

Selling Grain on Commission

The Winnipeg Grain Exchange is the only grain market of consequence in Canada, and only members of the Exchange can buy or sell on this market. A large number of the members of the Winnipeg Grain Exchange are commission merchants, who sell farmers' grain at a fixed rate of commission per bushel. The rate of commission which any member of the Winnipeg Grain Exchange may charge is fixed at one cent per bushel on wheat, barley and flax, and five-eighths of a cent per bushel on oats.

A large portion of the western grain crop is always sold on commission. It is one of the cheapest ways of marketing grain by the carload, and affords the farmer a great deal of freedom in his time and method of selling. One of the chief sources of trouble in selling grain on commission results from a difference in the interpretation of the selling instructions given by the farmer. There is seldom any trouble over non-payment for the reason that every grain commission firm is licensed by and bonded under the supervision of the Board of Grain Commissioners to a sufficient amount, which, in the opinion of the board, will ensure the full payment of all shipments received by them.

How Grain Is Handled

If all farmers clearly understood the way grain is handled, and the different methods of selling commission grain, there would be practically no trouble. When a farmer decides to sell his grain thru a commission merchant, he may load it either thru the local elevator or over the loading platform. The car is then forwarded to the terminal elevators at Fort William or Port Arthur. In passing thru Winnipeg the car is inspected and grade and dockage fixed by government inspectors. Upon arrival at the Terminal Elevators the grain is weighed under Government supervision, and is then cleaned and unloaded into a bin containing the same grade of grain. Every car of grain must pass thru this process before it can be shipped eastward thru Terminal Elevators to the foreign market.

Make Instructions Clear

It is essential that the farmer should make his handling and selling instructions absolutely clear and definite. A farmer may order his car of grain into any Terminal Elevator, simply by marking the name of the elevator in the proper place on his shipping bill. If the farmer has decided which commission firm will handle his grain, he also puts that name on his shipping bill. Every railway agent will assist farmers in making out their shipping bills, the duplicate copy of which is retained by the railway company and the original by the farmer. The farmer then forwards his shipping bill to his commission firm, and at the same time instructs his commission firm just how and when he wants his car of grain sold. In the letter which the farmer sends to the commission firm along with his shipping bill he should write his selling instructions in the clearest possible manner, so that there can be no room for doubt or dispute. The farmer should keep a copy of this letter always, and have it where he can put his hand upon it at any time.

If a farmer has not decided how or when he will sell his grain he may have it shipped to his own order simply by putting his own name in the proper place on the shipping bill. The car cannot then be sold until the farmer endorses it and forwards it to some commission firm. But it is better to put the name of some commission firm on the shipping bill, so that they will receive the grade and weight certificates promptly. The farmer may change his commission firm at any time before his car is sold simply by giving the new firm an order for the outturns on the firm holding them. This is a rather unusual proceeding and should not be resorted to unless for very exceptional reasons.

Selling Instructions

A farmer may order his grain sold in any one of the following ways:

1. **Sell on receipt of shipping bill.** When a commission firm receives these instructions, they will sell the car for future delivery (subject to grade dockage and weight) at the market price as soon as possible after they receive the shipping bill. This is not the most satisfactory method of selling grain, but it has an advantage when the market is falling rapidly, and the farmer wants to make his sale as soon as possible. As soon as the car reaches Fort William the commission merchant will have the grade and weight certificates, and will then be able to complete the sale, and remit the proceeds to the farmer.

2. **Sell on inspection.** This instruction means that the commission firm will sell the car the day after it passes Winnipeg and the grade and dockage are known. It is generally after the market has closed for the day that the inspection certificates for that day are received. A large amount of commission grain is sold by this method, the only unknown quantity being the weight. As soon as the weight certificate arrives from Fort William the actual delivery of the grain on the sale

can be immediately completed, and the proceeds forwarded to the farmer.

3. **Sell upon receipt of outturns.** When this instruction is given it means that the commission firm is to sell the car as soon as possible after the weight certificate and the warehouse receipt are received from Fort William showing the grain is actually in store. The shipping bill and the grade certificate will already have been received, and all the documents will be completed, by which the sale can be made immediately, and full payment forwarded to the farmer without delay.

4. **Use your own judgment in selling.** Very often farmers give this instruction, which allows the commission firm to sell the car whenever they think the market is at its best. This is not a very satisfactory method of selling, and causes a great deal of trouble. Some commission firms refuse to sell on these instructions. The commission firm can only guess at what the market is likely to do. It is far better for the farmer to decide when to sell his car. Every commission firm will, of course, keep their customers advised of the condition of the market. Acting upon this advice the farmer can then give his own instructions. If, however, the commission firm use their own judgment in selling the car and the market advances several cents the farmer is very likely to blame the commission firm. It should be remembered that the commission firm is anxious to get the very best possible price for every customer, because their future business depends upon the satisfaction they give their customers.

5. **Sell before storage begins.** There is a regular charge of three-quarters of a cent per bushel made by all terminal elevator companies for cleaning and elevating each car of grain. This charge includes ten days of free storage. Farmers frequently take advantage of the full ten days and have their car sold before additional storage charges begin. Instructions such as above mean to sell on the last day of free storage.

6. **Sell when the market reaches \$1.00** (or any stated figure). Quite frequently farmers want a certain price for their grain, and feel satisfied if they can get that price. They therefore instruct their commission firm to sell whenever they can get that price. The price quoted by the farmer may be reached immediately or the car may have to be held in storage all winter. In stating such a figure the farmer takes a gambling chance and carries the responsibility. In giving such instructions the farmer should state in his letter whether he means that the price for One Northern is to be \$1.00, or whether the price he fixes is to be for the grade he thinks his car will bring.

Sell on arrival—Sell at once. These are two forms of selling instructions that should never be given, because they are not clear. Either one of them may be interpreted in three different ways. They may mean to sell on receipt of shipping bill, inspection certificate, or outturns. By using any of the other forms there is no room for doubt.

Order Reinspection In Advance

Another source of dispute is for reinspection. A farmer often thinks that his grain should grade One Northern, and is disappointed when he gets his statement from the commission firm and finds that his car has graded Two Northern. It should be clearly understood that no commission firm, nor any other grain dealer has any influence whatever with the grading system, which is absolutely in the hands of the government, and free from all outside influences. Any car of grain may be reinspected at Fort William if the grade and dockage fixed at Winnipeg is not satisfactory to the farmer. It generally takes only a few days for a car to pass from Winnipeg to Fort William, and if the Winnipeg grade certificate has to be sent out to the farmer, in the country, it is generally too late for him to order a reinspection, because his car will already have been dumped into the terminal elevators. The best method for farmers to follow is, when forwarding their shipping bill to the commission firm, to state that they believe their car should grade One, Two or Three Northern, with a certain dockage, and they should instruct the commission firm to demand a reinspection at once if the grade certificate falls below this.

Borrowing On Grain

Any grain commission firm will advance a farmer money on his car of grain as soon as it passes inspection, and will charge the going rate of interest on the amount advanced, which has been 7% for the past three years. The advance is usually from 60% to 75% of the market value, depending upon the grade of the grain, and the condition of the market. Formerly advances were frequently made on the shipping bills before the car passed inspection. Several firms, however, have been badly bitten by bogus shipping bills and now many of them prefer to wait until they see the inspection certificate before they advance any money, unless it is in the case of an old customer whom they know.