

## THE FLOUR AND GRAIN TRADE.

The produce trade is the most important branch of Canadian commerce. Canada being essentially an agricultural country, our prosperity is of course mainly dependent upon the efforts of the farmer. But next to him, there is no class whose failure or success so materially affects the general interests of the community as that of the dealers in produce. The production of a good crop is of immense importance, but it would avail comparatively little were the facilities for moving it to market unprovided or inadequate. Upon the completeness of these facilities depends in a great measure, how near to value, the farmer realizes for his grain. If they are incomplete, the market at which he sells is likely to be inanimate and the price low, so that a good deal of the profit which justly belongs to him goes into the pocket of the dealer. On the other hand, there may be an excess of competition, resulting in loss to the dealer, but only temporary gain to the farmer. For a season of fictitious values is sure to produce a period of depression, and the men who lose by paying a rate too high, will try to make up their loss by buying at a rate too low, as compared with prices elsewhere. This is the result generally seen, but the mode in which the produce trade in Canada is conducted would appear to be an exception to the rule we have just stated. Owing, probably, in a great measure to the circumstance that many dealers work with means not their own, and obtained too easily, the spirit of speculation enters largely into the business. There is an excitement about it akin to that of the gaming table, and prudential considerations are lost sight of. As a consequence, the results obtained by those in the trade vary greatly. While some men, in some localities, are suffering loss and almost ruin, others escape. But, speaking of the trade generally, one unsuccessful reason is not enough to teach it caution; it not unfrequently happens that the only remedy which will stay the course of a reckless and ruinous speculation, is one which is irresistible in its effects—the impossibility of raising means to continue it. The best proof that we are not misrepresenting the case, in making these remarks on the general features of the trade, is to be found in the fact that the list of the successful produce operators of Canada, comprises only about a dozen names, while the unsuccessful men can be numbered by hundreds. This is the more surprising when it is understood, that in no department of trade has there been manifested more industry or better business capacity. Of course untoward results might sometimes be expected to occur, on account of the necessarily speculative character of the trade, but are there not causes at work, which unduly stimulate the spirit of speculation, until it ends in disasters, which a regard to sound commercial principles might have been averted? We think there are, and particularize especially the policy which our banks have pursued in granting advances on collaterals, such

as bills of lading, warehouse receipts, &c. We know that in a new agricultural country like Canada, where capital is in but small proportion to business, it is impossible to expect the crop to be moved to market unless accommodation is had of an unusual and extended character, and the mode of advancing upon grain bought and in store, or in transit, to enable the dealer to continue his operations until his accumulation finds a market, is the only one which will afford the requisite facilities. It is not the principle to which objection is taken so much as the abuse of it, for like everything else, "the greater the good, the nearer the evil." If the system were operated with proper safeguards and in moderation, the result could not be otherwise than beneficial, but when recklessly and imprudently pursued, injury is sure to follow. To illustrate the point, let us take a small country market the daily supplies of which in the grain season average 2,000 bushels. There are two buyers who keep up a healthy competition, and who individually are responsible for all the liabilities incurred. The bank in making them advances is wise, as they are not likely to excite the market and buy at a loss. But another dealer fancies he can share the profits of the trade, and enters the market. He is worth, perhaps, a thousand dollars which he puts into grain at rates that cannot yield a return, and on which he gets an advance of seven-eighths of its value. The market may favour him for a while; he readily commands the same facilities as do the other and responsible operators, and he goes on buying, not only paying rates himself which afford no prospect of profit, unless a rise makes a margin, but compelling the others to pay similar prices, or leave the market to him. So long as he can command advances, and so long as his own insignificant capital is sufficient to cover any small reclamation that may be made, just so long may he dictate terms to men whose capital, capacity and claims to consideration far exceed his. The best thing to be done under such circumstances, is to let the speculator take his swing and ruin himself as speedily as possible. Sometimes the number of buyers is indefinitely multiplied, and if there are not half a dozen dealers where there ought to be only two, it is no fault of the banks. This is no exaggerated example. Every produce point in Canada has witnessed constant repetitions of such occurrences. What we complain of then is, that the Banks are too eager to trade, that the system of collaterals induces them to take up a weak account and foster it to the detriment of the responsible men who are dealing with them, and that in their anxiety to get business they lose sight of the consideration that unless their customers prosper, they cannot prosper, and that whatever militates against them will in the end affect the profits of the banks. It may be perfectly safe for a bank to make advances on a consignment of produce for a man whose whole capital does not exceed one thousand dollars, but it is certainly much more satisfactory to grant similar facilities to a party worth ten

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