WHEAT SITUATION PUZZLES GRAIN TRADE

Uncertainty as to Whether Enabling Act, Passed at Last Session of Parliament, Will be Put in Force—Government Control a Costly Method—Experience of United States with Open Market

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THE enabling bill, passed by the House of Commons to provide for the appointment of the Canadian Wheat Board for another year, if found advisable, is very similar in character to the legislation under which the board now operates. The most important change is a clause inserted, safeguarding the trade in case the markets are opened and then closed by order of the government. This clause reads: "Should a board be appointed under this Act after trading in the wheat crop of 1920 has commenced, the board shall have power to adjust and make payments from the funds of the board in respect to actual losses incurred by reason of the bringing into effect of the Act. Provided, that before payments are made such adjustments and payments are approved of by the governor-in-council."

Loss Through Closing Exchanges

Last year the Canadian grain exchanges were opened for a few days and then closed on the strength of a wire received from the minister of trade and commerce. The markets were closed arbitrarily, and no reason was given at that time for the action taken. The result of this action was that many firms who had purchased legitimate futures were left high and dry. It has taken the representatives of the Winnipeg Grain Exchange eight or nine months to secure a settlement of these claims. The government, in the dying days of the session, put through the House a vote for some twenty odd thousand dollars to pay the said loss to these firms, a loss caused entirely by the action of the government.

The government did not allow these firms one cent of interest nor one cent of profit, notwithstanding the fact that it was entirely the fault of the government that the situation arose. It was the feeling of some members of the grain trade that the Canadian Wheat Board should pay these legitimate claims out of their funds, but the board apparently did not consider that they had any jurisdiction nor the power to do such a thing.

To obviate a repetition this year the government inserted the above clause, which will act as a safeguard not only to the trade, but also to banks.

Preference to Export of Flour

Another clause that was inserted in the bill this year which was not in the old bill is as follows: "And also to the reasonable necessities of the Canadian consumer, provided that as between wheat and flour preference should be given to the exportation of flour, except in cases where the public interest would be adversely affected thereby."

This clause might or might not be of material benefit to the miller. There are so many provisos contained therein that it is questionable whether the millers will be able to secure preference for the export markets. At the present time there is a discrimination in rates against flour, and the millers claim that it has been difficult, and it will be difficult, for them to compete in the European markets. They ask that, if the board is appointed, that the board will endeavor, first of all, to sell flour in preference to wheat to keep the mills running and to provide offal for domestic consumption.

The grain trade of Canada has been assured that it is not the intention of the government to bring the bill into effect only under the gravest emergency. If the European countries combine buying and have one purchasing agent for wheat; or if the United States bring into effect the Lever Act as it affects the exchanges; or if the financial stability of any country is endangered, any one of these three might be sufficient cause to bring into effect the bill and give Canthe wheat. It is quite obvious, therefore, that government paternalism.

Government Sale More Expensive

Is it cheaper to handle Canadian wheat by a government board or through the usual channels of commerce? It is a well-known fact that under control country elevators, track-buyers, commission merchants, brokers, public terminal elevators, private elevators and eastern public elevators have all received their usual scale of charges. The banks also have received their interest and the transportation companies have received their rates, and lake tonnage is in the same position as under open market conditions.

None of these charges have been eliminated, because it was the policy of the wheat board to utilize as far as possible existing organizations to handle the crop. But, in addition to the above charges, there will have to be deducted from the price of wheat the organization and administration expenses of the board itself, which expenses are an added charge, and must be deducted from the funds received for the wheat. It is quite obvious, therefore, that government control is not more economical, but rather the other way, more expensive.

Open Market in United States

The United States are to-day operating under open market conditions. The price of their highest grade mill wheat at the present time is $2.75 per bushel, which indicates that the price of wheat has a tendency to drop. Some experts claim that wheat might reach $5 per bushel; other experts claim that the price of wheat will drop during the next five or six months, and after the new year will materially increase.

The Baltimore exchange opened on June 25th, and the first sales were made at $2.83 per bushel for September delivery. Taking everything into consideration, it seems reasonably certain that, sooner or later, the price of new wheat will start to decline. The duration of the break will depend to a great extent on the size of the harvest and the movement. But the Canadian Wheat Board, if functioning, are obliged to secure the world's highest price for the wheat and bring the Dominion wheat and flour on a parity with the world's price. Therefore, it follows, if the Canadian Wheat Board does its duty, it must, of necessity, secure a price pretty well on a level with the price that would prevail under open market conditions.

Present Situation Too Uncertain

If the government are afraid of grain prices soaring, the legislation enacted will not save the situation; if they are afraid the price will drop, the Enabling Act will not be much use. The wheat board are simply instructed to see that the price obtained for export wheat or flour is the world's market price, and that wheat and flour for domestic consumption are on a parity with that price. With such a bill hanging over the heads of the members of the grain trade, making it difficult to know what to do, the Canadian government should decide, and should decide very quickly, what its intentions are.

Crop reports from the Canadian north-west indicate that the crop is in splendid condition, and everything points to a bumper year. Moisture has been plentiful and weather has been ideal, and, barring the usual hazards, it is estimated that a tremendous amount of wheat will be handled this year. This will mean large lines of credit on the part of the different grain firms. This will mean tightening up of the grain organizations to give the most effectual service.

The government should immediately supplement the statement made in the House of Commons by the minister of trade and commerce, Sir George E. Foster, to the effect that it was not the intention of the government to make this bill operative only under the gravest emergency; by notifying the trade that wheat will be de-controlled, and giving