

The public usually thinks of speculation as buying for the reprehensible purpose of advancing prices, but speculators sell as much as they buy, and play an important part in handling the crops. The latter are harvested in a few weeks, and somebody must carry the products throughout the year until harvest comes again. Nobody can definitely know at harvest time what wheat will be worth during the year to come, for it depends upon various factors yet to be developed. It is in its nature a speculative situation, and the person who undertakes to deal with it is necessarily a speculator. It is his function to make the price of wheat at harvest time approximate as nearly as possible, with allowance for carrying charges and compensation for risks, to what the price will be at the close of the crop year. In doing this he provides a fair market to the farmer, and assists the community to adjust consumption to the supply from the beginning of the year.

Of course there are those who deny that speculation does this, but their reasoning is not impressive. One writer, commenting recently upon the rise of prices, says that the farmers let go their wheat last fall at \$1.50 per bushel, that price being satisfactory to them, and that the rise since then has been beneficial to speculators only. But nobody knew last fall that the wheat crop of Argentina would be a failure, or that nearly one-third of the winter-wheat crop of the United States would be winter-killed, or that the prospective requirements of France, Great Britain and Italy would be as large as they have proved to be. These are factors that did not enter into the \$1.50 price. It was known last fall that the acreage sown to winter wheat was the largest on record, and if the crop here and abroad had turned out more favorably the persons who bought at \$1.50 might have lost money.

Moreover, it is incorrect to represent that the farmers sold all their wheat last fall, and that the speculators kept it all until this spring. The wheat crop was going into consumption during the meantime. There are no figures showing farmers' sales, but the arrivals of wheat at the eleven cities which are called "primary markets," show the rate at which the crop came into sight. These cities are Chicago, Milwaukee, Duluth, Minneapolis, Toledo, Detroit, Cleveland, St. Louis, Peoria, Kansas City and Omaha. These are points where large storage elevators have been constructed and where grain exchanges have been organized.

The receipts at primary markets during each month, the visible supply at the end of each month, and the highest and lowest quotation for cash wheat in each month, from July, 1916, to April, 1917, are shown below:

1916.	Receipts.	Visible supply.	Monthly cash prices—wheat	
			High.	Low.
July	28,730,000	40,889,000	\$131 ⁷ / ₈	\$104
August	48,475,000	52,546,000	164 ¹ / ₄	122
September . .	51,915,000	57,418,000	171 ¹ / ₂	140 ¹ / ₂
October	42,161,000	60,470,000	202	157 ³ / ₈
November . . .	49,099,000	63,262,000	200	165
December . . .	24,950,000	59,534,000	190	142 ¹ / ₂
1917.				
January	20,870,000	49,659,000	205	164 ⁵ / ₈
February . . .	18,475,000	45,130,000	205	151 ¹ / ₂
March	24,547,000	40,119,000	213	173 ³ / ₄
April	21,659,000	25,756,000	295 ³ / ₄	196 ¹ / ₂
	330,881,000			

For the week ending May 26, the receipts were 5,491,000 bushels, showing that there is still wheat back

in the country and the visible supply on May 28th was 26,478,000 or higher than on April 30th.

Nobody is to be called a gambler who performs a useful function. The intelligent speculator makes a careful study of all conditions which have bearing on the markets, calculates and distributes his risks, and the consensus of opinion of a large body of such traders as reflected in the market comes as near to being a fair price at which to buy and sell as can be arrived at.

It is true, undoubtedly, that there is a large amount of blind speculation by persons who do not qualify themselves to have an intelligent opinion, but who buy or sell as they would lay a coin on the red or black. These persons are the hangers-on of the business, but the traders who make an honest study of conditions help to make a stable market in which the necessary business of the country can be carried on.

The grain-buyers in the towns throughout the farming districts buy the grain from farmers and simultaneously sell it in the speculative markets for future delivery, with a margin to cover the costs of handling, carrying charges and their profit. The capital would not be available to handle the grain or cotton crops promptly if the speculative markets did not afford this opportunity for hedging sales. The people who talk of putting a stop to speculative trading evidently do not understand that without it the farmers would have to carry the crop largely themselves until it actually entered into consumption. This would mean that the price would break, and the spread between fall and spring prices would be greater than now. A trial of that was had in the cotton trade in 1914, when the cotton exchanges were closed and cotton fell to six cents per pound and even lower.

The millers use the speculative market to protect themselves in contracting for the future delivery of flour. A miller will contract now to deliver flour, say, in December next. He has not the wheat yet, and does not want to buy it yet, for he has not the warehouse room to store wheat for six months' grinding; furthermore, wheat will be cheaper after harvest. He bases the contract price for flour upon the market price of the December wheat option, and covers his requirement by a purchase of the latter. The miller may be located in Louisville, Fort Worth, Topeka or Bismarck, and his wheat option may be for Chicago delivery, and he has no intention of taking wheat in Chicago, but he is protected on his flour contract. At his convenience he will buy wheat for the flour, selling at the same time his Chicago option. If he is obliged to pay more for wheat than the price on which he made the flour contract, he will be reimbursed by a profit on the Chicago option; on the other hand, if the value of his option has fallen he will be reimbursed for the loss by a larger profit on the flour. He has been able to conduct his milling business on a definite basis.

The grain exchanges simply afford a meeting place for buyers and sellers, and maintain rules for regulating the business. They facilitate trading, make it easier to enlist capital in carrying the crops and thus broaden the market. The substantial houses in the business desire a normal market, with free play for all the price-making forces. A manipulated or artificial market is dangerous to everybody in the market and seriously interferes with the legitimate functions of the exchange. The influence of bankers is against efforts to control prices, because an artificial market is a dangerous market to lenders; and it may be broadly affirmed that attempts to manipulate the market are always subject to risks which carry much greater penalties than any which a court of justice would venture to inflict.