

Mr. FANE: I would like to ask Mr. McNamara why it is that the spread between the actual value of grain, which a farmer or a feed mill buys from the elevator, is so high. What I am trying to get at is that the price of oats, for example, is about 14 cents more than the initial payment on the oats, when buying it back from the elevator. There is the interim payment, the final payment, and a certain amount of storage. Why the extra 14 or so cents?

Mr. McNAMARA: It varies from year to year. These are the only final figures I have in connection with the 1957-58 oat account. We paid an initial payment of 55 cents a bushel for No. 1 feed oats. The final payment was 3.164 cents a bushel. Therefore, the total realized was 58.164 cents per bushel. In other words, after taking the price at which we sold them, less operating expenses, the net result was a realized payment of 58.164 cents a bushel. Two years ago the oat pool ended in a deficit. We paid out more than we realized.

Mr. FANE: Does that explain the extra 14 or so cents per bushel more than the cost of buying it, or paying for it?

Mr. McNAMARA: No; you must remember the initial payment has no direct relationship to the value of the commodity. It is a price which the government agreed to authorize us to pay as a floor price. The return to the producer is what we can secure for the grain, less our costs of administration.

Mr. NASSERDEN: I think what Frank wants is a breakdown of those costs.

Mr. FANE: Yes; that is probably what I want more than anything else.

Mr. McNAMARA: We have those in our last year's report. Would you wait a moment, until I find it. I am reading, in part, from the supplementary report:

Throughout the duration of the 1957-58 oats pool there was a continuous surplus of oats in commercial positions over and beyond possible export and domestic demand. This fact not only affected the selling prices for oats but also added substantially to carrying charges paid by the pool. Total operating costs applicable to the 1957-58 pool, including carrying charges amounted to \$5,597,389.5, or 9.676 per bushel.

Mr. FANE: May I ask one more question?

The CHAIRMAN: Yes, Mr. Fane?

Mr. FANE: It may not be too relevant here, but it is just on the same subject. Why is the final payment on lower grade oats and rejected oats high enough to raise it up to what is paid for No. 1 feed, say?

Mr. McNAMARA: Do you mean, why has there been a higher final payment for lower grades than the No. 1 feed grade?

Mr. FANE: It amounts to that, because it brings it up to the same price, more or less.

Mr. McNAMARA: The fixed payment for the basic grade 2 C.W. oats is set by the governor in council, and that becomes the floor price. The wheat board recommend what it should be for the various other grades. At the beginning of the crop year you are not sure of the quantity of lower grades that are going to come into the pool. We are quite conservative in our spread, in the first instance, but we market oats to the best possible advantage. If we can sell at a narrower spread, we do so; and in recent years we have been able to sell off-grades at narrower spreads than initially provided, and that enables us to make higher returns to the producers. This cannot be done every year, and a lot depends on the market possibilities and the value of the off-grades that come into the pool.

Mr. FANE: You do not average what you get for off-grades and what you get for higher grades?

Mr. McNAMARA: There is a separate pool for each grade of grain.