

# The Commercial

WINNIPEG, NOVEMBER 11, 1889.

## \* STIRRING UP ANIMOSITY.

An article headed "The Wheat Question," which for the extremely ridiculous nature of its assertions and unfairness of its inferences caps anything yet written upon this important question, recently appeared in the *Monitor*, published at Morden, in this province. The best way to treat such an article would be to leave it alone, were it not that it has been copied by a number of city and provincial papers, and is thus given an air of authenticity. The whole article is so wide of the mark, that it is calculated to bring a smile to the face of the reader who knows even a little bit about the wheat trade. Aside from this aspect, however, it is really too bad that such influences are at work to make the farmers dissatisfied with the grain dealers. This article, for instance, by being copied by some papers with a large circulation among the farmers, will tend to still further inflame the minds of our agricultural population against the grain men. The farmers, who are not posted as to the cost of handling grain, will not discover the absurdities of the article, and to them it will simply be another proof that they are being ground down and cheated right and left by the grain men.

This is to be regretted. The grain men and millers should be the natural friends of the farmers, and each are dependent on the other. It costs about as much to handle grain when it is low in price as when it is dear, and so far as the dealers are concerned, they would rather have prices rule at good figures than very low. The article in question speaks of a "horde of scheming middlemen who force injustice upon the farmers." Now what would the farmers do if these "middlemen" should all withdraw from the country? The farmer can never become a successful grain shipper, and the shipper is as necessary to the farmer as the farmer is to the shipper. Moreover, we make the assertion that the shipper can afford to, and as a matter of fact does, pay more for the grain than the farmer could ship it for himself. This talk about middlemen is therefore very silly.

The Morden paper next tells the farmers that their No. 1 hard wheat is worth 75 cents per bushel, and that they are being cheated out of 15 cents per bushel at present prices. To arrive at this conclusion the *Monitor* places the value of wheat at Liverpool, according to the statement of some party whose name is not given, at \$1.08 per bushel. From this price the *Monitor* deducts 33 cents as the cost of taking the wheat to Liverpool. Here is one of the great absurdities of the article. Now let us see what it will really cost to take Manitoba wheat to Liverpool, by the cheapest possible route. Average freight rate from Manitoba to Lake Superior, say 14 cents per bushel; elevator charges at Port Arthur, 1½ cents per bushel; freight rate to Montreal, 9 cents per bushel; elevator and floating charges at Montreal, 1½ cents; average ocean freight rate from Montreal to Liverpool, say 12 cents per bushel, unloading charges, wharfage and commission at

Liverpool, 5 to 6 cents per bushel; cost of buying, lake and ocean insurance, 3 to 4 cents per bushel. This gives a total cost of about 48 cents per bushel to take Manitoba wheat to Liverpool, which, at the *Monitor's* own value of \$1.08 in Liverpool, would leave 60 cents per bushel as the average value of No. 1 hard wheat here. This figure of 60 cents per bushel here is reached after taking the lowest carrying charges, and without allowing anything for profit to the shipper or interest on his money invested. The shipper pays cash to the farmer and takes all risks, so that he should have at least a margin of 5 cents per bushel for interest, profit, etc. What farmer would care to undertake such a risky business on any lower margin?

In estimating the cost of taking wheat to Liverpool, the only thing which can be disputed in the figures given above is the ocean freight charges. The present rate we may say is nearer 14 than 12 cents per bushel, but the latter figure is about the average for this season. It must, however, be borne in mind that this estimate is based on summer rates, and is about 12 cents per bushel lower than winter rates, so that the cost of exporting wheat from Manitoba to Liverpool by the all-rail route to Montreal and thence to a winter seaport, would amount to over 60 cents per bushel. The Manitoba crop does not commence to move until late in the season, at which time of year there is a heavy movement of exports from the Atlantic coast, and consequently ocean rates are at maximum figures. The same is also true of lake freights. Before much of our crop can be moved, lake navigation closes, and Montreal is also closed as an ocean port. The bulk of our Manitoba crop must therefore be shipped out by the expensive all rail route to Atlantic winter ports, if intended for export, or held over till the following summer in elevator storage. Now it costs something to carry grain in store over the winter. From the commencement of winter storage in the fall until wheat could be delivered by the lake route in Montreal the following summer, it will cost not under 12 cents per bushel on an average to carry the grain, this including storage, insurance and interest charges. The shipper who buys No. 1 hard wheat now for 60 cents per bushel here, will therefore find that his grain has cost him 72 cents per bushel by next summer. Add to the 72 cents per bushel the cost of transporting to Liverpool by the summer route at 48 cents, and the wheat has cost about \$1.20 per bushel delivered in Liverpool next summer, against a present value thereof \$1.08, as given by the *Monitor*. This figure of \$1.08 is the very top price for the choicest wheat, and is away above average prices. This shows that there are two sides to the question, and that those who talk about "hordes of middlemen preying on the farmers" are simply talking nonsense. The dealers who are buying at full market value now, take the chances of advances in price to cover cost of carrying and give them a profit.

The price of \$1.08 per bushel for wheat at Liverpool, as stated, is the price given by the *Monitor*, but the quotation is too high. The highest quotation ruling in Liverpool at the time of writing is 7s. 2d. to 7s. 2½d. per 100

pounds. This is for California Club. For other wheat quotations range downward to as low as 6s. per 100 pounds. These Liverpool prices reduced to dollars and cents would be equal to say 86½ cents to \$1.04 per bushel of sixty pounds, for the different qualities of wheat.

There is another matter about which a great misunderstanding exists, and this is the question of mixing wheat. The Morden paper seeks to make its readers believe that this mixing of wheat is all to the disadvantage of the grower, when really the opposite is often the case. Why do dealers mix grain? Common sense would dictate the answer that they mix it so as to sell it to the best advantage. Now then, if the shipper can handle his wheat to the best advantage by a little manipulation, it stands to reason that he can afford to pay the grower more for the grain. This can be shown by the conditions now existing in Manitoba. A large portion of the wheat being purchased every day in Manitoba markets, at No. 1 hard prices, will not grade No. 1 hard. In other words, farmers get No. 1 hard prices for lots of wheat which, were they to ship it themselves would grade lower, and perhaps go rejected. But the skilled shipper can sometimes take this wheat at a price really above its value according to grade and handle it without loss, by a little judicious mixing and cleaning. In this transaction the grower shares in the profit with the shipper.

The cost of buying wheat is a point which is often lost sight of. The cost of buying of course depends largely upon the quantity handled. Over competition increases the cost of buying, as the quantity of wheat marketed is divided in small portions among the buyers. About three cents per bushel is usually considered a fair allowance for cost of buying. However, with a large number of buyers at a point where only a few thousand bushels of wheat are marketed daily, the cost per bushel will be higher. Dealers claim that a good deal of wheat will cost as much as 6 cents per bushel this year for buying, owing to light receipts and the large number of buyers, for it costs about as much to run elevators for a few hundred bushels per day as it does to take in several thousand bushels. Too much competition is therefore a disadvantage to the trade in this respect.

## THE CREDIT SYSTEM.

The tendency of the times seems to be distinctly in the direction of remedying or curtailing the abuses of the credit system. This is one of the burning questions discussed at almost every commercial gathering, and the feeling seems to be unanimous that the credit system has been carried to such extremes that it is high time to call a halt and endeavor to correct the abuse of credits. The latest move reported in favor of shortening credits has been made by the Dominion Wholesale Grocers' Guild, which met at Montreal recently. At this meeting it is understood the advisability of shortening the time on sugar to thirty days, instead of sixty days, was discussed. Though the question was not finally decided, the discussion of the matter alone shows which way