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May 23 - 25, 1942

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 23, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

Your old paper has broken an editorial precedent by urging farmers to buy War Bonds. You will find the editorial on page four of this issue. On page twelve is a one-column Treasury Department ad with space contributed by the paper itself, and on page thirteen is the first paid advertisement by Allis-Chalmers designed to sell War Bonds to farmers.

F.K.

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MAY 23, 1942

AMERICAN AGRICULTURIST

FOUNDED 1842

PUBLISHED EVERY OTHER WEEK

THE FARM PAPER OF THE NORTHEAST

Hillside Farm is Drifting Toward Grass

By Jared van Wagenen, Jr.

"I have never needed conversion to the idea that land in sod is the very best of all soil conservation measures."

ON THE STRONG limestone soil of Hillside Farm the cereals do well, and in the past we have always grown a good deal of grain. Once at least, in recent years, we ran our small grain area up above fifty acres, which meant some fifty tons of home-grown grain. With the years we have settled down to sowing a mixture of oats and barley, equal parts by measure, not by weight. The resulting crop should weigh well above forty pounds to the struck-measure bushel. One year with another, we expect to grow about one ton per acre of this oats-barley combination. This is not at all a noteworthy yield and is not as good as other men report. When it comes to wheat, we do better. If our wheat gives less than forty bushels per acre we feel that something has gone wrong. In view of the fact that as a rule we get more pounds of wheat than of oats and barley from an acre, it would seem logical to lay our greatest emphasis on the grain which we used to think of in terms of bread but which we now raise to sell for seed or to feed the hens or to grind for use in the dairy ration.

I may say that in growing grain we have come to believe that the combine is a great forward step in economical harvesting. Indeed, we feel so certain about this that we have sold a very modern threshing machine complete with wind-stacker, self-feeder, weigher and bagger, and replaced it with a combine operated by a separate gasoline engine rather than the more usual power-takeoff from the tractor. We have used the combine in dry years and in wet years, and we are persuaded that it will harvest grain with greater economy of labor and with less loss of grain than is possible in any other way. I get a genuine thrill when I see my son driving the tractor and an elderly man riding the combine to tie and drop the bags. The pair of them will thresh grain about as fast as two other men with a truck will pick up the bags and dump them at the barn. I have known them to thresh a hundred bushels of grain while the rest of us were doing the evening milking. Where the machine has failed to give satisfaction, I believe it has been due either to lack of skill in adjustment or to failure to wait until the grain was "dead ripe" and all dew dried off.

These limestone hills will grow excellent corn but the crop is not really at home in the way it is on the lighter, loamy, alluvial soils of the flats or flood plains that lie along our larger streams. On the other hand, oats grown on our hills will weigh several pounds heavier to the measured bushel. In fact, to me, brought up on this farm, oats that weigh only thirty-two pounds to the bushel seem a joke. There is the little story of oats so light and chaffy that if a horse were so unfortunate as accidentally to sneeze into the manger, his dinner was gone.

Now it happens that in spite of being well equipped for crop farming, we are nevertheless drifting toward grass farming. There are two reasons why we seem well advanced in that direction. First is the fact that I have never needed conversion to the idea that land in sod is the very best of all soil conservation measures. Every farmer who reads and thinks is becoming increasingly conscious of the soil erosion problem, and I have seen a hill-slope cornfield seriously damaged in fifteen minutes by a torrential summer thunder shower. The danger, in a less conspicuous degree, menaces plowed land whenever there is rain or melting snow.

Then there is a growing appreciation of what a heavy growth of grass means in terms of food per acre. Corn gives us such an enormous tonnage of green stuff that perhaps we forget what a big percentage of water it carries. Measured in terms of dry matter rather than gross green (*Turn to Page* 14)

IN THIS ISSUE A NEW HAY-MAKING TOOL, Page 3; DAIRYMEN HAVE GOOD JUDGMENT, Page 6; DRY BEANS A WAR-TIME CROP, Page 7; PROFITABLE GUERNSEYS, Page 10; GRASS SILAGE WITHOUT PRESERVATIVES, Page 13; SUMMER FASHIONS, Page 20; BACK TO BARTER, Page, 22; SERVICE BUREAU, Page 27.

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THE *Editorial* PAGE

BY E. R. EASTMAN

Address all mail for Editorial or Advertising departments to American Agriculturist, Savings Bank Building, Ithaca, New York

A PROMISE OF PEACE

THE POEM "Lilacs" by Bob Adams, is reprinted on this page by special request.

Decoration Day, the 30th of May, was always a sacred holiday in my father's home, and later in mine. Father was a four-years veteran of the Civil War. He knew what war meant. Millions of us are learning the sad lesson all over again.

But just as lilacs symbolize the resurrection of Spring after the long, hard winter, so are they also a promise that all the blood and tears and sacrifice of the present crisis will pass away, and peace will reign again upon this earth.

TO WAR-TIME PARENTS

TO ALL YOU mothers and fathers who are worrying about your boys in the armed services of our country, I bring you a message of good cheer.

Since Pearl Harbor I have had the opportunity while travelling to talk with many young men in uniform. The very large majority of these boys tell the same story, that is, that they like the service. There are some exceptions, and apparently conditions in the camps vary, but on the whole the boys report good food, comfortable quarters, officers who are for the most part reasonable, and they say they don't mind the hard work because they realize it is a necessity. Most of these boys look upon their service as an adventure, and as an opportunity and a privilege to serve their country.

The story was different before Pearl Harbor. It took time for the Army to get the camps organized and running on an efficient and comfortable basis. As a result, there was much complaint from the soldiers. Before the United States declared war, the boys saw only their careers interrupted by what they considered a lot of useless work for nothing.

But the attack on Pearl Harbor made them all feel differently.

All of the boys, of course, regret their interrupted careers. All with whom I have talked are outspoken about civilians who are trying to increase their wages or profits while the soldiers and sailors are getting only a few dollars a month. The boys, of course, are lonesome to see their folks. Those who are having the worst time are the ones who are troubled with homesickness. But most of those get over this as soon as they get acquainted with their comrades and interested in the great job they have to do. One young soldier told me just a day or two ago that the recreational opportunities through good books and magazines, the radio, and other entertainment are much better than they were at first, and are improving all the time.

Nothing helps so much as a letter from home, providing that the letter is cheerful and is not written so as to increase the boy's homesickness.

Our responsibilities to the boys and to the nation are to keep up our own courage and morale, do the job where we are, maintain the farm front, and keep the home fires burning.

THEY NEED YOUR HELP

IT HAS always been the policy of *American Agriculturist* since I have been its editor not to urge farmers to contribute to enterprises, however worthy, outside of the farm business.

I break that policy now to urge you to buy war bonds. Above everything else, we must win this war. Thousands of our boys are in the battle lines. To equip and protect them, the government must have money and more money. The farmer's first use for his money is to maintain the Farm Front, the Food Front. In addition, no matter how hard up we are, we can by sacrifices spare something for war stamps or war bonds.

PRACTICAL PATRIOTISM

THERE is a great shortage of scrap iron for munitions, but there is still enough left on the farms of America to make a tremendous difference, maybe enough to swing the scales to victory.

Take time out to look through your buildings and over the farm, and start your scrap iron toward the munitions factories. This is realistic, practical patriotism.

FARMING IS A GAMBLE

I HAVE just enough personal farm experience every summer on our small place to bring home to me constantly what farmers are up against. On top of this personal experience, *American Agriculturist* editors receive thousands of letters from farmers, discussing with us all of the hundreds of problems that farmers have constantly to overcome.

Last night, May 10, realizing how cold and clear it was, I spent an hour covering up some early sweet corn that was just nicely up. This morning, in spite of the cover, every stalk was frozen stiff. That made me personally realize what a hard freeze like that of last night means to a fruit grower whose living for a whole season is dependent upon a good set of fruit.

Yesterday, two dogs got into the pasture where we had five fine young pigs. Before we could drive the dogs off they had killed one of the pigs and badly injured most of the others. Fortunately, the owners of the dogs were gentlemen. They arrived on the spot as soon as they heard about it, and paid for the damage, so far as anyone ever can pay for the destru[ction of] young stock which you expect to grow th[rough] the season. But again from personal expe[rience] I was impressed with how much of a g[amble] farming is, a constant fight against disease, bad weather, accidents, and an inefficient [mar]keting system which returns all too small [a price] for the farmer's products after he finally [suc]ceeds in growing them.

LILACS

O here and there, on poorer lands,
An old deserted homestead stands,
In patient sadness to deplore
The guests who come again no more.
For many feet that used to go
Across its threshold to and fro,
Far roads and trails have learned to know,
And those who built it long of old
Have mingled with the churchyard mold.
The human brood has swarmed and gone,
But lilacs in the yard bloom on,
And ever, as the old house grieves,
Are pressing upward toward its eaves
The tender green hearts of their leaves.
The mother's hands were rough with toil
Who set that lilac in the soil.
Thanks be to God who gave the wife
One touch of beauty in her life.
The father worked from sun to sun;
For living was not lightly won.
The fields where he was wont to grub
Are overgrown with brush and scrub,
His walls are down, their mighty stones
Are crushed to make a roadway's bones.
Lost are his labors great and small,
But mother's bush outlives them all.
And ever with the warmth of May,
What time we keep Memorial Day,
The lilac wakes to sudden bloom
And wafts a message to her tomb.
Gone are the sons her pangs gave birth,
Her fires are dead upon the hearth;
Sunk the flames and black the embers,
But the lilac still remembers,
It blooms for her and spreads its scent,
The incense of a sacrament.

—BOB ADAMS.

RUSTY TOOLS

WHEN I was young I was impressed [with] the determination of my older bro[ther] who operated most of our farm machi[nery] never to put a tool away until it was [thoroughly] clean, and if it was to be put up for the se[ason] he always oiled it carefully to prevent rust.

How disagreeable it is to pick up a hoe [or] start out early in the spring with a plow or [cul]tivator whose surfaces are rusted and co[vered] with a coating of last year's mud. What [a toll] that takes out of the efficiency, usefulness [and] life of a tool.

For the next several years it is going [to be] difficult and costly to secure new farm eq[uip]ment; yet you must have more and more of [it] equipment to meet the labor shortage. [One] thing that will help a lot is to take better [care] of the tools you have, keep them under co[ver], make small repairs and adjustments as [soon] as they are needed, and keep them clean.

A LETTER FROM A HIRED MAN

"Enclosed is my application to join the Amer[ican] Farm Front. I am a member of the Red C[ross] Blood Donor Bank in our vicinity and also a mem[ber] of the Red Cross. Out of my monthly wages [I buy] a war bond a month.

"I am opposed to the Mine Workers, an[d wish] there were more hired men who felt the same [as I] do about the union doings. We can never wi[n the] war with such organizations."—E. B., N. Y.

THIS hired man's application to join [the] Farm Front showed long experience as a farm worker. In answering his letter, I cong[rat]ulated him on his splendid patriotic atti[tude] and his realization that he can best serve [his] country by continuing to help produce food.

If you are of draft age and a necessary [food] producer, you can join the Farm Front by [ap]plying to *American Agriculturist*, Departmen[t], Ithaca, New York. The certificate and b[utton] which will be sent you free are not a draft [de]ferment, but they will prove to yourself and others that you are doing your duty as a [farm] worker.

EASTMAN'S CHESTNUT

I HAVE HEARD older folks speak of [the] two-hour sermons which ministers in [the] "good old days" used to preach. Their list[en]ers sat through it on hard benches, and in [cold] rooms. That was real heroism — on the [part] of the congregation. Some of our congress[men] and senators must be descendents of those l[ong] distance preachers.

One of these preachers was giving a se[rmon] on the prophets. He brought them dow[n the] line for over an hour, when he got his [second] wind and said:

"Now, brethren, where will we place [Hosea?]"

An old fellow who had been nodding [and try]ing to keep awake, blinked a few time[s, picked] up his hat and beckoning to the p[reacher] said:

"Parson, Hosea can have my place—I'm go[ing]."

AMERICAN AGRICULTURIST, *Constructive and Progressive Since 1842.* Volume 139. No. 11. Published every other Saturday at ... [illegible]

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Hey Mom, the APHIS are Here!

Get the BLACK LEAF 40

You get an economical and efficient insecticide when you use 1½ teaspoonfuls of "Black Leaf 40" with a gallon of water, add a little soap. It is effective on aphis, leaf hoppers, leaf miners, most thrips, young sucking bugs and similar insects.

A Little Goes a Long Way

"Black Leaf 40" kills by contact and by fumes. It is economical.

Insist on Original Factory Sealed Packages for Full Strength

Tobacco By-Products & Chemical Corp., Incorporated, Louisville, Kentucky

Black Leaf 40

PLANTS FOR SALE

VEGETABLE PLANTS [illegible]

The Vegetable Package Situation

By Paul Work

Paul Work

GETTING packages for marketing vegetables is going to offer difficulties this season, but there has been little evidence so far that the packages used or the practices in connection with them will be materially changed.

Prices of used containers have risen much more than the prices of new ones, partly, because, at least in certain regions, some used containers formerly were pretty cheap. One grower reports paying [illegible] for bushels which he previously bought for [illegible]. This is perhaps a wider range than usual. Both new baskets and crates are up in the neighborhood of [illegible] to [illegible].

This is a good time to make full use of used containers provided they are available at reasonable cost. At the same time, there will be [illegible] [illegible] [illegible] [illegible]

[illegible]

[illegible]

Growers of vegetables should use their influence to prevent [illegible] of packages by growers, retailers, and other handlers. [illegible] should be used to keep them clean and in order. Growers are wise to make [illegible] and to keep them in orderly fashion and [illegible]. Keep them under protection from weathering if possible.

[illegible] for [illegible] of cotton for bags to take the place of burlap which is out of the picture. Paper [illegible] and [illegible] paper bags are available at some increase over previous costs. One company has developed a 50 pound three-ply potato bag which won an award in a national packaging contest.

Scarcity of nails has affected the making of boxes and crates, but this seems to be on the way to adjustment. We have little information on the supply of wire for wire-bound containers. Limitation on the making of baskets does not seem to be at all general and prices are up perhaps 20%.

* * *

Starter Solutions

Starter solution materials such as have been previously recommended by Prof. C. B. Sayre of the Geneva Experiment Station are not available at the present time. One of the favorite mixtures was two parts of ammophos, 11-48-0 and one part of potassium nitrate, 13-0-44. Another mixture consisted of urea, sodium nitrate, ammophos, and potassium chloride (muriate).

Prof. Sayre's suggestion for this year is that commercial fertilizers 4-16-4, 5-10-5, or 5-10-10 be used. Experiments last year indicated very satisfactory results from these fertilizers. In using them it is suggested that stock solutions be made up on the basis of one pound of fertilizer per gallon of water and that a gallon of this can be used for each pound of material desired in the mixture. It should be strained before pouring into the transplanting machine as these commercial fertilizers are not completely soluble.

It is necessary to use larger quantities of the mixed standard fertilizers, ten pounds for 50 gallons of water instead of the four pounds for 50 gallons of the more concentrated materials that were available last year. Experiments showed this ten pound rate better than the five pound rate and also showed no signs of injury. This solution would be used at the rate of about one-half pint per plant which would mean that a 50 gallon tank would be good for 800 plants.

* * *

Commercial Growers Concerned About Victory Gardens

Some commercial growers are a bit concerned about home garden competition. Well, the official drive is for farm vegetable gardens. Yes, there will be more and bigger town gardens too, but city writers are urging caution against waste and failure, caution against [illegible]

(Continued on Page 25)

A Better and Cheaper Rotenone Dust

By Frank App

A BETTER rotenone dust at less cost is available to growers this year. It is available providing they buy the rotenone dusts from the proper sources. Only a few distributors and manufacturers will have the material unless the growers make requests immediately through their retailers and they, in turn, through the manufacturer.

This new dust is more toxic than the rotenone dust heretofore used; it controls a larger number of insects; it is more adhesive, sticks better to the plants, and is less influenced by different variations in temperature. It is not often we can apply all of these qualities of improvement or superiority to a new dust.

Lethane, the trade name of the new insecticide which is used with derris root, is a chemical which has been in the process of development for a good many years. It has been used in fly sprays, but was never considered satisfactory for plants until the original form of Lethane was modified.

We found the results so satisfactory in our first tests of this material at Seabrook Farms early in 1942 that we used it exclusively throughout the season with better insecticide control and at a saving of almost half the amount of derris we used in former years. The cost of the added Lethane was considerably less than the cost of the derris had we used the three-quarters of 1% instead of four-tenths of 1%. In addition, the Lethane took the place of an adhesive and spreading agent which we formerly furnished in the form of talc. In this manner, the Lethane furnished us an insecticide, an adhesive or spreading and sticking agent and a synergist—all three in one. This is a very unusual combination and particularly important at this time when supplies of derris root are low.

(Continued on opposite page)

ANSWER THE "ADS"

LIKE the early bird that gets the worm, you'll get the bargains if you answer the advertisements in AMERICAN AGRICULTURIST promptly. Don't lay the paper aside until you have read them thoroughly. Ads in AMERICAN AGRICULTURIST are guaranteed. To get the protection of this guarantee you must say "I saw the ad. in

AMERICAN AGRICULTURIST"

A WAR MESSAGE FROM THE TREASURY DEPARTMENT

* * *

Let's Talk About Money . . . and WAR

When you hear that bombing planes cost $325,000, tanks $75,000, antiaircraft guns $50,000—

And when you hear, too, that America needs 60,000 planes, 45,000 tanks, and 20,000 antiaircraft guns at once—

IT DOESN'T take much figuring to see that winning the war calls for every dollar all of us can scrape together. With our freedom at stake—with our farm families, even our very lives depending upon the outcome, we'd gladly give this money.

But we aren't asked to do that. Our Government asks us only to lend the money—to put our increased earnings into U. S. Savings Bonds—month after month—until this war is won. In doing so, we save for our own security as well. For we get back $4 for every $3 we invest when the Bonds are held 10 years. And if we need money, we can get it all back any time after 60 days from issue date.

This is the American way—the volunteer way—to raise the billions needed for Victory. And the money can . . . will . . . must be raised.

So let's show them that the farmers of America are helping to win this war in two vitally important ways—by producing more Food for Freedom and by saving more in U. S. War Bonds.

BUY U.S. SAVINGS Bonds • Stamps

This space is a contribution to America's All-Out War Effort by AMERICAN AGRICULTURIST

LARGE STOCK [illegible]

When writing advertisers be sure to say that you saw it in THE AMERICAN AGRICULTURIST

(Continued from opposite page)

[illegible] the current requirements. In [illegible] the supplies will be still shorter, [illegible] be absolutely necessary that we [illegible] some substitute for derris or reduce drastically the contents of the [illegible] made from derris if there is to be [illegible] for the crop needs.

[illegible] made no attempt to use Lethane [illegible] control on peas. We do have [illegible] of pea aphid control which is [illegible] expensive and more reliable than [illegible] of any kind. However, we did [illegible] it for the control of bean aphids [illegible] of the growers' fields with excellent success. The manufacturers of [illegible] particular type of Lethane, in their [illegible], also report very satisfactory aphid control. Dr. Harry G. Walker, Entomologist, Virginia Truck Experiment Station, tested derris-Lethane [illegible] for two years for pea aphid control and found it very effective.

[illegible], however, should not sell [illegible] of this type as a general insecticide which will control all kinds of insects. Like rotenone and pyrethrum, a dust of this type is more effective on some insects than others. [illegible] should know what insects [illegible] to be included and how much dust [illegible] be used. The manufacturer of [illegible] material does not manufacture or [illegible] dust, but only chemicals. [illegible] manufacturer or mixer of the dust [illegible] obtain the chemicals.

—A.A.—

GRASS SILAGE

Without Preservatives

BECAUSE molasses is high and [illegible] phosphoric acid unavailable, much [illegible] is being given to making [illegible] silage without these preservatives. T. E. Woodward of the Bureau of Dairy Industry of the U. S. Department of Agriculture makes these suggestions and comments.

Grass silage can be made without preservatives from sorghum, sudan grass, millet, small grains, and true grasses such as timothy and orchard grass if they are harvested at the blooming stage or later.

If the moisture content of legumes is down to 65% or less, there will be little acidity, the odor will be good, and the palatability will be high. (Editor's Note: A suggested method for determining moisture content was given on page 8 of the April 25 issue of American Agriculturist.)

Hay, when cut at the ordinary stage, contains about 75% of moisture. On a good drying day, leaving it two hours in the swath will reduce the moisture [illegible]. If the crop gets drier than [illegible], it can still be put in the silo; but the drier it is, the finer it should be chopped and the tighter it should be packed.

Suggested materials to add to grass silage include chopped hay, ground corn and cob meal, ground corn or other ground grains, and salt. These materials apparently help in two ways—by decreasing the percentage of moisture in the silage or by adding carbohydrates which can be converted into acid.

If dry hay is added, suggested rate is from 100 to 300 pounds per ton of green material. Straw is not recommended. Ground grains are added at the rate of from 100 to 200 pounds per ton of green material. It is suspected that the advantage here is more in the way of soaking up excess moisture than it is in the development of acid. The addition of 15 to 20 pounds of salt per ton where the moisture is over 65%, improves the odor and palatability of the silage. It does not seem to improve the quality of silage made from low moisture legumes. It can be added by sprinkling over the crop as it is run through the cutter.

Be sure to read Janet van Wagenen's story on page 1 of this issue.

Help keep their Guns Loaded

A $1000 BOND and All-Expense Trip for the Best 100 Word Letter on: "Why Farmers should Buy War Bonds!"

125 PRIZES

1st PRIZE—$1000 U. S. War Bond plus an all-expense trip for the winner and one other member of the family. Tour the big Allis-Chalmers factory where weapons of victory are built; visit Great Lakes Naval Training Station and, conditions permitting, cruise as guest of honor on a U. S. Warship.

2nd—$1,000 War Bond, 3rd—$500, 4th—$400, 5th—$375, 6th—$300, 7th—$250, 8th—$200, 9th—$150, 10th—$100—all in War Stamps. 11th, 12th, 13th—$100 each; 14th, 15th, 16th, 17th, 18th—$50 each; 19th, 20th, 21st, 22nd, 23rd, 24th, 25th—$25 each—all in War Bonds (maturity values). 100 additional prizes of $10 each in War Stamps.

HOW TO ENTER—Anyone living on a farm is eligible — except Allis-Chalmers employees and dealers and their families. [illegible]

YOUR IDEAS ARE NEEDED — Submit entries to Allis-Chalmers, Dept. 34, Milwaukee, Wis.

"Too little, too late" is not the American way! But . . . it takes money—big money—to fight a modern war and Uncle Sam offers us all the privilege of helping out by lending him our dollars.

Allis-Chalmers believes that America and our way of life is the best investment in the world. When you buy War Savings Bonds . . . Uncle Sam gives you a demand note, with all our land and resources as your collateral. Because there is no other investment as safe . . . nor as important to our country . . . we are proud to cooperate with the United States Treasury Department by sponsoring this message to American farm families.

Buy War Savings Bonds every time you sell — make every market day a bond day! Help sell more bonds by sending your ideas to our "Win-The-War Bond Contest." This is your chance to speed the day of Victory. Do it NOW!

ALLIS-CHALMERS

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[illegible]

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HOTEL GREAT NORTHERN

Centrally located in midtown New York. Near Radio City, theatres, fine shops. Large comfortable [illegible] AAA Hotel. Garage adjoins. [illegible] 57th St. entrance. Folder. $2.75 per day. 118 WEST 57th ST., NEW YORK

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DEFEND YOUR CROPS ★ DEFEAT WASTE

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Time taken to read the advertisements in AMERICAN AGRICULTURIST is time well spent—for there is no better way to keep well informed on new things on the market, what to buy at what price and where to go to get what you want. When you answer an "ad," be sure to mention the name of

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1 Folder 3

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE May 23, 1942

TO Secretary Morgenthau

FROM Ferdinand Kuhn, Jr.

Here is a complete report on Dr. Likert's operations in the Baltimore area. This amplifies the preliminary report which you had about three weeks ago.

F.K.

Mrs Kloty: Please have nine grafted
and copies furnished to 9.30 group and
Mills H. Graves to give copies to his War Bond
staff. H.M. Jr.

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OFFICE OF FACTS AND FIGURES

Bureau of Intelligence

EFFECTIVE APPEALS IN THE BUYING OF WAR BONDS: PRELIMINARY DATA FROM BALTIMORE

For Administrative Use Only

CONFIDENTIAL

Division of Surveys
Special Report Number 9
May 14, 1942

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EFFECTIVE APPEALS IN THE BUYING OF WAR BONDS:

PRELIMINARY DATA FROM BALTIMORE

Summary

Three interviewers talked with workers in various industries in Baltimore, and with representatives of management, to get reactions to questions such as these: Why do people buy War bonds? What excuses do some of them find for buying less than is expected of them? What do they think of payroll deduction plans? How would they react to a compulsory savings plan?

To help the Government was the most commonly assigned reason for buying War bonds. Eighty-five per cent of those who had reasons to give said they bought to help the Government. The desire for a good investment was mentioned by 61% of those who gave reasons. The anti-inflationary aspect of bond buying was mentioned by only 5 people of the 69 interviewed.

Lack of money above the needs of daily life was the reason 82% used for buying less than is expected of them. Eighteen per cent were concerned lest bonds ultimately might not be redeemed.

Voluntary payroll deduction plans are generally approved by workers; some hesitation is expressed by managerial representatives.

While there is some opposition to compulsory savings plans, many have not thought seriously about it. Others are ready for compulsory savings if the fiscal situation demands it.

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EFFECTIVE APPEALS IN THE BUYING OF WAR BONDS:

PRELIMINARY DATA FROM BALTIMORE

Introduction

Why do people buy War bonds? What excuses do some of them find for buying less than is expected of them? What do they think of payroll deduction plans? How would they react to a compulsory savings plan?

In order to get answers to questions such as these, three interviewers visited Baltimore and talked with workers in various industries and with representatives of the office force and management in these industries. Some of the plants had payroll deduction plans; others did not. This report is based on the first 69 such interviews, held April 28 to May 6.* Of these, 43 were conversations with industrial workers - skilled and unskilled; 15 were with white-collar clerical workers; and 11 were with managerial officers.

I. Reasons for Buying War Bonds

A. To help the Government in its furthering of the war effort is the most commonly assigned reason for buying War Bonds. It is used by 85% of those interviewed who had reasons to give (Table 1**).

1. The largest proportion in this group mentioned the Government without specifying particular persons or particular programs.

An official of an A.F. of L. union says: "It's a matter of patriotism, nothing more, that makes the workers buy Bonds and Stamps. They realize they're getting the opportunity to earn, so they must support the Government."

* A subsequent report will deal with interviews in other cities.
**The tables are in the Appendix to this report.

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2. Some, however, pictured their money as going directly into war materials for the purchase of specific things like rifles, tanks and ships.

"I'm buying a propeller" said one worker as he stepped up to the cashier's window. (He worked in a propeller factory.)

A shipbuilding union determined to purchase enough bonds to buy a whole ship. (The plan included christening it "Philip Murray"!)

3. Others were motivated in their buying by the thought of helping relatives in the armed services.

B. The desire for a good investment ranks next to desire to help the Government as an expressed reason for buying bonds. Of those stating reasons, 61% mentioned the investment aspect of bond-buying.

1. The bonds are thought of as a good place to put extra earnings, in line with ordinary teachings about thrift and providence. They are not uncommonly compared favorably with savings accounts as a place to keep money.

This favorable comparison with savings accounts has the effect of withdrawing some money from savings accounts to be put into bonds - a practice neutralizing to some extent the reduction in purchasing power through bond-buying.

2. The bonds are thought of also as an insurance against post-war depression.

"After the war there will be a slump and people will want money and they would have it if they bought bonds now."

"A lot buy because they know they are making more now because of war production and they realize that four years ago everything was in hock. Now they are looking forward to another rainy day."

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C. The anti-inflationary aspect of bond purchasing is appreciated by a very small minority of the population - chiefly among the managerial group of those interviewed. Of the 5 people who mentioned this (Table 1), only one was a manual worker.

One plant superintendent says: "Of course you can't explain it to the men as it really is. They won't be able to see it as a stopper for inflation."

The executive of a deposit company states: "Washington feels that they want to keep the money out of circulation - the inflation idea - but the little fellow really hates to have his money taken away."

A shipyard worker, the exception among the laboring men to speak of the control of inflation through bond-buying, believed that his fellow workers did not now understand it, but might if it was explained to them carefully.

D. In summary, the reasons for buying bonds are chiefly two: (1) the desire to contribute to the Government for the prosecution of the war, and (2) the desire to invest one's money soundly - because of general prudence, and more specifically as a sort of insurance against the expected post-war depression. The appeal in terms of anti-inflation through draining off excess purchasing power does not appear very real to the individual buyer.

The emphasis in sales campaigns to date upon specific contributions to the war effort appears to be a good one; e.g., the purchase of military equipment and the aiding of the men in the armed services.

The investment aspect may well be played up along the two lines spontaneously suggested by those interviewed: investment as a normally thrifty practice, and as a way of holding in readiness purchasing power for the post-war period.

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II. Obstacles to the Buying of Bonds

A. Lack of enough money above the needs of daily life is the reason assigned by four-fifths (82%) of those who offer apologies for buying less than is expected of them, or who have explanations to offer as to why others are not buying (Table 2).

"I have nothing against the plan - I just have expenses. There's nothing holding me back - I've got a boy in the army." This statement was made by a shop worker, who looks forward to buying according to plan as soon as he is able.

An insurance company executive remarks: "An organization like ours doesn't pay salaries commensurate with what they get in war plants. Our people have little more than the money that enables them to live. This is particularly true since the rise in prices."

It is a commonplace observation that the increase in purchasing power is not distributed uniformly among the population. Many white collar workers in offices, teachers and others have already suffered reduction in purchasing power. They naturally do not take as readily to payroll deduction plans as do those who realize they are earning more because of the war. Few have the notion of "buying until it hurts".

B. The relationship of bonds to savings accounts as a source of liquid funds is not understood. Some people feel that they are better off with some cash at hand to meet emergencies.

"There have been a number of emergencies in my family - last year my wife needed an operation - and I feel better to keep a little cash on hand."

C. Nearly one in five (18%) of those who express reasons for hesitation to buy bonds raise some doubts about the ultimate redemption of the bonds.

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The personnel manager of a company participating well in a payroll deduction plan says: "The Government is spending so much now, where will it get the money to pay off after the war? The average man would rather fritter his money away now, if he thinks his savings wouldn't be any good after the war."

A shipping clerk says: "Some are holding on to their cash because they are afraid that the stamps won't be any good when the time comes to redeem them."

D. The relationship of bond-buying to wage policies is a cause of concern to a few employees and to an occasional employer.

1. Some employees express the fear that the employer will grant no wage increases if he sees that employees can afford to purchase bonds.

A worker in a shipping industry states: "Some people say that if you buy a lot of stamps and bonds people will know you have too much money and if you need a raise they will say you don't need it since you have so much invested in stamps and bonds."

2. An employer, on the other side, expressed the fear that excessive pressure upon employees to buy bonds would result in their asking for more wages.

"If I were to go to people and say we have a voluntary plan but the Government thinks we should buy as much as possible, some would buy the bonds and then in a very few days I would get a request for more salary."

It is apparent that the larger program of reduced consumption does not enter into the outlook of those who think in terms of "painless saving" - hoping to maintain normal living standards - buying bonds only with the excess above normal income.

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E. In summary, the obstacles to bond buying are: (1) lack of money, (2) fear that the bonds will not be redeemed, and (3) lack of clarity about the relationship of bond purchases to income policy and living standards.

Policies may be designed to meet these obstacles. The first can be met by some sort of "exemption" from pressure of those with marginal incomes. The second calls for reassurance about the nation's assets. The third requires gradual enlightenment on the interrelationships of scarcity, prices, wages, purchasing power, savings.*

III. Shall Bond Buying be Voluntary or Compulsory?

People's minds have not been made up on the issue of voluntary or compulsory buying. While there is a general preference for the voluntary plan, if it works, confidence in the Government is great enough that those who state they prefer a voluntary plan will be ready to accept compulsion if it should prove necessary.

A. Voluntary payroll deduction plans are generally approved by workers; some hesitation is expressed by managerial representatives. No industrial worker or white collar worker interviewed offered any serious objection to such a plan, while 5 of 11 managerial representatives interviewed had some objections.

1. Worker approval is based on the regular saving habit which the plan provides, and upon its painlessness, since the money is invested before it comes to hand.

A shipyard worker says: "A good idea, because if you sign up for the bonds you get them every week, and if you didn't you wouldn't buy."

A young woman working in a factory: "They take our books of stamps to the bank and get bonds for us. I think the plan is grand - I don't miss what comes out of my salary."

* Widespread economic illiteracy on these matters was pointed out in the report on Price Control, Shortages and Rationing, Report Number 11, April 14, 1942.

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Another worker: "The plan they have here - they give us stamps. We don't miss it and when the book is full we get a bond. ... My overtime goes into it."

2. Management objection, where it exists, is based largely - though not wholly - on the inconvenience it causes.

"You see, most employers don't want the payroll trouble it involves. That's why big corporations are easier to approach on the plan than the small firms - because the larger firms have the machinery."

3. Management support often depends on the personnel policies of the plant in question. The following quotations illustrate employer attitudes toward employees as well as to the payroll deduction plan.

"The payroll plan is all right if it comes from the men. If the men voted on it, O.K. After all, it's the men's money."

"We have a pretty good grade of men. They know the plan is voluntary and what it's all about. That's why I wouldn't go so far as to put pressure on even one man. We've got a good record without it; that's the way we've always done things."

B. Compulsory savings plans, while looked upon as desirable only if necessary, are commented on favorably by as many people among those interviewed as express strong disapproval.

1. Among the industrial workers interviewed, the views of 22 were expressed clearly enough to be classifiable. Of these, 6 were favorable to compulsory saving without reservation; 8 found the idea acceptable if necessary; while 8 voiced strong objections.

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"If they can't get enough voluntarily it should be compulsory. But if a person can't buy because his family is big it wouldn't be right to force him."

"If they don't meet the quota at the end of May it should be compulsory."

"It should be compulsory - especially in defense industries....They have the benefit of priorities - tires, gas - and they could do that much for the Government and themselves. The Government is not taking, but borrowing and giving good interest."

"People just naturally tend to resent compulsion. Of course, it depends on how you 'coat' the compulsion."

"People will grumble at anything compulsory - even if it is the best thing in the world for them."

2. White collar workers supported and objected to compulsion in about the same proportion as the industrial workers - 6 favoring with qualifications; 4 opposing.

"As to compulsory buying, I am not sure. There are several angles. I'd say people should be compelled to buy in proportion as they can afford. But some people have more standardized obligations than others."

"I'm against the Government saying you must buy them. It would be like Germany. This is a free country!"

"I'm against compulsion - but people should be made to feel obliged. But when force is used, it's dictatorship."

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3. Few managerial officials expressed themselves on the compulsory savings issue. Of the four who mentioned it specifically, three approved and one disapproved.

"Tell the people what is happening over there - how much they need the money - if the Government fails, all will. It would be a good idea to take 10% off the salary."

C. The widespread acceptance of voluntary payroll deduction plans by workers (both manual and white-collar) shows that the policy can well be extended. While some are clearly opposed to compulsion, many have not thought seriously about it. Others are ready to accept compulsory savings if the fiscal situation demands it.

The frequent suggestion that, if a compulsory plan is adopted, adjustment should be made on the basis of ability to pay, leads to the conjecture that an arrangement paralleling income tax procedures would be welcomed.

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APPENDIX A

Table 1. Reasons for Buying Bonds

Table 2. Obstacles to the Buying of Bonds

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Table 1. Reasons for Buying Bonds

	Number Giving the Reason	Percent Giving the Reason
"To help the country"	51	85
General support of the war - 37 (62%)		
For purchase of guns, tanks - 9 (15%)		
Help relatives in service - 5 (8%)		
"A good investment"	37	66
A place to save extra earnings - 23 (38%)		
Insurance for an uncertain future - 14 (23%)		
"To prevent inflation through using up excess buying power"	5	8
"If we don't buy bonds, taxes will have to be higher"	2	3*
Total Number	60	

* The percent column adds to more than 100 because more than one reason per person was possible.

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Table 2. Obstacles to the Buying of Bonds

	Number Giving the Reason	Percent Giving the Reason
"Haven't money enough"	31	82
"Bonds may never be redeemed"	7	18
"Need to keep cash for emergencies" (This includes two people who showed ignorance of the convertibility of the bonds)	5	13
Fear by workers of no wage increases if employer sees that workers can afford bonds	3	8
Fear by employer that wage increases will be demanded if employees are forced to buy bonds	1	3*
Total Number	38	

* The percent column adds to more than 100 because more than one reason per person was possible.

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APPENDIX B

How Bond-Selling Works in Specific Industrial Plants and Business Firms

(Based on summaries by interviewers)

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A. BREWERY WHERE PAYROLL DEDUCTION PLAN IS WORKING WELL

Almost 98 percent of the 450 employees in this brewery are enrolled in the payroll deduction plan. Amounts are subscribed ranging from $1 to $5 per person per week - for workers whose salaries range from $28.50 to $65 a week.

The payroll deduction plan used here is a simple one and is well understood by the workers. Many of the owners and workers are of Germanic origin and outdo themselves to prove their patriotism to the United States. There is a strong pro-administration point of view.

Interviews with employees at this brewery were carried on in the private saloon, where free beer is served. No management representative was around.

Labor relations are unusually good - the company is eager to retain its skilled craftsmen. Employees, in turn, feel that the company has been eminently fair and they therefore favor any suggestions coming from management. Besides which, they want to do something for the War effort, since they are in non-defense work.

In explaining the type of deduction plan used, the controller-personnel manager said "the office" told all branches they wanted 100 percent participation.

> "When you tell people you want 100%, you're more likely to get it than if you tell them to give if they can."

Posters were put up all over the plant and in offices. Foremen were given lists of all employees under their supervision. They were told to get a 100 percent response but not to use too much compulsion. No speeches were made - word was passed along through foremen and superintendents.

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"The boys felt they ought to help, and when someone was watching them, they did."

"And let me tell you another thing - the way we ran it was a wonder. If we'd sent them notes in their pay envelopes, they'd come to the office and clutter the place up. A lot would be too lazy to come if they saw the mob. The way we did it, it was easy for us and easy for them. When they signed up, they made out this paper. (Registration blank.) After that, it's just a matter of bookkeeping."

New employees are given the same treatment, by the personnel manager, and usually cooperate.

"I wrote to Morgenthau, and got a swell letter back - that pepped us up. We knew we'd get some sort of recognition. I wish they'd send us the banner and insignia they promised. It would do a lot of good. We've done our part - they ought to also."

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B. SMALL STEEL PLANT WHERE THERE IS NO PAYROLL DEDUCTION PLAN

This plant has 200 workers. The management obviously is "willing to do our share" - but "our share" for the most part is being just a little busier than before.

Evidence in this steel plant leads to the belief that the workers need little more than the leadership and initiative of management to become regular bond and stamp subscribers. But, as the head engineer admitted, small plants are reluctant to undertake administration of a deduction plan because of the cost and effort involved. A large plant can handle the details with existing machinery.

It is true of both management and labor that they do not feel the sale of bonds and stamps is really vitally connected with the war effort. Given an opportunity to show what it can do in something that has a more direct appeal - Blood Donations - this plant has made a notable effort. It leads the city of Baltimore in the percentage of blood donors.

The cashier has bonds and stamps and workers can purchase them from her. The head engineer didn't know how it was going. (Interviewer could find no one who knew how much was being sold.)

A worker stated that initiative for a deduction plan

> "Should come from the Boss. They should give lectures on it, talks. All people need rousing up or they'll plod along indifferently."

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Another employee in this plant concurred in that

> "The Paymaster should talk it up - should tell the men to go to the window." (The cashier's window where stamps could be bought.)

The interviewer in this plant thought that "one would never know here a war is going on. Everyone is very easy-going."

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Another employee in this plant concurred in that

> "The Paymaster should talk it up - should tell the men to go to the window." (The cashier's window where stamps could be bought.)

The interviewer in this plant thought that "one would never know here a war is going on. Everyone is very easy-going."

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C. SHIPBUILDING PLANT WHERE THE UNION TOOK OVER BOND SUBSCRIPTION

At this large dry dock, the management started a drive in a haphazard way - they didn't push it. (Not pushing seems an important point in many companies where the plan is in effect but not drawing much.) The company posted signs but really did nothing except to make deductions from pay for those who had pledged.

So the Union went to work - CIO. In one day they pledged $100,000. The shop steward went to each man and asked him how he would like to have a ship named the Philip Murray.* Another question he often asked the men was this: "What are you doing to win the War besides drawing big pay?" The idea picked up.

In the words of a union member: "This made the company jealous. They would not cooperate with the union and would not tell how many bonds had been sold. But the men are going after it - selling bonds. They feel that if the company put the same zest into it and cooperated with the men, more could be sold. The men are determined that the ship will be named the Philip Murray."

Workers here seemed to feel that "the company could have approached the sale of bonds with the same enthusiasm as the union. But they were haphazard and the men did not respond."

"We are trying to get a million and a half dollars to buy a ship."

---

* Interviewer confirmed this in an interview with Port Director of IUMSWA.

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D. DEFENSE PLANT WITH PAYROLL DEDUCTION PLAN WHICH IS NOT WORKING VERY WELL

This plant has a voluntary payroll deduction plan, but not a successful one. The general picture is that of a plant where no special effort has been put forth to push sales. Both workers and employers agreed on this.

Management ascribes lack of sales to turnover in personnel, but employees never mentioned tnat as a reason. Both management and employees, however, mentioned failure to take the War seriously as reason for not buying.

It is striking that none of tne people interviewed expressed personal dislike of the plan.

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E. A BAKERY WHICH TURNED DOWN PAYROLL DEDUCTION PLAN

One of the two owners of this bakery said it was the firm's conviction that the working man figures he has only what he takes home in his pay envelope. As for the higher salaried men - like the salesmen - their pay checks are already subjected to so many deductions (Social Security, group insurance, loans made by company for emergencies) that there just isn't any more room for further deductions.

Bonds and stamps could be purchased at the window where workers received their pay checks, but the owner did not know how much they sold that way.

Beneath and beyond the protestations of the owner that "we want to do everything to win the war", were deep anti-administration prejudices which seemed even to insulate him against the war's real meaning.

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F. THE DILEMMA OF A SMALL MANUFACTURER

The relatively young and intelligent employer of 35 persons in this paper box plant said, when approached by the interviewer:

> "I recently saw a movie plug for the plan, and said to my wife I'd like to do something about it. But I haven't."

Owner himself has purchased no War bonds. Explains by saying he has many business debts to clear up. Perhaps the chief reasons why he has done nothing about organizing for payroll deduction are: (1) inertia, and (2) the record-keeping involved. His office force has enough work as it is.

The average pay of the workers (mainly women) is $16. They felt it would be difficult for them to give up almost anything, regularly. Their realization that we are at war seemed limited. If they worked in a high-fenced, guarded defense plant, there would be constant reminder that we are at war.

The workers found it difficult to get the idea of themselves, insignificant individuals, loaning money to the powerful government which has so many financial resources.

The owner had received only 1 small leaflet on the payroll deduction plan, which he read superficially and put aside. He was "so busy, I never got around to it". He might have done something had some person from the Treasury Department come to him. "Why don't they make it easy for us fellows to do it?"

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G. A NON-DEFENSE PLANT WITH 100% PARTICIPATION IN PAYROLL DEDUCTION PLAN

This company publishes a booklet - Personnel Policies - in which it says: "Wages paid by leading industries are checked periodically so as to keep our wage scale above the average standard in this area for the same type of work." They have (1) periodic distributions of company profits to employees, (2) group insurance, (3) employees' benefit association, 40-hour week with time and a half for overtime, (4) 2 ten-minute rest periods each day, and (5) turkeys to all employees at Thanksgiving. Employee morale runs high.

Employees say:

> "Our employers are very nice to us and I don't see why we shouldn't buy stamps."

Several workers reported that they do not notice the small sum taken out of their salary. Interestingly enough, there is no direct relation between the size of salary and size of stamp pledge.

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APPENDIX C

Labor's Views on Voluntary Buying as Expressed in the Labor Press

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LABOR'S VIEWS ON VOLUNTARY BUYING

A survey of the Labor Press in recent weeks shows that organized labor is giving enthusiastic support to the voluntary war savings bond drives. The labor press attitude is positively in favor of the voluntary system. It refrains from mentioning the possibility that payroll deductions for war savings bonds might become compulsory. The nearest approach to a definite stand against a compulsory savings bond system is expressed, by implication, in C.I.O. President Philip Murray's statement that "we feel that the voluntary nature of the present program is best designed to build the enthusiastic support for both the war savings program and the war effort as a whole".

This statement was made in a radio broadcast on April 23 during which Murray appeared with A.F. of L. President William Green and with Secretary of the Treasury Henry Morgenthau. The story of this nation-wide broadcast was told in the April 27 issue of the CIO NEWS under the headline, "U.S. Labor Unites on Billion-A-Month War Bond Drive". The article asserted that the leaders of all organized labor pledged the Treasury Department that their members would do all within their power to achieve and better the ten per cent of payroll quota set for the nation in the billion dollar a month war savings bond campaign.

The labor papers constantly publish stories of local and national union participation in bond drives, and pride is expressed in the totals which have been collected. Moreover, they announce that a voluntary system of payroll deductions for bond purchases is being arranged in an increasing number of plants. The inference is that this system is already very widespread. Under this system the workers voluntarily allow deductions for bond purchases, and the bonds go to the individual purchaser.

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Typical voluntary union participation in the war savings bond campaign is evidenced by a CIO NEWS story during the week of April 26, that Secretary Morgenthau had congratulated the United Auto Workers for completion of a $50,000,000 bond purchase and that the UAW had pledged a second drive for the same amount.*

* This analysis of the views as expressed in the Labor Press was prepared May 4, 1942, by the Division of Information Channels of the Bureau of Intelligence.

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May 28, 1942

Dear Archie:

I am very glad to have a copy of your report on the War Bond survey undertaken in the Baltimore area.

Dr. Likert and your entire Bureau of Intelligence have been doing an excellent job for us, and I cannot tell you how useful this work has been. Please tell your people how much I appreciate their cooperation.

Sincerely,

[Signed] Henry

Hon. Archibald MacLeish,
Director,
Office of Facts and Figures,
Washington, D. C.

FK/cgk

Phone file N.M.C.
File to Thompson

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OFFICE OF FACTS AND FIGURES

MAY 22 1942

WASHINGTON

THE DIRECTOR

May 21, 1942.

My dear Henry:

I am sending to you herewith copy of a report on "Effective Appeals in the Buying of War Bonds: Preliminary Data from Baltimore." This Survey was undertaken at your request.

A fuller report based on interviews in more cities will, I hope, be available next week.

Faithfully yours,

Archibald MacLeish
The Director

Attachment

The Honorable
Henry Morgenthau
Secretary of the Treasury
Washington, D.C.

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Tell Mills I will be glad to see him and Mr. Lee. 33

LOS ANGELES BRANCH

FEDERAL RESERVE BANK OF SAN FRANCISCO

May 23, 1942

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

The Treasury's request that the leading members of the Pacific Coast aviation industry become issuing agents have now been presented to:

Boeing Aircraft Company, Seattle, Washington
Douglas Aircraft Corporation, Santa Monica, California
Lockheed Aircraft Corporation, Burbank, California
North American Aviation, Inglewood, California
Consolidated Aircraft Corporation, San Diego, California

It became apparent from the different visits that the matter of becoming an issuing agent had received previous study by the aviation industry membership, and that the reaction had been unfavorable. As might be expected, the accounting departments had been assigned to study the problem and reported unfavorably in view of what was considered to be the burden of additional work on already heavily worked personnel. However, the policy making and senior officials in the industry have been willing to review the entire matter, and it has been possible to present the Treasury's case in its broader aspect; namely, the fact that it is essential to the Treasury's financing program for the country's large corporations to become issuing agents for War Savings Bonds. The industry's senior executives appear to be responsive to such reasoning and it can be hoped that when a final decision is reached, any objection of the accounting staffs will be over-ridden by the industry's policy making executives.

The problem of persuading the Pacific Coast aviation industry has been more difficult than in other cases because of the unfavorable reports previously rendered by the industry's accounting departments, but even in this direction it is now believed that the greater part of the concern previously felt at the amount of work involved has been dispelled by first hand explanation of the exact procedure to be followed. A further difficulty has been experienced because of the fact that, although it has been possible to present the Treasury's request to all of the individual concerns, the final answer must come from the industry as a group and through an organization which has been recently set up under the name of the Aircraft War Production Council, Inc.

The matter has now been left for a further review by the accounting committee of the "council" who will report their findings to the senior executives of the industry. The report should be made by early next week and although over-optimism is dangerous, there seems to be a better than average chance that the industry will follow the Treasury's request and assume the issuing agency functions. In doing so, rather than have each member concern directly become an issuing agent, it may be felt advisable to have the function

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performed jointly for all of the members through some central organization, such as the Aircraft War Production Council, Inc., in which event there should be no serious difficulty in devising the proper mechanical arrangement.

Mr. John Lee, Secretary and Manager of the Council, will be in Washington all of next week and will report the aviation industry's answer while there. If you could possibly find the time to have Mr. Lee presented to you, a further word from you on the subject would be most helpful. It is possible that some of the senior executives of the industry will also be in Washington with Mr. Lee, and, if considered practicable, they could accompany Mr. Lee at any meeting that you might find time for.

I am leaving Los Angeles by plane Sunday evening and should be in Washington late Monday afternoon.

Sincerely,

Robert E. Gross

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CONFIDENTIAL

Sales of United States Savings Bonds
From May 1 through May 22, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

Date	Series E				Series F and G				Total			
	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date*	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota
	Daily	May 1 to Date			Daily	May 1 to Date			Daily	May 1 to Date		
1	$ 12.7	$ 12.7	$ 14.0	90.7%	$ 7.3	$ 7.3	$ 12.0	60.8%	$ 20.0	$ 20.0	$ 26.0	76.9%
2	11.6	24.3	25.7	94.6	7.9	15.2	21.4	71.0	19.4	39.4	47.1	83.7
4	22.3	46.5	47.8	97.3	10.3	25.5	39.4	64.7	32.6	72.0	87.2	82.6
5	8.9	55.5	57.8	96.0	7.6	33.1	49.3	67.1	16.6	88.6	107.1	82.7
6	18.4	73.8	70.5	104.7	15.6	48.8	64.9	75.2	34.0	122.6	135.4	90.5
7	23.2	97.0	84.0	115.5	12.1	60.8	76.9	79.1	35.3	157.9	160.9	98.1
8	17.2	114.2	98.0	116.5	6.4	67.2	86.1	78.0	23.6	181.4	184.1	98.5
9	14.5	128.7	109.7	117.3	5.6	72.8	92.6	78.6	20.0	201.5	202.3	99.6
11	23.3	152.0	131.8	115.3	8.1	80.8	104.2	77.5	31.3	232.8	236.0	98.6
12	9.4	161.3	141.8	113.8	4.6	85.4	110.6	77.2	14.0	246.8	252.4	97.8
13	15.8	177.1	154.5	114.6	9.0	94.4	120.8	78.1	24.8	271.5	275.3	98.6
14	16.9	194.0	168.0	115.5	7.7	102.1	129.3	79.0	24.6	296.2	297.3	99.6
15	14.9	208.9	182.0	114.8	6.8	108.9	136.5	79.8	21.7	317.9	318.5	99.8
16	14.3	223.2	193.7	115.2	5.2	114.1	142.1	80.3	19.5	337.4	335.8	100.5
18	24.3	247.5	215.8	114.7	9.4	123.5	153.0	80.7	33.7	371.1	368.8	100.6
19	9.8	257.4	225.8	114.0	4.2	127.7	159.2	80.2	14.0	385.1	385.0	100.0
20	13.7	271.1	238.5	113.7	11.2	138.9	169.6	81.9	24.9	410.0	408.1	100.5
21	19.4	290.5	252.0	115.3	10.6	149.5	178.4	83.8	30.0	440.0	430.4	102.2
22	19.1	309.6	266.0	116.4	7.1	156.6	186.1	84.1	26.2	466.2	452.1	103.1
23			277.7				192.3				470.0	
25			299.8				204.9				504.7	
26			309.8				212.5				522.3	
27			322.5				226.2				548.7	
28			336.0				238.7				574.7	
29			350.0				250.0				600.0	

May 23, 1942.

Office of the Secretary of the Treasury, Division of Research and Statistics.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

* Takes into account both the daily trend during the week and the monthly trend during the month.

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From May 1 through May 22, 1942
Compared with Sales Quota for Same Period
(At issue price in millions of dollars)

CONFIDENTIAL

Date	Series E				Series F and G				Total			
	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date*	Sales to Date as % of Quota	Actual Sales		Quota, May 1 to Date	Sales to Date as % of Quota
	Daily	May 1 to Date			Daily	May 1 to Date			Daily	May 1 to Date		
1	$ 12.7	$ 12.7	$ 14.0	90.7%	$ 7.3	$ 7.3	$ 9.0	81.1%	$ 20.0	$ 20.0	$ 23.0	87.0%
2	11.6	24.3	25.7	94.6	7.9	15.2	16.0	95.0	19.4	39.4	41.7	94.5
4	22.3	46.5	47.8	97.3	10.3	25.5	29.5	86.4	32.6	72.0	77.3	93.1
5	8.9	55.5	57.8	96.0	7.6	33.1	37.1	89.2	16.6	88.6	94.9	93.4
6	18.4	73.8	70.5	104.7	15.6	48.8	49.8	98.0	34.0	122.6	120.3	101.9
7	23.2	97.0	84.0	115.5	12.1	60.8	60.3	100.8	35.3	157.9	144.3	109.4
8	17.2	114.2	98.0	116.5	6.4	67.2	69.3	97.0	23.6	181.4	167.3	108.4
9	14.5	128.7	109.7	117.3	5.6	72.8	76.3	95.4	20.0	201.5	186.0	108.3
11	23.3	152.0	131.8	115.3	8.1	80.8	89.8	90.0	31.3	232.8	221.6	105.1
12	9.4	161.3	141.8	113.8	4.6	85.4	97.4	87.7	14.0	246.8	239.2	103.2
13	15.8	177.1	154.5	114.6	9.0	94.4	110.1	85.7	24.8	271.5	264.6	102.6
14	16.9	194.0	168.0	115.5	7.7	102.1	120.6	84.7	24.6	296.2	288.6	102.6
15	14.9	208.9	182.0	114.8	6.8	108.9	129.6	84.0	21.7	317.9	311.6	102.0
16	14.3	223.2	193.7	115.2	5.2	114.1	136.6	83.5	19.5	337.4	330.3	102.1
18	24.3	247.5	215.8	114.7	9.4	123.5	150.1	82.3	33.7	371.1	365.9	101.4
19	9.8	257.4	225.8	114.0	4.2	127.7	157.7	81.0	14.0	385.1	383.5	100.4
20	13.7	271.1	238.5	113.7	11.2	138.9	170.3	81.6	24.9	410.0	408.8	100.3
21	19.4	290.5	252.0	115.3	10.6	149.5	180.8	82.7	30.0	440.0	432.8	101.7
22	19.1	309.6	266.0	116.4	7.1	156.6	189.8	82.5	26.2	466.2	455.8	102.3
23			277.7				196.8				474.5	
25			299.8				210.3				510.1	
26			309.8				217.9				527.7	
27			322.5				230.5				553.0	
28			336.0				241.0				577.0	
29			350.0				250.0				600.0	

Office of the Secretary of the Treasury, Division of Research and Statistics. May 23, 1942.

Source: Actual sales figures are deposits with the Treasurer of the United States on account of proceeds of sales of United States savings bonds. Figures have been rounded and will not necessarily add to totals.

* Takes into account daily trend within the week, but does not take into account the trend by weeks during the month.

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Amount and effective rate of deductions from weekly wages for social security tax, income tax, and savings bonds

Single person - No dependents

Weekly exemption for income tax withheld at source - $11

Annual wage	Weekly wage 1/	Social security deduction 2/	Income tax withheld at source (10% of excess over exemption)	Total tax deducted at source	Savings bond quota (10% of wages)	Total deductions for taxes and bonds
			Amount			
$1,200	$24	$ .24	$1.30	$1.54	$2.40	$3.94
1,500	30	.30	1.90	2.20	3.00	5.20
2,000	40	.40	2.90	3.30	4.00	7.30
2,500	50	.50	3.90	4.40	5.00	9.40
3,000	60	.60	4.90	5.50	6.00	11.50
3,500	70	.60	5.90	6.50	7.00	13.50
4,000	80	.60	6.90	7.50	8.00	15.50
			Effective rate			
$1,200	$24	1.0%	5.4%	6.4%	10%	16.4%
1,500	30	1.0	6.3	7.3	10	17.3
2,000	40	1.0	7.3	8.3	10	18.3
2,500	50	1.0	7.8	8.8	10	18.8
3,000	60	1.0	8.2	9.2	10	19.2
3,500	70	0.9	8.4	9.3	10	19.3
4,000	80	0.8	8.6	9.4	10	19.4

Treasury Department, Division of Tax Research — May 23, 1942

1/ Assumes worker employed for 50 weeks.
2/ Employee's share of payroll tax for old-age and survivors' insurance.

MFriedman

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Amount and effective rate of deductions from weekly wages for social security tax, income tax, and savings bonds

Married person - no dependents
Weekly exemption for income tax withheld at source - $26

Annual wage	Weekly wage 1/	Social security deduction 2/	Income tax withheld at source (10% of excess over exemption)	Total taxes deducted at source	Savings bond quota (10% of wages)	Total deductions for taxes and bonds
			Amount			
$1,200	$24	$.24	$ -	$ .24	$2.40	$ 2.64
1,500	30	.30	.40	.70	3.00	3.70
2,000	40	.40	1.40	1.80	4.00	5.80
2,500	50	.50	2.40	2.90	5.00	7.90
3,000	60	.60	3.40	4.00	6.00	10.00
3,500	70	.60	4.40	5.00	7.00	12.00
4,000	80	.60	5.40	6.00	8.00	14.00
			Effective rate			
$1,200	$24	1.0%	-	1.0%	10%	11.0%
1,500	30	1.0	1.3%	2.3	10	12.3
2,000	40	1.0	3.5	4.5	10	14.5
2,500	50	1.0	4.8	5.8	10	15.8
3,000	60	1.0	5.7	6.7	10	16.7
3,500	70	0.9	6.3	7.2	10	17.2
4,000	80	0.8	6.8	7.6	10	17.6

1/ Assumes worker employed for 50 weeks.
2/ Employee's share of payroll tax for old-age and survivors' insurance.

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Amount and effective rate of deductions from weekly wages for Social Security tax, income tax, and savings bonds

Married person - two dependents
Weekly exemption for income tax withheld at source - $43

Annual wage	Weekly wage 1/	Social Security deduction 2/	Income tax withheld at source (10% of excess over exemption)	Total tax deducted at source	Savings bonds quota (10% of wages)	Total deductions for taxes and bonds
			Amount			
$1,200	$24	$.24	-	$ .24	$2.40	$2.64
1,500	30	.30	-	.30	3.00	3.30
2,000	40	.40	-	.40	4.00	4.40
2,500	50	.50	$ .70	1.20	5.00	6.20
3,000	60	.60	1.70	2.30	6.00	8.30
3,500	70	.60	2.70	3.30	7.00	10.30
4,000	80	.60	3.70	4.30	8.00	12.30
			Effective Rate			
$1,200	$24	1.0%	- %	1.0%	10.0%	11.0%
1,500	30	1.0	-	1.0	10.0	11.0
2,000	40	1.0	-	1.0	10.0	11.0
2,500	50	1.0	1.4	2.4	10.0	12.4
3,000	60	1.0	2.8	3.8	10.0	13.8
3,500	70	.9	3.9	4.8	10.0	14.8
4,000	80	.8	4.6	5.4	10.0	15.4

Treasury Department, Division of Tax Research — May 23, 1942

1/ Assumes worker employed for 50 weeks.
2/ Employee's share of payroll tax for old-age and survivors' insurance.

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UNITED STATES
DEPARTMENT OF AGRICULTURE
OFFICE OF THE UNDER SECRETARY
WASHINGTON, D. C.

May 23, 1942

Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

Here is the copy of my report which you asked for. I think you will find all that you will want to give time to in the concluding three sections.

I greatly enjoyed my luncheon with you. It isn't often I get such a good audience.

Sincerely yours,

Paul H. Appleby
Under Secretary

Enclosure

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I.

INTRODUCTION

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INTRODUCTION

By now it is clearly recognized by everyone that ocean tonnage is the primary problem of the Allies. In studying food supply of the United Kingdom the job is to search for every possible saving in weight and mileage. Yet the conclusions inevitably depend upon certain assumptions. Is the necessity simply to satisfy ourselves that there are no flagrant inefficiencies and that a higher efficiency is being steadily achieved, or must these things be more closely related to the general state of the war, must there be an examination of the basic policies on which the present food program has been built? We have assumed that our task has both aspects. While the major questions of timing and strategy will have to be determined on the highest level in the light of many factors, food policy now must be ready to make its most drastic contribution to the earliest timing and to the most powerful offensive action.

Up to a certain point in the war it is to be expected that British agricultural policy and British food policy should have been characterized by a special degree of foresighted caution. Equally it was to have been expected that adjustments in farm management and in diet would have come as a development rather than emerging fully suited to more ultimate needs. Certain early adjustments tend to become accepted as final. Yet the war itself so develops as to require continual development and successive readjustments in every segmented aspect of the war. Both in the United States and in the United Kingdom, realizations of need tend to come after the fact. The task of leadership is to advance such realizations, and to act on them. Special studies should equip leadership with the stuff out of which decisions can be made.

It seems inevitable that entrance of Japan into the war will be found so to have strengthened Germany as to require earlier and stronger

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offensive action by the Allies. At some point realisation will be followed by action, creating a condition in which previously valid long-term policies of foresight and caution are vindicated only by their drastic modification or abandonment. Ordinary good husbandry that concerns itself with preserving soil fertility must at some point give way to concern with using that fertility as unquestioningly as other resources are used.

This report therefore discusses the present situation in terms of possible conventional improvements, but attempts also to go on and suggest what further adjustments might be made under certain over-all determinations.

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THE PRESENT STATE OF NUTRITION.

From discussion with competent medical authorities, from articles in medical journals, from personal conversations with hospital superintendents, visiting nurses and the mothers of various families, the general conclusion may be drawn that since the advent of the war there has been no marked deterioration due to malnutrition. However, there are some slight indications and there is some suspicion among health authorities that the foundation of good health is not as firm as it was six months and one year ago.

The Medical Officer of Health of one of the London districts occupied by labouring people states:

1. He has noticed an increase in skin troubles, failure of wounds to heal, eczemas, and other septic poisonings, and attributes this to lack of the protective foods.
2. Complains of insufficiency of milk for mothers and children. Can get a pint for the child but none for the mother. As a result, doctors are finding that children have to be weaned earlier.
3. He is afraid of epidemics and says there has been some cerebro-spinal meningitis with about 5 percent mortality. This has been held to this low figure by the use of sulphanilamide.
4. He is afraid of an increase in bronchial diseases and typhus, also of tuberculosis due to undernourishment. This is also attributable to discharge of tubercular patients from hospitals, who mix in with workers in factories, shelters, etc.
5. Complaints of a lack of vitamins. A, B1, C and D are needed.

The Medical Officer at Coventry says:

"So far local experience does not indicate a deterioration in the nutritional state of the population. In regard to the nutrition of school children in Coventry, the figures for 1941 are: 46.19 percent of children examined were deemed to be of excellent nutrition, 51.89 percent were categorised as normal, 1.82 percent slightly subnormal and nil bad. The corresponding figures for 1940 were: 38.14%, 57.06%, 4.79%, and 0.10%. The possible fallacies in regard to the clinical assessment of the nutritional state are of course recognised; but the figures above at least suggest that the standard of nutrition among school children is not declining. Steps were taken to seek the views of the medical officers and health visitors intimately concerned in the city with infant welfare work. Their opinion is that no general nutritional deterioration can be traced in the pre-school population. Systematic evidence touching the

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adult population is of course not available. Such evidence as there is does not point to any general incidence of malnutrition. It is the common experience that many obese subjects have enjoyed a beneficient loss of weight due to food rationing, but the loss does not generally appear to have proceeded below normality.

"There has been a high incidence of scabies in Coventry but skin conditions of a non-contagious type do not appear to have been unduly prevalent.

"One or two dental surgeons in the city have drawn my attention in recent months to an increase of a condition known in the last war as "trench mouth". This is an inflammatory state of the gums proceeding in some cases to purulent gingivitis. I caused publicity to be given through the local press, and through works, medical, nursing and welfare officers, etc., as to measures of prevention. There is no reason to think that the incidence is at all wide. Some association of this condition with nutritional problems is not impossible.

"My health visitors inform me that, as you say, breast feeding is genuingly more difficult in many cases. The undoubted decline in breast feeding locally is due to (a) the urgent calls to women for war work in factories and a comparatively early resumption of work after the puerperium, (b) high wages and resultant ability to buy plenty of dried milk, etc., and (c) early failure of breast feeding associated with wartime domestic difficulties and strain, due to such circumstances as queueing for long periods at shops, etc."

A similar official at Middlesbero writes:

"Generally speaking I am of the opinion that the nutritional state of the country is being maintained. I have noticed here that there appears to be more skin lesions than formerly, but not necessarily of the non-contagious type, otherwise I have noticed nothing abnormal either in relation to minor wounds or with regard to the alleged difficulty in breast feeding."

And an official from Stockport:

"I have formed the opinion that in general the nutritional state of the population in this area has been maintained. Important factors contributing to this have been:

a. Provision of feeding at works canteens.
b. British Restaurants.
c. Feeding of School Children.

Occasionally in old persons I have observed what might be regarded as some degree of vitamin deficiency leading occasionally to Peripheral Neuritis and skin conditions.

a. "Local evidence suggests that there are more skin conditions of a non-contagious type which may be due to the lack of an adequate mixed diet indicating some degree of vitamin deficiency.

b. "I am of the opinion that although the number of women

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breast feeding their children was, as you will agree, diminishing prior to the war, owing to the number of women entering industry, has led to a further diminution in this respect.

There is an increase in the number of cases of tuberculosis and I think this is due, apart from the opportunity which communal shelter life gives for mass infection to the physical and nervous strain, and the overtime work in industry, leading to increased breakdown in the adolescent group, particularly the female adolescent. In school children I think there is no marked evidence of deterioration in the nutritional state. I am including a copy of my most recent School Report on this subject. There is, however, a very marked increase in Pediculosis and Scabies. The extent of the increase and the probable causes are set out in the Report.

Evidence that the health reserve may have suffered is contained in the Glossop experiments with children of 11, in an increased tendency to nutritional anaemia among infants and young children, and in a reduction in the number of mothers able to continue breast feeding. There is also some indication of an increase in "trench mouth", scabies and tuberculosis, but none of these conditions in the extent developed is necessarily the result of malnutrition.

Certain articles in a series entitled "Diet in War Time", appearing in the "Medical Press and Circular" for March 11, 1942, deserve special attention:

The Diet of Factory Workers in War-Time.

This article points out that income has improved sufficiently so that relatively few cases of malnutrition can be charged to monetary conditions except where the male member of the family turns over insufficient funds for housekeeping purposes. Secondly, that meat intake has been reduced by more than 50 percent, bread and potatoes taking its place. Likewise porridge replaces bacon. Sugar has been short but none of these changes has been considered as seriously interfering with nutrition standards. Third, there is some tendency to lack of balance in the distribution of food within the members of the family, the children occasionally suffering. Fourth, domestic inefficiency, shopping difficulties and shortage of unrationed foods are the principal problems to be corrected. Recommendations are:

1. An extension of rationing to other foods.
2. Increase in vegetable protein supplies.
3. More Vitamin C.
4. Compulsory introduction of the wholemeal loaf.
5. Education of the housewife.
6. Extension of community feeding.

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*1 "Medical Press and Circular" for March 11th, 1942.
*2 Dr. Helen M. M. Mackay - Proceedings of the Royal Society of Medicine - February 1942.

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This clearly indicates that the colliery workers are less well off than the industrial workers. In this case, hardship is due to illness or accident causing absence from work and consequent loss of income, in spite of various insurance schemes. Canteens do not solve the problem when income is deficient. Free meals or family allowances sufficient to guarantee nutrition needs are recommended substitutes. So far the colliery worker seems to suffer various vitamin deficiencies which can be corrected with scientific and intensive education in food selection. It would appear from this article, which is complete with statistical information, that the canteens are not a sufficient answer to malnutrition in the collieries.

A Five Point Food Charter for Children

In this article appears again the complaint about pre-natal feeding and its effect on breast-feeding and child health after 6 months of age. Certain additions, principally milk, iron, vitamins B and C, and halibut oil are recommended. Complaint is made that the allowance of four eggs a month for children over 6 months is insufficient.

In this article we have the story which has been related to us before of the tests made of 11-year-old boys at Glossop, and the statement is made that the growth of children in height and weight was considerably retarded and endurance appreciably worsened.

The recommendations are technical and specific with regard to food classification and content. Specifically recommended are:

1. The adoption of League of Nations dietary standards for children.
2. School meals, with one generous meal a day, should be compulsory.
3. Whey should be salvaged for the use of children and imported from the United States.
4. The working of school allotments on an adequate scale should be part of the routine in all schools.
5. The impoverishment of foods by refining should be prohibited and foods unsatisfactory in nourishment should be labelled.

Taking into consideration all the material at hand the lay student cannot escape the conclusion that there is a definite element of concern as to the effect of what may be termed a "depression" diet in terms of health conditions in the coming period. Likewise there are occasional questions as to the general ability of the public to withstand possible epidemics.

It is clear that health conditions are excellent, but that if the Nation could afford it in shipping there would be a definite need for

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protective foods to guard against the effects of cumulative under-nourishment.

Under the present circumstances it is of the utmost importance to use all available facilities for educating people with respect to properly balanced menus, conservation of food values by better cooking methods, extension of communal feeding [1] (such kitchens to be in charge of experienced dieticians), further efforts to spread the use by children of school luncheons, education in use of vitamins, further refinement in the process of food distribution so as to eliminate shopping difficulties and inequalities of distribution, extension of the technique of rationing so as to gain more scientific distribution of food in relation to individual requirements and finally pressure to increase available supplies of vegetable and protein foods.

[1] Experience has shown that savings up to 30 percent have been made in the use of food and fuel.

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XI.

FOOD NEEDS AND SUPPLIES

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II. FOOD NEEDS AND SUPPLIES

1. THE AMOUNT OF FOOD

Between 24 millions and 27 million tons of food a year are required to feed the people of the United Kingdom. With 27 million tons, the pre-war level, they got all they could afford to buy of the foods they liked best and were, on the whole, adequately nourished. With 26 million tons, the 1941 level, in spite of greatly increased activity and stress, adequate nourishment was generally maintained but the quality and appeal of the diet was restricted. With 24 million tons, unless there were important and extraordinary changes in the form and nature of the food, they would be on "iron rations" and eating a diet that would be nutritionally insufficient for active work and almost completely devoid of psychological appeal.

In such figures room for error is very great, but they do indicate that within a situation providing for reasonably efficient performance of the people total possible reduction in the weight of food consumed will not be tremendous.

Some amplification of these figures will indicate what has happened in the overall food situation.

Pre-War Consumption.

Consumption of the principal foods in the United Kingdom before the war (1938) totalled 21,754,000 tons plus 989,000,000 gallons of milk and 505,000 tons of eggs, or altogether in tons 26,788,000 tons. This represented per head per week 19.5 pounds, plus 3.17 pints of milk, plus 3.65 eggs, which equalled 21,700 calories, 350 animal protein grams, 280 vegetable protein grams, 960.4 fat grams, 4,900 calcium grams, 18,900 Vitamin A International units, 3,290 B1, 10,800 C. Allowing for wastage, this left a very narrow protein margin, and serious deficiencies in calcium and Vitamin A, according to accepted nutrition standards.

Over-simplifying this, on a daily basis each person ate about 44.4 ounces a day plus .45 pint of milk, plus .52 of an egg.

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1941 Consumption.

By 1941 this diet had changed somewhat in quantity, much more in character and quality. Total food consumed was 20,186,000 tons plus 1171 million gallons of milk plus 250,000 tons of eggs. This in turn represented per head per week 17.94 pounds plus 3.75 pints of milk, plus 1.65 eggs, which equalled 20,650 calories, 258 animal protein grams, 322 vegetable protein grams, 4,900 calcium grams, 15,400 vitamin A International units, 2,800 BI and 10,500 Vitamin C. Thus the protein and Vitamin A deficiencies had been increased but other food values fairly well maintained.

On a daily basis this came to about 40.8 ounces plus .83 of a pint of milk plus .84 of an egg.

Table I shows the distribution of various foods in the pre-war and 1941 diets, ignoring population increase.

TABLE I.

ESTIMATED FOOD CONSUMPTION: PRE-WAR and 1941.

Lbs. per head per year.

Food.	United Kingdom. 1938	1941*	% change.
Wheat & Rye Flour	167	231	↑ 23
Other Cereals	18.5	20	↑ 8
Potatoes	185	229	↑ 24
Sugar	95	67	- 29
Meat	139	102	- 27
Butter	24	9.7	- 60
Margarine	9.7	17.6	↑ 81
Lard	10.1	10.1	
Milk Whole (pints) ↑	165	195	↑ 18
Milk Skimmed "	12	-	-
Cheese	9.0	7.5	- 16
Eggs (No.) ↓	189	86	- 57
Fish	47	22	- 53
Pulses	-	-	
Fruit	102	29	- 72
Vegetables	176	188	↑ 7

* Civilian Population
↑ Including condensed and dried milk
↓ Including liquid and dried eggs

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The Iron Ration.

The theoretical "iron ration" to provide bare subsistence would require 37.5 ounces per person per day, plus .6 pint of milk. This would provide only slightly over 2,000 calories a day, a drop of about 1,000 from the pre-war level, 880 from 1941, and would save in weight only about 7 ounces per person per day (2,841,306 long tons a year) from the pre-war level and about three and a half ounces from the 1941 diet.

2. THE SOURCES OF FOOD

Thus, as has been said, the total quantity of food can vary only within narrow limits. Character, quality, and source are much more open to variation and adjustment to meet changing conditions. With shipping increasingly the most vital problem, the source of food becomes the first item to be considered.

There are four main channels through which the British people can get the food they need:

1. From domestic food crops.
2. From domestic food crops via animals.
3. From imported food.
4. From imported food via animals.

For short-run purposes a fifth channel, depletion of reserves, either on the hoof or in the storehouse may be added.

Relative Efficiencies.

These various channels may be readily ranked from the standpoint of sheer shipping efficiency. Obviously any home production is more economical of tonnage than any imports. Within the sub-groups food as food is more efficient domestic production than is feed and is more efficient as an import than is feed, which only becomes food through animals. (Imports of animal products themselves, however, are generally highly efficient.)

This is true because even the most efficient animal converters return in food value only about 17.8% of the food value they take in,

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while the United Kingdom Livestock population as a whole returned something less than 10% of its intake.

Actual Performance.

Actual performance may be measured back against these relative efficiencies. In pre-war years about 25% of the total volume of food consumed in the United Kingdom came over the "most efficient route" - direct from field to consumer. In 1941 this channel accounted for about 35%.

Food from domestically produced feedstuffs routed through animals accounted for roughly 14% of the total volume of food pre-war and about 18% in 1941.

Food imported as food represented 47% of the total supply pre-war and 40% in 1941.

Food produced by channelisation of imported feed through livestock was 14% of the total pre-war; 6% in 1941.

Thus food home produced as directly available for human consumption and imports of food ready for human consumption pre-war totalled 26% of the total volume of all domestic crops and imports of food and feed; yet it constituted 72% of the total food consumed. In 1941 home-produced food and food imports totalled again 26% of the total volume of crops and food and feed imports, but that year constituted 75% of the total food consumed.

Conversely, feed routed through animals, although in pre-war and in 1941 it took about 57% of the total volume of crops and imports plus a great acreage of grass accounted for only 28% of the total food supply pre-war, and 25% of the total feed supply in 1941. (Seed and waste accounted for the remaining 20% of the total volume of crops and imports.)

Two Principles.

Out of this picture two general principles for the efficient supply of food for the United Kingdom in a war in which shipping economy is the keynote are obvious:

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I. Home production of all types should be increased as much as possible.

II. The greatest possible proportion of this production should be in the form of food for direct human consumption.

These statements in a broad way reflect the actual U.K. policies. The question is whether action under the policies is continuing to move as rapidly as it should.

3. OVERALL DOMESTIC PRODUCTION

Strenuous efforts, starting even before the beginning of the war, have been devoted to increasing the total output of British Agriculture. The keynotes of this effort have been:

1. Increased acreage.
2. More intensive use.
3. Better management.

Since these efforts are the most familiar parts of the British food supply picture, relatively little space need be devoted to them here. Briefly, however, the story is that from 1939 to 1942 the total acreage in crops and fallow in the United Kingdom has increased from 8,813,000 to 14,077,000 or 60%. This increase has been attained largely at the expense of permanent grass. Table II gives the picture year by year.

TABLE II.

ARABLE AND GRASS ACREAGE ON AGRICULTURAL HOLDINGS EXCEEDING 1 ACRE IN UNITED KINGDOM 1939-41 WITH FORECAST FOR 1942.

'000 ACRES

	1939	1940	1941	1942 (Forecast)
Total crops and fallow	8,813	10,455	12,714	14,077
Temporary grass	4,095	3,860	3,526	3,602
Total arable land	12,908	14,345	16,240	17,679
Permanent grass	18,775	17,085	15,114	13,586
Total crops and grass	31,679	31,431	31,354	31,265

In the interests of both greater acreage and more intensive use, the number of tractors in operation in the United Kingdom has been more than doubled since the start of the war, fertilizers have been made available, and extensive drainage operations have been undertaken.

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In the effort to secure better management, County War Agricultural Committees have been given wide powers to advise and assist good farmers and to penalise or supplant bad ones.

Results

Out of all these efforts has come a substantial increase in total production. The total volume of crops and hay produced on agricultural holdings and allotments and gardens pre-war was 55,016,000 tons with a starch equivalent of 9,534,000 tons. In 1941 the total volume was 69,541,000 tons, starch equivalent 12,554,000 tons. The increase was 26% in volume, 30% in starch equivalent. In 1942 it is expected that volume will increase to 74,312,000 tons, starch equivalent to 13,276,000. The total increase overpre-war will therefore be on the order of 35% in volume, 39% starch equivalent.

The fact that crop increases are somewhat less than acreage increase is traceable to such factors as the use of less suitable land and the lowered average level of skill of the agricultural labor force. More will be said of this latter factor subsequently.

Further steps

On the whole this achievement is noteworthy. It is difficult to see how greater expansion of total production could have been achieved in the same period within the bounds of traditional farm organization and methods and with foresighted concern for future production making for only mild deviations from accepted standards of husbandry.

It must be emphasized that further expansion of total output in 1942 and 1943 along these lines will be dependent upon weather and other factors, our tractors and phosphates, and labor.

Our first recommendations therefore are:

(1) To support requests from U.S.A. for crawler-type tractors which in a year will make a production of food at least five and one-half times the shipping weight of the tractors and their fuel, with this profit continuing in subsequent years.

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(2) To support requests for super-phosphate, which will make a similar shipping profit.

(3) To support special measures to see that farm production does not suffer from lack of labor. The possibility of greater use of prisoners, and of temporary release of soldiers for farm service is to be explored sympathetically.

(4) In order to make maximum use of tractors, more uniform administration, county by county, and more effective administrative measures are needed. A farmer now lends a tractor to a neighbor if the neighbor has helped him in harvest, or is likely to help him, or if he is a good fellow; the determination is personal. In this field the tendency is too much to let each county committee determine how far to go - making for wide variations in performance - and for the county committees to urge rather than to require, and for tractor owners to act variously. The government ought also seriously to consider modifying black-out requirements to permit a sufficient lighting of tractors to make night work possible on fields not close to towns. Insofar as they would serve to become bomb targets it would confuse the enemy and lower the enemy's bomb efficiency.

With these steps there will be reasonable assurance that the type of expansion of total production which has been achieved so far will be pushed somewhere near its limits of feasibility. After this point is reached there will be rapidly diminishing returns from any further expansion of plow-up or attempts to secure rapid improvement in farming technique. To secure any real expansion of total production beyond this limit will require steps which are different in kind rather than more of the same thing that has been done so far.

In short it will be necessary to do what has not been done at all so far - to go outside the bounds of traditional methods of farm organization and management.

On the organization side there have been revolutionary proposals for reducing the number, increasing the size and changing the form of ownership of farms. On the face of it such major changes are of the sort which can only be successfully worked out over a period of years rather than months. Almost inevitably they involve a transition period in which there will be

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disorganization and temporarily lowered production. Thus, it would seem unwise to attempt to go the whole way with such reorganization in wartime. At the same time traditional forms of organization should not be regarded as untouchable simply because they are traditional.

On the management side more rapid changes are more feasible. Generally they would involve recognition of the fact that the present emergency is such that long-time soil-conserving considerations must give way to considerations of immediate productive efficiency. Specifically this means that as the shipping situation becomes more and more crucial there must be an increasing abandonment of normal rotations. To produce wheat only one year in four on land which could, in an emergency, with proper care, produce wheat for two years in a row, simply because traditional methods, wise enough from a long-range point of view, require a four-course rotation will become increasingly inexcusable as the emergency progresses.

Thus if, as seems likely, the shipping situation is such as to require more drastic action, there should be a national program to abandon normal rotations and for 1943 to get wheat and other food crops produced in much larger acreage.

4. PRODUCTION OF FOOD

When we come to actual food production - as contrasted with total agricultural production - the picture of achievement is not so encouraging.

Crops for Food

The 1941-42 crop year is expected to show an increase in human food resulting from improvement in production of crops of 5,000,000 tons representing a starch equivalent of roughly 1,000,000 tons over pre-war. It is fairly reasonable to assume a further increase of 515,000 tons in starch equivalent for the 1942-43 crop year. This increase, however, is dependent upon the weather, labor, and other factors already mentioned.

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Animal Products

Offsetting the crop increase in domestic food production is a loss of 1,173,000 tons of valuable animal products (586,000 tons of meat, 544,000 tons of dairy products, 43,000 tons of eggs). This large drop is a reflection of a drop of 5,136,000 tons of feed imports. Agricultural claims of gross increases in domestic production of food are misrepresentative in a degree in that they give an impression of a much greater gain in total output of food than is real. Yet the policy is sound, and the saving in feed imports is very real.

Net of Domestic Production

Allowing for differences in value of kinds of food produced, our calculations show that the net result thus far has been to produce about 8% more food in terms of calories in 1941-42 than was produced before the war and to do this at a saving of 5,136,000 tons of feed imports. (1)

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(1) The calculation of actual net increases in food produced is extremely complex and varies with the assumptions used in the calculation. The estimate made here is made on a calorie basis, reducing all food to a wheat equivalent. Two other calculations give more generous estimates of increase. Thus the Ministry of Food has written:

> "We calculate that the output of grain, sugar and potatoes in terms of grain equivalent fromhome agriculture has increased by 1.1/2 million tons in 1941/42 as compared with prewar whilst the output of animal products has fallen by about 2/3 million tons. (For this purpose we count milk in terms of cheese in order to get the moisture content of the various products more or less comparable.) The net increase in the output of human food from home agriculture is therefore of the order of a million tons. The calorie output has increased by about 14%; the vitamin A output by about 20/30%; the vitamin C output by 30/40%; vitamin B1 by 20/30%; the output of vegetable protein by about 80/90% whilst the output of animal protein reflecting the decline in animal products has fallen by about one quarter."

A calculation by the Ministry of Agriculture shows "a 30% increase in the net output of food." This calculation, however, appears to include such purely feed crops as hay, roots, etc. as part of the food increase and must be discounted to this extent.

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A further increase is in prospect for 1942.

The fact that increase in actual food output has not been more rapid is, in part at least, a reflection of relative lack of attention to the second of the two principles previously stated - that as much as possible of the total production should be in the form of food for direct human consumption. To be sure, feed crop acreages - wheat, potatoes, vegetables, sugar beets have gone up with the rest. But, by and large, they have gone up no more rapidly than the rest. In fact, while farm production of wheat was being increased 22%, sugar beets 11%, vegetables 39%, and potatoes 62%; barley production was increased 44%; oats 66%, mixed corn production 478%, and fodder vegetables 64%. While there have been efforts to encourage production of food crops there appears to have been little concerted effort to increase them at the expense of feed crops where necessary. In fact there is evidence that the propaganda and price policies of the Ministry of Agriculture have tended in the opposite direction. Thus, some discussion with farmers, by no means offered as representative or conclusive, indicated relative satisfaction with the price of barley and relative satisfaction with price of oats and some dissatisfaction with the price of wheat. It would appear that some increase in wheat production could be made at the expense of barley and oats production by a readjustment in price. Inasmuch as price stimuli are not wholly sufficient where farm holders are in an income bracket that will not give them much larger return from a larger gross income, it is possible that they will be more concerned to maintain their present incomes than to change their farm products in order to get larger incomes. It might be, therefore, that the effective way to get this shift would be not merely to increase somewhat the price of wheat, but to decrease slightly the price offered for oats and the price offered for barley.

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It is difficult to be sharply critical of this emphasis on feed crop production as a policy up to the present. Certainly it finds justification in the need for maintaining insofar as possible, available quantities of first-class protein in the face of an uncertain world supply situation. Also it has shown some shipping profit in the decrease in feed imports it has made possible. However, in the face of the clear relative inefficiency of this kind of production the validity of the unchanged continuation of such a policy becomes highly doubtful.

As the war progresses and the shipping situation becomes increasingly serious, it is obvious that the general need is to accelerate agricultural shifts in the direction of producing more human food and less feed. Whatever methods may be found to be desirable, new considerations ought to be given to measures which would accelerate this particular shift.

5. MORE EFFICIENT FOOD AND FEED

So far this discussion has been concerned primarily with the possibilities for increasing the efficiency of food supply by changes in the amount of flow in the main channels through which food is secured - specifically by increasing overall domestic production and by increasing the relative proportion of food as against feed in this overall production. Within these main channels themselves, the efficiency of supply can be increased by growing the most efficient food and feed crops and by giving feed to the most efficient animal converters.

There is a very real difference among the different crops in the amount of food value which will be produced from a given amount of land and a given amount of labor. Table III gives the figures on this relative efficiency for various leading crops.

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TABLE XVI

RELATIVE EFFICIENCY OF VARIOUS CROPS

1. Crop	2. Feed Product	3. Output of product: Gross weight (a)	4. Output of product: Energy value	5. Byproduct	6. Output of byproduct: Gross weight	7. Output of byproduct: Feed value	8. Man-days labor /million calories	9. Nutrients removed from soil /million calories. (lbs.)
		tons/acres	mill.cals per acre		tons/acres	tons Starch eq. per acre		
WHEAT	flour (85%)	0.67	2.16	offal	0.11	0.05	24.9	27.9
BARLEY	flour (70%)	0.51	1.78	offal	0.22	0.09	30.3	30.7
OATS	meal (85%)	0.38	1.44	(offal and	0.51	0.09	37.5	45.0
"	-	-	-	(straw	1.10	0.22	-	-
				(oats as				
				(feed and	0.69	0.41	-	-
				(straw	1.10	0.22	-	-
RYE	flour (70%)	0.39	1.24	offal	0.17	0.07	40.3	-
DRIED PEAS	peas	0.54	1.74	-	-	-	51.7	-
POTATOES	ware	4.1	3.06	stock feed(b)	0.80	.15	88.2	47.4
"	edible dried	0.8 - 0.9	3.06	" " (b)	0.80	-	-	-
"	-	-	-	net yield feed (c)	5.00	0.89	-	-
SUGAR BEET	sugar	1.28	4.95	(pulp	0.60	0.40	-	-
				(tops (d)	7.00	0.60		
PERMANENT PASTURE	-	-	-	-	-	0.60 (e)		
ROTATIONAL PASTURE	-	-	-	-	-	0.82 (e)		

(a) Estimated U.K. output of crops based on past average yields less seed and unavoidable wastage.
(b) Assumed to consist of 80% of the total oats and 50% of all damaged potatoes.
(c) Net yield = total yield less seed and unavoidable waste.
(d) Assuming yield of tops = 4/5 yield of beet and all tops are fed.
(e) Approximate.

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An inescapable conclusion from these figures is that wherever there is an option as to what can be grown on a given piece of land, wheat should be grown first and potatoes and sugar beets second where labor is the primary consideration, and potatoes and sugar beets should be grown first and wheat second where acreage is the primary consideration. Under either consideration oats, barley and the other crops listed should not be grown at all where land, rainfall and modified farm considerations make it at all possible to grow the more efficient crops.

The importance in terms of shipping of increasing wheat, potato and sugar beet production to the largest possible extent is indicated by the rather startling facts that food imports constitute roughly half of all the import tonnage of the United Kingdom and that wheat represents roughly one-half and sugar roughly one-ninth of all food imports. Potatoes are important because they are a substitute for wheat in providing bulk and calories.

By and large there seems to have been very little effort devoted to encouraging the production of these more efficient crops at the expense of the less efficient. The figures previously given of relative increases in various crops emphasize the results of this neglect. Certainly as the shipping situation gets tighter all necessary steps including price adjustments and positive direction of plantings should be taken to assure that wherever an option exists as to what is to be grown it is exercised in favor of the crop yielding the most food value per acre.

In addition to the general effort to increase production of the most efficient crops, there should be particular emphasis on a drive to increase the production of vegetables. These fill an extremely important place in supplying vitamins and variety to the diet. Quantities available,

particularly to workers' families, are at present seriously deficient.

6. FEED MANAGEMENT.

An outstanding opportunity for increasing the efficiency of supply within one of the main channels lies in the use to which feed is put.

Relative Efficiencies.

Table IV shows the relative efficiency of conversion by the various common types of livestock.

TABLE IV.

A. COMPARISON OF OUTPUT OF CALORIES AND PROTEIN PER ACRE IN THE FORM OF MEAT, MILK, EGGS, AND PIGMEAT (a). United Kingdom.

	Comparison I (b)			Comparison II (c)		
	Milk	Beef	Mutton	Milk	Eggs	Pigmeat
Calories per acre (thous.)	830	316	172	1285	346	164
Protein per acre (lbs.)	86	31	17	128	22	27

(a) Based on the estimates of feed requirements shown in table IV B.
(b) To be used when considering competition for all feed supplies, concentrates and roughages, feed requirements are taken to include both roughages and concentrates and cover maintenance and production.
(c) To be used when considering competition for available concentrates. It is assumed here that the greater part of the total ration of pigs and poultry and of the production ration of the cows is supplied by concentrated feeds.

B. FEED REQUIREMENTS PER UNIT OF FOOD OUTPUT FROM VARIOUS CLASSES OF STOCK. United Kingdom.

	Total starch equivalent required:-		Starch equivalent in concentrates required:-		Oat equivalent required:-	
	per 1000 Cals in food.	per 1 lb. Protein in food (c)	per 1000 Cals in food.	per 1 lb. Protein in food(c)	per lb. (a)	per lb. (b).
	lbs.	lbs.	lbs.	lbs.	lbs.	lbs.
Milk	2.7	26	0.7	7	14	3.7
Beef	7.1	73	...	...	18	...
Mutton	13.0	130	...	...	32	...
Eggs	...	...	5.5	33	...	5.5
Pigmeat	...	...	2.6	41	...	7.0

(a) On the basis of Comparison I. A.
(b) " " " " II. A.
(c) Assuming of course that cereal feeds are balanced with Protein feeds.

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These theoretical calculations of relative efficiency are confirmed by the production statistics which show, for example, that the dairy cattle 64
population did, in fact, contribute about three times as many calories to the national diet in pre-war years and about four times as many in 1941 as did a beef cattle population of roughly equal size.

Thus there is a clear and large superiority of the dairy cow over any other kind of livestock. This superiority exists not only in the major food elements - calories, and protein, but in such secondary but essential elements as vitamins A, B1, B2, and D, and calcium and phosphorus.

This superiority of milk cows as food makers and the consequent desirability of maintaining milk production from both the shipping and nutritional viewpoints has been consistently recognized. Thus the Scientific Sub-Committee of the War Cabinet has continually recommended the rationing of feedstuffs in favor of milk cows as against beef and sheep; modification of feed prices so as to favor milk farmers; removal for slaughter of the lamb crop as well as beef cattle of certain types; slaughter of a high percentage of newborn male calves as well as other steps leading to the protection of dairy herds. In 1941 their suggestions followed the same general lines, again recommending adjustments to encourage milk production and relaxation of regulations for dairy buildings. The Committee added that it considers diversion of feeding stuffs to other animals before satisfying the requirements of the milk industry as a "waste of national resources."

All other groups and agencies dealing with the problem have emphasized similar conclusions. The Ministry of Agriculture has frequently stated its wholehearted support of the policy of maintaining milk production.

Feed Management Practices.

In the face of this clear and recognized need, what has happened? The story of feed management is this.

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Before the war, 8,382,000 tons of feed for farm animals were imported annually. These tons plus 30,880,000 tons of, on the whole, much less concentrated domestic feed, plus grazing produced in the form of animal products 8,288,000 tons of human food.

In 1941 imports of feed amounted to 3,246,000 tons. These tons plus 41,141,000 tons of domestically-produced feed plus grazing produced 7,115,000 tons of human food.

Feed imports before the war included 2,744,000 tons derived as a by-product from imported goods. Feed imported as feed amounted to 5,638,000 tons. Feed imports in 1941 included 2,146,000 tons derived from other imports; feed imported as feed amounted to 1,100,000 tons, the total being 3,246,000 tons. The reduction in feed as feed is 4,538,000 tons. The actual reduction is 5,136,000 tons.

The reduction in animal-product feed is 1,173,000 tons. If allowance is made for difference in value of butter, cheese, and cream produced at home before the war but now, in effect, consumed in fluid milk, the decrease in animal product feed is seen to be somewhat greater than 1,173,000 tons.

The domestically produced feed pre-war had a starch equivalent of 5,769,000 tons (roughly 18.59%) and the domestically produced feed in 1941 has a starch equivalent of 7,342,000 tons (roughly 17.9%). The total feed available pre-war was 39,268,000 tons, and in 1941 it was 44,387,000 tons. It would appear, therefore, that the reduction in animal product feed was a reflection of inferior feed per ton (domestic as against the more concentrated import feeds).

In terms of starch equivalent total feed value pre-war was 11,841,000 tons (5,769,000 domestic, plus 6,072,000 imported). In 1941 the total was 9,673,000 tons (7,342,000 tons domestic plus 2,351,000 tons imported). This was a reduction of 19.9%. The reduction in animal products food in

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terms of calories was 23.4%. The somewhat greater reduction in product than in feed is probably a reflection of the smaller amount of grazing available plus the use of a greater proportion of feed for sheer maintenance as contrasted with production purposes, plus an inadequate shift in feed in keeping with relative converting efficiencies of the different animals. Offsetting this is a partial tendency to use feed more efficiently by giving it to more efficient converters. Thus while dairy production was cut only about 11%, beef output was cut about 33% and all meat 38%. These figures are minimized, however, by the fact that the drop in beef slaughter was in considerable measure caused by a loss of Irish feeder cattle, the British cattle population actually showing only a slight decline in numbers, while milk production went down 11% even though dairy cow population remained at pre-war. The shift in feed, therefore, was not so great as the production figures would indicate. This reduction was in the right direction yet since, as has been said, the same amount of feed produced about nine times as much weight of food when fed to dairy cows as when fed to beef animals, if sufficient dairy cows had been available, it would have been theoretically possible for the reduced amount of animal feed to have produced a substantial <u>increase</u> in animal-products food. If all of the feed going to beef animals had gone to dairy cows, for example, there would have been produced in 1941 several millions more tons of <u>food value</u> than were produced and if similar transfers of feed had been made from other livestock to dairy cows, the theoretical total would have been correspondingly bigger.

The fact that, while beef going to consumption in 1941 represented a 33% decline, the population remains in recent months at only 6% below pre-war, confirms in a rather startling way the inference that there has been an especially uneconomic use of feed in maintaining cattle herds rather

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than feeding cattle for beef consumption.

The reduction in beef therefore, while apparently much greater in percentage than the reduction in dairy products, was unreal because it was in beef and not substantially in beef animals, was from a smaller original total and has not resulted in a proportional underwriting of the larger (and necessarily larger) tonnage total of dairy production.

While there are many practical limitations on the expansion of milk production, the only completely insurmountable one is inability within a given period to produce more dairy cows. The dairy cow population figure has remained practically unchanged from the 1936-7-8 average of 3,300,000. That number by now could have been increased somewhat above its present level, although of course not enormously. But there can be no valid argument against the contention that the thing of overwhelming importance, just from the standpoint of efficiency, is to use every ton of feed necessary to maintain dairy production at its highest possible point.

While it always will be true that actual feeding practice on thousands of farms will fall somewhere short of perfection, there can be very little argument against the contention that British farmers now can produce as much milk from the same number of cows as they produced pre-war. The feed does exist. It is a question of feed distribution.

As a matter of fact there has been considerable effort to distribute feed so that dairy cattle will be favored. Thus, under recent policies the largest part of the concentrate feeds in the hands of the government is assigned to dairy cattle with relatively small amounts going to beef cattle, sheep, pigs, and chickens. The effectiveness of this obviously desirable policy is limited by the fact that only a relatively small proportion of the total available feedstuffs ever gets into government hands for distribution. Most oats, barley, unmilled wheat, hay and

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fodder roots do not. In any case it is clear that there has not been 68
sufficient redistribution of feed to achieve the avowed purpose of maintaining dairy output.

Consequently, the clearest and largest failure in the domestic agricultural production program is the drop in dairy output and the use of feeds which might have maintained it for maintenance of uneconomic herds of other livestock. It should be the first duty of the government to get dairy production slightly ahead of the pre-war figure. Whatever is required to do that is possible. This, together with a further reduction in beef, pigs, and chickens, resulting from any further reduction in feed imports, is the measure of the reduction in non-dairy livestock production which should be achieved.

It should be emphasized that the primary objective is to maintain or increase milk production. If this can be done without slaughter of other livestock so much the better. Moreover the questions of which kinds of non-dairy livestock should be slaughtered and when will require careful working out in practice. Abstract consideration of the problem indicates that some slaughter will be inevitable if milk production is to be maintained in the face of declining feed production and imports. Furthermore it appears that the greatest saving in tonnage will be accomplished if a large part of the slaughter is among beef cattle. These conclusions, however, are secondary and their contradiction will not disturb us as long as the main proposition that <u>milk production must be maximized</u> is agreed to and properly implemented.

The question of whether to slaughter and if so what and when, is one that must be settled by the Government rather than by any single Ministry. It can be answered only in terms of the whole shipping situation, the whole war situation. It should be clearly understood, however, that in addition to taking away from beef animals pigs and chickens, all the feed

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necessary to reach the dairy goal, every further reduction of feed imports should come out of these groups and not merely in terms of tons of feed, but in terms of equivalent tons of feed, which will be much more.

Our general recommendation would be to eliminate all feed imports except those which fill cargo space which otherwise would not be utilised and to examine freshly those imports which bring feed byproducts to see whether tonnage cannot be reduced by bringing in the finished product. We know that in some cases this is not possible, and in others - as in bringing flour instead of wheat - of such trivial importance as not perhaps to warrant change. But there may be cases where earlier determinations may have been made which now need to be reversed. Our specific recommendation would be that consideration be given by the government to an enforced shift of feed to dairy cows in 1943, to bring in that year at least pre-war milk production and to make for that year a fairly substantial saving in tonnage of imports.

Just when to go how far in a shift in production of beef, pigs, chickens, and eggs to a production of milk is in part a technical question and in part a question of strategy.

In some one year a shift of feed from beef animals to dairy animals to get milk production to a pre-war total, and a consequent s[illegible]ghter of beef animals which could not be fed efficiently with the red[illegible] amount of grain, would make possible a saving in tonnage of approximately 326,000 tons. The saving is not theoretical but very real in terms of the projected import programs. Beef slaughter in the United Kingdom going up 126,000 tons could reduce refrigerated beef imports by 126,000 tons. Milk going up 800,000 tons could reduce imports of evaporated milk 150,000 tons, and cheese imports by 50,000 tons, making a total saving of 326,000 tons.

In the following years, the lack of livestock to use existing grass

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and the reduction in numbers from which to slaughter would partially offset the gain.

If in the first instance the feed were diverted from pigs and chickens to dairy cows, the gain in food total would be less.

While these figures are based on a number of arguable assumptions and can not be relied on with precision, the general reasoning seems valid, and it seems clear that a very substantial saving in ocean tonnage is involved.

It seems strange that the obvious and generally recognised gains to be made by supporting milk production have not been adequately implemented in action. The chief reason for this divergence between policy and practice seems to be in the fact that, as has been indicated, to maintain milk production in the face of decreasing feed supplies will in the long run probably necessitate some reduction in the beef cattle population. Agricultural authorities have shied violently away from this possibility. This fear on the part of the authorities is, in turn, a reflection of an attitude of farmers which glorifies beef raising and questions dairy farming.

When we were here last autumn we were startled to find, among agricultural leaders, what seemed to us to be inadequate appreciation of dairy farming. We were told by more than one that dairying is very soil-depleting: "There would not be all that food value in milk if the cows did not extract the value from the soil." In the States we feel that dairy farming is the most soil-conserving of all types of farming. The feeling here seemed to be an extreme development of a special agricultural gospel now at its height which, in an extreme form, becomes a sentimental exaggeration of husbandry. In that form it dislikes use of any commercial fertiliser and appraises various types of farming in terms of how much fertiliser they require. Even so, this attitude is hardly rational when it is used to argue <u>for</u> beef cattle as against dairy cattle.

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And in any case as has been said, the present emergency is such that long-time soil conserving considerations have to give way to considerations of immediate productive efficiency. Our relative coolness to the machinery requests and the plow-up last fall was not opposition to the plow-up but resistance to a shift to wheat as the principal policy excluding a heavy shift from beef to dairy.

It seems rather plain that the extreme form of the present farm gospel is supported by a disproportionate political influence of beef-minded farmers. Recommendations of the Scientific Sub-Committee have been adopted as policy, but their recommendations as to action in support of the policy have been vetoed.

It is noteworthy that the sentiment which glorified beef cattle because of their manure on the ground that the manure makes for self-perpetual agriculture does not equally condemn the purchase of commercial feeds. Actually there is room to argue that insofar as the plow-up results in an increased production of cultivated feed crops it displaces more feed than it creates - for there are figures which would support grass in temporary pasture as the most efficient of all feeds. The fact is, however, that maximum use of grass is determined by the amount of winter feed available, and as feed imports are decreased there should result in the first instance both a decrease in livestock and an increase in production of feed. Imports of feed in excess of what would merely supplement adequate grass would be inefficient war policy even if tonnage were not desperately tight. As tonnage gets tighter, since any feed takes much more weight than its product, the reduction in livestock should go much further, and that reduction should be in the animals which convert least efficiently. Thus feed for dairy animals and grass become the only exceptions to the general principle which has been stated, namely, that production of feed is less and less desirable farm policy in Britain as the war proceeds.

Minor Improvements.

In order to get the most food out of the animal population several minor improvements could be instituted in addition to the major changes already recommended. Thus there could be some new effort to have hens kept wherever they will not require feed which otherwise could go to cows; and support for rabbit clubs and all other additional production plans not competing with principal production programs. School children can gather from the hedges feed for hares kept confined - feed which would otherwise not be used; the rabbit meat, however trivial in tonnage, would be clear productive gain. All such small measures have increased importance now.

SUMMARY.

The changes in domestic food production policy and practice which have been recommended involve, in some cases, only strengthening and expansion of present programs. Others involve new departures. All of them find their justification in the present shortage of shipping and the probable intensification of that shortage over the next two years.

A good way of checking this thinking is to project the mind to an ultimate food crisis. How would food be managed in the last desperate stand?

The ultimate things can be done only at the ultimate moment, but the question always will be: Is this the ultimate moment? Final slaughter of all food animals can be undertaken at a last desperate time to help carry a nation on for the extra few months that will spell victory if only we can be sufficiently sure that at the end of these few months ships can bring the food that no longer exists. Whenever the situation is so desperate that no foresight can be afforded, policy here could be greatly changed to economize in shipping and to prolong a last desperate self-subsistence.

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Viewed in such ultimate terms, conscious production of any feed for livestock in that last season would be inefficient. Slaughter for food of all animals would proceed just as rapidly as feed disappeared. Crop production in that season would turn completely to a production of human food. Actually, of course, in that season little more grass could be put into crop, but the nature of crops could be changed substantially, if the degree of need were known in advance of planting. In tons of food produced there might be a substantial short-time increase. 73

It is most unlikely that there will be reached any situation in which there will be any such realisation of final extremity, any such absolute final choices. The point of such speculative thinking is to give perspective with which to judge intermediate policy. The need will be to move in the direction such speculative thinking would indicate, the distance moved to be determined by time and degree of crisis.

The theoretical changes desirable, according to this thinking, would thus confirm the recommendations already made. They would be:

1. To divert feed from beef animals, pigs, and chickens, less efficient converters of feed into food, to dairy cows, very efficient converters; and to eat the beef, pig, and chicken meat.

2. To change from feed crops produced on arable land, to food crops.

3. To change from less efficient - per acre - food crops to more efficient.

There are, of course, in all of these shifts, practical difficulties. If it were a question of actually substituting dairy cows for beef animals, it obviously could not be done in the time available. On the other hand, shifts of feed to maintain maximum milk production would be feasible. Again, farm management involves a program of work

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which will spread as evenly as possible throughout the year. Wheat can be planted in the fall, minimizing spring work. Oats can be fall or spring planted. Still again, labor is a limiting factor. It requires 1600 man hours and 1357 horse hours to produce 10 acres of potatoes, and only 320 man hours and 396 horse hours to produce 10 acres of wheat. Each man hour produces almost two and a half times as much starch when expended on wheat as when expended on potatoes. Finally, there are for each farmer habits of mind and physical soil and equipment factors which limit performance.

Under this line of thinking, too, then, the program becomes simply a trend to foster, limited by what the workers on each farm can do in a well-organized year-round work load, but pushed in directions already taken. The question again is whether action under existing policies is moving as rapidly as it should in the light of general war developments.

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7. FARM LABOR.

Employment on the farms in June, 1941 was about 11,000 more than the June average for 1935-39. Male employment last June was about 32,000 less than the 1935-39 average. Female employment was 43,000 more last June than the pre-war average. Total employment then, by virtue of the Women's Land Army and other special provisions, last year was very slightly larger than pre-war. The average age of male workers is undoubtedly up considerably. Casual workers were a larger percentage of the total, although one section of southwestern England we have visited required 60,000 such workers each year and now is able to get not over half that number. Thus the average level of skill of the agricultural labor force has probably declined sharply even though numbers have been maintained.

The tractor population has gone up since a pre-war figure of 50,000 to 100,000.

Tonnage production of various farm crops has increased during the war about 21%, offset in some part by a decrease in work with livestock. It is fair to say that about the same number of workers, with a lower average level of skill and experience produce more than twenty percent more product, with the help of 50,000 tractors.

Labor requirements are so involved that it would require a long, special study to appraise the situation accurately. Yet it would seem to be a fair conclusion that further intensification of farm production will be seriously limited by labor supply.

The following statement from Mr. Hudson summarizes the present situation and present consideration with respect to use of Italian prisoners of war:

"So far there are about 4,500 Italian Prisoners in agricultural labour camps in this country. Some of these have to be employed on camp duties, but all who are available for agricultural work are being kept fully employed (except during the most severe weather), and as many men as can be brought over can and will be employed. It is hoped that a further 14,000 Italian prisoners will be brought over during the next six months for agricultural work, though many of these will have to be used on camp construction first of all.

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The use of prisoner labour is not, however, all clear gain and there are certain limitations on its usefulness:-

"(i) The situation in the Far East has made it more difficult to arrange for the necessary shipping to be made available.

"(ii) As well as ships, guards have to be found from the Middle East Forces to bring the prisoners to this country; and on their return to the East the guards take up shipping space urgently required for reinforcements to be sent out from this country. Normally one guard has been regarded as necessary for ten prisoners.

"(iii) Before the prisoners can be brought over, camps have to be constructed to house them. In addition to the material required, labour has to be supplied for camp construction and this has had to be found from prisoner labour, thus reducing the number immediately available for agriculture. For instance, some 7,000 prisoners will be working on camp construction for most of this summer so as to have camps ready by next winter to house the additional prisoners to be brought over. For every 5,000 prisoners to be housed, between 1,000 and 1,500 prisoners have first to work for two or three months on camp construction.

"(iv) When the accommodation has been provided, guards and administrative staff to look after the prisoners have to be supplied by the War Office, who have reckoned that for every 40 prisoners some ten guards and administrative staff are required. To compensate the Military Authorities for this use of Army personnel, an equivalent number of prisoners has to be made available for pioneer and similar work with the Army.

"(v) The presence of prisoners in this country, of course, means an addition to the food and other requirements of the country.

"(vi) The effectiveness of prisoner labour varies according to the nature of the job and the character of the supervision. On the average, it is probably about 75 percent of that of British labour. Charges made to farmers for prisoner labour are based on this, and farmers are willing to absorb the labour fully at those rates. So as to make the best use of the most experienced and adaptable prisoners arrangements have recently been made for selected men to live in on individual farms, and for about 1,500 men to work from small hostels each containing from 30 to 50 men, instead of from the large camps containing several hundreds.

"(vii) Few of the prisoners can speak English and of course they are unfamiliar with English conditions."

One wonders whether it is actually necessary to have guards and administrative staff number 1 to 4. But it is clear that labor needs cannot be wholly supplied in this way and it is recommended that consideration be given to temporary utilization of some number of enlisted men not otherwise fully occupied.

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II. 8. SOURCES OF IMPORTS.

In practice, no conceivable short-time increase in the amount and efficiency of domestic production of food in the United Kingdom can eliminate entirely the need for imports. In the increasingly serious shipping situation which confronts the United Nations it is essential that this residual minimum of food and feed imports be supplied with the fewest possible ships. The problem of the best use of ships is, of course, a technical one with ramifications in the high strategy of military and economic warfare. As such it is beyond our special province. All we wish to do is to point out, solely with respect to food imports, some theoretical possibilities for increased efficiency in this sphere. We realise that, being theoretical and being derived from only one point of view our conclusions are open to being readily contradicted by other broader and more realistic considerations. They are, therefore, presented simply for consideration for whatever they may be worth, with no pretensions to ultimate validity.

Moreover it should be made clear that the implications we wish to emphasize most strongly are the implications for present and future American policy. To paraphrase a well-known prologue "Any references to British policy are purely incidental".

With this preface it may be pointed out that the number of ships needed to do the job of bringing in the food the United Kingdom needs can be reduced both by compressing the volume of imports and by decreasing the time which it takes to deliver each shipload of goods. Of the first possibility more will be said in a subsequent chapter of this report.

Regarding the second, the ship-time per ton, it is obvious that the most important and readily variable factor is the source of imports. Everyone is aware that there is a considerable difference in the ship-time necessary to bring a shipload of goods from a relatively nearby modern port and the time taken to deliver it from a relatively distant ill-equipped one. Table V. indicates just how considerable this difference is.

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TABLE V.

RELATIVE EFFICIENCY OF VARIOUS SOURCES OF IMPORTS.

SHIPMENT AREA.	Distance from Liverpool - shortest feasible route. (Nautical Miles.)	Average elapsed time. L'pool to L'pool. [1]. Days.	Index.	Homeward Voyage. Days.	Turn-around. Days.	Proportion of all 1941 imports from area. Tonnage. (000)	% of total.	Proportion of all 1941 food imports from area. Tonnage.	% of Total.	Outgoing ballast shipments (000) tons.	%
1. NORTH ATLANTIC	3,328	64.0	100	26.0	12.0	10,400	46.6	7,300	50	7,817	73
2. U.S.GULF.	4,719	74.8	117	30.9	13.0						
3. PLATE	6,258	114.9	180	49.8	15.3)	1,564	7.0	1,760	12	874	56
4. BRAZIL	5,158	106.3	165	46.0	14.3)						
5. WEST INDIES	4,026	95.5	147	40.1	15.3	3,306	14.8	1,025	7	3,063	93
6. NORTH PACIFIC	8,647	122.3	190	50.0	22.3	305	1.4	146	1	252	83
7. SPAIN/PORTUGAL.	198	58.9	91	24.6	9.7	640	2.9	880	6	127	20
8. WEST AFRICA	2,062	115.4	180	26.3	62.8)	1,753	7.9	730	5	623	36
9. SOUTH AFRICA	6,480)	122.9	190	52.3	18.3)						
10. EAST AFRICA AND MAURITIUS.	7,547)				)						
11. INDIA, BURMA AND PERSIAN GULF.	11,558	184.7	272	80.6	23.5)	2,205	9.9	1,170	8	1,182	54
12. FAR EAST.	11,254	193.9	285	80.6	32.7	561	2.5	440	3	197	35
13. AUSTRALIA.	12,355	137.6	215	59.9	17.8)	1,277	5.7	585	4	583	46
14. NEW ZEALAND.	11,163	108.3	167	48.7	10.9)			440	3		
15. MIDDLE EAST.	3,060	227.0	357	103.5	20.0	311	1.4	146	1	201	-
ALL NON W.HEMISPHERE.	-	143.2	224	57.2	28.8	6,747	30.2	4,525	31	2,511	38
ALL NON N.ATLANTIC.	-	120.2	186	47.7	24.8	11,852	53.0	7,300	50	6,488	55

1. At average voyage and turnaround rates of December 1941 and January, February 1942.

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Thus one ship on the North Atlantic run is the equal in food-carrying capacity of 2.85 ships on the Far Eastern run; 2.72 ships from India; 2.15 ships from Australia; 1.9 ships from South Africa or the North Pacific; and from 1.17 to 1.8 ships on the other runs.

Putting it another way, the work of the 327 ships which brought food from sources outside the Western Hemisphere in December, January and February could theoretically have been done by 146 ships on the North Atlantic run, a clear saving of 181 ships. If all food shipping during this period had been concentrated on the North Atlantic run, the work of 465 ships could have been done by 250, a saving of 215.

Despite this clear superiority of the North Atlantic sources only about 47% of all imports and % of food imports were secured from this source in 1941. Again theoretically, if this more efficient source had been used for the 30% of imports that came from outside the Western Hemisphere in 1941, they could have been supplied with only 48% of the number of ships that were actually used. Similarly, the 53% of imports that came from all non-North Atlantic sources could have been supplied with only 54% of the number of ships actually used.

Thus the advantage in terms of sheer shipping efficiency to be gained from concentrating on the North Atlantic area as the source the greatest possible proportion of food imports is large and clear. Corollary advantages in the concentration and diminution of necessary convoying are equally clear. The chief reasons why this advantage has not been capitalised more fully appear to be three:

1. Lack of availability of required supplies in the North Atlantic region.
2. Lack of port facilities on the North Atlantic region.
3. Necessity of sending ships to non-North Atlantic ports with military and civilian export cargoes.

The lack of available supplies was, of course, a sufficient reason in itself for going to non-North Atlantic sources in 1941. When all the cheese and meat and fats and grain which could be readily acquired in

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Canada and the United States had been acquired and there still was not enough to meet the needs, there was nothing to do but look to South America, Australasia, Africa and India for the balance.

Valid as this reasoning may have been up to December 7, 1941, it becomes progressively less valid as America's participation in the war increases. At least as regards food, the United States can supply the total import needs of the United Kingdom. The only exceptions, and they are minor, are tea, coffee, cocoa and possibly some sugar. This is not to say that it will be as easy or as cheap, in a money sense, to get the food from the United States as from some of the present sources. Any considerable increase in present shipments of some commodities can only be made by curtailing American domestic consumption by rationing or otherwise. But in the peculiar economies of the present where a ton-mile of shipping is the most valuable of all commodities, such considerations must be secondary. As a matter of fact, as a subsequent table shows, the amount of restriction of American domestic consumption that will be required to meet maximum U.K. demands will not be great except in one or two instances.

In any case insofar as our general conclusion that considerations of shipping efficiency will dictate increasing dependence on North Atlantic sources of supply is valid, it is clear that the United States should, as soon as possible, take whatever steps are necessary to enable us to meet such increased demands when and if they materialize.

The question of Atlantic port facilities to handle the total traffic involved in U.K. supply is a limiting factor but does not appear to be an insurmountable one. While this is peculiarly a technical shipping problem and, as such, is definitely outside our special field of competence, it may be pointed out that total clearances from North Atlantic ports for the United Kingdom were actually less in 1941 than in 1939 and have declined even farther in 1942. While clearances for other destinations have

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probably taken up this slack and more it seems difficult to contend that the handling capacity of North Atlantic ports is now at such a peak of efficiency that it could not be expanded under the pressure of dire necessity.

The third reason for using distant sources is, of course, unexceptionable as far as it goes. If ships must go to non-North Atlantic ports to deliver military or civilian goods coming from England, it is, of course, only reasonable for them to bring back food or other needed commodities.

As a matter of fact, return cargoes and escaping tonnage from some areas in the past few months have been so great as to allow for food imports greater than scheduled. This situation, however, has not obtained in the past and it seems possible that it may not obtain after the present sharp emergency period. Thus in 1941, 2,811,000 tons or 37.2% of all shipping coming in from sources outside the Western Hemisphere had made the outgoing trip in water ballast. Counting all non-North Atlantic sources the outgoing ballast tonnage was 6,488,000 tons or 54.8% of the total. If unessential ballast cargo were added to these figures the percentages would certainly be higher. For the future it seems likely that since, with few exceptions, anything shipped out of England is in effect a trans-shipment of something which has been shipped in, exports will more and more be limited. Of course there will always remain certain demands in the Empire and elsewhere which for military, economic warfare, technical or fiscal reasons will have to continue to be met by exports from England. However, as time goes by it seems likely that more and more of even these demands can be met from sources which are both nearer and in better position to export.

Whatever happens it seems abundantly clear that from the standpoint of shipping efficiency, future imports from non-North Atlantic sources should be limited to return cargoes on essential export tonnage however this may be defined. In other words no ship should be despatched in ballast or carrying ballast cargo, to a non-North Atlantic port for the sole purpose of bringing back food.

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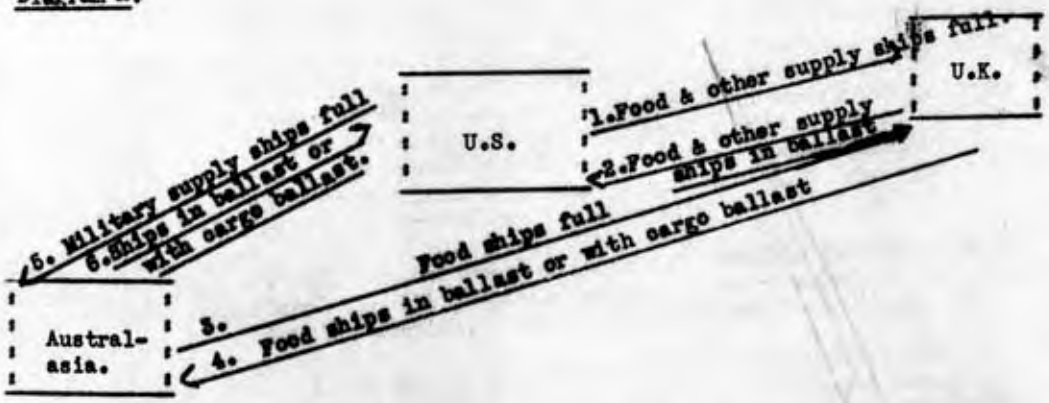
Adherence to this policy will not necessarily mean the complete loss of the supplies available from the non-North Atlantic sources to the war effort of the United Nations. A considerable proportion of them could be salvaged by an adaptation of the Russian industrial ideas of combinade, by which return runs of "empties" of railroad freight cars are eliminated by changing the location of demand.

Applying this principle to the similar problem of ballast shipping, a similar increase in shipping efficiency is possible. Thus, for example, the present practice does or soon may involve the situation shown in Diagram A with regard to shipments between the U.S., the U.K., and Australasia.

Diagram A.



Insofar as this situation obtains it is obvious that there is a tremendous theoretical shipping gain to be made with no loss in total supplies available by completely eliminating the long leg of the triangle and re-arranging shipping as in Diagram B.

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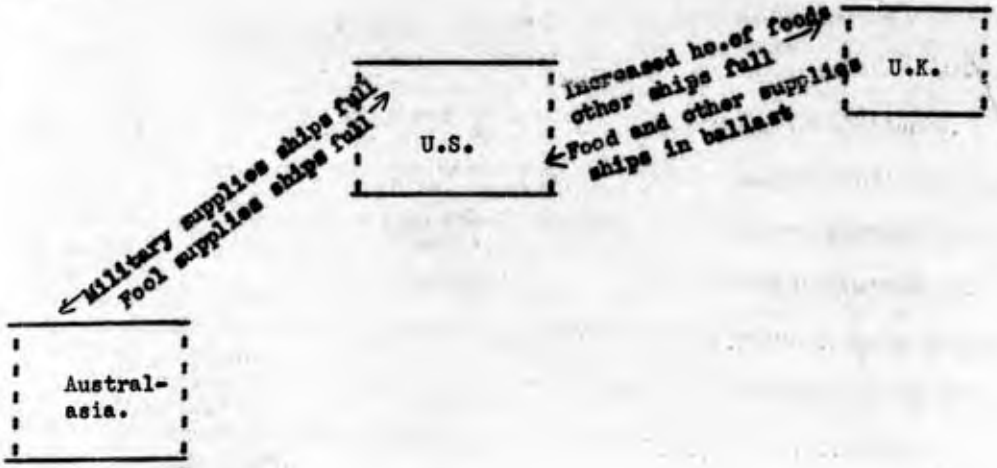
Diagram B



Thus the apparently nonsensical situation of Americans importing Australian meat and cheese while exporting their own to England becomes thoroughly valid shipping economies.

As has been said, the immediate present emergency situation is such that the line of outgoing ballast tonnage shown from the U.K. to Australia is temporarily non-existent. Also the incoming ballast line from Australasia to the U.S. is minimized by imports of hides, ores, etc. Thus the picture shown is, for the moment, unrealistic. However, as also has been said, the outgoing lines from the U.K. represent, in large part, trans-shipments and as such are highly uneconomic and will perhaps be sharply reduced after the present extreme emergency, thus bringing the ballast line into force again. Furthermore, the cargoes being brought into the U.S., while important, are generally not indispensable, (i.e., we would probably not have sent the ships out especially to get them). If food and fats now going to the U.K. could be substituted for them under the system described there would seem to be a general gain.

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Australasia is used here simply as an illustration. Careful study along similar lines will probably show, now or in the future, similar opportunities for shipping conservation as between the U.K., the U.S. and India, Africa and South America.

In summary, the conclusion seems inescapable that the shipping situation will require increasing concentration of all food tonnage on the most efficient run - the North Atlantic. It seems likely that Britain will find it wise to voluntarily abandon all food trade between the United Kingdom and Australasia, India, the Far East, Africa and even South and Central America. The only exception will be return cargoes on absolutely essential military and economic warfare exports from England. As this policy develops it will mean that the United States and Canada, particularly the former, must stand ready to supply all the food now coming from the more distant sources. Insofar as this requires restriction of home consumption it should and indeed must be done. Our action in this direction cannot start too soon. It may easily start too late.

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III.

FOOD MANAGEMENT

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1. BREAD RATIONING

Opinion about bread rationing runs the entire gamut from complete affirmation to complete negation. The general, non-governmental political judgment is that the people would take it without much grumbling. There is a willingness on the part of the average housewife to accept a restriction in the quantity of bread available,(1) and there is considerable admission that waste exists. Arguments against bread rationing centre principally on the difficulty of administration and advantages in maintaining flexibility from both nutritional and morale standpoints. All arguments emphasize the variation in calory requirements in different parts of the country, in different occupations, in different ages, different physiques, and different income levels. Theoretically, if rationing is to be carried out there should be specific quantities assigned according to an index, the components of which take into consideration the various factors mentioned above. It is argued that any ration would have to be made high enough to meet the greatest needs, and this would make for an actual increase in consumption. If there should be rationing of bread and flour, highly differentiated rations would seem necessary.

Bread and potatoes are the common pool of food in which adjustment is completed after maximum use of rationed foods, and there is a great deal of evidence that the elasticity of this arrangement is more automatic and reliable than would be the case if specific bread allowances were dictated by the authorities. This is all the more true because of changing weather conditions, price variations, temporary shortage in supplemental foods, and stress and strains induced by war conditions. It is true that in the larger families bread rationing would find some natural adjustment because of the sacrifices made by the women of the household in favour of the

(1) The Ministry of Food is inclined to be doubtful of this readiness to accept bread restrictions unless equivalent increases in other similar foods (potatoes etc.) were made available.

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working males and the younger children. Unattached members of the population could adjust only by eating precisely the reduced quantity of bread.

Points rationing of bread.

To cut down bread consumption it has been suggested that bread should be put under the points rationing plan. The points can be increased to such an extent that bread can be included in the articles thus procurable, and evaluation of points can be worked out so as to decrease the consumption of bread 2 ozs. or 3 ozs. per person per day. Obviously, points rationing would have to apply also to flour.

A principal argument against the idea is that it would work real hardship on those who have to make bread their mainstay; this is particularly true of the miners, agricultural laborers, and generally those to whom canteen meals are not available, and generally the poor.

It should be borne in mind that bread is considered an absolute necessity. Other items available under the points system are desirable but not essential. It would be difficult to include a basic necessity with a group of optional foods, and secure the results desired.

The main argument on the other side is that it would probably be politically easier to ration bread on points than to curtail the amount readily available in the markets. It is argued, too, that consumption would be more adjustable under the points system than under a straight ration.

Curtailment of the supply of bread short of rationing.

There would seem to be considerable room for a reduction in the amount of bread and flour made available to the general public.

Present habits indicate consumption of about 12 ozs. of bread and flour per day per person, with some allowance for larger amounts in the North, in mining sectors, and at centres of heavy industry. In sample families, picked at random in Fulham, a working-class district, it was interesting to note that for various types of families the amount of bread consumed averaged 10 ozs. per day per person, and the amount of flour used in general cooking approximately 2 ozs. per day. The Army gets a ration

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of 10 ozs. of bread a day, and buys canteen meals. The Navy gets a ration of 12 ozs. of bread per day, indicating that the sample tests at Fulham are approximately the same in amount as the Government allocation for men in the Services.

The general attitude of the great majority of the doctors, district nurses and housewives consulted indicates that if the need were sufficient and if the need were understood, reduction in bread consumption of 2 ozs. or 3 ozs. per person per day would prove acceptable. Frequently this reflects an assumption that substitution could be made in whole or in part in vegetables and potatoes. This feeling may or may not exist in the north of England or Scotland, where bread consumption is apt to be higher. A reduction of 2 ozs. per day per person would save approximately 1,114,000 long tons of wheat per annum, approximately 20 percent of total wheat importations for the year 1941. A reduction of 3 ozs. would increase this saving by 50 percent.

It might be considered possible to reduce bread and flour consumption without actually rationing them. During the summer when vegetables and fruits are more available, a program of enforcing a small percentage reduction in flour and bread available in the stores might result in more careful buying without any serious inequity or dietary damage. Reducing or eliminating bread served with restaurant meals except canteens and British Restaurants or including a percentage reduction in the canteens and British Restaurants; eliminating use of any bread other than oatmeal bread in teas, or eliminating teas altogether except in industrial canteens; requiring oatmeal in commercial biscuits - these are illustrative of measures which might effect a really substantial reduction in wheat imports. One difficulty now is that importing additional small quantities of more valuable and more compact foods, makes no saving in tonnage and may actually increase tonnage, because these items become additional food, are not substituted for wheat, which is the big tonnage factor. Bread economies short of rationing might make possible both a substantial tonnage saving and a mild improvement in diet. It would become a matter of taking

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more from the United States, and less wheat from Canada. Eight billion meals are eaten outside of homes in a year. An ounce of bread saved in half of these meals would make unnecessary the importation of 100,000 tons of wheat. Various complementary actions would be conceived of, consequently, as making an effective dent in the huge wheat import total.

Such minor economies in flour could together support and make feasible a goal which could be further expressed in a very small percentage reduction in flour releases, uniformly applied to all mills, distributors, bakers and retailers. A reduction of only half an ounce of flour per person per day would result in a saving of more than 200,000 tons of wheat imports.

We recommend wide and continuing public discussion of the question of bread rationing as a constructive anticipation of a possible later necessity. We recommend that preparations should be made so that rationing could go into effect quickly if the determination should be made. We suggest consideration of rationing somewhat ahead of clear necessity for it, to get it accepted when the ration is generous and to permit the process of administrative improvement to get under way while the ration is generous. We recommend that bread and flour rationing when imposed be on a differential basis, and that differential rationing be now exhaustively studied and prepared for. We recommend that other measures short of rationing such as 90% extraction and other economies discussed above, be put into effect this summer to secure a maximum reduction in wheat imports, short of bread and flour rationing.

HIGHER FLOUR EXTRACTION.

The Ministry of Food has prepared for us the following statement on 95% flour extraction from wheat:

PROS AND CONS OF 95% EXTRACTION MEAL
COMPARED WITH 85% MEAL.

Pros. (1) The bread saving in shipping space would be approximately 600,000 tons per year.

(2) 95% meal will have a higher content of vitamins and minerals. The following are approximate figures for the apparent gain in the different nutrients (per annum).

PROTEIN	26 x 10^3	tons
B1	3	"
RIBOFLAVIN	2	"
IRON	120	"

Owing to the lower digestibility of 95% flour these apparent gains will in practice be significantly reduced.

Contras.(1)(a) The loss in digestibility (energy) in going up to 95% extraction is probably of the order of 6%. The shipping space "saving" would therefore have to be reduced by this amount.

(b) The loss in digestibility (protein) is approximately 2%. The true gain in protein under Pros. No.2 would therefore be changed to a loss of approximately 26 x 10^3 tons.

(2) The greater content of roughage and fibre would aggravate such problems as ulcerative colitis that we are already facing with 85% meal. It would in fact be necessary to provide a flour of lower extraction for invalids unable to take a high fibre bread.

(3) The higher content of phytic acid would reduce our net calcium intake. This could be overcome by adding roughly 2 lb. of $CaCO_3$ to each sack of 95% meal but this would certainly give rise to "rope" in hot weather with consequent loss of bread.

(4) 85% meal gives a bread approaching white bread in texture and palatability. A 95% meal would give a harsh brown bread which would certainly be unpopular.

(5) The reduction in wheat offals for feeding stuffs would be approximately 650,000 tons or 70%. This reduction would undoubtedly cause serious complications in the feeding of farm livestock, particularly dairy cows. The Ministry's pool of feeding stuffs available for distribution to farmers, whose home grown supply is insufficient for their needs, has already been reduced to a serious extent by the increase to 85% extraction. A large proportion of this pool is now taken up by dairy cows and a further reduction would very largely have to come out of the dairy cows rations. A considerable fall in milk production would result, which might perhaps to some extent be met by importing dried or evaporated milk. It might, however, prove necessary to replace part of the loss of wheat offals by imports of maize.

(6) The actual amount of the net saving in shipping space in view of the above factors is obviously problematical.

That statement is not wholly unbiased. People with ulcers should not eat bread, no matter what the percentage of extraction might be. It would be an extremely rare case where digestive conditions would really warrant using bread made from lower extraction flour. Much more

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than enough flour is imported as flour to take care of these people, although there would be some administrative difficulties. The statement on livestock feeds, similarly, assumes that because wheat offals are now governmentally controlled, and controlled feed goes to dairy cows chiefly, the loss would come in milk production. Feeds not now controlled could be controlled.

The loss involved in a decreased digestive utilisation of bread is the most substantial argument. The loss is a proportion of the whole loaf, and it goes up more than proportionately as the percentage of extraction rises. In figures, what the Ministry says may be expressed as follows:

95% Extraction.

GAINS		LOSSES	
Wheat Tonnage	600,000	Increase in flour necessary to compensate for 6 percent calory digestibility loss	315,000
Protein Increase (as dry skim milk)	75,000		
Beef gain (1st year)	103,000	(Feeding stuffs loss 650,000 tons).	
		Beef loss (2nd year)	84,000
Total first year	778,000	Total first year	315,000
Total second year	675,000	Total second year	399,000

Balance import saving:

First year	463,000 tons.
Second year	276,000 tons.

Untabulated Gains:

B1	3 tons.
Riboflavin	2 tons.
Iron	120 tons.

Untabulated Losses:

Calcium - (could be made up from domestic sources).

Psychological factor.

Items which can be disregarded:
Effect on invalids - because special white flour requirements could easily be met from flour imported as flour.

A 90% extraction would involve less loss in digestibility.

The figures are:

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90% Extraction.

GAINS		LOSSES	
Wheat Tonnage	300,000	Increase in flour necessary to compensate for 6 percent calory digestibility loss	132,000
Protein Increase (as dry skim milk)	37,500		
Beef gain (1st year)	52,000	(Feeding stuffs loss 325,000 tons).	
		Beef loss (2nd year)	42,000
Total first year	389,500	Total first year	132,000
Total second year	337,500	Total second year	174,000

Balance import savings:

First year	257,500
Second year	163,500

Untabulated Gains:

B1	1.5 tons.
Riboflavin	1 tons.
Iron	60 tons.

In the circumstances for this stage, we are inclined to recommend for the next step a 90% extraction or a 5% dilution with oats and/or barley flour.

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8. POTATO FLOUR

According to the Ministry of Food 4 percent is the practical maximum for the admixture of potato flour. We have been told that during the last war a larger proportion was used on the Continent, but certainly 10 percent is the maximum in any circumstances.

Assuming a reduction of 20 percent in wheat importations and a change in the bread mix to increase the bulk by 10 percent in terms of potato flour, the result would work out about as follows:

> Potatoes would have to be supplied equivalent in starch and-or protein value to 480,000 bushels of wheat. (6,000,000 tons wheat less 20 percent = 4,800,000. Add 10 percent thereof as potato flour = 480,000 tons.)
>
> To produce the same number of calories there would be necessary 1,030,000 tons of potatoes. One lb. of wheat and 4.25 lbs. potatoes have the same calory equivalent. Two million thirty thousand tons of potatoes will produce 430,000 tons of potato flour.
>
> To produce the same amount of proteins it would be necessary to provide 3,200,000 tons potatoes. One lb. of wheat and 6.7 lbs. of potatoes have the same protein equivalent.

The 1941 production figures for potatoes grown domestically plus a small amount imported total 8,818,000 tons. The figures for consumption, used as feed and added to stocks are approximately 6,698,000 tons leaving an apparent gap of 2,117,000 tons. This balance probably consists of spoilage in storage, reserve for seed (1,000,000 tons required to plant 1,000,000 acres, now set aside for potato growing) consumption on the farm, processing of a small amount of potato flour and flakes, and ordinary waste.

Reports from the Ministry of Food are that there were no potatoes in the market last year just before the new crop came in and the statistical figures show only 25,000 tons on hand at that time. The estimate for this spring indicates a surplus of potatoes "appreciably less than 170,000 tons". Six hundred eighteen thousand tons were added to stocks in 1941. Estimates for this year call for an increase in potato production of 256,000 tons so that theoretically there should be available for consumption about 900,000 tons more for the winter of 1942-43 than for the winter of 1940-41, but it

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is clear that all but minimum stock requirements will have been consumed. Actually, the Ministry of Food has also advised us that there is a possibility that in place of a surplus there will be a deficiency of potatoes before the new crop is harvested. 94

If a 10 percent admixture of potato flour averaged for calories and proteins indicates a need for 2,000,000 tons of potatoes, it is clearly obvious that the use of potatoes for that purpose would reduce the amount available for consumption by an approximately equivalent amount if the crop is poor; at best by 1,000,000 tons if the crop is early and good.

If drying and milling plants were available to pick up the crop as it is harvested for conversion into potato flour it would be safe to reason that 25 percent of the spoilage, that is approximately 500,000 tons of the 2,000,000 tons converted to potato flour, would be saved but, of course, this would not prevent the loss of 25 percent of the remainder retained for food purposes. Better storage facilities for potato crops to avoid freezing in extra cold weather and to keep the crop well ventilated, would of course reduce waste.

It would seem clear that it would be preferable from the standpoints of variety and filling qualities that potatoes should be eaten in their natural state rather than in the form of potato flour.

If an increase in the potato production could be managed sufficient to care for the normal requirements and also to provide 1,500,000 tons to 2,000,000 tons for potato flour purposes then, and only then would it seem logical to incorporate potato flour in bread.

There is some possibility of conflict between demands for expanded wheat production and expanded potato production. Normally, however, potato acreage would be expanded at the expense of fodder root crops, while wheat would replace dead grains. Where conflicts do develop it should be kept in mind that in terms of hours of labour it is between two and three times as efficient to grow wheat as to grow potatoes although the starch equivalent of one acre of potatoes is more than twice that of an acre of wheat.

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Thus, in a conflict situation, if labour and tractor power were plentiful and land was short there would be a good argument for potatoes. As the situation stands, however, the emphasis should be placed on the production of wheat, wherever there is a conflict.

Finally, a not unimportant factor is that England is not equipped for drying and milling potato flour and plants would have to be built to function only during the harvesting months.

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8. ECONOMIES IN FORM AND KIND OF IMPORT

It is a commonplace that with the shipping situation acute the need is to import food in its most condensed form, availability, place of availability, and popular acceptability being the limiting factors. In this as in every other aspect of the diet problem there is no common denominator for all foods. There seems to be reason to believe that protein and fat should be roughly equal in the diet, with carbohydrate amounting to four times as much as either of the others. This ratio is more requisite for children than for adults, however, and adults in war conditions surely can rely more heavily on carbohydrates than the formula would indicate. In any case the carbohydrates will be substantially home produced, and imports of carbohydrates confined largely to wheat, which, because of its great tonnage, will be discussed under a separate heading. The subject of economy in form and kind of import then is reduced to a consideration chiefly of protein and fat imports. The following table will give some basis for considering the relative efficiencies of these imports, with wheat and soya meal included for comparison:

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Commodity	Cubic Feet Per Ton (Stowage)	Calories per ## Shipping ton (000)	Protein per Shipping ton (kilo)	Fat per Shipping ton (kilo)	RANK					
					Calories	Protein	Fat	Protein and Fat	Calories and Protein	Calories & Protein & Fat
Dry whole milk	58	4,501	234.3	239.7	2	3	3	1	1	1
Dry skim milk	58	3,290	326.0	9.2	5	1	11	5	2	4
Cheese	68	3,496	212.5	289.4	3	4	2	1	3	2
Dried Beef	68	1,971	290.3	53.4	10	2	10	5	4	7
Butter	60	6,912	5.7	764.5	1	13	1	8	6	3
Powdered Whey	58	3,451	122.5	2.7	4	9	12	11	5	9
Boned Beef	75	2,720	177.9	218.0	8	6	4	3	6	5
Beef-canned Roast	41	1,639	190.5	99.1	11	5	6	4	8	7
Frozen carcass beef	90	2,285	148.4	183.1	9	7	5	5	8	6
Condensed Milk	47	2,990	74.0	76.8	7	11	8	10	11	10
Beef-canned corned	50	1,444	140.3	91.5	12	8	7	9	12	11
Evaporated milk	47	1,129	57.0	64.2	13	12	9	11	13	13
Wheat	47	3,102	111.9	7.8	6	10	13	13	8	12
Soya Meal	62	3,852	378.6	205.2	3/	1/	4/	1/	1/	1

"Shipping ton includes the commodity plus weight of ordinary export packaging."

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It appears at once that Soya meal is a highly efficient import from a standpoint of tonnage. Its greater utility surely should be explored.

On a calory basis, butter, dry whole milk, cheese, powdered whey, and dry skim milk rank high.

On a protein basis, dry skim, dried beef, dry whole milk, cheese, and canned roast beef rank high.

On a fat basis, butter, cheese, dry whole milk, boned beef, and frozen carcass beef lead. The latter two and butter are special shipping problems over and above their weight, however.

The table therefore suggests exploration as to the possibility of further use of whey, and a great concentration of effort to secure milk powder, cheese, and butter.

The Food Ministry already has expressed great eagerness to substitute for 200,000 tons of evaporated milk 70,000 tons of milk powder and 25,000 tons of butter, which in food value and tonnage would be an extremely good substitution. Because of questions about keeping quality, the effort is to get this combination rather than seeking whole milk powder.

In 1941 the U. K. imported 140,000 tons of evaporated and condensed milk, of which 124,000 came from the U.S.A. There were imported 21,500 tons of dry skim and 5,000 tons of dry whole milk. Of these 26,500 tons approximately 13,000 came from the U.S.A., and 8,800 from New Zealand, and the balance from other sources.

Total U.S.A. production of dry skim milk for human consumption in 1941 was slightly over 165,000 tons. Capacity on January first was estimated at about 200,000 tons. The Department of Agriculture goal for 1942 was set some time ago at 55% above '41 production, or 255,000 tons. If this goal were achieved this increase would more than meet the demands of the U.K. However, to achieve it would require construction of eighty new plants with a capacity of 1,500,000 pounds each. Priorities make this exceedingly difficult, and the passage of time already would seem to make the goal unattainable for this calendar year. U.S. domestic

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consumption stood at around 180,000 tons in 1941. Some curtailment of this consumption may be looked upon as a possible resource if the expected expansion of production falls short of U.K. needs. The U.K. wishes spray skimmed powder rather than roller dried powder, since the latter is less soluble, and its use thereby restricted. Just what the output of spray skim may be and what may be available for U.K. will have to be explored.

A balance between the U.S.A. program for production of milk powder will have to be worked out with reference to the evaporated milk program, which has called also for plant expansion. Insofar as the milk powder may be available, any expansion of evaporated milk capacity not called for by our own military requirements should be called off. A balance also is required between these programs and the cheese and butter programs in order to make for most efficient use of the milk, which will be about 5% greater in quantity, and which is the over-all limitation.

In 1941, the U.K. imported 203,400 tons of cheese, of which 34,500 came from U.S.A., 116,500 from New Zealand, and 39,800 from Canada. In that year the United States produced 323,660 tons of American cheddar cheese, which was greatly ahead of our previous output. Capacity on January 1st was estimated at 370,000 tons. The Department goal was 395,000 tons, to reach which would require 200 new factories. (There are now 2,400.)

In 1941 the U.K. imported 212,000 tons of butter -- 69,700 from Australia, 128,000 from New Zealand. Butter has not been sent under Lease-Lend. U.S.A. 1941 production was about 1,030,000 tons and the 1942 goals called for 1,090,000 tons. Plant capacity for making butter is almost unlimited, depending only on the time, place, and amount of milk available for this purpose.

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4. DRYING OF MEAT.

One of the interesting possibilities of tonnage economy seems to be in the handling of meat, and the newest of the aspects of this possibility is the drying of meat. As background it seems worth while to quote a statement from the Ministry of Food on economies in meat shipping:

"The main economies of this nature have been:

1) Boning meat. Pre-war virtually no imported beef was boned; our beef imports are now in boned form to the following extent:

Argentine	90/100%
Uruguay	75%
Brazil	81.5%
New Zealand	80%
Australia	11%

(In Australia almost all available labour is engaged on boning beef for canning; canned meat is even more economical of space.)

Boned beef, in addition to consisting wholly of edible meat, stows better than carcase meat; thus a given space will carry 65% more food as boned beef than as beef in the form in which it was imported pre-war.

2) Telescoping mutton and lamb. Very soon after the outbreak of war a system of "telescoping" mutton and lamb carcases was introduced, effecting a saving of at least 20% in the shipping space occupied.

3) Trimming and packing of bacon. Pre-war imports of Canadian bacon were already in the most economical form; the sides were trimmed of all but edible bacon and packed four sides to a bale, flapped and burlapped. No further economy has been found possible but savings in stowage and dunnaging have been effected.

4) Canned meat. The shortage of refrigerated vessels has forced us greatly to increase our imports of canned meat, which is more economical of shipping space than carcase meat and additionally does not need refrigeration. Roughly 5 tons of carcase meat equal two tons of canned meat and we hope to import in 1942 450/500,000 tons of various canned meats, compared with pre-war imports of some 65,000 tons. Special measures have been taken to secure that as large a proportion as possible of corned meat should be packed in large tins as they are more economical of tinplate and shipping. The services' requirements must, however, be supplied in the smaller sizes and those canned meats issued under the points' ration are required for distribution in smaller sizes.

5) Dried meat. This product is still in the experimental stage but we hope to be able to obtain and use large quantities. We have indicated to Australia and New Zealand that we wish

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5) Contd wish to import 25,000 tons per annum from each Dominion and have indicated 10,000 tons as our requirements from Argentina. Quantities of this order will not be available for a period of several months, but initial shipments are being arranged. 1 ton of dried meat is equivalent to some 4 tons of carcase meat".

When our present inquiry was started there had been only vague stirring of curiosity about the possibility of drying pork. Being questioned, the Food Ministry reported that there would be real receptivity to the idea of drying at least such pork as goes into consumption in ground or chopped form. Mr. Maud wrote on April 1:

> "Our Meat Division see no reason why pork should not be dried. So far experiments have been confined to beef, mutton and lamb. Dried pork would obviously be an expensive product. If your people can send forward some dried pork we should welcome the experiment. The difficulty in other producing countries has been the shortage of machinery for drying, and also the fact that we need very large quantities of canned meat, particularly for the Services. You already know of our requests for dried meat to Australia, New Zealand and the Argentine, but we very much doubt whether they will reach the targets we have set".

In response to a cable, Secretary Wickard has sent word that experimental shipments will be made within a few weeks, at the completion of some bacteriological and other tests.

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5. OTHER POSSIBLE ECONOMIES.

A general process of the refinement of the food management job has gone on and will go on. For the purposes of a comprehensive report we include here without further specific suggestion but as itself suggestive a statement from the Ministry of Food which discusses their considerations in determining priorities as well as past and possible modifications in practices. This statement follows:

"SHIPPING PRIORITIES.

The considerations which have entered into the determination of priorities on imports have naturally been worked out over a period of time as sources of supply disappeared, the shipping position deteriorated and our experience and the degree of our control grew. Our main object was, of course, to import those foods which would best feed the nation with the minimum use of shipping. The steps taken may be broadly summarised as follows:-

Ia GENERAL.

(1) We progressively reduced and have now virtually eliminated canned and fresh fruit and vegetables (pre-war imports over 2 million tons).

(2) We treated imports of animal feed similarly, reducing the U.K. livestock population and increasing the home feed production simultaneously (pre-war imports over 6 million tons).

(3) We eliminated imports of unessential and luxury items.

(4) We reduced imports of certain staple foods to the levels needed to maintain those rations which were decided to be essential;

fats at least 8 ozs. per week.
sugar " " 8 " " "
bacon " " 4 " " "

(5) We import as much meat as refrigerated shipping will permit.

(6) We aim at maintaining supplies of certain items which relieve the monotony of a simple diet: jam and other bread-spreads and dried fruit (which also have a high nutrition value) and pickles, sauces and spices.

(7) We import as much wheat and flour and other cereals as necessary to meet unrationed demands. Mr. Appleby will be fully conversant with the considerations which led to the recent decision to increase the flour extraction ratio. Prior to that decision, U.K. flour production was below the consumption level and flour imports were essential. With the increased extraction ratio, U.K. flour production

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(7) Contd. is expected to be adequate to meet consumption and flour imports may well be small and limited to those quantities which are shipped in instances where, for technical shipping reasons, bagged flour is the suitable cargo. It should be added that, whilst it would appear to be a shipping economy to import flour rather than wheat the apparent economy is fully offset by the fact that flour stows less economically than wheat and takes longer both to load and to discharge.

(8) We import as much as we can obtain of certain concentrated foodstuffs: cheese, canned meat, canned fish, evaporated milk and milk powder and dried egg; the maintenance of supplies of these concentrated foods arrested the tendency of flour consumption to increase.

(9) In arranging import programmes and fixing shipping priorities careful account is, of course, taken of the expected home food production and of the level of stocks of each foodstuff.

The reduction which has so far been effected in U. K. food imports can be seen from the following figures:-

Total U. K. food imports excluding imports of unrefined whale oil and imports from Eire -

	Thousand net tons.
Annual average 1934/38	22,025.9
First year of war	20,061.0
Second year of war	14,337.8

Ib REFRIGERATED SHIPPING.

Priorities for the use of refrigerated shipping are considered separately and, as the shortage of shipping grew more acute, were based on the principle that all available cheese should be imported, other imports should be kept as low as possible and the greatest possible quantity of tonnage devoted to meat imports.

Following the loss of European and Scandinavian butter supplies, we were only able to obtain butter from the S. Hemisphere, whence refrigerated shipping was necessary. Rather than use large quantities of refrigerated shipping for butter at the expense of meat, we decided to import only sufficient butter for a 2 oz. ration, and to make up the required fat ration with increased supplies of margarine. (Pre-war butter imports averaged over 450,000 tons; in 1942 we intend to import only 150,000 tons).

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Our priorities thus are:

1) all available supplies of cheese
2) sufficient bacon to maintain the 4 oz. ration
3) " butter " " 2 oz. "
4) small quantities of frozen egg and inexpensive types of fish. (Greatly increased supplies of dried egg are expected and it is intended to discontinue imports of frozen egg).
5) all remaining tonnage to be used for meat.

II ECONOMIES IN PACKAGING, ETC.

1) Shell Eggs. We discontinued imports of shell eggs from the Southern Hemisphere (whence refrigerated shipping is required) during the second year of war and have more recently been obliged reluctantly to discontinue imports of shell eggs even from N. America. The available egg supplies overseas are now being imported in dried form (and to a minor extent in frozen form). 1 ton of dried egg equals about 5 tons of shell eggs.

2) Dunnaging and boxes. A number of economies have been effected by reducing the dunnage used in stowing cargoes and experiments are still in progress, to endeavor to discover a lighter butter box which could be used without damage to the butter in transit.

3) Bulk Imports. Packeted imports have been substituted by bulk imports wherever practicable (e.g. rolled oats are imported in bulk).

FURTHER ECONOMIES.

It appears that the major possibilities of economies have already been exploited and further economies will be achieved mainly by further increasing the proportion of beef which is boned (the limiting factor being skilled labour), by developing the meat drying process (which is barely out of the experimental stage) and possibly by further slight economies in the weight of butter boxes.

III SHIFTS FROM REFRIGERATED TO NON-REFRIGERATED SHIPPING.

The shortage of refrigerated shipping has led to the following shifts from refrigerated to non-refrigerated shipping:

1) Meat. Increased imports of canned meat and prospective imports of dried meat.

2) Butter. The Southern Dominions are preparing butterfat, which can be shipped in non-refrigerated space and can be used for manufacturing purposes and probably reconstituted into butter or used in margarine in this country. From New Zealand some 15,000 tons are expected in the next 12 months and some 24,000 tons per annum thereafter. Australia's potential production is not yet known. Small quantities may also be available from Argentina.

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3) Cheese. Experiments in the shipment of cheese from the Southern Dominions in non-refrigerated space have not been entirely successful but are being continued. Experiments have, however, shown that cheese can be shipped from the Southern Dominions to the U. S. East Coast in refrigerated space and trans-shipped to the U. K. in general cargo space in satisfactory condition.

4) Bacon. The possibilities of shipping ration bacon from N. America in general cargo space appear very limited. Shipments of pre-frozen bacon surrounded by an insulation of pre-frozen lard have, however, proved satisfactory although, for practical reasons, the quantity which can be shipped in this way is probably limited.

5) Manufacturing pork. Shipments of cured pork for manufacturing purposes can be and have been made from the U.S.A. in general cargo space; this appears to be impracticable only during the mid-summer months.

6) Eggs. The switch from shell eggs and frozen egg to dried egg is one from refrigerated to non-refrigerated shipping."

Further along the same line Mr. Maud wrote as follows on April 4:

"We have no general evidence of over-feeding or over-eating, and we cannot agree, therefore, that any further arbitrary reduction in total food could be made without prejudicing our war effort. We have in general now probably made the major savings which are possible in food and feed imports; but there are four ways in which further saving of shipping might be effected:

(1) Reduction of waste by:-

(a) anti-waste campaigns with particular reference to bread, potato peelings, etc;

(b) discouragement of induced waste for feeding to domestic livestock, pigs and poultry, etc;

(c) better food salvage for swill feeding;

(d) supplying a more palatable diet. This is a debatable point, but I think it is relevant. During the tight period of 1941 crusts of bread given to children were left lying about the streets of Smethwick. The children would not apparently eat them because there was nothing to put on them. Against this it is, of course, arguable that people over-eat on a palatable diet.

(2) Increased extraction rate.

Further savings could, of course, be effected by raising the extraction rate from 85% to 95%.

(3) Increasing the density of our importing programme.

It might be better in certain circumstances to increase imports of commodities of higher calorie value per ton than wheat and flour after allowing for stowage factors. Sugar is a better proposition from this point of view and pulses, both on calorie and protein content, have an advantage over wheat. Milk powder and dried eggs show up well and so, of course, do fats on a calorie basis."

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6. SUGAR SUPPLIES AND DISAPPEARANCE.

SUPPLY	Pre-War Amount (000 tons)	1941 Amount (000 tons)
Total supplies of sugar were:	2652	1940
Of this supply refined cane sugar was:	2202	1520
Requiring raw sugar imports of	2368	1658
The balance, from domestic beet-sugar was:	450	420(1)
Which came from domestic beet production of:	2938	3250

DISAPPEARANCE.		
Of this total, domestic consumption took:	2184	1430
While exports accounted for:	280	63
And air raid losses took:		14
And there was added to stocks	188	433
Total Disappearance	2652	1940

(1) Actual total out-turn of the 1941 crop will be around 454,000 tons. Since, however, part of it was not refined until 1942 because of a late season the calendar year figure shown is smaller.

It is estimated that 1942 domestic production of sugar beets will increase by 350,000 tons, which will make 53,000 tons of sugar. If this increase materializes, and if air raid losses and additions to stocks are discontinued, the 1941 level of consumption and exports can be maintained with raw sugar imports of 1,120,000 tons, a decrease of 538,000 tons over 1941.

This 1,120,000 tons will supply 4,000 million calories and no other food values.

Since over-all calculations made elsewhere in this report take account of prospective increases in domestic production and decreases in imports to offset '41 increases in stocks, figures above on sugar tonnage are not to be regarded as additional to the over-all calculations but as an item break-down.

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7. NON-FOOD USES OF CROPS.

It is obvious that in terms of labor and land and shipping the most efficient and economical of the several channels by which the food the United Kingdom needs can be secured is the direct route from field to consumer. Yet, in pre-war years only some 16% of the total weight and 29% of the total food value of crops produced by British agriculture followed this most efficient route. In 1941 about 20% of the total weight and 31% of the total food value were so used.

Looking at it another way, it may be said that British agriculture in 1941 did in fact produce sufficient food value in its crops so that, if all of it had been used for human food, there would have been enough to meet all the food needs of the British people, with no imports whatsoever.

Now obviously there are agricultural, nutritional and psychological limitations which make impracticable the actual attainment of the theoretical possibility of 100% utilization of crops for human food and 100% subsistence of the people on such crops. Within these limitations, however, there is considerable room for progress from the present 30% level of utilization in the direction of the 100% theoretical possibility.

The chief diversion of crops from food uses is, of course, in the growing of such purely feed crops as hay, fodder, roots, etc. The desirability of increasing food-crop acreage at the expense of these crops has already been suggested.

Even within the area of crops which are directly usable for food, a relatively small proportion of the total output is actually so used. Thus, in pre-war years, non-food uses accounted for about 64% of the wheat crop; 34% of the barley crop; 99.5% of the oat crop;

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24% of the potato crop and 17.8% of the vegetable crop. In 1941 these percentages were 35.2% for wheat;(1) 33% for barley; 80.5% for oats; 37.7% for potatoes; and 23.5% for vegetables.

The non-food uses of these crops consist of seed, feed, and waste. Reservation of a sufficient percentage of the total crop to provide seed for the next crop is, of course, inevitable. Some questions may be raised, however, as to the reasons why, as appears to be the case, an increasing percentage of the wheat, barley, and oat crops were assigned to this purpose in 1941 as compared with pre-war. It is possible that some part of this apparent increase is merely a mask for other and less legitimate uses.

As has been said, feed use of food crops becomes less and less desirable policy as the war continues and shipping becomes tighter. Substantial progress has already been made in decreasing the percentage of wheat, oats and barley being used for feed, although, if the Ministry of Food's anticipations are correct, some of this progress, in wheat at least, is more statistical than real. It seems certain that, by lowering milling standards and intensified measures to get all grain into governmental hands for allocation to various uses, there can be a significant decrease in the amount of grain going for feed and a corresponding increase in the amount available for human food. Wise policy would dictate that all or practically all non-seed wheat and as much of the oat and barley crops as can possibly be consumed as human food should be so used. Vigorous efforts should be made to

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(1) Assuming that all of the wheat which is supposed to be milled from the 1941-42 crop actually is milled. The Ministry of Food seriously doubts that it will.

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bring about such a result, even if, in the long run such a policy requires reduction of livestock populations other than dairy cows.

Waste of food crops, while to some extent unavoidable, is obviously subject to being curtailed by conscious effort. The figures on utilization give no indication of such curtailment and, in fact, show significant increases in the percentages of the potato and vegetable crops being wasted in 1941 as compared with pre-war.

Here again, intensification of efforts to improve storage, preserve by drying or otherwise such "seconds" as obviously will not survive storage, would be highly desirable.

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8. MILK

It has been pointed out that the British diet had a 27% calcium deficiency before the war. Milk consumption had risen steadily since the World War, but a considerable further increase would have been much to be desired.

DOMESTIC PRODUCTION AND CONSUMPTION OF MILK.

	1938-39	1941-42	Increase or Decrease
Total Milk Produced	6915	6124	- 791
Consumed as fluid milk	4805	5386	+ 581
Consumed in products manufactured on the farm	450	160	- 290
Consumed in products manufactured off the farm	1660	578	- 1082
Dairy cow population (000) (December)	3356	3392	+ 36
Production per cow (Tons)	2.060	1.805	- .255
(Gals)	449	393	- 56

The management of milk is discussed comprehensively in a report by Mrs. Dunbardt of the Embassy staff. For background it is set forth here:

"Milk and Milk Products - Before the war, control over milk supplies was centered in the Milk Marketing Board which was set up under the Milk Marketing Scheme of 1933. This Board is composed of 17 members, of whom 12 are regional members elected by the producers in each region; 3 are special members elected by the producers in general meeting; and 2 are persons accepted to the Board by the elected members. Thus it is entirely a producers' board.

The milk marketing scheme was originally designed to regulate the flow of milk into the manufacturing and liquid markets and was operated in the interests of the producers. In peace time, manufactured milk products are subject to competition from imports, while liquid milk, by its very nature, is protected from such competition. As imported dairy products became cheaper during the inter-war period, the price of milk for manufacturing fell and farmers began to withdraw their milk from the manufacturing market and put it on the liquid market. This threatened to upset the price structure of the liquid market, and as a consequence the milk marketing scheme was enacted and the Milk Marketing Board (1)

(1) There are actually four Milk Marketing Boards in Great Britain - a board for England and Wales, for Scotland, for Aberdeen and District, and for the North of Scotland. The discussion here refers to England and Wales but the constitution, functions and wartime changes are substantially the same for all the boards, although administration differs in many respects.

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established, under which the receipts of all milk sold in Great Britain are pooled in each of eleven regions and divided among farmers on the basis of their production of milk, irrespective of the marketing in which their milk was actually sold. This average return to the producer is called "the pool price." The Milk Marketing Board's control is exercised through its ability to determine the terms of the contract under which the producer is allowed to sell. Producer-retailers are, of course, outside the scheme, but they pay a levy to the Board on the basis of the milk they sell.

Producer-retailers deal with 17-25 percent of total retail milk supplies, the cooperatives handling some 25 percent and the large distributors and proprietary firms 50-55 percent. Producer-retailers compose, however, about two-thirds of the total number of retailers, although since the war there has been a tendency for their numbers to fall. (1)

The Milk Marketing Board's powers to protect the producer extended to the fixing of minimum prices in the retail market and consequently of the distributor's margin. From 1 April, 1940, the price of milk has been under the control of the Ministry of Food but the Milk Marketing Board has been maintained. In September 1940 the Minister of Food conferred sweeping powers over the sale, distribution and price of milk on the Board and empowered the Board to terminate or vary any contract to which it is a party. (2) Consumers' interests are assumed to be adequately safeguarded by virtue of the control by the Ministry of Food over the activities of the Board. (3)

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(1) The Children's Nutrition Council suggests this fall may be as great as 10,000 from the pre-war level of 70,000. Wartime Nutrition Bulletin, March 1941.

In connection with this tendency of the number of producer-retailers to fall, see the statement of the Parliamentary Secretary to the Ministry of Food (House of Commons, 20 August, 1940) "There has been a reduction of the number of producer-retailers of milk during the last eighteen months of 1,756 (2.8%).... due in the main to the sale of businesses, but is accounted for to some extent by producer-retailers entering into contracts for the sale of milk through the Milk Marketing Board instead of direct to consumers. The quantity of milk sold by producer-retailers in July 1940 was over one million gallons more than the quantity sold in July 1939."

(2) S.R. & O. 1716 (1940).

(3) "Proper regard for the interests of consumers and distributors of milk in connection with the powers which have recently been conferred upon the Milk Marketing Board will be secured by reason of the fact that the powers will be exercised under the general supervision of my Noble Friend, and subject to his specific directions where necessary." Parliamentary Secretary to the Ministry of Food, House of Commons, 23 October, 1940, Parliamentary Debates, vol. 365, col. 1048.

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The price of milk has been raised several times since the outbreak of war, and although the higher price of milk is not due primarily to distributors' margins, the cost of distribution has been one of the chief targets for critics of the milk policy of the Ministry of Food. The loss to the consumer as a result of unnecessary costs in the process of distribution has been commented on by many committees, official commissions and private bodies investigating the milk situation in Great Britain, (1) but no public action has ever been taken to improve the organisation of milk distribution. The widespread demand for improvement in distributive methods led the Minister of Food to appoint yet another committee to examine the subject. The Ministry then resisted all criticisms of milk distribution pending the submission of the committee's report. (2) This report (3) was submitted at the end of September 1940 and the conclusions reached were the same as those reached by each of the other committees - that the existing system of milk distribution was needlessly elaborate and wasteful.

The recommendations were, however, rejected by the Ministry of Food on the ground that conditions had changed since its publication. (4) It is the Ministry's policy in this as well as in other problems of distribution to utilise as far as possible the "existing channels of trade" and although producers have in some instances voluntarily

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(1) See Report of the Reorganisation Commission for Milk (Grigg Commission). Ministry of Agriculture and Fisheries. Economic Series No. 38, HMSO, 1933.

Report of Reorganisation Commission for Great Britain (Cutforth Commission). Ministry of Agriculture and Fisheries. Economic Series No. 44, HMSO, 1936.

Report of the Committee of Investigation for England on complaints made by the Central Milk Distributive Committee and the Parliamentary Committee of the Cooperative Congress as to the operation of the Milk Marketing Scheme, (Whitehead Committee) HMSO, 1938.

Report by the Food Council to the President of the Board of Trade on Costs and Profits on Retail Milk Distribution in Great Britain. HMSO, 1937.

(2) "....My Noble Friend .... has no intention of instituting any changes in present methods of milk distribution until he has considered fully the report, just published, of the Committee which he appointed under the chairmanship of Lord Perry to advise him on this matter." Parliamentary Secretary to the Ministry of Food, 5 November, 1940, in House of Commons, Parliamentary Debates, vol. 365, col. 1251.

(3) Report of the Committee appointed by the Minister of Food to examine the Cost of Milk Distribution (Perry Report) HMSO, 1940. See Appendix VII for the conclusions of this report.

(4) "Owing to the altered conditions obtaining since the date of the report of the Committee over which Lord Perry presided, His Majesty's Government have decided that it is not possible for them to adopt the recommendations made." Parliamentary Secretary to the Ministry of Food, House of Commons, 2 April, 1941, Parliamentary Debates, vol. 370, col. 1004.

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reorganised distributive methods for the purpose of reducing costs, government intervention has been slow in coming. It is self-evident that little would be gained if attempts to improve distributive methods caused so much dislocation that the complicated system of distribution ceased to function. (1)

The concensus of impartial observers is, however, that some interference would in many cases be desirable. The Select Committee of National Expenditure in its sixth report pointed out that:

> "War conditions, when centralised control is necessary for public purposes, create an unique opportunity for studying and improving the processes of marketing as well as wholesale and retail distribution. We have been greatly impressed by the report ... of the Committee appointed by the Minister of Food to examine the Cost of Milk Distribution ... We refer particularly to the proposal for rationalisation of distribution by restricting milk deliveries in any district to two organizations ... and also to the proposal for fixing the margin allowed for distributive services ...." (2)

The cost of milk distribution came to the fore during the last war because "Only in the economies to be effected ... in the costs of collecting and distributing milk did there seem to be any hope of reconciling the demands of producers for high prices and of consumers for low ones." (3) In 1917 a committee was appointed to examine and report on a variety of problems connected with milk production and distribution. In 1918 it forwarded a resolution to the Ministry of Food recommending that the Ministry take over direct control of the wholesale collection, utilisation and distribution of milk.

In October 1918 orders were issued giving the Ministry of Food unlimited power over the distribution of milk and providing that all manufacturing and wholesale milk business should come under the control of the Minister of Food and be worked on his account. The control, begun in October, was never carried through because the armistice intervened and the political situation thereupon changed. (4)

The high cost of milk distribution is not therefore a new problem in Great Britain. However, distributors' costs have risen steadily under the system of fixed retail prices established by the Milk Marketing Board. Competition between distributors, no longer allowed on a price basis, is only possible by increasing services offered the consumer. More and better service means greater costs of distribution. The committee on the cost of milk distribution appointed by the Minister of Food in 1940 considered that price competition among retailers should be restored and for that reason recommended that no retail, semi-retail or wholesale prescription of prices besides the fixed margin should be adopted.

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(1) Lord Rhondda once remarked, referring to the reorganization of meat distribution in the last war, that the problem was similar to that of rebuilding a bridge without interfering with the traffic. This simile is equally applicable to all attempts to reorganise distribution.

(2) Op. cit., p.11.

(3) Beveridge, op. cit., p. 265.

(4) Wholesale distribution of milk is, of course, controlled in this war through the Milk Marketing Boards.

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The Ministry has, however, extensively intervened to regulate milk distribution. Since the middle of 1940 the delivery of milk in the larger urban areas has been prohibited, before 6:30 in the morning. The effect of this restriction is to prevent large retailers from making more than one delivery a day, thus saving on transport and fuel. Traders selling milk must hold a license from the Ministry. Late in 1941 a Milk Movements Branch of the Milk Control in the Ministry of Food was established.

> "The function of this organisation is to redirect supplies in England and Wales as may be necessary to secure economies in transport and to bring the quantities of milk available in each area into line with changes in demand resulting from war-time population movements, and the Ministry's control of retail distribution." (1)

The control of retail distribution referred to is the Scheme of Supply created in October 1941 which makes provisions for distribution in accordance with certain priority classifications of the population. (2)

In December an order was issued requiring all suppliers to comply with directions issued by the Ministry of Food regarding the acquisition and disposal of milk. Retailers, including producer-retailers, were required to make returns stating (a) the quantity of milk they had available for sale in the previous week, showing as separate items the milk produced by them, the milk bought under Milk Marketing Board Contracts, and milk purchased by wholesale other than on Milk Marketing Board Contracts, and (b) their anticipated requirements of milk. This order was designed to locate local surpluses and enable directions to be given to transfer surpluses from one region to regions where milk supplies were short. Before this order came into operation, producer-retailers in rural areas were allowed to sell their surpluses direct and consequently rural consumers near producers received more than urban consumers. The new scheme will require these producers to give up part of their surpluses to meet the needs of other areas.

There has been a considerable increase in milk consumption since the war (3) partly due to the enforced restriction of condensed and dried milk supplies of which over one-third of the total consumption was imported before the war, and partly to the cheap milk scheme described below. It was met by diverting larger quantities of milk from the manufacturing to the liquid market, and during the winter of 1941 no milk was used for manufacturing. The use of milk in the manufacture of some foods is prohibited and the manufacturers of still other foods are restricted to a specified percentage of their previous consumption.

The Ministry is also concerned with improving the quality of milk and has worked out a scheme whereby periodical tests of milk for sourness will be made and advisory visits paid by experts to farms where the milk produced does not reach the required standard to help farmers meet the Ministry's requirements. Milk unsuitable for the liquid market might still be suitable for manufacturing, but since all milk now goes into the liquid market, the standard of all milk must be raised. (4)"

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(1) Parliamentary Secretary to the Ministry of Food in the House of Commons, 14 October, 1941, Parliamentary Debates, vol. 374, col. 1282.

(2) See Chapter on Rationing and Priority Distribution, pp.

(3) See above pp. 94.

(4) See report in The Farmers Weekly, 31 October, 1941, p. 32.

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The question of improved distribution has war-time significance not so much in terms of price as in terms of saving manpower and transport. Consolidation of milk distribution is thoroughly desirable, all of the British studies pointing to this, and the conclusion being supported by our knowledge of American experience. Consolidation of distribution should be accompanied as rapidly as possible by a general provision on pasteurization facilities. These steps should lead to a handling of fluid milk on a public utility basis, competition in this field being wasteful and without constructive contribution. Otherwise pasteurization tends to create a bottleneck where manipulation of control adversely affects the public interest.

Certain extensions of public control and partial consolidations of delivery are now being discussed within the Ministry of Food. Further reforms might be taken in successive steps. Chief deterrents are these: (1) Producers who also are retailers, and who in this combined function are hard to control both politically and physically, compose about two-thirds of all retailers, although handling only about one-fifth of the milk; (2) other vested commercial interest has been viewed as posing a difficulty under a food policy which relies on previously functioning commercial enterprises; (3) cooperatives, handling a fourth of the milk, by their structure present a special barrier to consolidated delivery.

Under schemes for consolidation which have been discussed, in one plan the largest distribution in a particular area would be given exclusive franchise; in another plan the two largest distributors, or a commercial and a cooperative concern, would be given exclusive franchises and the territories divided according to their previous operations. In either case, the cooperative would be a problem in that it pays patronage dividends. The cooperative argues that it cannot pay a patronage dividend to a member who, because of physical location, would be compelled to accept milk from a commercial distributor. The commercials argue that to assign any particular territory to a cooperative is to insure permanent co-op

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membership by all residents of the territory who would have nothing to lose and patronage dividends to gain.

Sufficient solution of the problem to make possible a substantial economy, would seem possible of achievement.

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9. VEGETABLE POLICY.

Although it is generally believed that the British people eat few and small amounts of vegetables, consumption has been going steadily upward since the last war. It is plain, too, that consumption now would be much greater if the supply would permit.

Since, on a tonnage basis, vegetables cannot be imported efficiently, and since they are especially important because of their vitamin content, domestic production of vegetables should be supported by something more effective than mere campaigns to increase acreage. The Ministry of Agriculture's seed programs for 1942 and again for 1943 do not seem to contemplate any particular changes in acreage, and we are told that domestic production of seed has about reached its practical limit.

Complaint of vegetable shortage as made by housewives is accompanied by complaint that vegetables are "dear". Subsidy of production and consumption should be considered, and more thought should be given to establishment of controls to insure equitable distribution. The following statement from the Ministry of Food cites certain difficulties but also shows that in particular instances where the need was sufficiently recognized, successive steps in management were found feasible:

> "With certain important exceptions, e.g., carrots, onions and tomatoes, there is at present virtually no control over prices and distribution of fresh vegetables.
>
> Production and Consumption. In the absence of imports of fresh fruit the Ministry fully appreciates the necessity on nutritional grounds for the maximum consumption of fresh vegetables by all classes of the community, and its policy has been to stimulate consumption by means of propaganda and at the same time to obtain, in collaboration with the Agricultural Departments, the greatest possible increase in acreage with a view to saturating demand. Prices have been left to find their own level on the assumption that given an abundance of supplies prices would automatically be kept low enough for even the poorest classes of consumer. It has been realised that this policy might result in an excess of production over demand, and that the Government might in that case have to subsidise producers' prices and to take responsibility for finding a market

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for surplus. These contingencies have in fact materialised so far as carrots are concerned (see below).

As regards vegetable acreage, this policy has met with considerable success. The area of vegetable crops (excluding potatoes and crops grown for fodder) on holdings exceeding one acre increased from 276,000 acres in 1936/8 to 381,000 acres in 1941. The target for 1942 is 468,000 acres, though this may not be attained. At the same time, as a result of the "Dig for Victory" campaign, the total acreage of potatoes, other vegetables and fruit on allotment and private gardens, increased from 165,000 acres in 1936/8 to 242,000 acres in 1941.

Prices.

There would be considerable difficulties in controlling the prices of most vegetables. These difficulties are:-

(a) The absence, and in some cases the virtual impossibility, of standardisation;

(b) The difference in transport costs to different markets;

(c) The wide variations in local and day-to-day market conditions resulting from climatic changes, for example:

(d) The danger that with standard prices vegetables in short supply would be sold by growers direct to retailers in or near the growing areas at the expense of consumers in centres which draw supplies from a distance.

Any attempt at price control would in fact almost certainly have to be coupled with arrangements for ensuring so far as possible an even distribution of supplies among all consumers.

While it is difficult to quote statistics, the prices of many essential vegetables have undoubtedly risen considerably since pre-war, in spite of the substantial expansion of acreage referred to above. This is partly the result of increased costs of distribution. Not only have wages and transport costs risen, but distributors' turnover has on the whole decreased, through the virtual disappearance of the fresh fruit trade, and margins are therefore necessarily higher. As regards the past winter, heavy losses resulting from the prolonged cold weather caused a scarcity of green vegetables which was reflected, for example, in the fact that the average retail price of cabbage at mid-March was about 6d. each compared with 3.1/2d. in March, 1941. The Ministry is now contemplating the necessity for fixing maximum prices for vegetables, and in conjunction with it the development of a measure of control over distribution. This would probably involve the canalisation of supplies through various classes of trader, i.e., the limitation of direct sales by growers to retailers or consumers, and the use of allocation committees in the wholesale trade for ensuring that each retailer receives

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his proper proportion of the available supplies. It seems unlikely that control for most vegetables will ever be extended to anything of the nature of consumer rationing in view of the practical difficulties. The whole subject, however, is at present under review.

Carrots. In view of the specially high vitamin value of carrots, the Ministry's policy has been an intensification of the general policy outlined above, i.e., stimulation of consumption by propaganda and an increase in the acreage. In this case, however, it was recognised that it would be impossible to obtain the large increase in acreage desired and at the same time maintain the necessary cheapness to the consumer without giving the producer a guaranteed price (involving a subsidy) and a guaranteed market. Guaranteed prices to growers were therefore established for the 1941 crop. As a result the acreage increased to over 33,000 in 1941 compared with 16,000 in 1939.

To handle the crop (and also the onion crop, see below) the Government in 1941 set up a special company - The National Vegetable Marketing Co. - financed by the Treasury, and with a Board of Directors appointed by the Minister of Food and on which the Ministry is represented. From a given date all carrots of the 1941 crop were required to be sold to this Company at prices which will undoubtedly involve a considerable loss. The policy of the Company has been to maintain retail prices at 1.1/2d. to 2d. per lb. in all areas, and for this purpose carrots have been directed to remote consuming areas where normally the price would have been considerably higher. The Company is responsible for disposing of any surplus - by, for example, preservation or by feeding to livestock - though as a result of the cold weather it appears unlikely that the surplus will be substantial.

Onions. In the case of onions, the main problem arose from the cessation of imports, the greater proportion of supplies before the war having been imported. There was no possibility in this case of growing sufficient supplies in this country to satisfy demand. The Government's policy, therefore, consisted of :-

(a) Inducing the maximum production by means of a generous guaranteed price; and
(b) Making arrangement to secure an even distribution of the limited supplies available.

The acreage of onions increased to 13,000 in 1941 compared with less than 2,000 in 1936/8.

Growers were required in 1941 to dispose of their whole crop to the National Vegetable Marketing Co. Consumers were invited to reserve supplies by registering with a retailer, and during the past winter a single distribution was made equivalent to 1 lb. per head of the population on the basis of these "consumer reservations".

The N.V.M.C. did not prove to be an entirely satisfactory piece of machinery, and as regards the 1942 crop it has been decided that both onions and carrots should be distributed under the control of the Ministry.

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Tomatoes. In this case again there is a shortage resulting from the cessation of imports, though the shortage is by no means so acute as in the case of onions. Home production has been very considerably increased, owners of glasshouses, who previously produced flowers, having been compelled to devote 50% of their glass area to tomato production.

In the case of tomatoes the Ministry's policy hitherto has been merely to control maximum prices. This immediately raised the difficulty referred to above, i.e., the tendency of growers to sell as large a proportion of their output as possible direct to retailers and as near as possible to the point of production. To overcome these difficulties different levels of price have been prescribed for different areas, which allow for transport costs, and an endeavor has been made to canalise supplies through wholesalers so far as possible by prohibiting direct sales to retailers, except under licence, and licensing such direct sales only in the case of growers who previously sold in that way and to the extent to which their sales were previously made direct.

This system, however, has not worked ideally, and in the 1942 season it is proposed to secure a better distribution by introducing a compulsory marketing scheme in respect of the main tomato producing areas. A large proportion of the total commercial output is concentrated in two areas, i.e., the Lea Valley on the northern outskirts of London, and the Worthing district on the Sussex coast. Growers in these areas will be required to sell their tomatoes only through the agency of an Assembly Association. This organization will divert a large tonnage to the North of England where supplies have been relatively short."

In general, the point to emphasize about the vegetable situation in Britain is that there is a great deal to be done in the improvement and management of marketing so as to make vegetables more uniformly available at prices within reach of the consumers who need vegetables most.

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ONIONS

The Food Ministry's most recent schedule of food shipments from America includes an item of onions - 10,000 tons. Since so small a quantity can serve no general distribution purpose except to provide flavoring, it is suggested that a worth-while saving could be made by seeking a much smaller weight of onion powder. Dr. Robert Harris of Massachusetts Institute of Technology has the process if it is not already commercially known.

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10. DOMESTIC SHELL EGGS.

Present marketing controls apply only to flocks of 50 hens or above. Action is being discussed which would extend control to flocks of 20 and above.

The existing control actually brings to government handling only about 4,000,000 cases of eggs a year, whereas the hen population would indicate a production considerably in excess of 9,500,000 cases. Control of flocks of 25 and upward would bring under governmental measurement about 8,000,000 cases, and if the control level were set at 20 roughly 6,450,000 cases would be secured. This would still leave about one-third of all eggs for unmanaged consumption. Of these probably about 550,000 cases are produced in flocks numbering 12 to 20, and probably 2,500,000 cases in flocks of 1 to 12. There are 650,000 producers with these minimum flocks of 12 or less.

One difficuly in too tight control is that production would be curtailed. The only reason many of the smaller producers keep hens is because they feel they will get the eggs themselves, and if the eggs had to be pooled, they would stop keeping them. Since about 50% of the diet of domestic hens consists of table scraps, there would be a net loss in food value.

The present rationing scheme provides that the domestic poultry keeper can get up to 48 lbs. of concentrate food per month for a maximum of 12 hens. This is reduced by 4 lbs. per hen under 12. Over 12 the ration is limited to one-sixth of the pre-war consumption plus a special allowance. Actually about 50% of all poultry concentrates are now going to flocks under 12.

Difficulty in collection is the chief argument against extending the control to flocks smaller than 20.

There seems to be no good reason to allow concentrated feed to go to the flocks which do not contribute eggs to the public pool. With reduction of feed that is in prospect the feed remaining should go to commercial producers. We recommend this change and extension of control to flocks of 20 and upward.

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11. CLASS HOTELS AND RESTAURANTS

For more than a year visitors from America have returned home with an unrealistic picture of both the food situation as a whole here and of the general situation with respect to deprivation and self-sacrifice in devotion to the war's necessities. In considerable part this erroneous impression has been a product of the practices here which permit class hotels and restaurants to function somewhat blatantly. Actually, of course, even these institutions do not have for their patrons over-large quantities or varieties of food, but the general impression somehow remains for the casual visitor. Here, too, one senses a growing popular resentment against these institutions. From the standpoint of international relationships and from the standpoint of domestic morale, therefore, it seems desirable to raise questions about further restrictions on these class institutions. Just what new restrictions might be established it is difficult to suggest, and for purposes of this report we simply point to the matter as a problem deserving further consideration on the part of the British Government. We do suggest that limiting prices and then permitting heavy extra charges will get more adverse publicity than good, and that changes of that sort are really irrelevant. The reforms should take the direction of reducing the amount of food available, perhaps by making a virtue of the present practice by requiring places charging more than certain prices to serve rarer goods, perhaps depriving them of rationed meats, and limiting the number of courses, or even items, served.

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12. BRITISH RESTAURANTS.

There has been no thoroughgoing study of the distribution of British restaurants with relationship to population needs and our impression is that the equity of food distribution would be more assured if there were such a study. Our feeling is that expansion of the restaurants would be a contribution to equity and a contribution to efficiency in the consumption of food. People could be fed less wastefully if fed from kitchens where large quantities of food are utilized.

Perhaps some thought should be given to improving the morale of the people engaged in the restaurant work by the formation of some kind of organisation equivalent to other wartime organizations.

Perhaps the formation of a special Corps is indicated, its members to wear uniforms or arm bands or some other special insignia. The name of such a Corps would deserve special care in order to get for its members the maximum of the feeling of dignity. One of the problems now is that people doing this kind of work are rated by themselves and by others, perhaps, as something of the status of kitchen maids, and scullions. A chef in almost any location is a more important person than a cook, for some language and association reason. Perhaps a Restaurant Corps would not be quite so good as a Food Corps.

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IV.

BALANCING OF RESERVES

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BALANCING OF RESERVES.

The experience and good judgment of the Ministry of Food have led to a determination of proper amounts to be maintained as desirable minimum reserves of essential imported foods in view of tonnage limitations, and no justified criticism can be made of such reserve stocks as are estimated for the end of May, 1942.

However, in view of the exigencies of the situation, the possibility that important sources of food supply may have to be relinquished and in view of the possibilities of blockade or invasion attempts, and the overall necessity of reducing as far as possible shipping space required for food purposes, it comes within the scope of our studies to give some consideration to the problem of what general stock policies now might be observed in the light of future possibilities.

Estimated reserve stocks as of the end of May, 1942, in terms of the number of weeks supply at the present rate of consumption are:

Table A.

Wheat and flour	14.5 weeks
Fats and Oils (omitting whale oil) average	8.7 weeks
Sugar, starch and rice---average	26.0 weeks
Meats (imported, including bacon and ham) average	14.7 weeks
Butter	6.6 weeks
Cheese	16.7 weeks
Condensed Milk	24.8 weeks
Dried Milk	34.0 weeks
Dried Fruit, tea and cocoa-------average	22.8 weeks

It would seem that some of the listed items might be increased on the basis of food value, practical usefulness and general acceptability in an emergency, and other stocks might be revised downward because of the existence of local foods with generally corresponding food values.

Let us first consider the different items contained in Table A above.

Wheat and Flour.

This estimate indicates that at the current rate of consumption 118,000 tons of wheat are turning into 100,000 tons of 85 percent flour, and 100,000 tons of flour are being consumed weekly. Present stocks of wheat and flour will produce bread for 14.5 weeks. This would seem to be a sufficient

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reserve because in the event of more difficult conditions the following steps could be taken.

A. Flour extraction could be increased to the maximum.

B. Oats and barley meal could be added in various quantities quantities to the flour mixture, or oats used as direct food.

C. Other feedstuffs could be substituted as food. (The above presupposes that in a serious emergency beef cattle would be gradually slaughtered for consumption purposes; feedstuffs would therefore become generally available for human use and land so used would be progressively converted to wheat.)

D. Bread could be rationed.

Generally speaking the wheat and flour situation will call for no special recommendation from the point of view of present estimated reserve stocks.

Fats and Oils.

Stocks of oil seeds, vegetable oils, margarine and lard (omitting whale oil) are estimated at 511,000 tons as of the end of May 1942. Consumption is estimated at 58,300 tons per week, from which it is evident that the supply on hand at the current rate is sufficient for 8.7 weeks. Because approximately one-third of this essential diet component comes from India in the form of oil seeds and ground nuts, in view of the importance of this food in the national diet and because of the relatively short supply in reserve, it would seem to be advisable to give consideration to increasing the reserves of such fats and oils by adding stocks of butter, margarine and lard, and lard compounds. From the table of food values attached hereto it will be clearly evident that butter ranks highest in calory and in fat value and to the extent that it can be made available, hardened for preserving, and stored in the U.K., it would seem to be a most desirable food reserve to accumulate further for an emergency. In any event, there would seem to be distinct advantages in adding this type of food, either in the form of butter, margarine or lard, in view of the general tendency in an emergency towards the consumption of carbohydrates.

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It may be assumed that in an emergency there will be a tendency to consume larger quantities of domestic pork, and fats coming from that source may modify the requirements for oils and fats. No exact measurement can be made, for the reduction in the beef and pig populations will be dictated by developments which are difficult if not impossible to forecast. Again, British hogs are not heavy producers of lard.

Generally speaking, if food reserves could be increased we should be inclined to recommend that additions be made in fats.

Sugar, Starch and Rice.

Estimate of stocks as at the end of May 1942, indicate 876,000 tons of sugar and 56,000 tons of starch and rice. Grouping these three items there will be a supply sufficient to last 26 weeks, assuming the current rate of consumption. In view of the estimated increase in domestic production of sugar-beets of 350,000 tons, (45,000 tons of sugar) and the recent raising of stocks, the 1941 level of consumption, exports and the present level of reserves can be maintained with raw sugar imports of approximately 1,080,000 tons as compared to 1,641,000 tons in 1941. As the demand for sweets is constant and as there is some degree of justification from a morale standpoint for maintaining the public supply of sugar and preparations made with sugar, and since sugar is highly concentrated food, there is good reason to continue importations. But because sugar is not an essential form of food, and as there are many domestic foods which can be substituted for calory values, it should be possible, under shipping necessity, to make a further substantial cut in existing reserves. A cut of 420,000 tons for example, would reduce the reserve to a supply which would last 15 weeks at the present rate of consumption.

Meats—carcase, canned, corned, bacon and ham.

Available data indicate that there will be in existence at the end of May, 1942, 409,000 tons of all meats, which should be sufficient for 14.7 weeks at the current rate of consumption. In view of arguments contained in other parts of this report and bearing on the better maintenance of dairy

herds, a decrease in the number of beef cattle and the slaughter of the latter for food purposes, it would seem safe to assume that meat reserved need not be increased from imported sources, it being possible to rely on the domestic livestock for any greater meat reserve supply.

Butter.

It is estimated that there will be on hand 21,000 tons of butter at the end of May, 1942; that current consumption will be running at 3,200 tons per week; and that at this rate the supply will be sufficient for 6.6 weeks. Because of its high food value and because of the general shortage of fats and oils, it would seem wise to find every means possible for increases in imports, improvement of preservation, and local storage facilities. However, to the extent that butter supplies cannot be added to existing stocks, emphasis should be laid on other fats and oils, or on cheese.

Cheese.

The estimate of cheese consumption for May, 1942, stands at 4,500 tons per week as against 3,700 tons per week pre-war. The supply on hand will approximate 75,000 tons, sufficient to last 16.7 weeks. In an emergency, bread and cheese would be probably a most generally acceptable food combination and as cheese stands high in the scale of food values, can easily be preserved, and requires no special preparation, it is an item which would be in any program for stock enlargement. Certainly, cheese stocks should not be reduced.

Dried Milk.

Stocks are estimated at 17,000 tons at the end of May, 1942, and consumption at 500 tons per week, indicating supplies sufficient for 34 weeks. General acceptance of dried skim milk is not yet as broad as it might be; it is a superior reserve food, however, and stocks should not be reduced. Condensed and evaporated milk have been omitted from this study because of the greater economy in packaging and in shipping weight in the use of dried skim milk. Dried whole milk has also been omitted because of questions

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about its keeping quality and because the amount available is relatively small. It is of interest to note that reduction of condensed milk stocks from 24.8 weeks to 14 weeks supply would save some 45,000 tons.

Dried Fruits, Tea and Cocoa.

Estimates of stocks on hand at the end of May, 1942, are 235,000 tons, and weekly consumption will be running at 10,300 tons, so that supplies should be sufficient to last an average of 22.8 weeks. For emergency purposes dried fruit reserves (16 weeks) could be allowed to run down, although this type of food will continue to be imported, particularly in the winter 1942-3. A reduction of a two weeks supply would save nearly 8,000 tons.

Because of national habits and its usefulness as a stimulant it is assumed that the supply of tea will be maintained until it is no longer obtainable. Estimated stocks as at the end of May, 1942, are 90,000 tons, sufficient for 26.5 weeks. While present reserves of tea are somewhat disproportionately large, it would seem inadvisable to reduce stocks, particularly as developments in the tea producing regions may operate automatically to curtail importations.

Cocoa, for which the estimate is 84,000 tons, is sufficient to last 27 weeks but in case of stress it may be advisable to extract the maximum amount of cocoa butter from the cocoa beans in order to replace shortages in the supply of oil seeds.

No special treatment of the reserve stocks of domestically produced food here is attempted. It is assumed that such crops will remain generally available in any situation that can be managed at all. How long the country could function under siege would depend considerably upon the season. Much will depend on the stocks of vegetables and potatoes that are then available and it is obvious that extension of these crops is of the greatest importance.

General consideration of all the factors at hand indicates the need for increasing reserves of fats and oils and that butter and butter equivalents are the most desirable products to add. If cheese and dried milk are also

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stocked in larger quantities it would seem safe to permit gradual reduction of all other reserve stocks if the emergency so requires.

To give a clearer picture of the savings in tonnage that might be effected if conditions dictate reduction in stocks, attention might be drawn to the following:

If sugar stocks are reduced from 26.8 weeks to 15.0 weeks supply, tonnage saved would total	420,000
If dried fruits stocks are reduced from 16.1 weeks to 14.0 weeks supply, tonnage saved would total	8,000
If condensed milk stocks are reduced from 24.8 weeks to 14 weeks supply, tonnage saved would total	45,000
Total.....	473,000

Allowing for seasonality factors (sugar stocks for example are highest after domestic production comes in, and normally are steadily reduced in subsequent months), it is our belief that 1943 shipping can be reduced safely by a 400,000 ton reduction in stocks.

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Commodity	Cubic Feet per Ton (Stowage)	Calories per # Shipping ton (000)	Protein per Shipping ton (000)	Fat per Shipping ton (kilo)	RANK					
					Calories	Protein	Fat	Protein and Fat	Calories and Protein	Calories + Protein + Fat
Dry whole milk	58	4,501	234.3	239.7	2	3	3	1	1	1
Dry skim milk	58	3,290	326.0	9.2	5	1	11	5	2	4
Cheese	68	3,496	212.5	289.4	3	4	2	1	3	2
Dried Beef	68	1,971	290.3	53.4	10	2	10	5	4	7
Butter	60	6,912	5.7	764.5	1	13	1	8	6	3
Powdered Whey	58	3,451	122.5	2.7	4	9	12	11	5	9
Boned Beef	75	2,720	177.9	218.0	8	6	4	3	6	5
Beef-canned Roast	41	1,639	190.5	99.1	11	5	6	4	8	7
Frozen Carcass Beef	80	2,285	148.4	183.1	9	7	5	5	8	6
Beef - canned corned	50	1,444	140.3	91.5	12	8	7	9	12	11
Condensed Milk	47	2,990	74.0	76.8	7	11	8	10	11	10
Evaporated Milk	47	1,129	57.0	64.2	13	12	9	11	13	13
Wheat	47	3,102	111.9	7.8	6	10	13	13	8	12
Soya Meal	62	3,852	378.6	205.2	3/	1/	4/	1/	1/	1

"Shipping ton" includes the commodity plus weight of ordinary export packaging.

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V.

FOODSTUFFS IN AUSTRALIA

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FOODSTUFFS AVAILABLE FROM AUSTRALIA DURING AND AFTER THE WAR

(From H. R. Tinney, Australia House).

In attempting to assess quantities of foodstuffs likely to be available, account must be taken of several factors which would exert an influence on the position.

On balance, it is thought that some reduction from recent levels must be contemplated for the following main reasons:-

(a) Expansion of home forces will take labour from primary production and will tend to increase consumption, particularly of processed foods.

(b) Increased quantities for foodstuffs will be required to provision U.S.A. forces and the returned A.I.F.

(c) A cumulative loss in output, particularly of cereals and sugar, must be expected due to the cessation or great reduction of phosphate imports.

On the other hand, labour remaining on farms or in food processing factories may be expected to function to better advantage, particularly if it is stressed politically that increased production is required and if it can be related to the general war effort. Some increases have already been occasioned during the war by the belief that production of food in Australia was assisting the war effort in the United Kingdom, but this is less than it might have been owing to the inability to see far enough ahead as regards available shipping space and to plan for long term contracts.

With the above points in mind, the attached table may be taken as a guide. Over a short term, seasonal conditions might well cause a serious departure from the estimates given, and no account has been taken of such possibilities as loss of factories by enemy action, invasion of producing areas or a "scorched earth" policy.

Summed up, the estimates given should be treated with considerable reserve in view of the difficulties in assessing the effect of the various factors mentioned over any appreciable future period.

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Commodity	Average Annual exportable Surplus	Remarks.
MEAT	225,000 tons	Figure expressed in terms of carcase meat (tons-in). At least half could be canned. The limiting factor to further canning is unsuitability of lamb as raw material; therefore if it is possible Australia would prefer to ship lamb (say 90,000 to 100,000 tons) in frozen form.
BUTTER	60,000 tons	This is quantity at present being manufactured for shipment to United Kingdom. Balance of production will probably be shipped in form of butter fat (as non-refrigerated cargo), but quantity before 1948 will be negligible. Pre-war exports of butter were approximately 100,000 tons.
CHEESE	25,000 tons	Production "target" is 40,000 tons but exports for third war year would not exceed 10,000 tons owing to bad season in important dairying districts.
DRIED MILK) CONDENSED MILK)	10,000 tons	Figure represents approximate pre-war exports. Requirements in Australia will be substantial and seasonal factor will be important.
EGGS (Dried)	2,000 tons	This quantity should be attainable by 1948 when all eggs will be shipped in dried form.
DRIED FRUITS	75,000 tons	Industry will probably suffer from lack of labour but shipment of lower grades would tend to maintain shipment of the quantity indicated.
SUGAR	400,000 tons	Figure given is average of pre-war exports. Very difficult to assess effect of loss of phosphates, shortage of labour (much of which was Italian), etc. It should also be pointed out that mills and stores are in vulnerable areas, and also that sugar may be diverted to the manufacture of power alcohol.

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Commodity	Average Annual exportable Surplus	Remarks
WHEAT AND FLOUR	2,500,000 tons	Quantity expressed in terms of wheat, using conversion factor of 4 parts wheat = 3 parts flour. There is a large seasonal variation in production and cereals will be greatly affected by loss of superphosphate supplies.
JAMS AND PULP	20,000 tons	Estimate is very problematical. Exports have increased rapidly in recent years (6,250 tons in 1938/9), but ample raw materials and canning facilities are available. Increase in production of jam would reduce available supplies of sugar.
HONEY	6,000 tons	Estimate represents present available quantities.

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VI.

NEW ZEALAND EXPORTS

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NEW ZEALAND EXPORTS
(From R. M. Campbell New Zealand Government Offices)

1. Current 12 months' period — estimated exports (to, or to order of, U. K. Government).

	Tons
Meat, frozen	190,000
" canned	54,000
Butter	90,000
Cheese	160,000
Milk Powder (Skimmed)	6,800
Evaporated Milk	1,885

2. Estimated position at 30th June, 1945:

(a) Frozen Meat: assuming shipments on average of last 18 months, namely 25,000 tons monthly, estimated stocks 30th June, 1945, at present production level 100,000 tons. With production increased to maximum: 125,000 tons.

(b) Canned Meat: no present stocks, and we estimate production 50,000 tons new to 30th June, 1945. We have no regular lifting basis, but Ministry can deduct expected liftings from production figure, giving estimated stocks 30th June, 1945. In addition to manufactured stocks, we expect to have raw meat ready for canning at 30th June, 1945, which when canned, would give additional quantity 14,000 tons canned meat.

(c) Creamery Butter: assuming shipments at present level, namely 7,500 tons monthly, estimated stocks 30th June, 1945, at present production level 38,000 tons. Would also have at 30th June, 1945, any unshipped balance of 6,000 tons lower grade butter or equivalent dehydrated butter. This quantity of 6,000 tons represents present stocks plus manufacture to 30th June, 1945.

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(d) Cheese: assuming shipments at present level, namely 12,000 tons monthly, estimated stocks 30th June, 1943, at present production level 44,000 tons.

(e) Full Cream Milk Powder: no present stocks and we are endeavouring to arrange manufacture up to 12,000 tons to 30th June, 1943, including Glaxo. Stocks 30th June, 1943, dependent on liftings in regard to which we have no regular basis.

(f) Skim Milk Powder: present stocks 500 tons and manufacture to 30th June, 1943: 7,000 tons. With liftings as at present, stocks 30th June, 1943, would be negligible.

(g) Evaporated Milk: present stocks 450 tons and manufacture to 30th June, 1943: 2,400 tons. Stocks 30th June, 1943, dependent on liftings.

In regard to dairy produce items (e) to (g), it is unlikely that any substantial increase in production will be possible.

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BROKEN JURISDICTIONS

We have had little opportunity to study the food situation and productive possibilities in Scotland. Even given time, there would have remained constitutional questions difficult for us as Americans to address. Yet it would be a serious omission if we should fail to point out that broken jurisdictions of government cloud the whole picture, handicap the government in its task, and make for disparities.

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VII.

CONCLUSION

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SUMMARY

1. RECOMMENDATIONS CONCERNING U.K. POLICY

It is our belief that there has not been a sufficient urgency in recognition of the critical stringency of the shipping situation, either in farm production policy or in food import and management policy. As matters stand, there will be a shortage of supplies not adequately anticipated and planned for, or there will be an inability to divert to offensive effort shipping that could be diverted and should be diverted. Probably the result will be some of both of these conditions. Policy has been a development of earlier policy. It has not been, for the period ahead - for the rest of 1942 and for 1943 - a sufficiently radical and new policy.

Figures we have used in our lengthy discussions - like all figures - are subject to argument. It is important that the matter not degenerate into an argument about the figures. The figures illustrate. The relationships and the logic, we believe to be clear. The manner in which the logic is to be applied can best be determined by British authorities. Granted the urgency, the officials here readily concede that more can be done. In agriculture, field people say, "We have not been told of this urgency. The Government as a Government - not merely the Ministry - must tell us. We have been told that we must plan for 1947." So long as thinking is so fore-sighted it is the thinking of war-normalcy. We believe that Britain cannot afford foresight beyond 1944, and that the winter of 1943-44 will be the most drastic winter here, if the war is to be won. We believe that the utmost possible

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production and the least possible import of food should come in 1943; that diversion of shipping to food thereafter will be at less cost to the war effensive.

These judgments, of course, can be valid only if they are the judgments of the Governments. The recommendations indicate savings which can be made according to Governmental judgments of urgency.

The recommendations concerning British farm policy to which we attach special importance are these:

1. To produce more concentrated feed for livestock, but to produce in total less feed for livestock, in order:

2. To produce more food directly available for human consumption;

3. To change from less efficient - per acre - food crops, to more efficient.

4. To manage feed consumption so as to divert it from other animals sufficiently to avoid prospective decrease in milk production, and, more positively, to secure from the existing milk-cow population (which is equal to the pre-war population) an amount of milk equal to the amount produced pre-war.

Shifts under Nos. 2 and 3 would be: from oats, largely used as feed, and with a per-acre starch equivalent return of 9.8 cwt, to wheat, largely food with a per acre starch equivalent return of 13 cwt; from barley (11.8) similarly to wheat; and from all of them to potatoes, with a per acre starch equivalent of 24.5 cwt.

The point of these recommendations is simply that, from a tonnage standpoint, producing feed is much less efficient than producing food. It is much cheaper - in tonnage - for the United

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Kingdom to import the concentrated food that comes in the form of animal products than to produce food and then to produce food from that food. Before the war, British farms sent about 16% of the weight of their product, other than grass, in the direction of consumers as food. Today the percentage is about 21. That figure should be increased just as much as possible. This means more food production and less feed production, less concern with rotations, willingness in many instances to grow wheat on the same for a second successive season.

Substantial gains can be made under a sufficient recognition of urgency. The greatest gains can be made only if the Government finds it possible to release temporarily to the farms a substantial number of skilled workers. That utilization of man-power as a means of saving shipping seems to us thoroughly desirable. The highly praiseworthy achievement up to now has been made with a heavy loss in skilled workers, a considerable increase in average age of skilled workers, a heavy loss in acreage to military establishments, a loss of quarters commandeered by the military, a loss of time by workers serving in the Home Guard. Yet with a few thousand additional workers and a sufficient sense of urgency, substantially more can be done.

For 1943 farm policy it should be emphasized that Governmental determinations should be made by June 1 if possible, by mid-June at latest. It will require all the remaining time after those dates to get organizational machinery to functioning to get revised fall wheat planting goals realized.

The same general reasoning applies to the field of food import, distribution and consumption management. There is a reluctance to count as real and to project into the future tonnage savings already really made, a reluctance to abandon

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an earlier, conservative and protective attitude, to explore urgently and to require every possible future saving. This is true even though an excellent job has been done, even though progress is being made steadily. There is not a sufficient sense of urgency.

The tables attached are illustrative. We believe ways - probably better ways - can be found, to bring imports down.

The two programs together have their implications for the United States. Britain should now work out such programs, determine ways in which the United States should underwrite these programs, and asks us for the necessary assurances.

The programs are suggested as twelve-months programs, rather than calendar-year programs, to be started at any month.

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SUMMARY OF RECOMMENDATIONS FOR U.K. POLICY

I. General Recommendations.

1. The total supply of food available for consumption by the British people should not be curtailed below the 1941 level.

2. However, war conditions will unquestionably require that this necessary amount of food be supplied with considerably less shipping tonnage than was used for the purpose in 1941.

II. Recommendations for Changes in Agricultural Policy.

3. Domestic production of food and feed should be increased as much as possible. Production of food crops should be increased much more rapidly than the general increase in crop production. This additional increase should be at the expense of feed crops. Specifically, there should be shifts from oats and barley to wheat, and from fodder roots to potatoes.

4. Milk production should be increased to the pre-war level. This may require an increase in the price of milk.

5. Production of vegetables should be increased.

6. To bring about the necessary general increase in domestic production, long-time considerations of soil conservation should be abandoned in favour of considerations of immediate productive efficiency.

7. Specifically, standard crop rotations should be abandoned in the interests of increased short-term production, and in 1943 farm practices should be determined without regard for their relative productions of manure.

8. As a further aid to a general increase in production, special measures should be taken to increase the supply of farm labour. These measures might include the release or temporary requisition of enlisted men and women not otherwise fully occupied, and should include the greater use of Prisoners of War.

9. The administration of available tractors should be improved to assure their greatest possible utilisation.

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10. In furtherance of the policy to encourage feed crop production, consideration should be given to raising wheat prices, and to lowering barley and oat prices, so as to make the growing of an increased amount of wheat profitable to farmers within the present Tax structure.

11. Even within the area of specifically feed crops, there should be a shift from less efficient per acre crops to more efficient. Thus insofar as labour and land conditions permit, there should be a shift from grains to potatoes.

12. To ensure most profitable use of that part of the total crop output which is necessarily feed, there should be increased Government control of all feed.

13. There should be a diversion of sufficient feed from beef cows, pigs and chickens to dairy cows, to enable milk production to be raised to pre-war levels. This shift should be enforced beginning immediately for completion not later than some time in 1943.

14. That part of the non-dairy livestock which could no longer be properly fed after the shift in feed recommended above, should be slaughtered and the resulting meat regarded as a short term addition to the meat supply.

15. As a further means of increasing milk production, there should be intensified Government efforts to popularize the raising of milk cattle and to allay current superstitititions regarding the desirability of this kind of farming.

16. Production of chickens and rabbits by domestic keepers and clubs should be encouraged, but feed allowances to poultry not producing for market should be withdrawn.

17. There should be a general intensification of Government efforts to bring about the changes in feed and livestock policy which have been recommended.

III.

Recommendations Regarding Imports

18. Imports of feed as feed, should cease entirely, and commodities which are now imported in raw form so as to provide feed by-products, should be reduced sharply. The programme should call only for such imports of feed in by-product form as will provide the necessary minimum of winter feed for dairy cattle.

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19. Insofar as possible, even this amount of feed should only be brought in in return cargo space which cannot otherwise be utilized.

20. Every effort should be made to bring in all feed imports in the most compact form compatible with public acceptability. Specifically there should be concentrated efforts to secure expanded imports of milk powder, cheese, butter and dried meat, at the expense of such less efficient commodities as evaporated milk and wheat. Thus there should be no evaporated milk imports at all, except for that amount which is essential for the use of the Services and which cannot be provided by domestic production.

21. There should be increased experimentation with the use of dried meat. Particularly the possibilities of bringing pork in in dried form should be further investigated.

IV. Recommendation on Stock Policy

22. There should be no general reduction in stocks in 1942.

23. Stocks of high food value items for emergency use should be increased, if possible. Specifically these would include butter, margarine, lard, lard compounds, dried milk and cheese.

24. Sugar reserves probably should be adjusted downwards by about 420,000 tons.

25. Condensed milk probably should be adjusted downwards to a fourteen weeks supply.

26. Dried fruit reserves probably should be similarly adjusted downwards to a fourteen weeks supply.

V. Recommendations Regarding Food Utilization.

27. Government control over eggs should be extended downwards to include all flocks of twenty and above.

28. Storage facilities for potatoes should be improved to curtail waste.

29. "Seconds" of potatoes should be dried and milled into flour promptly to prevent spoilage and waste.

30. The possibility of using potato flour up to 4% in bread, or of using an equivalent amount in special ways, should be seriously considered.

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31. Additional facilities for drying and milling of potatoes should be provided so as to permit the carrying out of the two preceding recommendations.

32. The extraction rate on wheat should be increased to 90%, or some dilution with oat and/or barley flour should be inaugurated as soon as psychological considerations permit.

33. Increases in flour extraction will probably result in some decrease in bread consumption. This decrease, plus certain other savings discussed in detail in this report, should be pointed to secure a total reduction in flour and bread consumption (in which there is considerable waste) of from 10 to 12%. One ounce of flour or bread per person per day is about an 8% reduction, and it would make a saving of about 450,000 tons. Something better than a half million tons would seem a possible saving in wheat imports, even allowing an offset of perhaps 100,000 tons for additional imports of more valuable foods. Reductions in flour and bread consumption might be attempted during the summer when vegetables are plentiful, and maintained through the winter in connection with a slight increase in points rationed or rationed foods.

34. The possibility of greater use of soya meal should be explored.

35. The possibility of greater use of powdered whey should be explored.

36. Petty violations of rationing and other restrictions should be discouraged by more rigid administration.

37. Controls should gradually be expanded to cover additional commodities, where stresses and inequities are especially apparent.

38. Communal feeding facilities should be expanded to take greater advantage of their superior efficiency in the use of food and fuel.

39. The distribution of British restaurants in relation to population needs should be studied, and in general the administration of this programme should be more unified and improved.

40. Consideration should be given to the possibility of semi-military organisation of people engaged in restaurant work, to lend dignity to this activity.

41. Further restrictions should be imposed on class restaurants to limit their nuisance value in both domestic and international public relations. These restrictions should be in quantity of food permitted, rather than in prices charged.

42. There should be intensified efforts to educate the population in the best and most efficient use of food.

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CURTAILMENTS OF U.S. CONSUMPTION REQUIRED TO MEET MAXIMUM U.K. & RUSSIAN DEMANDS.

Assuming the complete loss of all British Sources of Supply outside of North America or decision not to use these sources, and also assuming that British domestic production is changed in accordance with the most drastic recommendations of our report, the following curtailments of U.S. civilian consumption will be necessary to meet British demands plus the current schedule of shipments to Russia.

Butter	- Elimination of stock increases and curtailment of civilian consumption 15% below 1936-40 level.
Cheese	- Curtailment of consumption 5% below 1936-40 level, 59% below expected 1942 level.
Evaporated Milk	- No curtailment required. Present expected supply available for lend-lease demand is four times expected maximum demand.
Dry Milk	- Restriction of consumption to 1936-40 level, which was 22% below expected 1942 consumption.
Dried Eggs	- No curtailment required. Present supplies allocated to lend-lease export are 26% greater than maximum demand on current U.K. utilization schedules.
Meat	- Cessation of stock increases and curtailment of civilian consumption to 5% below 1936-40 level, or 15% below expected 1942 level.
Soya beans and flour	- No curtailment required.
Dried fruit	- No curtailment required if all amounts available for export are used for Lend-Lease shipments.
Dried beans and peas	- No curtailment required if 60% of amount available for export is used for Lend-Lease shipments.

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All fats and oils	- Restriction of consumption to 1936-40 levels which were 18% below expected 1942 level. Individual oils and fats (butter, linseed, edible tallow, peanut oil) would be much more heavily hit if present British combination of fats and oils were maintained.
Canned Fish	- U.S. consumption figures not available. Some restriction of consumption probably necessary because of expected short supplies.

The attached Table shows the amounts of the various commodities available in the U.S. with varying degrees of rationing and the amount the United Kingdom will need under various assumptions.

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	Russian Requirements.	Present Plans.	Group I Deductions 1944	Group II Deductions 1944	Group III & IV Deductions 1945	Group III & IV Deductions 1944	Loss of Far East Supplies	Loss of New North American Supplies	Total Maximum Demand
Butter	19						150	5	169
Cheese (American Cheddar)	19	104					150		265
Evaporated Milk		172			-172	-172			172
Dry Whole Milk									
Dry Skim Milk (Human Food)	19	91					7		117
Dried Whey									
Dried Eggs		57					4	5	66
All Meat	300	250	84	77		86	400	730	1927
Pork All									
Beef & Veal - All			84	77		86			
Starch		92							120
Soya Beans and flour		28							28
Dried Fruit		94					45	40	179
Dried Beans & Peas	66	86							191
Canned Fish		117							150
All Fats & Oils	300	259					180	200	1106
Lard		231							
Oleo Oil									
Oleo stearine									
Tallow, Edible							40	20	
Tallow, inedible & grease									
Fish, whale & fish liver oil									
All animal fats & oils									
Imported oils & products									
Imported oil seeds									
Domestic Castor Oil									
Domestic Corn Oil									
Domestic Cottonseed Oil								80	
Domestic Linseed Oil							140	100	
Domestic Peanut Oil									
Domestic Soybean Oil									
All vegetable oils									

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COMMODITY	TOTAL 1942	ALLOCATED TO: Military consumption.	Civilian consumption.	Non L-L Exports	Stock additions	1938-1940 Domestic consumption.	AVAILABLE FOR LEND-LEASE EXPORT: Present Plans	If stock increases cease	2 + civilian consumption at 1940 level	2 + civilian consumption 5% below 1940	1940 -10%	1940 -15%	1940 -20%
Butter	1100	74	982	6	38	984	-	38	36	85	124	185	252
Cheese (American Cheddar)	302	22	283	2	-1	241	128	128	150	162	174	186	198
Evaporated Milk	1940	130	1160	45	260	1055	405	665	720	775	825	875	930
Dry Whole Milk	25	7	16	-	-	9	-	-	7	8	9	10	11
Dry Skim Milk (Human food)	254	10	155	-	2	120	89	91	134	130	136	141	148
Dried Whey	22	-	-	-	-	-	-	-	-	-	-	-	-
Dried Eggs	105	9	5	-	2	5	89	91	91	91	92	92	95
All Meat	9745	245e	8804	156	272	7855	467	739	1688	2071	2484	2857	3220
Pork All	4964	-	4274	168	89	3643	445	534	1185	1347	1529	1711	1895
Lamb & Mutton	420	-	420	-	-	391	-	-	29	49	69	89	109
Beef & Veal - All	4389	245	3910	-	185	3821	22	205	494	675	856	1057	1218
Starch													
Soya Beans & Flour	4098	-	4044	-	-	-	54	-	-	-	-	-	-
Dried Fruit	871	52	334	103	-	-	102	205	-	-	-	-	-
Dried Beans & Peas	1119	45	780	182	-	-	182	-	-	-	-	-	-
Canned Fish													
All Fats & Oils	5511	-	5153	89	-44	4196	388	388	1296	1606	1715	1925	2135
Lard	1258	47	698	-	-	742	311	311	487	804	541	578	615
Oleo Oil	40												
Oleo stearine	22												
Tallow, Edible	40												
Tallow, inedible & grease	719												
Fish, whale & fish liver oil	48												
All animal fats & oils	2880												
Imported oils & products													
Imported oil seeds	448												
Domestic Castor Oil	4												
Domestic Corn Oil	129												
Domestic Cottonseed Oil	614												
Domestic Linseed Oil	272												
Domestic Peanut Oil	179												
Domestic Soybean Oil	802												
All vegetable oils	2151												

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3. AMERICAN POLICY.

The chief lessons to be learned from a study of the British food situation are lessons for the United States. Some of these are specific, some are general.

Among the specific things for American action are the following:

Early and deeper-than-planned rationing of fats and oils uses, and the most strenuous possible efforts to expand production, both as a way of providing more efficient tonnage - concentrated food and a shorter haul - and as insurance of adequate supply for Britain in view of the possibility of the closing of certain important sources.

To plan for a schedule of butter exports.

Concentration of new-capacity effort on dried milk plants in contrast to evaporated milk plants, because present evaporated milk capacity appears to be ample to supply any amount the shipping situation will permit us to send. To plan for greater stress is to plan for more dried milk.

To plan an increased supply of pork products as a substitute for more distant refrigerated shipping, as a substitute for any refrigerated shipping, to make in general for more efficient provision of food, and to offset decreases in British home production of meat.

To increase dairy production to the utmost.

To increase cheese production to the utmost.

To plan to provide in 1944, a minimum of 278,000 tons of beef, to offset decrease in British home production.

To investigate the possibility of curtailing U.S. civilian consumption of dry skim milk in event goals are not met or if U.K. demands increase.

To see how much of the American production of dried milk is spray-dried, and to concentrate on that method in prosecuting any new plant construction.

To work out a program of balancing evaporated milk, skim milk powder, cheese, butter and fluid milk in terms of the over-all milk supply.

To extend efforts to get dried meat production to a maximum.

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To substitute onion powder for the 10,000 tons of onions now scheduled.

To supply crawler-type tractors and Buckeye ditchers already on Lease-Lend schedules but now held up. 155

To supply full amount of triple-super-phosphate now on request.

In more general terms the chief lesson for the United States is that the best service the Department of Agriculture can perform is to regard America as the principal elastic factor in British food supply as, with Canada, the nearest and surest and most economical of shipping source, and to conclude that our home program must change frequently as the general situation changes, and that greater elasticity can be had both by pushing certain kinds of production further and by helping to establish earlier and deeper restrictions of American consumption of commodities important to British supply.

The following letter from the Ministry of Food discusses the subject of a fuller future reliance upon U.S.A.:

"When we met on the 25th March you asked me to let you have some information on what additional requests for supplies we should have to put to the U.S. if important sources of supply such as India and the Southern Dominions were lost. Broadly speaking, I cannot see where else we could replace these supplies except from the U.S.

I set out below some of the considerations which would need to be taken into account:-

(1) Oils and Fats and Milk Products.

(a) If shipments from India were to cease the most important loss would probably be of supplies of ground-nuts. A world shortage of soft oil bearing seeds would probably result and the U. K. would need assistance from the U.S. in maintaining fat supplies.

This assistance could probably take any or all of the following three forms:

Substantial supplies of soft oil bearing seeds;
increased supplies of lard; supplies of butter.

Whether this could be done by increased production in the U.S. or by reduced consumption is a matter you will no doubt be considering.

Supplies of castor seed, rape seed and linseed would also be lost, but these might be replaced in South America.

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(1) contd. (b) If shipments from the Southern Dominions were to cease supplies of animal fats both to the U.K. and North America would be lost and the U.K. would lose the whole of her butter supplies. This loss would result in the U. K. probably requiring assistance from the U.S. to replace the present 2-ozs. butter ration (this requires some 180,000 long tons p.a.). No doubt this topic also will be under discussion in Washington.

(c) The loss of supplies of cheese from the Southern Dominions would deprive the U.K. of some 2/3rds. of her total cheese supply. We would hope to replace these supplies from North America. An obvious problem would be the coordination of this requirement and that for increased supplies of butter or other fats.

(2) Meat - Carcase and Canned. If supplies from the Southern Dominions were lost we should be deprived of a considerable part of our canned and carcase meat supplies. As we are already importing all the carcase and canned meat that we can obtain from South America replacement would only be possible to the extent that more could be made available from the U.S.

(3) Sugar. If Australian exports both to North America and the U.K. were to cease, another source of supply would be lost. At present sugar is available in sufficient quantities to fill shipping available for the purpose but the loss of Australian supplies and possibly Indian also might have a serious effect on the world supply position.

(4) Dried Fruit. World supplies of vine fruits were seriously reduced as a result of the loss of Greek supplies. Both Canada and the U. K. import sizeable quantities of vine fruits from Australia. In present circumstances these could only be replaced in the U.S.

(5) Fruit Pulp, Jam and Honey. If valuable supplies we now obtain from the Southern Dominions were lost, we should hope to be able to look to the U.S. for replacement. We attach considerable importance to these as a relief to a monotonous diet, and as a method of ensuring that the public obtain their necessary intake of calories.

(6) Tea and Coffee. If supplies from India and Ceylon were lost the remaining supply would be negligible in relation to world demands. The use of alternative beverages would become essential, as would also the careful allocation of world supplies of cocoa and coffee. India is normally an exporter of coffee and this would render the problem more difficult.

(7) Pulses. We normally draw some supplies from India, and replacements could only be from the U.S."

U.K. authorities are concerned over the difficulty of importing beef in 1944 and thereafter, both in view of increasing loss of refrigerated ships and in view of increased slaughter of domestic livestock anticipated in this report. Examination of American construction plans and emphasis on adequate construction of refrigerated shipping consequently are clearly indicated.

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The general result of our study is to indicate that 1941 levels of food consumption and food reserves can be maintained with total food and feed imports of 11,180,000 tons, during a twelve month period beginning immediately. This reduction of some 3,500,000 tons, from the 1941 levels of imports, can be achieved without any radical changes in present policies, and in fact will result almost automatically from actions already taken. The elements in this reduction are shown below:

Maximum Import Programme

In 1941 there was imported a total of:	14,654,000 tons	
This can be reduced by -		
1. Cessation of stock increases.	1,250,000 "	(1)
2. Curtailment of animal feed imports.	741,000 "	
3. Increase in milling percentage of wheat. (Resulting animal feed loss: 649,900 tons)	618,000 "	
4. Increase in amount of home grown wheat milled. (Resulting animal feed loss: 171,000 tons)	171,000 "	
5. Increase in home production of feed: wheat and sugar at full replacement value; potatoes, vegetables, fruit, etc. at 1/14th replacement of wheat.	800,000 "	
6. Substitution of dried for evaporated milk, boned for unboned meat, etc.	300,000 "	
7. Increased home production of feed - 2,506,000 tons offsets feed losses from steps 2 and 4 above.		
8. Change in slaughter resulting from feed loss in step 3 above yields -		
First year...	113,000 "	
Subsequent years	(-) 84,000 "	
TOTAL REDUCTIONS UNDER PRESENT PLANS -		
First Year...	3,493,000 "	
Subsequent years	3,296,000 "	
BALANCE TO BE IMPORTED -		
First year...	11,161,000 "	
Subsequent years	11,358,000 "	

(1) See page 2.

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The statement that this programme will not reduce reserve stocks, must be qualified with respect to reserves on the hoof. Curtailment of animal feed imports, increasing the milling percentage of wheat and increasing the percentage of home-grown wheat milled, will, in combination, reduce the amount of feed available to livestock by 1,861,000 tons. This loss will be in large part offset by a 2,506,000 ton increase of home production of feed stuffs now officially estimated for 1942. Going beyond the official estimate, the Ministry of Agriculture hopes to be able to increase domestic feed production sufficiently to offset the total feed loss. If this expectation is fulfilled, the items under No. 8 in the preceding schedule can be disregarded and the net imports required for all years would be 11,274,000 tons.

If, however, only the officially estimated increase in production of feed materializes, there will be a net loss in concentrate feeds of about 650,000 tons. If, as seems likely, this loss makes necessary the slaughter of that part of the livestock population which cannot be properly fed, domestic meat supplies will be increased and necessary imports decreased by the amount shown in item 8 above in the first year. In subsequent years, however, domestic meat production will decline by about 84,000 tons, since the regular home slaughter will be from a smaller population.

(1) This figure is calculated as follows:

1. Total addition to stocks of foods which are imported.	1,775,000
2. Less 50% of 550,000 tons increased in wheat stocks on farms which may not be milled.	275,000
3. Less disappearance of invisible reserves in hands of retailers and consumers during 1941.	250,000
	1,250,000

It will be noticed that this estimate does not include at all increases in stocks of potatoes, oats and barley, which were in the neighbourhood of 1,000,000 tons. If these are included as 1/7th replacements of wheat imports and if vigorous Government efforts were made to assume that all, or almost all, of the increased wheat stocks in farmers' hands reaches the mills, a further decrease in the order of 400,000 tons in imports could be achieved.

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Reduced Maximum Programme

The basic maximum programme suggested above, could be further reduced to meet tonnage limitations by increasing the extraction rate of wheat by 95%. This would have the following results:

1. Basic maximum programme as above.		
	First year...	11,161,000 tons
	Subsequent years	11,358,000 "
2. Saving in wheat imports by 95% extraction.		586,000 "
3. Import Balance -		
	First year...	10,575,000 "
	Subsequent years	10,772,000 "
4. Change in slaughter resulting from feed loss of 585,000 tons of milling offals -		
	First year...	103,000 "
	Subsequent years	77,000 "
5. Import Balance -		
	First year...	10,472,000 "
	Subsequent years	10,849,000 "

Minimum Import Programme

More controversial would be two further possibilities for the reduction of imports. If there should be a controlled shift in feed from beef animals, hogs and hens to dairy cows, to ensure a return to pre-war levels of milk production, or if Mr. Hudson otherwise makes good his promise now to deliver pre-war milk production, there would be at a minimum, a considerable net reduction in imports for one year and a smaller, but still substantial saving in subsequent years.

The gain would come in part because the increased home milk production could be used to replace some 150,000 tons of evaporated milk, which would still be coming in for use by the Services, and some 60,000 tons of cheese.

Similarly, for purposes of a nonrecurring reduction in shipments for one year, an adjustment in stocks, which is regarded by the Food Ministry officials as reasonable, could be carried out without seriously affecting the reserve position.

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TREASURY DEPARTMENT

WASHINGTON

May 23, 1942

TO: Secretary Morgenthau
FROM: Herbert Gaston

At your direction, thorough investigation has been made to determine the security of the channels through which statistical information regarding lend-lease cargo is relayed from shipside to the Secretary's office. This investigation has covered the personnel handling these matters and the conditions under which they are handled.

The employees involved in this work have all been found to be loyal American citizens; the safeguards surrounding the performance of this work are such as to insure security, and the procedure being followed confines employment on these matters to the least number of people consistent with the proper handling of the work.

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BOARD OF ECONOMIC WARFARE
~~ECONOMIC DEFENSE BOARD~~
WASHINGTON, D. C.

OFFICE OF THE EXECUTIVE DIRECTOR

May 23, 1942

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

The minutes covering the meeting of the Board of Economic Warfare which was held on Thursday, May 21, are enclosed. If there are any corrections which you care to suggest, please let me know.

Sincerely yours,

Milo Perkins

Executive Director

Enclosure

RECEIVED
Treasury Department
MAY 25 1942
Division of
Monetary Research

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Minutes of the Meeting of the Board of Economic Warfare Held on May 21, 1942, at 10:00 A. M.

A meeting of the Board of Economic Warfare was held in the Vice President's office in the Capitol at 10:00 A. M. on May 21, 1942.

The meeting was attended by the following members of the Board:

The Vice President, Chairman of the Board
Mr. Dean Acheson, representing the Secretary of State
Mr. Harry White, representing the Secretary of the Treasury
The Secretary of War
The Attorney General
The Secretary of the Navy
Mr. W. L. Clayton, representing the Secretary of Commerce
Mr. Nelson Rockefeller
Mr. William Batt, representing the War Production Board

In addition, the following persons were present:

Mr. R. P. Patterson, Under Secretary of War
Mr. Laurence T. Duggan, Department of State
Mr. John E. Lockwood, Office of Coordinator of Inter-American Affairs
Mr. James W. Riddleberger, State Department
Mr. John Fischer, Board of Economic Warfare
Mr. Frank Coe, Board of Economic Warfare
Mr. Milo Perkins, Executive Director, Board of Economic Warfare
Mr. E. W. Gaumnitz, Special Assistant to the Executive Director, Board of Economic Warfare

A. The meeting was called to order by the Vice President. The Vice President asked whether there were any corrections or additions to the minutes of the May 7th meeting. There being none, the minutes were approved.

B. The Vice President announced that Mr. Donald Nelson had been added to the Board of Economic Warfare, with Mr. William Batt as alternate. In making the announcement, the Vice President stated that War Production Board representation would be a real benefit to the Board and expressed the hope that the arrangement would be mutually advantageous.

SWEDISH REPORT:

A report, "Exports of Strategic Materials to Sweden", had been sent to all Board members prior to the meeting. The conclusion stated in the report was that there was little economic reason for allocating

strategic materials to Sweden and raised the question of whether there were military and diplomatic considerations which might modify that conclusion.

The report and discussions developed that the United States is receiving almost no products from Sweden; Sweden is supplying to Germany or occupied areas considerable quantities of such items as iron ore, special steels, lumber, pulp, paper, machinery and foodstuffs (70 - 90% of Swedish foreign trade is with enemy and occupied areas); the Swedish merchant marine is of assistance to Germany in the Baltic; and Germany is now in debt to Sweden, a reversal of the previous position. On the other hand, the British are receiving some secret help and benefits from Sweden, including assistance in communications with Russia (landing fields and fuel); about 1/3 of the Swedish merchant marine is engaged in shipping for the United Nations (around 600,000 tons); Sweden seems favorably disposed towards the United Nations (apparently giving assistance to Germany under pressure); is attempting to maintain a position of armed neutrality; probably would resist German aggression; probably would give additional aid to the United Nations in case of Scandinavian action; and has a well trained army of 500,000 to 600,000 men, and a small but efficient navy.

It was generally agreed that there should be a continuation of the policy of licensing the export of foodstuffs solely for Swedish consumption, materials essential to Swedish agriculture, and industrial materials and consumers goods which would not constitute a substantial contribution to the German war effort, within the limits of our supply possibilities, but that there should be further examination of two phases. First, the list of critical materials requested should be checked very carefully, and second, that a sub-committee be appointed composed of representatives of the War Production Board, War, Navy, State and Board of Economic Warfare, with Mr. John Fischer of the Board of Economic Warfare as Chairman, which committee, working closely with the Ministry of Economic Warfare, should explore the possibility of an agreement with Swedish representatives under which shipments to other than friendly nations might be reduced, or such shipments as were made be of a less helpful nature, and possibly, specific benefits to the United Nations' war effort be increased.

ARGENTINE FUNDS:

A report on the progress of the sub-committee on Argentine Funds was presented. Mr. Acheson stated that a cable on the economic matters involved had been prepared for transmission to the United States Ambassador in Argentina. After some further discussion, it was agreed that study of the situation should be continued, with particular emphasis on specific steps which might be taken to cover specific actions or problems.

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RUBBER:

There was a brief discussion of a special rubber proposal.

The meeting was adjourned at 11:45 A. M.

Regraded Unclassified

May 23, 1942.

MEMORANDUM TO THE FILES

Subject: Conversation between Mr. White and Assistant Secretary of State Long on the question of sending Treasury men to Argentina.

On May 22, 1942, about 4:30 p.m., Mr. White talked to Assistant Secretary of State Long by phone with further reference to the above matter.

Mr. White told Mr. Long that the Secretary had asked him to call Mr. Long to state again that the Secretary would like to send several men to Buenos Aires - possibly two or three - for a few weeks. Mr. White said that the Secretary had in mind sending Southard (an economist), a lawyer and possibly a third man.

Mr. Long asked whether the Secretary thought that the State Department people in Buenos Aires were unable to get the information he wanted. Mr. White replied that the Secretary wanted to get as much pertinent information as possible, and that Treasury men conversant with the problem might be able to get additional information. The Secretary felt that the investigation at hand required men with special training in order to make sure of an adequate coverage of the problem and expeditious results. He said that Mr. Geist had been here to discuss the question of sending out an instruction and that we had told him what we wanted. Mr. Long wanted to know whether the people sent would work through the Embassy and Mr. White replied that of course they would. He added that their sojourn there would have the additional advantage of closer contacts with the Embassy men working on the problem. Mr. Long said he would let us know as soon as possible what the State Department's reaction was. He asked when it was proposed to send these people and Mr. White replied that they probably would be sent some time next week. Mr. Long concluded by again saying that he would let us know as soon as possible.

F.A.Southard, Jr.

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May 23, 1942.

NOTE FOR THE FILES:

Assistant Secretary of State, Breckenridge Long telephoned Mr. White at 12:30 on May 23 to say he had been talking the matter over with his colleagues with respect to the Treasury's desire to send somebody down to Argentina and they are of the opinion that it is best to keep to the arrangement which they already have. Mr. Long said: "We are supposed to be equipped to get you what you want and if we are not equipped, we will get equipped."

Mr. White thanked Mr. Long and said he would pass the information on to the Secretary.

H. D. White

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAY 23 1942

TO Secretary Morgenthau

FROM Mr. Foley

You may be interested in the following:

A recent application filed with the Foreign Funds Control by the Finnish-American Trading Corporation, which is a Finnish Government organization, indicates that George Murnane is the president and director of the corporation and that he is continuing as president and as director "at the request of Export-Import Bank of Washington, in view of the large interest of the United States Government as a creditor of Finnish-American Trading Corporation."

S. 1174

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MEMORANDUM TO THE FILES May 23, 1942.

Subject: Bolivian Stabilization Agreement negotiations.

Mr. Livesey telephoned to Mr. Southard on May 22, 1942 (5:45 p.m.), to state the following:

The Bolivian Ambassador has accepted and sent to La Paz the draft letter of assurance concerning the tin contract. Mr. Livesey is not sure whether the draft includes assurances against changes in exchange control.

The Ambassador has told State that he understands, of course, that we will not wish to sign a Stabilization Agreement until satisfied on the tin matter but that nevertheless he would like to send a draft agreement to LaPaz. Mr. Livesey therefore told Mr. Southard that the State Department had no objection to the Treasury proceeding with its negotiations. Mr. Southard told Mr. Livesey that he would refer the matter to Mr. White and an endeavor would be made to arrange a meeting with the Ambassador on Monday, May 25, at which, in accordance with previous arrangements, it would be anticipated that a State Department representative would be present.

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Photostat to H. D. White
5/25/42 -

DRESS OFFICIAL COMMUNICATIONS TO
THE SECRETARY OF STATE
WASHINGTON, D. C.

DEPARTMENT OF STATE
WASHINGTON

May 23. 1942

My dear Mr. Secretary:

With reference to your letter of May 20, 1942, I shall be happy to have the Department of State take an active part in a study of your interesting proposal for the creation of a Stabilization Fund for the United and Associated Nations and an International Bank for Reconstruction and Development. I shall also be glad to have a continuing contact established between this work and the work of the now functioning Advisory Committee on Post-War Foreign Policy.

I have designated Mr. Leo Pasvolsky and Mr. Herbert Feis to represent the Department of State at your meeting on Monday, May 25, at 3:00 p.m.

Sincerely yours,

Cordell Hull

The Honorable,
The Secretary of the Treasury.

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[redacted]

[redacted]

May 23, 1942

[redacted]

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended May 13, 1942, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York, and the means by which these expenditures were financed.

lmo-5/23/42

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C
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FEDERAL RESERVE BANK

OF NEW YORK

May 21, 1942

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White.

I am enclosing our compilation for the week ended May 13, 1942, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

The Honorable Henry Morgenthau, Jr.,
Secretary of the Treasury,
Washington, D. C.

Enclosure

Copy:vw:5-23-42

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ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Week Ended May 13, 1942

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT) DEBITS: Total Debits	Gov't Expenditures(a)	Other Debits	CREDITS: Total Credits	Proceeds of Sales of Gold	Securities (Official)(b)	Other Credits(c)	Net Incr. (+) or Decr.(-) in Balance	BANK OF FRANCE DEBITS: Total Debits	Gov't Expenditures (d)	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/28/40)*	1,793.2	605.6	1,187.6	1,828.2	1,356.1	52.0	420.1	+ 35.0	866.3(e)	416.6(e)	449.7	1,095.3(e)	900.2	195.1(e)	+229.0
War period through December, 1940	2,792.3	1,425.6	1,356.7	2,793.1	2,109.5	108.0	575.6	+ 10.8	878.3	421.4	456.9	1,098.4	900.2	198.2	+220.1
Second year of war (8/29/40-8/27/41)**	2,203.0	1,792.2	410.8	2,189.8	1,193.7	274.0	722.1	- 13.2	38.9	4.8	34.1	8.8	-	8.8	- 30.1
1941															
Aug. 28 - Oct. 1	140.9	105.9	35.0	176.2	20.1	2.0	154.1	+ 35.3	0.3	-	0.3	0.5	-	0.5	+ 0.2
Oct. 2 - Oct. 29	109.0	77.3	31.7	150.9	0.8	-	150.1	+ 41.9	0.3	-	0.3	0.3	-	0.3	-
Oct. 30 - Dec. 3	156.1	111.6	44.5	134.6	-	1.0	133.6	- 21.5	16.1	-	16.1	0.4	-	0.4	- 15.7
Dec. 4 - Dec. 31	88.4	69.6	18.8	51.5	-	-	51.5	- 36.9	0.8	-	0.8	0.4	-	0.4	- 0.4
1942															
Jan. 1 - Jan. 28	102.3	73.2	29.1	69.3	-	0.5	68.8	- 33.0	0.2	-	0.2	0.4	-	0.4	+ 0.2
Jan. 29 - Feb. 25	87.2	63.8	23.4	57.2	-	1.0	56.2	- 30.0	-	-	-	0.3	-	0.3	+ 0.3
Feb. 26 - Apr. 1	121.4	86.4	35.0	171.4	-	-	171.4	+ 50.0	0.1	-	0.1	0.4	-	0.4	+ 0.3
Apr. 2 - Apr. 29	98.1	64.2	33.9	70.6	-	0.5	70.1	- 27.5	0.2	-	0.2	0.4	-	0.4	+ 0.2
WEEK ENDED:															
Apr. 22	18.6	12.9	5.7	14.1	-	-	14.1	- 4.5	-	-	-	0.1	-	0.1	+ 0.1
29	18.4	14.7	3.7	13.4	-	-	13.4	- 5.0	0.1	-	0.1	0.1	-	0.1	-
May 6	31.0	23.9	7.1	78.2	-	-	78.2(f)	+ 47.2	-	-	-	0.1	-	0.1	+ 0.1
13	19.8	15.9	3.9	14.6	-	-	14.6(g)	- 5.2	-	-	-	-	-	-	-

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) $19.6 million
England (through June 19, 1940) 27.6 million
England (since June 19, 1940) 38.3 million

*For monthly breakdown see tabulations prior to April 23, 1941.
**For monthly breakdown see tabulations prior to October 8, 1941.

Transfers from British Purchasing Commission to Bank of Canada for French Account

Week ended May 13, 1942 $ - million
Cumulation from July 6, 1940 $ 162.7 million

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(a) Includes payments for account of British Purchasing Commission, British Air Ministry, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.

(b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to $334 million.

(c) Includes about $85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent the acquisition of proceeds of exports from the sterling area and other currently accruing dollar receipts.

(d) Includes payments for account of French Air Commission and French Purchasing Commission.

(e) Adjusted to eliminate the effect of $20 million paid out on June 26, 1940 and returned the following day.

(f) Includes: (a) $70 million paid to the British Purchasing Commission by Treasury of United States for diversion of planes to U. S. Government and (b) a transfer of $500,000 from Commonwealth Bank of Australia account here.

(g) $5.4 million received from Commonwealth Bank of Australia through Boston (presumably representing proceeds of wool) and $1.5 million received for credit of U. S. Army.

Regraded Unclassified

(In Millions of Dollars)

[redacted] (Confidential)

PERIOD	BANK OF CANADA (and Canadian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C: For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Balance	COMMONWEALTH BANK OF AUSTRALIA (and Australian Government) DEBITS: Total Debits	Transfers to Official British A/C	Other Debits	CREDITS: Total Credits	Proceeds of Gold Sales	Other Credits	Net Incr. (+) or Decr. (-) in Balance
First year of war (8/29/39-8/28/40)*	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
War period through December, 1940	477.2	16.6	460.6	707.4	534.8	20.9	110.7	41.0	+230.2	57.9	14.5	43.4	62.4	50.1	12.3	+ 4.5
Second year of war (8/29/40-8/27/41)**	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0
Aug. 28 - Oct. 1	23.1	-	23.1	52.2	21.2	-	-	31.0	+ 29.1	10.7	0.5	10.2	2.8	2.1	0.7	- 7.9
1941																
Oct. 2 - Oct. 29	37.4	-	37.4	19.7	11.9	-	-	7.8	- 17.7	8.2	5.5	2.7	8.0	5.9	2.1	+ 0.2
Oct. 30 - Dec. 3	52.8	0.1	52.7	32.5	19.3	-	-	13.2	- 20.3	10.3	6.9	3.4	11.6	9.0	2.6	+ 1.3
Dec. 4 - Dec. 31	47.7	-	47.7	22.2	17.3	-	-	4.9	- 25.5	3.9	1.8	2.1	2.8	0.2	2.6	- 1.1
1942																
Jan. 1 - Jan. 28	39.5	-	39.5	33.0	27.0	-	-	6.0	- 6.5	4.5	-	4.5	10.8	-	10.8	+ 6.3
Jan. 29 - Feb. 25	34.1	-	34.1	35.7	12.4	-	-	23.3	+ 1.6	8.4	5.3	3.1	1.6	-	1.6	- 6.8
Feb. 26 - Apr. 1	46.5	-	46.5	99.3	20.5	7.7	-	71.1	+ 52.8	7.8	1.3	6.5	3.6	-	3.6	- 4.2
Apr. 2 - Apr. 29	37.4	-	37.4	35.9	14.2	-	-	21.7	- 1.5	10.9	8.0	2.9	16.8	-	16.8	+ 5.9
WEEK ENDED:																
Apr. 22	5.9	-	5.9	11.8	5.1	-	-	6.7	+ 5.9	5.2	5.0	0.2	2.1	-	2.1	- 3.1
29	16.7	-	16.7	6.7	2.9	-	-	3.8	- 10.0	4.3	3.0	1.3	1.6	-	1.6	- 2.7
May 6	5.9	-	5.9	10.3	3.5	-	-	6.8	+ 4.4	1.7	0.5	1.2	0.3	-	0.3	- 1.4
13	12.4	-	12.4	12.6	5.4	-	-	7.2(a)	+ 0.2	0.3	-	0.3	2.1	-	2.1(b)	+ 1.8

Weekly Average of Total Debits Since Outbreak of War
Through May 13, 1942 $ 7.9 million

* For monthly breakdown see tabulations prior to April 23, 1941.

** For monthly breakdown see tabulation prior to October 8, 1941.

(a) Includes [illegible] million representing U. S. Government check[illegible] posited by War Supplies Ltd.

(b) $2 million for credit of U. S. Army.

Regraded Unclassified

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE: REPUBLIC 7860

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

SECRET AND CONFIDENTIAL

May 23, 1942

Dear Dr. White,

You were asking for later gold and dollar figures.

The usual table for April 30th up to May 15th is as below. The reason for the sharp rise in the dollar balance between April 30th and May 8th is the receipt of $70 millions for airplanes taken off British contracts of which you are aware.

	1942 April 30	May 8	May 15
Total Gold (Including Belgian	676	680	686
Official Dollar Balance	52	97	90
Total Gold and Dollars	728	777	776
Less: Belgian Gold	105	105	105
Scattered Gold	112	114	72
Gold reserve against immediate liabilities	10	10	10
Available Gold and Dollars	501	548	589

Yours sincerely,

T. McKitterick

RECEIVED
Treasury Department
MAY 25 1942

Dr. H. D. White
Director of Monetary Research
United States Treasury
Washington, D.C.

Regraded Unclassified

COPY

DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 835.51/1497

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated April 30, 1942, from a confidential source within the Government:

"Conversion of Argentine bonds owned by the Vatican."

> "As of possible interest to you, information has been received from a reliable, confidential source to the effect that during the latter part of November, 1941, Amministrazione Speciale Della Santa Sede, Vatican City, Italy, had requested their agents, Banca Francesse e Italiana Per L'America Del Sud, Congallo, Esq. S. Martin, Buenos Aires, Argentina, to exchange pesos 855,400 nom. Banco Hipotecario Nacional Cedulas Hipotecarias Argentinas 5% Series F. into the new 4% Cedulas."

Copy:bj:5-25-42 (1) J.N.P.

Regraded Unclassified

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DEPARTMENT OF STATE
WASHINGTON

May 23, 1942

In reply refer to
FF 835.5151/1332

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated May 5, 1942, from a confidential source within the Government:

"Swiss francs in the Argentine"

"As of possible interest to you, information has been received from a reliable, confidential source to the effect that in the latter part of December, 1941, a member of the Swiss Ministry in Buenos Aires stated that the reason that the Argentine Central Bank issued currency restrictions which resulted in Swiss francs being the only currency in which free exchange transactions could take place, was not due to generosity towards Switzerland, but was due to the fact that the Central Bank at that time was greatly in need of Swiss francs.

The placing of these Argentine restrictions on the Swedish kronor and the Portuguese cens was brought about through fears that these currencies would be used for the transfer of monies to Axis countries, according to this same Swiss official."

(1) J.N.P.

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 852.5018/119

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated May 2, 1942, from a confidential source within the Government:

"Attempted import of food supplies from Argentina for Spanish Seminaries."

"As of possible interest to you, information has been received from a reliable, confidential source which advised that in January of 1942 the Apostolic Nuncio, Madrid, Spain, has been granted permission by the Spanish Government to import food stuffs for the Spanish Seminaries but has not been granted permission for the transfer of the necessary foreign exchange to finance these purchases.

Suggestions were made that the Argentine Episcopate should furnish the required funds for the purchase of the desired food supplies which would be repaid after the war. It appears that this proposal met with the approval of the Argentine Ambassador in Spain."

eh:copy:5/25/42

J.N.P.

Regraded Unclassified

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 852.516/147

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated May 8, 1942, from a confidential source within the Government:

"Transfer of Spanish bonds"

"As of possible interest to you, information has been received from a reliable, confidential source to the effect that on December 23, 1941 bonds in the amount of 3,740,600 pesos were deposited with the Banco Hispano Americano, Madrid, Spain, which bank acted as correspondent for the Banco Provincia, Buenos Aires, Argentina. This action was made at the instance of D. Miguel Cortari, Spanish Embassy, Buenos Aires, Argentina."

(1) J.N.P.

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FF 833.5151/797

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated April 27, 1942, from a confidential source within the Government:

"Remittances from Uruguay to unoccupied France"

"Information which may be of possible interest to you, has been received from a reliable, confidential source advising that in May, 1941, the Uruguayan Government suspended the transfer of funds to all countries occupied by the German military forces. However, remittances to the unoccupied French zone were authorized by the Banco de la Republica with few exceptions.

While the remittance of funds in free exchange to the unoccupied zone of France is prohibited theoretically by the bank's regulations of January, 1942, transfers of funds in controlled exchange will not be affected. The Banco de la Republica, however, still has the authority to permit transfers of funds to the unoccupied zone of France in special cases."

(1) J.N.P.

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DEPARTMENT OF STATE
Washington

In reply refer to
FF 850.001/9

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and quotes for his information the following excerpt from a report dated May 2, 1942, from a confidential source within the Government:

"Funds for remittance to Marshal Petain"

"As of possible interest to you, information has been received from a reliable confidential source to the effect that up to January, 1942, 40,253.40 pesos (or about 418,000 francs) were donated in Argentina for the Secours National, which were to be remitted to Marshal Petain."

Copy:eh
5-25-42

J.N.P.

Regraded Unclassified

TELEGRAM SENT

MLR
This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (BA)

May 25, 1942
1 p.m.

AMEMBASSY,

RIO DE JANEIRO, (BRAZIL).

1371

FROM MR. FOLEY, TO EXCHANGE DIRECTOR, BANK OF BRAZIL.

"The Treasury Department wishes to express its deep appreciation of the cooperative attitude taken by Brazil in controlling transactions in dollar currency to prevent any benefit being derived from such transactions by the Axis countries. The action taken by Brazil as reported in the morning press will facilitate the enforcement of the rulings of the Treasury Department on the control of such currency. E. H. Foley, Jr., Acting Secretary of the Treasury."

HULL
(FL)

FD:FL:MLB RA FF

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DEPARTMENT OF STATE
WASHINGTON

In reply refer to
Le 740.00113A European War 1939/56

May 23, 1942

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury, and transmits for his information a copy of despatch no. 2325 of April 10, 1942 from the American Legation at Bern regarding the treatment of enemy assets and custody of property in French territories occupied by Italian armed forces. A copy of the Italian Official Gazette No. 235 of October 4, 1941 referred to in the despatch is not enclosed, but a translation of the Italian Proclamation dated August 31, 1941 set forth in the Gazette is enclosed.

Enclosures:

1. From Legation Bern no. 2325, April 10, 1942.
2. Translation of Italian Proclamation, dated August 31, 1941.

Copy:bj:5-26-42

Regraded Unclassified

COPY:MG:SS
COMPARED__

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AMERICAN LEGATION

Bern, April 10, 1942.

No. 2325

Subject: American Interests - Italy.
Treatment of enemy assets and custody of property in French territories occupied by Italian armed forces.

Via Airmail Pouch

The Honorable
The Secretary of State,
Washington.

Sir:

I have the honor to refer to the Legation's despatch No. 2322, of April 9, 1942, forwarding a report from the Swiss Legation at Rome relative to the Italian Law of War of 1938 and sequestration proceedings made pursuant thereof.

The Swiss Legation at Rome has forwarded a further report covering provisions of this law concerning the treatment of enemy assets and the custody of property in French territories occupied by the Italian armed forces. A copy of this report, with annex, is enclosed.

The Italian Press, according to the report, has announced that the practical application has recently commenced of the provisions contained in the "Bando", or order issued by the General Headquarters of the Italian armed forces, dated August 31, 1941, concerning the treatment of enemy assets and the custody of property in French territories occupied by the Italian army.

These provisions are similar to those contained in the Italian Law of War of 1938, and subsequent amendments in force in Italy. They apply exclusively to assets belonging to persons having the nationality of an enemy State other than France or countries under French authority.

The report further summarizes the provisions of the "Bando", and states that according to the press the sequestration provisions do not have the object of confiscating assets, but of establishing protective measures.

A copy of the report (Enclosure No. 1), and a copy of the Official Gazette No. 235, of October 4, 1941, (Enclosure No. 2), are attached hereto. "The Bando", dated August 31, 1941, appears on page 3947 of this Official Gazette.

Respectfully yours,

For the Minister:

J. WEBB BENTON
First Secretary of Legation

Regraded Unclassified

Enclosures:

No. 1 Report in English text of Swiss Legation, Rome, on provisions concerning the treatment of enemy assets and custody of property in French territories occupied by Italian armed forces.

No. 2 Italian Official Gazette No. 235 of October 4, 1941.

File No. 350
GR/mop

In quintuplicate to the Department.

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ENCLOSURE NO. 1 TO DESPATCH NO. 2325
Dated April 10, 1942 From the American
Legation, Bern

Report on Italian Law of War.

Provisions Concerning the Treatment of Enemy Assets as well as the Custody of Property Existing in the French Territories Occupied by the Italian Armed Forces.

The Italian press announces that practical application has recently commenced of the provisions contained in the "Bando" (order issued by the General Head Quarters of the Italian Armed Forces) dated August 31, 1941, concerning the treatment of enemy assets as well as the custody of the property existing in the French territories occupied by the Italian armed forces.

Such provisions are analogous to those contained in the Italian Law of War of 1938 and subsequent amendments enforced in the territory of the Kingdom of Italy. They affect exclusively the assets belonging to persons having the nationality of any enemy state other than France or countries under French authority.

A copy of the Official Gazette No. 235, dated October 4, 1941, is transmitted herewith. From page 3947 the above-mentioned "Bando", dated August 31, 1941 is given.

Attention is called to the fact that under an ordinance of the Duce dated January 7, 1942, the powers which were originally conferred on the "Bando" to the Supreme Command of the Armed Forces now devolve upon the Italian Armistice Commission to France.

The spirit of the provisions in the "Bando", the press announces, is that of warranting Italian State rights toward enemy states with relation to the enemy assets existing in the occupied zones. The sequestration provisions have not the object of confiscating the assets but that of fixing "conservative, protective, and precautionary measures".

A proof of this, the press emphasizes, is given by the fact that for real estate as well as for objects of artistic or scientific interest, the rules provide the appointment of a custodian-administrator only in case they are in a condition of neglect due to the absence of its proprietors or their agents or representatives.

Such custodian-administrator will act in the interest of the proprietors and that of local economy. He will be selected among qualified persons and his object will be the preservation as well as the best possible utilization of the assets.

The eventual net proceeds of the real estate is to be deposited in one of the agencies of the Banca d'Italia.

Regraded Unclassified

No additional custodian-administrator is to be appointed if the absent proprietor himself appoints an agent or representative residing in the occupied territories, who can ensure the good administration of the assets.

The administration of the few assets sequestrated belonging to persons of enemy nationality other than French will be entrusted to the Ente Gestione e Liquidazione Immobiliare.

Article 16 of the "Bando" in question invalidates all deeds executed among living persons transferring real estate situated in the occupied territories or the institution of real estate rights, unless previously authorized by the Armistice Commission.

This latter provision is intended to protect military exigencies in the occupied territories and, at the same time, to check speculation.

SOMMARUGA.

Rome, March 6, 1942.

Enclosure:

Copy of the Official Gazette No. 1941, dated October 4, 1941.

Regraded Unclassified

TRANSLATION

PROCLAMATION OF THE DUCE OF FASCISM, FIRST MARSHAL OF THE EMPIRE, COMMANDER OF THE TROOPS OPERATING ON ALL FRONTS, August 31, 1941-XIX.

Provisions concerning the treatment of enemy properties as well as the custody of properties situated in French territories occupied by Italian armed forces.

THE DUCE
FIRST MARSHAL OF THE EMPIRE
COMMANDER OF THE TROOPS OPERATING
ON ALL FRONTS

In consideration of Art. 6 of the Royal Decree of July 8, 1938-XVI, No. 1415;

In consideration of Articles 15, 17, and 18 of the text of the War Law, approved by the Royal Decree indicated above;

In consideration of the Royal Decree of June 10, 1940-XVIII, No. 566, which orders the application of the War Law in the territories of the State:

Orders:

CHAPTER I

Provisions relating to the declaration and sequestration of enemy properties.

Art. 1.

(Sequestration of enemy properties)

Properties belonging to persons having the nationality of an enemy State other than France or countries placed under her authority situated in French territory occupied by Italian armed forces may be submitted to sequestration.

Sequestration may also be ordered for properties which there is good reason to believe belong to persons indicated in the preceding paragraph, although they appear as belonging to persons of another nationality.

Properties which, on the date when the present proclamation goes into effect, are intended for the practice of the faith are not subject to sequestration.

Regraded Unclassified

Sequestration does not prejudice the rights of third parties.

Art. 2.

(Sequestration order and appointment of sequestrator)

Sequestration is provided for by the Supreme Command by an order which is effective from its date of issue.

The sequestrator is appointed by the same order.

Unless special reasons obtain, the Corporation for the Management and Liquidation of Real Property (Ente di gestione e liquidazione immobiliare) which, for the exercise of the powers conferred upon it, may avail itself of other bodies or institutions, is appointed sequestrator for real properties and for the personal properties found on them, as well as for other personal properties belonging to proprietors of real properties subject to sequestration.

By way of exception, the holders of sequestrated properties may be appointed sequestrators.

Art. 3.

(Compensation for the sequestrator)

The Sequestrator, when he is not the holder of the sequestrated property, is paid compensation, in addition to reimbursement for justified expenses, from the assets submitted to sequestration. Compensation and expenses are settled by the Supreme Command, taking into consideration the importance of the work required.

Art. 4.

(Notification and transcription of the sequestration order)

The sequestration order is published by posting in a place visible to the public at the Office of the Civil Commissioner (Ufficio del Commissario civile) within the limits of which the properties submitted to sequestration are situated.

If the order has as its object, even if only in part, properties liable to mortgage, this is also transcribed through the competent Civil Commissioner in the Mortgage Office. The transcription is not subject to tax or other charge.

The same formalities are observed in the event of revocation of the sequestration.

Regraded Unclassified

Art. 5.

(Attribution of the Sequestrator)

The sequestrator, under the supervision of the Supreme Command, provides for the custody, conservation and, if necessary, the administration of the sequestrated properties.

In all acts within his authority, he must exercise the care of a good pater familias.

The sequestration order establishes the term for the periodic presentation, on the part of the sequestrator, of the documented statement of assets and liabilities and the bonds for the custody of sums collected until the time of their deposit, under the following paragraph.

Unless the Supreme Command provides otherwise, the sums remaining in the management must be paid, upon the occasion of the presentation of each statement of assets and liabilities, by the sequestrator, to the nearest branch of the Banca d'Italia.

For acts exceeding ordinary administration the authorization of the Supreme Command is necessary.

Art. 6.

(Sale of sequestrated properties)

Should it be necessary to proceed to the sale of sequestrated properties, sale is proceeded to in accordance with the provisions established by the Supreme Command.

The proceeds of the sale of sequestrated properties are deposited, after deducting expenses for management and sale and any liabilities, in the nearest branch of the Banca d'Italia.

Art. 7.

(Deposit of securities submitted to sequestration)

Subject to authorization otherwise by the Supreme Command, public or industrial securities submitted to sequestration must be deposited in the nearest branch of the Banca d'Italia.

Regraded Unclassified

Art. 8.

(Deposit of sums)

The provisions of Articles 8, 9, 15, second, third, and fourth paragraphs, and 17 of the law of December 19, 1940-XIX, No. 1994, apply to deposits made under the terms of Art. 5, fourth paragraph, and Art. 6, second paragraph.

Art. 9.

(Advance of expenses for management)

In case the sequestrated properties do not produce revenues or do not include liquid assets in sufficient amount to provide for the expense necessary for management, the Supreme Command, having consulted the Ministry of Finance, may arrange for them to be advanced by the competent Civil Commissioner.

In the cases provided for by the preceding paragraph, should the Corporation for the Management and Liquidation of Real Property have been appointed sequestrator, it is authorized to advance the necessary expenses from its own funds.

Expenses advanced under the preceding paragraphs are claimable against the proprietor of the sequestrated properties and the claim therefor has a privilege on the same properties with priority over any other claim, even though privileged.

Art. 10.

(Claims guaranteed by sequestrated properties)

The following claims may be satisfied on the sequestrated properties, to the exclusion of any other claim, and with the grounds of preference among them established by law standing:

1. Claims for expenses for management advanced in the cases provided for by the preceding article;

2. Claims for duties and taxes;

3. Claims of the sequestrator for compensation and the reimbursement of expenses which are due him;

4. Claims deriving from obligations assumed by the sequestrator in the interest of his management;

5. Claims deriving from obligations which refer directly and exclusively to the sequestrated properties

Regraded Unclassified

to the amount in which the said obligations have contributed to the purchase, conservation, or improvement of the same properties;

6. Any claim which has an undoubted date prior to the date of application of the present proclamation;

7. Any claim which has an undoubted date prior to sequestration, provided that the creditor proves that, at the time when the claim originated, he did not know that the properties of the debtor might be submitted to sequestration.

Art. 11.

(Executory processes and precautionary measures for sequestrated properties)

Sequestrated properties may be the object of executory process, exclusive of bankruptcy proceedings, on condition that it is a question of claims indicated in the preceding article.

The effects of precautionary measures adopted by any jurisdictional authority whatsoever, having as their object properties which have been or may be sequestrated by the application of Art. 1, are suspended until the date when the effects of the sequestration provided for by the same article cease. The provision of the preceding paragraph does not apply with reference to precautionary measures adopted by the judicial penal authority in matters pertaining to crime.

Art. 12.

(Previous communication to the proprietor of the sale of sequestrated properties or of executory process)

Should it be necessary, in order to cancel liabilities, to promote the sale of sequestrated properties, the sequestrator, if circumstances so permit, and without prejudice to proceedings in progress, gives notice to the proprietor to that effect.

The same provision applies in case executory processes are resorted to on the sequestrated properties.

In the case provided for by the first paragraph, the proprietor of the properties of which the sequestration has been ordered may procure that the sale of the same is not proceeded to, by advancing the expenses for management within the period and in the amount which are determined by the Supreme Command.

Regraded Unclassified

Art. 13.

(Deductions in favor of parties with rights on sequestrated properties)

The sequestrator, after authorization by the Supreme Command, may effect deductions in specie from the sequestrated properties in favor of the proprietor or of other parties with rights on the same properties because of necessity or dependent relatives.*

If there is no availability of specie, the Supreme Command, upon the request of the proprietor or of other parties with rights, may authorize the sequestrator to sell part of the sequestrated properties or to perform operations on the same calculated to procure the specie which is to be the object of the deduction.

By way of exception, the Supreme Command may authorize a deduction in kind, provided that such deduction does not have for its object public or industrial securities.

Art. 14.

(Declaration of properties and prohibition of delivery of the said properties in favor of the party entitled)

Whoever holds, in French territory occupied by Italian armed forces, properties belonging to persons indicated in the first paragraph of Art. 1 is required to make a declaration to that effect within a term of 30 days from the date on which the present proclamation goes into effect to the competent Civil Commissioner and may not, without authorization from the said Commissioner, proceed to the delivery of the properties held in favor of the party entitled.

Those who are subject to the prohibition provided for by the preceding article, when the properties held by them consist of stocks or securities, have the power to discharge their obligation by depositing the stocks or securities in the nearest branch of the Banca d'Italia. The deposit exempts them from the requirement of declaration of the properties held, without prejudice to the penalties provided by Art. 21, should the deposit be made after the expiration of the term established for the declaration.

*Art. 307 of the Royal Decree of July 8, 1938 (No. 1415) reads as follows: "...with rights on the same properties for reasons of their own necessity or the necessity of dependent relatives." TR.

Regraded Unclassified

Art. 15.

(Deposit boxes in permanent safety installations of credit establishments and institutions)

Credit establishments and institutions which have deposit boxes in permanent safety installations, rented to persons indicated in Art. 1, are required to give notice to that effect to the competent Civil Commissioner within the period of 30 days from the date on which the present proclamation goes into effect.

The opening of deposit boxes by the parties entitled cannot be performed except in the presence of a representative of the credit establishment or institution, who, in the presence of two witnesses, draws up the report on the opening and makes out the inventory of everything contained in the deposit box.

A copy of the report and of the inventory must be delivered to the Civil Commissioner within 5 days of the opening.

After the drawing up of the inventory, any opening whatsoever of the deposit boxes by the parties entitled must be effected in the presence of a representative of the establishment or institution.

No withdrawal of securities contained in the deposit box may be effected except with the authorization of the Supreme Command and in the presence of a representative of the establishment or institution, who verifies the regularity of the proceeding. The establishment or institution must be given a written declaration by which is proved the withdrawal which has taken place.

The provisions of the present article applyalso to every kind of closed deposit in credit establishments or institutions.

Art. 16.

(Nullity of the transfer of enemy properties)

Any act whatsoever, concluded after the date on which the present proclamation goes into effect, which has as its result the transfer of properties indicated in Art. 1, or the constitution of jus in rem on the same properties, is null.

Regraded Unclassified

The provision of the preceding paragraph does not apply to transfers because of death, nor to those effected by order of the authorities, nor to acts performed by the sequestrator or other delegate of the aforesaid authorities. Any act whatsoever inter vivos which has as its result the transfer of real properties situated in French territory occupied by Italian armed forces, to whomever they may belong, or the constitution of jus in rem on the same properties is null should it not have been previously authorized by the Supreme Command.

The provision of Art. 16 of the proclamation of November 29, 1940-XIX, published in the Official Gazette (Gazzetta Ufficiale) of the Kingdom, No. 284, of December 5, following, remains in effect.

CHAPTER II

Provisions relative to the custody of properties belonging to absent proprietors.

Art. 17.

(Custody of real properties or of objects of artistic or scientific interest)

Should real properties or objects of artistic or scientific interest, situated in French territory occupied by Italian armed forces, because of the absence of proprietors and of their representatives or agents be in a state of abandonment which may prejudice their value or state of preservation, the Supreme Command has the power to appoint, by its own order, an administrative custodian of the said properties.

The order establishes the term for the periodic presentation by the administrative custodian of the documented statement of assets and liabilities and the securities for the custody of sums collected.

The order is published by posting in a place visible to the public in the Office of the Civil Commissioner within whose jurisdiction the properties are situated.

Art. 18.

(Powers of the administrative custodian)

The administrative custodian provides for the ordinary and special maintenance of the properties as well as for the ordinary administration of them.

The powers conferred upon the administrative custodian relative to real properties extend to personal properties found in them.

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Art. 19.

(Compensation for the administrative custodian)

The administrative custodian may be paid compensation in addition to the reimbursement of justified expenses. The compensation and the expenses are settled by the Supreme Command, taking into consideration the importance of the work required.

The compensation and the expenses in favor of the administrative custodian as well as the sums necessary for the exercise of the functions required of him are deducted from the revenues and any other proceeds from the properties.

In default of revenues or other proceeds, the Supreme Command, having consulted the Ministry of Finance, may provide that the sums provided for by the preceding paragraph be advanced by the competent Civil Commissioner. In this case the sums advanced are claimable against the proprietor of the properties; the claim therefor has a privilege on the said properties with priority over any other claim, even though privileged.

CHAPTER III.

Provisions common to the preceding chapters

(Appeal to the Supreme Command. Non-retroactivity of the provision for revocation, sequestration, or custody)

Without appeal to the said Supreme Command no other complaint is admitted against the measures provided for by Articles 2 and 17.

In case of revocation of the provision, the revocation becomes operative only for the time following its publication.

CHAPTER IV.

Penal Provisions

Art. 21.

(Acts calculated to avoid sequestration of properties of persons of enemy nationality)

Whoever performs acts directed to the concealment, suppression, destruction, dispersion, deterioration, or exportation from the territory of the State and from the territory occupied by its armed forces of properties

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belonging to persons indicated in the first paragraph of Art. 1 to the end of preventing their being placed at the disposal of the sequestrator is punished with imprisonment up to one year and with a fine of from 300 lire to 3000 lire.

Imprisonment is up to 6 months if the deed is committed by the proprietor of the thing subject to sequestration.

If the avoiding of sequestration or the damaging have as their object things under sequestration, the penalty is imprisonment from 6 months to 4 years and a fine of from 500 lire to 5000 lire and, if the deed is committed by the proprietor of the thing sequestrated, imprisonment up to 1 year or a fine up to 3000 lire.

The sequestrator who culpably occasions the destruction or the dispersion of the thing under sequestration, or facilitates its destruction or dispersion, is punished with imprisonment up to 6 months and with a fine up to 3000 lire.

Art. 22.

(Failure to make declaration or false statement of debts to persons of any nationality)

The holder of properties belonging to persons indicated in the first paragraph of Art. 1 who fails to make the declaration prescribed by the first paragraph of Art. 14 within the period there fixed is punished by arrest up to 3 months and by a fine up to 3000 lire.

The same penalty applies for failure to make the reports or the inventory provided for by Art. 15.

Whoever writes or causes to be written false information in a declaration made under the first paragraph of Art. 14, or in the reports or inventory provided for by Art. 15, is punished with imprisonment up to 6 months and with a fine up to three thousand lire, on condition that the deed does not constitute the crime provided for by the preceding article.

Art. 23.

(Illegal delivery in favor of the party entitled)

Whoever effects the delivery of things belonging to the persons indicated in the first paragraph of Art. 1

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in violation of the prohibition established by the first paragraph of Art. 14 and consents to the withdrawal of securities from deposit boxes in permanent safety installations without observing the provisions of the fourth and fifth paragraphs of Art. 15 is punished with imprisonment up to one year and with a fine of from three hundred lire to three thousand lire.

Art. 24.

(Competence of military tribunals)

Cognizance of the crimes provided for by the preceding articles from 21 to 23 belongs to military tribunals.

CHAPTER V.

Final Provisions

Art. 25.

(Publication of the provisions required by the proclamation)

The provisions referred to in Art. 8 will be published in French territory occupied by Italian armed forces by depositing the said provisions in the offices of the Civil Commissioners, where the inhabitants will be able to view them.

Art. 26.

(Publication and proclamation. Date of taking effect)

The present proclamation is published by posting in a place visible to the public in the offices of the Civil Commissioners of French territory occupied by Italian armed forces. It is likewise inserted in the Official Gazette of the Kingdom.

From the General Headquarters of the Armed Forces
August, 31, 1941-XIX

Mussolini

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