

World Food Stocks—Glut or Scarcity?

By ARMAND PETER RUDERMAN

WORLD food stocks are low, and the 1947 outlook is discouraging at best. Large areas of Europe and Asia have been devastated by war, and many nations far removed from the actual theatres of military action have had their food stocks drained and their agricultural resources exhausted because of large-scale military and emergency food commitments.

1947 will see a continuation of 1946 developments. There will be greater plantings, the painfully slow rebuilding of dairy herds and other livestock and workstock, and the further reclamation of flooded Dutch polders, burned-out Russian peasant communities, and other agricultural facilities which were damaged during hostilities. Even with maximum reconstruction progress and favorable weather, however, world food needs will not be met in 1947. Many people will go hungry. Children and adults will continue to die in Europe in numbers seldom known before, and in Asia at too-familiar famine rates.

Canada has a threefold interest in this world food outlook: In simple humanity, no nation can remain indifferent when famine spreads world-wide. As UNRRA activities are suspended in most food-deficit areas, each individual nation will be charged with the responsibility of providing food far beyond the meager cash-and-carry resources of many hungry peoples. Secondly, Canada is an exporting nation. Exports bulk large in Canadian national income, and food exports make a particularly important contribution. Sustained food exports mean sustained Canadian farm income and sustained rural purchasing power for Canadian urban services and manufactures. Third, there exists the touchy but ever-present issue of food and politics. New

York newspapers recently carried a story of the diversion of six German-bound wheat ships to Italy, saying "This action is aimed at staving off famine and food riots in Italy where unrest is growing." Whether morally justified or not, the fact is that food is being used as an instrument to support sympathetic political regimes in several deficit areas. To some extent, any country's food export allocations must hinge on Foreign Office permission.

Canada's role in the general and nutritional food plans of the United Nations has been discussed in an earlier issue of this journal.¹ This article will discuss the broader economic aspects of the world food outlook and Canadian agricultural exports in terms of international food requirements, the contribution of agricultural exports to Canada's general economic outlook, and the economic bases of possible future world food policy.

World Food Requirements

In discussing world food requirements, the title "glut or scarcity" should read "glut and scarcity." While even high-level United States domestic food consumption falls short of ideal nutritional standards on an average-per-capita basis large segments of the American population can actually be said to be *overeating*. With sugar the principal U.S. food product in short supply, the consumption of sugar, sweetening syrup, candy, and flavored drinks stands, according to medical opinion, at levels too high for health.

In contrast to this rare "glut" in a few consuming classes, there must be presented an overall picture of drastic scarcity. The Food and Agriculture Organization of the United Nations has issued the following consumption estimates to June, 1947:²

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1. W. C. Hopper, "Food is an International Concern," *PUBLIC AFFAIRS*, IX: 4, September, 1946.
2. *World Food Appraisal for 1946-47*, Food and Agriculture Organization of the United Nations, Washington, December 26, 1946.

It is estimated that Germany, Austria, Rumania, Malaya, and parts of China, India, and Manchuria, will have less than 80 percent of their pre-war diet in this period. The United Kingdom, the Netherlands, Belgium, France, Switzerland, Norway, Finland, the USSR, Poland, the Balkans, and large areas of Latin America, Asia, and Africa, will probably receive only from 80 to 95 percent of their pre-war diet.

These percentages tell only half a tale. Compared to the 3000-3300 calories of daily per-capita food intake in the British Commonwealth, the United States, and much of northern and western Europe in pre-war years, the average daily per-capita food intake in India, Korea, Java, Mexico, Colombia, Iraq, Iran, the Philippines, Central America, and Peru, contained only 1800-2100 calories. At least half the world enjoyed less than 2700 calories per person daily in the immediate pre-war years.

Again, these figures on calorie intake must be evaluated in the light of an estimated 1200 calories daily considered necessary merely to sustain life in completely sedentary activity, and with the realization that typical recent food rations (excluding free-market foods) contained only 861 calories daily in Hungary, 1159 in Austria, and 1117 in France. Certainly, there can be no question about the magnitude of food *needs* in today's hungry world!

World Production Outlook

The production outlook in food-needy and food-exporting countries does not seem to be particularly hopeful. Table 1 presents the production prospects of several deficit and exporting nations. Moreover, many food-exporting countries, as well as many chronic food-deficit nations, will not be able to expand their agricultural production significantly in 1947. Thus the export outlook for 1946-47 is also dark, as shown in table 2.

One non-agricultural factor contributing to the scanty estimated increase in food export volume is that of domestic

TABLE 1. Countries with 1945 production below pre-war average. Base period generally 1933-37 = 100

	1945 Production	1946 Estimated Production
Belgium.....	95	104
Netherlands....	79	96
France.....	72	94
Spain.....	68	96
Italy.....	66	90
Turkey.....	73	134
Japan.....	83	97
Australia.....	97	105
South Africa....	92	105
Uruguay.....	97	100
Argentina.....	86	105

Source: *World Food Situation, 1946-47*, Office of Foreign Agricultural Relations, United States Department of Agriculture, Washington, November, 1946.

TABLE 2. Supplies of major foodstuffs entering world trade

	(Millions of Metric Tons)		
	Pre-war 1	1945-46	Estimated 1946-47
Milled rice.....	7.8	2.0	2.7
Other cereals.....	29.4	26.0	25-26
Sugar (raw weight)	11.5	7.3	8.0
Meat.....	1.9	2.8	1.8-2.0
Fats and oilseeds (fat content)....	5.9	2.7	2.8-3.0

Source: *World Food Appraisal, op. cit.*, table 3, p. 3.

economic prosperity. This is particularly in evidence in the United States, where high levels of employment and consumer purchasing power, in conjunction with the short market supply of durable goods (particularly automobiles and housing) have led to a substantial increase in domestic food disappearance. Whenever official rationing is dropped com-

pletely, or whenever a sizeable list of staple food commodities is left to the free market, it is inevitable that high consumer incomes will increase both aggregate and per-capita domestic disappearance.

On the other hand, low consumer and national incomes in many countries, the lack of export goods with which to obtain foreign credits for food purchase, and the suspension of UNRRA aid, make the food import situation precarious. The FAO 1946-47 food appraisal declares that, short of UNRRA aid which is no longer available, several European countries will not be able to maintain a level of food imports sufficient to guarantee minimum subsistence standards of nutrition for their population.

These factors of high food need, inadequate world production, high rates of domestic disappearance in most exporting countries, and the lack of foreign exchange on the part of food-importing nations, force the adoption of one of other of three alternative policies, all bad.

The first alternative for an exporting nation is to emulate Argentina in skimming the "cream of the market" by selling primarily on a cash-and-carry basis at competitive prices. This policy would fail to satisfy world food needs, would aggravate regional nutrition differentials, and would support agricultural prosperity in the exporting nation only so long as domestic consumers could afford to absorb the unmarketable surplus. Possibly, a modification of this program would be two-price sales system, with a lower price for export than for domestic consumption. In this scheme domestic food sales would cover the proportionally high fixed costs of agricultural production, while export sales need only cover the less significant item of added variable cost.

A second alternative is the granting of liberal credits to foreign countries. If the repayment of these credits in goods or money seems impossible at any reasonable future date, the effect of extending

credit would be inflationary in the manner of a deficit-financed domestic public-works, subsidy, or other public-expenditure program.

The third alternative is the signing of preferential trade agreements between nations. This substitutes the barter of food for other goods or for political preferment, for either a straight cash, two-price, or credit sales policy. A choice between these alternatives must of necessity be political. The economist can merely present the basic data and probable consequences.

The Canadian Food Export Outlook

Canada's role in the world food situation can be appraised only in terms of the relative importance of food exports in the Canadian national and rural economy. This position is illustrated in the following table:

TABLE 3. Food exports, national income, and farm income, in the Canadian economy

	Average 1935-39	Average 1940-45
National income..	\$5,000,000,000	\$9,917,000,000
Farm income.....	626,000,000	1,307,000,000
Food exports.....	266,000,000	599,000,000
Exports as % of farm income...	36.0%	45.8%
Farm income as % of national in- come.....	12.5%	13.2%

Source: Adapted from *Statistical Summary of the Bank of Canada*, 1946 series, Ottawa, 1946.

The contribution of food exports to Canadian farm income can be seen easily from the above figures. The importance of farm income in the national income picture is quantitatively somewhat lower. At the same time, the farm does, under conditions of sustained high income, comprise a relatively secure and homogeneous bloc of purchasing power for non-agricultural goods and services. While the contribution of stable levels

of high national income to agricultural prosperity is probably more important than the reverse effect of farm prosperity on national income, roughly 45 percent of the Canadian population lives outside of the cities and towns, and the welfare of this group is an important consideration in national economic planning.

The nature of Canadian domestic food consumption levels and the large prewar and wartime agricultural export volume, indicate that an appreciable drop in agricultural exports would make a serious dent in Canadian farm income. This is probably most true in the wheat areas of Western Canada. In any event, a nation as largely agricultural as Canada must plan in great detail for the preservation of her export trade in foodstuffs. Until the further industrialization of the country makes it possible for domestic consumption to absorb almost the entire product of Canadian farms, agricultural exports will remain a vital lever of Canadian agricultural economic prosperity.

In case the general level of Canadian national income and industrial activity should recede during the next few years (partially under stimulus of depression conditions in the United States), a sustained export market for foodstuffs would act as a buffer in the transition of the national economy to a peace-time norm of slackened activity. If the extension of credit to foreign countries is looked on as necessary to effect such a buffer situation, then that credit can be considered a contra-cyclical measure in the same sense as government-financed public works or any other deficit-financed emergency depression spending. The extension of food export credits to-day is essentially an anticipation of that future situation. Such credit can logically be recommended as a practical policy up to the point where (1) strain on agricultural production facilities, (2) long-run curtailment of domestic food consumption, or (3) the threat of a runaway monetary inflation, appear in the offing.

The World Agricultural Economic Outlook

The current world food situation inevitably leads to a consideration of the economic bases of future world food policy. By and large, the FAO has two central lines of action: One is the creation of international buffer food stocks for emergency use in time of famine. The other is the integration of international credit facilities, in order to enable exchange-deficit as well as merely food-deficit nations to make up chronic or famine nutritional deficiencies.

As the world agricultural situation slowly climbs to its prewar position, several problems will remain. Even though the disadvantaged nations of Central and Western Europe may return to something like their pre-war standard of nutritional adequacy in a few years, with a consequent sharp decline in the cash-and-carry food export market, there will remain the nutritional problems of many areas in Asia, Africa, Latin America, and parts of Southern and Eastern Europe. These will be problems of population size and rate of growth, of rates of industrialization and of progress in agricultural production and distribution techniques, of low national incomes and low national levels and standards of living, rather than the current problems of famine-relief and large scale export credits. The world, and the FAO as an instrumentality of world agricultural policy, will then be faced with the laborious task of developing these chronic areas of hunger to higher standards of production, and with the equally difficult job of arranging for the smooth and rapid international movement of food in the event of famine, the storage and disposal in bumper years of heavy national and general crop surplus, and a flexible system of international food-import credit.

Those food-exporting surplus nations which are now thriving on a war-induced famine situation and augmenting their cash sales by a generous extension of

foreign credit, will be faced with a decline in the export market for their farm produce just as inevitably as they will eventually be faced with the problem of economic depression in the United States and its potential world-wide ramifications. The adjustment to a lower but more stable volume of agricultural exports must be keyed to the general food policy of the United Nations as well as to national aspirations in the world food market. Argentina will be a strong competitor in international food sales in future years, and the reestablishment of exportable surplus production in Poland, the Danube Basin, the Soviet Union, and Australia will add their stocks to international supply. For this reason among others, it should be urged that the solution for any national agricultural surplus problem may lie in the stimulation of domestic purchasing power and food consumption rather than in extended world-market development. In a period as unsettled as the present, the basing of any extended future plans on current

volumes of agricultural export trade seems unreasonable.

The problems of world food glut or scarcity are functions of national and world-wide economic prosperity and business activity and purchasing power just as much as they are functions of the level of agricultural production and available shipping space. So long as these variables remain unpredictable, a long-run adjustment of food exports is impossible. In the meanwhile, though a domestic Canadian farm-income stabilization policy may not affect the specific living levels of the citizens in regions such as the Maritimes, it will contribute to national prosperity in general—leaving Canada a ready contributor to international food stocks in time of need, yet still somewhat buffered from the storms of potential world-market price fluctuation and their echo-effects on farm and national income until the time when developed FAO programs can help to stabilize the world food market.

The Weapon of The Veto

By GORDON SKILLING

THE great power veto, or "the principle of unanimity," as it is more euphemistically called, is and has always been a fundamental doctrine of the Charter of the United Nations. This veto privilege, it was thought, reflected the necessity of unity of action by the great powers and would encourage the attainment of that unity. Yet by a curious paradox it has become an additional source of dispute among the great powers. Indeed the veto question has been a cause of disagreement among them ever since Dumbarton Oaks. In the draft which was produced by that conference a blank had to be left as regards the crucial issue of voting pro-

cedure in the Security Council since no agreement was at that time achieved. This blank was filled in at Yalta with the procedure proposed by Roosevelt and accepted by Stalin and Churchill at that meeting. In spite of bitter opposition to it by certain countries at San Francisco, that procedure found its way into the Charter, unchanged, as Article 27.

Now it has been under fire again, in the General Assembly and in the Atomic Energy Commission. It was a foregone conclusion that the several proposals in the Assembly for a revision of this article would come to naught in the face of the unwillingness of the Big Five (for once unanimous!) to see the Charter amended at this time. The "principle of unanimity" was protected by the unanimity of the great powers in its defence. The New York discussions

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