

The Grain Growers' Guide

Winnipeg, Wednesday, August 16th, 1916

SELLING FOR OCTOBER DELIVERY

Last year quite a number of farmers got into serious trouble by making contracts during August and September to deliver their grain in October. In contracting their grain for October delivery the farmers expected that the October price would steadily drop when the rush of shipping began, but the contrary was the case, and this was the cause of their trouble. This method of selling grain involves a very heavy risk, and while it is quite a legal transaction, every farmer before entering upon it should clearly understand the risk he is taking and at the same time he should remember that the grain dealer with whom he contracts is taking very little risk if dealing with responsible farmers.

Let us take a typical case. Today October wheat is selling around \$1.45. A farmer has a good crop nearly ripe which he figures should give him easily 3,000 bushels. The October price today looks mighty good, but nobody knows whether it will be higher or lower in October. A farmer may act on his own initiative or on the initiative of an agent for some grain firm. At any rate the farmer signs a contract with the grain firm agreeing to deliver 3,000 bushels of wheat at the terminal elevator in the month of October and to receive in payment \$1.45 per bushel, less the regular commission. As soon as the contract is signed the dealer sells 3,000 bushels on the option market for October delivery and thus protects himself against market fluctuation. If the crop comes off alright and the farmer succeeds in getting his 3,000 bushels to the terminal elevator before the end of October he gets his payment as agreed upon. If the market has gone down in the meantime the farmer has made money, but if it has gone up he has lost. The grain dealer has made his regular commission no matter whether the market has gone down or up, because he has the actual grain to deliver on the option which he had previously sold.

But suppose that the farmer is hailed out, or badly rusted, or frosted, or is unable to get cars, or the weather is too wet for threshing, or is unable to get a threshing outfit in time or anything else happens by which his grain does not reach the terminal elevator by the end of October. Here's where the trouble begins. The grain dealer it will be remembered has already sold the 3,000 bushels he expects to receive from the farmer and must fulfil his contract. If the market has fallen ten cents the farmer may buy in the 3,000 bushels on the open market at \$1.35 and deliver it to the dealer on his contract and by so doing makes 10 cents per bushel on his contract. Farmers should remember, this, for there is a profit in it for them under such circumstances and if they do not take it the dealer will buy in the grain to fill the contract. The profit he makes by so doing he should return to the farmer.

But on the other hand, if the market has gone to \$1.55 and the farmer has not his own grain at the terminals, he must buy the 3,000 bushels at the advanced price or the dealer will do it for him. The dealer will then immediately come back on the farmer to make good the loss according to the terms of the contract he has made with the farmer, and a number of these cases have been up in court so that it is beyond question that the farmer is legally entitled to pay the dealer the ten cents per bushel loss which he has sustained because the farmer did not deliver his wheat at the time agreed upon. A contract is a contract and the farmer is entitled to fulfil it when he loses as well as when he wins. There were a large number of cases just like this last year and many farmers were com-

pelled to pay from \$100 to as high as \$3,000 because they failed to fulfil their contract.

If it could be definitely known whether the market is going up or down (which no human being can safely forecast) and if the farmer could control all the various elements mentioned above, then it would be safe to sell for October delivery provided he has the actual grain to sell. But with conditions as they are, the farmer who sells for October delivery ordinarily takes a very large risk, and before assuming this risk he should consider it very, very carefully with both his eyes wide open. If he then suffers a loss he has no one to blame but himself.

It will be a great surprise to many farmers and probably also to many grain dealers to know that the licensing and bonding regulations of the Canada Grain Act do not cover contracts for future delivery such as we have been describing above, and this is a point which should be very carefully considered by farmers when making such contracts. In order to get an official ruling on the question we sent the following letter on August 9 to the Board of Grain Commissioners:—

"Will you kindly advise us whether the licensing and bonding regulations of the Canada Grain Act, as carried out by the Board of Grain Commissioners, cover completely the transactions where farmers contract with grain dealers to deliver their grain at a fixed price, say for October delivery? Would this come under the regular commission business?"

In reply to the above letter we have received the following from the Board of Grain Commissioners, dated August 10:—

"In reply to your letter of the 9th inst., I beg to advise that the board has no jurisdiction in cases where grain is contracted and sold for future delivery. This class of business is not covered by any section laid down in the Canada Grain Act. Accordingly claims cannot be made against either the track buyer's or commission merchant's bonds of licensees."

Yours truly,
C. BIRKETT,
Secretary."

In the light of this letter and ruling from the Board of Grain Commissioners, farmers should be doubly careful in contracting their grain as they have only the standing of the firm to guarantee the payment and the bond of track buyers or commission merchants does not apply.

BRITAIN'S LAND POLICY

It is becoming more clearly recognized in Great Britain that unless the land of that country is freed from the grasp of the landlords there will be a tremendous migration of returned soldiers at the close of the war. For centuries about 10 per cent. of the people of Great Britain have owned 90 per cent. of the land and as Lloyd George once aptly said the great bulk of the British population have been "trespassers in the land of their birth." Lloyd George has been the leader of the land reform movement in Great Britain. In a recent speech he declared:—

"The land system of Great Britain is a ghastly thing. The percentage of uncultivated land is lower than in any other country of Europe. This state of affairs is due to the fatuous and unbusinesslike methods of the landlords."

Recent legislation in Great Britain has improved the status of the tenant and has prevented the landlords from ejecting tenants at their own free will without compensation for the improvements made on the property, but nothing has been done to break up the large estates and give the tenants an opportunity to become owners as was done in Ireland years ago. Huge game preserves occupy areas which ought to be devoted to the production

of food or timber. A land commission recently reported to the British Government that there were eight and one-half million acres in England now practically waste lands which could be forested, and Lloyd George contends that the state should take hold of this matter as was done in Germany many years ago. The Kaiser's Government has been deriving every year a net profit of over \$35,000,000 from the national forests growing on land which in England is treated as perfect waste. It has been declared by men who have investigated and have reason for their statements that by inaugurating a proper land system Great Britain can feed its own population. It seems practically certain that the British statesmen, realizing that at the close of the war three or four million men will return from the army and seek employment, will provide an opportunity for them to secure land in their own country. Otherwise it is certain that large numbers of them will migrate to the overseas Dominions where they can secure land for themselves and their families and not be forever subservient to an aristocratic landlord.

In Canada we should pursue the same policy of opening up the land to the people which is the only safe and sane method of building up a prosperous and contented population.

WHO OWNS THE GRAIN?

When the arguments for and against "substitution" of grain were heard before the Board of Grain Commissioners in Winnipeg recently the operators of the country elevators presented a most astounding argument. They claimed that when a farmer stored his grain in the country elevator under anything except a special bin ticket that the grain at once became the property of the elevator company and that therefore the elevator company could make any disposition they liked of the grain. Their argument on this point was supported by the legal opinion of Isaac Pitblado and also of Hugh Phillips, solicitors for the elevator companies. The two lawyers in their arguments illustrated by cases which have come before the Canadian and British courts to prove the correctness of their contention. In other words when a farmer hauls his grain to a local elevator and stores it with the intention of selling it sometime in the future, the elevator companies claim that the grain becomes actually their property. They give the farmer a storage ticket receipt either in the form of a "graded storage" ticket or a ticket marked "subject to inspector's grade and dockage." The latter is what is known as the "hybrid" ticket. In either case the elevator companies claim that they are only obligated to deliver to the farmers' order whenever he may call for it, the amount and grade of grain they have received, but that in the meantime the grain is actually their property. On this ground they claim that it is their perfect right to sell the grain and hold against it only an option. They also claim that they are justly entitled to charge the farmer interest on any advance he may have received even tho they have already sold his grain and have the money in their own pocket. They also claim the right to charge the farmer storage on his grain from the time he delivers it to the elevator until he wants it sold, even tho they have not the grain on hand and are not storing it.

It is difficult to understand how they can claim that the farmers' grain once it is stored in their elevator becomes their property and at the same time charge the farmer storage. If the grain is no longer the property of the farmer he should no longer be asked to pay