

cost of operation and maintenance, pay the interest on the cost of construction and gradually retire the bonds.

Results of Such a System in Operation

"The results of such a system would be beneficial in a multitude of ways."

"Many ill-practices would be abolished, such as the taking of heavy dockage, the giving of light weight, misgrading the farmers' grain sold on street or graded into store, failure to provide cleaning apparatus, changing the identity of the farmers' special binned grain, declining to allot space for special binning, and refusing to ship grain to the owner's order, even when storage charges are tendered."

"But while the correction of these abuses would alone warrant the establishment of a Government system, vastly more important benefits would follow its inauguration."

"A small group of capitalists, owning the stock of the large Milling and Elevator companies would no longer be able to throttle all real competition through their control of practically all the storage facilities at country points which enables them to purchase the bulk of their grain at prices (street prices) much lower than the prices (track prices) which those who have no storage facilities must pay and permits them to make additional profits from the ill-practices referred to above. The extinguishment of this monopoly would immediately result in a generally higher level of prices. A dividend of 34 per cent. on stock of a Milling Company, or of 100 per cent. on the stock of an Elevator Company would no longer be possible."

"The commission men and track buyers who now fear extinction if arbitrary fixing of prices and commission by law of the Exchange be abolished by amendments to the Grain Exchange Charter, would be able to hold their own without such objectionable restrictions, under a Government system of elevators, especially where the street wheat was collected by the Government operator and sold in car lots, as it is only by buying a percentage of street wheat below track value, that the elevator owners would be able to temporarily outbid the independent track buyer on the track wheat and deprive the commission man of his consignments by offering more on the track than the independent exporter can pay for consigned stuff."

"The motive for such a course would be that after the commission man and track buyer had been starved out of business by making the price of track wheat higher than it should be by losing on track wheat and making up the loss on street wheat, the elevator owners could, having extinguished all competition, even in name, henceforward buy all wheat on a basis of street prices until their extortions caused either the Government to intervene as now requested, or the farmers to decline to sell except through an agency of their own in car lots in the secondary market."

"The Government system would lead to the establishment of a highly competitive sample market that would for the first time in their history bring the large Western millers into real competition with the Eastern Canadian and Old Country buyers. The large Western miller, through his line elevators, is permitted by the exporter to buy those types of wheat which experimental tests have shown to have the higher intrinsic value, without subjecting him to active competition. The miller who through his houses buys all kinds of wheat offered, turns over the stuff he does not desire for his mill to the large exporter for a moderate figure. The shutting off of the supply of street wheat and the creating of a sample market wherein could be seen samples of all the 1,000 bushel lots, the identity of which were preserved in the special bins throughout the country, would enable the representatives of the Eastern Canadian and Old Country millers to enter into competition on even terms with the Western millers for the various types of Western grain, and secure a share of those which they regarded as having the higher intrinsic value or as being most suited to their purposes. At the present time, since car lots are sold for the most part in store Fort William or Port Arthur, and are thus past the point where they can be diverted to the Western mills, there is no competition for this wheat except between the Eastern Canadian and Old Country millers, while for the type wheats purchased by the millers at their country elevators, on street or by car lots, there is no competition whatever."

"An ideal system of marketing the Western grain can only be evolved by the creation and operation of storage facilities by the Government."

"This ideal system requires that all grain should be marketed in car lots in the secondary market. It further requires that there should be a correcting of the imperfections and inadequacies of the grading system by the establishment of a sample market."

"In the absence of a large group of mills surrounding

the sample market it requires that provision should be made for the preservation of the identity of car lots in the interior, that samples may be available to effect sales in advance of the shipment of the grain, avoiding the delay and cost incident to making Winnipeg an order point. It is necessary also that provision be made for special binning sample lots at the terminals and preserving their identity throughout their journey eastward, so that the representatives of the Eastern Canadian and Old Country millers may take full advantage of the presence of a sample market to collect for shipment to their mills the exact types of wheat that they desire. To secure the best results to the producer there should be a leisurely marketing of grain, so that the offerings may keep step with the actual milling and export demand, instead of requiring that the grain be sold on a speculative market. To permit of this, special bins under Government supervision are necessary, where the preservation of the identity of the grain is assured, in order that the farmer may finance upon the security of his stored grain. His ability to so finance would remove the necessity of the speculative group now thought necessary to be maintained in Winnipeg to provide a market at times when there is no active export and milling demand. As this speculative group does its financing on the security of bills of lading or warehouse receipts, it does not appear to perform any very useful function in the business of exchange. It would be just as safe for the banks to finance the farmer directly on the security of his stored grain represented by similar documents, while the number of persons benefited would be tremendously increased."

"With the storage system under Government supervision in times of stringency, the Government could themselves advance money on the security of the farmers' stored grain, preventing the repetition of such a deplorable state of affairs as existed last fall when, owing to the banks confining their lines of credit sufficient for purposes of export to a small number of firms, and denying advances altogether to farmers on their bills of lading, a large portion of the grain of the country was sold at prices which permitted a profit of from 12 cents to 18 cents to be made by those financially able to export."

"An ideal system of marketing would spread the offerings of grain for export over the whole twelve months. To effect this the farmer must be in a position to raise money on the security of stored grain."

"Since Western Canada is one of the few sources from which hard wheat is obtained, and since this hard wheat in the East and Old Country must enter as a small percentage into a blend composed largely of softer and cheaper wheats, the Eastern and Old Country millers can only take a limited quantity at top prices in any month in the year. As there is no advantage in using a large percentage in making a blend, it must be purchased at a lower price if so used."

"It is most probable that the evolution of the trade, assisted by this Government ownership, would ultimately produce a condition of affairs where the majority of the grain could be handled by a single co-operative agency representing the farmers, enabling the business of exchange to be performed at cost and reducing the Grain Exchange to a grade and sample market, where the representative of the farmers would meet the representatives of the different millers and milling and export companies and make a sale of real grain without the presence of a speculative group and the frenzied activity of an option market where little other than fictitious wheat is bought and sold."

To come back to the appointment of Mr. Langley as intermediary between the Premiers and the Interprovincial Council, he was instructed to propound two schemes, considered as alternatives to be accepted by the Grain Growers in place of what they demanded, or if not accepted, reasons for non-acceptance given.

Mr. Langley was instructed to arrange a meeting of the Interprovincial Council and to communicate the proposals of the Premiers to the members verbally but on no account to make them known until the members were assembled. The Council was accordingly convened and the following propositions laid before it:

"1. That the three Provinces should use their influence to secure from the railway companies the building of loading elevators that should also have a number of storage bins, so that farmers at a distance would not be at a disadvantage in the direct loading of grain as they now are."

"2. That elevator owners have no say in the management of their elevators. That the man or men engaged in the operation of the elevators should be chosen by the farmers, and that their organizations should take full responsibility for the grades and weights, guarantees be-