

## The Hospital Elevators in the West

### A Strong Plea for Their Continuance

To the Editor of The Journal of Commerce:

It is necessary to go back seventeen years in order to find the origin of the hospital elevator in Canada, when the old Canadian Pacific elevator at Port Arthur, the first terminal house on the lakes at a Canadian port, was converted by the late Joseph G. King into a hospital for treating damaged grain. For several seasons the western farmers had been losing a considerable portion of their harvest through exposure to the weather, for even then the practice of leaving the grain in the stock, instead of stacking it, was coming into vogue, and much of this grain, when placed in the granary, heated and spoiled, while buyers refused to accept it for storage with dry grades. This King elevator was a true hospital, and was designed to treat grain that was suffering from some injury, being equipped with driers, cleaners and blenders of every description, and it was expected to take the wheat, consigned to it by the farmer, and give it back to him in a merchantable condition at a figure sufficient to defray the cost of its processes involved.

But, for some reason or other, this elevator, in spite of the fact that Mr. King worked hard to disseminate knowledge of its capabilities, did not succeed in getting at the core of the evil and was not utilized to the full capacity by individual grain growers, while seasons' years in which weather conditions rendered the services of a drier house unnecessary left the plant idle during whole seasons. It had, however, demonstrated the feasibility of treating the off-grades of grain, and, although the grain grower did not avail himself of its services as much as had been hoped, this experiment opened the way to the establishment of a new branch of the grain business, which, for lack of a better name, was dubbed the "hospital elevator" business, which has developed to fairly large proportions to-day, but under circumstances which are extremely peculiar. It was found by some enterprising dealers that, without costing the individual farmer to have his grain dried at a certain figure, it could be made a profitable undertaking to purchase the damaged grain at its market price, put it through the drying and other renovating processes, and dispose of it on sample to buyers either in eastern Canada or elsewhere. They purchased the grain outright, sold it and made their profit. This is the business which has developed until it now has fourteen elevators engaged in it, with a storage capacity of about four million bushels. And it is this business which the recent order of the grain board, prohibiting mixing, or blending, of grain in hospital elevators, is threatening with extinction or paralysis.

It is necessary to digress for a moment in order to fully understand the situation as it is to-day, and to consider the action of the Governments of Canada in the past towards the grain business of the west. The policy was and always has been, to maintain the standard of Canadian grain in the markets of the world, and for this purpose an elaborate system has been gradually developed by which the grades of Canadian wheat are certified to by Government inspectors and the correct weight guaranteed by Government weighmen. As a result of this, western Canada is in the proud position of being able to sell wheat in Liverpool on the strength of certificates issued in Fort William, and the markets of the world will accept these certificates as sufficient assurance of quality. In order to maintain the reputation of Canadian grain, and to safeguard its own guarantees, the Government placed stringent restrictions upon the mixing of grain, it being very evident that, if grain could be mixed with higher or lower grades while in the terminal elevators, no guarantee of grade could be effective. Hence developed the Grain Act, with its clauses prohibiting the mixing of grain in elevators, providing that only grain of one grade might be placed in the same bin, and also forbidding the control of terminal elevators by parties engaged themselves in the buying and selling of grain.

Meanwhile, side by side with the bigger terminal houses, there were growing up the hospital elevators, so called, the operators of which owned the grain which they handled, and who carried on the practice of mixing various grades of grain in whatever manner it appeared to them, as experts, would yield the greatest profit. In the Grain Act of 1912, prepared by one Government, and practically adopted by its successor intact, mention is made of the hospital elevators, but only in a loose manner, the Act

merely stating that their number may be determined by the Board of Grain Commissioners established by this Act, and that they shall be governed by such regulations and restrictions as are imposed by the Board. In this manner, from 1912 to 1917 the hospital elevators multiplied, did business, made money and flourished under the tacit sanction of the Grain Commission.

It may have been known, but it was at any rate not acknowledged, that, according to the letter of the law, these hospitals, situated at terminal points, came under the Grain Act as terminals, and that section 94 of the Act applied to them as well as to the public terminals. This provided that all grain of the same grade shall be kept together and stored only with grain of a similar grade, and a selection of different qualities of the same grade is prohibited. That is to say, that the blending of various grades of grain has for the past five years been carried on illegally, but silently permitted to exist by the Grain Commission. Allusion may be made here to the well known and much debated clause 57, of the same Act, which would, if brought into effect by proclamation, establish sample markets in Canada and make legal the blending of grain. The advisability or not of establishing these sample markets is still a matter of dispute between the grain growers, the grain trade and the railways.

It is sometimes erroneously argued that the carrying out of the recent order of the grain board would automatically wipe out the hospital grain business. This is not a fact, but it would undoubtedly paralyze it. Since the owners of the elevators are also owners of the grain which they receive and handle, no Act of Parliament can prevent them from doing what they will with their own. What the commission can do, however, is to cancel their licenses, and thus deprive them of the benefit of the use of Government certificates of grade and weight. As they do business, both in buying and selling, almost entirely on sample, the inspection for grade is not very material, but both the farmer in the West and the buyer in the East have become so accustomed to depend upon Government weights that the withdrawal of the official weighmen would, for a time at least, be a serious drawback. It might, of course, be possible for the hospital grain merchants, after the lapse of some time, to evolve a weighing service of their own which would become as reliable as that of the Government, but it would involve time and the education of both farmers and buyers. If, however, the system now in vogue has become an essential part of the grain business, there is no doubt that it will continue in operation, no matter how hampered by Government regulations.

There is no reason for considering the position of a few grain dealers when debating the question of what is to be done in the matter. Only two courses lie open, dependent upon the conclusion reached. Either the process of mixing grain that has been so far illegally tolerated is a detriment to the Dominion and against the interests of Canada as a grain-producing country, in which case it should be stopped as far as Government rules can do it, or it is a natural outgrowth of the trade, carrying with it benefits for all parties interested, in which case the absurdity of carrying it on contrary to law should be done away with, by the alteration of the law.

In the first place, the hospitals are not allowed to buy or handle the higher grades of wheat. This, of itself prevents any possibility of complaint that the high character of our number one wheat may be lost on foreign markets. In the handling of the lower grades, the aim of the hospital owner is to make money, hence to turn out a more valuable grain than he takes in. If he succeeds in doing this, then he has raised and not lowered the standard of the Canadian grain he is handling. Between the different grades of wheat there is a spread in value of several cents per bushel, but, when grain is sold on grade, the number four wheat, which is almost a three, commands no higher value on the market than a number four which just escapes being a five. Both are grade four and sold at four price. The hospital buyer, who purchases on sample, can afford to and actually does pay more for the better wheat, which, with a little addition of a higher class grain, he can sell at a number three figure. The farmer gets more for his grain, and value which would otherwise be an unearned bonus to some foreign buyer remains in Canada, the grain grower reaping the benefit. The

hospital elevator also does good work in purchasing grain that would otherwise be unsaleable, working it over and blending it until it becomes marketable, instead of, as often occurred heretofore, being dumped on to the farm manure pile. If off-grade wheat can be thus handled to advantage, instead of being wasted, the gain to the community is inestimable. In recent tables issued by Prof. Ladd, of North Dakota, he shows that the miller can make more money out of low-grade wheats than he can out of the higher grades, but these low-grades must be secured for him and presented in merchantable shape. This is a function that is already being carried out by the hospital elevators. The late chairman of the Dominion Grain Commission, Dr. R. Magill, was wont to say that the sample market meant dealing in grain, whereas the selling on grade was trading in paper. That it would be to the advantage of the grower to sell his actual grain rather than a Government certificate has been proved time and again by the benefit received by the grain grower on the spread in price.

While the establishment of a sample market at the points specified in section 57 of the Grain Act would seem to be the simplest solution, this action on the part of the Government is being opposed, largely by the railways, who claim that it would tie up their cars and necessitate enormous receiving yards. That this would be an immediate result is denied by those who know the conditions of the trade, who claim that a sample market cannot be suddenly created, (like Minerva, fully-armed from the head of Jove), but will be an evolution, and that all that will be required for a time will be a lead track, to be known as the sample track, such as is now established for each terminal elevator. When the need for enormous terminal yards arises the development will have become great enough to warrant them. Every requirement for carrying on the grain business along the lines on which it has developed is contained in the sample market clause, with the possible exception of the abolishing of the antiquated term "hospital", and issuing a merchant's rather than a hospital license.

In any event, if, as seems apparent, the hospital elevator is serving a useful and legitimate purpose in the grain trade, it is only right that it should be legitimized and allowed to carry on, with all the privileges that Government sanction can bestow, including weighing and inspection, instead of being pronounced illegal and compelled to commence from the beginning again and evolve a subsidiary grain business alongside the officially lawful one, which would be the probable outcome, if the order, that took effect on Feb. 1st, were to be enforced against it.

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## News of the Week

Monday, February 5.

Kut-el-Amara is now under control of British. Considerable fighting in the region of the Somme. Dutch steamer Gamma shelled and then sunk by bombs.

Nine steamers, mostly flying neutral flags, sunk. Three British ships sunk.

Turkish Grand Vizier resigns and Talaat Bey forms new ministry.

Seventeen German vessels interned in Manila Bay were seized by United States authorities.

Seven survivors of the Shackleton party stranded on Elephant Island, in the Antarctic, have been rescued by the relief ship Aurora.

In a rear-end collision of a passenger extra on the C. N. R. with a snow plough train, near Saskatoon, three men were killed and six injured.

300 persons perished by drowning or exposure when Japanese vessel grounded near Che Foo, Shantung Province, China.

Tuesday, February 6.

Occupation of about a thousand yards of German trenches by British in the region of the Somme, represents greatest gain by any of the opposing forces in the last week's fighting.

British and French also entered enemy trenches at several other points on western front.

In addition the British have gained further big successes in Mesopotamia.

In Galicia Teuton attacks against Russian positions fail.

Quiet prevails on other fronts.

U. S. cabinet still awaiting warlike moves.

Germany holding Ambassador Gerard until satisfied as to treatment of Bernstorff.

Switzerland will remain neutral.

Tuesday's reports show seven neutral and eight belligerent vessels sunk.

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