

The Commercial

WINNIPEG, JULY 10, 1883.

THE WHEAT PROSPECT.

Produce markets are with the exception of stock markets subject to more exciting periods than in any other branch of business, and the sudden and bewildering fluctuations which at times demoralize such markets as Chicago, are only the sharp electric storms which clear the air of an overload of unhealthy and oppressive speculation. Now that the full results of the recent hard tumble in that city can be fully realized, its effects upon produce markets generally can be estimated.

Although grain affairs were not directly mixed up in the McGeoch collapse, a strong sympathetic feeling pervaded the grain market, and No. 2 Chicago wheat inside of three weeks suffered a decline of nearly ten cents. Such a decline was not by any means a heavy one when the surrounding circumstances are taken into consideration. Wheat had been held at a high price not on account of its immediate scarcity, but in view of a heavy shortage of the crop of 1883. Bulls had a load to carry for months before a certainty of realization was in their reach, and with a bear mania in another staple article of production these artificial props naturally gave away.

When we consider that less than half a million bushels of Chicago No. 2 was in store in that city, when the first receipts of the crop of 1882 reached the market, it can be easily seen, that the chances this fall (when over 6,000,000 bushels are in store there) are not so good for holding up prices as they were a year ago. Over 20,000,000 bushels of wheat are now in store at different points on this continent, and it is estimated that at least 45,000,000 bushels more are held back in the country. The total of 65,000,000 bushels will in all probability be reduced to nearly 40,000,000 before spring wheat receipts for 1883 are available, so that the bearish estimate made two months ago of 80,000,000 bushels of an old crop to carry over are decidedly beyond the mark. Yet 40,000,000 must assist much in holding prices down until the first rush of 1883 receipts are over, unless a feeling of much greater confidence than now exists in produce markets develops with exceptional rapidity. The

chances of the development of such a feeling are certainly favorable at present. Spring wheat crops in all localities east of the Missouri valley and in Eastern Canada are suffering severely from continued rains, while from Minnesota and Dakota reports of drought and short crops are coming in fast. Even the Canadian North-west is now in want of rain if a heavy crop is to be secured, although the country cannot be said to suffer from drought as yet. Whether such prospects will encourage bulls to once more lift the wheat market in their arms or not, remains to be seen. So many corners have come to grief within the past year, that it is difficult to form an organization of that sort now. Weighing the whole matter carefully the chances are against any rapid rise in the near future. But when it is considered that the 40,000,000 bushels of the crop of 1882 to be carried over is only a small affair compared with the 1883 deficiency, the winter months cannot be far advanced before a steady upward tendency sets in. The reports of European crops show that a heavy demand must come from that continent, as in scarcely any country will an average crop be reached. The wheat supplies from Egypt and other grain districts of the Orient are likely to be interfered with by the cholera reports coming from there, and the Black sea ports of Russia are not unlikely to suffer from a similar influence. The supply for the European district must therefore come mainly from this continent, at least until it is supplemented from Australia, New Zealand and other grain countries of the Southern Hemisphere. There will be no let up to the demand for American wheat, and it is only a question of time until the buoyant effects of this heavy and natural demand will be felt in the markets of this continent. There is no necessity therefore for despairing of a fair price for wheat although that may not be reached during the early months of the coming fall. The natural law of supply and demand dictates, that the bulk of the crop of 1883 will reach a high market.

LESSEN THE COST OF PRODUCTION.

One of the great elements of inflation is a tendency to increase the cost of production of articles of every day demand, and in fact increased cost of production in every line is a sure barrier to trade

extension. The illustrations of this theory are many, and one of the most powerful is to be found in the present state of manufactures in the United States. For over twenty years every influence in that country has been in the direction of increasing the price of manufactured goods, if we except the few years following after the panic of 1873. A bolstering system of practically prohibitory tariffs contributed probably more than anything else towards increased cost of production, and built up a huge producing power, which high prices confined to a home market. From 1873 to 1878 seems to have been an interval, when the evil was held in check by the effects of stagnation in home trade, and prices had to be reduced, to allow of competition in foreign markets. But with the revival of trade early in 1879 increased cost of production again set in, and now when stagnation again threatens, the manufacturing resources of that country are found to be far in advance of home demands, while foreign trade has been neglected, and prices raised beyond a hope of competition therein being practicable.

The present condition of the United States furnishes only an instance of a great commercial and manufacturing country suffering from the evils of expensive production, but the same theory holds good in a new and undeveloped country. Costly production in such a country means costly development, and consequent hindrances to real progress. The rush of settlement to a new country is usually productive of more or less speculative excitement and inflation of prices, the reaction following which is in severity proportionate to the previous inflation. The commercial law of supply and demand must supplant temporary inflation sooner or later, and in a country where progress and prosperity are wholly dependent upon production, unnecessary cost of the same while it lasts must hinder permanent prosperity, and continue to be a weak and untrustworthy element in business generally, liable at any time to produce very undesirable complications.

Business circles in the North-west at present realize the necessity for reduced cost of production in every direction. The period of rush and inflation is over, and the reaction which is now being felt is only prolonged by the tenacity with which men hold to inflated values. The sooner all realize that expenditure in every