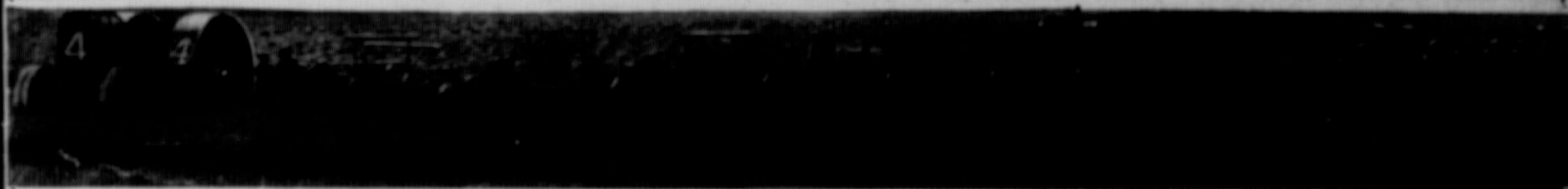


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Elevator Committee's Report

The report of the Elevator Committee was presented by
G. W. Buchanan of Cowley, as follows:

Gentlemen:—

Your elevator committee beg to submit to you the following report. The last convention adopted a resolution endorsing the report which was presented by your committee at that time, and which contained suggestions that it was necessary to secure amendments to the Manitoba Grain Act which would tend to make same more workable in this province.

The remarks of your committee at that time are equally true now, and before the grain growers in Alberta will be able to secure the fullest returns it is necessary to have Calgary made an order and terminal point and that the elevator operators shall be restrained from forcing the grain in store to the eastern terminals when our natural market at a generally better price than can be secured eastward, is to the west. The Dominion government has announced its intention of introducing legislation at the present session which will provide for the government ownership of terminal elevators and it is to our interest to endeavor to secure the necessary amendments in the Grain Bill, so that our Western business will be fully protected.

Approve Saskatchewan Scheme

Your committee investigated the question of a system of public ownership of line elevators in Alberta during the past year and decided to memorialize the government as follows:—

"That the provincial government be asked to take immediate steps to provide for a line of public owned elevators in the province of Alberta, and we would recommend that a scheme worked out along the line of the one now in force in Saskatchewan would be the most feasible. Further, that the government be requested to assist us in getting the Manitoba Grain Act so amended that it will be more workable, in accordance with the report adopted at the last annual convention of this association."

In acknowledgement of this, an answer was received from the premier, Hon. A. L. Sifton, to the effect that the system had not been in force long enough to know whether it would be suitable for the different conditions in Alberta.

Your committee decided to secure

information from Saskatchewan, and, to quote one letter received, it can be said that the Saskatchewan plan is fulfilling everything that was expected of it, and that it is working very satisfactorily indeed. In recommending a system for Alberta based upon the Saskatchewan plan, your committee had in mind the fact that under such a system it would be possible to arrange for a full measure of public ownership and yet retain control entirely in the hands of the people. The purpose of the Saskatchewan plan is to create a company of farmers as well directed and as strong financially as any existing corporation in the grain trade, thereby by its mere presence in the trade raising the level of business practice and ensuring a larger measure of fair dealing, and by having the farmers become shareholders insuring an active interest in the scheme.

It might be mentioned that the powers of the Saskatchewan company are wide and that it may do "all things incidental to the production, storing and marketing of grain." Thus if it wishes it may not only own and operate elevators and buy and sell grain, but own and operate lumber yards, deal in coal, wood, flour, feed, twine, machinery and anything else incidental to the production of grain, in fact, to become a strong company handling these many commodities upon a co-operative basis, distributing the profits of the company among the shareholders and patrons. To make the company truly co-operative and a farmers' company, the shares can be held by farmers only, the value of the shares is \$50 each, no person holding more than ten shares, and only 15% of the face value of the shares is paid in cash at the time of allotment.

Organization Plan

The plan of organization is that if an elevator is required at any point, either by purchase or construction of a new one, it is necessary for the farmers of the neighborhood to subscribe the stock to the value of the elevator proposed to be erected or purchased, and further, that these subscribers shall represent at least 2,000 acres of crop for each 10,000 bushels capacity of the proposed elevator. These requirements seem to be reasonable and were designed to secure and retain the interest and support of a sufficient number of actual grain growing farmers to insure the success of the local, even if no grain other than that grown by shareholders were handled by the elevator, and further, the feature so often objected to, that of requiring a guarantee of support from the farmers of a district, is absent, the self interest of a number being invoked to assure the necessary support.

Your committee further ascertained that no pledge or guarantee of any kind, expressed or implied, was expected or required and a shareholder had as much liberty to ship his grain to the highest bidder, but it is expected that the company will be able to do for its supporters

at least as well as any other company and its shareholders will realize that by dealing with their own company instead of a rival they will share the profits. The management of these elevators is by means of a local board of five, elected by the shareholders, while the whole system is under control of a central management of nine directors who have complete control of the whole system and attend to all the work of selling the grain, securing employees, attending to the financial arrangements and a score of other matters. The local shareholders appoint their representatives to the annual meeting of the company and from these representatives the board of directors is elected. At this general meeting the board have a full report of the year's business, and the representatives pass the by-laws and attend to all the other work necessary at an annual business meeting. The officers are elected for three years, three retiring each year, so that continuity is assured for the work.

The financial arrangements are provided for first by the government making a grant for the actual organization work necessary to enable the company to start, the act stating that at least 25 locals must be organized before business could commence, and then the money for acquiring the elevators is secured, first, by the shareholders advancing 15% upon their shares and second, by the government loaning the other 85% for this purpose, taking as security a first mortgage on the elevator and other property of the company at the point specified, the loan being repayable in twenty equal annual instalments of principal and interest, the first instalment being paid not less than two years after the elevator is built, thereby assuring the securing of a crop before a payment becomes due, and the rate of interest is, your committee believes, the rate at which the government secured the money. This assures the company a plentiful supply of capital at a low rate of interest, thereby enabling this part of the overhead charges to be kept down to a low figure. If the company decided to enter into other lines of business, other than grain, then it would have power to hypothecate or pledge its unissued stock up to 85% of its value, mortgage or pledge any of its securities to secure the money necessary to transact business.

It is provided further that the profits will be used up by paying a dividend of not more than six per cent., but it rests with the company to decide whether any, and if any how much, of the profits shall be distributed as dividends, and the balance can be divided according to any one of the several plans. Half of it may be divided among the shareholders on the basis of the business brought by them to the company, thus arranging for the co-operative distribution of the profits, or half may be paid to the shareholders upon the basis of the profits of the particular local to which they belong, thereby assuring a profit to those who provide the profits by supporting their company, or the balance after paying dividends may be distributed half as above, and the other half by placing to a reserve fund which would be used as a nest egg in a bad year. This distribution of profits would take place after the expenses

of operation and maintenance and the amounts due the government on mortgages had been paid, and the plan to be adopted would be decided upon by the annual meeting.

Quoting from a circular issued by the Saskatchewan company dealing with the distribution of profits:—

"It has been wrongly thought by many that all profits and losses must be pooled, and that the division of any surplus would be on the basis of share and share alike. The earnings of all locals need only be pooled until operation and maintenance charges on all have been paid and the amounts due to the government have been refunded. Of course, the basic principle of a co-operative enterprise is that of union for strength, and that the strong or fortunate may uphold the weak or unfortunate. If the policy of share and share alike were not a feature of the company to some extent it would lose half its usefulness and use only half its opportunity. But to follow that policy through thick and thin would be to almost put a premium on carelessness and disloyalty, as some local would be sure to slacken its efforts towards success and rest on the assurance that the others were succeeding and that it would share in the profits. Therefore provision has wisely been made for a system of dividends or of bonuses to be divided either among the supporters of each local according to the profits created by that local, or on the basis of the business brought to the company, or of the shares held by each supporter. Is not such an arrangement eminently fair and wise and does it not commend itself to your judgment?"

In the matter of liability it may be stated that no shareholder is liable for more than the amount of stock which he has subscribed for, even in the event

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