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War's Effects on Our Grain Trade

WINNIPEG Grain Exchange Was First to Investigate Illegitimate Gambling in Wheat in War Time, First to Take Steps to Prevent Prices Going Higher, and First to Find and Apply the Remedy—Interesting Review of the Trade By J. C. Gage

THE effects of the war upon the grain trade of this continent was the subject of an unusually instructive address of Mr. J. C. Gage, president, Winnipeg Grain Exchange, at the annual meeting of that body. He pointed out that the outstanding feature of the marketing of grain in North America during the years of peace was the development of the grain exchanges. These organizations were due to commercial evolution; they were not created by the governments; they served a necessary economic purpose. The grain exchanges found the way to collect the grain at country points, assemble it in vast quantities at the terminal points, and distribute it among the mills of this continent and the mills of Europe. It was they that developed the system of classification of grain into grades, that developed the use of warehouse receipts, that perfected the system of insurance against fluctuation in prices known as future trading, that made possible the financing of grain by the banks without incurring undue risks, and that in time developed the most complete machinery for taking the grain from the producer and putting it in the hands of the consumer at the lowest possible cost.

But if the machinery of the grain trade was created by commercial evolution in times of peace, it is a machinery capable of being thrown out of gear by such a war as that now being waged, said Mr. Gage. For some time after the outbreak of war the effects upon this machinery were not very marked, but as the war proceeded one result after another followed, until the whole system of marketing grain upon this continent has been revolutionized to a degree which a couple of years ago would have been considered impossible and almost inconceivable.

At an early date after the outbreak of the war the problems of ocean tonnage, marine insurance and ocean freight rates became acute, and also the problem of the international rate of exchange. Naturally the exporting of wheat under these conditions became a most difficult matter, and these were the first effects which the war had upon the grain trade of this continent.

The rising prices of bread in the United Kingdom, as in other European countries, soon forced the British government to consider ways and means of protecting the consumer, and the British government decided to create an agency upon this continent for the purchase of wheat. The result was that a company was named at Winnipeg and authorized to purchase wheat for the United King-

dom. At a later date this company was entrusted with the buying of all the wheat for the Allies in Europe, especially for Great Britain, France and Italy.

When this stage was reached, the exporters of wheat in Canada found themselves deprived for the time being of their business and an important section of the grain trade was thus made to feel the full consequences of the war.

The Wheat Export Company that purchased for the European Allies made use of the machinery of the grain exchanges. It bought for future delivery in the ordinary commercial way, but representing as it did the treasuries of Great Britain, France and Italy, its operations were upon an enormous scale. During the times of peace in which the grain exchanges had been developed and had taken care of the wheat of the continent of North America no company had ever appeared which had behind it such enormous resources, which had furnished to it orders for such tremendous quantities of grain, and which consequently had such a predominating place in the exchange markets. Mr. Gage continued:—

"Buying through the winter and spring months for May and July delivery—and of course they were not the only buyers, as the Canadian mills were doing the same—a situation arose, which, as the month of May approached, brought to a head the accumulating effects of the war upon the grain business of this country. The gatherers of grain at country points had hedged their holdings in the usual way. Much of the grain so hedged did not come up to the contract grades, and the result was that as the month of May approached there was heavy bidding for the contract grades and prices went skyrocketing. Had the holders of May and July stuck out for their pound of flesh, they would have brought about a disaster to the Canadian grain trade, and, as it appeared later, to the grain trade of the whole North American continent, unparalleled in commercial history. To avoid this the Winnipeg Grain Exchange took hold of the situation, and the result was the next profound effect of the war upon the grain trade.

"The rising prices of wheat, accompanied as they were by parallel increases in the cost of flour, produced a clamor amongst the consumers of the country, and as usual this outcry was very largely directed against what is popularly called speculating or gambling in the bread of the people. The Winnipeg Grain Exchange began by instituting a censorship in order to ascertain accurately