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BANK LOANS AND CAR SHORTAGE.

A short while ago attention was drawn in THE CHRONICLE to the hardships suffered by the people of the Northwestern States because of their inability to ship their grain. Reports came of grain piled up on the ground in Minnesota and Dakota because the available elevators were filled and the railroads could not furnish cars. In our own Western country they have had troubles somewhat similar, though with us the freight congestion assumed a more dangerous aspect. In some districts, as the winter came on, it was found that the usual coal supplies had not been forwarded, and a coal famine seemed to be threatened. The strike at Lethbridge had a great deal to do with this; the railroads were not the sole cause. By great efforts the threatened calamity has been overcome and at all the points where danger threatened supplies of coal have been delivered.

But it seems that the disorganization of the railway service has worked another considerable hardship. Because the farmers were not able to ship out their grain as they wished, they have not been able to pay their debts. A little while ago a manufacturer of knitted goods from Western Ontario stated that his firm's collections had been well met in every part of Canada except the Northwest, and that from there came many requests for renewals. As last year's Western crops had been magnificently large and prices satisfactory he could not quite understand how it was that the Western debtors should fall behind. The land speculation naturally came in for some blame as one of the chief causes of the bad showing. From the reports now coming in it appears that the freight congestion has had perhaps as much to do with the slow collections as had the land speculations. The editor of "The Progress," Qu'Appelle, Saskatchewan, thus describes, in the "Toronto Globe" of the 16th inst., conditions in his district: "In this district hundreds of farmers have not shipped a bushel of grain, and similar conditions exist over the whole

grain area. With granaries full, and money unobtainable, they resemble King Midas and his gold. They cannot pay their accounts, the merchants cannot pay theirs, and stagnation in trade, with danger of many failures, is the result.

"The people must live, must have the necessities of life, and the merchants will serve them, but the car shortage is proving and will prove a veritable curse. Interest on accounts, interest on loans, extra expense in hauling wheat when seeding should be done—all these, with innumerable other items of expense will make the season of 1906-7 a disastrous one in many respects for the West."

Allowing for all exaggeration the situation is one that has an important bearing on the banking position. The main function of the banks is to facilitate trade and commerce. By means of advances made by them, farmers and producers get prompt payment for their output as soon as they deliver it; the wholesalers get payments from retailers and are in turn enabled to make payments to the manufacturers.

As everybody knows, great activity begins in banking circles in the West as soon as the wheat crop begins to come to market. The large milling and elevator companies are given the advances that enable them to supply their buyers at all the points where they operate with the cash to pay for wheat deliveries. If the railway and terminal facilities are adequate the wheat at once flows quickly to the seaports or milling centres. It is not until the season is well advanced that congestion is to be apprehended. Thus a continual circulation is kept up. The banks get re-imbursed at New York or London for their first set of advances; the funds are available for new advances, and so on. But when the elevators are filled and cars cannot be had the circulation is clogged. Then it is a case for the banks, of putting out their funds and of being unable to get repayments. When they cease or slacken in the work of assisting the farmers and merchants, it is not always because they have come to the end of the loanable resources. The strong banks could undoubtedly go on increasing their loans, but the trouble is that the would-be borrowers are not in the best position to entitle them to further bank accommodation. Against wheat in independent elevators or in railroad cars on the way to terminals they are quite ready to advance nearly up to the market value. Some of the farmers who are in the best credit have little trouble negotiating loans with the banks on their statement that they have so much surplus saleable wheat in their own granaries. So far the congestion works no great harm except the loss of interest applicable to carrying the grain unsold. But when we come to the farmers in fair credit, but not strong enough to get large loans from the banks