

Sensational Fluctuations in Trend of Wheat Prices

World Shortage and Peace Rumors Cause Violent Reactions

With the close of the year 1916 another dramatic chapter in the agricultural history of Canada and the United States is completed. The same elements have been present as in the years preceding, but in a different relationship, namely, the size of the crop and the needs of Europe. In 1916 this change in relationship was nothing short of revolutionary, and, notwithstanding the sensational developments that have hitherto kept pace with the war's progress, the past year has witnessed the most spectacular of all. From a supply that was ample to care for the greatest needs of the Allies, the production of the United States dropped to a point that was barely sufficient for its own requirements. Its exports have been made from its surplus from previous years, and with this now practically exhausted, further shipments must be at the expense of home needs.

Similarly in Canada, our 1916 wheat crop fell from an abnormally high point in 1915 to a total production considerably under half. The needs of our scattered population amount to a much smaller proportion of our whole output than in the case of our neighbor, so that it is not likely that our domestic supplies will be in any way curtailed. On the other hand so great a decrease as has taken place in our exports becomes a factor in the world's markets.

Under these circumstances prices have naturally risen to abnormal heights with the inevitable speculation accompanying these conditions, but only to topple in equally spectacular fashion when peace became a possibility.

The experiences of the year have demonstrated more clearly than ever that wheat is a world proposition. The world has been short of wheat, and whatever may have been the causes in the different producing countries the result has been the same in all of them.

Marked Decreases in Crop Returns.

To obtain a proper view of the 1916 wheat crop, it is necessary to place as a background the 1914 and 1915 harvests. That of 1915, for instance, reached almost four hundred million bushels in Canada, or well over double the 1914 crop, which amounted to only a little over 160,000,000 bushels. The United States crop of 1915, raised under very similar weather conditions exceeded a billion bushels, the greatest ever produced in any single country in the world's history, the only exception being the figures of Asiatic and European Russia when combined in a single total.

Prior to the breaking out of war in August, 1914, the farmers of the United States and Canada were facing exceptionally low prices for wheat because there appeared to be no market for their enormous crop. Then came the thunderclap of the war and the almost immediate demand for all the wheat that could be shipped. In 1914 the United States wheat crop had been abnormally large, reaching the then enormous total of 891,000,000 bushels, which was regarded as almost a freak of nature, and it seemed hardly credible that it could be repeated. Hitherto a crop of 763,000,000 bushels (in 1913) had been considered remarkable and stood as a record, with the average about 670,000,000 bushels. All the wheat which ships could be found to carry out of this bumper crop, added to what had been left over from the 1914 crop, was exported and still left a surplus in the United States of 160,000,000 bushels, and 27,000,000 bushels in Canada. This was a fairly liberal carry-over, provided the 1916 crops should turn out all right, and in the early part of the year there was little reason to believe it would be otherwise.

Disastrous Crop Conditions.

Yet 1916 will stand out in agricultural annals as a year that was as freakish in the matter of light production as its predecessor was in heavy production. About everything happened to the crop that could possibly happen. In considering sensational reports of crop damage that find their way into the market from time to time, it has often been facetiously remarked that the crop-killers have trotted out all the destructive agencies they had in reserve, yet in the past year it has seemed as if all this were literally true.

The New York Journal of Commerce reviews the unfavorable weather conditions existing last summer in an interesting article on the subject in their statistical New Year issue.

"There were," says the Journal, "4,236,000 acres of winter wheat smothered under a pack of mid-winter ice, and the States of Ohio, Michigan, Indiana, Illinois and Missouri, which in 1915 produced a surplus of 80,000,000 bushels above their own requirements, in 1916 fell 30,000,000 bushels short of providing for their own wants. The hessian fly and green bug were responsible for the loss of 20,000,000 bushels in Kansas and Oklahoma in May and June. On July 1 spring wheat promised to make a crop of 270,000,000 bushels, but as early as July 9, B. W. Snow definitely announced the presence of black rust in South Dakota, and the destruction that followed this visitation is said to be unparalleled in the history of agriculture, the spring wheat crop finally showing only 158,000,000 bushels of thin, light-weight, shriveled grain, the scourge sweeping on into Canada before its course was run."

A total wheat crop in this country of 640,000,000 bushels, in Canada of 159,000,000 bushels, or a North American total of 799,000,000 bushels against a total of 1,402,000,000 bushels in 1915 could mean nothing but a violent disturbance of the world's adjustment between supply and distribution. Coincident with the decrease of more than 600,000,000 bushels, for the two great available sources of supply, came severe crop shortage in Europe, and now harvest time in Argentina develops what is substantially a wheat crop failure in the third greatest source of supply. As one authority points out, the world is upon short bread ration and to pull through until another harvest it is necessary not only to consume the product of the year, but to draw dangerously upon the surplus carried from year to year as the margin of safety against bread famine.

Prices Will be Measured by Necessity.

Europe's necessities and the comparative accessibility of our shores for short-voyage wheat tonnage make it practically certain that North America will be drained of wheat before a new crop year rolls around, unless there are hidden stores unmeasured by any available statistics. In such an event prices will be measured only by human necessity for food; but, on the other hand, these high prices will tempt forth unexpected reserves which may or may not be sufficient to stretch out the depleted supplies. Already we have exported the major portion of our surplus without touching upon this safety reserve, and that with only half the crop year gone.

The price movement, as has already been pointed out, has been sensational. Under the promise of a good crop and with a falling off in exports, wheat at Chicago early in May declined to 99½¢, which was considered phenomenal with the war still in progress. From this point it gradually started upward until the black rust scare started with spring wheat and then prices darted upward in what clearly became a runaway market. The high point was reached on November 13 when the market touched \$1.95½ in Chicago, although it reached \$2.04 in Winnipeg, and also passed the \$2 mark in Minneapolis.

Talk of an Embargo.

Flour naturally advanced with wheat and in the public protest against the increased price of bread, which became a necessity, the idea of the embargo on foodstuffs was developed, which attained great popular favor, culminating in the introduction of a bill in Congress authorizing an embargo, which is still pending, although apparently with little chance of passage.

The price of wheat gradually declined from the high point, but managed to hover within a 10c reduction until the last fortnight of the year, when Germany's peace proposals sent prices crashing downward through fears that it would mean the opening of the Dardanelles and the release of the vast stores of Russian wheat supposed to be bottled up. Declines of more than 40c a bushel from the top were reported.

Empire Cotton Mills Welland, Ontario Limited

Manufacturers of

Textiles, Sail Duck, Bag Cloths

and

Seamless Bags

Write for Quotations

BANKING AND BUSINESS IN THE UNITED STATES.

(Concluded from page 4.)

pressure of new business are factors that can not be disregarded.

Gain in Bank Note Circulation.

For the month of December there was a gain of \$2,619,621 in the outstanding volume of bank circulation. Still, going back a little it will be seen that the bank notes are shrinking in volume. It is the expectation that in the course of time the notes of the National banks will disappear altogether, being supplanted by the Federal Reserve notes. So long as the National banks hold Government bonds, they may as well issue the notes, which are a source of slight profit. Some banks will perhaps continue to issue the notes as a matter of sentiment. It adds to the prestige of a small country bank to see its name conspicuously printed across the face of notes circulating as money. If the National banks gradually surrender the privilege of note issue to the Federal Reserve Banks, we shall then have only a dozen banks in the country with the right to issue circulating notes. As the National bank circulation lapses, the United States will have a circulation based upon coin and commercial paper instead of upon the Government debt. The idea of a pure credit bank note, so familiar in Canada, has not made much headway here, where the superstition prevails that only the Government can safely be entrusted with the right to issue the circulation.

Bank Training Being Rewarded.

It is only a short time ago, comparatively, that the bankers in this country began to make provision for institutional training of young men for banking such as had long been common in England and in most of the British dominions. That the system of bank training, tardily inaugurated here, is proving effective, appears from the number of young men who have availed themselves of this training and who have reached important official positions in a number of the large city banks. Not only is this education for banking provided by several organizations, but some of the banks themselves maintain departments of special instruction where the employees before or after banking hours may avail themselves of these privileges. In former years it was sometimes said that American bankers came to their duties with no special knowledge of their business. They were manufacturers, merchants and not infrequently lawyers and farmers. If this experience was wanting in technical banking knowledge, it nevertheless afforded a pretty sound insight into character and a familiarity with local business conditions. But the old order in banking is slowly passing, and before long the American bankers will not be less well professionally trained than his foreign competitor.

THE AUSTRALIAN PUBLIC DEBT.

Since the outbreak of the war the public debt of Australia has increased by nearly £130,000,000. Since 1901 it has gone up 130 per cent.

The debts of the states and Commonwealth on June 30, 1916, were about £440,000,000, and if the new war loan be added the total would be increased by £23,000,000. It is estimated that the loan indebtedness is equal to slightly more than two years' income of the citizens of Australia.