The operations of the Board in marketing Canada's huge wheat crop is a most intricate one. The committee believes it proper to quote from the Report of the Royal Grain Inquiry Commission of 1938, page 60:—

> "That there is still hedging and that the factors which better each hedger's position allow of competition among them all to the benefit sometimes of the producers, sometimes the consumer, and sometimes to both at once is apparent from the information gathered upon this Inquiry".

Mr. Justice Turgeon, the Royal Commissioner, in the same report, quotes Dr. D. A. McGibbon with approval as follows:—

> It is a task that calls for unremitting alertness and experience in the grain trade.

The above quotations indicate the importance of expert skill and experience in executing orders on the futures market, a fact which is recognized by the Canadian Wheat Board Act and in the operations of the Wheat Board as shown by the evidence submitted to the committee.

The committee points out the obvious advantage of a large operator such as the Wheat Board trading through a number of brokers in order not to disclose its operations.

The evidence given by the members of the Wheat Board to the committee shows that the Board was able to save $10,236,530 since August 1st, 1938, by spreading future contracts from one future to another, as compared with the cost of carrying actual wheat for the same period of time. The total brokerage involved in these spreading transactions, over a period of slightly less than four crop years, amounted to $606,182.

On the evidence presented to the committee there is no doubt that very substantial economies in operation have been made by the Wheat Board through the use of the futures market in carrying wheat in comparison with the cost of carrying actual wheat.

While the Board distributes the brokerage paid on spreading operations the brokerage is actually paid by the Trade, and in connection with such transactions the brokers are nominated by the other party to the contract. In order to effect a better distribution of brokerage the Board has made a ruling that no one broker may be nominated for more than a 300,000-bushel spread in any one transaction.

The evidence given to the committee shows that 80 per cent of the total of the futures brokerage fees paid out by the Board is paid for transactions in which the other party to the contract actually pays the brokerage fees and as a result has the right to nominate the broker or brokers employed in completing the transactions on the futures market.

The Board indicated that the procedure adopted of it distributing the brokerage actually paid by the Trade is advantageous as it permits the Board to complete the actual transaction on the futures market at a time and under circumstances advantageous to the Board in its task of marketing the whole of Canada's wheat crop.

The balance of the futures brokerage fees paid out results from the sale of futures contracts by the Board, e.g., to the exporter, millers, etc., and is, of course, paid by the Board. This brokerage is distributed equitably by the Board among the brokers who may not have taken part in the making of a particular trade at a particular time but who, nevertheless, are part of the machinery of the trade and would participate directly in other trades.

It is the above practice of equitable distribution that gives rise to the suggestion that certain brokers receive moneys from the Board for no service rendered.