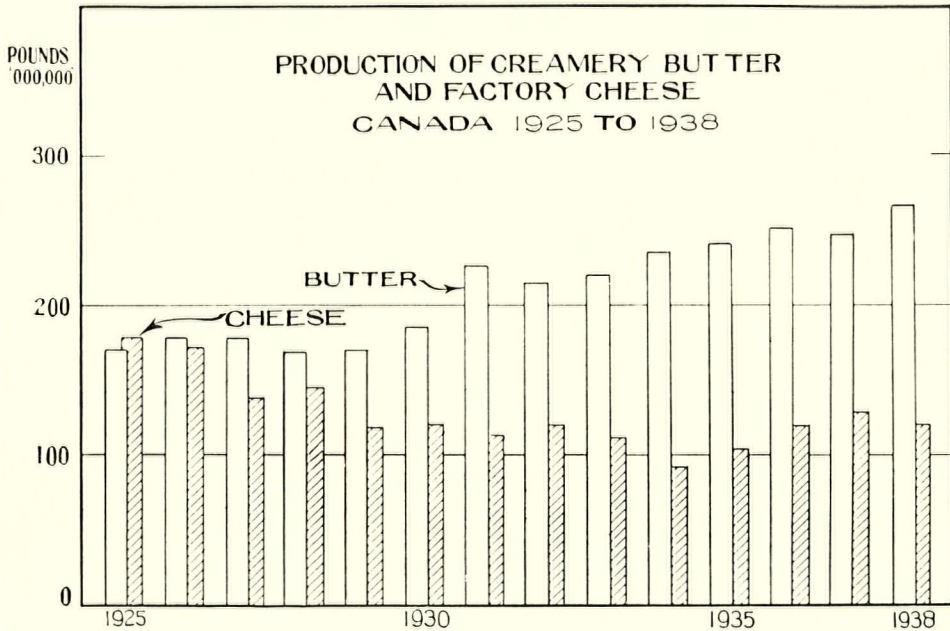
Butter

Production of creamery butter for the year 1938 was the largest on record. For the eleven months ended November 30, 1938, the production was 256 million pounds and the total for the year should approach 266 million pounds. During January and February of 1938, there was a slight decrease in production compared with the same period of 1937, but from March onward, increases were registered in all months. The largest increases were recorded in May and August and all provinces with the exception of Saskatchewan contributed to the increase. Two factors were responsible, namely, good pastures in all parts of the Dominion throughout the late spring and summer months, and the relatively high prices of butter as compared with prices of cheese during the first five months of the year. This spread in prices undoubtedly caused considerable diversion of milk from cheese factories to creameries in Quebec and Ontario during the spring and although the spread narrowed appreciably during August, September and October, there was no marked diversion of milk to cheese factories until the latter month. Lower butter prices during the early part of 1939, as compared with prices during the spring of 1938, may tend to lower production in some areas but this may be offset by the extra supplies of feed available. This will mean lower prices to the farmer selling butterfat in the form of cream, and the continuation of such prices into April and May will probably cause a diversion of milk from creameries to cheese factories, particularly in Quebec and Ontario. Such diversion would appear to be necessary to offset the heavy carry-over of creamery butter from 1938.

Butter prices, which had risen sharply during the last three quarters of 1937, commenced to decline in April of 1938. The decline continued until October and prices from July to October averaged 3.2 cents per pound below those of the corresponding months of the previous year. The prospects for the early part of 1939 are for lower prices, due to heavy storage stocks in Canada and prices in the United Kingdom unfavourable for the export of the surplus above domestic consumption requirements. For the first four months of 1938, London quotations for butter comparable in quality to First Grade Canadian pasteurized averaged 7.8 cents below Montreal prices, but from May to September averaged 1.8 cents higher than those in Montreal. At New York, the average monthly price of 92 score butter for the eight months ended August 31 was 0.86 cents below Montreal quotations for the same period. This was in sharp contrast to the situation which obtained for the twelve months previous, during which time New York prices were consistently higher than those in Montreal.

Storage stocks of creamery butter at the beginning of each month were lower for the first four months of 1938 than at the same dates in 1937. However, since May 1, monthly stocks gradually increased over those of 1937, and at December 1, stocks of creamery butter in storage were 53 million pounds. This represents an increase of 15 million pounds above stocks at the same date in 1937. For the first time on record, stocks of creamery butter in Canada exceeded 60 million pounds at October 1, 1938. In spite of increased production and higher

stocks, exports of creamery butter in 1938 were about the same as the 1937 figure of four million pounds. There was very little movement of butter to the United Kingdom until September, and due to lower prices, unfavourable exchange rates and a heavy accumulation of supplies in the United Kingdom, the export movement from Canada was less than anticipated during October and November. Exports of cream during the first nine months of 1938 were negligible and the amount of butterfat involved had no appreciable effect on the butter situation. For the first nine months of 1938, 5.3 million pounds of creamery butter were imported into Canada, 5.25 million pounds being brought in during the first four months. These figures represent the greatest imports since 1931.



The consumption of butter during 1938 exceeded slightly that of 1937, which approximated 364 million pounds or a per capita consumption of 32.71 pounds, the highest figures so far recorded. These consumption figures include approximately 113 million pounds of dairy butter made on farms. With higher prices during the first six months of the year, and a heavy increase in production during the summer months, the total value of creamery butter made in Canada should be approximately \$4 million greater in 1938 than in 1937.

Cheese

The substantial increase in factory cheese production, which, during 1937 reached the highest level since 1928, was not maintained during the year 1938. Production in 1938 was slightly under 120 million pounds as compared with 128.4 million pounds during 1937. The four western provinces all showed increases as compared with 1937, while the eastern cheese-producing provinces showed decreases. For the first ten months of 1938, Ontario and Quebec, where 95 per cent of the cheese is produced, showed production decrease of 8.4 per cent as compared with the same period of the previous year. High butter prices in relation to cheese prices early in 1938 and the demand for milk for concentrated milk products were the principal causes of the decreased production of cheese in Ontario and Quebec during 1938. These decreases were offset partially by

increased production during the latter part of October and November compared with the same period in 1937. Production in the four western provinces, representing four per cent of the total Dominion output, is steadily increasing each year, particularly in Alberta and Manitoba. Relatively high storage stocks of both butter and concentrated milk products at the end of 1938, indicating lower prices for these products in 1939, will favour a diversion of milk to cheese factories in 1939, provided cheese prices are maintained at the 1938 level.

Cheese prices during the first ten months of 1938 averaged 14.6 cents and except for July and October were higher each month than in the corresponding period of 1937. The substantially higher price of Canadian cheese in the United Kingdom during the first ten months of 1938 as compared with the same period of 1937 was largely responsible for maintaining domestic prices at a higher level than in the previous year. The London price for Canadian cheese averaged 16.8 cents per pound and was 0.57 cent per pound higher for the first ten months of 1938 than during the same period of the previous year. The premium for Canadian over New Zealand cheese on the London market during the period under discussion was 1.45 cents per pound which was 0.28 cent per pound less than the premium during the same period of the previous year.

Total cheese exports for the year 1938 show a decrease as compared with the previous year, proportionate with the decrease in production. Exports from January 1 to September 30 were 48.7 million pounds, the bulk of which went to the United Kingdom. United Kingdom imports for the first eight months of 1938 were only slightly higher than for the same period in 1937. New Zealand supplying 58.9 per cent and Canada 24.6 per cent of the total United Kingdom imports in 1937, exported less to that market in the first eight months of 1938 than during the corresponding period of 1937. Imports into Canada for the first nine months of 1938 were approximately 902,000 pounds, mainly of varieties not generally manufactured in Canada.

The apparent consumption of cheese in Canada for 1937 was 39.3 million pounds as compared with 40.2 million pounds for 1936. Stocks of cheese on November 1, 1938, were 43.5 million pounds. Ordinarily, stocks of cheese in Canada have little influence on the domestic market. Stocks of cheese in Canada at any period of the year may represent a portion that has been sold for export and stored in this country for future delivery.

Concentrated Milk Products

Production of concentrated milk for the first nine months of 1938 was 132.7 million pounds. This was 23 per cent greater than production in the corresponding period of 1937, and an increase of 54 per cent compared with the corresponding period of 1936. Of the total, evaporated milk represented 87 million pounds and accounted for 66 per cent of the gain over 1937. All products, with the exception of cream powder, condensed milk and condensed buttermilk, contributed to the increase. Domestic demand for concentrated milk products continued firm in 1938, but prices were lower owing to the exceptionally heavy production. Consumption in 1938 showed a substantial increase over that of the previous year. The spread between retail prices of fluid and canned milk has been a factor in the increased consumption of canned milk. Exports of evaporated, condensed and powdered milk during the first nine months of 1938 were greater by 5.2 million pounds than during the corresponding period of the previous year. Imports of concentrated milk products during this period were less than a million pounds. Stocks on hand at September 1, 1938, were 34 million pounds, which was 15 million pounds greater than on the same date in 1937 and the largest on record. This will probably result in lower prices or a check in the expansion of the industry.

Foreign Situation

An abundance of comparatively cheap feed in the United States points to a heavier milk production in the winter feeding season of 1938-39 than in the previous year. An increase in numbers of milch cows is in prospect and this will probably result in a general expansion in production. Any marked improvement in the general level of prices of dairy products in that country will depend upon further recovery in business and a rise in the general level of prices.

Australia's butter production during the 1937-38 season showed an increase of approximately 35 million pounds over the previous year. With favourable production prospects, there probably will be a larger exportable surplus of butter in the 1938-39 season.

During the year ended July 31, 1938, there was a decline of 6.5 per cent in the dairy output of New Zealand and as the early part of the present season was unfavourable, production may be again reduced. The 1938-39 guaranteed prices for butter and cheese are 14.89d. per pound and 8.42d. per pound, respectively, an increase of 1.23d. per pound for butter and 0.67d. per pound for cheese as compared with the 1937-38 prices. A considerable number of small cheese factories were closed in New Zealand last year as the guaranteed price for butter offered better possibilities for profit than the price for cheese.

Feed conditions in Denmark are promising and if conditions continue favourable, an increase in dairy production may be expected during 1939. The dairy industry of Sweden has experienced a period of intense quality improvement in recent years and the prospects are that the output of butter will continue to expand. The Baltic countries showed a 20 per cent increase in butter production during the past year. While the rapid expansion in butter production in the Netherlands which has taken place over the last five years appears to be checked, production of both cheese and concentrated milk products is steadily increasing.

In the United Kingdom, both butter and cheese prices in 1938 were higher than in 1937. Apart from any recurring political crises, the United Kingdom market does not show any definite indication of change in prices other than seasonal variations.

FRUIT

The general trend of apple production in Canada has been upward since 1926. The 1938 crop was slightly larger than that of 1937. The 1938 crop was 15.3 per cent above the five-year (1932-36) average. Shipments of barrelled apples to November 1, 1938, were 32 per cent higher than shipments to the same date in 1937 while shipments of boxed apples showed an increase of 51 per cent for the same period. Prices opened somewhat higher on the United Kingdom markets in the early fall of 1938. After weakening during September, the market strengthened and prospects for the balance of the season appear favourable.

Peach production increased by 9.2 per cent for all Canada in 1938. Growers received somewhat lower prices for the 1938 crop, particularly in British Columbia. Pear production amounted to 524,600 bushels in 1938 compared with 457,700 bushels in the previous year. Exports were also increased, amounting to 95,000 bushels up to the end of October, 1938, compared with 58,000 bushels for the same period of 1937. Plum and prune production increased by 4.1 per cent in 1938 to 207,600 bushels.

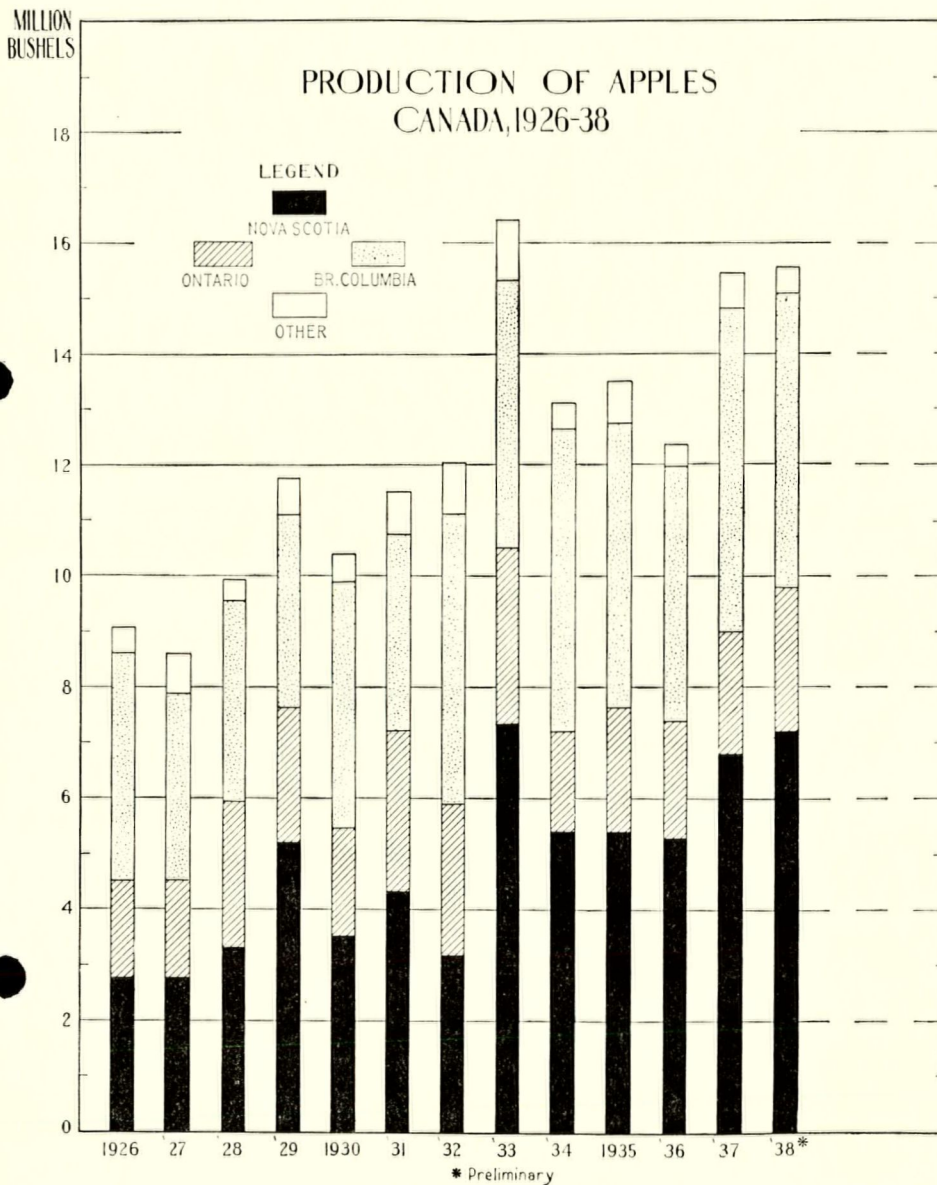
The 1938 grape crop was only 56 per cent of that of the previous year, the reduction being confined to Ontario. Prices were somewhat above those of 1937 in Ontario, but lower in British Columbia. Cherry production was higher in 1938 in both Ontario and British Columbia but still below the average of the previous five years. Prices in 1938 were below those received for the short crop of 1937. Apricot production in British Columbia was 11.9 per cent higher in 1938 and 30.8 per cent above the five-year (1932-36) average. Prices to growers were 50 per cent less than in 1937. Strawberry production was somewhat smaller in 1938, an increase in British Columbia being more than offset by reduced yields in Ontario and Quebec. The 1938 raspberry crop was 10.3 per cent above that of 1937 with the increase being common to all provinces except Nova Scotia.

Apples

The number of bearing apple trees in Canada, shown by census enumerations, declined gradually from 11 million in 1901 to 8.3 million in 1931. Annual estimates since that date indicate that the number declined further to approximately 7.5 million trees in 1935 and has since remained close to that level. New plantings have been particularly heavy since 1934, probably as the result of the heavy winter killing of trees in the winter of 1933-34. While production fluctuates rather violently from year to year because of weather conditions, the general trend has been upward despite the reduced number of bearing trees. This would indicate that production per tree is being increased by better cultural and management practices. There has also been an increase in the percentage of "commercial" orchards. The upward trend in production is most noticeable in Nova Scotia and to a lesser extent in British Columbia. Orchards in Ontario and Quebec suffered most from the winter killing of 1933-34 and have not yet fully recovered from that loss.

The Canadian apple crop for 1938 estimated at 5.2 million barrels was slightly higher than that of 1937, and 15.3 per cent above the five-year (1932-36) average.

Nova Scotia's crop of 2.4 million barrels was the second largest in the history of the province and 6.7 per cent greater than that of 1937. The quality of the fruit and freedom from insect or other damage has resulted in an exceptionally high percentage of the crop being packed within the market



grades. In New Brunswick, growing conditions were favourable to the production of a crop of excellent quality. Production in Quebec, estimated at 127,000 barrels, was approximately 28 per cent less than in 1937. Production in Ontario, estimated at 796,800 barrels, was 6.9 per cent greater than that of 1937. The increase was confined to the eastern part of the province, production in western Ontario being somewhat lower than in 1937. The spy variety was an exception and throughout the whole province produced larger

yields than in the previous year. All districts are making replacement plantings and some new plantations have been set out. New plantings are progressing favourably and their influence should soon be reflected in increased production. The fruit was of good size and colour and was harvested earlier than usual under most favourable conditions. Commercial orchards generally are now in good condition with bud development apparently satisfactory. Should weather and other condition factors remain favourable, the crop outlook for 1939 may be considered promising. While the preliminary estimate of 5.4 million boxes represented a decrease in the 1938 British Columbia crop, this may be partly offset by the fact that all varieties attained more than average size. Planting has been confined to replacements, the favoured varieties being Winesap, Newtown and McIntosh.

Prices received by producers for apples from year to year depend to a large extent on total production, but are influenced also by domestic and export demand for the crop. While there may be some competition between the main producing provinces of Nova Scotia, Ontario and British Columbia, the fruit produced generally sells in different markets. While from 70 to 80 per cent of the Nova Scotia crop is usually exported, only from 10 to 20 per cent of the Ontario crop goes abroad. British Columbia exports usually account for 40 to 50 per cent of the crop of that province. British Columbia apples are, however, generally of dessert varieties, while the Nova Scotia apples are largely cooking varieties. The general trend of apple prices to producers was downward from 1926 to 1932. Since that time, average prices have shown some improvement, but are still only about 75 per cent of the pre-depression level.

Shipments of Canadian apples to foreign markets in 1937 totalled 2,214,000 barrels as compared with the five-year (1933-37) average of 2,309,000 barrels. Shipments of barrelled apples to United Kingdom markets were 32 per cent greater at November 1, 1938, than shipments up to the same date in 1937, while boxed apples also showed an increase of 51 per cent for the same period.

Opening prices on the United Kingdom markets were higher than early season prices last year. Due in large measure to the international crisis, coupled with increased supplies, the market weakened considerably. As the season advanced, however, a stronger demand was evident and prospects for the balance of the season appear very favourable.

Peaches

Numbers of bearing peach trees declined from 994,000 in 1921 to 651,000 in 1931, according to the census reports for those years. Estimates made since 1931 indicate that the number of bearing trees has been increasing and is now approaching the 1921 level. Plantings have continued in Ontario and total acreage, estimated at approximately 15,110 acres, includes an increase of over 600 acres planted in 1938. These increases are not confined to the Niagara district but also include the Norfolk, Essex and Middlesex areas.

Production of peaches in 1938 amounting to 721,800 bushels represented an increase of 8.5 per cent over that of 1937, and 14.6 above the five-year (1932-36) average. The crop in British Columbia, estimated at 154,000 bushels was 10.9 per cent greater than that of the previous year, while the Ontario crop of 567,800 bushels showed an increase of 8.0 per cent. In addition to movement to domestic markets, small trial shipments were exported to England with fairly good results. Despite fairly heavy production, and the fact that processors accepted very few "V" varieties, the fresh fruit market returns per package to growers were only slightly below 1937 figures. Plantings entered the winter with the bud-show very promising. The British Columbia crop moved out steadily at prices about 60 per cent of those of the previous year.

Fluctuations in prices of peaches from year to year are largely the result of change in production. The larger crop in 1938 resulted in somewhat lower prices to producers. Any improvement in domestic demand in 1939 should tend to strengthen prices for peaches.

Pears

After remaining fairly constant around 450,000 bushels, pear production increased to 512,000 bushels in 1938, reflecting heavier plantings of pear trees during recent years.

Planting in Nova Scotia is steadily increasing, showing approximately 10 per cent more acreage than in 1937. Production was estimated at 27,000 bushels. Of this, 32 per cent was exported, 56 per cent processed and 12 per cent sold locally. In Ontario, tree plantings again showed an increase, particularly Kieffers and Bartletts. Due largely to good sizing of fruit, the 1938 crop of 210,300 bushels was 13.4 per cent greater than that of 1937 and was of excellent quality. Prices to producers for both Bartletts and Kieffers sold for processing were considerably lower. Trees came through the past winter well and conditions throughout the growing season have been excellent with promise of good fruit spur development. Production in British Columbia, estimated at 287,000 bushels, represented a 13 per cent increase over 1937, Bartlett and Anjou being mainly responsible. Fruit was of good size and quality.

Imports of pears in 1938, at 17.5 million pounds, were sharply lower than in 1937 although still above the five-year (1932-36) average. Export movement of pears shows considerable increase over the previous year, about 95,000 bushels of the 1938 crop having been shipped up to the end of October as compared with a total of 58,000 bushels during the entire 1937-38 season. Exports from Ontario were the largest for some years and totalled 50 carloads, mostly of Kieffer and Bartlett varieties. British Columbia exported approximately 107 carloads, mainly of the varieties Flemish, Beauty and Anjou.

Plums and Prunes

The 1938 plum and prune production amounted to approximately 207,600 bushels, an increase of 4.1 per cent over that of 1937. Of this amount, 66 per cent was produced in British Columbia, 28 per cent in Ontario and the balance in Nova Scotia. While prices to growers were slightly lower than in 1937, the heavy export movement for the first time since 1935 relieved the pressure on the domestic market. Sixty-eight carloads went to the United Kingdom, comprising the following varieties: Damson, Grand Duke, Reine Claude, Prunes, Shiro and others. A trial export shipment of a car of peach plums was made to Great Britain with fairly satisfactory results. The season has been favourable for good tree development and orchards went into the winter with good bud-show in evidence.

Grapes

Production of grapes in Canada in 1938 amounting to 30 million pounds showed a sharp reduction from the 1937 crop. The decline was confined entirely to Ontario where the estimated crop of 28.1 million pounds was only 54 per cent of the 1937 crop and 68 per cent of the five-year (1932-36) average. Production in British Columbia increased slightly from 2.38 million pounds in 1937 to 2.4 million pounds in 1938.

The grape acreage in Ontario, estimated at 14,200 acres represents a reduction of about 500 acres due largely to the loss of vines as a result of freezing and drought conditions in recent years. Some vines had not fully recovered from previous adverse conditions and this, combined with only a general two-bunch set, resulted in an estimated yield of 14,040 tons compared with 26,000

tons in 1937. Quality, however, was excellent. Because of this fact and the reduced yield, the entire crop moved to fresh and processing markets at somewhat better prices than in previous years. With the exception of some vineyards injured by grape leafhopper most vines went into the winter in much better condition than for some seasons past.

The season in British Columbia was favourable to production, and the crop was of excellent quality. Prices were below average and wineries had ample supplies for their purpose.

Cherries

Production of cherries, estimated at 187,600 bushels in 1938, represented an increase of 22.6 per cent over the small crop harvested in 1937 but was only 84.7 per cent of the 1932-36 average. Ontario production in 1938 at 128,000 bushels was 25.5 per cent above that of 1937, while British Columbia production at 60,000 bushels was 17.6 per cent above that of the previous year.

Some increase in plantings in Ontario has been offset by mortality of trees weakened by adverse conditions in previous seasons and acreage remains about the same. A good demand for both sour and sweets developed from processors and increased purchases by wineries were also in evidence. The domestic market for fresh cherries was firm, resulting in fairly satisfactory prices to growers. Trees went into the winter in normal condition with good fruit-bud showing.

Increased plantings of cherry trees in British Columbia since 1934 is expected to be reflected in production in a few years. While the set in British Columbia coast regions was poor, the crop in the interior districts was approximately 35 per cent greater than in 1937. Trial shipments of Bings and Lamberts were made to the United Kingdom and favourable reports were received. Shipments were continued to Eastern Canadian points. Movement to processing plants increased over 100 per cent and represented nearly 40 per cent of the current year's production. Prices in common with other stone fruits were unusually low, being at least 30 per cent lower than in the previous year.

Prices received by producers for cherries vary chiefly with the size of the crop, but are also dependent on demand conditions within Canada. The level of prices dropped sharply from 1929 to 1932, but has been recovering since that date and the short crop of 1937 sold at the most satisfactory price to producers since 1929. Prices, however, were again lower in 1938.

Apricots

The production of apricots in Canada is confined entirely to British Columbia. The 1938 crop of 59,000 bushels was 11.3 per cent above the 1937 production and 31.1 per cent above the five-year (1932-36) average.

After the first week of the shipping season, movement was slow and difficulty was encountered in disposing of the crop prior to the rapid ripening of the fruit. The cannery pack in the interior was small, but fairly heavy shipments of Royals and Blenheims were made to coast plants. Prices to the grower were exceptionally low, being less than half those obtained in 1937.

Strawberries

Strawberry production in 1938, estimated at 22.6 million quarts for all Canada, was 4.1 per cent below the 1937 crop but 1.5 per cent above the five-year (1932-36) average. Production in British Columbia was 22 per cent greater than in 1937, amounting to 7.4 million quarts. The Ontario crop of 6.4 million quarts was 7 per cent below that of 1937, while Quebec production amounting to 6.2 million quarts was 22 per cent less than in 1937. In the

Maritime Provinces, production was 2.6 million quarts as compared with 2.7 million quarts in 1937.

Imports of strawberries for the year ended March 31, 1938, amounted to 5.6 million pounds compared with 4.6 million pounds during the previous 12 months and the five-year (1932-36) average of 5.0 million pounds. Exports, chiefly to the United States, totalled 1.6 million pounds for the 12 months ended March 31, 1938, an increase of 56.1 per cent over the previous year, and 87.2 per cent above the 1932-36 average.

In Nova Scotia and New Brunswick plantings show increases of about 10 per cent in acreage. Acreage in Ontario remains approximately the same. In British Columbia, there has been an increase in the production of ever-bearing and late berries. There is a growing outlet for cold-pack berries both on the domestic and export markets. Growers are making use of improved varieties with superior keeping and shipping qualities and this factor will have an influence on the marketing of future crops.

Raspberries

The yield of raspberries in 1938 was above that of 1937 in all producing provinces, except Nova Scotia. The total production of 9.5 million quarts in 1938 was 10.3 per cent above that of 1937, and 42.6 per cent above the 1932-36 average. There is a trend toward the planting of new and improved varieties of better keeping and shipping quality. Exports of raspberries in 1937-38 increased by 39 per cent over 1936-37 and were more than double the five-year (1932-36) average.

Quebec produced a crop of 2.8 million quarts of good quality raspberries in 1938. The Ontario acreage remains practically unchanged at slightly over 1,600 acres. Plantations, however, are now in better condition than formerly. Production in 1938 reached an estimated total of nearly 4.4 million quarts, an increase over the previous year of about 8 per cent. A substantial part of the crop was purchased by processors at prices slightly higher than those of 1937, but because the fresh fruit market returns were slightly less than those of the previous year, the average prices secured by growers remained practically the same.

In British Columbia, the estimated crop of 2.2 million quarts showed a ten per cent increase over the 1937 crop due mainly to mild winter conditions. The crop, generally, was of good quality. Shipments in 1938 amounted to approximately 65 carloads as compared with 42 carloads in 1937.

Processed Fruits

While no definite figures are available, the pack of fruits for 1938 will probably be less than that of 1937 due to the heavy carry-over. Stocks of canned fruits on hand at October 1, 1938, were estimated at 1.5 million cases.

Production and Prices.—The total pack of canned fruits for 1937 was 1.8 million cases compared with 1.2 million cases for 1936, the chief increase for 1937 being in apples, apricots, blueberries, raspberries, strawberries and plums.

For the most part, prices which growers received for fruits for canning were lower in 1938 and 1937 than in 1936. Exceptions were cherries and strawberries which commanded slightly higher prices in 1938. Cherries increased from 4.75 cents per pound in 1936 to 5.3 cents in 1938; and strawberries from 5.4 cents in 1936 to 6.2 cents in 1937, dropping to 5.5 cents in 1938. Raspberries decreased from 8.4 cents per pound in 1936, to 8.15 cents per pound in 1937 and 6.4 cents per pound in 1938. Peaches decreased from \$68.30 per ton in 1936 to \$59.10 per ton in 1937 and \$46.50 per ton in 1938. Pears decreased

from \$49.40 per ton in 1936 to \$46.60 in 1937 and \$33.50 in 1938. Plums decreased from \$44.50 per ton in 1936 to \$33 in 1937 and \$20 in 1938. Prices for strawberries and raspberries for jam purposes have shown practically no fluctuations for the past three years.

Frozen Fruits.—This means of processing is now well established, with several factories operating in Canada. The products find ready sale to the hotel and restaurant trade. However, some attempt will be made in 1939 to suitably equip retail stores for the handling of frozen fruits. In 1937, there was approximately 436,000 pounds frozen in consumer packages, but figures available show only 270,000 pounds in 1938. The pack of frozen fruits for remanufacturing purposes in 1938 was 9.9 million pounds. Blueberries were frozen in considerable quantities and shipped in carloads, principally to the United States. Total shipments in the six months, April to September 1938, amounted to 601,000 pounds, valued at \$40,130.

Exports.—Ninety per cent of the total exports of processed fruit goes to Great Britain. Apples, pears, peaches and loganberries are the principal kinds shipped. Exports of canned apples have steadily increased from 176,200 cases in 1936 to 229,300 cases in 1937, and 172,400 cases for the first nine months of 1938, with heavy shipments to follow for the balance of the shipping season. Exports of canned pears totalled 204,400 cases in 1937 and 168,000 cases for the first nine months of 1938. The total exports of canned fruits for 1937 were 605,000 cases and for the first nine months of 1938, 952,400 cases, the principal increase being in canned apples from 230,000 cases in 1937, to 359,100 cases for the first nine months of 1938. For the same period, peaches increased from 49,700 cases to 82,500 and pears from 209,800 to 365,200 cases.

Imports.—Imports of canned fruits into Canada come chiefly from Australia. During the first eight months of 1938, imports of apricots from that country amounted to 7,185 cases compared with 6,882 cases for the same period of 1937. Imports of peaches dropped from 45,929 cases in the first eight months of 1937 to 23,956 cases for the same period of 1938. Imports of pears were also lower at 2,282 cases in the first eight months of 1938 compared with 2,996 cases in the same period of 1937. During the year 1936-37, Australia shipped 25 million pounds of canned pears to the United Kingdom market as compared with 7 million pounds shipped from Canada.

Evaporated Apples.—The bulk of the evaporated apple pack is in Nova Scotia and British Columbia, very little having been packed in Ontario during the last five years. Ninety per cent of this product is exported, 44,394 cases having been shipped in 1937 as compared with 27,796 cases in 1936. A smaller pack is indicated for the 1938 season.

POTATOES

The 1938 potato crop of 59.6 million bushels was the lowest recorded since 1910. The small crop resulted chiefly from the low yields per acre harvested in all provinces except Prince Edward Island and Saskatchewan. Acreage in 1938 at 522,000 acres was only slightly below that of 1937. Prices being received by growers in the fall of 1938 were considerably above those of the previous fall. It is expected that more favourable returns from the 1938 crop will result in an increase in acreage for 1939. A normal yield on an acreage much larger than that of 1938 would produce a crop sufficiently large to make marketing difficulties a likely occurrence in the fall of 1939. The acreage entered for seed certification was increased by more than 8,000 acres in 1938, but the increase was offset by the reduced yield and the low percentage of acreage passing inspection. The United States potato crop in 1938 was 6 per cent below that of 1937. Concessions secured under the new Canada-United States Trade Agreement may result in an increased movement to that country in the next few years. Export movement of potatoes will be lower in 1938-39 as a result of the short crop in Canada. Some shipments of table stock have been made to the British West Indies and Hong Kong. Exports of seed potatoes to South America are expected to total about 250,000 bushels compared with over one million bushels in 1937.

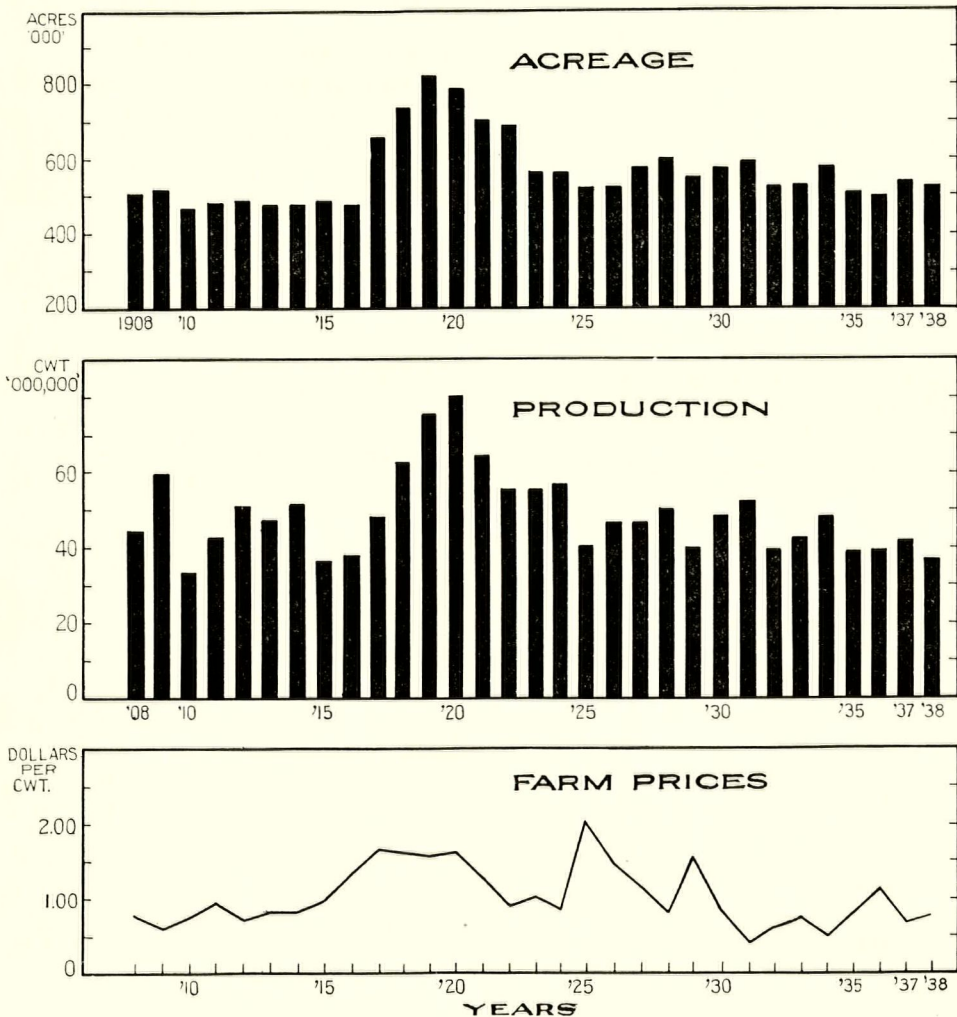
Production.—The 1938 Canadian potato crop is estimated at 59.6 million bushels, the lowest yield since 1910 and 16 per cent below that of 1937. Plantings declined from 531,200 acres in 1937 to 522,000 acres in 1938, but the decrease in production is accounted for largely by the generally lower average yields which prevailed in all provinces, except Prince Edward Island and Saskatchewan. The yield per acre in Prince Edward Island was slightly higher and this offsets a reduction in acreage so that production was somewhat larger than in 1937. In Saskatchewan, the crop was more than double the low production in 1937. Aggregate production in the Maritime Provinces was 1.8 million bushels below that of 1937, while production in Ontario and Quebec showed a decline of 5.3 million bushels. The increase in Saskatchewan has offset minor declines in the other two Prairie Provinces and total production for the three provinces is about one million bushels higher than last year. British Columbia records a decrease of about 500,000 bushels. The increase of 1,933 acres of certified seed in 1938 was offset by a reduced crop. United States production was estimated at 368.2 million bushels as compared with 393.3 million bushels in 1937, a decrease of 6 per cent. The Maine crop of 41 million bushels was 16 per cent below that of 1937.

During the ten-year period 1928-37, the area planted to potatoes in Canada averaged 546,100 acres. Acreage has remained relatively uniform, and year-to-year fluctuations from the average have been chiefly the result of variation in prices received by growers for the preceding crop. Comparatively large crops were harvested in 1928, 1931 and 1934. Returns to growers in these years were low, and sharp reductions in acreage occurred in the years immediately following, but when prices became more favourable, acreages again increased. With comparatively favourable prices being received for the 1938 crop, it is likely that acreage will be increased in 1939. A normal yield on an acreage much larger than that of 1938 would produce a crop sufficiently large to make marketing difficulties a likely occurrence in the fall of 1939.

Table Potatoes

Markets and Prices.—A study of the seasonal movement of potato prices from October to the following May over a period of years reveals that price changes during these months depend chiefly on the size of the crop. When total production is less than 65 million bushels, prices rise until January, tend to decline somewhat in February and March, and then rise again in April and May. In years when the crop exceeds 65 million bushels, there are very few

POTATOES—ACREAGE, PRODUCTION AND FARM PRICES 1908 TO DATE



price changes from October to May. It appears that prices, in years of large crops, are discounted almost entirely in the fall of the year. While short crops open at a higher price in the fall, the shortage is not fully appreciated at that time, but prices continue to rise throughout the fall and early winter.

The trend of the market during the fall months of 1938 indicates that returns to the producer will be considerably higher than those of the previous year. The reduced yield was reflected in higher prices early in the fall and prices have continued to advance. Both domestic and export shipments, however, are below those of a year ago and as a result, storage holdings are higher. Returns to producers to the end of November averaged 47 cents per bushel in Prince Edward Island and 34 cents in New Brunswick, as compared with 22.5 cents and 18 cents, respectively, in 1937. The reduced yields in Ontario and Quebec, together with the questionable quality of potatoes in many areas due to disease and injury, will no doubt provide a ready outlet for Maritime potatoes in the central provinces. There is a steady annual movement of table stock from Eastern Canada to the British West Indies. The chief competitor in these markets is the Netherlands and to a lesser extent, the United Kingdom and the United States. The volume of shipments is largely determined by price conditions. Shipments from the 1938 crop to the British West Indies and Bermuda totalled 100,900 bushels up to the end of November as compared with 137,300 bushels in the same period in 1937. Since the outbreak of hostilities in China an outlet for Canadian potatoes has been established in Hong Kong, a market normally supplied largely by Japan. Exports from the 1938 crop to Hong Kong up to the end of November totalled 23,450 bushels as compared with 18,890 bushels to the same date in 1937. The new Canada-United States Trade Agreement, which becomes operative January 1, provides for a reduced tariff on imports into the United States. During the period March 1 to November 30 the rate will be 37½ cents per 100 pounds, and from December 1 to the last day of the following February, the rate will be 60 cents per 100 pounds as compared with the previous rate of 75 cents which was applicable all year. Imports from Canada, however, for any twelve-month period beginning September 15 may not exceed one million bushels at the reduced rates, except when the September 1 estimate of United States production is less than 350 million bushels, in which case imports may be increased by the difference between the estimate and 350 million bushels. The concession granted Canada may be expected to result in a larger movement of table potatoes, but the quantity shipped in any one year will be dependent upon the relative crop and market conditions in the two countries. In view of the short crop, and the probability that domestic requirements will absorb all supplies at remunerative prices, it is unlikely that the export markets will attract many Canadian table stock potatoes from the 1938 crop. The total imports into Canada during the last two years averaged 260,000 bushels.

Seed Potatoes

Markets and Prices.—Disposal of the 1937 crop of certified seed potatoes was completed by May, 1938, and a record total of 2.5 million bushels was sold. The previous record was attained in 1930 when 2.4 million bushels were sold. Sales to Argentina, a comparatively new market in 1937, accounted for over one million bushels that year, but due to a surplus crop in that country in 1938, probably not more than 250,000 bushels will be required in 1938-39. Sales to the United States may be expected to show an increase of about 750,000 bushels from the 1938 crop, as a result of the recent trade agreement with that country which provides a substantial reduction in tariff and an increase in the quota for seed. Special efforts are being made to develop trade with other countries but no material increase in this direction is anticipated this year. Domestic requirements for seed should be larger as a result of the short commercial crop plus co-operative efforts to encourage the planting of improved seed, but the total domestic seed movement from the 1938 crop will probably fall somewhat short of shipments from the 1937 crop. An increase of more than 8,000 acres in entries for seed potato certification was offset by a

reduced crop and a low percentage passing inspection. Disease and unfavourable seasonal conditions took more than an average toll in 1938. However, the acreage passing inspection was 27,644 acres as compared with 25,711 acres in 1937. Seed prices, generally, are expected to continue firm and may go higher by spring. A small increase in total acreage of certified seed is expected in 1939.

Onions

The commercial production of onions in Canada occurs principally in Ontario, Quebec, and British Columbia. The area in Ontario in 1938 was 2,655 acres, representing a 10 per cent increase over 1937 plantings. Estimated production was 15,900 tons, an increase of 35 per cent over the 1937 yield. Despite very favourable growing conditions up to harvesting of the main crop, excessive moisture followed by hot humid weather caused considerable decay. This necessitated very careful grading and screening of stock intended for storage purposes. The Quebec crop, while about 15 per cent less than the 1937 crop, is of good quality. As a result, demand has been good and supplies were more than half sold at the end of October. Although plantings in British Columbia increased 39 per cent from 994 acres in 1937 to 1,386 acres in 1938, production is but 17 per cent in excess of the previous year, being estimated at 10,733 tons as compared with 9,207 tons in 1937. Poor germination and insect damage contributed to the reduced yield. Weather conditions, both during the growing and harvesting seasons, were favourable and quality of the crop is good.

As a result of the condition of the Ontario crop a large tonnage was moved for immediate consumption, and despite the increased production, storage holdings at December 1, 1938, amounted to only 6,700 tons as compared with 1,700 tons at the same date in 1937. In British Columbia, supplies on hand at December 1 were 2,430 tons as compared with 664 tons at the same date in 1937.

Markets.—The large production in Ontario, together with unsatisfactory quality, has resulted in average fall prices of approximately \$22 per ton as compared with \$40 per ton for the entire 1937 crop marketing season. The market may improve and firmer prices prevail if stocks come out of storage in good condition. The movement of the British Columbia crop has been satisfactory, with 2,036 tons going to New Zealand to December 1, as compared with 2,032 tons last year. Up to the end of November, exports from Ontario of the 1938 crop totalled 364 tons as compared with 100 tons in 1937. Most of these shipments went to the British West Indies. Some losses have been reported at destination, however, due to condition. Total holdings in Canada at December 1, 1938, were 13,200 tons as compared with 5,800 tons at the same date in 1937. The future trend of the market will depend on the keeping quality of stock now in storage.

Table Turnips

The production of marketable table turnips in Ontario is expected to be slightly less than that of 1937. Generally, the quality of the crop is good, although seasonal conditions were conducive to large sizes in some areas. Despite warm weather during the fall marketing period, demand was fairly good, although returns to the producer have been somewhat less than during the fall shipping period of 1937. There is an increasing demand for completely waxed turnips and several new waxing plants were established during 1938. Of the total export movement in 1937, 31 per cent were waxed. On the basis of the fall movement, it may be expected that the previous year's total export will be equalled or surpassed, provided that demand is maintained during the winter.

There is a heavy crop of excellent quality turnips in Prince Edward Island and shipping commenced early in August. The movement up to the end of November was slow but steady with returns to producers about 12 cents per

bushel as compared with 15 cents per bushel in the previous year. A number of new waxing plants were in operation in 1938 and it is expected that an increasingly large proportion of export shipments will be waxed in future. Waxed turnips represented 6 per cent of the total export shipments in 1937-38.

Demand for waxed turnips is increasing in the smaller towns of the United States where the turnover is small and good keeping quality is essential. The larger cities, however, where the turnover is rapid, do not show such a marked preference, except towards the latter part of the shipping season.

Frozen Vegetables

Production.—The pack of frozen vegetables increased from 126,000 pounds in 1937 to 590,000 pounds in 1938, the principal increase being in peas and corn on cob. New factories were opened in British Columbia and in Ontario, and efforts will be made to establish freezing units in retail stores during 1939. At the present time the bulk of this product is sold to the hotel and restaurant trade.

Canned Vegetables

Production.—The 1938 pack of canned vegetables was below that of 1937, when the output was 9.3 million cases. The main decreases occurred in the pack of tomatoes and tomato juice. Stocks on hand at July 1, 1938, were 5.3 million cases compared with 3.5 million cases at July 1, 1937. Indications are that the pack for 1939 will be curtailed considerably. Consequently the contracted acreage will be limited. Cannery report that the prices to wholesalers are the lowest in twenty years.

Markets and Prices.—Average packer-to-wholesaler prices for the main vegetable products were lower than in 1937. Quotations per dozen cans were 91 cents on peas as compared with 96 cents in 1937, 87 cents on corn as compared with 97 cents, and 93 cents on tomatoes as compared with \$1.10. Returns to the producer show but slight changes as compared with 1937. The average price paid to the farmer for asparagus was 7.5 cents as compared with 8.95 cents; peas 2.5 cents as compared with 2.37 cents; and beans 2.5 cents as compared with 2.29 cents; corn brought \$10.50 per ton as compared with \$10.30 per ton; and tomatoes \$10.50 per ton as compared with \$11.70 per ton in 1937.

Exports.—Exports of canned vegetables show an increase in 1938 over 1937. Total exports for the first nine months of 1938 were 2,518,000 cases as compared with 2,588,000 cases in the full year of 1937. Principal increases were in tomato paste, pulp and puree, being 350,000 cases for the first nine months of 1938 as compared with 174,000 cases for all 1937. Exports of tomato soup were 964,000 cases in the first nine months of 1938 compared with 813,000 cases for all 1937. The exports of canned tomatoes have fallen off considerably, total exports for 1937 being 647,649 cases and to the end of November 1938, 531,378 cases. Over 80 per cent of canned vegetable exports go to Great Britain. In 1937, there were larger shipments of canned tomatoes to Great Britain than in any previous year and much of this stock remains on hand. Consequently buyers have hesitated to make large commitments. Over one million cases of Italian tomatoes were imported into the United Kingdom in 1937 and large stocks of these are still on hand. During the first ten months of 1938, the arrivals of canned tomatoes in the United Kingdom totalled 664,000 cases as compared with 851,000 cases during the corresponding period of 1937. The chief sources of supply were Italy, Spain, and Canada.

HONEY

The honey crop of Canada for 1938 was the largest on record. Good crops were also reported in countries that are competitors of Canada on world markets. The capacity for production is steadily increasing in Canada and apparently the same is true in many other producing countries. Supplies of honey appear to be very plentiful both at home and abroad with the result that both domestic and export prices of honey have been forced down to very low levels. A slight increase in the amount of honey exported was shown during the crop year ended July 31, 1938. Exports to Great Britain, the chief export outlet for Canadian honey, far exceed those from any other country competing in this market. The decline in the pound sterling in terms of the Canadian dollar at Montreal has adversely affected prices received for Canadian honey in the United Kingdom market.

Production.—The average honey crop of Canada for the five-year period 1933-37 was 24.3 million pounds. The crop of 1937 amounting to 21.7 million pounds was the lowest since 1932, being 6.5 million pounds less than that of 1936 and 2.6 million pounds less than the five-year average. A preliminary estimate places the 1938 crop at approximately 34 million pounds, which exceeds the five-year average by 9.7 million pounds, and the previous record crop of 1931 by 4 million pounds.

Winter losses of bees, widespread winter killing of the major nectar-secreting plants and drought conditions during the summer months were responsible for the low average of the 1933-37 period. Weather conditions during the fall of 1937 and throughout the 1938 season were favourable for the growth of nectar-secreting plants, and although summer weather was not ideal for the secretion and in gathering of nectar, most of the provinces showed an increase in production over the previous year. Production data for other countries are difficult to secure but available information indicates that in the United States the crop of 1938 exceeded that of 1937, while in New Zealand, Australia and Jamaica the crops of 1937-38 appear to have been good. On the other hand, the 1938 crop in England was considerably below average. While it is impossible to state the amount of honey available, indications are that the world supply is plentiful.

The average number of colonies in Canada for the four-year period 1933-36 was estimated at 348,500 while the estimated number of 1937 was 391,350, the highest for the past five years.

Package bees to the value of \$190,250 were imported into Canada during 1938 as compared with imports valued at \$193,312 in 1937. Package bees are largely used for replacements. Therefore these figures are of little significance so far as expansion of the industry is concerned.

Markets and Prices.—The domestic market is the most important as it has absorbed approximately 90 per cent of the total production during the past five years. Because of the short crop in 1937, this market was practically bare of honey before the new crop of 1938 was harvested. Since the appearance of the new crop, however, supplies are plentiful. Prices took an upward turn late in 1937 and remained firm until August, 1938, when the prospects for an exceptionally good crop caused a decline. During the autumn of 1938, prices were from one to two cents per pound lower than for the same period in 1937.

Exports of honey from Canada during the crop year ended July 31, 1938, amounted to 2.8 million pounds as compared with 2.7 million pounds for the previous crop year. Of the total exports, 2.4 million pounds went to the

United Kingdom in 1936-37 and 2·2 million pounds in 1937-38. The renewal of exports to Germany accounted for the slight increase. The most important export market for Canadian honey is that of the United Kingdom which absorbs approximately 85 per cent of the total. In addition to the domestic crop, imports of honey into the United Kingdom for the past five years have averaged 8·3 million pounds. These imports are obtained from more than 45 countries and this market is, therefore, keenly competitive. In spite of this, however, Canada during the past five years has supplied approximately 24 per cent of the total. Prices for Canadian honey in Great Britain in the fall of 1938 ranged from 37s to 40s per 112 pounds as compared with 50s to 57s for the same period in 1937 and 42s for the same period in 1936. The decline of the pound sterling in terms of the Canadian dollar at Montreal has adversely affected prices received for Canadian honey in the United Kingdom market.

MAPLE PRODUCTS

Weather conditions were unsuitable at the beginning of the maple season but improved definitely after about ten days. As a result, production in Northern Ontario, Quebec and the Maritime Provinces was almost double that of the previous year and the crop was of exceptionally good quality. Prices showed some reduction as compared with the 1937 and 1936 figures, but the total value \$3.85 million represents the greatest return for these products in a number of years. Exports since the first of April indicate that the 1938-39 exporting season will be one of the best in the last decade. Supplies are being cleared out steadily and there is little likelihood of a carry-over. A late September gale in the principal producing sections in Quebec did considerable damage with the loss in trees estimated at 15 per cent. During the summer and early fall of 1938, there was plenty of rain but less than normal sunshine, which would point to a good flow of sap in 1939.

The 1938 maple crop was double the short crop of 1937 and equal to the record crop of 1929. The product was of excellent quality. At the commencement of the season, weather conditions were not conducive to a good flow of sap, the temperature remaining well above freezing for about ten days. However, severe frosts for several successive nights brought about a great improvement in Quebec, the Maritime Provinces and Northern Ontario. During the next two weeks the flow of sap was extremely heavy and the high proportion of sugar resulted in a splendid crop. Expressed in pounds of sugar, the crop is estimated at 33.0 million pounds as compared with the 1937 crop of 16.7 million pounds and the 1936 crop of 29.5 million pounds.

Production of maple syrup advanced from 1.2 million gallons in 1937 to 2.9 million gallons, while the production of sugar dropped from 4.4 million pounds to 3.4 million pounds. Of the 1938 crop, 90 per cent was held as syrup as compared with 74 per cent in 1937 and 69 per cent in 1936. Quebec produced 81.0 per cent of the total crop; Ontario 17.5 per cent and the Maritime Provinces the remainder. The average price of maple syrup was \$1.18 per gallon as compared with \$1.40 in 1937 and \$1.31 in 1936. The average price of maple sugar was 10 cents per pound as compared with 12 cents in 1937 and 11 cents in 1936.

Exports of maple products, expressed in pounds of sugar, amounted to 4,289,000 pounds for the fiscal year 1937-38 as compared with 6,172,000 pounds the year previous and the five-year (1933-37) average of 4,486,000 pounds. For the six-month period, April to September, 1938, exports amounted to 5,903,000 pounds as compared with 2,745,000 pounds for the corresponding period in 1937 and 3,555,000 pounds in 1936. Practically all exports go to the United States. Under the new Canada-United States trade agreement, the duty on syrup entering the United States has been reduced from 3 cents to 2 cents per pound and on sugar from 6 cents to 3 cents per pound.

Reports from Quebec indicate that the crop is being cleared up steadily and that with the advent of the 1939 season, there will be practically no stocks of syrup or sugar on hand.

A late September gale in the counties south of the St. Lawrence river did considerable damage to the maple groves in that area of Quebec. Reports show that losses of trees were as high as 50 per cent in some cases but on the average, damage amounted to 15 per cent. During the summer and early fall of 1938, there was plenty of rain, but a less than normal amount of sunshine, which would point to a good flow of sap in 1939, although possibly somewhat deficient in sugar content. This will mean longer boiling with a consequent lowering of quality.

TOBACCO

Tobacco production of approximately 96 million pounds in 1938 was the largest crop ever produced in Canada. The increased production was common to all types excepting the small pipe tobacco of Quebec. By far the greater proportion of the crop was of the flue-cured type, the production of which was estimated at 73.8 million pounds. This was chiefly the result of increased acreage, especially of the flue-cured type, in both Ontario and Quebec. The growth in the consumption of manufactured tobacco products has been most marked in the case of cigarettes and it is anticipated that this trend will continue. Stocks of flue-cured rose following the large 1937 crop and will be increased further by the 1938 crop unless there is a considerable advance in flue-cured exports in 1939. Burley stocks were reduced during the year, while there was a sharp increase in stocks of cigar leaf. Stocks of the other types were maintained at about the same level. There was a marked increase in the exports of flue-cured tobacco to the United Kingdom in 1938 as compared with 1937, but a continuation of this rate of growth in exports is not anticipated.

The negotiated minimum average price for the 1938 flue-cured crop was set at 22.5 cents per pound, 2.0 cents less than that of 1937. Since 1936 the general tendency has been toward lower prices for this type. Prices paid for burley, dark and cigar leaf were higher in 1937 than in any year since 1933, while those for large pipe and small pipe varieties in 1937 compared favourably with the 1936 prices for these types.

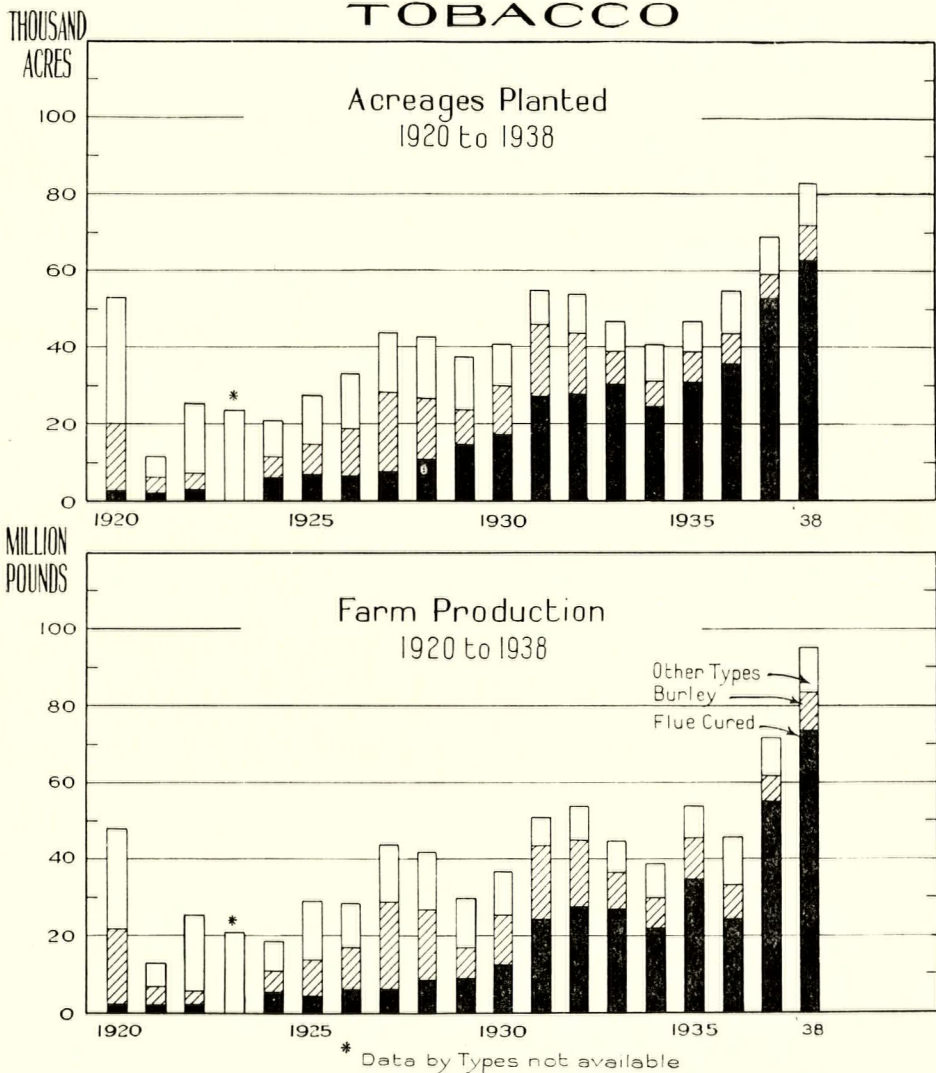
Consideration of all the factors involved suggests that a smaller production of the flue-cured type would be sufficient to meet the requirements of the domestic and export markets. To a somewhat lesser degree a similar situation exists in the case of cigar leaf. The burley situation, however, appears to warrant a slight increase in the 1939 crop.

Production.—For two consecutive years, the Canadian tobacco crop has exceeded all previous production records. The total production of all types in 1938 is estimated at 96 million pounds, an increase of 24 million pounds over that of 1937. The principal increase has been in the flue-cured type, with a total of 73.7 millions as compared with 55.3 million pounds in 1937. The burley crop rose from 6.3 million to 10.7 million, dark from 2.0 to 3.2 million pounds, with small increases in cigar leaf and large pipe. The small pipe type showed a rather sharp decline.

Acreage expansion was the principal cause for the increased production, although more favourable weather conditions throughout the 1938 growing season, resulting in a larger yield per acre, also played an important part. Expansion of the flue-cured area in Ontario was undertaken with a view to the replenishment of depleted stocks of old leaf and also to provide for an anticipated greater demand in the United Kingdom market. The acreage in Ontario was increased from 52,450 in 1937 to 61,000 in 1938 and in Quebec from 420 to 1,850 acres. For similar reasons the area planted to burley rose from 6,142 to 9,215 acres. Smaller increases were recorded in the other types except in the case of small pipe where a decrease occurred. The total area under production in 1938 amounted to 83,275 acres, an increase of about 14,300 acres over that of the previous year.

Domestic Consumption.—Since 1930, there have been important changes in the per capita consumption of the various types of the manufactured product. During this period, there has been a 40 per cent decrease in the use of plug

tobacco. At the end of 1933, the per capita consumption of cigars was about two-thirds of that in 1930. Since then, however, there has been a gradual increase, amounting to ten per cent in 1938. Consumption of cut tobacco also has gradually increased some 20 per cent. The greatest change as affecting production has occurred, however, in the per capita consumption of cigarettes. This was estimated at 494 in 1930, declined to 354 in 1932 and since then has risen gradually to 603 in 1937.



Stocks.—Stocks of dark, large pipe and small pipe tobaccos have undergone very little change during the year. Production of these types appears to be fairly well balanced with domestic and export requirements. Flue-cured stocks rose about 10 million pounds following the large crop in 1937 and with a larger crop in 1938, they will be at a still higher level unless there is a marked advance in exports of flue-cured in 1939. Old cigar leaf stocks also rose to the extent of nearly a million pounds, and old stocks of burley tobacco dropped about 4

million pounds. The 1938 crop of burley is hardly adequate to meet the normal requirements of the domestic and export markets and stocks of old burley leaf will probably be still lower a year hence.

Imports of raw leaf, largely of the flue-cured type, declined rapidly and consistently from 1928, when 17.9 million pounds of foreign leaf were brought in, until 1937, when they amounted to only 2.6 million pounds. For the first ten months of 1938, imports amounted to 3.7 million pounds as compared with 2.3 millions for the same period in 1937. Foreign leaf stocks now being in such a relatively minor position, expansion of domestic production on the basis of replacing foreign leaf in Canadian manufacture is at present of much less importance than was the case ten years ago.

The Export Market.—The year 1938 witnessed a remarkable increase in the exports of Canadian leaf tobacco, particularly to the United Kingdom. During the ten months ended October, 1938, a total of 14.7 million pounds was exported as compared with 8.2 million pounds during the same period of 1937. The increase consisted almost entirely of flue-cured tobacco, exports of which, during the above-mentioned periods, rose from 3.9 million pounds to 11.9 million pounds. Decreases were recorded in the exports of burley, dark and cigar leaf.

This heavy increase in exports of Canadian flue-cured was due to two main factors, namely, short stocks of Canadian flue-cured in the United Kingdom in the autumn of 1937, and the large supply of high quality leaf from the 1937 crop available at reasonable prices. Old Country buyers took advantage of this situation to build up their stocks. As a result, at the end of September, 1938, stocks of Canadian tobacco in the United Kingdom were equivalent to 30 months' supply on the basis of withdrawals for manufacture for the two years 1936 and 1937. This is slightly more than United States and Southern Rhodesian stocks which are estimated at 24 and 27 months respectively, but considerably less than those of India. With another large crop now being marketed in Canada, the large stocks in the United Kingdom are of particular significance.

The consumption of all tobaccos in the United Kingdom continues to rise, withdrawals for home consumption during the first nine months of 1938 amounting to 140.7 million pounds as compared with 135.7 million pounds during the same period of 1937 and 117.9 million pounds in the first nine months of 1934. At the same time, stocks in bond have risen from 408.5 million pounds on September 30, 1934, to 439.5 million and 514.7 million on the same dates in 1937 and 1938 respectively. It is quite evident that available supplies are increasing more rapidly than consumption.

The use of Canadian leaf by the British industry is increasing. Withdrawals of Canadian leaf from bond for consumption during the first eight months of 1938 totalled 6.7 million pounds as compared with 5.6 million pounds during the same period of 1937. Increases are also shown in the withdrawals of leaf grown by Canada's principal Empire competitors, Southern Rhodesia and India. Most Empire tobacco still finds its way into the pipe trade, although the low price at which both Rhodesian and Indian flue-cured have been available has resulted in a considerable extension of their use in cigarettes. Canadian flue-cured is being used to a slowly increasing extent in the cigarette trade, which accounts for some 65 per cent of the tobacco consumption. In order, however, that the rate of increase may be accelerated, it is felt that the Canadian product must be more widely distributed among the small manufacturers. The price factor has restricted this in the past, but with Canadian flue-cured selling at a somewhat lower price and prices of Rhodesian tobacco higher than in recent years, some development along these lines may be expected. A continuance of the preference accorded Empire tobacco in the United Kingdom market is assured until 1942.

Apart from the United Kingdom, export possibilities for Canadian leaf remain limited. The British West African colonies continue to be the largest secondary outlet, but there was a sharp decline in their imports from Canada in 1938. Shipments to the British West Indies were relatively unchanged. Several European countries, including Belgium, Netherlands, Denmark and Finland, have taken small quantities of burley. Following an encouraging increase in 1937, the exports of cigar leaf to Great Britain practically ceased during 1938.

Prices.—Owing to the large flue-cured crop produced in 1937, there was a temporary delay in sales following the opening of the market; nevertheless, the crop was sold at 27·3 cents a pound, a price approximately 2·8 cents above the negotiated minimum average. No difficulty was encountered in the sale of other types grown, and as a result, fair average prices were obtained. Better prices were paid in 1937 for burley, dark and cigar leaf than in any year since 1933. Prices for these types averaged 13·3, 10 and 12·5 cents per pound respectively. Quebec large pipe tobacco brought 10 cents per pound, which compared favourably with prices received in previous years. The small pipe varieties averaged 15 cents a pound, as compared with 21 cents in 1934 and only 11 cents in 1936.

Following a still further expansion of flue-cured tobacco production in 1938, the negotiated minimum average of 22·5 cents per pound is 2 cents below the 1937 negotiated minimum average. In view of this decrease and the general decline in price since 1936, when 29·4 cents per pound was paid, it would appear that the acreage to be planted in 1939 must be carefully considered if remunerative prices are to prevail. Unless effective grower co-operation is maintained in adjusting future production to market requirements, there may be a recurrence of the low prices of 1932.

Having in mind the limited possibilities for increased consumption of the flue-cured type both in the domestic and export markets, together with the greatly increased stocks of leaf in storage, a somewhat lower acreage allotment in 1939 would appear desirable. In the case of burley the situation is somewhat different and consideration of the various factors involved indicates that a slightly larger crop than that presently being marketed could be absorbed without undue difficulty. On the other hand, the relatively large stocks of dark and cigar leaf, together with little likelihood of increased usings of these types, suggests that a smaller production would be sufficient to satisfy the requirements of both the domestic and export markets.