

OUR WHEAT OF 1917



B EING a voluntary food controller has its difficulties. You start out to tell the Government that the only way to handle the wheat crop of 1917 is to purchase it entire from the farmers, at a fixed price, and to have the price of re-sale, and of flour fixed accordingly. You see the Government shortly after appoint a commission to handle the crop, and a little later a food controller, not at all as far as they need to go, but at least steps in the right direction, and you are eager to offer a little more advice. Then the editor drops you a friendly note to say that some one is making a "spirited reply" to your last article, and you brace yourself for opposition from some of the grain dealers you are trying to put out of business for a season. Whack! you find you have been hit over the head from behind, or at least from a quarter where you thought people would be behind you. The farmer attacks you, the man you are suggesting might get two dollars a bushel for his wheat instead of the dollar seventy at which he recently offered to sell it. He hints, if he does not go beyond mere hints, that you are subsidized by the persons whom you are asking to have put out of business for the season. And all because you pay them the tribute of a few kind words intended as an obituary notice. You are tempted to leave Mr. Hanna and the new grain board to their own devices and give them no more help.

You are tempted, too, to hit back, for there are ready retorts to the remarks of Mr. A. McLeod, in the "Courier" of June 23rd, in reply to my article, "Conscript Canada's Crop." The retorts would not be particularly new, any more than are my views and Mr. McLeod's on the normal workings of the grain market. There is an orthodox view of those workings. Mine is the orthodox view, as orthodox, say, as Adam Smith. Mr. McLeod's is the orthodox view, as unorthodox as Henry George. You can no more expect to reconcile those views than you can expect an agreement, say, between the Lord Bishop of Montreal and Pastor Russell. I am the less inclined to quarrel with Mr. McLeod because my orthodoxy has its limits, and on some matters connected with the grain business, and more particularly the manufacture and sale of flour I would expect to find myself agreeing with him.

T HE orthodox point of view is that trading in futures is necessary to the conduct of the grain business in normal times. The other view is that such trading is gambling, and wicked gambling at that. If orthodoxy is wrong, at least the whole present structure of the grain trade depends on such trading. There is not an elevator company that could continue to buy wheat without facilities for its re-sale for future delivery. There is not a Canadian chartered bank that would advance money to the elevators for that purpose if they did not know their clients took advantage of the insurance against price fluctuations obtainable on the future market. The biggest grain company in the business is one which is owned entirely by farmers, and it cannot run its business except on the regular plan of getting the speculator in the market to underwrite the risks of price fluctuations. Some day, in peace times, we may have a co-operative system of marketing by which the farmer will continue to own the grain in transit across the ocean, while it is milled, and until it practically reaches the mouth of the consumer.

A CONFERENCE on Canadian grain was recently held at the Winnipeg Grain Exchange. Grain and labour men took part. Here are some of the biggest. The photo shows, left to right: J. Matheson, Winnipeg; W. B. Best, Ottawa, representing Labour; Controller Ainey, Montreal; W. R. Bawlf, Winnipeg, President Grain Exchange; J. Stewart, Winnipeg; Dr. Magill (Chairman), Winnipeg, Secretary Grain Exchange; J. C. Gage, T. A. Crerar, Winnipeg; W. H. Wood, Calgary, President Canadian Council of Agriculture; Lionel H. Clarke, Toronto, member Harbour Commission; S. K. Rathwell, Moose Jaw, representing unorganized farmers.

I T cannot be too strongly emphasized that this is a Canadian job. It is not a job for Mr. Hoover to run from Washington, nor for our food controller to run on lines laid down by Mr. Hoover. Mr. Hoover has to see that one hundred million people get fed with as great an economy of food as possible to leave a large surplus, but nevertheless a small fraction of production, for export. It is the big part of our crop that must go overseas. It is a matter of regret to observe the news sent out with respect to "pooling" the wheat resources of the continent.

An Answer to Mr. McLeod By HENRY LANCE

Until that time comes the trader who handles the wheat will be subject to the risk of price fluctuations, and he will insure himself against those fluctuations as long as there are speculators willing to insure him. That is in normal times. Just now the insurance business is out of gear. That is why, by a contrary road, I arrive at the same conclusion as Mr. McLeod—we must eliminate the intermediate trading of the middle man.

The immediate problem to solve is the handling of the 1917 crop. Is it too much to suggest a coalition of effort between those who hold the views of Mr. McLeod and those who hold the views these articles have expressed? Never mind whether the middleman has to be eliminated forever or only for a year. A dispute on the general principle will only delay the needed action on the crop of 1917. There is a space of two months for action. You cannot establish in that time a complete, new, permanent machinery for handling the grain business of Canada. It is clear that if the present machinery is controlled by "grafters" you will have to get something entirely different, and there is not time for that. You can set up a method of handling the crop of 1917 to the advantage of the allied cause and the advantage of Canada. You can eliminate for this year the "graft" that you suspect.

The action that is needed is for the Government to make this announcement.

"All wheat delivered at any interior or terminal elevator is to be held to the order of the Government, or moved forward to terminal elevators there to be held to the order of the Government. All wheat delivered at terminal elevators at Fort William or Port Arthur will be purchased by the Government on the basis of \$1.70 per bushel of No. 1 Northern, or such higher price as may later be announced, and all millable wheat of lower grade than No. 1 Northern will be purchased on the basis of its milling value as compared with No. 1 Northern, at set spreads for different grades. Canadian mills will be allowed to purchase the wheat they require for milling at no advance on these prices, and they will be required to sell flour in Canada at a price which bears a normal ratio to the cost of wheat. Wheat not allotted to the Canadian millers will be sold by the Canadian Government to the accredited purchasing agents of the different allied governments."

That announcement once made, the food controller and the grain commission can proceed to work out the actual price to be paid and the actual requirements of the Canadian mills. If the farmers of the West will stand by the offer already made, of \$1.70 per bushel, by all means that is the price that should be established. It is nearly thirty cents lower than the price now offered for October wheat, and something higher might be justified, but at any rate it is a very good price.

Observe that such action will utilize the existing machinery of the grain business. Elevator companies can buy as usual in the country, deducting from the Fort William price only the freight rate and the usual elevating charges, and these can be exactly regulated.

They can pay cash as usual, with money obtained from the regular source, the chartered banks of Canada. They can close the transaction for each car of grain as rapidly as it is delivered to the terminal elevators. The business of the millers, their legitimate business, will in no way be interfered with. The brokers will be out of business for the season, and so will the professional speculator, but what of that?

Having got the crop, our Government will have one or two sales problems before it. First of these will be to impress upon the buyers for the British and French Governments that they will have to take all grades of millable wheat. We can't sell them more bushels of No. 1 Northern than we produce, and if weather conditions bring a good part of our crop below that grade, it still has to be made into flour. It was the failure of the Allied buyers to recognize this fact that brought about the demand that could not be resisted for "free wheat," so our low grades could find a market in the United States. It was the same failure that brought about the sensational "corner" in May wheat, and the sale of flour in Canada at fifteen dollars a barrel. We should not need that American market this year. Our wheat, like our soldiers, is bound for Europe. We must see that there is no one in authority who is likely to treat our Canadian climate like a munitions manufacturer, and turn back any product that is not absolutely up to specifications. You can't treat Nature like that.

SUPPOSE you don't take action, what then? A distinguished Canadian authority is supposed to have said, the other day, that prices should be left alone to take their own level, and when the price of wheat is high enough the farmers will raise all that is required. All wrong, in this case. The West is raising all the wheat physically possible under present conditions. A price twice as high would not be a stimulus to further production, unless at the expense of other absolutely necessary products. We cannot stimulate production for this year by any action now. For next year we can keep it up to the highest possible level by seeing that the farmer gets a profitable price this year, and that he is not forced to sacrifice on a slumping market in October, with a consumer paying on the basis of a soaring market in later months. Even if you think that trading in grain futures is immoral, and abolishing that practice would cure the evils of the business, do not think that it will act well this year. The principal reason is that every one connected with the grain business from the elevator company to the miller and the

(Concluded on page 18.)