

Mr. SILVERWOOD: In the butter business you cannot actually do that, Mr. Mayhew, because you are working entirely on a market which is beyond your control. I mean, you are working on the butter market as you find it and you cannot set your price to meet your cost. You don't attempt to.

The ACTING CHAIRMAN: What about all these people who are in the butter business; they seem to have large holdings; are they all taking a loss? What sets the price?

Mr. SILVERWOOD: I think the answer to that is that the demand for butter is what actually sets that market. Supposing you wanted to go out and buy butter, and supposing you wanted to buy some butter and you got in touch with a broker and he had some butter for sale at a certain price, let us say 50 cents. You might think, using your own judgment on conditions generally, that that was too much, that the butter was not worth 50 cents; you would not buy it then, do you see. On the other hand, if you thought there was a strong market and you would have to pay more for it later on then, of course, you would buy the butter at 50 cents. The point I am trying to make is this, that it is the demand for butter which sets the price, and the stronger the demand the higher the price is going to be.

The ACTING CHAIRMAN: Is there some speculator in there?

Mr. SILVERWOOD: No, I do not think so, necessarily. As a matter of fact I think the trade absorbs such a large percentage that a butter speculator has no particular effect on the market. That would be my own personal opinion.

Mr. MACINNIS: Well, with the exception of 1947 I think all the butter people that have come before us have shown a loss. Now who is making the profit in the butter business or is everyone showing a loss.

Mr. SILVERWOOD: I would not say that everyone is showing a loss.

Mr. MACINNIS: Everyone who has been here so far has said so. Now if those people are showing a loss who is it that is making a profit?

Mr. SILVERWOOD: Well, of course, the storekeeper that buys the butter at a certain price and sells it on a certain margin of profit may be making money.

Mr. WINTERS: You say the price is set by supply and demand?

Mr. SILVERWOOD: I think so.

Mr. WINTERS: Now you are experiencing those conditions yourself. You are in the butter business, but you say that you do not set the price and that you follow the market. At what point is the price set?

Mr. MERRITT: Surely, Mr. Silverwood, it is the cumulative effect of all the purchasers in a market and all the sellers in a market that fixes the price at any one time?

Mr. SILVERWOOD: I think that is exactly right, Colonel Merritt. It is not any one firm dealing with a fraction of a per cent of the total butter in Canada that has an influence sufficient to effect the market one way or another.

Mr. WINTERS: Well who assembles the market to a point where there is an effect? Is it the broker?

Mr. SILVERWOOD: The broker simply is the medium of bringing buyer and seller together. The broker performs a useful function.

Mr. WINTERS: Is that not the central point where the price would tend to be set—the commodity exchange or the brokerage level?

Mr. SILVERWOOD: Well, I do not know. Do you not think the man who has the butter to sell is the primary one who sets the price? The broker gets in touch with the producer and asks "have you got some butter for sale?" The answer is usually "yes, we have a car, or two cars". "Well what is the price?" The pro-