Innis and Jacobson,

Agriculture and Canadian—
American Trade.

3

AKAAN NASIONAL RI

Y : -

0

12 Hal

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

451
IV 20

AGRICULTURE AND CANADIAN-AMERICAN TRADE

By

H. A. INNIS

AND

M. L. JACOBSON

3

Submitted by special permission as a preparatory paper for the Sixth Conference of the Institute of Pacific Relations, held at Yosemite, California, from August 15th to 29th, 1936. Canadian Papers, Vol. III, No. 6.

PUBLISHED BY ARRANGEMENT WITH, AND THROUGH THE GENEROSITY OF THE DIVISION OF ECONOMICS AND HISTORY OF THE CARNEGIE ENDOWMENT FOR INTERNATIONAL PEACE.

The Canadian Institute of International affairs, as such, is precluded by its constitution from expressing an opinion on any aspect of British Commonwealth relations or of domestic or international affairs. The views expressed in this paper are therefore purely individual.

CANADIAN INSTITUTE OF INTERNATIONAL AFFAIRS
43 ST. GEORGE STREET, TORONTO

BAT. GENOOTSCHAP VAN K. EN W.

PERPUSTAKAAN NASIONAL RI.

Copyright, Canada, 1936, by
THE RYERSON PRESS, TORONTO

PERPUSTAKAAN NASIONAL R.I
Tanggal : 29-6-2010
Nomor Induk : 45/PN-Museum/10
BIB - ID : 0010-0823013343
ITEM - ID : 0000 3786821
Asal : Museum Pusat

PRINTED IN CANADA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

AGRICULTURE
AND
CANADIAN-AMERICAN TRADE

A. THE LIVESTOCK AND DAIRY INDUSTRIES[1]

By H. A. Innis

The problem of the livestock and dairy industries in Canada is vitally linked to the problem of wheat.[2] Depression in Great Britain in the twenties supported exports of dairy products and livestock to the United States in spite of the tariff. Increase in the tariff in 1930 and low prices of wheat stimulated the production of cattle in Western Canada, which in turn weakened the position of the cattle industry in Eastern Canada and accentuated dependence on dairying and, with the empire agreements, on hog raising. The complexity of the dairy industry, with its relatively large requirements of capital and a more rigid standard of living of participants in the industry, brought resistance of a determined character in the form of demands for control and sustained prices of fluid milk,[3] for control of exports through marketing boards and for tariffs on imports, particularly from New Zealand.[4] Political influence was apparent in the elections of 1930. Decline in prices of agricultural products on the British market supported recovery in Great Britain and an expanding market. Recovery measures in the United States have included devaluation and the reciprocity agreement. Exports of cattle to the United States tend to ease the strain on the dairy industry in Canada.

Decline in exports to the United States as a result of restricted tariff measures has contributed powerfully and directly to the

1. The material for this paper was prepared by M.L. Jacobson for the Canadian American relations survey and will be published in a volume on dairying.

2. See G. E. Britnell, *Saskatchewan, 1930-35*, Canadian Journal of Economics and Political Science, May, 1936, 143-166, reprinted for distribution by the Institute of Pacific Relations.

3. See W. M. Drummond, "Price Raising in the Dairy Industry", *Canadian Journal of Economics and Political Science.* November 1935, 551-567.

4. On the significance of the Panama Canal on transportation from New Zealand and Australia see H. A. Innis and A. F. W. Plumptre, "The Canadian Economy and Its Problems" (Toronto, 1934). Appendix V.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

problems of the Canadian dairy industry. Exports of butter to the United States declined with exports to Great Britain as a result of the marked expansion of industrialism in Canada following the turn of the century. A reduction in the Underwood tariff from 6 cents to 2½ cents per pound in 1913 had little effect in reversing the general trend, particularly with the demands of the war. In the years immediately following the war, exports to the United Kingdom declined and to the United States increased, reaching a peak of 10,693,311 lbs. in 1920 under the stimulus of a heavy discount on Canadian exchange. Increases in the tariff to 6 cents per pound in 1921 and 8 cents in 1922 contributed to a decline in exports to 2,423,086 lbs. in 1923, but failed to check a sharp rise to 6,394,927 lbs. in 1924. A further increase to 12 cents per pound in 1926 accelerated the downward trend to a low point of 20,700 lbs. in 1930, when the Hawley Smoot tariff of 14 cents was imposed. Even the demand of border areas for high-quality government-graded butter failed to surmount these barriers.

The Hawley-Smoot tariffs were imposed to equalize costs of production with principal competing countries, Denmark, Canada, New Zealand and Australia. Cost of production at New York City (including transportation) totalled 41.11 cents per pound for Danish butter and 56.03 cents per pound American butter in 1923-24. The disturbing effects of butter imports on the domestic market were the object of special attention. Butter produced during the flush season, March 15th to September 1st, is stored and faces competition during the winter period with the high-production low-cost periods of Australia and New Zealand. Consequently tariffs were designed to restrict the effects of seasonal imports. Decline of butter imports from Australia and New Zealand in the United States increased competition on the markets of the United Kingdom and led to the imposition of a tariff in Canada on New Zealand butter. A duty of 4 cents per pound against Australian, and 3 cents against New Zealand butter was reduced to 1 cent on October 30, 1925, and raised to 8 cents in September, 1930. The effect of United States restrictions on Canadian dairy products were minimized. Imports from New Zealand in Canada declined from 13,794,880 lbs. in 1931 to 806,947 lbs. in 1933, and butter prices in Canada advanced at times from 10 to 12 cents per pound above the export level.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Exports of cream were consumed, according to the United States Tariff Commission, chiefly in eastern centres, Boston, New York and Philadelphia, 59 per cent. in ice-cream, 21 per cent. in fluid cream and 13 per cent. as butter. With restrictions, it was probably manufactured into butter to an increasing extent in Canada.[1]

Imposition of tariffs on butter has been accompanied by increased tariffs on milk and cream. A duty on milk of 5 cents per gallon was imposed in 1890, removed in 1894 and imposed at a rate of 2 cents a gallon in 1897, at which level it remained until 1913, when it was abolished. Exports of milk increased from 7,939 gallons in 1913 to 1,116,362 gallons in 1918 and 1,985,113 gallons in 1920. Again the emergency tariff of 1921 restored the 2-cent rate and the Fordney McCumber tariff raised it to 2½ cents. But in spite of this tariff, exports increased from a low point of 856,039 gallons in 1923 to 4,886,445 gallons in 1927. An embargo from March, 1927, to September, 1928, as a result of the typhoid epidemic in Montreal and strict enforcement of the Lemoot-Taber bill as to sanitary regulations, contributed to the decline in 1928, and the increased rate to 6½ cents a gallon in 1930 brought a decline to 15,896 gallons in 1933. Similar changes were evident in exports of cream. A duty of 5 cents per gallon was imposed on cream in 1909, but removed by the Underwood tariff of 1913. Exports increased to 1,859,575 gallons in 1915, but declined to 485,015 gallons in 1919. In spite of a duty of 5 cents in 1921 and of 20 cents in 1927, exports increased to 4,495,917 gallons in the latter year. From 1924 to 1926 New York prices were 25 cents per gallon higher than Montreal prices. The high tariff rate on butter in 1926 contributed to the support of the high level of exports of cream and led to an increase in the tariff on cream to 30 cents in 1929 and to 56.6 cents in 1930, with the result that exports declined to 21,353 gallons in 1934.

Imports of cream were closely associated with cheese, since New England cheese factories imported cream for the manufacture of cheddar cheese. Rates of duty have varied, but exports have

1. Production of butter in Canada:

	Thousand pounds
1930	185,751
1931	225,955
1932	214,022
1933	218,532

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

remained at a low level until the sudden increase to 6,031,404 lbs. in 1920 under the exchange stimulus. The dominant importance of the British market for cheese implied an immediate inter-relation between exports to Great Britain and the United States, and exports to the United States of 14,062,000 lbs. in the peak year, 1927, was in part a result of the depressed state of the British market.

The United States department of agriculture stated on Nov. 8, 1927, "Undoubtedly a considerable part of the weakness (of the domestic market) was due to the Canadian situation. . . . The recent weakness and decline at Canadian points permitted dealers using large styles (i.e., cheddar cheese) to supply their needs at below domestic costs and undoubtedly the cheese board declines on November 4th is a reflection of this condition." In January, 1929, storage holdings in the United States reached 68,297,000 lbs., and additional quantities of cheese imported from Canada implied a serious depressing effect on American prices. The duty of 7½ cents per pound imposed in 1927 (reduced to 7 cents in 1930) and the depression in the United States brought a decline in exports to 619,500 pounds in 1933.

Restrictions on imports of dairy products have been accompanied by restrictions on cattle. The geographical advantages of proximity, with the ease, speed and low freight rates of transportation of exports to the United States, have been particularly important in the handling of the surplus of Canadian cattle. The live cattle trade to Great Britain, which began with the expansion of steam navigation on the St. Lawrence in the late seventies of the last century, received a slight check with the imposition of an embargo requiring slaughter at the point of entry in 1892, but it was not until the increasing demands of industrialism and the marked increase in urban population which followed expansion in the West after the turn of the century, and competition from Argentine in Great Britain, that exports began to decline. Exports reached a high point of 163,994 head in 1906 and declined sharply to 47,868 in 1912. The tariff on cattle in the United States was $10 per head on cattle over one year old and $2 under one year, from 1890 to 1894, 20 per cent. ad valorem to 1897, and $3.75 each on cattle over one year old valued at less than $14; 27½ per cent. ad valorem on cattle valued at

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

more than $14 and $2 on cattle under one year from 1897 to 1909 and to 1913. They were admitted free from 1913 to 1921 and exports increased to 453,606 head in 1919, while exports to Great Britain became negligible. A tariff of 30 per cent. ad valorem in 1921 and of 1½ cents per pound on cattle under 1,050 lbs., and 2 cents per pound on cattle over 1,050 lbs. in 1922, brought a sharp reduction in exports to 86,748 head in 1925. Exports accordingly increased to Great Britain from 1923 to 1925, particularly with the relaxation of British restrictions requiring slaughter of cattle imports at the point of entry in 1925. Decline in prices in Great Britain brought a shift of exports to the United States to a high point of 204,336 head in 1927 and a sharp decline to Great Britain. The coal strike and its effects on wages coincided with an outbreak of the hoof-and-mouth disease among feeder cattle to sharply reduce prices of fresh meat. The Hawley Smoot tariff of 1930 imposed duties of 2½ cents per pound on cattle under 700 lbs. and 3 cents per pound on cattle over 700 lbs. and was followed by a decline to 9,010 in 1932. The British penalty on Irish cattle contributed to a slight recovery of exports of Canadian cattle, but total exports of Canadian cattle had become negligible in 1932.

The weakness of the Canadian situation forced prices down to the point at which exports became feasible. Closing of the United States market was particularly serious for cattle from the Prairie Provinces and threw an annual export of 200,000 cattle on the Eastern market. Restrictions in the British market accentuated the problem. The Ottawa agreements limited foreign imports of meat to a quota equal to imports in 1931-32 and permitted free entry of meats from the Dominion to June, 1934, and of dairy and poultry produce to 1935. In April, 1934, the British government voted £3,000,000 for six months to subsidize British stock raisers and later they were continued. Temporary arrangements restrict imports from the Dominions to a limit of the average for the corresponding quarter of the past three years or to about 50,000 head annually from Canada. "The British plan to regulate cattle imports was a grievous blow to the cattle industry of Western Canada." So wrote the Secretary of the Western Canada Stock Growers' Association in July, 1934. In turn, since Western surplus was

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

problems of the Canadian dairy industry. Exports of butter to the United States declined with exports to Great Britain as a result of the marked expansion of industrialism in Canada following the turn of the century. A reduction in the Underwood tariff from 6 cents to 2½ cents per pound in 1913 had little effect in reversing the general trend, particularly with the demands of the war. In the years immediately following the war, exports to the United Kingdom declined and to the United States increased, reaching a peak of 10,693,311 lbs. in 1920 under the stimulus of a heavy discount on Canadian exchange. Increases in the tariff to 6 cents per pound in 1921 and 8 cents in 1922 contributed to a decline in exports to 2,423,086 lbs. in 1923, but failed to check a sharp rise to 6,394,927 lbs. in 1924. A further increase to 12 cents per pound in 1926 accelerated the downward trend to a low point of 20,700 lbs. in 1930, when the Hawley Smoot tariff of 14 cents was imposed. Even the demand of border areas for high-quality government-graded butter failed to surmount these barriers.

The Hawley-Smoot tariffs were imposed to equalize costs of production with principal competing countries, Denmark, Canada, New Zealand and Australia. Cost of production at New York City (including transportation) totalled 41.11 cents per pound for Danish butter and 56.03 cents per pound American butter in 1923-24. The disturbing effects of butter imports on the domestic market were the object of special attention. Butter produced during the flush season, March 15th to September 1st, is stored and faces competition during the winter period with the high-production low-cost periods of Australia and New Zealand. Consequently tariffs were designed to restrict the effects of seasonal imports. Decline of butter imports from Australia and New Zealand in the United States increased competition on the markets of the United Kingdom and led to the imposition of a tariff in Canada on New Zealand butter. A duty of 4 cents per pound against Australian, and 3 cents against New Zealand butter was reduced to 1 cent on October 30, 1925, and raised to 8 cents in September, 1930. The effect of United States restrictions on Canadian dairy products were minimized. Imports from New Zealand in Canada declined from 13,794,880 lbs. in 1931 to 806,947 lbs. in 1933, and butter prices in Canada advanced at times from 10 to 12 cents per pound above the export level.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Exports of cream were consumed, according to the United States Tariff Commission, chiefly in eastern centres, Boston, New York and Philadelphia, 59 per cent. in ice-cream, 21 per cent. in fluid cream and 13 per cent. as butter. With restrictions, it was probably manufactured into butter to an increasing extent in Canada.[1]

Imposition of tariffs on butter has been accompanied by increased tariffs on milk and cream. A duty on milk of 5 cents per gallon was imposed in 1890, removed in 1894 and imposed at a rate of 2 cents a gallon in 1897, at which level it remained until 1913, when it was abolished. Exports of milk increased from 7,939 gallons in 1913 to 1,116,362 gallons in 1918 and 1,985,113 gallons in 1920. Again the emergency tariff of 1921 restored the 2-cent rate and the Fordney McCumber tariff raised it to 2½ cents. But in spite of this tariff, exports increased from a low point of 856,039 gallons in 1923 to 4,886,445 gallons in 1927. An embargo from March, 1927, to September, 1928, as a result of the typhoid epidemic in Montreal and strict enforcement of the Lemoot-Taber bill as to sanitary regulations, contributed to the decline in 1928, and the increased rate to 6½ cents a gallon in 1930 brought a decline to 15,896 gallons in 1933. Similar changes were evident in exports of cream. A duty of 5 cents per gallon was imposed on cream in 1909, but removed by the Underwood tariff of 1913. Exports increased to 1,859,575 gallons in 1915, but declined to 485,015 gallons in 1919. In spite of a duty of 5 cents in 1921 and of 20 cents in 1927, exports increased to 4,495,917 gallons in the latter year. From 1924 to 1926 New York prices were 25 cents per gallon higher than Montreal prices. The high tariff rate on butter in 1926 contributed to the support of the high level of exports of cream and led to an increase in the tariff on cream to 30 cents in 1929 and to 56.6 cents in 1930, with the result that exports declined to 21,353 gallons in 1934.

Imports of cream were closely associated with cheese, since New England cheese factories imported cream for the manufacture of cheddar cheese. Rates of duty have varied, but exports have

1. Production of butter in Canada:

	Thousand pounds
1930	185,751
1931	225,955
1932	214,022
1933	218,532

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

remained at a low level until the sudden increase to 6,031,404 lbs. in 1920 under the exchange stimulus. The dominant importance of the British market for cheese implied an immediate inter-relation between exports to Great Britain and the United States, and exports to the United States of 14,062,000 lbs. in the peak year, 1927, was in part a result of the depressed state of the British market.

The United States department of agriculture stated on Nov. 8, 1927, "Undoubtedly a considerable part of the weakness (of the domestic market) was due to the Canadian situation. . . . The recent weakness and decline at Canadian points permitted dealers using large styles (i.e., cheddar cheese) to supply their needs at below domestic costs and undoubtedly the cheese board declines on November 4th is a reflection of this condition." In January, 1929, storage holdings in the United States reached 68,297,000 lbs., and additional quantities of cheese imported from Canada implied a serious depressing effect on American prices. The duty of 7½ cents per pound imposed in 1927 (reduced to 7 cents in 1930) and the depression in the United States brought a decline in exports to 619,500 pounds in 1933.

Restrictions on imports of dairy products have been accompanied by restrictions on cattle. The geographical advantages of proximity, with the ease, speed and low freight rates of transportation of exports to the United States, have been particularly important in the handling of the surplus of Canadian cattle. The live cattle trade to Great Britain, which began with the expansion of steam navigation on the St. Lawrence in the late seventies of the last century, received a slight check with the imposition of an embargo requiring slaughter at the point of entry in 1892, but it was not until the increasing demands of industrialism and the marked increase in urban population which followed expansion in the West after the turn of the century, and competition from Argentine in Great Britain, that exports began to decline. Exports reached a high point of 163,994 head in 1906 and declined sharply to 47,868 in 1912. The tariff on cattle in the United States was $10 per head on cattle over one year old and $2 under one year, from 1890 to 1894, 20 per cent. ad valorem to 1897, and $3.75 each on cattle over one year old valued at less than $14; 27½ per cent. ad valorem on cattle valued at

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

more than $14 and $2 on cattle under one year from 1897 to 1909 and to 1913. They were admitted free from 1913 to 1921 and exports increased to 453,606 head in 1919, while exports to Great Britain became negligible. A tariff of 30 per cent. ad valorem in 1921 and of 1½ cents per pound on cattle under 1,050 lbs., and 2 cents per pound on cattle over 1,050 lbs. in 1922, brought a sharp reduction in exports to 86,748 head in 1925. Exports accordingly increased to Great Britain from 1923 to 1925, particularly with the relaxation of British restrictions requiring slaughter of cattle imports at the point of entry in 1925. Decline in prices in Great Britain brought a shift of exports to the United States to a high point of 204,336 head in 1927 and a sharp decline to Great Britain. The coal strike and its effects on wages coincided with an outbreak of the hoof-and-mouth disease among feeder cattle to sharply reduce prices of fresh meat. The Hawley Smoot tariff of 1930 imposed duties of 2½ cents per pound on cattle under 700 lbs. and 3 cents per pound on cattle over 700 lbs. and was followed by a decline to 9,010 in 1932. The British penalty on Irish cattle contributed to a slight recovery of exports of Canadian cattle, but total exports of Canadian cattle had become negligible in 1932.

The weakness of the Canadian situation forced prices down to the point at which exports became feasible. Closing of the United States market was particularly serious for cattle from the Prairie Provinces and threw an annual export of 200,000 cattle on the Eastern market. Restrictions in the British market accentuated the problem. The Ottawa agreements limited foreign imports of meat to a quota equal to imports in 1931-32 and permitted free entry of meats from the Dominion to June, 1934, and of dairy and poultry produce to 1935. In April, 1934, the British government voted £3,000,000 for six months to subsidize British stock raisers and later they were continued. Temporary arrangements restrict imports from the Dominions to a limit of the average for the corresponding quarter of the past three years or to about 50,000 head annually from Canada. "The British plan to regulate cattle imports was a grievous blow to the cattle industry of Western Canada." So wrote the Secretary of the Western Canada Stock Growers' Association in July, 1934. In turn, since Western surplus was

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

barred an export outlet, internal competition with Eastern Canada became severe.[1] An attempt has been made to meet the problem through suggestions of the Ontario Cattle Export Association to regulate the export of beef and dairy cattle under the Dominion Marketing Board.

Competition in the cattle trade and low prices have coincided with an expanding market for hogs. By-products of the dairy industry, particularly butter, and cheap supplies of grain hastened the trend in this direction. Exports of hogs to the United States have varied with economic conditions and the tariff. A duty of 20 per cent. ad valorem in 1870 was removed in 1882 and re-imposed in 1883, changed to $1.50 per head in 1897 and removed in 1913. Except for a total of 243,031 head exported in 1915, numbers were of relatively minor significance. A duty of ½ cent per pound was imposed in 1922, but in spite of this 173,072 were exported in the peak year of 1927. An increase in the duty to 2 cents per pound in 1930 contributed to a reduction of exports to insignificant proportions. Exports of bacon have been primarily to the United Kingdom and have followed the trend of other agricultural products. Following an increase from 1893 to the early part of the century the period of expansion in Canada brought a sharp decline in exports to Great Britain. The war brought recovery and in the post-war period a peak was reached in 1925. Decline was rapid to 1929, when exports from Canada practically balanced imports. In 1929-30 shortage on the home market and high prices materially reduced exports to Great Britain. Danish exports to Great Britain increased in 1930. Ottawa agreements contributed to a revival by guaranteeing a quota market to the product of 2,500,000 hogs. In 1934 the product of nearly 1,000,000 hogs was sent to Great Britain. Imports from other countries have been reduced to raise the price of hogs

1. Shipments of Western cattle to Eastern Canada for 48 weeks of 1934 compare with 1933 as follows:

	1933	1934
Feed lots	13,288	15,453
Stockyards	47,779	50,552
Packers	22,807	44,750
Total	88,874	110,735

PERPUSTAKAAN NASIONAL REPUBLIK INDONESIA

to the British farmer with enhanced advantage to Canada not only in the export market but in the increased prices of the domestic market.[1] Exports of bacon to the United Kingdom have increased from 182,000 cwt. in 1932 to 894,000 cwt. in 1934.

B. THE RECIPROCITY TREATY OF 1935 AND AGRICULTURE

By M. L. Jacobson

In 1932 Canada obtained a preferred place in the "greatest market in the world" in return for concessions on British goods in the Canadian market.[2] These agreements have brought Canadian products into increasing favour. Best apples are in strong demand, although low-grade apples are opposed by British producers. Canada has exported one of the largest shipments of soft fruits, including Ontario plums and pears, in her history, due, in part, to a bad fruit year in England. Exports of Canadian cheese, although falling slightly in 1934, are in more favourable demand than in the American market. Bacon exports have increased almost incredibly since 1932.

The geographic advantages of an adjacent market with ease and speed of transportation and low freight rates are more pertinent to cattle export than to any other branch of agricultural activity. The quick re-routing of livestock trade, since 1930, is consequently surprising. Shut out of the United States market by the prohibitive rates demanded by the American cattle producers, Canadian cattle moved to Great Britain and, aided by a British penalty on Irish cattle, secured an important market. A comparison of cattle exports to Great Britain and the United States from 1925 to 1932 shows that even after a two-year period, 1928-29, in which there had been no overseas trade, the United Kingdom market was shown to be capable of expansion for Canadian products. The renewed export strengthened prices on the domestic market. In 1933 50,000 head of cattle were sent to the British market. Beef prices recovered from an extreme low point of 2½ cents per pound to

1. It has been estimated that the Ottawa agreements increased the price of hogs from $4.19 to $7.89 per hundred pounds.

2. See the Ottawa Supplement to the *Economist*, October 22, 1932, for a full account of the Ottawa agreements.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

about 5 cents per pound. On June 1, 1934, the price of hogs on the Chicago market was $3.50 per hundredweight, and on the Montreal market $9.24 per hundredweight. British demand for pure-bred Holstein cattle continues, although the British government in consequence of the agricultural policy of Walter Elliot, subsidizes British fat-stock producers and applies quantitative regulations in an effort to build up the British dairy industry.

But agricultural producers were also anxious to regain access to the large, though historically capricious, market on their frontiers.[1] In June, 1934, authority was given to President Roosevelt to negotiate directly, although he could not raise or lower tariffs by more than 50 per cent. of the existing rates, nor transfer any articles from the dutiable to the free list. With return of the Liberals to power in October, 1935, a trade agreement[2] between Canada and the United States which had been largely negotiated by the previous Conservative administration came into effect on January 1, 1936.

The United States gained for the first time in the history of Canadian-American relations most favoured nation treatment, which includes the extension of the intermediate scale of duties on a series of items, although it is probable that a number of the existing intermediate rates will be increased. Since the National Policy, United States goods entering Canada have paid the highest rates which Canada imposes.

The following table shows the extent of the concessions granted by the United States on agricultural products imported from Canada:

Commodity	*June 17, 1930*	*January 1, 1936*
Cattle, less than 175 lbs. each	$ .02½ per lb.	$ .01½ per lb.
Cattle, more than 700 lbs. each	.03 per lb.	.02 per lb.
Cows, more than 700 lbs. each (imported especially for dairy purposes)	.03 per lb.	.01½ per lb.

Provided that none of the foregoing entered, or withdrawn from warehouse for consumption in excess of the quantities respectively specified below in any calendar year after 1935 shall be subject to the above provisions:

1. This is apparent in the irregularity with which shipments of produce have been sent to Great Britain. The complaint of the importers has been that they cannot count on consistently maintained quantities or quality of Canadian produce.

2. See H. C. Goldenberg, "The Canada-United States Trade Agreement, 1935," *Canadian Journal of Economics and Political Science*, May, 1936. 209-212.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

Cattle weighing less than 175 lbs., ¼ of 1 per cent. of the average annual number of cattle (including calves) slaughtered in the U.S.A. during the calendar years 1928-32 (incl.), (*51,933 head*).

Cattle weighing 700 lbs. or more each, and not specially provided for, ¾ of 1 per cent. of the average annual total number of cattle (including calves) slaughtered in the U.S.A. during the calendar years 1928-32 (incl.) (*155,799*).

Cows weighing 700 lbs. or more each and imported specially for dairy purposes: *20,000 head.*

Commodity	*June 17, 1930*	*January 1, 1936*
Cheese, cheddar	$ .07 per lb. but not less than 35 per cent. ad valorem.	$ .05 per lb. but not less than 25 per cent. ad valorem.
Cream[1]	.56.6 per gal.	.35 per gal.
Apples	.25 per bu. of 50 lbs.	.15 per bu. of 50 lbs.
Oats	.16 per bu. of 32 lbs.	.08 per bu. of 32 lbs.
Hay	5.00 per short ton	3.00 per short ton
Potatoes[2]	.75 per bu. of 100 lbs.	.60 per bu. of 100 lbs.
Turnips	.25 per bu. of 100 lbs.	.12½ per bu. of 100 lbs.
Maple Sugar	.08 per lb.	.04 per lb.

The most important agricultural concessions secured by Canada related to live cattle. For the first time since 1930 Canadian shipments of cattle moved into the American market in 1935. Drought and sandstorms and the government's arbitrary policy of slaughtering cattle in the dried-out areas created a shortage which had not been foreseen by framers of the Hawley Smoot tariff. It is estimated that about 8,000,000 head of cattle were lost, and prices in the United States market went sufficiently high to induce imports despite the high tariffs. During January, February and March of 1935, 1,400 head of pure-bred Holstein cattle were shipped southward, and Ontario producers benefited by an opening market. The demand for Canadian Holsteins, able to meet the rigid health requirements, nearly trebled in New York State, Pennsylvania, Massachusetts and Vermont, and is steadily increasing. By the new agreement Canadian cattle producers secure reductions in duty ranging from 33⅓ per cent. to 50 per cent. on live cattle falling within two different weight ranges, and on dairy cows. The weight ranges excluded from the agreement are those of which Canada is

1. Subject to quota provision of 1,500,000 gallons.

2. When entered during the period: Dec. to Feb. (incl.) rates shall be .60 per 100 lbs. When entered during the period: Mar. to Nov. (incl.) rates shall be .45 per 100 lbs. When, in any twelve-month period, beginning Dec., imports are in excess of 750,000 bu. they shall not be subject to these provisions.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

not the chief supplier. The interests of American producers are protected by quotas, which are aggregate quantities and apply to imports from all countries. But no other country can ship calves under 175 lbs. or dairy cows to the United States, while, with respect to cattle weighing 700 lbs. or over, including milch cows, Canada supplied 56,781 head out of a total of 59,648 head in the first nine months of this year. Since, according to Article II of the agreement, quotas will be allocated among supplying countries on the basis of a representative period, Canada is assured of 95 per cent. of the cattle tariff quota. Even the freer admission of such a minute fraction of American domestic slaughter will be important to Canadian exporters. The resultant average saving in duty is estimated at around $9 per head of cattle.

The concessions to the dairying industry are small. Omission of butter and milk from the schedules was probably due, in part, to the protests of American dairy interests prior to the treaty. Speaking before the Trade Reciprocity Committee, set up for the purpose of investigating objections to the proposed agreement, on March 20, 1935, the Progressive member from Wisconsin declared that recent importations of butter, 5,000,000 lbs. since January, 1935, were responsible for a drop of 8 cents per pound in the butter market. Actually the drought had resulted in the greatest reduction in milch cows in the fifty-five years for which records were available at the United States Bureau of Agricultural Economics, and there was a comparative shortage of supplies in storage and production was decreasing. Butter production in December, 1934, was approximately 12 per cent. below December, 1933. The shortage caused prices to be sufficiently high in the American markets to overcome the 14-cent tariff. In the large Eastern cities retail prices to consumers were raised 4 cents per pound during the week of January 21 to 26, 1935, and in New York City were 41 to 43 cents per pound. Butter imports were attracted from New Zealand via London and direct (145,600 lbs.) and from Denmark (38,800 lbs.).[1] The tariff on butter, however, remained unchanged.

1. The wholesale price of butter at New York on January 25, 1935, was 35½ cents per pound, the highest point reached at any time since 1931. In London, Danish butter was quoted at 23.3 cents per pound. New Zealand was quoted at 18½ cents per pound.

PERPUSTAKAAN NASIONAL

The concessions on cream will be of advantage to Ontario and Quebec, although the quantity is restricted by quota to 1,500,000 gallons, about one-half of the quantity actually imported from Canada in 1929. The 50 per cent. reduction on turnips should be a boon to farmers in Ontario and Prince Edward Island, since they formerly exported considerable quantities to the United States. The trade in clover and grass seeds formerly had an annual value of over $2,000,000, and the partial restoration of the low rates previously in force will aid this branch of agriculture. The duty on maple sugar is reduced from 6 to 4 cents per pound. In 1929 the value of the exports of maple products, chiefly of sugar, to the United States from Canada amounted to $2,500,000. Concessions on other agricultural products provided in the agreement include a reduction in the duty on hay from $5 to $3 per ton; a reduction of one-third in the duty on horses; reductions of 50 per cent. to 40 per cent. respectively on live poultry and dressed chickens; a reduction in the rates on fresh apples, strawberries, cherries and peas, and frozen or canned blueberries. The concessions on potatoes, although limited both seasonally and quantitatively, are important to Ontario and Quebec since the months of October, November and March, the period of greatest export activity, have the lowest reduction. The quota restriction of 750,000 bushels is three times current export, and represents only about 5.5 per cent. of average annual production of seed potatoes in the United States during the past five years.

In spite of the agreement it is possible that the changed trade routes caused by the arbitrary obstacles placed in the natural direction of Canadian trade to the United States will be marked as one of the most significant developments of the depression period. The Ottawa agreements which will shortly come up for revision are apparently opposed by British agriculturists. The agricultural policies of Major Walter Elliot are intended to safeguard the British farmer's interests adequately, but even with domestic production at its best British markets remain important for Canadian products. In 1934 about 8,000,000 hundredweight of fruit had been harvested in Great Britain, but the market was still substantial. More than 75 per cent. of the fruit consumed comes from overseas, of which 40 per cent. to 60 per cent. is apples, and Canada supplies

PERPUSTAKAAN NASIONAL

from 33 per cent. to 43 per cent. of that amount.[1] In 1934, 62½ lbs. of fruit per capita were consumed, and in 1935, 80 lbs. per capita. Canadian fruit growers have an advantage of a preference of $1 per barrel under the Ottawa agreements. The British market for tomatoes is large, and at present Italy and Spain are supplying most of British imports, in spite of a 10 per cent. tariff.

Revocation of the schedules of the Act is being sought in the House of Commons, and the substitution of the 1930 amendment to the customs tariff brought down by the Liberal Government of that day and known as the Dunning Budget proposed. On the other hand, the strongest argument against renewal by the United States of the United States-Canada agreement, supposing the treaty to run for the given three years, is inherent in the circumstances of the actual trade negotiations. It was not until 1934, when President Roosevelt was given power to negotiate directly, that a basis for agreement could be reached. Opposition from American agricultural and manufacturing interests was strong. The Secretary of State, Mr. Cordell Hull, who had charge of the American side of the negotiations, stated to a Senate Committee that "no sooner was a commercial agreement on the point of being signed than a flock of representatives of American industries descended upon Washington to protest against cutting away one jot or tittle from our regular tariff." Moreover, the agricultural policy of the present administration in the United States is in opposition to free trade in farm products. Since the Supreme Court's invalidation of the Agricultural Adjustment Act, President Roosevelt has signed a soil conservation subsidy bill which also has restriction of production as its aim. The paradoxical situation of the American Government, subsidizing agriculture at the rate of $500,000,000 a year[2] and at the same time permitting easy entry of Canadian farm products, augurs ill for an indefinite renewal of the agreement.

Opinions have been expressed in the United States, however, that the concessions offered to Canadian agriculture will not appreciably

1. Up to January, 1936, the increase in British imports of Canadian apples over last season had been 46 per cent. on barrels and 31 per cent. on boxes.

2. This provision is to remain in force for two years, after which the so-called permanent plan will come into effect, embracing a co-operative federal-state system.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

affect the position of American producers, and the advantages gained will more than compensate for the slight increase of competition which will be experienced by American farmers. Opposition from the livestock interests of the Middle Western States was anticipated and answered by Mr. Cordell Hull with the assurance that the restrictions upon import of cattle would be adequate protection. Moreover, benefits from the revenue from increased exports, through enlarged payrolls and augmented purchasing power, will rebound to the ultimate benefit of American cattle-raising and farming sections. President Roosevelt pointed out that:

"Agriculture, far from being crucified by this agreement, as some have told you, actually gains from it. We export more agricultural products to Canada than we have imported from her. We shall continue to do so, for the very simple reason that the United States, with its larger area of agricultural land, its more varied climate and its vastly greater population, produces far more of most agricultural products, including animal products, vegetables and fruits, than does Canada. In the case of the few reductions that have been made, quota limitations are set on the amount that may be brought in at the lower rates."

The greatest opposition may be expected from manufacturing interests in Canada. In the first month of operation, January, 1936, Canada's purchases of goods from the United States jumped by $3,128,000 (textiles, $947,000; books and magazines, $91,000; and paper, $7,000). Iron and its products rose from $6,256,000 to $7,968,000; machinery from $1,111,000 to $1,886,000; and agricultural implements, on which the duty was halved, from $174,000 to $319,000. Furniture imports almost doubled, and already a protest has been registered with the Tariff Board by the Furniture Manufacturers Association of Toronto.[1] This competition would perhaps be viewed with equanimity if equally beneficial results in the form of increased exports of farm products indicated that the treaty was stimulating the growth and prosperity of Canadian agriculture. In January, 1935, Canadian exports of agricultural

1. Furniture, previously subject to a rate of 45 per cent. ad valorem when entered from the United States, when entered from France was subject, by treaty, to rates equal to the intermediate tariff, 30 per cent. less 10 per cent., or 27 per cent. actually. Automatically, under most-favoured-nation treatment, this rate became applicable to the United States.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

produce to the Republic were $2,193,000. In January, 1936, they were actually less, $1,771,000, despite the treaty. Cattle exports, mostly from the West, rose from $67,000 to $498,000.

For such farm products as Ontario and Quebec are fitted to produce in export quantities, for example: apples, soft fruit, bacon, hams, dairy products and cattle, the *permanence* of the market is an important factor. Cattle farmers were seriously injured by the imposition of the Emergency Tariff in 1921, after developing their industry through the years of the Underwood Tariff, on the basis of continuing export to the United States. While the principle of the natural market, including as it does the factors of ease of shipment, sympathetic price levels and close monetary inter-relations, is a very important basis on which to calculate export trade and on which to base expectations of prosperity, nevertheless the barriers to the development of an overseas market are neither insurmountable nor out of line with future predictions of Canadian prosperity. In the absence of the most desirable expedient it is necessary to co-relate existing circumstances to the next best alternative in such a way as shall be productive of the maximum good in terms of market expansion, and a reasonable profit for the producers. The alternative of an overseas market is a decidedly second best; nevertheless, increasing facilities of transport and refrigeration render the most obvious difficulties comparatively insignificant as contrasted with the periodic repercussions of American tariff barriers, which are worse for being uncertain.

Whatever the outcome of current possibilities, a proportion of exports will continue to go to the United Kingdom. Practically every farm product exported to the United States from Canada is supplementary to domestic production. Certain products have a permanent market, for example, flax-seed and maple products, because they supply continuing deficiencies. Certain other commodities, for example, oats, potatoes and the recent export of cattle, are imported to compensate for temporary shortages in American production. The border trade in such commodities necessary to fill special localized needs will continue under reasonable trade conditions. It is probable that in the long run it will be to Canada's advantage to make permanence her chief consideration in determining her markets, except where convenience is the *ultimately*

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

deciding factor, or when higher prices attract export into its natural channels in spite of tariff barriers.

Agriculture is Canada's most fundamental industry. There is always the possibility of an international scaling down of tariffs, when markets will be held by countries producing the best grade of farm products at the lowest cost. It will be to the advantage of Canada to concentrate on improved methods of production and marketing, eliminating with all speed such waste and duplication as now exists, in order to meet, successfully, competition in the markets of the world.

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

TABLE I

Statement showing Exports of Butter and Cheese from Canada to the United States and Imports of Butter and Cheese into Canada from the United States, Fiscal Years 1900 to 1933 inc.

	BUTTER		*CHEESE*	
Year Ended June 30	*Exports lbs.*	*Imports lbs.*	*Exports lbs.*	*Imports lbs.*
1900	28,804	1,094,565	40,479	253,193
1901	25,932	1,109,623	345,933	224,689
1902	50,745	505,113	86,502	203,515
1903	249,180	648,993	56,676	179,479
1904	31,416	416,601	34,608	174,182
1905	378,959	230,763	110,756	172,921
1906	113,258	103,923	114,023	162,989
Ended March 31				
1907 (9 mos.)	17,084	34,657	41,776	154,912
1908	190,916	294,647	134,527	370,553
1909	92,468	473,805	157,087	231,811
1910	1,103,837	61,081	154,490	231,752
1911	92,489	293,937	285,469	208,954
1912	630,480	929,318	167,591	1,510,796
1913	304,503	1,100,431	261,682	392,664
1914	500,623	262,840	1,346,128	359,528
1915	1,367,171	1,534,332	253,809	417,485
1916	205,029	3,072,050	103,308	6,401,705
1917	253,038	846,689	91,399	460,080
1918	840,398	337,813	79,707	331,630
1919	2,918,651	203,372	165,065	164,305
1920	10,693,311	1,142,383	6,031,404	349,488
1921	5,993,786	2,207,077	641,900	453,882
1922	3,032,939	1,363,021	2,969,800	724,981
1923	2,423,086	1,523,381	5,902,300	614,872
1924	6,394,927	165,801	3,347,900	592,196
1925	3,437,700	23,853	758,800	909,597
1926	1,777,400	73,930	195,800	877,036
1927	348,600	59,057	14,062,000	506,749
1928	266,100	104,079	12,533,500	471,544
1929	231,400	46,681	7,411,900	357,281
1930	20,700	176,905	6,786,700	386,370
1931	70,200	26,156	3,270,100	269,207
1932	673,600	19,380	1,574,700	158,766
1933	34,500	7,799	619,500	104,991

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

TABLE II

Imports of Butter into Canada from Australia and New Zealand, Fiscal Years from 1896 onward

Year Ended June 30	*Australia lbs.*	*New Zealand lbs.*	*Total for Australasia lbs.*
1896	6,977	....	6,977
1897	4,420	....	4,420
1898	55,462	1,801	56,543
1899	6,720	....	6,720
1900	35,000	....	35,000
1901	23,016	....	23,016
1902	7,120	....	7,120
1903	32,256	....	32,256
1904	53,640	9,264	62,904
1905	62,934	47,432	110,366
1906	1,176	15,312	16,688
Ended March 31			
1907 (9 mos.)	174,591	30,912	205,503
1908	212,153	....	212,153
1909	399,236	16,128	415,364
1910	299,440	21,840	321,280
1911	438,870	464,951	903,821
1912	101,640	2,139,944	2,241,584
1913	98,112	6,018,022	6,116,134
1914	227,602	6,732,155	6,959,757
1915	226,856	4,993,508	5,220,364
1916	560	1,172,725	1,173,285
1917	....	147,504	147,504
1918	65,076	31,080	96,156
1919	76,888	1,643,040	1,719,928
1920	59,080	149,240	208,320
1921	....	1,533,280	1,533,280
1922	297,132	2,268,760	2,565,892
1923	13,758	1,893,312	1,907,070
1924	....	1,296,707	1,296,707
1925	....	162,848	162,848
1926	2,485,502	2,342,966	4,828,468
1927	801,324	4,904,536	5,705,860
1928	571,872	13,623,917	14,195,789
1929	221,760	24,730,851	24,952,611
1930	856,912	39,744,816	40,601,728
1931	2,387,840	13,794,880	16,182,720
1932	776,892	72,984	849,876
1933	22,196	806,947	829,143

PERPUSTAKAAN NASIONAL PI

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA



...IYANTO
TGL : 5-10-2015
PARAF : .....

PERPUSTAKAAN NASIONAL
REPUBLIK INDONESIA

PERP