

The Grain Growers' Guide

Winnipeg, Wednesday, October 18th, 1916

SEED GRAIN AND RELIEF

Owing to the complete or partial failure of grain crops in 1914 thruout a large portion of southeastern Saskatchewan and southern Alberta, the Dominion government made advances of seed grain, fodder for stock and relief for the families in the drought stricken area on a scale hitherto unknown in this country. The situation was exceedingly serious and government relief was absolutely necessary. The \$13,000,000 expended by the government in this way undoubtedly was multiplied many fold by the magnificent crop of 1915 produced in the districts where most of the relief was given. It is doubtful if the Federal government in the last fifty years ever expended a similar amount of money that brought such a bounteous return to the country at large. However, the manner in which the relief was given, the security taken and the method of collection has produced an aftermath which creates a situation almost, if not quite, as serious as that which the government originally set out to relieve.

In order to get the complete facts the editor of The Guide communicated with the Minister of the Interior, and his letter in reply giving the details of the situation is published on another page of this issue. It should be read very carefully by every farmer in this country because it affects the entire financial fabric of the West. The Dominion government advanced the seed grain, fodder and relief, but having no power to take the security by Federal legislation, a contract was made between the Dominion government and the governments of Saskatchewan and Alberta, by which provincial legislation was enacted giving the Dominion government whatever security it desired. The Dominion government therefore took security against the crop grown from the seed advanced, all future crops grown by that farmer, all the land he then owned and may hereafter own until he is paid up. All of this security took precedence to the first mortgage. Any relief granted to families, however, took its ordinary place as security subsequent to the first mortgage. All these advances bear interest at 5 per cent., which is a most attractive rate in this country of high interest charges.

The system of distribution of seed grain, fodder and relief was such that it was undoubtedly abused by a great many farmers. Approximately 51,000 farmers secured seed grain, and relief other than seed grain was received by 49,000 farmers, the great majority of the latter no doubt being the same as those who received the seed grain. Somewhere about 65,000 individual western farmers secured advances of some kind from the Dominion government in 1914-1915. There was practically no check on the demands for this assistance other than that the farmer signed a solemn declaration of his requirements. Some farmers sold their own seed grain and secured a fresh supply from the government; some farmers secured the government's supply which they afterwards sold and other abuses occurred, to what extent, however, there is no means of knowing. Some twenty farmers were prosecuted by the government and a few of them were fined for making false statements. Owing to the absolute necessity of prompt action it was to be expected that there would be such abuses and to a certain extent they could not be avoided. It is hard to believe, however, that so great a number as 65,000 farmers were in such destitute circumstances as to require government aid. To put out such an immense number of advances in such a short time undoubtedly necessitated the employment of a considerable number of irresponsible parties, but that is a matter now too late to remedy.

With some 65,000 accounts to collect the

Dominion government had on its hands a problem greater than that of any implement company or mortgage company by several times and the system of collection was not what it should have been, resulting in the collection of only \$2,500,000, whereas the interest charges to date would be somewhere about \$1,000,000. The government has still outstanding consequently somewhere about \$11,000,000. The great majority of farmers could easily have paid up in full from the profits of their 1915 crop, but the system of collection was weak, the government changed its mind and did not press properly for collection. The loan bore 5 per cent. interest and the farmers naturally were not in a hurry to pay it. The Minister of the Interior in his letter says that he expected the farmers "would feel it their duty to repay as soon as possible." He should remember that human nature is much the same everywhere and these same farmers have seen railway promoters and manufacturers and financiers receive cash or concessions from the Dominion government totalling hundreds and hundreds of millions of dollars for which the people have received no compensating advantage. Knowledge of this fact undoubtedly did not encourage the farmers to make their repayment as promptly as they should have done and the grain dealers not being under compulsion gave only half-hearted assistance as it would interfere to a certain extent with their business. The Minister points out that a new system of collection has been inaugurated by which he hopes to make a larger collection. It is to be hoped he will be successful and the organized farmers will certainly encourage the repayment of these loans as rapidly as possible.

The seriousness of the situation can somewhat be appreciated from the fact that seed grain was advanced to 23,000 farmers on patented land, the greater part of whom were mortgaged and the security takes priority to the first mortgage. It will be noted, however, that the security is registered not only according to the property, but according to the name. Consequently a lien in the name of John Smith is recorded against every John Smith in the community. The Department at Ottawa handling these liens has an enormous volume of business on its hands, and is short-handed, the result being that mortgage companies have found it very slow and very difficult to clear up titles which have been encumbered by these liens in error, tho this is now being provided for. The situation is such that titles to farm land in Saskatchewan and Alberta are clouded and this reduces the security of the first mortgage. It increases the cost to the mortgage companies and will have a tendency to increase rates of interest.

We are not overcome by sympathy for the mortgage companies. It is the farmers in whom we are chiefly interested. But it is as unalterable as the laws of the Medes and Persians that anything which prejudices mortgage security and increases the cost of handling mortgages will increase the rate of interest and it would take a very slight increase in the rate of interest to make up the \$13,000,000 which the government advanced. Mortgage money in this country will never be cheap until the security is as near perfect as it is possible to make it and when mortgage investors are assured there will be no interference with their security. The Dominion government is realizing this situation. We cannot afford to drive the mortgage companies out of this country unless the Dominion or Provincial governments are prepared to take their places and advance the necessary money on mortgage to farmers to provide capital for their operations. Up to date the situation has been that a lien may

crop up at any time and take precedence to the first mortgage, and after a title is once cleared there has been no certainty that it will remain clear. Nothing will tend to increase the rate of interest on mortgages more quickly. The Minister states, however, that this situation will be remedied by the government, fixing January 1, 1917 as the last date on which liens will be registered ahead of the first mortgage. He has also decided that from October 1, 1916 the government will take the risk of enumerating definitely all liens outstanding against any land. This decision will help to clear up thousands of titles and will be a very effective remedy for the situation as far as it goes. But there still remains the problem of collecting the balance of this money, not only in order to repay the government, but to re-establish the security status of mortgages in the West. There is lots of mortgage money available and it should be made as cheap as possible. The suggestion from Calgary contained in the Minister's letter possesses merit and is worth consideration by the organized farmers. This suggestion is that a farmer on a mortgaged farm who does not pay for his seed grain indebtedness before June 30, 1917, shall then have the amount of his advance added on to his mortgage and bear the same rate of interest as the mortgage. This will mean practically that the rate of interest will be jumped from 5 per cent. to 8 per cent. The remedy is a drastic one, but the situation requires drastic action and there will be only a small portion of farmers not able to make their payments by that date. Whether this suggestion is adopted or not, every effort should be made to have these seed grain liens cleaned up, particularly on mortgaged lands and every title should be put in good shape so that we can get mortgage money at the lowest possible rate.

This experience will undoubtedly prevent any repetition of the situation in its aggravated form, but it may happen that government aid will be needed again in the future. To meet such a situation it has been suggested that on mortgaged lands the necessary relief should be advanced by the mortgage company and added to the principal of the mortgage; that on patented lands without mortgage the owners should raise the necessary money by mortgage to secure their relief and that on unpatented lands the government should provide all the relief direct. Such a plan would eliminate the dangerous features of the government advance of 1914-1915 and might be considered with any variations that might be necessary to meet the situation. It is also suggested that all such relief in future should be given thru the municipal councils, aided by the federal or provincial governments as may be necessary. This whole question is serious enough to receive the consideration at the Annual Conventions of the organized farmers in Saskatchewan and Alberta. Manitoba is not similarly affected because all advances made in that province took second place to first mortgages, there being no provincial legislation on the subject. Mortgage rates on farm lands in Saskatchewan and Alberta have always been higher than in Manitoba, whereas the farmers are just as intelligent, the land just as fertile, and the climate equally favorable, but this seed grain and relief situation will contribute to a continuation of the discrimination against the farmers of those two provinces.

GET SEED GRAIN NOW

Too much emphasis cannot be laid upon the importance of securing immediately a supply of first class seed sufficient for next year's crop. The prevailing opinion at present is that a much larger proportion of the wheat