The WITNESS: Sidney G. Smith, President of the Reliance Grain Company.

The CHAIRMAN: You have a statement to make, Mr. Smith?

The WITNESS: Well, Mr. Chairman, I came to Ottawa without any knowledge that I might be called before this Committee, until yesterday; so I did not prepare a written statement in connection with the details of the spreads as they have occurred during the last two or three years. I notice that Mr. Weir mentioned in detail the spreads yesterday, but I have not the details of just exactly what the spreads were at Fort William and at Vancouver set out; but I will endeavour to answer this "Question No. 5" as well as I am able to, dealing with it in a general way; with this question of spreads and how they occur, the reasons for them.

During the past two or three years, the spread, as you have noticed if you have followed it, has fluctuated up and down—between No. 1 and No. 2 Northern we will say, as these are the grades mentioned in the question—and these spreads have sometimes been very close, and at certain times very wide particularly at Vancouver. The spread may go a little wider there because the delivery basis of No. 2 Northern on the Winnipeg basis is 3 cents under 1; so if it goes as wide as that there is a premium on No. 1 Northern that is a set spread for delivery.

Now, we take for instance the spread between No. 1 and No. 2 Northern: I think that either at Vancouver or Fort William it depends largely on the quality of the crop, and also on the quality of the crop grown in other countries. If we grow largely a high grade crop, we will say almost altogether No. 1 Northern, a great amount of No. 1 Northern, and there is no such amount of No. 2 Northern; and if, beginning with Vancouver, it happens that there is a good amount of No. 1 Northern there, and not so much No. 2, naturally the demand of those who want No. 2 would draw the price of No. 2 Northern closer to No. 1. On the other hand, a small amount of No. 1 Northern and a large amount of No. 2—the demand for the No. 2 Northern might draw it nearer to the No. 1. And then the same thing would happen at Fort William in either case; that would be accountable in a measure for the change in spread. Now, at Vancouver there are times when people are buying wheat for future use; and Vancouver wheat as you know does not reach the export market—its destination—until after 6 weeks to 2 months following sale and shipment. Future importers are buying wheat that they want to use over two months ahead; Vancouver comes into that picture a little more strongly than the Atlantic seaboard, where they buy wheat for immediate use—buy what they want from hand to mouth—they would be more anxious to buy wheat from the Atlantic seaboard than they would from the Pacific seaboard. So that would make a narrower spread on certain grades from the Atlantic seaboard than from the Pacific seaboard.

Then the question of freight rates comes into it also. Vancouver during the winter months, as you know, has a larger business than the Atlantic seaboard—or at least has its best business during that time when navigation is closed on the Great Lakes. In the matter of freight: with the freight rates cheap from Vancouver there would be a greater demand for Vancouver wheat; but with the freight rate cheap from the Atlantic seaboard, as they were last winter—very cheap from the Atlantic seaboard—that would be a predominant factor in developing a larger demand for wheat. Now, then, that is the condition which has existed during the past six or eight months, and it has existed longer than that, but more particularly during the last six or eight months—in connection with buying on the other side. The condition has been such that the importers have wanted to buy what they call "for immediate use"—what we call wheat sold on named steamers—from the Atlantic seaboard, instead of buying wheat that was going to take a longer time in delivery. They were buying from hand