

SIXTY-NINTH ANNUAL MEETING ROYAL BANK OF CANADA

Expansion of Foreign Markets for Canadian Wheat Pressing National Problem, Says Morris W. Wilson; Urges Reciprocal Trade Agreements to Secure Outlets for Staple Commodities; Drought Problem Reviewed

Bank's Balance Sheet Reflects Satisfactory Year For Business, States Sydney G. Dobson; Looks For Reasonably Good Conditions in 1938; Answers Alberta Critics

The expansion of foreign markets for Canadian wheat by reciprocal trade agreements and a truly national approach to the drought problem were urged by Morris W. Wilson, President and Managing Director, at the Sixty-ninth Annual Meeting of The Royal Bank of Canada.

Canada was a fortunate country stated Mr. Wilson. The high level of national well-being reached by the phenomenal recovery of 1936 was maintained in 1937 and the activity in most lines of business compared not unfavourably with the record year of 1929.

A tragic exception to the general improvement was experienced in the Prairie Provinces. Obviously the need which exists is acute, the situation could not be handled by the Province and the Federal Government is to be commended for having shouldered the greater part of the burden.

The immediate problems created by the drought require emergency measures; but a situation has also been brought to a head which has been unsatisfactory for years and requires treatment on a national basis.

Large areas, ordinarily unsuitable for the purpose, have been planted to grain. Under favourable weather conditions the crop from an area equal to that planted in recent years would furnish serious marketing problems. The efforts towards self-sufficiency in food supplies on the part of many countries, and particularly Germany, France and Italy, have also narrowed the international market for wheat and flour to a point where total overseas sales of the four important non-European exporters have been reduced as follows:

Exports of Wheat and Wheat Flour (Crop years Aug. 1 to July 31)					
Millions of Bushels					
	1923	1928	1933	1936	1937
Canada	24	29	34	37	*38
U. S.	345	406	194	195	88
Argentina	130	154	29	nil	104
France	173	222	147	162	80
Australia	86	109	86	102	104

Total 4 countries 735 891 456 459 376
*Broomhall's estimate of December 15, 1937.

It is a sad commentary that a large crop in Canada, unless accompanied by crop failures in other countries, would bring little more total remuneration to our farmers as a whole than they have secured in the years of drought.

There was no single remedy to bring about improvement, said Mr. Wilson. Diversified agriculture, withdrawal of sub-marginal land from wheat, and more scientific methods would help. But these should be combined with exceptional efforts on the part of the government to open the doors of foreign markets, so that when Canadian farmers again reap a good crop the wheat may be sold to advantage. It is clear that the Prairie Provinces cannot solve this problem alone. This is a task which calls for prolonged, consistent and wholehearted co-operation.

The best possible hope of securing outlets for our grain and other agricultural products is through negotiations with countries which are now growing food crops at an exorbitant cost.

I view with satisfaction the present tendency among democratic countries to break down barriers impeding the natural flow of business.

With the general statement that Canada should admit freely articles not produced within the country there can be little basis for disagreement. But I would go further and say that reduced tariffs should be applied to articles which are made in Canada only on a restricted and uneconomic scale.

The problem is not simple, but studies undertaken by the Tariff Board to determine what concessions should be made to foreign countries in exchange for an important market for our staple commodities, should receive the support and encouragement of experts from the industries directly affected.

Mining

The continued growth of mining had contributed materially to the general welfare of the country, said Mr. Wilson. During the past year, he said production of gold, copper, nickel and zinc, has been between two and two and one-half times the high level of production attained in 1929. It is estimated that in 1937 the expenditures of the mining industry for wages and supplies have been between \$225 and \$250 million. Of \$300 million paid in dividends by Canadian companies in 1937, one-third was paid by the mines.

Foreign Affairs

The position abroad is complex and difficult but one gets few hints of the tremendous desire for peace which is latent in all parts of Europe. I know of no European country where the mass of the people are sympathetic with the aggressive expressions of

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some of their leaders. In many countries, desperate economic conditions have created mass fear. Ruthless, cynical and irresponsible leadership is gambling to keep itself in power. Just as there are constructive psychological factors beneath the surface so there are favourable economic forces at work. Those of us who continue to feel hopeful base our optimism upon the belief that idealism is not dead and that it cannot be long before economic reconstruction gives even those who are most desperate a breathing spell.

United States

One of the most important questions of the day is whether the United States is merely experiencing an interruption in the long term trend of recovery, or whether the wheel has turned full circle and the country is again facing a major depression. In my opinion, fundamental conditions now and in the period immediately preceding the last depression are not comparable. One would be tempted to say without hesitation that the present setback is merely a temporary recession, were it not for the unfortunate lack of co-operation that exists between government and business.

It surely cannot be long before a plan for practical co-operation between government, industry and labour will be adopted.

Conclusion:

Where the recent prosperity in the United States has been dependent mainly upon large-scale government deficits, the Canadian recovery took its origin from foreign trade.

Without doubt, prosperity based upon world demand for Canadian products is more soundly established than that based upon deficit spending. Sixty per cent of our exports go to countries other than the United States, and even with a substantial decline in exports to that country total Canadian prosperity should be only moderately affected.

On the whole, I look forward to 1938 as a year in which—barring some upset in international affairs not presently anticipated—I expect to see an improvement from present levels in the United States, and a

further orderly economic reconstruction in many foreign countries. If this proves to be an accurate forecast we can, I believe, look forward to further substantial progress towards full recovery in Canada.

General Manager's Address

In reviewing the general Balance Sheet, Mr. S. G. Dobson, General Manager, referred with satisfaction to an increase of \$14,000,000 in total assets, a renewal of the upward trend in commercial loans and a growth of 190 million dollars in Royal Bank deposits in less than five years.

Conditions in Canada definitely improved during the year, said Mr. Dobson, the one dark spot being the drought areas in Western Canada.

Referring to the unfair criticism in Alberta, Mr. Dobson said in this campaign of misrepresentation, efforts have been made to stir up resentment against the banks. And yet, during the last five years not in one single instance has any farmer or home owner in Alberta been deprived of his farm or home by this bank through foreclosure.

To demonstrate the wide diversity of services banks provide, Mr. Dobson took occasion to analyze certain of the bank's figures. At the end of the year, the bank had on its books loans to farmers totalling \$16,000,000, to retail merchants \$21,000,000, to professional men and other private individuals \$51,000,000. As a further example of the extent to which we facilitate the affairs of what might be termed the 'smaller client', I may say we had loans outstanding to 61,000 borrowers whose liability to the bank did not exceed \$500 each.

In conclusion, Mr. Dobson said that a profitable year for business was clearly reflected in the Bank's own balance sheet for 1937.



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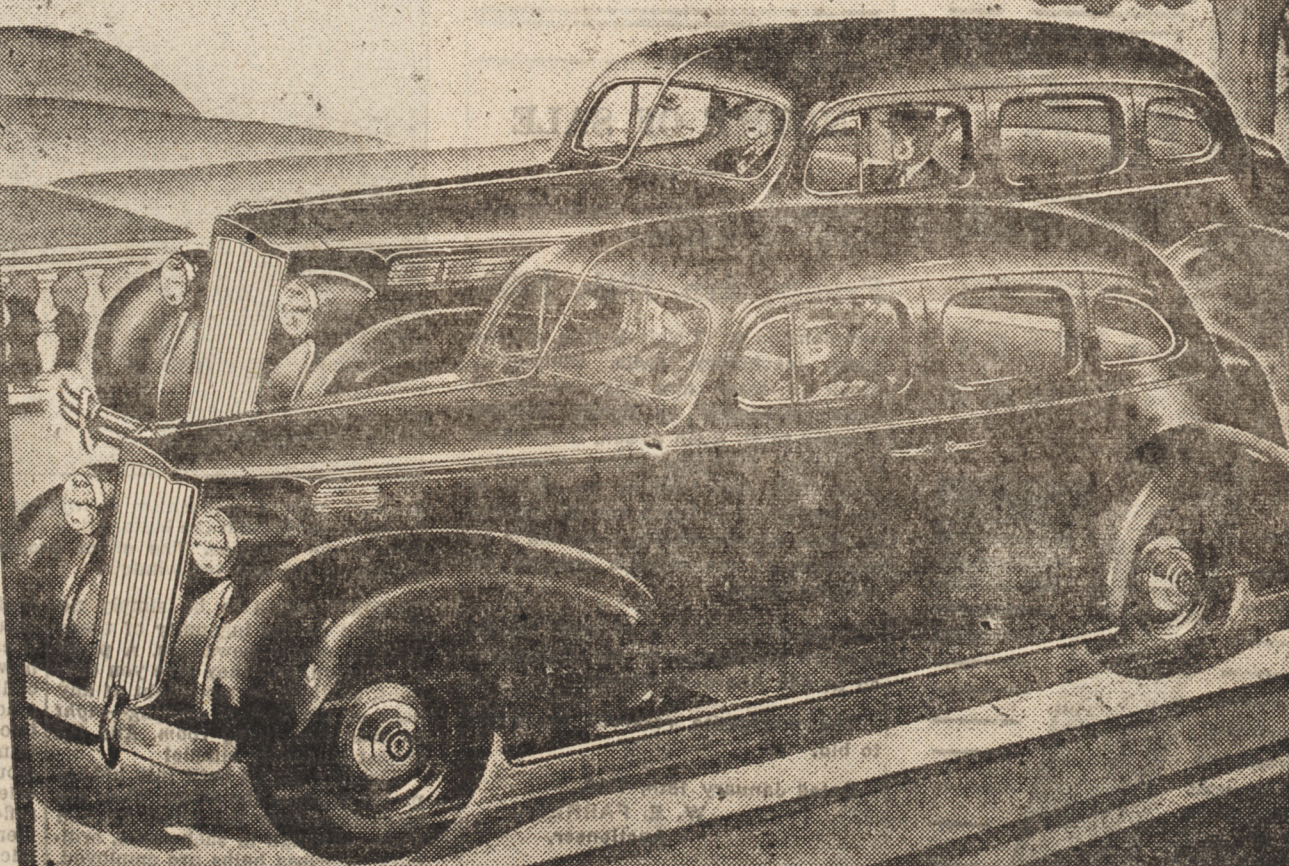
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