

4. We assume that a quota scheme for wheat of Dominion growth would not be introduced without the introduction also of a quota scheme to absorb the whole of the wheat of millable quality grown in the United Kingdom. While it is not within our competence to discuss the details of a quota for United Kingdom wheat, some members of the committee feel that such a quota might react on a Dominion scheme. Thus it was suggested that, in so far as a quota for United Kingdom wheat had the effect of raising its price, the result might be that the price obtainable for imported, including Dominion, wheat might tend to be depressed. Again, if the United Kingdom quota scheme stimulated the production of wheat in the United Kingdom, the requirements of imported wheat would be reduced. On the other hand, it was suggested that any increase in the price of United Kingdom wheat must fall not on the importer of wheat, but on the consumer of flour; that any increase in the United Kingdom supply could not exceed 5 per cent. of the total requirements of millers, and that such an increase would be effected at the expense of foreign wheat and not of Dominion wheat, if a quota for Dominion wheat were in force.

5. We next considered what would be the advantages to the wheat-exporting Dominions of the quota scheme. The total exports of wheat from the Dominions greatly exceed the total imports from all sources into the United Kingdom, and it follows that, provided there is free competition in the United Kingdom market among Dominion exporters, the price of Dominion wheat in the United Kingdom could not be raised appreciably above the world price, since, as the United Kingdom price tended to rise, shipments to Continental ports would be diverted to ports in the United Kingdom. Wheat-importers in the United Kingdom are further protected by the present arrangements whereby the whole of the exportable surplus of the Dominions, whether consigned to the United Kingdom or not, is available and identifiable for the purpose of the quota by documents of origin, or grade certificates, or otherwise. There is no suggestion of any interference with these arrangements. Further, the Parliament of the United Kingdom might also introduce legislative safeguards designed to prevent any undue inflation of prices.

6. We also considered whether a quota for Dominion wheat in the United Kingdom would tend to reduce the price which the Dominions obtained for their wheat in foreign markets. The effect of the quota would be to divert a certain amount of foreign wheat from the United Kingdom market to the Continental market; but, on the other hand, the same quantity of Dominion wheat would be diverted from the Continent to the United Kingdom. We see no reason, therefore, to suppose that the effect of the quota would be appreciably to reduce the price for wheat on the Continent. It is pointed out that the displacement of foreign wheat on the United Kingdom market would lessen the quantity of Dominion wheat for which foreign markets would be required, thus maintaining price equilibrium.

7. There has this year been a marked increase in the exports of Russian wheat compared with 1929, much of which wheat is shipped "on consignment"—i.e., to be sold on arrival for what it will fetch. It seems probable that, for the future, Russia will be a more important wheat-exporting country than she has been in recent years. Several of the Dominion representatives expressed considerable apprehension on this question, and they pointed out that during and since the war their production had been greatly increased on patriotic grounds, and that the results would be serious if they lost some of their markets in the United Kingdom by the unequal competition of countries with a lower standard of life.

8. It is not improbable, therefore, that in the ordinary course of trade the imports of Dominion wheat into the United Kingdom will fall below the level of recent years other than 1929. This applies particularly to Canadian wheat, since the bulk of the Russian supply is hard wheat of a similar character to Canadian wheat. Australian wheat, on the other hand, is in direct competition with Argentine wheat, being generally similar in character and marketed at the same season of the year. It appears to us, therefore, that a quota which secured to Dominion wheat a guaranteed market for a quantity of wheat in excess of the figure of recent years would be *pro tanto* beneficial to the wheat-exporting Dominions by giving them a secured market, of which they could not be deprived by any dumping competition, for a definite quantity of their exports; and this advantage would be enhanced in so far as it was possible to increase the quota progressively over a period of years.