

Crumpled Globalization and Policy Innovation in Canadian Grain Politics:

The Wartime Economy of the 1940s

Chris Adams

Crumpled Globalization and Policy Innovation in Canadian Grain Politics: The Wartime Economy of the 1940s

Chris Adams

Abstract

This paper explores how international conditions directly affect patterns of policy making and consultation within the Canadian political economy. In this case the author shows how long-term policy planning within the 1940s Canadian western agricultural economy was disrupted by global war. Attempts by Canadian producers and policy makers to grapple with the effects of trade disruptions and threatening wartime inflation led to policy innovation and the forging of new and formal links between the Federal Government and interest organizations. Examples of policy innovation include Federal Government Orders-in-Council giving exclusionary marketing powers to the Canadian Wheat Board and the establishment of the Wartime Prices and Trade Board. Together, new policy instruments and the changing economic environment pushed such farm organizations as the United Grain Growers and the Canadian Federation of Agriculture into closer proximity to the policy planning process.

"Never before in the history of Canadian agriculture has the voice of agriculture been more effectively and unitedly expressed than during the past six years."(1)

-James Gardiner, Minister of Agriculture, 1947

Introduction

Prior to the onset of the Second World War, the political economy of western Canadian agriculture was fundamentally affected along two main fronts: one being domestic ("dustbowl" conditions) and the other being international (collapsed prices in conjunction with the failure of the International Grain Agreement (IGA)). Problematic farm conditions coupled with unstable international market conditions "pulled" a reluctant federal government into its new interventionist role.(2) New policy innovations were legitimized by policy makers with claims that they were simply to be understood as temporary responses to crisis conditions. Once crisis conditions were lifted, so it was believed, the new policies would be lifted. However, crises can come in many forms and their arrival can be unpredictable. In the case of Canadian grain policies, short-term innovations evolved into permanent institutional structures and consultative arrangements.

This paper shows first how the escalating conflict in Europe produced the fracturing of the international political economy's (IPE) world grain trade and the return of volatile grain prices. This is followed by an examination of how organizations representing western farmer interests responded to the new crisis by providing their support to government wartime policies in exchange for consultative inclusion. Subsequently, and in a third section, the author provides examples of how Federal government policies during the Second World War was increasingly interventionist in scope as it grappled with attempts to stabilize farm production, storage arrangements, delivery systems, and wartime food prices. Illustrations of this include new farm support programmes, the closing of the Winnipeg Commodity Exchange and the granting of

monopoly powers for marketing prairie wheat to the Canadian Wheat Board. Such wartime state policies required the support of farm producers and those involved in the grain trade. The resulting search for legitimacy opened up consultative arrangements with many farmer organizations, including the relatively new Canadian Federation of Agriculture (CFA), the United Grain Growers Limited (UGG) and the provincial wheat pools.

A. Situating Western Canadian Wheat within the Global Economy

In producing a commodity for outside markets, wheat farmers and those involved in the Canadian grain trade have for a long time witnessed how events and forces arising beyond the country's border serve as catalysts for certain forms of political behaviours and policy developments within Canada.(3) Because Canadian wheat production requires export consumption., Canadian grain farmers have always been part of a globalized economic system. The opening of new markets (and the closing of others), volatile international prices, and the implementation of effective (or ineffective) multilateral trade agreements are all important factors to western farmers in the first half of the twentieth century. This is much in the same way as these factors have since become important to many Canadian non-farm sectors as they operate within an increasingly globalized economic order.(4)

In a recent essay, Grace Skogstad lists four features as elemental to analyses of globalization: international cultural values, international institutions, global neo-liberalism, and disruptions in domestic politics from external events and forces.(5) In many ways, studying how the Federal government and farm organizations responded to negative wartime trading conditions allows us to better understand the fourth feature: that is, the influence of internationally integrated economic forces on domestic policy making and political patterns. More precisely, its interesting to look at the 1940s and show how the Canadian national government and farm groups responded to the disintegration of international economic arrangements.

Broadly speaking, the initial impact of the Second World War was that Canada was now trading with fewer countries within a fractured IPE. International conflict precluded any possibility for a working multilateral grain agreement. Secondly, as an active participant in the allied war effort, Canada's wartime involvement would require the enlistment of both soldiers and economic resources. To this end, the government implemented new policies and formed consultative wartime planning councils. These were aimed at preventing such economic disruptions as wartime scarcities and the inflation of food prices.(6)

The International Political Economy of Canadian Wheat: Late 1930s and Wartime 1940s

By the end of the 1930s there were clear signs that the decade long western Canadian farm crisis was abating, both in terms of productivity and market prices. Production was up when measured by yield-per-acre figures. In 1939, an average of 19.1 bushels of wheat were produced per acre - for a total yield of 494 million bushels - compared to the much smaller average of 10.1 bushels for each of the previous five years yielding an average 244.5 million bushels per year.(7) This new momentum carried into the next year (1940) with 514 million bushels produced.

In contrast to the previous ten years in which productivity proved to be inversely related to price,(8) as events surrounding the looming European war occurred, producers began experiencing escalating returns on their investment. For the month of August 1939 the bushel

price for exported wheat hovered at \$0.55. By September the price rose to \$0.90 and lasted at this level until the German invasion of western Europe in May of 1940. Unfortunately, for producers, this period of high productivity coupled with good returns was short-lived. In consequence to Germany's invasion was the disappearance of continental European grain markets for Canadian wheat exports. Attempts to increase Canadian exports to the English market as a substitute for European markets could only partially resolve the resulting problematic surpluses within the Canadian grain trade.(9) With market gluts, wheat prices soon dropped.(10) As such, and as shown in a later section in this paper, federal government policies became increasingly marked by attempts through interventionist policy-making as it attempted to deal with mounting surplus problems and concerns for orderly marketing and prices.

Table A: Crop Productivity, Prices, and Surpluses (11)

Crop Year	Western Canada Acres 000	Yield per Acre Bushels	Production Bushels (millions)	Domestic Wholesale Price (cents)*	Accumulated Surplus (July) Bushels 000
1938	24,946	13.5	336	62	24,536
1939	25,813	19.1	494	76/74	102,911
1940	27,750	18.5	514	74	300,473
1941	21,140	14.0	296	76/75	480,129
1942	20,653	25.6	529	94.4	423,752
1943	16,091	16.6	268	123/2	594,626
1944	22,443	17.5	392	125	356,531
1945	22,566	13.1	295	125	258,073
1946	23,731	16.6	393	138/4	73,600

* Annual averages of daily prices for No. 1 Northern at Fort William-Port Arthur

B. Farm organizations and the Wartime Economy

During the Depression, farmers abandoned the agrarianism that marked the 1920s as they sought to protect what little they had. This was done through their commodity-specific associations which were less interested in radically broad political issues. In contrast to those such as William Irvine who saw organized farmer action as a means for changing society,(12) in the late 1930s and 1940s the groups that gained a reputation for representing farmer interests were the more narrowly defined wheat pools, the UGG, as well as the so-called "umbrella" or "peak" associations which, at both the national and provincial level, served to channel to government policy makers the voice of various interests within the farm sector.(13) This section takes as illustrations of this new pattern the case of two major organizations which were shaped by changing circumstances: the UGG and the "new kid on the block", the CFA. As an umbrella for a wide array of Canadian commodity and provincial organizations, the CFA had the most to gain by new wartime consultative policy arrangements within the federal state.

The Canadian Federation of Agriculture

The CFA serves as a good case study of an organization seeking to become what Paul Pross describes as an "institutionalized" pressure group as opposed to an issue-oriented group.(14) Its success in participating in federal government policy discussions can be linked to its ability to institutionally expand itself through both financial and human resources. Initially serving as an umbrella of provincial umbrellas (as it represented a number of provincial agriculture federations at the national level), in the 1940s the CFA broadened its membership by adding to its membership list "trans-provincial" groups. By 1942 a list of its membership contained the following: The United Farmers of Alberta, the United Farmers of Canada (Saskatchewan Section), the Manitoba Federation of Agriculture, the United Farmers of Ontario, the United Grain Growers' Limited, the Saskatchewan Wheat Pool, The Alberta Wheat Pool, the Manitoba Wheat Pool, as well as some smaller cooperatives.(15)

In addition to a broadening membership, the CFA was also expanding its financial base at a stable rate. In its founding year, 1935, the association's membership fee was set at \$100.(16) By 1940 its total membership revenues totalled \$2,360(17) in paid memberships (compared to the paltry 1939 figure of \$180 (18)). Of its contributors in 1941, the largest was the Ontario Federation paying \$600, followed by the CFA's Saskatchewan affiliate (the Saskatchewan Co-operative Conference) which paid \$420. When looking at the total contributions (that is, membership dues plus donations) made to the CFA by its organizational affiliates, its income grew from \$10,257 in 1940 to \$12,475 in 1945.(19)

In 1940, the CFA could only afford to budget \$1,800 for one secretary, as its sole paid employee. By June of 1945 it could now pay its president \$2,500, its Secretary-Treasurer \$2,000 and its office assistant \$1,504. Its public relations functions grew also. Activities included "The Farm Radio Forum" national radio broadcasts and such printed bulletins as the "Farmers Meet the Cabinet" that outlined the organization's lobbying activities.(20)

In her case study analysis of the CFA, Helen Jones Dawson reports that the early years were fairly difficult as it was felt by those within the organization that the government was not taking the federation seriously.(21) Things came to a head in London, Ontario, in 1941 when the CFA was forced to confront the Minister of Agriculture in what has been called "The Battle of London". At the annual meeting of its affiliate, the Ontario Federation of Agriculture, Agriculture Minister James Gardiner was attacked by an "especially scathing address by [CFA President] Dr. Hannam with the vocal support of 2,000 extremely angry farmers." When the minister attempted to defend the record of his department

...the farmers present became even more enraged and hurled further accusations at him. They refused to allow him to leave the meeting until they had extracted some concessions from him in the early hours of the next morning.(22)

What followed two weeks later was a government invitation to the CFA leaders to submit a brief to the federal cabinet (this was the first time for what became an annual event). The CFA leadership was also asked to nominate representatives to the aforementioned WPTBs. Before examining the implications of these events, this paper now turns to an examination of developments within the UGG.

The United Grain Growers Limited

As the CFA's strategy, coupled with the Federal Government's wartime planning requirements, moved the CFA into its consultative role, the UGG was also taking on a shape more suited the demands of the new era. This section provides a discussion of each of the following: the UGG's evolving financial health as a farmer owned company, the restructuring of the grain company's finances, and the UGG's lobbying efforts with regard to federal policies.

- Finances

In part, changes within the UGG were less a result of wartime economic conditions than an alleviation of Depression era conditions. The 1930s undoubtedly proved to be difficult years as illustrated by the fact that it lost money in three years (1929/30, 1932/33 and 1936/37), and for 1938/39 it reported a mere profit of \$5,662 with no dividends issued to its stockholders. Its finances were soon normalized. In its report on the 1939/40 fiscal year, the UGG's directors informed the UGG's membership at its annual meeting in Calgary that its profits had almost reached 600,000 dollars. Profits subsequently remained in the six digit range during the war's duration. In the fiscal years ending in 1941, 1942, and 1943, the respective profit figures were \$463,770, \$350,810, and \$469,768.(23)

- Capitalization and Restructuring

In the hope of providing a better way for the company to obtain capital, there were a number of proposals at its membership meetings during the 1930s.(24) Since its beginnings, there had been only one type of share that could be purchased and these were restricted to its farmer members; that is, those using the company's services. At the 1939 annual meeting, the directors were authorized to apply to parliament for an amendment to its company charter. The UGG's founding as a grain company was based on an act of Parliament. Therefore, any internal restructuring that involved a revision of its charter required government involvement, parliamentary committee scrutiny, and legislation. Because the number of private (i.e. non-government) bills was kept to a minimum during the war, the amendment to the company's charter was stalled. However, in 1940, the UGG membership adopted a plan which was essentially to call in all of the company's shares which were sold at 25 dollars and re-issue the shares in the form of "Class A" shares and "Class B" voting shares. The Class A shares with a par of \$20 could be sold to anyone within the investment community.(25)

Despite repeated delays by the House of Commons, the company did what other successful companies do when dealing with bureaucratic red tape: it hired a high-profile lawyer to navigate the company through the appropriate channels. Serving as legal council to the company was former Attorney General and Premier of Alberta, J.E. Brownlee. The amendments to the charter were enacted by Parliament and subsequently adopted at the 1941 UGG Annual Meeting. This restructuring proved to be a success. At its 1942 meeting the project was reported as complete with ten thousand new investors being brought into the fold of the UGG with the issuance of 144,739 Class A shares and 63,065 Class B shares.

- Lobbying

The Grain Growers had its biggest fight in the 1940s over federal income tax policy. With the turn-around in profits at the end of the Depression the company began to pay dividends to its shareholders. Because of questions regarding whether these monies were taxable, the UGG

held the payments in reserve. The Dominion Income Tax Branch soon ruled that these funds were not exempt. At stake were annual figures exceeding \$200,000. In its presentation to the 1944 Royal Commission on Co-operatives, the company claimed that it was being treated unfairly; that just because it paid dividends this did not mean it should be treated like other corporations. Its position was that the UGG should be treated in the same manner as other farm cooperatives that were exempt. The Royal Commission agreed with the UGG's position and in 1946 amendments were made to the Income War Tax Act which were generally in line with the company's position. However, the tax exemption did not cover the years prior to 1946. In other words, the reserves that had built up were still subject to taxation. Under pressure, Ottawa allowed the new laws to apply to the pre-1946 funds. What followed was the issuance to farmers of 200,000 cheques with a combined figure of \$2.5 million.(26)

Another area of major concern during the war centred on federal government pricing policies. In 1940, the UGG lobbied to have the federal government purchase the federal wheat board's current holdings in order that wheat farmers could be paid for grain that had yet to be sold by the board. The government rejected the company's suggestion claiming that wartime conditions were already placing a heavy burden on the federal treasury.

One year later, in 1941, the UGG submitted to the government a request that in order to help grain farmers survive the cost-price squeeze they should be paid a bonus of \$3.00 per acre at an estimated total cost of \$55 million. The government accepted this suggestion for only one year and with conditions attached. The result was a more limited payout of \$19 million. There were other mixed successes as well. Through its membership in the CFA, the UGG pushed for a barley floor price. The government responded with a 60 cent per bushel floor price that was below current market barley price. Those in the company considered it "meagre" yet having a "reassuring effect."(27)

The UGG was generally united with the provincial pools in its expressed interests for having the government enact policies guaranteeing good returns for the farmer. However, the company differed from the pools with regard to the extent to which the government should be involved directly in the grain trade. In other words, it did not support the closing down of the wheat futures market.(28) The UGG derived its profit from operating within the existing open market system that included a "voluntary" - rather than mandatory - wheat board and a futures grain market operating through the Winnipeg Grain Exchange. In the end, its official position became that of supporting the new CWB powers on the vague condition that they not be used to the detriment of farmers.

As with the CFA, the war-years clearly provided a positive environment for the UGG's growth. By 1948, the UGG's assets were valued at over \$14 million and its reported net profit for the year was \$287,370. This set the pattern for subsequent years and even decades. This section and the subsequent discussion show that the post-war era proved to be a period in which farmer companies and consultative lobbying groups such as the CFA and its provincial affiliates found favour.

C. Wartime Policies

While the war rocked the Canadian grain trade, the federal government continued to operate with interim measures left over from the 1930s. In some cases current programmes were inadequate. For example, with heightened competition in 1939 from the US and Argentina

preventing Canada from disposing its wheat surpluses, and a voluntary wheat board that could only peg grain prices to market conditions (at around 60 cents a bushel), Parliament enacted a minimum price that could provide better compensation for farmers. As such, federal policy from September 1939 to December 1940 took on the character of "wait and see" planning.(29)

By late 1941 the federal government's agriculture policy was changing as the war deepened. This had a number of consequences for those in the farm sector. Ottawa established a number of agricultural committees under the Wartime Price and Trade Board (WPTB - see below) in conjunction with the implementation of quotas and price controls to address wartime inflation. Furthermore, in recognition of the consequence that this would push the farmer into a cost/price squeeze scenario (that is, where costs of production increase while returns on investment do not) the government instituted special tax and tariff exemptions and direct subsidies to the producer. The most heralded wartime grain-related action taken by the government, however, was the October 12, 1943 Order-in-Council (P.C. 7942). The government closed down the marketing of wheat futures on the Winnipeg Grain Exchange(30) and gave (in what was thought to be a temporary action) the CWB monopoly powers concerning the marketing and handling of western Canadian wheat exports. It is to these various wartime measures that the discussion now turns.

Government Planning and Price Controls

Many government measures were not aimed at controlling wartime shortages but instead were anti-inflationary measures aimed at preventing both increasing production costs for processors and wartime speculation. The instrument by which the federal government monitored and sought controls over prices was the Wartime Prices and Trade Board. The WPTB's early mandate was narrowly applied in September 1939 to simply monitor prices, but with the national wholesale price index having increased by 27 per cent between the appointment date of the Board and the summer of 1941, the government expanded its role. The first formal wartime price controls in agriculture came into effect in the summer of 1940. These were aimed at wool, sugar, and butter.(31) The government stepped up its efforts from the summer of 1940 to the fall of 1941 authorizing price controls in a wider area of goods and services in order to address wartime shortages of foreign exchange, industrially essential raw materials, labour, and capital equipment. By December of 1941 the federal government declared a "universal price ceiling" with direct effects on the price of farm produce. With regard to wheat, soybeans, flaxseed, sunflower and rapeseed (canola) the government provided subsidies to curtail farmer losses and, as well, established floor prices (in addition to price ceilings).(32)

There were what can be called loosely institutional "spin-offs" from the WPTB. With regard to overseeing floor prices in the agricultural sector, the federal government made use of the Agricultural Supplies Board.(33) The WPTB in December, 1941, established the Commodity Prices Stabilization Corporation which was responsible for the handling of the wartime subsidies. Under the corporation, subsidies were paid out for a number of costs including farm machinery, binder twine, feed fertilizer, fuels, and pesticides.(34) By 1943 most of the wartime stabilization subsidies were placed under the jurisdiction of the Department of Agriculture through the Agricultural Food Board. Among the wide array of subsidies for farmers throughout Canada, the two types of subsidies which were of particular importance to wheat farmers were, firstly, farm income payments to help offset costs incurred by price constraints and, secondly, "wheat acreage reduction payments" which were meant to reward farmers who switched to grains that were better suited to domestic market needs (such those related to feeding

livestock).(35) Regarding the first type, federal government payments were centred on the 1941/1942 and 1942/1943 crop years. For the two years, the Department of Agriculture paid out, respectively, 16.3 and 2.68 million dollars to western farmers.

Because wheat was one of the few agricultural items in surplus after 1940, there continued to be a need for policies that would help reduce wheat surpluses. This could be done in conjunction with measures aimed at increasing the volume of coarse grain production that would, in turn, serve the Canadian livestock industry. Therefore, subsidies were devised to simply shift grain production from the export-oriented wheat grain to grains more suited to the domestic market. In March, 1942, the government issued an Order-in-Council empowering the CWB to set a floor price of 60 cents a bushel for barley and 45 cents a bushel for oats. These floors were below current prices yet they provided a sense of confidence for producers operating in these areas. In part, changes in production reflected government action. According to MacGibbon, the 1942 crop year showed a 35.8 per cent estimated increase in the acreage sown for barley. Less dramatic yet significant was the increase in acreage devoted to oats which rose by 18.6 per cent.(36) Below, Table B shows annual expenditures for acreage reduction during the war years.

Table B: Wheat Acreage Reduction Payments, 1941-1946(37)

<i>Year</i>	<i>Canada \$</i>	<i>Manitoba \$</i>	<i>Sask. \$</i>	<i>Alberta \$</i>
1941	22,412,000	2,867,000	12,442,000	7,103,000
1942	22,789,000	3,720,000	12,488,000	6,581,000
1943	31,015,000	5,053,000	17,090,000	8,872,000
1944	9,505,000	763,000	5,577,000	3,165,000
1945	822,000	133,000	262,000	427,000
1946	112,000	1,000	51,000	60,000

Farm Organizations – Policy Inclusion

The need to introduce increasingly interventionist wartime measures meant that the federal government would have to open its doors into the policy process for the farm lobby. More specifically, it was recognized that the government needed to incorporate farm organizations into its decision-making spheres if its wartime policies were to have any effect. The reasons for this were two-fold. First, because the government was attempting to curtail inflation, this meant that wartime policies would prevent farmers from obtaining large returns with each crop. Therefore, Ottawa required help from the organizations in order to legitimate any new price ceiling policies within the rural communities. With this aim, a tacit bargain was struck. In exchange for organizational cooperation, the groups were consulted on how these policies should be applied and, the means by which farmers would be compensated (chiefly through subsidies) for their trouble. The WPTB in this way provided an opportunity for the CFA to quickly position itself as the legitimate (and patriotic) farmers' voice at the federal level. By the end of the war, the CFA's President, H.H. Hannam, was able to boast that CFA representatives were sitting on the following national boards and wartime planning committees:(38)

1. The Agricultural Advisory Committee, to the Food Board and the Minister of Agriculture;
2. The Agricultural Advisory Committee of the Wheat Board;
3. The Advisory Committee to the Canadian Wheat Board;
4. The National Employment Committee;
5. The National War Finance Committee (Ontario);
6. The National Selective Service Advisory Board;
7. The War Assets Corporation;
8. The Central Committee on Demobilization and Rehabilitation;
9. The Canadian Broadcasting Corporation;
10. The Central Committee, Production Goals for 1945;
11. The Beef Advisory Committee, WPTB
12. The Dairy Producers Advisory Committee, WPTB
13. The Poultry Producers Advisory Committee, WPTB
14. The Honey Producers Advisory Committee, WPTB
15. The Maple Syrup Advisory Committee, WPTB
16. The Fresh Fruits and Vegetables Advisory Committee, WPTB
17. The Seeds Advisory Committee.

As the reader will note, two of these policy committees pertain to the Canadian Wheat Board. It is to this major institution that we now turn.

-The Canadian Wheat Board

The 1935 founding of a national wheat board occurred as an interim government measure to combat problems related to wheat pricing and marketing under conditions of international surpluses. This action was perceived by grain farmers to be a half-hearted government effort in that the board was not given monopoly control over the marketing of western wheat. Surviving the latter half of the depression with its limited powers intact, the board soon became a vehicle for state wartime planning. With the amendments to The Wheat Board Act in 1940, in the face of problems within the grain storage and delivery system, the government gave the CWB powers to regulate deliveries and to set producer quotas regarding what a producer might deliver at any one time. As such, the CWB became a major governmental instrument in the grain handling system.(39)

With mounting surpluses, one major task for the CWB was to resolve the storage crisis. Because storage facilities were overtaxed, the UGG and provincial wheat pools demanded that farmers who were forced into storing their own harvest should be compensated. In addition to the government allowing the UGG to write off on its income taxes a "huge annex-building programme" in which 357 temporary storage facilities were built,(40) between the end of October 1940 and August 1st, 1941, the CWB disbursed over six million dollars to those producers who were storing their own wheat.(41)

As the war progressed and the federal government became more involved in the economy and agricultural stabilization, the CWB's importance was increasing. So much so that in 1943 the wheat futures market was closed on the Winnipeg Grain Exchange and the Canadian Wheat Board was given exclusive powers over all western Canadian wheat. James McKinnon, the Minister of Trade and Commerce, gave the following rationale:

By placing control of the purchase and sale of Canadian wheat in the hands of the Wheat Board it will be possible to deal with current and future marketing problems on a basis more suitable to war conditions.(42)

MacGibbon asserts that three major factors came into play in 1943. First, Great Britain was purchasing Canadian grain via a centralized purchasing authority, the Cereal Imports Committee. It was necessary that Canada's Wheat Board have sufficiently large supplies to handle the order without getting caught short, which would have dictated purchasing wheat on the open market at a high cost to the government (and thus precipitating runaway wartime prices). Secondly, the Canadian government was committed to mutual aid agreements with other countries and, as in the case of its commitments to Britain, it was desirable to ensure that the government had access to sufficiently large supplies. Thirdly, if wheat prices were allowed to continue to rise in the open market, new forms of government intervention to control escalating prices throughout the food market would be required, including subsidies to flour millers.(43)

It bears mentioning that the government's closing of the open wheat futures market was a measure that was taken without loss to those who had holdings in wheat at the time. In other words, it was not a battle of public sector atavism versus private business. The government bought out all existing wheat futures contracts. These were estimated to be between 200 and 300 million bushels. MacGibbon writes that this provided a "substantial profit" to those operating on the Winnipeg Grain Exchange floor, including privately owned elevator companies and the pools.(44)

Some have argued that it is impossible to predict what would have happened to the CWB and other forms of state intervention had the Second World War not occurred.(45) This author feels that the war prevented the dismantling of Depression-era measures and provided a conducive environment for government policy flexibility. Government interventionism in agriculture reflected a much wider pattern of changing Canadian state-society relations. The War Measures Act allowed the government to by-pass the House of Commons and pass laws by executive fiat.(45) The practice of such executive power during the Second World War precipitated in the 1940s Parliament a proliferation of council "minutes" and orders-in-council. So extensively were they used that Robert MacGregor Dawson reports that between the 25th of August, 1939 and the 2nd of September, 1945, over 56 thousand minutes and orders-in-council were issued. It can be calculated that over twenty thousand of these can be classified as legislative actions.(46)

Therefore, when the Government of Canada issued on the 12th of October, 1943, Order-in-Council Number 7942(47) (regarding the CWB's powers) it was seen as a routine measure within a series of legislative actions taken by the wartime cabinet. George McIvor, the CWB's Assistant Chief Commissioner in the 1940s, recalled later in a letter that both those involved in the marketing of grains and CWB management "felt generally that the closing of the market was a temporary war action and it was hard to believe that the market was still closed" after many decades.(48)

For the wartime crop years, the CWB sold over 1.7 million bushels of wheat. Its annual business had ranged from \$300 million to \$600 million. The government was now operating a smoothly running board with only moderate operational costs.(49) Furthermore, many westerners made known their feelings of support for the board's continuance. In addition to the

wheat pool organizations, which had finally won the rewards of a long-time campaign and "were particularly active in whipping up support," each of the three prairie governments passed motions of support for a peacetime wheat board with exclusive powers over Canadian wheat exports.(50) In retrospect, by the end of the war it was clear that step by step, the federal government had been pulled by the necessity of the prolonged international conflict into becoming the major player in Canadian wheat marketing and it was supported along the way by the activities of numerous farm groups.

Farm Organizations and Post-War Grain Trade

One final note. As the state became increasingly involved as an agricultural trade agent, it incorporated farm groups into its international activities. Farm group representatives have been found among various Canadian trade delegations ranging from negotiations over the 1949 International Grain Agreement to more modern events such as the meetings of the Cairns group (a loose coalition of grain producing countries within the GATT in the 1980s and 1990s). There are two reasons for the state wanting groups to be involved in processes of inter-state behaviour. First, the Canadian government involved farm groups in order to legitimate policies arising from successful (or unsuccessful) negotiations. Second, organizational involvement provides some of the organization's expertise. In turn, organizations obtain an opportunity to voice their interests or needs. This was illustrated in the 1980s during the FTA negotiations in which the government established a Sectoral Advisory Group on International Trade (SAGIT) in a number of economic sectors, including agriculture.(51) While such action provided the government with legitimacy and organizational expertise, the organizations in turn hoped to obtain additional ways for articulating their members' interests, while seeking institutional channels for influencing government policy.

In the overall scheme of things, examining the war years and other periods of Canadian grain politics reveals that the extent and range of strategic choices for agricultural groups to affect agriculture-related policy is generally limited by events and forces within the IPE. So great are international political and economic forces that even the most tactically astute and well-organized farm groups cannot exercise a high degree of control over their political destiny. Long-term campaigns such as the struggle to establish a national wheat board with effective powers succeeded only when suitable conditions arose. Although much has been made in the literature on interest groups regarding what resources and tactics enable a group to win policy rewards, a study of farmer groups and their political history shows that farm policy successes and failures occur for reasons that are often outside such considerations.

An earlier version of this paper was presented to the Annual Meeting of the Canadian Political Science Association, Quebec City, 2001

About the Author:

Chris Adams is an Executive Vice President with Western Opinion research and resides in Winnipeg. He holds a Ph.D. from Carleton University and has held senior positions in the international market research industry. He is currently writing a book regarding the evolution of Canadian grain politics in the twentieth century.

Endnotes:

- 1) Helen Jones Dawson, "An Interest Group: The Canadian Federation of Agriculture," *Canadian Public Administration*, June, 1960, p. 144.
- 2) Christopher Adams, "Ad Hoc Responses to Difficult Global Times: National State Policy, Farm Organizations and the International Wheat Economy in the 1930s," (Conference Paper presented to the annual CPSA, 1999).
- 3) "Globalization and its implications for domestic policy making are not new issues for Canadians. Indeed, the country's political economy has long made Canadians highly vulnerable to developments beyond their borders. Dependent on foreign trade and investment, Canada has become deeply integrated into the American economy and for selected primary commodities, the international economy." Grace Skogstad, "Globalization and Public Policy: Situating Canadian Analyses," *Canadian Journal of Political Science*, December, 2000, p. 805.
- 4) "...national economies are increasingly exposed to the gusts of global competition and the unpredictable flows of capital and investment across national borders. Canada is no exception." Christopher Maule and Fen Osler Hampson, *Canada Among Nations, 1993-94: Global Jeopardy* (Ottawa: Carleton University Press, 1993), p. 4.
- 5) *Op. cit.*, p. 808.
- 6) For example, called the "dollar-a-year men", industrial leaders such as the Ford Motor Company's Wallace Campbell were brought into the government planning process through the War Supply Board. Brian Nolan, *King's War: Mackenzie King and the Politics of War, 1939-1945*, (Toronto: Random House, 1988), p. 106. See also "Canada in World Affairs," *Canada One Hundred: 1867-1967* (Ottawa: Queen's Printer, 1967), p. 452.
- 7) Based on figures in D.A. MacGibbon, *The Canadian Grain Trade: 1931-1951* (Toronto: University of Toronto Press, 1952), p. 6.
- 8) The depression really contained two separate crisis periods; collapsed prices in the first half (depressed markets in conjunction with continuing prairie production) and poor mid-decade farming conditions albeit high price returns per bushel. Adams, *op. cit.*, p. 10.
- 9) The University of Manitoba and the University of Minnesota, "Agriculture in the Prairie Provinces in Wartime, 1939-1942," *The Interests of Western Canadian Agriculture in the Peace Settlements* (Minneapolis: University of Minnesota Press, 1943), p. 1.
- 10) W.M. Drummond, *et al*, *A Review of Agricultural Policy in Canada* (Ottawa: Agricultural Research Council of Canada, 1966), p. 46.

- 11) Source: Agricultural Division, Dominion Bureau of Statistics, Ottawa, 1948, cited by D.A. MacGibbon, *op. cit.*, p. 6.
- 12) "The farmers came to the conclusion that they must protect themselves by organization, and were ultimately led to see in cooperation the philosophy of a new and better age." William Irvine, *The Farmers in Politics* (Toronto: McClelland and Stewart, 1976 [1920]).
- 13) The new protest parties of the 1930s were not formally linked to the major farm groups, as were their 1920s predecessors: the United Farmers and the Progressives. See Christopher Adams, "Early Manifestations of Globalization: Pre-1930s Farm Policy and Farmer Politics," *Prairie Forum*, Fall, 1997.
- 14) A. Paul Pross, "Pressure Groups: Talking Chameleons," in Michael Whittington and Glen Williams, eds., *Canadian Politics in the 1980s*, 2nd Ed. (Toronto: Methuen, 1984), p. 299.
- 15) UGG, *The Grain Growers Record: 1906 to 1943* (Winnipeg: Public Press, 1944), p. 45.
- 16) Each year the CFA based its fees for a particular provincial organization on an assessment of the province's farm income situation. Helen Jones Dawson, *op. cit.*, p. 136.
- 17) This works out to be \$26,810 in constant 1991 dollars.
- 18) Once again, if using the Consumer Price Index, this figure of \$180 in 1939 is equal to \$2,047 in 1991 dollars.
- 19) CFA, "Statement of Cash Receipts and Payments," December, 1940 and June, 1945. Archival holdings.
- 20) Helen Jones Dawson, *op. cit.*, pp. 139-140.
- 21) *Ibid.*, p. 143.
- 22) *Ibid.* See also Drummond *et al*, *op. cit.*, pp. 47-48.
- 23) *The Grain Growers Record: 1906 to 1943*, *op. cit.*, Appendix 3: Financial Statements.
- 24) The following account of the UGG's recapitalization is drawn from R.D. Colquette, *The First Fifty Years: A History of United Grain Growers Limited* (Winnipeg: Public Press, 1957), pp. 232-235.
- 25) The Class B shares were "voting shares" and these had a par of \$5.00. The company protected itself from being controlled by outside interests by restricting the sale of the Class B shares to UGG customers, who were, of course, mostly farmers. Furthermore, no shareholder was allowed to purchase more than four Class B shares.

- 26) Colquette, *op. cit.*, pp. 232-235.
- 27) *Ibid.*, p. 226.
- 28) Unlike the pools, its mandate was not to reduce the speculative nature of wheat marketing, such as paying out to its member "initial payments" at the beginning of the season.
- 29) The 1939 minimum price for the wheat producer was, however, different from earlier floor prices. That is, it was set by Parliament rather than by the wheat board. This was due to the fact that the wheat board would have contravened its 1935 mandate if it did not set prices that reflected market conditions. The 1939 price was in response to heightened competition from the U.S. and Argentina that was preventing Canada from disposing its surpluses in wheat. The board was therefore unable to set a price higher than 60 cents. MacGibbon writes that the government stepped in and raised the price in response to the effects that international markets and surpluses were having on the living standards of prairie farmers and western Canadian political support for the government. MacGibbon, *op. cit.*, pp. 90-91.
- 30) As was the case with the First World War, the suspension of wheat trading was considered to be a temporary measure. The government measure stipulated that the suspension was to last until August 1, 1945. Allan Levine, *The Exchange: 100 Years of Trading Grain in Winnipeg* (Winnipeg: Peguis, 1987), p. 201.
- 31) "Informal" controls existed also. These covered bread, millfeeds, and hides. Drummond, *et al.*, *op. cit.*, p. 50.
- 32) *Ibid.*, pp. 50-51.
- 33) Charles F. Wilson, *A Century of Canadian Grain: Government Policy to 1951* (Saskatoon: Western Producer Prairie Books, 1978), pp. 718-720.
- 34) Marjorie Cameron and Frank Shefrin, *Federal Agricultural Assistance Programs Canada, 1900-1951* (Ottawa: Department of Agriculture, Economics Division, 1952), p. 26.
- 35) *Ibid.*, pp. 26-27.
- 36) MacGibbon, *op. cit.*, p. 109.
- 37) Data compiled from Cameron and Shefrin, *op. cit.*, Tables 30 to 34.
- 38) CFA Members Bulletin [marked confidential], 23 August 1945, No. 3, National Archives Vol. 51, File 73.
- 39) MacGibbon, *op. cit.*, pp. 91-92.

- 40) Colquhoun, *op. cit.*, p. 228.
- 41) The following year the figure dropped to less than \$.7 million. MacGibbon, *op. cit.*, p. 92.
- 42) Quoted by Drummond, *et al, op. cit.*, p. 54.
- 43) MacGibbon, *op. cit.*, p. 63.
- 44) *Ibid.*, p. 102.
- 45) "An interesting if futile question is: what would have been the structure and condition of Canadian agriculture by 1950 without the Second World War? The question should probably be described as unanswerable rather than futile, for to ask it is to admit and recognize that wartime influences were superimposed on basic forces working constantly, if with irregular result toward change in the agricultural economy. It is clear that events and demands of the war years acted in some cases to expedite changes already under way and in other cases to retard them. In many areas of activity the balance of influence would be extremely difficult to assess." G.E. Britnell and V.C. Fowke, *Canadian Agriculture in War and Peace: 1935-50* (Stanford: Stanford University Press, 1962), p. 406.
- 46) Richard Van Loon and Michael Whittington, *The Canadian Political System: Environment, Structure and Process*, 4th Ed. (Toronto: McGraw-Hill Ryerson, 1987), p. 197.
- 47) Dawson's calculations are based on A.D.P. Heeney's figures. The total minutes, orders-in-council and Treasury Board minutes for this period are reported to total 92,350. From this, in a note on page 253, 4 to 5 per cent of these issuances are classified as "[a]cts of a legislative character." R. MacGregor Dawson, *The Government of Canada*, 4th Ed. (Toronto: University of Toronto Press, 1963), pp. 252-253.
- 48) C.F. Wilson, *op. cit.*, p. 1112.
- 49) Letter to C.F. Wilson, *Ibid.*, Appendix 7, p. 1108.
- 50) According to MacGibbon, for the 1946/47 crop year, the CWB cost \$1.8 million of which \$1.3 million was charged back to the producer for services. *Op. cit.*, p. 117.
- 51) *Ibid.*, p. 118.
- 52) "The designers of the FTA consultative process knew that they would face three imperatives regarding business and private sector involvement. They needed formal and non-partisan business political support to foster the legitimacy of the entire free trade initiative. They also required good advice to gauge the effects of alternative negotiated outcomes on specific industries. Finally, they needed a buffer to deflect demands for protection that would arise from numerous business interest groups." G. Bruce Doern and Brian Tomlin, *Faith and*

Fear: The Free Trade Story (Toronto: Stoddart, 1991), p. 109. Although Doern and Tomlin are primarily focused on business groups, such FTA strategies occurred with regard to the farm sector. See Barry Wilson, *Beyond the Harvest: Canadian Grain at the Crossroads* (Saskatoon: Western Producer Prairie Books, 1981), p. 268.