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Marketing Your Grain

A Series of Articles Showing the Various Stages and Steps by which the Grain Crop of Western Canada is carried from the Farm to the Foreign Market

Article VI.—The Grain Exchange and Grain Marketing

The following account of the Winnipeg Grain Exchange and how grain is marketed is from C. B. Piper's recent book on "Principles of the Grain Trade":

An economic market for grain can occur only where there is sufficient volume to attract a large number of buyers and sellers. There must be storehouses in a commercial centre and facilities for making deliveries on contracts. There must be standards of quality and weight so that price and total value may be determined. Not until these conditions are fulfilled can grain have commercial value. In our Western Canadian practice this point is reached only when grain has gone into store in the public terminal elevators at Fort William and Port Arthur. It then becomes a commercial commodity and is extensively dealt in on the market established by the Winnipeg Grain Exchange. There are some consuming markets in the West, but their values are always based on Fort William. Although country elevators buy for cash in the country, their purchasing constitutes only a secondary market. They are governed by the conditions of the Grain Exchange as they there re-sell all that they buy.

Function of Grain Exchange

We have seen that Canada's market for grain is in England and Europe. The nearby medium for connection between the western farmers and the foreign buyers is the Winnipeg Grain Exchange. It constitutes what is known as a primary market, because it deals in grain direct from the producers. The prices paid on this exchange are dependent upon those paid by the consumer in England and Europe. The values on the foreign markets less cost of transportation, insurance, expenses and profits to dealers, determine the prices in store Fort William and Port Arthur, which are the prices quoted on the Winnipeg exchange. Again deducting from prices of the Winnipeg exchange elevator charges, the cost of transportation to Fort William, expenses and profits to the dealers, we find the prices payable at any country point. The transportation charge, including elevator service, is inevitable, as grain must be shipped to market and the methods now used have been found by experience to be the cheapest. Sometimes it is said that the dealers' expenses and profits should be eliminated. This has been tried again and again, but until somebody devises a new economic structure it will be impossible to commercially handle the business without their assistance. These men perform a service of distinct economic value to the community. Grain is produced in comparatively small units. The standard in Canada is a carload, but a large portion of our crop is produced in units of even smaller size. The service rendered consists in building and operating a system for the collection of these small units of production, thus utilizing for the economic benefit of the community the properties inherent in grain, which enable it to be handled cheaply in bulk and by mechanical appliances. The Grain Exchange itself provides a large public market for the commercial purchase and sale of grain, the efficiency of whose services increase to a large extent with the size of the units dealt in. It is the economy resulting from centralization and concentration of these small and widely distributed units which justifies and necessitates the middlemen. Imagine the confusion and costliness if every individual farmer tried to find an ultimate consumer to whom he could sell and

ship his grain. No farmer would have either the time or the experience. It is far cheaper for him to pay somebody else to do this for him. The small charge is more than made up in the in-

crease price received thru efficient market organization and the saving effected by handling grain in quantity. two cities, and that the grain fields lie entirely west of this 400 mile strip. Because of the time consumed in transit of mail it would be impossible to operate the entire trade as effectively

find the peculiar situation and the only one in the world where a very large public market for dealing in grain is situated 400 miles away from the warehouses or elevators where the grain itself is stored for delivery or sales.

Nature of Exchange Organization

Any grain exchange is merely an association of grain dealers whose objects are to secure information, provide a suitable meeting place, and to establish and maintain reasonable and proper terms and regulations for the prompt and efficient making and performance of contracts. The exchange itself never buys or sells any grain. It is not concerned in values. It is nothing more or less than a farmers' produce market on a large scale and with more elaborate machinery.

Elaborate Machinery Necessary

Its intricacy is rendered necessary by the large volume of business and the speed with which it has to be handled. Trades involving millions of bushels are made verbally and evidenced at the time by the very briefest memoranda upon cards. There is no time for written contracts at the moment. Subsequently these notations are written out in full and confirmations are exchanged between buyer and seller. The problem would not be difficult if all of the trades were for spot or immediate delivery. The introduction of the various futures for each of the different grains necessitates much closer attention to details and more elaborate machinery for their rapid handling.

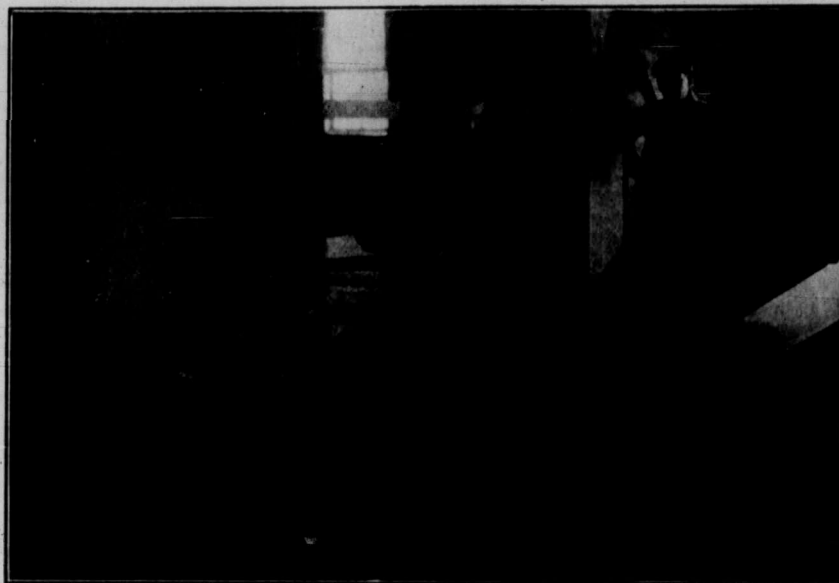
Exchange is Open Market

Every exchange or market is but the meeting place of buyer and seller. The prices at which they make contracts are the established quotations on that market. They fluctuate from hour to hour, from day to day, and from week to week, according to the supply and demand of the commodity itself and the factors of transportation and finance. All of these are part and parcel of the business, and are constantly operating to make fair values. The sellers on the Winnipeg Exchange include the elevator companies, farmers' associations and commission men, all of whom are acting on behalf of the producer. The buyers include Canadian millers and exporters selling to the English or European mills, either direct or thru other grain exchanges, all of whom represent the consumer. It is difficult to conceive any situation where true competitive prices could be more fairly established. All of this is done under the auspices of the exchange organization, which furnishes comprehensive information to its members and then posts as the fair value at the moment the prices agreed upon between seller and buyer. There is absolutely nothing secret. The trading room is open to the public. Quotations are publicly posted, the only restriction being the very reasonable one prohibiting their unauthorized use to the detriment of the exchange members or the public.

Regulation of Members

The entire system would fail if there were not the highest integrity among the members. Because so much of the trade is based upon verbal contracts made with astonishing rapidity and frequency, situations constantly arise which could be taken advantage of by unscrupulous traders. To guard against this, applications for membership are very carefully scrutinized and where there is any reasonable doubt of the high character of the applicant he is

Continued on Page 19



Taking a sample of grain from the belt in the Dominion Government terminal elevator

creased price received thru efficient market organization and the saving effected by handling grain in quantity.

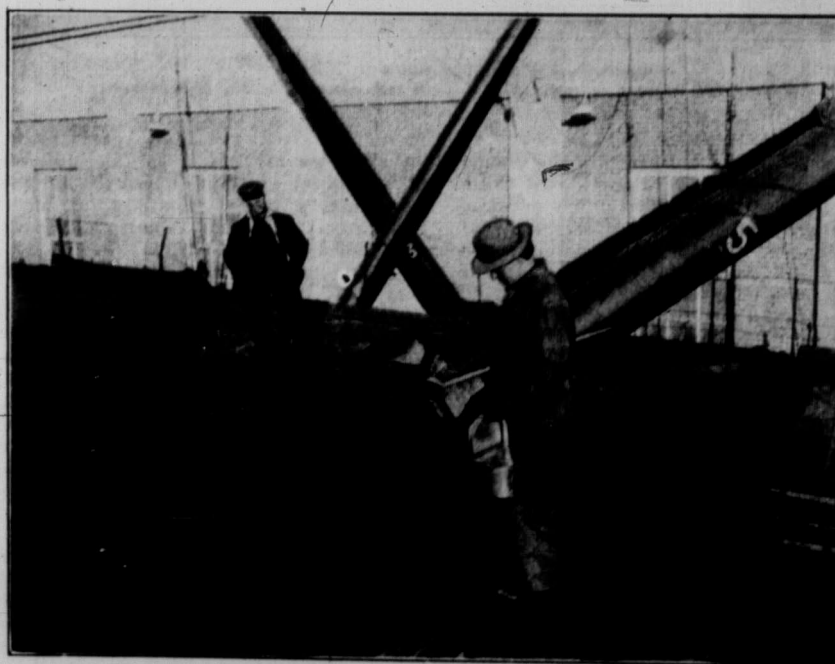
Fort William Natural Market

We have seen that because of the geography of our country and the resulting location of our principal trade routes the natural point of delivery for the purchasing and selling of grain in quantity is Fort William or Port Arthur. It would be logically expected, therefore, to find in either or both of those twin cities a large exchange which would deal in grain stored there. However, the same geographical situation which makes them such large centres of

from there as from a point nearer the grain fields.

Why Exchange is at Winnipeg

Winnipeg is a large metropolis and railway centre conveniently located between the grain fields and the lake front. It is easier to bring the concentrated portion of the business from Fort William and Port Arthur to Winnipeg than it is to bring the divergent and extended portion of the business from the grain fields in the west to Fort William. The farmers or producers are, of course, the primary sellers, and appear in large numbers, while the buyers are comparatively few. It is there-



Taking a sample of grain on a steamer loading at the Dominion Government elevator, Port Arthur

commerce makes it impracticable to operate the grain business as a whole from there. This is due to the fact that the country is unproductive for 400 miles immediately west of those

fore more convenient to be in the vicinity of the sellers, especially as the buyers can operate with relatively slight inconvenience at a distance from the terminal elevators. We therefore