CHAPTER IX

THE IMPORTANCE OF WHEAT

The wheat supply is one of the dominating forces in the world to-day. The way in which the shortage of wheat is met may be the deciding factor in winning the war.

I. A wheat shortage is particularly serious and may be disastrous.

A. Our diet contains more of the cereals, especially wheat, than of any other food.

1. Even with the diminished supply during the spring and summer, our stock of wheat offered the largest supply of calories available from any single raw food material.

2. Of our average diet almost a third by weight has consisted of cereal foods. They give us 43% of the protein, 9.1% of the fat, and 61.8% of the carbohydrate of our diet. Most of this in the past has come from wheat, only a minor part from corn, rye, and other cereals.¹

3. The diet of the poor contains a larger proportion of cereals than that of the well-to-do, because they can get more for their money from these than from other foods.

4. Other countries consume even more wheat

I. A wheat shortage may be disastrous (continued). than we do, and a larger amount in bread, for which wheat is especially important. Over half the food of the French people is bread. (Discussed further in the next chapter.)

B. Lack of bread affects the morale of a people more quickly than lack of any other food.

1. The industrial classes especially are affected as they are the largest users of wheat because of its relatively low price.

2. The Commission for Relief in Belgium found that the most insistent call of the people was for bread.

3. German experience shows that the success of their rationing regulations depends on the amount of bread allowed.

4. A bread shortage reacts with the utmost seriousness on the military situation. The Army and Navy not only must be given enough food to do their work, but all the supplies of war depend on the morale of the workers at home.

II. Causes and extent of the wheat shortage.

A. European supply before the war.

Of the world’s wheat, excluding China, considerably more than half was grown in Europe.

1. Production in the different countries.

a. Russia, Roumania, and Bulgaria were the only countries of Europe that produced more than they used.
II. Causes and extent of wheat shortage (continued).
   b. France, Italy, Spain, Great Britain, Germany and Austria-Hungary, although producing large amounts, had to import some.
   c. Holland, Belgium, Switzerland, and Scandinavia depended almost wholly on imports.

2. Sources of imports.
   a. Russia and Roumania were the leading sources of supply.
   b. The United States, Canada, Argentina, India, and Australia were important sources.
   c. These seven countries furnished 94% of the world export of wheat, and with Europe constituted the chief world wheat areas.


B. Effect of the war on the wheat supply.

   a. Many of the usual sources of imports are now cut off. For example, Russia, though now partly open to the Central Powers, has not been able to feed herself.
   b. Germany is in control of the large wheat-producing lands of Bulgaria and Roumania.
   c. The supplies from these countries and from
II. Causes and extent of wheat shortage (continued). The rest of the Balkan States and Turkey satisfy part of their needs, but their own slackened production has caused a serious shortage for the last three years as their diminishing rations show.

2. The Allies' supply.

a. The production of the Western Allies in 1917 fell far below the normal pre-war production. One-third of the wheat lands of France are barren, so in 1917 she was able to grow but 40% of what she needed instead of the 90% of pre-war years. Italy's crop was short. Great Britain's crop was good, but at best she must always import very large amounts. Her home production of wheat provides only about one-fourth of the amount needed.

b. Russian wheat has not been available.

c. The Balkans are in the control of the Central Powers.

d. Australia and India both have large crops, but lack of ships and the submarine peril make them largely inaccessible. Parts of three crops are stored in Australia. (See the frontispiece.)

e. Argentina had a poor crop in 1916-17 and her remoteness also creates difficulties of shipping. However, some wheat is obtained from this source.
II. Causes and extent of wheat shortage (continued).

f. The supplying of the largest part of the wheat demand of the Allies has fallen upon the United States and Canada.

3. The American supply.

a. The 1916 crop was small and the 1917 crop only four-fifths of the average pre-war size — little more than we normally consume ourselves. The exportable supplies from June, 1917, to June, 1918, were estimated at about 20,000,000 bushels. The needs of the Allies far exceeded this amount. We had three possible alternatives in January, 1918:

(1) To decrease the exports to the Allies and thus have enough for ourselves.

(2) To keep on as usual for four months and have none for two months.

(3) To cut down our consumption for the entire six months.

b. The last method was adopted. Of our 1917 wheat crop we actually exported about 141,000,000 bushels, seven times as much as we could have exported had our consumption been normal. In addition we have shipped about 10,000,000 bushels to neutrals who were dependent on us. In May, 1918, half the product of our flour mills went abroad.

c. This abnormally low supply and the exces-
II. Causes and extent of wheat shortage (continued).

sive demand have resulted in the practical exhaustion of our wheat reserve. Therefore we come to the 1918 harvest without the usual carry-over, so that even if the 1918 wheat crop is unusually large, as it promises to be, a large share will be needed not only for export, but to build up normal reserves here. This has been brought out in the joint resolution passed by the Food Controllers of the United States, France, Italy, and Great Britain, during their conference in London. It applies to all our resources as well as to wheat: "Resolved, that while the increased production of the United States renders it possible to relax some of the restrictions which have borne with peculiar hardship upon all our peoples, yet it is absolutely necessary that rigid economy and elimination of waste in the consumption and handling of all foodstuffs, as well as increased production, should be maintained throughout the European Allied countries and in North America. It is only by such economy and elimination of waste that the transportation of the necessary men and supplies from North America to the European front can be accomplished and that stocks of foodstuffs can be built up in North America as an insurance against the ever-present danger of harvest
II. Causes and extent of wheat shortage (continued). failure and the possible necessity for large and emergency drafts to Europe. We cannot administer the food problem on the basis of one year's war. We must prepare for its long continuance if we are to insure absolute victory."

III. Trade in wheat before the war (to compare with conditions under the Food Administration and to show the need for control.)

A. Movement of wheat from the farm to the great terminal grain centers, the "primary markets."

1. The wheat was sold by the farmer to the local grain elevator, usually on the nearest railroad.

2. From the local elevators most of the wheat went to the terminal elevators at the grain centers or primary markets.

B. Trade at the primary markets.

1. The primary markets — Chicago, Minneapolis, Duluth, Superior, St. Louis, etc. — were in the great grain-growing regions, and were both railroad and water-route centers.

2. The terminal elevators received, stored, and transferred all the grain that flowed from the farm to the primary market, operating on a stupendous scale. From the terminal elevators the wheat was sent to millers or to the seaboards for export, after being stored a varying length of time, depending on the market. This unregulated commerce resulted in a great deal of cross-hauling.

3. The buying and selling of wheat were done in the grain exchanges. There was comparatively little actual transfer of wheat. A quantity was bought for delivery at some future time and might be sold again and rebought many times before delivery took place. Each
III. Trade in wheat before the war (continued).

Transfer usually added to or subtracted from the price of wheat without any change in its actual value, the rise and fall in price being due to the "condition of the market" which was dependent on forecasts of the condition and size of domestic and foreign crops, shipping conditions, etc.

C. The price of wheat. It may be understood from the above that —

1. The price the farmer got for his wheat might have little to do with what the consumer paid for it as flour, especially when there was an abnormal demand.

2. There was opportunity for great inflation of prices by manipulation and hoarding.

3. Despite speculation, the law of supply and demand helped to keep the price fair.

IV. War always results in a rise in the price of wheat when it is uncontrolled.

A. The law of supply and demand breaks down because of the greatly diminished wheat supply and the impossibility of much increase of the supply under war conditions, no matter how great the demand or how high the price.

B. Unsettled conditions of the market result in greatly inflated prices. A small shortage may result in a vastly increased price.

C. Heretofore war has in all countries and in all times meant unbridled speculation in foods. This was shown in the Civil War, when wheat increased 130% over the price in 1861, although there was no actual shortage.
IV. War always results in a rise in the price of wheat when it is uncontrolled (continued).

D. The situation is further complicated by the breakdown of the transportation system which nearly always occurs during a war.

V. How the United States has met the wheat situation.

A. Stimulation of production by the Department of Agriculture —

1. By educational methods through the state colleges, county agents, press, granges, etc., especially by a vigorous campaign among the farmers so to increase their wheat acreage as to produce a billion bushel crop in 1918.

2. By scientific control of the wheat and the cereal crops; e.g., by constant help to the farmer in selecting and testing seed and in the eradication of destructive insects and plant diseases.

B. Stimulation of production by the action of Congress in establishing the minimum price of $2.00 a bushel for the 1918 wheat crop. It should be understood that the purpose of this legislation was not primarily to keep down the price to the consumer, but to encourage production by the farmer. The price was increased to $2.20 by Presidential proclamation.

C. Development of orderly conditions in the wheat and flour industry in place of the chaotic ones immediately preceding and following our entrance into the war.
V. How the United States has met the wheat situation (continued).

1. Elimination of speculation and hoarding by —
   a. Limiting the right to store wheat or flour to thirty days, except with the approval of the Food Administration, and so preventing an artificial scarcity and an advance in price.
   b. Prohibiting the sale of flour more than thirty days in advance, thus making speculation in flour contracts impossible.
   c. Requesting the grain exchanges to suspend all trade in futures during the war.

2. Establishment of the Food Administration Grain Corporation. "A foresighted American action that has helped the Allies stave off a disastrous peace months ago." It was necessary to direct and finance the movement of wheat.
   a. The grain corporation has control of supply and distribution by directing the movement of wheat from the farmer to the miller and then to the dealer, and its sale to the Allies and the Government. Because of the central control in each region, there is the greatest possible economy in time and transportation, through the prevention of cross-hauling.
   b. Method of operation:
      (1) By consultation and coöperation with the producer and dealer in wheat on
V. How the United States has met the wheat situation (continued).

the one hand, and the miller and dealer in flour on the other. Millers doing about 85% of the business of the country have voluntarily coöperated with the Food Administration.

(2) By licensing the dealers and millers, thus bringing into line those who do not voluntarily coöperate.

3. Control of price. Low prices are impossible in war-times, but the Food Administration strives for as great a supply as possible at a reasonable price to the consumer and a fair profit to the producer and dealer.

a. The Grain Corporation buys enough wheat for the Allies and the Government to control the market and so makes the legal minimum price of wheat the maximum also.

b. The profits of the millers are limited by agreement.

c. The result has been an actual decrease in the price of flour to the consumer, and an increase of price to the farmer for his wheat.

(1) In May, 1917, when there was no food control, the difference between the price of the farmer's wheat and the flour made from it was $5.86 per barrel of 196 pounds. Fifteen months later the difference was 64 cents.
V. How the United States has met the wheat situation (continued).

(2) Wheat, in February, 1917, sold for $1.80 a bushel and in May for $3.50 a bushel, almost double. Since the situation has been controlled it sells for $2.20 a bushel. If the rate of advance which held during the Civil War had obtained, wheat would now be selling at $4.40.

(3) Flour sold for $8.75 per barrel in February and went to $17.00 in May. The average price in the United States in July, 1918, was $10.50 per barrel.

d. Voluntary and compulsory wheat conservation are discussed in the next chapter.

VI. Control of grain supply abroad and in Canada. For comparison with the methods used in the United States, a few statements in regard to the methods abroad are given here.

A. Italy.

1. Stimulation of production.

a. Minimum prices to the farmer were established, but they have been increased from time to time. If crops are raised under difficulties, or are in excess of normal production, the farmer may get a 10% increase over the fixed rate for his crops.

b. The amount of increased acreage which any farmer shall cultivate may be determined by the Government. A landowner can be made to increase the area rented to his tenants.

c. Expenditures for tractors, mechanical ploughs, etc., are encouraged by granting a subsidy of 30% or
VI. Control of grain supply abroad and in Canada (continued).

40% when bought by a group of five or more. This device has given great satisfaction and has had an important influence on the increase of production.

2. Supervision of distribution.
   a. A grain assembly in each province superintends the supply and distribution of cereals and flour.
   b. All native and imported cereals are requisitioned in order to regulate their distribution.
   c. Maximum prices are established.

B. France.

1. Stimulation of production by —
   a. Financial assistance for the purchase of tractors and other machinery.
   b. Furloughs at seeding and harvesting times for some agricultural laborers in the army and even removal from the army of the older farmers.
   c. The use of women in agriculture.
   d. Fixed minimum prices to producers, progressively increased because previous prices were not large enough to induce farmers to grow cereals.

2. Control of commercial operations.
   In October, 1915, the Government was given the right to requisition wheat and flour for the civil population (it always could requisition them for the military); also to buy these commodities abroad and to distribute them. There has been similar control granted for other foods.

C. England.

1. Some of the measures to stimulate production:
   a. Minimum prices to the producer. A bill of April, 1917, provides a minimum price for wheat on a diminishing sliding scale for six years (from $1.87 1/2 to $1.33 7/8 per bushel).
VI. Control of grain supply abroad and in Canada (continued).

b. A minimum wage to farm laborers of 25 cents per hour guaranteed for the above period.

c. Government aid to farmers to acquire grazing land for grain production. England before the war had a little less than 25% of her land under cultivation. The acreage planted increased a million acres in 1917 over 1916, and it is expected that in 1918 the increase will be no less than two million and probably three million acres. This was accomplished by the extension of credit to the farmer by the Government and by compelling the farmers to cultivate the land made available.

d. Restriction of acreage for luxury crops.

e. Furloughing of agricultural laborers from the army.

f. Organization of units of women for farm work. Over half a million women of all classes are now working on the land.

g. Governmental provision of seed wheat, farm machinery, and horses to farmers. During 1917, 3500 tractors were placed at the disposal of farmers.

2. The Royal Commission on Wheat Supplies fulfills many of the functions of the United States Grain Corporation. Among other powers it has the control of wheat importation, financing and distribution.

D. Canada.

A board of grain supervisors was established in Canada in June, 1917, with power to fix the price of grain and control its distribution and sale. Infringement of its rulings or orders are punished by fines and imprisonment. The price for 1917 wheat was identical with that established in the United States.

E. Germany.

1. Strenuous efforts to increase production were made, which, however, have never come up to expectations.
VI. Control of grain supply abroad and in Canada (continued).

a. The price of wheat was fixed.

b. The Government controlled seed and fertilizer (but there was very little to control).

c. Prisoners of war and reserves have been used for farm labor and men who were inactive on the Eastern Front were sent to farms in Roumania, Poland, and Courland.

2. The feeding of wheat and rye to animals was prohibited. This could not be enforced.

3. Maximum prices to the consumer were established.

REFERENCES

Report of the Secretary of Agriculture for 1917.