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Canada. Parl. H. of C. Standing
Comm. on Agriculture and
Colonization, 1942/43.

Minutes of proceedings [and
evidence] and reports.

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SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND REPORTS

No. 1

MARCH 23, 1942

Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESS:

Mr. John H. Wesson, President of the Saskatchewan Wheat Pool

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942

MEMBERS OF THE COMMITTEE

Mr. W. G. Weir, *Chairman*

Messieurs:

Authier,	Leclerc,
Aylesworth,	Leger,
Bertrand (<i>Prescott</i>),	Lizotte,
Black (<i>Chateauguay-Huntingdon</i>),	MacDiarmid,
Blair,	MacKenzie (<i>Lambton-Kent</i>),
Cardiff,	McCuaig,
Clark,	McCubbin,
Cloutier,	McGarry,
Cruikshank,	McNevin (<i>Victoria, Ont.</i>),
Davidson,	Matthews,
Dechene,	Mullins,
Desmond,	Nielsen (<i>Mrs.</i>),
Diefenbaker,	Perley,
Donnelly,	Poirier,
Douglas (<i>Weyburn</i>),	Quelch,
Douglas (<i>Queens</i>),	Rennie,
Evans,	Rhéaume,
Fair,	Rickard,
Ferron,	Ross (<i>Souris</i>),
Fontaine,	Ross (<i>Middlesex East</i>),
Furniss,	Ross (<i>Moose Jaw</i>),
Gardiner,	Rowe,
Golding,	Senn,
Hallé,	Soper,
Hatfield,	Sylvestre,
Henderson,	Turgeon,
Lafontaine,	Tustin,
Lalonde,	Ward,
Lapointe (<i>Lotbinière</i>),	Weir,
Leader,	Wright—60.

(Quorum 20)

WALTER HILL,

Clerk of the Committee.

ORDERS OF REFERENCE

THURSDAY, February 19, 1942.

Resolved,—That the following Members do compose the Standing Committee on Agriculture and Colonization:

(See list on opposite page.)

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

Ordered,—That the Standing Committee on Agriculture and Colonization be empowered to examine and inquire into all such matters and things as may be referred to them by the House; and to report from time to time their observations and opinions thereon, with power to send for persons, papers and records.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

TUESDAY, March 17, 1942.

Ordered,—That the following Bill be referred to the said Committee: Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

FRIDAY, March 20, 1942.

Ordered,—That authority be granted the said Committee to print, from day to day, 500 copies in English and 200 copies in French of proceedings and evidence to be taken respecting Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and that Standing Order 64 be suspended in relation thereto.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

REPORTS TO THE HOUSE

(Having reference only to Bill No. 13)

SECOND REPORT

FRIDAY, March 20, 1942.

The Standing Committee on Agriculture and Colonization begs leave to present the following as its

SECOND REPORT

Your Committee recommends that authority be granted to print, from day to day, 500 copies in English and 200 copies in French of proceedings of evidence to be taken respecting Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and that Standing Order 64 be suspended in relation thereto.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

MONDAY, March 23, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Cardiff, Clark, Davidson, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Gardiner, Golding, Halle, Hatfield, Henderson, Lafontaine, Leader, Leger, Mackenzie (*Lambton-Kent*), McCubbin, McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Soper, Sylvestre, Turgeon, Tustin, Ward, Weir, Wright.—37.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The Chairman named the following members as a subcommittee to arrange for witnesses to appear before the Committee, and to decide upon the method of procedure to be adopted in regard to Bill No. 13: Messrs. Donnelly, Dechene, Douglas (*Weyburn*), Golding, Fair, Perley.

The Committee proceeded to the consideration of Bill No. 13, and Hon. Mr. MacKinnon, Minister of Trade and Commerce, explained the purpose of it.

Mr. John H. Wesson, President of the Saskatchewan Wheat Pool, was called and allowed to make a submission on the subject matter of the Bill. He was then questioned by various members of the Committee. Witness retired.

The Chairman informed the Committee that Hon. Mr. Gardiner had some further information on Bill No. 12, which had been under consideration at a previous sitting, and on motion of Mr. Donnelly, it was

Resolved, That the proposed amendments to Bill No. 12, An Act respecting Wheat Acreage Reduction be reconsidered.

After discussion, the Committee agreed to restore to the Bill the original Clause 3, and to report said Bill with amendments.

The Committee adjourned to meet again to-morrow, Tuesday, March 24, at 11.00 o'clock, a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

March 23, 1942.

The Standing Committee on Agriculture and Colonization met at 11.20 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: I think we should have a statement from the minister on the general line of what he thinks should be done to-day.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen, in view of what Mr. Perley has just said I am a little in doubt as to whether I should proceed with what I was going to suggest this morning. We are all anxious that this bill be disposed of, I am sure, at the very earliest date possible. We are also—those of us who are familiar with the reasons for the introduction of the bill— anxious that the bill be passed and an initial price payable for wheat this coming season be decided on as early as possible to enable farmers of Western Canada to make their plans for seeding. I think we are all agreed that the farmers' plans will depend somewhat on the price, the initial payment that will be made for wheat.

Following what I thought were charges or near charges made by Mr. Hanson in the house I stated that when this bill was referred to the agricultural committee it was my thought that considerable latitude would be given the committee in questioning witnesses who wished to appear before the committee to give evidence. The Canadian Wheat Board is operating in a very large way; it is one of the biggest businesses in Canada, and it is essential that the people of Canada have absolute confidence in the personnel of the Wheat Board and in the Wheat Board and in the operations of the Wheat Board.

It has been suggested to me that possibly the terms of reference might be enlarged—I am not in a position to say yes or no on that at the moment but it has been suggested that the terms of reference might be enlarged—and that arrangement be made whereby this committee could investigate or deal with the statements made by Mr. Hanson and others at a later date; but in the meantime to hear Mr. Wesson and Mr. McIvor and anybody else who wishes to make a statement, and then pass the bill. It is suggested if that is agreeable to the committee we might have a consideration of Mr. Hanson's statement later and considerable latitude be given to this committee. There is much to be said in favour of disposing of the bill at as early a date as possible.

In connection with the grain trade in Western Canada, as you know and as I mentioned the other day, there has been a number of investigations. The people of Canada have spent half a million dollars—just a few dollars less than \$500,000—on these investigations over recent years. The ground has been pretty well covered. I do not think there is a thing that has been suggested that the Wheat Board cannot deal with, cannot give you full and ample information on that will absolutely satisfy every member of this committee. I have not the slightest doubt of that. I have learned that from my connection with the Wheat Board and I do not think that seriously any informed person would think for a minute that there is anything upon which charges of wrong doing could be successfully laid. At the same time, if there is a doubt in the mind of anybody I think they should have every possible opportunity to ask questions, investigate and deal with the matter before a body such as this.

I do not think, Mr. Chairman, there is anything more I wish to say at the present time. I should like to see the passing of the bill expedited in every possible way.

The CHAIRMAN: Is there anyone else who wishes to make any observation?

Mr. DOUGLAS (Weyburn): Mr. Chairman, nothing except this: I personally am getting a little weary of constantly being put in my place by ministers in the government. If the government wants to hurry this bill there is a very simple procedure to be taken, that is, to bring down two terms of reference: one, referring Bill 13 to this committee; and two, referring the transactions of the Wheat Board to this committee. As long as we have only one term of reference before this committee once we dispose of this bill the whole question is gone. All the minister needs to do or all the committee would like, if they wish to expedite the bill, is to widen the terms of reference, making the bill the primary term of reference and the operation of the Wheat Board the secondary term of reference. As long as the terms of reference are as they are this bill cannot possibly be passed by this committee until we have heard all the witnesses.

Hon. Mr. MACKINNON: There would be two ways of doing it. We agree that Mr. Douglas' suggestion would be one way of doing it, but it will be possible also to do it on the discussion of the estimate.

Mr. DOUGLAS (Weyburn): No estimates are referred to this committee that I know of.

Hon. Mr. MACKINNON: A committee of the whole.

Mr. DIEFENBAKER: I understand the minister to indicate in the House that this whole matter would come before the committee. The explanation given, it seems to me, does not necessitate the speeding of this bill.

Hon. Mr. MACKINNON: I am not over-stressing that.

Mr. DIEFENBAKER: Because the question of price, whenever it is determined, will only affect the crop that is raised this year. As far as I am concerned I want to find out the answer to the questions that were asked in the House. I do not think there is anybody here who wants to block the bill. Whether the reference is wide enough, technically speaking, is another question; but it is for the committee to decide whether it is going to hear this evidence, hear cross-examination and to pass on it. If it does not do that, this committee, which was called together for the purpose of discussing a bill which consists of one alteration from seventy cents to ninety cents, will be totally ineffective.

The minister said there have been many investigations costing approximately half a million dollars. There has not been one in recent years. This investigation does not need to be a costly one. A matter of a dozen witnesses here would clear up the whole situation. The expense of calling a dozen witnesses in order to clear up a situation regarding which the questions were asked by Mr. Hanson, should not prove any insurmountable obstacle. As far as I am concerned I cannot see the question of expense at all. To bring twelve witnesses from Winnipeg, what would it cost? Nothing compared to one day's operation when these statements cannot be explained.

The CHAIRMAN: Well, gentlemen, I think the situation largely comes down to this. We have these gentlemen here this morning prepared to make representation. Probably a good many of the questions that are in the minds of the members may be answered by the representations made. When that stage is reached the committee will then decide if they wish to urge that the reference be further extended. That is still the privilege of the committee. With that understanding then may we proceed?

Mr. JOHN H. WESSON called:

The CHAIRMAN: Mr. Wesson may I say is president of the Saskatchewan Wheat Pool and also a member of the continuing committee of the delegation of

four hundred who appeared before the government during the month of February and made certain representations. Mr. Wesson, I think, is appearing in that capacity to-day.

The WITNESS: Mr. Chairman, Hon. Mr. MacKinnon, Hon. Mr. Crerar, whom I see sitting in the audience, and gentlemen: I want to thank you for this opportunity for appearing before this committee and making a statement in connection with the amendment to the wheat board act, known as Bill 13.

Mr. DONNELLY: Mr. Wesson's statement is to be taken down and printed, is it not?

The CHAIRMAN: Yes.

The WITNESS: I am not reading, I am speaking from notes. As has been stated by the chairman, I am appearing before this committee to-day as president of the Saskatchewan Wheat Pool, with a very large membership of around 100,000 in Saskatchewan. I also happen to be the leader of that delegation which came to Ottawa on February 2nd, a delegation representing 185,000 people in Saskatchewan, and I think around 6,000 in Manitoba, who had signed a petition dealing with what is now called "The Western Bill of Rights." So you can see, Mr. Chairman, that to-day I am representing a lot of people. I am representing others indirectly, not only boards of trade and the city councils, but the Saskatchewan legislature and I think the Manitoba legislature—I do not know about Alberta legislature, but I can assure you, Mr. Chairman, and gentlemen that the presentation made from the West is just about as nearly unanimous as any question has been since confederation.

Some nice things have been said about the delegation in the debate on the second reading of Bill 13 in the House. As the leader of the delegation I should like to thank these members who took part in that debate for the nice things they said. As a matter of fact I think that that delegation has received commendation and praise from almost every quarter in the Dominion of Canada, every bit of which they deserved. I do not understand just why it should be so, unless it is that people in Ottawa expected a bunch of wild men to come down to raise Cain generally. We knew they would not. We knew that this bunch of men and some women, came down here with an honesty of purpose to present a case for Saskatchewan and the West based on a depressed wheat economy.

For the purpose of this record I should like to thank on behalf of that delegation the Prime Minister and the members of the government for the way in which they welcomed the delegation and received the presentations made.

Now, coming down to the questions that we are going to discuss, let me say that in appearing before you to-day I want to try to lay out reasons why this committee may see fit to recommend a change in this amendment to the Wheat Board Act to parliament and to the government and to make that change to read in the amended Wheat Board Act "The statutory price shall be \$1 a bushel" and not 90 cents.

I am appearing before you at the eleventh hour. I understand that. Before dealing with the wheat question, however, let me say this: I am convinced that the policies brought into the House of Commons by the Minister of Agriculture, dealing with the production, marketing and the price for flax and oats and barley will be accepted in the west I think without question by all classes of people as sound policies for 1942. May I say in passing—I am sorry the Minister of Agriculture is not here—that we in Saskatchewan believe that if it is the intent of the government to increase flax production for the sake of getting more edible oil, in spite of the fact the committee has agreed to recommend the \$2 per acre bonus shall be paid to those farmers growing flax on the acreage taken out of wheat, I believe it will be sound for the government to reconsider this question of flax and make that price \$2.50 a bushel. I am not, at this stage, making a

plea for further income for the flax growers. I am saying that because I know something of Saskatchewan conditions where most of this flax is produced. The National Barley Committee meeting in Winnipeg the week before last also dealt with the flax question and recommended that this price should be \$2.50 a bushel. I agree with that recommendation because of the uncertainty of the production of flax; there are too many hazards in connection with growing it. The long term average is 6 bushels to the acre. I believe that \$2.50 per bushel would be an incentive to grow flax; a better incentive than \$2.25. I believe also that looking at the price levels of flax in the United States and realizing that most of this flax will have to be crushed in the United States on account of the fact that we have not sufficient crushing machinery here in Canada—if we produced an additional 20,000,000 bushels of flax this year I believe that the treasury would lose no money if the price of flax were raised to \$2.50. I am merely making that as a suggestion from the pool organization, knowing just what the flax situation is in Saskatchewan.

Dealing with the other features, the minimum price for oats at 45 cents a bushel, basis Fort William; and 60 cents a bushel for barley, I believe it proper that the government should hold out some incentive for more production of these feed grains. But, Mr. Chairman, I submit that it will automatically relieve this wheat problem that seems to be of such great concern to the members of the House of Commons to-day.

Let me explain to you what I mean. If parliament sees fit to amend the Wheat Board Act to make the initial payment \$1.00 a bushel, speaking for myself and thousands of people that I am acquainted with living in these areas not including in it Mr. Graham's famous Palliser triangle, I would say that there is a greater incentive to produce oats at 45 cents a bushel basis Fort William at a minimum guarantee than there is to produce wheat on the basis of \$1.00 a bushel initial payment, not only because of the net return, but also because of the fact that in producing oats with a guarantee of 45 cents a bushel and barley with a guaranteed minimum of 60 cents per bushel, there is no restriction on deliveries. We can produce all we want to, and we can sell all we want of what we produce; whereas, with wheat, it may be dependent on nature; that might operate as a restriction on the delivery of wheat after you produce it.

If you would not mind, I would like to make a personal illustration as to what I mean: my farm today, west of North Battleford, is rented and farmed by my brothers. In 1940 they had a wheat acreage of 520 acres. Last year they co-operated and reduced their wheat acreage to 355 acres. I can assure you, Mr. Chairman, with this incentive to produce coarse grains at these minimum prices with no restricted deliveries my brothers will probably sow upwards of 400 acres of oats this year and probably 200 acres of wheat; and there will be thousands like them.

Now, what does this do to the wheat question? If what I am predicting proves to be true—and I will admit that no one is sure in predicting anything in western Canada in respect to grain—I know that by experience—but if there are perhaps, let us say for the sake of argument, a million acres additional sown to flax, and three million acres more sown to oats and barley, well, it means on the basis of statistical figures that there will not be planted in the west this year more than 17,000,000 acres of wheat. I think it was the Minister of Mines and Resources in the debate the other day in the house who made the statement that in his opinion it was hardly possible for the west to produce 280,000,000 bushels of wheat this year with the present moisture conditions, and I agree with him. Let us assume, for the sake of not using extreme figures, an average yield over the west of 16 bushels to the acre on 17,000,000 acres. That would give you a total production of 270,000,000 bushels, approximately; that is 10,000,000 bushels less than could be delivered by farmers under the government's policy this year which is 280,000,000 bushels. Now, let me quote statistics to you to show you

what this means. In the Bureau of Statistics figures of 1941 they anticipated a domestic disappearance of 140,000,000 bushels: 50,000,000 for flour, and 90,000,000 bushels disappear for seed and feed purposes. If that proves to be correct in 1942 it means that if we only produce 270,000,000 bushels and 280,000,000 bushels can be disposed of for export and domestic use in the shape of flour we will lack exactly 100,000,000 bushels in our grain production in 1942, which must necessarily be taken out of this bogey, this reserve that people, especially in eastern Canada, are concerned about. I am not concerned about the surplus problem, and I never have been. As a matter of fact, I would like to make reference to the statement made in the house by the Minister of Agriculture, I think a year ago last fall, when he took a lot of figures out of the air, apparently; that is how it seemed to most people—and when he got through at the end of five years with certain conditions and certain things happening he tried to prove that at the end of five years we would be 200,000,000 bushels short of wheat. I remember that; and I do not think many people believed it. I did, because I have lived in western Canada long enough to know that you do not continue to produce a half a billion bushel wheat crop year after year as we did in 1939 and 1940; and the present year is proof of that—even with good moisture conditions last spring. Let us see what is happening to this surplus. It is less than a year ago. I think it was last April when the Hon. the Minister of Trade and Commerce made the statement—in April—that the carry-over as of last July might reach 575,000,000 bushels—is that right, Mr. Minister?

Hon. Mr. MACKINNON: I think so.

The WITNESS: Well, I think that was a fair assumption. However that may be, at the end of July the carry-over was approximately 480,000,000 bushels—or, that was what it was expected to be. We find also that instead of an estimated export of 170,000,000 last year the export amounted to approximately 230,000,000 bushels; and more disappeared, so that the carry-over proved to be not 575,000,000 bushels, but it proved to be 480,000,000 bushels. No one can tell what the final figure will be as of next July. We do know that up to date our exports—at least the last figure I saw—was a figure of at least between 20,000,000 and 30,000,000 bushels in excess of exports at the same time last year. If that is carried on through next year I submit that this bogey, this carry-over, will be reduced to less than 400,000,000 bushels and it may be down to 375,000,000 bushels. In line with the figures that I outlined to you a moment or so ago in connection with this year's production on a basis of 17,000,000 acres of wheat—which, of course, may be wrong—it is possible that a year next July (July, 1943), the carry-over in this country may be down to 300,000,000 bushels or perhaps 275,000,000 bushels. In other words, all this talk that we hear about building up necessary wheat reserves so that we can feed devastated Europe after the war, if the war lasts two or three more years, it will not be there because this wheat surplus is disappearing and disappearing very fast.

I am saying, therefore, that this wheat problem is not the problem that it appeared to be to some people last year and the year before. I would like to say just at this stage in connection with the restricted delivery of 280,000,000 bushels for the present year and the 230,000,000 restricted delivery for 1942—let me correct that, 280,000,000 for 1942—for 1941 it was 230,000,000 bushels. I want to say that in my opinion never in the history of agriculture in this country or anywhere else was such a sacrifice made—when the wheat-growers of the west realizing that surplus condition, said to the dominion government and adopted it as a policy through their different farm organizations, we agree only to deliver this year or to sell this year a maximum of 230,000,000 bushels; or, a figure that they thought would fit supply to demand. I say that was a sacrifice not known in the history of agriculture anywhere in the world. We did not know, of course, that we would not produce a half a billion bushels.

Nature stepped into the picture and it turned out that we did not produce probably within 25,000,000 bushels of the amount that we could have delivered under the agreed figure of 230,000,000 bushels.

To those people who were afraid of building up unwarranted surpluses I would like to say this: those of you who are afraid of increasing surpluses and making the wheat problem more acute, just as long as western farm organizations backed up by their membership keep offering to the government the amount that will fix supply to demand and the government accepts that recommendation, that is the safest and best way to save piling up an unwarranted or unwanted surplus. You see, nature with all its vagaries in western Canada usually takes a hand in these things from year to year; sometimes big crops and sometimes failures.

Let me say this in passing, that if my outline of the statistical wheat position in carrying on from year to year is accepted, and I think I am approximately correct, I believe the existing surplus which on the one hand is stated by the Prime Minister and statesmen in Great Britain and the United States to be a national war asset that will be a blessing to mankind—We in the west do not believe, that because that surplus is there, that it should be hung around the necks of our wheat producers like a millstone in connection with the current price of grain.

Let us analyse the situation between the east and the west. Let it be understood that I am not criticizing the price of wheat in Ontario. I do not think the price is too great. But does it not seem strange that just because a condition arose in a certain base period last fall, the base period that was to fix the price ceilings on all commodities, that Ontario wheat should have a ceiling of \$1.26? I think that wheat is trading around that figure to-day very largely. Does it not seem strange that we in the west with a surplus of the best wheat in the world which is supposed to be a blessing to mankind and a national asset should turn around and say to the government, and the government accepts, we will only supply the wheat board, or the wheat board will only allow to be delivered to them, or allow to be sold, an estimated amount that will fix supply to demand?

Where is the difference in finality between the east, who are fitting supply to demand with production, and with the west, with its beneficial surplus fitting supply to demand with the current production for this year? We cannot see any difference. I should like to point this out too, in connection with what the government of this country can and cannot do. So many things have been said in the debate—and I presume, Mr. Chairman, I may make reference to the debate in the house, although I do not understand your rules very well—by a large number of speakers that they would like to meet all these requests made by the delegation and by the Federation of Agriculture, but they recognize that the government can go only so far. Well, I do admit that when you are dealing with subsidies or bonuses—when you pay so much money per acre on coarse grain production or even for summer fallow; when the government lays down a policy of advances of so many cents per pound on bacon or cheese; when the government pays the freight on coarse grain for the benefit of our eastern friends (which we do not criticize; we think it is all right)—all that money becomes a drain on the dominion treasury and can be replaced from no other source than by taxation. But with the initial payment on the price of wheat it is a different picture. The government or the treasury of Canada is not finding a definite sum of money. They merely, in dealing with the initial payment, agree to underwrite any loss that may accrue between the final selling price of this wheat and the amount advanced on the basis of the initial payment. That was so with 70 cents. It would be so with 90 cents, and it would be so with a dollar a bushel initial payment. The statute, the Wheat Acreage Reduction Act, provides a set bonus paid from the treasury which cannot be replaced except from taxation. The loss which may or may not accrue under

any initial payment which is set in the Canadian Wheat Board Act is in complete control of government policy itself. I think it is obvious that in connection with domestic sales there need be no loss.

Dealing with this price ceiling question, which I shall refer to in a few moments, if the government in its wisdom says that the price of wheat is the basic price at which flour can be produced and bread sold at present price levels, then it is obvious that whether the initial payment is 90 cents or whether it is a dollar, there must be a loss. But it is controllable, and in our opinion it is absolutely unnecessary for there to be a loss on any advance on the 50 million bushels of wheat sold in this country.

Dealing with the export question, as I understand it, since a year ago last May—it will be almost two years—direct sales have been made by the Canadian Wheat Board—and you will find it in the two reports here, of 1939 and 1940, showing the amount of sales—by negotiation between our own wheat board and the Cereal Import Board of Great Britain. The last sale, not registered but announced by the Minister of Trade and Commerce, was 120 million, making a total in all of approximately 390 million on a negotiated price basis. I am not aware, of course, what that price was. I do know, however, that over a year ago, when the Wheat Board Act was amended to provide for a 15-cent processing tax, the Minister of Trade and Commerce, as reported in *Hansard*, said that it was only fair that the Canadian consumers should pay a price for their bread and flour equal to that now being paid by Great Britain. I am merely taking the 70 cents a bushel plus 15 and arriving at 85 cents. When I said a few moment ago that any loss on the basis of a one dollar initial payment is absolutely in control of the dominion government and its policy, coupled with the sales policy of the wheat board, I think that if it was possible for the dominion government to make an agreement on a negotiated sale basis at around that figure—it is two years almost since the first sale was made of 50 million bushels in the month of May—under these circumstances it should not be difficult for the government to agree with the Cereal Import Board to take all their requirements at a price of at least a dollar a bushel, so there could be no loss. Taking into consideration the bill that is now, as I understand it, being discussed in parliament, the question of a million dollar gift with which I heartily agree—

Mr. DONNELLY: A billion dollars.

The WITNESS: Did I not say a billion?

Mr. DONNELLY: You said a million.

The WITNESS: I meant a billion. I am heartily in accord with that. But taking that into consideration, the question of whether the price of wheat is 90 cents or a dollar does not amount to very much, does it? I want to say that this whole question of initial price and loss on that basis is definitely controllable by government domestic policy and government export policy, those policies being carried out by the Canadian Wheat Board.

Let me come now to deal for a moment with what is involved in the price ceiling and what is involved in the domestic price for wheat, flour and bread. I want to repeat what I have already said, that there need be no loss on the basis of a dollar payment on any wheat sold for consumption in Canada. I will go further and say that while this bill does not involve the question of parity prices, for the sake of this argument I will call the parity price \$1.25; and I believe there should not be a single bushel of wheat sold for domestic consumption in this country for less than that parity price, whatever it may be, because to the extent that it is sold for any less, the wheat producers are subsidizing the bread consumers in this country. If, under the new price ceiling policy—which is not very clear—bread and flour shall not change, it is quite obvious that the consumers of this country are going to be subsidized from the treasury of Canada. It is not necessary. Let us just analyse this and see what it means.

I was looking up statistics just the other day and I found out that the bureau said that in the month of January the cost of living in this country had increased by 1·1 per cent. There has been no criticism, no explanation, and no defence as to why. There has been an increase in the cost of living of 1·1 per cent and nobody even mentions it. It is true, of course, that part of this cost of living rise may have been caused by the increased price of vegetables and some things that have no ceiling; but very definitely those commodities cannot account for the increase of one per cent in one month. Let us see what this initial payment of \$1 a bushel would mean. If we can take it—and I am merely using this for the sake of argument—that 75 cents a bushel is the base price at which millers can make a purchase to maintain the present price of flour or the present price of a loaf of bread, recognizing that wheat represents only 13·2 per cent of the finished commodity, a dollar initial payment will increase the price of a loaf of bread just one half-cent; that is, for a twenty-ounce loaf. Keep in mind, Mr. Chairman, that I am not using my own figures. I am using those of the Bureau of Statistics. Four and a half bushels of wheat—that is, 270 pounds of wheat—will make 270 loaves of bread. One pound of wheat will make one pound of bread. Working back, it means that in Regina today with wrapped loaf selling at 9 cents, the wheat growers of western Canada receive exactly 1-1/7 cents out of a total of 9. Suppose we take, for the sake of argument, \$1.25 for all domestic consumption, which figure I will use for parity, not knowing what parity is. It may be \$1.25 for all I know. The increased cost of a loaf of bread of 1 cent, with a parity price of \$1.25 per bushel would mean an increase in the cost of living, according to the size of a man's family, of 7, 10, 12 cents a week. It does not need an economist or a statistician to tell you that while we read of an increase in the cost of living of better than 1 per cent for the month of January, an increase of 1 cent a loaf would be infinitesimal in the cost of living. Let me say this one thing in passing, dealing with the Canadian consumer. No one can convince the western wheatgrower that, with a national income in 1941 of 6 billion dollars—and I am merely quoting the Prime Minister when I make that statement—the consumers of this country cannot afford to pay a proper price for the flour and bread made from the wheat that is grown in Canada.

Let me deal with a further question in connection with this wheat price. We know that according to orders in council that have been tabled, the policies that have been adopted by the government—and very necessary policies—have been for the wheat board to deal with the control of this present year's crop and contracts which represent wheat, so that at the end of July the wheat board may be able to clean up all these stocks and contracts without allowing anyone to make a speculative profit. From then on the position is not too clear. No one knows—it has not been announced—whether the grain exchange is going to continue to function or whether the price under which it will trade will be 90 cents, or as it is to-day, with a minimum of 70. That has not yet been announced. But I do want to say this, that if the price proves to be 90 cents—if your final recommendation to parliament and the government is that figure—and the government says to the wheat board that there shall be no trading under that statutory price, personally I cannot see how that price of wheat can advance. I will tell you what I mean. It is obvious that, if there is to be protection under the present announced price ceiling policy for flour and bread, there will be no domestic millers' demand on the Winnipeg market. Why should a miller go on to the market and pay 92 or 94 cents a bushel for his wheat when he knows that he is going to be protected by the wheat board at whatever sale price is decided on? So his demand is out of the picture so far as the Winnipeg market is concerned.

If the present policy is continued under which the government and the wheat board continue to negotiate with the Cereal Import Board the price levels for large blocks of futures or cash wheat then it stands to reason that demand has

gone from that source. You do not need to tell our western people that these negotiated sales have not affected the market. The daily statement of the Winnipeg Free Press and the Regina Leader—and I read both of them—will state in connection with very large daily exports that they do not affect the market. Mr. McIvor can give that information later. All I say is that as long as this policy of negotiated sales continues, neither the demand through the cereal import board or the domestic demand by the millers will tend to raise the price from a minimum of 90 cents on the Winnipeg market. There is only one thing that can ever raise that price and that is for outside speculation to come in in sufficient volume to raise it. We have lived in this country long enough to know that speculators of that kind only come into a speculative market when they think through holding that the price is going to raise and they can make a profit, and they do not come in when there is a large block of unsold wheat in the country.

Let me say in passing that I think it was the Minister of Agriculture who said he would like to see parity prices and he thought that they would come. If my outline of the position, which may or may not be correct because the announcement has not been made—I doubt if it is possible to achieve parity prices on the basis of an open market as long as we have surplus wheat in this country that can not be sold in the current year. Let me point this out, Mr. Chairman, I am not standing here attacking the Winnipeg Grain Exchange. The stand of the wheat pools has been well known for years. We approached the government right after the outbreak of war and gave them our advice which they did not accept. The point in our advice was that in view of all the markets being closed overseas we thought it would be wise to close the exchange and carry on the same kind of trading as we did in this country in 1917 and 1918 with the Wheat Commission and in 1919 with the wheat board. Since the Minister of Trade and Commerce read a much discussed cable in the House of Commons about eighteen months ago from the Cereal Import Board in Great Britain asking that the market be kept open, the wheat pools have not discussed that question because we believed it would be futile. What we have done for the last two years has been to try to decide on a policy that will bring an equitable revenue to the wheat grower of Western Canada in spite of the operation of the Winnipeg Grain Exchange rather than whether it would function or whether it would not. What I have said in connection with 90 cent minimum on the Grain Exchange shows the utter impossibility of reaching parity prices under those conditions and under this kind of agreement. I think it can be safely said here that after listening to the debate in the House of Commons and especially to those remarks made by the Honourable Minister of Trade and Commerce and the Minister of Agriculture, every single argument they used in defense of the amendments to the Wheat Board Act, or Bill 13, can be used just as strongly, I think they would agree, if the initial payment was \$1 a bushel.

Let us see what this means in income to western Canada; let us see what it means to the west. If we are successful in producing 280 million bushels of wheat for delivery, which I doubt very much, and taking the 90 cents basis Fort William or 70 cents net to the grower, it will mean a wheat income of 196 million dollars. That income is 43 million dollars less than we received in the marketing of our 1940 crop when all the wheat was sold at 50 cents a bushel. If the initial payment is made at \$1 a bushel, which means 80 cents net to the grower, the return for wheat would be \$224 million dollars and still \$15 million dollars less than the wheat income in 1940 when we delivered all our crop at 50 cents a bushel, because in 1940 the total income from wheat according to the bureau of statistics was 239 million dollars, and this, Mr. Chairman, is in comparison with figures used by the Minister of Agriculture in the House one day last week when he referred to the fact that the wheat growers in western Canada in the years 1926-29 period exceeded 400 million dollars per year. Keeping in mind the

1926-29 period as the basis very largely on which labour is protected in this country plus the cost of living bonus of 15 per cent, I say to you that last year the western growers made a sacrifice in the offer of 230 million bushels to fit supply and demand, a sacrifice not equalled anywhere in the world. That with the increased price that we asked for, backed up by the Saskatchewan legislature, of 85 cents a bushel, plus a processing tax of 50 cents a bushel, which would have meant a return of 95 cents per bushel on a total income of 174 million dollars. We offered that sacrifice last year \$174 millions as against \$239 millions the year before. Finally, Mr. Chairman, with regard to the present crop year—because we did not produce this full amount of 223 million in the west—our share of the 230 million—there will not be delivered in excess of 200 million out of this crop, and that on a 50 cent basis the income will be approximately 100 million dollars. Add to that all the bonuses provided apart from the Prairie Farm Assistance Act, you have a wheat income, if you want to call that a wheat income, of 150 million dollars. That is all, 150 million dollars for the present year.

Let me say before I close, Mr. Chairman, that if this committee would see fit to recommend to parliament—I do not know what the rules of procedure are, and I do not know what you can do in changing your recommendation on a matter which involves money—I do know, however, that it can be done if you want to do it—if parliament and the government would accept this proposal brought down by the western delegation, backed by the pools and the Canadian Federation of Agriculture and the legislatures of western Canada—that along with these policies brought in by the Minister of Agriculture with regard to coarse grain production and minimum prices and a \$1 a bushel initial payment for this year's crop which I maintain need not cost the treasurer of this country one cent—I think that that policy would be fairly satisfactory to western Canada for 1942.

Let me say this just in passing. I read in a newspaper one day last week while your debate was going on in the House of Commons on this bill that a member of parliament—I do not know, of course, all the members, and I know very few of the eastern members—was supposed to have said that he was not prepared to accept these policies brought in by western Canada—there is nothing personal in this because I do not know the gentleman and I did not hear his speech, I read it in the press. I want to say this in all kindness that when we in the west say that the wheat problem is a national problem and not a western problem we do not say that with our tongues in our cheeks. If the wheat economy in western Canada is worth saving it should be saved; if it is not going to be saved then 300,000 farmers and wheat growers in the west with their dependants will not sit idle twiddling their thumbs, they will proceed to produce more and more of those perishable and semi-perishable agricultural commodities which are at the present time the cash crop of Ontario and the eastern provinces, and sooner or later—and I am sure that it will be sooner—we will produce such a glut of those commodities that the condition in connection with those perishable and semi-perishable commodities will be worse than that of wheat. That will not only affect those western Canada people, it will also affect Ontario and other provinces in the dominion who depend upon these agricultural products for their cash income.

In closing, let me say this: we believe that a dollar a bushel initial payment is a fair and reasonable request, and we hope that the committee will reconsider this question. I would like to point out that since the war broke out the government in its wisdom saw fit to freeze international exchange which means that when we sell wheat to Great Britain, instead of getting \$4.86 $\frac{2}{3}$ for every sterling pound's worth of wheat we sell, we get \$4.45, say, 10 per cent under their proper parity price exchange; and, conversely, this committee is well aware that we in the west must buy a lot of our supplies

from the United States—machine repairs, tractor repairs of all kinds—and we are faced conversely with this international exchange question of paying \$1.10 of the depreciated currency in the first place to buy a dollar's worth of goods from the United States, and added on to that is an additional 10 per cent of tariff which was put on eighteen months ago. I think it is fair to say that since the war broke out the western wheat grower in just over two years has faced an increase in his costs of production and his cost of living of at least 25 per cent, and that is 10 per cent more than the average consumer is faced with on the basis of cost of living bonuses paid by most businesses to-day. Can you wonder, then, Mr. Chairman and gentlemen, that there is so much discontentment and unrest extant all over the west to-day? Can you wonder why it is that we have in the west, I understand, about \$2,000,000 of unpaid school teacher's salaries—that is in Saskatchewan—hundreds of schools in Saskatchewan are not open to-day because the taxes cannot be paid and the teachers cannot be paid. Can you wonder why it is that this unrest is there? Our wheat growers look across the line and see a price of \$1.30 a bushel; they see the price of wheat in Ontario at \$1.26 a bushel; they see the British price for the domestic producer in Great Britain of about \$1.92 a bushel: can you wonder why there is this discontent? Finally they see this country with a national income of 6 billion dollars and that the return in 1941 for Western Canada where 20 per cent of the people reside was around 5½ per cent of that national income figure. Can you wonder that the discontent is there?

Again in closing I want to repeat that our people are not asking for things that are unfair. They say: If we fit our supply to demand it is only fair we should get a proper price for what we sell, when we do not sell all we produce. We have made this offer. In the conduct of this war and the fighting of the war for democracy, to which our people in the west have contributed equally with the other provinces in the dominion, with our sons gone from the farm, with our manpower depleted, there is no one who can question the west in its patriotism and sincerity in winning this war for democracy and bringing it to a successful conclusion. But they do believe this, in the fighting of this war and the distribution of national income there ought to be an equality of economic sacrifice. I thank you very much, Mr. Chairman, on behalf of the Wheat Pool and the delegation for the kindly hearing you have given me this morning.

The CHAIRMAN: Now, gentlemen, I think we can pass on to Mr. Wesson our appreciation of the contribution he has made in the representation he has presented to this committee this morning.

At the beginning I referred to the recommendations of the steering committee, and in accordance with those recommendations if there is someone in the committee who wishes to ask Mr. Wesson for a clarifying statement or something pertaining to the remarks he has made without going into a general discussion at this time it will be all right to do so.

Mr. DONNELLY: I should like to ask Mr. Wesson a question or two dealing with the parity price. He referred to the ceiling on wheat and he referred to bread. I quite agree with what he says, but I would remind him that 40 per cent of the flour is used by bakers and about 60 per cent of the flour is used by housewives. Will you give us a clarifying statement with regard to the effect the parity price would have on the price of flour and the same thing with regard to the price of bread?

The WITNESS: It is understood, according to the Dominion Bureau of Statistics, it takes 52 and a fraction cents increase in the price of wheat before it will affect the price of a loaf of bread one cent.

Mr. DONNELLY: Fifty-two and a half cents?

The WITNESS: Fifty-two and a fraction cents a bushel. You can increase the price of wheat that much before you increase the price of a 20-oz. loaf of bread one cent. Dr. Donnelly asks about flour. I am only speaking from memory, but I believe if the price of wheat was raised to \$1.25 it would increase the price of a sack of flour either \$1.10 or \$1.20.

Mr. PERLEY: May I say this as a further answer to Mr. Donnelly's question? If the farmer took his own wheat to the mill and gristed it into flour and took his flour home it would not affect the housewife at all.

Mr. DONNELLY: There is another question I should like to ask Mr. Wesson.

By Mr. Donnelly:

Q. Your company has how many country elevators?—A. One thousand and ninety-four.

Q. Can you give the committee the cost of running one of your country elevators? What would it cost on the average?—A. Four thousand dollars.

Q. What would you say if you were told you could run a country elevator for \$1,200?—A. I would not believe it.

Mr. DONNELLY: Thank you.

Mr. MCCUAIG: When the speaker was referring to the reduction of the carry-over I rather gathered from his statement that he was more or less worried about the time when this carry-over would entirely disappear and there would be a shortage of wheat. In view of that statement would he recommend that the government should consider the advisability of discontinuing the wheat acreage bonus and also the bonus for the growing of coarse grain?

The WITNESS: I am glad you asked that question. I did not want to deal with it in my remarks but as far as the Saskatchewan Wheat Pool and the other pools in the federation are concerned we made it quite clear in the brief—I do not know whether I can put my hands on it now—

The CHAIRMAN: This looks as if it might be getting into a speech, which was not the agreement we entered into at the beginning of the meeting.

Mr. MCCUAIG: I am asking a direct question only. I repeated what he said and asked him a question.

Mr. Douglas (*Weyburn*): If I may interrupt, our understanding was that speeches were not to come from members of the committee. The witness is now answering a question.

The CHAIRMAN: I am pointing it out, that is all.

The WITNESS: We made it clear in the brief that we wanted a price for wheat for those who produce, the assistance under the Prairie Farm Assistance Act for those who do not. We believed it was sound policy to pay acreage bonus for the sake of soil conservation, grass and that kind of thing. You asked me a frank question; I will give you a frank answer. We think it is all right to encourage coarse grain and to pay acreage bonus. We do not think it is sound policy to pay a summer-fallow bonus, but that, however, is the policy of the government.

Mr. CLARK: Will Mr. Wesson be here to hear some of the representations from the east?

The CHAIRMAN: The plan that the steering committee had in mind was that Mr. Wesson would make his statement and would be asked any questions that were required to clear up any statements that he made. Then we were going to ask Mr. Wesson to stand down in the hope that he would remain over while the committee is in further session.

Mr. Ross (*Souris*): Mr. Wesson made some reference to the Winnipeg Grain Exchange. Did I understand him to say that in his opinion and in the opinion of the executive the Grain Exchange was not rendering a useful service at this time? Would you care to express a definite opinion on that, Mr. Wesson?

The WITNESS: Yes. We said that and presented that to Mr. MacKinnon as he will remember just after the war broke out; but in view of the cable which was received eighteen months ago we have not discussed it since that time. Why should we have anything to say if the Cereal Board wants it.

Mr. DONNELLY: When Mr. McIvor was here a couple of years ago I put the direct question to him. I asked him if by using the facilities of the Grain Exchange he was not able to carry wheat at a lower price than if he paid for the storage. He told me he was. If we find from our Grain Commission that we are able by using the facilities of the Grain Exchange to carry wheat at a lower price than otherwise would you still say that the Grain Exchange is not playing a useful part?

The WITNESS: I think probably it is possible some times to carry it for less than $\frac{1}{45}$ of a cent, but I do not think it is important, however.

Mr. DONNELLY: I think it is, because I have in my hand the barley quotations. May barley is quoted at 64 $\frac{1}{4}$, while October barley is quoted at 62. Well, if I have barley I can sell it and get 64 $\frac{1}{4}$ for it and I can buy October barley which they have to hold and carry. In October if they need it they can have it for 62 cents, and I make 2 cents a bushel on it, and it costs me nothing to carry it at all.

The WITNESS: That would be a straight loss to any elevator company who bought that to carry it.

Mr. DONNELLY: It might be. But I am illustrating how the facilities of the Grain Exchange could be used to make money.

Mr. PERLEY: If you happen to have any barley.

Mr. DONNELLY: We have lots of wheat. I may say I have done the same thing with regard to wheat. I have sold wheat when cash wheat was \$1 a bushel at Fort William and bought it back again at 99 cents and sold it in the fall a year after for \$1 and bought it back the same day for 99 cents, held it until the demand rose and sold it again some time after—as a matter of fact I do not know what the figure was—but I got well over \$1 for it.

Mr. LEADER: You were speculating.

Mr. DONNELLY: Maybe, but while we are growing wheat we have to carry it.

Mr. PERLEY: There is one question I should like to ask. The witness said something about the suggestion made by the board to the British Cereal Import Committee. What was the suggestion? Was the suggestion that sales should be by negotiation between the board and the British Cereal Import Committee instead of through the Exchange?

The WITNESS: That is what we said only two years ago. Whatever the basis of negotiation is we think that is the proper way to do this business.

Mr. DOUGLAS (*Weyburn*): I just want to ask Mr. Wesson one or two questions because I was not clear on this in the remarks he made.

By Mr. Douglas (Weyburn):

Q. Mr. Wesson, you mentioned the fact you thought the growth of flax would be increased by raising this price to \$2.50. You said that especially in view of the price in the United States. Can you give the committee a statement on the price in the United States?—A. I have not got it here, but my understanding was in the discussion with the National Barley Committee there would be no loss at \$2.50 a bushel because flax would be worth that in the United States where it would be crushed.

Q. You also said, Mr. Wesson, that the delivery this year would probably be in the neighbourhood of 270 million bushels, assuming 17 million acres. Then, did I understand you to say that 16 bushels to the acre was the average?—A. That would be a big average.

Q. I was going to ask you, Mr. Wesson, if you had the figures for the average of last year. Thirteen bushels was the average for 1941. You then said that the estimated crop of wheat would be in the neighbourhood of 270 million bushels this year on the basis of 17 million acres. I understood you to say—I did not get it clearly—that the average would be about 16 bushels per acre. Is that what you say?—A. I think the present year is about 13.

Q. The figure for this year is 13?—A. Yes.

Q. That is a very high estimate, 270 million bushels, assuming a better average than last year of 13 bushels to the acre?—A. Yes.

Q. Could I also ask you if I caught you correctly when I thought you said that the 50 million bushels of wheat that is sold for domestic consumption could have the price raised without affecting the treasury? Did I understand you to say that the increasing of the price of wheat would only affect the price of a loaf of bread in Regina 1-1/7 cents? What price had you in mind raising it to? Was the price you were suggesting the parity price?—A. \$1.25.

Q. A parity price of \$1.25. I should like to ask you another question. You mentioned \$1.25 as the parity price figure. Then you mentioned the fact that 1926-29 had been taken as a general level for wages, etc. I should like to ask you how you arrived at \$1.25 in the light of the statement of the delegation to the government pointing out: "In terms of money, the average price of wheat for the calendar year 1926 was \$1.49 per bushel basis 1 Nor. in store at the Head of the Lakes, equal to a farm price of \$1.29 per bushel." Is the \$1.25 figure you gave the farm price or the Fort William price?—A. No. I think if you examine the brief you will find we were dealing with price levels when we took that 1926-29 figure which we called \$1.41. That was the average. Fifteen per cent on that to equalize the cost-of-living bonus would be \$1.62. That was not a parity price. We suggested that if there was to be a price ceiling on wheat that it should not be less than that figure so that some time the price might reach it. We admitted we did not know what the parity price is, but we were quite willing to take the figures from the Bureau of Statistics. The Serle Grain Co. says that is \$1.20. We do not know whether \$1.17, \$1.20 or \$1.25. I used \$1.25 merely as a figure to illustrate.

Q. In the light of Mr. Wesson's statement I want to read to him what appears in his brief. He said on page 5 of his statement: "The position of wheat, however, is a notable exception. Taking the calendar year 1926 as a parity period, by the end of 1941 the index figure representing general wholesale prices stood at 93·6; while the wheat price index for the same year was 49·5. In terms of money, the average price of wheat for the calendar year 1926 was \$1.49 per bushel, basis 1 Nor. in store at the Head of the Lakes, equal to a farm price of \$1.29 per bushel, while the average 1941 price amounted to 74 cents per bushel on the Lakehead basis, or about 54 cents on the farm. In other words, while the general wholesale price index is now getting close to the 1926 level, the wheat index is just about one-half of the 1926 price level." In other words, as I understand it, in terms of the purchasing power of money, the price to-day would be \$1.49 basis Fort William in relation to 1926-1927 figures?—A. Yes, it might be. You are taking the 1926-1927 period. You might just as well take the 1913-1914 period.

Q. There is one other question I wanted to ask you, Mr. Wesson: you made a statement in which you added up income—assuming that you had 270,000,000 bushels of wheat at 90 cents a bushel; that would give you \$196,000,000 farm price?—A. Yes.

Q. Then you said you add on to that the bonus as wheat income—if you want to call that wheat income—and that is a total of 250,000,000; is that correct?—A. No. I was dealing, Mr. Chairman, with the bonus paid last year of 20,000,000 dollars as prairie farm income; and assuming 30,000,000 dollars for

wheat acreage reduction added to the total revenue, of 100,000,000 dollars from the sale of wheat, amounting to the total of 150,000,000—there is no connection between that and your figure.

Q. No.—A. And, I say on this year's wheat price on 280,000,000 bushels—and we can sell 280,000,000 bushels on a basis of 90 cents, which will bring \$194,000,000. That, of course, does not include the income which may accrue in the form of flax and coarse grain bonuses; which bonus, has no connection with the price of wheat.

Q. That raises this question: would you, Mr. Wesson, consider this bonus as wheat income?—A. No, I would not.

Q. Another thing: the statement has been made repeatedly that when your delegation was asking for an initial payment of \$1; the suggestion has been made repeatedly that the farmer has been receiving 70 cents basis Fort William, and receiving another 30 cents per bushel by reason of the 30-cent bonus; and taken with the 70-cent payment that makes it \$1 a bushel; do you take it on that basis, that the farmer has been receiving \$1 a bushel on wheat?—A. No. I am not merely expressing my own opinion on that. The west does not look at it that way. You see, after all, we have a lot of farmers who have summer fallowed a lot of their land and they could not take advantage of the wheat acreage reduction bonus. The only income they could get out of this bonus this year if they had a crop would be 75 cents an acre on a restricted—a total amount of \$150—if you want to take that and divide that amongst the wheat acreage. On the other hand, I think I heard Dr. Donnelly make a quotation in the house the other day where one fellow got 300 bushels of wheat and received \$2,700 of bonus; and one way or another that figured out at \$9 a bushel. Of course, you could have no wheat and be making a million dollars a bushel. I say that while you may argue that if you take wheat acreage out of production and you put it in summer fallow, you may argue that you get an increased price on the wheat on the land on which you produce wheat; but I do not agree with that, you are merely being indemnified for not producing wheat on that land and you are spending most of your money on summer fallowing. That is not increasing the price which you get for your wheat.

Q. It is still income?—A. But not wheat income.

By Mr. Furniss:

Q. But is it not a fact that you are being paid a bonus in lieu of wheat; are you not being paid a bonus in lieu of wheat which would have been produced if it had not been taken out of wheat acreage?—A. No. I maintain and the people of western Canada maintain that that is merely an indemnity for not producing wheat on certain acreage.

Q. Should it not be considered as adding to the value of the wheat you do produce?—A. I think it would be just as sound to say that if the government continues to pay this \$2 for growing coarse grains and flax that you should add that to the price you get for your wheat. As I see it, I do not think such an argument could hope to succeed. However, it is a matter of argument.

By Mr. Dechene:

Q. It is wheat income just the same?—A. The trouble is that the people who raise wheat are not the people who get all this bonus?

Q. You were talking about wheat farmers?—A. Yes. You see, under the Prairie Farm Assistance Act the people who produce no wheat get that; the man producing wheat does not get it.

By Mr. Golding:

Q. Suppose you went on growing your wheat, what would you get if there were no market for it?—A. The question is: suppose we keep growing this wheat—

Q. And there is no market for it?—A. As a matter of fact, I think I outlined enough statistical information to show that this surplus is now disappearing very fast. In spite of all you do nature takes a hand in all these things. It did last year, and it will again. In other words, we in the west who follow this situation closely are not afraid to build up unwanted surpluses. As I recall it, Mr. Chairman, in 1938 the world had a normal wheat carry-over. All this surplus came since. We have had surpluses before and we will again; but the time will come when nature takes care of this production; and as was the case in 1938 when we faced a normal carry-over of some 600,000,000 bushels in world supply. Supposing we had started during the Bennett regime, as they call it in the west, cutting acreage and had this reduction, it would have been possible for there to have been a scarcity of wheat, or a famine of wheat, in 1938, if all nations had carried out that kind of a policy. Nature takes care of these things.

Well, Mr. Chairman, in the discussion in the house the Minister of Trade and Commerce went on record that in 1938 for the four wheat-growing countries; that is, Australia, the Argentine, the United States and Canada; there was a surplus of about 300,000,000 bushels, and this year they estimate a surplus of 1,370,000,000 bushels. Now, you may be right in your viewpoint that this surplus will disappear, but that is not the picture that was presented to us in the house.—A. I think you are wrong in your year. As a matter of fact, we had a complete disaster in Saskatchewan; we produced 36,000,000, just over two bushels to the acre in 1937, and at the end of the 1937 year (that is, July, 1938) the world had a normal carry-over or surplus. I think I quoted the minister correctly when I said that he was dealing with the 1939/1940 period—am I right? Not 1938—we had a normal carry-over in 1938.

The Hon. Mr. MacKINNON: Whatever the figures were they are in the record.

By Mr. Donnelly:

Q. Mr. Wesson said, speaking of flax, that we may be unable to crush all the flax that we have in this country if we have a large crop, but that we could sell it in the United States. Can he tell the committee how much flax we can crush in this country; or, how much he estimates we can crush in this country; because we have been told in the house that there is almost unlimited crusher capacity in this country to take care of all the flax we can produce.—A. My understanding from discussing this question with Dr. Taylor, the United States attaché from Washington, is that flax crushing equipment could quite easily be made available, but that there was not enough at the present time to take care of the prospective production in this country. It is possible, however, that with the splendid war effort our ministers are putting forth that they may be able to find some way of increasing the capacity of flax-crushing equipment. Unless that is done I can see nothing for it but that flax will have to be crushed in the United States.

By Mr. Ross (Souris):

Q. In connection with flax, when you said you thought it should be increased to \$2.50 a bushel, was it also your opinion that it should be regarded as a coarse grain and used with a view to reducing wheat acreage?—A. I do not think we would have much objection to the \$2 figure; nor do I think we should take that into account in estimating the amount we receive for our wheat. I think it would assist in reducing acreage; but I think the \$2.50 is very important.

Mr. McNEVIN: As I understand the function of the pools in relation to wheat in western Canada they are, and I think quite properly, essentially a storage agency. There has been a very insistent demand from all sections of the House of Commons for a reduction in the storage carrying charges for wheat. Being a

representative of the largest pools I had expected Mr. Wesson would deal with this situation. I assume that at least in connection with this carry-over there may be a charge to the public of Canada; however, that may affect the terminals more than it does the local storage elevators. I should like to have heard Mr. Wesson express an opinion on that.

—After discussion as to procedure:

Mr. Ross (*Souris*): I move that discussion on bill number 13 be adjourned until a later date.

Mr. PERLEY: I will second that motion.

The motion was agreed to.

The committee adjourned to meet again on Tuesday, March 24, at 11 a.m.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND REPORTS

No. 2

MARCH 24, 1942

Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESSES

Mr. George McIvor, Chairman of the Canadian Wheat Board;

and

Mr. John H. Wesson, President, Saskatchewan Wheat Pool

NOTHING IS EVER FORGOTTEN

MINUTES OF PROCEEDINGS

TUESDAY, March 24, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Cloutier, Cruickshank, Dechene, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Hatfield, Henderson, Lafontaine, Leader, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (*Mrs.*), Perley, Quelch, Rennie, Rheaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Soper, Sylvestre, Turgeon, Ward, Weir, Wright.—45.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

Discussion on the procedure for this day's sitting took place and it was agreed that Mr. George McIvor, Chairman of the Canadian Wheat Board should be the first witness, but that he would not be questioned till a later sitting. It was also agreed that Mr. J. H. Wesson would be further examined to-day on the evidence he had given before the Committee on Monday, March 23.

Mr. George McIvor was called and sworn. The witness presented to the Committee a submission on the operations of the Canadian Wheat Board during his chairmanship and referred to the statements made in the House by Hon. Mr. Hanson this session. Witness retired.

Mr. J. H. Wesson, President of the Saskatchewan Wheat Pool, was recalled, sworn, and examined. Witness retired.

The Committee adjourned to meet again on Thursday, March 26th, at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 277,

March 24, 1942.

The Standing Committee on Agriculture and Colonization met at 11:00 a.m. The Chairman, Mr. William G. Weir, presided.

There were in attendance:—

The Honourable Mr. James A. MacKinnon, Minister of Trade and Commerce,
Mr. George H. McIvor, Chairman of the Canadian Wheat Board,
Mr. Clive Davidson, Statistician, Canadian Wheat Board,
Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The CHAIRMAN: We will now hear from Mr. George McIvor, Chairman of the Canadian Wheat Board. As it is the desire of the committee that all witnesses be sworn I would ask the clerk at this time to administer the oath to Mr. McIvor.

GEORGE H. McIVOR, Chairman, Canadian Wheat Board, called and sworn:

The CHAIRMAN: Now, gentlemen, I have the honour of introducing to you Mr. George McIvor, Chairman of the Canadian Wheat Board. As was indicated yesterday, the subcommittee proposed that Mr. McIvor as well as Mr. Wesson be allowed to make their respective statements without interruption and that they then be subject to questioning by members of the committee. It is with that understanding in mind that I now call on Mr. McIvor to make his statement.

The WITNESS: Mr. Chairman, Honourable Mr. MacKinnon and gentlemen:—

In respect to the wheat question before you there is, broadly speaking, a dividing line between what I will call "policy"—meaning the intent of parliament and the government in respect to the handling of wheat—and "administration". Formulation of general wheat policy in the sense that I have used the term, is a matter for parliament and the government; administration, in accordance with such policy is the function of the board. The Canadian Wheat Board accepts the general policy that is laid down by parliament and the government, and endeavours to carry it out. The wheat board is responsible for the administration of that policy; it reports frequently to the government and makes an annual report which the minister lays upon the table of parliament. The board is ready to answer all questions that may be asked by this committee in respect to its administration. The question of policy as I have defined it, however, is a matter to be dealt with by the government and not by the wheat board.

The Hon. R. B. Hanson, during the course of an address on the wheat problem in the House of Commons on Tuesday, March 17, made the statement that the Canadian Wheat Board had been functioning illegally. Mr. Hanson indicated that the reason for his statement was the fact that the wheat board had been buying wheat in the form of futures contracts from other than producers.

Section 7 of the Canadian Wheat Board Act provides as follows:—

The board shall undertake the marketing of wheat in inter-provincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

- (a) to receive and take delivery of wheat for marketing as offered by the producers thereof;
- (b) to buy and sell wheat: provided that no wheat shall be purchased by the board except from the producers thereof;
- (j) generally to do all such other acts and things as may be necessary for the purpose of giving effect to the intent and meaning of this Act.

Upon the legal interpretation of these clauses in the Canadian Wheat Board Act depended the whole method of operation under the said Act, and depended the feasibility of the Canadian Wheat Board when it came into operation in 1935.

Consequently, within a few days of the appointment of the first Canadian Wheat Board in 1935, the interpretation of the above clauses in the Canadian Wheat Board Act became a matter of vital importance. The issue was whether the Canadian Wheat Board in disposing of wheat could take full advantage of the futures market and conduct its selling operations in line with the established practice in the grain business and carry out its duties under Section 8 (i) and (j) of the Act, which read as follows:—

(i) in selling and disposing of wheat as by this Act provided, to utilize and employ without discrimination such marketing agencies, including commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities for the selling and handling of wheat, as the board in its discretion may determine;

(j) to offer wheat for sale in the markets of the world through the established channels; provided that the board may, if in its opinion any existing agencies are not operating satisfactorily, take such steps as it deems expedient to establish, utilize and employ its own or other marketing agencies or channels.

At this point it is well to outline the established practice in selling wheat on the Winnipeg market. Simply stated, cash wheat is mainly sold by exchanging the cash wheat for a futures contract which is then sold at the discretion of the seller of the cash wheat.

This matter received the immediate consideration of the first Canadian Wheat Board headed by Mr. John I. McFarland, and legal interpretations were immediately secured by that board. Mr. F. M. Burbidge, K.C., then solicitor for the Canadian Wheat Board, on August 26th, 1935, rendered the following legal opinion:—

Summing up the views which I have expressed to you at our various conferences (this is Mr. Burbidge's opinion) as to the interpretation to be placed upon the Canadian Wheat Board Act, 1935, I am of opinion,

1. That the board has, subject to the approval of the Governor in Council, the power and duty to fix from year to year the price to be paid to the "producers" for wheat purchased by the board during each crop year.

2. That the price fixed by the board and approved by the Governor in Council to be paid for wheat purchased during a crop year cannot be changed either up or down; in other words, while the price to be paid may vary from year to year, there can be but one price fixed during any crop year.

3. That while the Canadian Wheat Board Act, 1935, limits the purchases of wheat to be made by the board to purchases from "producers," yet in selling wheat from time to time on the Winnipeg market the board can comply with the rules and customs of that market but only for the purpose of and to the extent requisite for carrying through such sales.

So important was this legal decision to the McFarland Wheat Board that Mr. Burbidge was asked to consult with other counsel. Mr. E. K. Williams, K.C., met with the then Canadian Wheat Board and with Mr. Burbidge in connection with the interpretation of this part of the Canadian Wheat Board Act. On August 27th, 1935, Mr. E. K. Williams, K.C., wrote to Mr. F. M. Burbidge as follows:—

I acknowledge the receipt of your letter of the 26th of August enclosing copy of the opinion which you have written to the Canadian Wheat Board following our various interviews and discussions. I concur in the opinions which you express in your letter.

Mr. J. R. Murray in giving evidence before the special committee on marketing of wheat and other grains, under guarantee of the Dominion Government, 1936, stated in regard to these legal opinions (Page 205):—

I would sum up those two letters in layman's language by saying—it is clearly stated—that the board have no power to vary the price up or down once it has been set for the year; and, in the second place, while the board have the power to purchase futures in selling cash wheat, that gives them power to exchange. They have no power to purchase futures unless it is in connection with the sale of cash wheat.

The foregoing legal opinions in respect to the interpretation of the Canadian Wheat Board Act were forwarded by the Canadian Wheat Board to the Dominion Government and the Department of Justice.

These legal decisions rendered by Mr. Burbidge and Mr. Williams and conveyed to the Dominion Government and the Department of Justice have constituted the basic interpretation of the Canadian Wheat Board Act and have governed the operations of that board since its inception in 1935 and under the respective chairmanships of Mr. John I. McFarland, Mr. J. R. Murray and myself.

The first time the legality of the board's operations was questioned was on the occasion of the hearings of the special committee on the marketing of wheat and other grains in 1936. This committee of the house conducted hearings in March, April and May of that year. A great deal of the time of the committee was concerned with the legality of the board's operations in exchanging cash wheat for futures.

In the minutes and proceedings of the 1936 special committee, on page 206 the following questions and answers appear:—

Q. Had the wheat board any authority to buy futures in the pit for stabilization or other purposes?—A. No; that legal opinion states that clearly.

And the next question is fairly well answered by the legal opinion:—

Q. In the ordinary course of business, using the existing machinery of the trade, would the board acquire futures in exchange when making cash sales?—A. Yes.

This matter is fully discussed in the proceedings of the committee, a copy of which I am sure members of the Agricultural Committee can obtain.

This special committee reported to the House on June 11, 1936, and the report significantly contains the following paragraph:—

After a full examination of Mr. Murray and the records placed by him at the disposal of the committee, we are not of the opinion that the course taken by the board in the marketing of wheat was consistent with the intention of parliament in enacting the Wheat Board Act of 1935, and with the policy of the government to reduce the wheat surplus to reasonable proportions.

Incidentally, the committee's report was unanimous and I believe that some members of the present Agricultural Committee were members of the special committee to which I have referred.

I might add that there has never been the slightest doubt in the minds of either the McFarland Board, the Murray Board, or the Board which I now head, in respect to the ability of the Board to carry on its operations along established lines and in accordance with the intent of the Canadian Wheat Board Act.

This same special committee recommended a royal commission to make a complete survey of the production, grading, and distribution of Canada's grain, a suggestion which was later implemented by the dominion government in the appointment of the Royal Grain Inquiry Commission, by order in council on June 27th, 1936. Mr. Justice Turgeon was appointed to conduct the inquiry.

In this exhaustive examination into all phases of the Canadian wheat situation, the Royal Grain Inquiry Commission examined the operations of the Canadian Wheat Board from 1935 until 1937-38. After a thorough examination of the operations of the Canadian Wheat Board under the chairmanship of Mr. McFarland and Mr. Murray, Mr. Justice Turgeon in his final report made no reference to any contravention of the terms of the Canadian Wheat Board Act by either board.

Mr. Justice Turgeon was quite familiar with the established practice in selling cash wheat. He dealt with that practice in connection with pool selling policies prior to 1930. I cite this quotation from page 68 of the report of the Royal Grain Inquiry Commission, not because it refers to the pools, but because it is an excellent description of this method of selling wheat:—

Aside from its direct sales and other exports the pool sold considerably in the Winnipeg market. Wheat was sold on the cash market from time to time when the price was suitable and in the case of many such sales futures were taken back from the buyer, both because of the desire of the customers to do business on that basis and because if the pools did not take back the futures the customers would probably sell the same quantities of futures on the market immediately and possibly depress the price, whereas the pool could dispose of the futures in its own time, thus continuing to carry the same quantity of wheat, but in the form of futures instead of actual grain. Occasionally, these futures would be held until the delivery month and cash grain would be received by delivery through the clearing house.

Mr. Justice Turgeon also recognized the exchange of futures for cash wheat under wheat board operations, describing the operations of the Canadian Wheat Board under Mr. McFarland, that is during the months when the board's selling policies were being developed. Mr. Justice Turgeon states on page 103 of the same report:—

While considerable quantities of cash grain were sold (34,960,668 bushels), futures were acquired in exchange to the extent of 34,778,000 bushels.

For the benefit of the committee I might summarize the board's position in regard to this matter. This method of selling cash wheat was the only practical method available to the board and this accounts for the immediate steps taken by the McFarland Board to secure a ruling on the ability of the board to so conduct its operations under the Act. This ruling was accepted by the board under the chairmanship of Mr. McFarland and has been accepted by the wheat board ever since. This ruling has also been accepted by the dominion government since the Canadian Wheat Board commenced operations in 1935. I will go one step further; if the Canadian Wheat Board Act did not allow this method of selling wheat, then it would have been necessary for Mr. McFarland to have secured either by way of an amendment to the Act or otherwise the power to conduct his operations on this basis. The fact that the dominion government of that time and the dominion government of later years did not take the necessary steps to secure an amendment to the Act shows that they accepted the legal interpretation secured by the McFarland Board within a few days after it came into office.

In addition, the Canadian Wheat Board retains a firm of auditors who are constantly vigilant to see that the board's operations are within the powers conferred upon it.

During the course of Mr. Hanson's remarks in the House of Commons, he indicated that an independent audit of the accounts of the Canadian Wheat Board should be made. Under the Canadian Wheat Board Act provision was made for an independent audit and this requirement of the Act has been fulfilled since 1935. When the McFarland Board commenced operations in the fall of 1935, immediate steps were taken to appoint an independent auditor and to this end the firm of Miller, MacDonald and Company were selected. In view of the financial obligations which the dominion government would incur in connection with wheat board operations, the dominion government of the day was consulted in respect to a satisfactory firm of auditors. Miller, MacDonald and Company, appointed auditors by the McFarland Board, have continued in that capacity ever since and are still auditors of the Canadian Wheat Board.

As required under the Canadian Wheat Board Act, 1935, and amendments to the Act in 1940, it is the duty of the Canadian Wheat Board to report weekly in writing to the Minister of Trade and Commerce on Saturday of each week showing as at the end of the preceding week its purchases and sales of wheat during such week and the wheat on hand and contracts to take delivery of wheat then held, the cost of the same to the board and the financial result of the board's operations, which report shall be certified by the auditors of the board— independent auditors, I may repeat.

From the inception of the wheat board financial statements have been forwarded to the Minister of Trade and Commerce each week and each and every statement has been certified by the auditors of the board.

It is probably true to state that no government board has kept the dominion government so closely informed in respect to its operation as has the Canadian Wheat Board with its weekly reports required under the Canadian Wheat Board Act, and its very frequent consultations with the Wheat Committee of the Cabinet.

I would now like to deal with some points raised by Mr. Hanson in connection with board operations. On page 1504 of *Hansard* of March 17, 1942, Mr. Hanson stated:—

Let us assume that the farmer has sold a quantity of wheat to the board's agent, the country elevator, in September, 1939. On the same day as the board sold that wheat, it bought it back from the supposed merchandiser—bought it back for delivery to the board in December, the next futures closing date.

And also,—

I say, further, that the action of the board in buying back these contracts is a violation of the letter and the spirit of the act on the part of the board and on the part of the government that acquiesces in such a practice.

In regard to these statements, I want to make a fundamental point clear. The use of the expression "bought" and "buying" create a wrong impression. They are no more correct than to describe the transaction as a sale. Mr. Hanson has stated, "In reality, it is not a sale at all." In this he is correct, but by the same token it is not a purchase. It is actually and practically an exchange of cash wheat for futures—the buyer paying the board for the cash wheat and the board carrying the futures until they can be sold. The board takes the future at the same time from the same person and in the same transaction by which the cash wheat is sold. The method or system of exchanging cash wheat for a similar quantity of futures is the method that has been consistently followed in the normal operations of all grain and futures markets. This method has prevailed through the course of normal market trading; that is, prior to the inception of the pools. This method was employed by the central selling agency of the pools and later by the stabilization operations of the dominion government, and still later by the respective wheat boards. The method is simple from the standpoint of a grain man, but probably complex from the standpoint of the layman.

Mr. Hanson stated on page 1505 of *Hansard*:—

The plain fact is that the board was doing this bookkeeping and it was doing nothing else. There was no trading. The board bought the wheat at a fixed price, it exchanged its cash wheat for futures contracts and then continued to exchange its futures contracts at every closing date falling four times a year. . . . etc.

This is not in accordance with the facts of the situation.

The whole basis of the system of exchanging cash wheat for futures by the board is to permit of the normal function of operations in the export and domestic sale of wheat within the fabric of what Mr. Justice Turgeon has termed "the open market, competitive futures trading system". This has been recognized by all the agencies which I have referred to previously. When the actual wheat is delivered to the board at the head of the lakes or in other marketable positions, this wheat is offered for sale at a premium or a discount in relation to the futures month. When a sale is made by the board to perhaps a domestic mill or an exporter, the actual wheat is exchanged with the buyer for a similar quantity of futures. In other words, the wheat board sells the actual cash wheat to the purchaser, whoever he may be, and in exchange takes back from such purchaser a similar quantity of futures. In effect, it is merely a sale of wheat in an immediate position, which wheat is exchanged for wheat for future delivery.

Mr. Hanson states that no money had changed hands in the transaction. This is quite incorrect. The buyer pays in full for the actual wheat by cheque on the day on which he takes delivery. To follow the transaction through, he then charts his lake steamer and ships the wheat forward to a selling position. This is the first advantage in such a transaction. It enables the forwarders of our wheat to put it into an actual selling position. In the meantime, until such time as the wheat is sold this wheat is hedged, the hedge having been effected by the exchange with the wheat board of actual wheat for a futures contract. In other words, if no further step is taken the position of the board remains unchanged, that is, it is merely an exchange of wheat in an immediate position for a contract for wheat in a distant position. If no further step were taken it is quite true there would be no actual sale of wheat; that is, the position would

remain unchanged; but a further step is taken, because the exporter puts his wheat forward and he disposes of it when he has an opportunity and purchases his future in the futures market to cover the sale that he has made abroad.

In the meantime, the wheat board, having exchanged wheat in an immediate position for wheat in a distant position in the form of a future, can dispose of this future any time the market will absorb the selling, or at any time when in the judgment of the board it is considered advisable to sell. As these futures are sold by the board it reduces the quantity of wheat held by the board. For example, in 1938, which is the year Mr. Hanson refers to, the Canadian Wheat Board received 292,574,748 bushels from producers. During the crop year 1938-39 board sales of this wheat amounted to 206,035,194 bushels; a balance of 86,539,553 bushels of wheat delivered to the board during the crop year 1938-39 remained in the hands of the board and unsold, and of this unsold wheat 9,572,178 bushels were delivered to the board in July, 1939, or during the last month of the crop year. This sales record is hardly in accordance with Mr. Hanson's statement that, "The plain fact is that the board was doing this bookkeeping and it was doing nothing else. There was no trading."

From a monetary standpoint the position of the board in exchanging cash wheat for futures is that in practically all cases it is possible to dispose of the actual wheat in exchange for wheat in a future position at a margin that is less than the actual cost of carrying the wheat from the date of sale to the time when the futures contract is deliverable. For example, in November, 1939, we were able to spread from the November future to the May future at approximately $5\frac{1}{8}$ cents when the actual carrying charges were over 7 cents per bushel. It is obvious that it is far better for the board from a strict monetary standpoint, and, altogether apart from the fact that by so doing the wheat is enabled to be moved forward to saleable position, for the board gains financially as against simply holding the wheat until the following May and then disposing of it at that time.

I would like to stress one important factor in connection with this method of selling wheat. The whole effect is to continually push cash wheat forward into saleable positions and that is the first stage in getting our wheat moved into export trade. Any suggestion that this method of selling wheat results in the holding back of wheat is entirely contrary to the facts.

On page 1506 of *Hansard* Mr. Hanson states:—

By this practice the Board maintains the elevator companies in such unexampled luxury that their incentive is to hold, not to sell the wheat. What incentive is there for these elevator companies to sell this wheat?

Elevator companies act as agents of the board in receiving board wheat from producers. This wheat, once it is received, is entirely under the control of the board and the elevator companies have absolutely nothing to say as to when it will or will not be moved. In its operations the board orders elevator companies to forward board wheat as the board requires it in a deliverable position. As a matter of policy the board is constantly ordering out board wheat from country elevators in order to keep a sufficient quantity of wheat in deliverable position to meet all cash demands for wheat of all grades. This matter is not at the discretion of elevator companies in any way whatsoever.

Mr. Hanson made reference to another matter which does not actually come within the jurisdiction of the Canadian Wheat Board. He referred to the earnings of elevator companies from storage. Storage charges in Canada are statutory. That is, they are fixed by the terms of the Canada Grain Act which comes under the jurisdiction of the Board of Grain Commissioners for Canada and any questions in regard to storage rates immediately involves the terms of the Canada Grain Act.

I now wish to refer to a lengthy extract from the *Economic Journal* quoted by Mr. Hanson on page 1507 of *Hansard* of March 17, 1942. This article was written by A. Shenfield. Mr. Shenfield has a right to express his opinion and he has done so in the article referred to by Mr. Hanson. I would remind the committee, however, that Mr. Shenfield's view is only one view in connection with the 1938 position. It is not my place to discuss the statements which were issued by the Prime Minister and the then Minister of Trade and Commerce, the Hon. W. D. Euler; it is my duty, however, to present the board's position fairly in this regard. During 1938-39 we faced an extremely difficult wheat situation. We were paying the producer 80 cents per bushel for No. One Northern wheat and we had to sell wheat in a world market which would return us much less than the price we were paying to producers. The board at that time exercised the best judgment of which it was capable in moving as much Canadian wheat as possible and at the same time securing the best possible price obtainable under the circumstances. How successful the board was in this objective can only be a matter of opinion, as demonstrated by Mr. Shenfield. I would, however, like to draw the attention of the committee to several comments made by the Food Research Institute of Stanford University, considered to be the world's leading authority on wheat.

In January, 1939, the Food Research Institute stated:—

Government agencies in the United States and Canada were in a position to determine the course and level of international prices within fairly wide limits. They chose nevertheless to operate in such a way that their probably substantial influence was relatively inconspicuous, and the normal operation of the markets was little disturbed. The United States could not support international prices without abandoning serious effort to attain exports of 100 million bushels during the crop year; but it strove to obtain the desired export sales with minimum price-depressing effect. The Canadian Wheat Board, receiving all the wheat delivered in Western Canada, placed it on the market through sales both of cash wheat and of futures at rates that allowed Canadian wheat to be steadily offered abroad at competitive prices, but without putting pressure on the market.

In November, 1939, the Food Research Institute stated:—As we have seen, practically all of the wheat that moved from the farms of western Canada was sold at fixed prices to the Canadian Wheat Board. It, in turn, had the task of selling the grain. The broad policy of the board was set forth in an order issued by the Minister of Trade and Commerce, W. D. Euler, early in August, 1938, which included this statement:

The milling and grain trades of the world are advised that, notwithstanding the internal initial price of 80 cents per bushel, the Canadian Wheat Board will continue its work of encouraging the use of Canadian wheat, which will at all times be competitive on the world's market.

Beyond this, no explicit information on selling policy or operations has yet been disclosed. Pending official reports of daily sales, rumors and opinions expressed in trade circles cannot be accepted as reliable. It is generally agreed that the task was discharged shrewdly, smoothly, and consistently. Sales were made for domestic milling and for export through the regular trade, in such ways that both futures and cash markets continued to function normally, and there was no pegging of prices.

And in October, 1940, the same authority had the following comments to make upon Canadian policy:—

The above analysis of the selling policy of the CWB indicates that the board handled its sales with great caution and substantial skill. It

reduced its sales when markets were weak and when prices showed a tendency to decline and took advantage of any increase in demand, usually selling larger quantities at rising prices. All sales for export and for domestic milling were made through the usual trade channels, and with the use of facilities of the Winnipeg Grain Exchange. Considerable effort was made to avoid disturbance of the normal process of price formation. In spite of this, international wheat prices were unduly depressed in 1938-39. Even skillful and cautious handling of operations failed to eliminate the inherent weaknesses of a system of competitive subsidization of exports.

In the light of these statements by the world's recognized authority on wheat marketing, I would like the committee to consider part of Mr. Shenfield's article. He states:—

The rapid decline in Canadian prices had clearly been precipitated by the government's announcement. The Canadian government had announced its intention to sell wheat at a loss and without limit.

This deduction is without basis. Neither the Dominion government nor the Canadian Wheat Board had at any time announced that Canadian wheat would be sold at a loss and without limit, but this is Mr. Shenfield's deduction from a statement made by the Prime Minister of Canada, quoted by Mr. Shenfield as follows:—

Notwithstanding the internal price of 80 cents per bushel, the Canadian Wheat Board will continue its work of encouraging the use of Canadian wheat which will at all times be competitive on world markets.

This unwarranted statement in regard to Canadian wheat policy in Mr. Shenfield's article follows only by several paragraphs his outline of the world wheat situation in 1938. For what it is worth I will read Mr. Shenfield's summary:—

The world wheat area sown in 1938 was exceptionally large. At 289 Mn. acres (excluding Russia, China and certain minor countries) it was about 5 per cent greater than the average of the preceding five years and about 20 per cent greater than the 1923-27 average. In the four principal exporting countries, Canada, the United States, Argentina and Australia, the acreage sown was about 57 per cent greater than the 1923-27 average. The magnitude of the 1938 area was the culmination of a persistent, if irregular, expansion all over the world, and especially in the great exporting countries, during the past twenty years. The wheat-producing capacity of the world has not ceased to grow since the extraordinary impetus given by the Great War. Even the European importing countries have increased their capacity, in spite of the great expansion overseas. The effect of the large acreage on supplies was increased by an exceptionally good yield in 1938. This was the reverse of the experience of previous years when a decline in unit yield offset an increase in the area sown. The result was that total production for 1938-39 was more than 25 per cent greater than the 1933-37 average and nearly 30 per cent greater than the 1923-27 average.

The increase in production was fairly evenly spread over the majority of exporting and importing countries. Thus while exporters' surpluses increased very substantially, importers' requirements increased only slightly. World exportable stocks at the beginning of the 1938-39 season totalled 330 Mn. bushels. This was a fairly low figure, the result of a series of poor yields in exporting countries, and about 40 per cent below the average carryover during the previous five years. But the exportable surplus of the new crop is estimated to be about 850 Mn. bushels, or

nearly three times that of the previous five-year average. Thus total exportable supplies this year reach the figure of 1,180 Mn. bushels, which is not far short of the record average of the period 1928-29 to 1932-33. Of the four principal exporting countries the United States have about 300 Mn. bushels to dispose of, Canada about 250 Mn., Argentina about 250 Mn., and Australia about 125 Mn. The Australian crop has been poor in comparison with those of the other exporters. As against a total exportable surplus for the season of 1,180 Mn. bushels, total import requirements are estimated at 570 Mn. bushels, leaving an estimated carryover in exporting countries for the next season of over 600 Mn. bushels in addition to about 160 Mn. bushels for seed requirements. This is well over annual world import requirements in recent years. For the world as a whole, including both importing and exporting countries (but always excluding Russia and China), total available supplies this season are estimated at 5,080 Mn. bushels, while consumption is put at 3,900 Mn. Thus there is anticipated a world carryover of 1,180 Mn. bushels, or nearly one-third of recent annual consumption.

In the face of that situation is it reasonable to attribute the precipitate decline in wheat prices to policies pursued in Canada?

Pursuant to the subject under discussion, the Food Research Institute stated in September, 1938:—

The increase in total wheat supplies between 1937-38 and 1938-39 is expected to be the largest recorded in post-war years, and about on a par with the spectacular changes in supply position between 1897-98 and 1898-99 and between 1914-15 and 1915-16.

Mr. Chairman, I wonder if I might make a few observations. I know you want to hear Mr. Wesson, and I am willing to be guided by the committee in this matter. However, Mr. Chairman, I should like to say this: I was present at the committee meeting yesterday morning and, frankly, I was very perplexed as to whether these charges were charges or otherwise. I listened to Mr. Diefenbaker. I was not sure just what he meant, but I just wish to say this that as far as I and my colleagues are concerned they are charges. Now, this matter has been covered very fully in all the western newspapers. So far as the western press are concerned and so far as the public in western Canada are concerned, they are interpreting these statements of Mr. Hanson as charges against the government and the wheat board. Now, either they are charges or they are not charges; and if they are charges, Mr. Chairman, I respectfully suggest to this committee, as Chief Commissioner of the Canadian Wheat Board, that Mr. Hanson appear before the committee. I think that is only fair.

Now, here is an editorial which I should like to read if I might take up the time of the committee for a moment. It is a very short editorial and I should like to read it. It is an editorial which appeared in the *Winnipeg Tribune* and reads as follows:—

As a result of criticism voiced by Hon. R. B. Hanson, opposition leader, there is to be an enquiry into the operations of the wheat board. Trade Minister MacKinnon has promised that members of the board and also of the Board of Grain Commissioners would be called as witnesses before the House committee on agriculture.

This is a large committee, and there have been suggestions that the enquiry might be more effectively conducted by a special committee of a dozen members or even by a Royal Commission. So many enquiries into the wheat business by Royal Commission have been held in the past twenty years that the very thought of still another Royal Commission is objectionable in wartime on the ground of expense.

No matter how the enquiry is conducted, however, it should not be a mere fishing expedition trying to substantiate or disprove vague accusations. Mr. Hanson, in the course of his extensive remarks on the method by which wheat marketing is now carried on, said that the wheat board is "permitted to operate illegally". This is a grave charge, at least in its implications. But its weakness is precisely that the gravity is in the implications. If Mr. Hanson believed an enquiry was called for, he should have made specific charges, and the enquiry should be an examination of those charges.

The opposition leader appears to believe that there is something irregular in the use by the wheat board of the clearing house facilities of the grain exchange. As a matter of policy, the facilities of the grain trade have been and are being used not only by the wheat board but also by the governmental cereal import committee in Great Britain. It should have been possible for him to criticize that policy without throwing out vague suggestions of illegality and malfeasance on the part of the men who are carrying out that policy. Mr. Hanson should submit specific charges, or withdraw his implications.

Now, I just wish to say this, Mr. Chairman: first of all, I want to go back to what I said in the earlier part of my statement, that the board is ready to answer all questions that may be asked by this committee in respect of its administration. There have been a number of questions raised about the accounts of the board. Our books are in Winnipeg, and I shall be very pleased indeed to arrange for Mr. Findlay, our comptroller, who is responsible for the records of the board, to appear before this committee; but I say to you now, in all fairness, that these questions should be directed to us now, so as to enable Mr. Findlay to go over our records and bring down the answers.

Hon. Mr. MACKINNON: Or the necessary records.

The WITNESS: Or the necessary records, to establish the answers.

Now, ours is a very big organization, and I leave it to you if it is reasonable to ask the board to bring the records of the wheat board to Ottawa. It cannot be done. I just suggest this very respectfully to this committee, that those gentlemen who have asked for this information should give us advance notice so that Mr. Findlay can bring the necessary records and come down here and give evidence before the committee.

There is just one other question with which I should like to deal and it is this: you have a bill before the committee. There are certain matters pending now which I am not in a position to discuss with the committee in which a great deal depends upon whether this bill goes through parliament or not. I would suggest to you—I do not know what your parliamentary methods are or how the committee will view this suggestion because I am completely in ignorance of your rules—but I would suggest that this bill should be put through. If you desire to make an examination of the wheat board that is one thing, but you are holding up the work of the board if you intend to go on into the summer examining into the records of the wheat board—in the meantime you are holding up this bill or this Act or the amendments to the Act, and you are going to seriously handicap the board. We have to prepare our plans for the handling of the new crop and we are very late now. I think it is only fair that the Act should be put through so that we can get to work.

There is just one question more. I am sorry to have kept you so long. Several suggestions have been made here that brokers are going to be brought down here to give evidence against the wheat board. One day I think there were six and the next day it went up to twelve. Now, all I want to say is that we are perfectly happy to have them come down here if they so desire and perfectly happy to have them brought here and we will deal with their charges when they are made. I thank you, Mr. Chairman.

The CHAIRMAN: Mr. McIvor, I am sure the committee is indebted to you for the clear-cut statement that you have made to us this morning. Probably at another time there will be further opportunity of having representations from you made to the committee.

Now, as was agreed at the beginning of to-day's sitting, Mr. Wesson will have an opportunity of again being examined by the committee. May I therefore call Mr. Wesson back to the stand.

Is it the wish of the committee that Mr. Wesson should be sworn?

Some hon. MEMBERS: Yes.

The CHAIRMAN: I will ask the clerk of the committee to administer the oath to Mr. Wesson.

Mr. JOHN H. WESSON, *recalled and sworn:*

The CHAIRMAN: Now, may I urge upon the committee that we proceed in as orderly a manner as we can. This is more or less a question period and I hope that your questions can be to the point; and I am sure that Mr. Wesson will be glad to answer them to the best of his ability.

By Mr. Ross (Souris):

Q. Mr. Chairman, I should like to ask Mr. Wesson his opinion as head of the pools on the present cost of storage taking into account that we have wheat carried during twelve months of the year and stored under a special arrangement by the government. Is it his opinion that these elevator companies could still operate at a profit with a reduced storage charge; that is, less than the $\frac{1}{45}$ of a cent per day per bushel; is his opinion to the effect that that storage charge might reasonably be reduced?

Some hon. MEMBERS: Hear, hear.

The WITNESS: Mr. Chairman, I am of course in the hands of the committee. The statement which I made yesterday dealt simply with the amendments to the Canadian Wheat Board Act, the Wheat Bill, No. 13, if it is agreed by the chairman of this committee that questions of this kind are relevant to the question under discussion I do not mind answering.

The CHAIRMAN: I hesitate to give a ruling on a matter of that kind. I should think that this committee would view the matter of the amendment to the Canadian Wheat Board Act as involving the general policy of the Canadian Wheat Board, which in turn brings up the question of the manner in which grain is handled by the wheat board with elevator companies. I am not asking Mr. Wesson to answer this question. That is his privilege. I think the whole thing becomes part and parcel of the general policy.

Mr. McNEVIN: I might say that Mr. Ross' question is simply a repetition of the question that I asked at the conclusion of Mr. Wesson's statement yesterday. I would like to have that information.

The WITNESS: It is O.K. with me, Mr. Chairman.

The CHAIRMAN: I have no objection.

The WITNESS: Mr. Chairman: I think probably this question of storage or carrying-charge has been a contentious one for a long number of years, even before 1939. I think it is generally understood by the members of this committee that the fixing of these storage rates is entirely in the hands of the Board of Grain Commissioners carrying out their duties under the Canada Grain Act. The question, frankly, was: is it my opinion that these charges ought to be reduced? I do not know whether this feature is known to the committee; ordinarily, and for a long period of years the storage has been one-thirtieth of a cent per day per bushel. Starting with August 1, 1940, the Board of Grain

Commissioners in view of these large stocks of wheat being carried at that time and since, lowered their charge to one forty-fifth of a cent per bushel per day. Last year in the negotiations which took place between the government and all the elevator companies to arrange for the building of terminal space at the head of the lakes a written agreement was entered into by all the elevator companies including the pools that until the end of July, 1943, the present rate, that is one forty-fifth of a cent per day per bushel should not be reduced. So that from the standpoint of making changes prior to that time, I hardly think it is possible. I would like to state that in my opinion the agreement with the government was a fair one. All the elevator companies had conceded to a reduction in August, 1940; and in view of the fact that a large expenditure had to be made by someone—at least, so we thought at that time—to build these temporary annexes with a capacity of approximately 50,000,000 bushels, that it was only fair that those companies who were taking the risk in investing their money—I think the figure would be about \$5,000,000; and I know it cost the Saskatchewan Wheat Pool \$1,000,000 to build 10,000,000 bushel space—it was only fair that they should be protected against possible loss in the event of grain moving out of the country sooner than they expected with a result that these facilities might not need to be used. I think that was the basis of the agreement. I should like to say that because of the very large movements of wheat from this country last summer some of that space at the head of the lakes has not yet been used; and that, to the extent that it has not been used, is a total loss to those who invested their money in building this storage space—not because they wanted to do it, but because they wanted to assist the government in dealing with this storage question in carrying this wheat until it could be sold.

Now, the question is: do I think these rates should be lowered; or, are they too high: speaking from the standpoint of the Saskatchewan pool, I would say this: if we can always be assured that we can keep our balance sheet out of the red and make sufficient earnings each year to meet our commitment with the Saskatchewan government of principal and interest on the over-payment brought about in the marketing of the 1929 crop; if we can always be sure that we have sufficient revenue to meet a commitment of \$1,100,000, then, the question of reducing the carrying charge is not important to us.

It is true that the marketing of the 1940 crop did bring into all companies very large earnings, not so much from storage as from the turn-over of a large crop. Our own organization in 1940 handled 103 million bushels. We earned considerable money from storing grain both in the country and at the terminal, and in those special bins we built in the country. Saskatchewan pool supplied a very large share of that. But the present year, 1941, crop presents a completely different picture. 1941 finished its grain year at the end of July, 1942. We anticipate that our handle, because of the light crop, will be just about cut in two; instead of handling 103 million bushels it will be between 50 and 60 million bushels according to our present estimate. It is possible that you can reduce the income of an elevator company so much in turn-over of grain because of small crop that the carrying charges on the balance of the grain carried from previous years become an important factor in keeping you out of the red in that particular year because of a small handle.

I want to repeat, as pools we are not very greatly concerned with this rate of carrying charge. The North-West Line elevators may be. I do not know whether they would give you the same answer that I am giving you or not. They may be more concerned than we are. If, however, in August, 1943, when we get to the place or the time when this agreement with the government expires conditions are such that these carrying charges might be lowered, then I am sure that all three of the pools will be glad to agree to a lowering of the charges. If, however, conditions are such that the wheat movement out of the country

coupled with whatever crop is produced or permitted in that year we believe it is not advisable that they should be lowered—or even we might then think it advisable to bring it back to the 1/30 of a cent once more—then, we shall ask for whatever rate is necessary so as to maintain our organization in such a position that we may be able to meet our commitments. To my Saskatchewan friends let me say this in finishing my answer to the question, which has been quite a long speech. As an elevator company, a subsidiary of the pool organization, we depend on earnings from the grain handled for the same members who belong to the pool; and if we are faced with the position where we are in the red and cannot meet our commitments to the Saskatchewan government, it will just be too bad for the Saskatchewan wheat pool and the Saskatchewan government.

Mr. Ross (*Souris*): Mr. Chairman, I do not think Mr. Wesson answered my question in detail. I am not just speaking from the viewpoint of the pool. I am speaking of the grain trade in general and asking his opinion as an experienced man handling elevators. I understand that these country elevators—and I am more concerned about that end of it than the terminal end—were allowed to construct these annexes, with the government commitment to write off the cost in two years, I think, for income tax purposes and so on. I think you will admit that on the average those annexes could be paid off, if they were filled with grain, in considerably less than one year. It is a temporary measure during these last two or three years for carrying this tremendous surplus. If these annexes are filled with grain on that basis, while we have this tremendous surplus, the question I wanted to ask was whether, as a war measure, the grain trade in general could not still make a profit at a reduced charge per bushel under those arrangements with the government which now exists, for the duration of the war.

Mr. McNEVIN: I should like to supplement that, as I have been associated with Mr. Ross in this question. Naturally the reaction of a person looking on from the outside is this. The Saskatchewan pool apparently, as a hang-over from the 1929 over initial payment, have substantial obligations to the Saskatchewan government. The rates as they are at present, under present conditions, Mr. Wesson, permit you to meet interest on your investments, carry on your cost of operation and still take care of your obligations to the Saskatchewan government. But many of these line elevator companies are not in that position. That is the point that appeals to me.

WITNESS: Of course, Mr. Chairman, I could not speak for the Northwest Line Elevator Companies. They will have to speak for themselves. I think I should say this to you, however, our organization, being as large as it is. Apart from the temporary space we have 1,094 country elevators. We have about 20 million additional temporary space in the country. We have those extra 10 million space at the terminals. In years like 1939 and 1940, because of the size of the organization and because of the large volume, the net earnings at the end of the year are extraordinarily large in comparison with smaller companies. But conversely you should consider bad years. Let me take you back to 1937; when we were through with our 1937 crop and our records were complete in July, 1938, after we had taken care of our cost of operation, with no depreciation—merely taken care of cost of operation—and met our commitments to the Saskatchewan government, we had depleted our reserves over \$2,000,000. There is a difference between a good year and a bad year.

By Mr. Donnelly:

Q. Would you mind telling the committee what percentage of the total storage you have and what percentage of the total wheat you handle, so that we will be able to get an idea as to your storage and what you handle?—A. I will only be speaking from memory, Mr. Chairman; but for a long number of years the Saskatchewan Wheat Pool, according to the Board of Grain Commissioners'

report, handled somewhere around 45 to 47 per cent of all the grain delivered in Saskatchewan. We have about one third of the elevators, which means that those farmers in the country who own those facilities like to use them. In 1940 our percentage of handling was reduced because of the car shortage, in comparison to the necessary movement of grain; all facilities were filled. Thousands of our growers could not use the facilities which they owned and this reduced our percentage from 46 to 40. I think at the present time for all the season our percentage is around 41. I am speaking from memory but I think that we operate about 25 per cent of the space at the head of the lakes. I want to make this clear. We are purely a Saskatchewan organization. We own and operate about one third of the elevators and space in the province, about 25 per cent of all the terminal space.

By Mr. Evans:

Q. To what extent are the temporary annexes being used now for storage in Saskatchewan?—A. Did you hear the question, gentlemen?

Some hon. members: No.

WITNESS: The question asked by Mr. Evans was to what extent are these temporary annexes being used. As a matter of fact, they were all filled.

Mr. EVANS: For the present year.

By Mr. Ward:

Q. Would you explain what is meant by temporary storage space?—A. It is merely cheaply put-up bins that we hope to disband or to wreck at the earliest possible moment. Those bins were nearly all filled last fall. We hope that as soon as navigation opens,—we are trying even now to clean out these temporary bins and we are hoping to be able to clean every one of them out because it is too risky to keep grain in these temporary annexes very long. We are afraid of mites and we are afraid of all kinds of things. We would have to clean them out.

By Mr. Evans:

Q. If there had not been any annexes, there would have been a lot of wheat that we would have been unable to market?—A. Yes.

By Mr. Leader:

Q. Following the statement made by Mr. Wesson, I want to ask him a question. In the agreement made with the government, is it not true that they are guaranteed at least two years' storage in these temporary storage elevators which they have built, whether they are full or not?—A. No. That is not true.

Q. I mean, confined to the 50 million bushels.—A. No. That is not true. Did you all get the question, gentlemen?

Some hon. members: Yes.

The WITNESS: The question is whether the elevator companies are guaranteed the full rate of storage for two years on the basis of 1/45, whether grain is there or not. No, it is not true.

Mr. LEADER: May I, Mr. Chairman, direct this question to the minister. I took it when he read the brief last year that they were guaranteed two years' storage for their capacity.

Hon. Mr. MACKINNON: No. That is not my recollection.

Mr. LEADER: It is not true?

Hon. Mr. MACKINNON: No.

By Mr. Wright:

Q. In the agreement for the building of this terminal space at the head of the lakes, is there any clause which provides for their destruction after the surplus in Canada has fallen below a certain level?—A. Yes. Mr. Chairman, there is an agreement. But the agreement is not between the government and the elevator companies. There are two agreements in existence; one between all companies and the government and the other agreement in connection with demolition of these annexes is between members of the grain trade, the United Grain Growers and the pools.

By Mr. Douglas:

Q. Does that apply only to the annexes in the country?—A. No. Just the terminal annexes; not in the country.

Q. It applies only to terminal annexes?—A. Yes.

By Mr. Ross (Souris):

Q. Might I ask Mr. Wesson how these elevators are paid? Is there fifteen days free storage allowed as used to be the case in the normal trade, or are they paid now from the day the grain is delivered in the pit of the elevator? Do they collect storage while the grain is in the freight car and in transit to the terminal, some thirteen days being allowed for transit and unloading, normally? Do your elevator companies collect storage on those two periods from the Canadian Wheat Board?—A. When wheat is delivered on what we call class B basis—that is, settlement is made by cash by the agent—the carrying charge, which includes interest on the money advanced, is paid by the wheat board immediately it is reported from the head office to the wheat board office. The second part of the question was, is storage in transit paid? It is to the limit of thirteen days only.

Q. In that same connection, I presume your reports are made every twenty-four hours. Is that right? You answered by saying that once you reported then you were paid from that time on. I presume your reports are made every twenty-four hours. Is that right?—A. Well, we try to get reports in as soon as possible, naturally, because we have a lot of money invested in the grain advanced to the grower, and we want to get our storage and interest on the money. But in a province like Saskatchewan where we are scattered—and I think we cover the province almost completely with branch lines and all that kind of thing—I would say it takes anywhere from four to six days to get a lot of this grain reported to Winnipeg and before we start to get a return.

By Mr. Golding:

Q. I wonder if you, Mr. Wesson, could give the committee the earnings on your investments or the profits on your investments earned from storing grain in 1940?—A. I do not know that I can answer that question. I am not an accountant. If our treasurer was here, he could answer it in just a minute. But I can say this to you, that prior to the time in 1940 when storage charges were reduced to $\frac{1}{45}$ of a cent a bushel our position was something like this: We handled of the 1939 crop approximately 80 million bushels of wheat belonging to the wheat board. We collected carrying charges from the board of 2·6 cents per bushel. Deducting the interest the straight storage would amount to 2·2 cents per bushel over the entire amount for the full year. Taking the complete amount handled in that year, which was 116 million bushels, and dividing our total revenue from storage and carrying charges, including interest for the full year on 116 million bushels, our total revenue worked out to 1·97 cents per bushel.

By Mr. Blair:

Q. I understand the Board of Grain Commissioners regulate the charges. I should like to ask if any members of the Board of Grain Commissioners are owners of elevators or are they in a position to profit by the prices they regulate?—A. Very definitely not. They are all independent and employees of the dominion government.

By Mr. Perley:

Q. With respect to the storage charges, I have the agreement here that was made by the government with the elevator companies. The pools are parties to the agreement more or less—you have to be, because the elevator companies are handling the grain in western Canada. Do you agree, in answer to Mr. Ross' question, that it is fair to be allowed storage from the time the grain is taken into the country elevator until it arrives at the terminal at Fort William? Under the Canada Grain Act the farmer is entitled to fifteen days' free storage in the interior elevator. This agreement really means that they are paying from 35 to 40 days more than they should. The farmer is losing the right of free storage. That means it is over a cent on the wheat. Do you consider that is fair? He pays the storage on grain practically 30 days more than under the Canada Grain Act he is entitled to.—A. I do not agree with that statement at all. As a matter of fact the wheat producer of the west to-day has exactly the same privileges that he had previously. He can get his special bin in the elevator and get 15 days' free storage if he can secure a car. He gets that free storage in transit.

Q. What about the class "B" wheat?—A. I will come back to that in a moment. He gets that free storage in transit in which case he will merely turn his wheat over to the board through the pool or some other company at the terminal. But so far as class "B" wheat is concerned the elevator operator pays the cash in full and the grower is through with it except he has a certificate. He is entitled to further payment if further payments are made later on. Now in the meantime the elevator company is out its money. It is using its credit for the Wheat Board. It has to pay interest. Ordinarily under the ordinary movement of grain, leaving the Wheat Board out of the picture altogether, all charges and price spreads have been arranged for years to take care of the necessary expenditure and cost. I do not want to get into Mr. McIvor's category of explaining futures at this stage, but it is necessary on open market grain which involves storage just as much as Wheat Board wheat, it is necessary for elevator companies to hedge. They sell on future against the purchase of the cash wheat in the country. Now the basis on which they sell takes care of those carrying charges which, I understand, some of you are objecting that the Wheat Board are paying. There may be a difference, of course, in the amount as explained by the chairman of the wheat board this morning. All these revenues from the standpoint of handling are I think proved by the balance sheet at the end of the year and are necessary to maintain a proper income commensurate with services rendered for each class of business so that the balance sheet is not in the red at the end of the year. Let me say this before I sit down. What seems to worry the committee this morning is that all companies are making a lot of money out of those storage terminals at the head of the lakes. I do want to say this. The Saskatchewan Wheat Pool was the last to agree that these should be built and we now know we were right. We said the better place to handle it was the facilities back on the farm in Saskatchewan and we still stand on that principle and time has proved we were right. But what were we to do? The government said these terminals must be built by someone. Naturally we could not sit back and watch all the others build this terminal space; and after the space was there, naturally the growers of the wheat were wanting their fifty cents. To use

that space they would have been forced to leave their own facilities in the process. In other words we were forced into the position where we had to cooperate and build although we thought it was not sound.

Q. Then to come back to this class "B" wheat again. Under the present set-up of the quota delivery system a great deal more of the wheat is in the "B" class than formerly, and naturally lots of the wheat farmers can only deliver 200 or 300 bushels in their quota, so a great deal comes under the "B" class and therefore the farmer is paid a lot less than under the "A" class. He takes his loss there. Then the company taking it reaps the benefit, because they take advantage of this storage in the car and are paid storage by the wheat board immediately. They make a profit there. Under the quota delivery system a lot of them are forced under the 700-bushel allotment; it comes under the "B" class. Am I not right in that?—A. Well hardly. As a matter of fact the spread of handling class "B" wheat or street wheat to-day is so close to the car lot basis where the grower pays $1\frac{3}{4}$ cents, pays freight and his own dockage and so on, if the dockage is less than 3 per cent there is only about $\frac{1}{2}$ a cent difference between the final settlement and the amount the grower can get at the head of the lakes. If the dockage is 5 per cent then the class "B" man is better off. That is, he gains a little more than if he shipped in carloads and gets 5 per cent dockage and pays the freight on the dockage.

By Mr. Golding:

Q. Mr. Wesson suggests, according to his idea, the storage should be dealt with on the farmer's own property. Does he suggest that the government should pay the storage at the storage places or should the farmer pay that himself?—A. No, sir, we do not. What we were concerned about, Mr. Chairman, in connection with the policy before these terminal annexes were built was this: We definitely agreed and recommended the policy under which the wheat board would pay storage only to the amount of wheat that would be taken; and we believed that the balance of the grain ought to be left on the farm and storage be paid on it. That is sound investment and the best basis of crop insurance that could be devised against crop failure in ensuing years.

By Mr. Perley:

Q. May I ask just one other question? Take "A" class wheat which has a service charge of $4\frac{1}{2}$ cents. If you increase the amount to the elevator companies 1 cent per bushel do you think that the $4\frac{1}{2}$ cents is a fair amount? Do you say that any service is really rendered for that charge?—A. There might be an argument as to whether the cent is too high. The only answer I can give to that is it costs a lot of money to operate the head offices. Somebody must pay for the operation of the head offices in Regina and Winnipeg. It is a question of argument as to whether the cent is too high.

Q. For a great many years it was $2\frac{3}{4}$ cents. Why do they have to charge the extra money?—A. That is not correct, $1\frac{3}{4}$ cents plus 1 cent service charge.

Q. Now the service charge is $4\frac{1}{2}$?—A. That is on a street settlement of class "B" wheat.

Q. On a carload lot?—A. Four cents, yes.

Q. Mr. Wesson, I was under the impression that your organization in the Saskatchewan pool joined with others in asking that the government make provision for the construction—petitioned the government to build this temporary construction?—A. Yes.

By Hon. Mr. MacKinnon:

Q. I do not think that is in conformity with your statement?—A. I should clarify that. When I said the pools were the last to agree that this thing should

be done I meant in the meetings held in Winnipeg; but we understood, as a matter of fact, that the minister himself made a statement either in Hansard or to the press that this storage had to be built.

Q. Built some place?—A. Then we got together. I might as well be frank about this. We very much preferred that that storage be built at the head of the lakes rather than that someone else should built it in eastern Canada.

Q. You mentioned that you disagreed with the policy of the government in building what they called the temporary elevator space—the space referred to is the space at the head of the lakes. Am I right in suggesting that it was purely from a standpoint of a financial matter, as an investment by the pool and not a matter of financial loss or otherwise to the government?—A. Well, I think both are involved. We understood on the basis of the minister's statement that this storage space must be built somewhere and we very much preferred it to be built at the head of the lakes, and we offered to do this job for the government rather than have the space built down in eastern Canada. The reason was this, it involves the second agreement I made reference to, the agreement between the different elevator companies. When the time comes we want to say when those annexes shall be demolished, and if they were built in eastern Canada we could not control that.

By Mr. Ross (Souris):

Q. Would the witness give us a breakdown on the $4\frac{1}{2}$ cent service charge; just what does that cover?—A. On street wheat there is a 4 cent spread, on carload lots there is $1\frac{3}{4}$ cents plus a cent, that is $2\frac{3}{4}$ cents. Then there is the freight on dockage, \$2, weighing and inspection, and I think on the basis of different classifications of dockage you can get figures as high as $3\frac{1}{2}$ cents. When you get to 5 per cent dockage that figure will amount to about 4 cents or a fraction.

Q. What do you mean by inspection of the car?—A. Two dollars weighing and inspection.

Q. Which the elevator pays?—A. The individual farmer pays for his own if he ships it by carload lot in class A; the elevator companies must pay on class B.

Mr. PERLEY: And charge it back to the farmers.

By Mr. Clark:

Q. Mr. Wesson mentioned eastern Canada in his address yesterday. I would not say that he threatened eastern Canada, but he made the very strong suggestion that eastern Canada should cooperate—A. I will not say that.

Q. He mentioned that, perhaps, they would be put out of business in regard to the production of semi-perishable products in western Canada. Would he enumerate those things he had in mind?—A. I made the statement yesterday in connection with the future of western Canada if the wheat economy was not saved. I said that even in self-defence those 300,000 farmers and their dependents would not sit twiddling their thumbs; they would start to produce more and more of those perishable and semi-perishable commodities which would immediately compete with the cash crop of Ontario and eastern Canada. Do you want me to enumerate them? Hogs, more live stock, more dairy products, cheese and butter; these are the things that our people in very self-defence would continue to produce.

Q. Mr. Chairman, I would just like to ask the gentleman another question: Do I understand that in the discussion of this problem in western Canada—that you had the backing of the eastern agriculturists in your demands?—A. Yes, sir.

Q. If that is correct, can you tell me who it is supports you?—A. Yes. The Canadian Federation of Agriculture, which represents all farm organiza-

tions from Halifax to Vancouver, and they have a membership of 350,000. Our policy, that is the policy presented by the delegation, was all accepted by the Canadian Federation of Agriculture and presented to the ministers—the Prime Minister and the government—just an hour before the delegation met at the Chateau Laurier. It involved these features that have been presented.

By Mr. McCubbin:

Q. Does that include the 300,000 western farmers?—A. I do not think I have made that clear. We estimate that in all the affiliated organizations from Halifax to Vancouver comprising the Canadian Federation of Agriculture there are a minimum of 350,000 farmers, in all the different organizations. Is that clear—eastern and western?

By Mr. Diefenbaker:

Q. In connection with this storage matter there are two or three questions which I wanted to ask: does your company rent any terminal elevator, or any other type of elevator from the dominion government?—A. Yes, sir, we do. We at present—we rent a terminal from the Canadian National—that is the one known as No. 6.

Q. And that is located at?—A. Port Arthur.

Q. What is the annual rent?—A. I am not certain that I can answer that off-hand. I am sorry. I know they reduced it for us in 1937. I do not know what the figure is. It is supposed to be based on 6 per cent interest on the investment. As I understand it they place a value on their elevator system and they rent it at 6 per cent of that value, whatever it is.

Q. What is the capacity of that elevator?—A. It is between 6,000,000 and 7,000,000 bushels.

Q. Whose wheat is stored there?—A. Well, wheat board wheat and our own that we have purchased ourselves—coarse grains, etc.

Q. Of this 6,000,000 to 7,000,000 bushels how much is wheat board wheat?—A. I do not know that I can answer that question.

Q. I understand that it is almost all wheat board wheat?—A. Yes, I think that is true.

Q. And the wheat board pays you how much per day per bushel?—A. A forty-fifth of a cent per bushel per day.

Q. One-forty-fifth of a cent per bushel per day, that is the regular storage rate?—A. Yes.

Q. Could you tell us what your expenses are in operating this elevator?—A. I could not, sir.

Q. Would you be able to furnish the committee with that information?—A. Yes, I think I could.

Q. Has that elevator been filled—pretty well filled to capacity—since the outbreak of the war?—A. No, because grain moves in and out all the time except during the winter months.

Q. During the last year is it not a fact that your entire capacity has been pretty well taken up throughout the year?—A. I would only go so far as to say that it was probably used to about 80 per cent of its capacity.

Q. Could you say that this elevator which you rent from the government and use mainly for storage was occupied to the extent of 80 per cent?—A. I think that would be a fair statement.

By Mr. Donnelly:

Q. In your agreement for the running of this elevator which you say was entered into in 1937; how long was it for?—A. I beg your pardon?

Q. In 1937 you say there was a new agreement; is it leased from year to year, or does the lease run for a period of years?—A. As a matter of fact during 1937 because of the terrible loss in the grain business that year the rate was reduced, but for that one year only.

Q. Does the lease run from year to year or for a period of years?—A. I think it is for a period of years. Mr. Milliken tells me that it is for a period of years. He also tells me that the rate is 4 per cent, not 6 per cent.

By Mr. McCubbin:

Q. Following up the question asked by Mr. Clark a little while ago, I understand that you stated that representatives of eastern agriculture stood behind the statement which you submitted to us yesterday; am I to assume from that that the views which you presented to the government as coming from your farmers was agreed to by the Canadian Federation of Agriculture?—A. The brief which we presented, Mr. Chairman, was based and drafted on a petition which bore the signatures of some 185,000 people. The principles of that petition were accepted by the Canadian Federation of Agriculture and it became part of their presentation to the government. I think that is available in the statement I made—I have not a copy of it here—I think it was made very definite; they recommended that the initial price to be paid by the wheat board for the coming year should be \$1.00 a bushel. That is very definitely in the federation's statement.

By Mr. Wright:

Q. What rate of interest is being paid you by the government for the money which you have invested in wheat; or, do you buy it only to turn it over to the board?—A. I do not know as I get you?

Q. When you turn the wheat over to the board they pay interest on the money which you have used in the purchase of it; in paying you for that wheat what rate of interest do you charge?—A. I get you: the storage, and including the interest, being the carrying charge—whatever the rate is we pay the bankers. I do not think you should ask me that question.

Q. Would it be a fair question to ask you how much you pay the banks?—A. I do not think I should answer that question here.

By Mr. Diefenbaker:

Q. Mr. Wesson, take, for example, this terminal elevator at Port Arthur. If it is occupied to the extent of 80 per cent of its capacity, it would be occupied to the extent of 5,600,000 bushels; at the rate of 8 cents a year that would be \$448,000, which would be the amount paid to you by the wheat board each year?—A. Yes, it would.

Q. All right. What would you say the valuation of this elevator would be?—A. I do not know. I am sorry I have not got this information with me. I am merely speaking from memory in answering all these questions, Mr. Chairman.

Q. What I am trying to get at is this. What is the justification for this elevator being turned over to a private corporation, with the government paying storage on its own wheat? What is the reason for that? It happened to all companies, I know.—A. I think the answer to that question, generally speaking—and leaving the present glut of wheat out of the picture—is that no terminal elevator can be operated successfully unless it has feeders in the country. It paid the C.N.R. to rent that terminal to the pool or somebody else rather than take a chance of getting no grain at all in some years. Naturally we operate

other terminals besides number 6. In ordinary years, if the government operated that terminal themselves, we certainly would not divert one single bushel to that terminal as long as we had space of our own. In most years they would not get a bushel.

Q. The situation now is that there is not sufficient storage space in Canada and extra storage space had to be built during the last two years?—A. Yes.

Q. You told us that. While your aggregate may have been all right when there were small crops and storage space was not necessary, has it not changed in the last two years? Has not that position of affairs changed? All the storage space is used to-day, is it not?—A. The only answer I can make is that the C.N.R. have not offered to take it back from us. They are satisfied with the rental.

Mr. DONNELLY: It is after 1 o'clock. I move that we adjourn.

The WITNESS: This thing has come up before and there is no reason why it should be a secret in this committee. At the end of July, 1941—that is the 1940 year—we had earned our gross operating revenue in terminal number 6 of \$886,000. Our operating expenses were \$460,000. Our operating earnings were \$425,000 with depreciation of 7 per cent on machinery which we owned in their elevator, leaving a net earning of \$417,000.

By Mr. Diefenbaker:

Q. Could you also give one more figure? Could you tell us how much you paid to the government for rentals?—A. Well, I do not know.

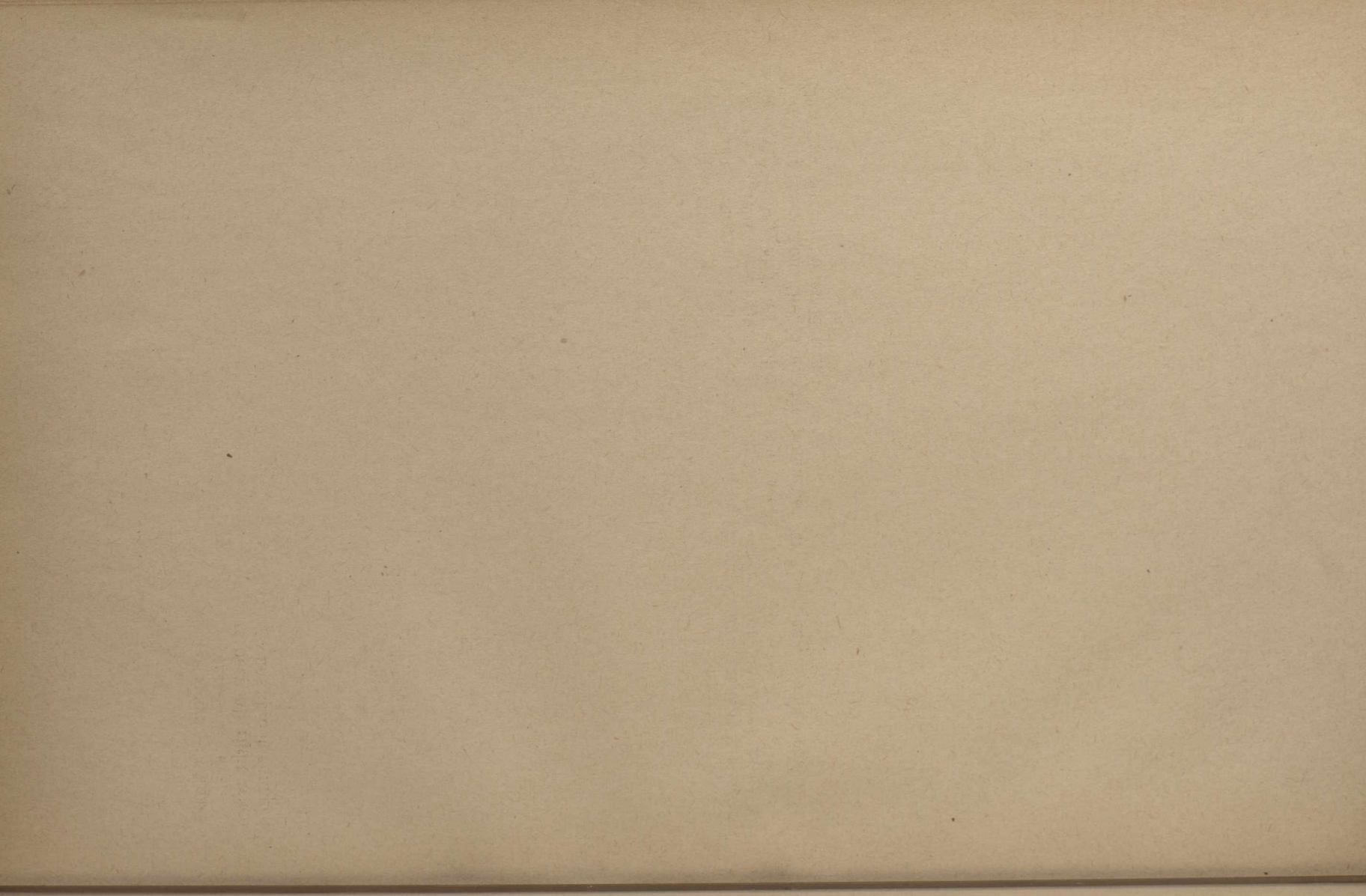
Q. If you have not got the figure, it is all right. You rented a government elevator?—A. Yes.

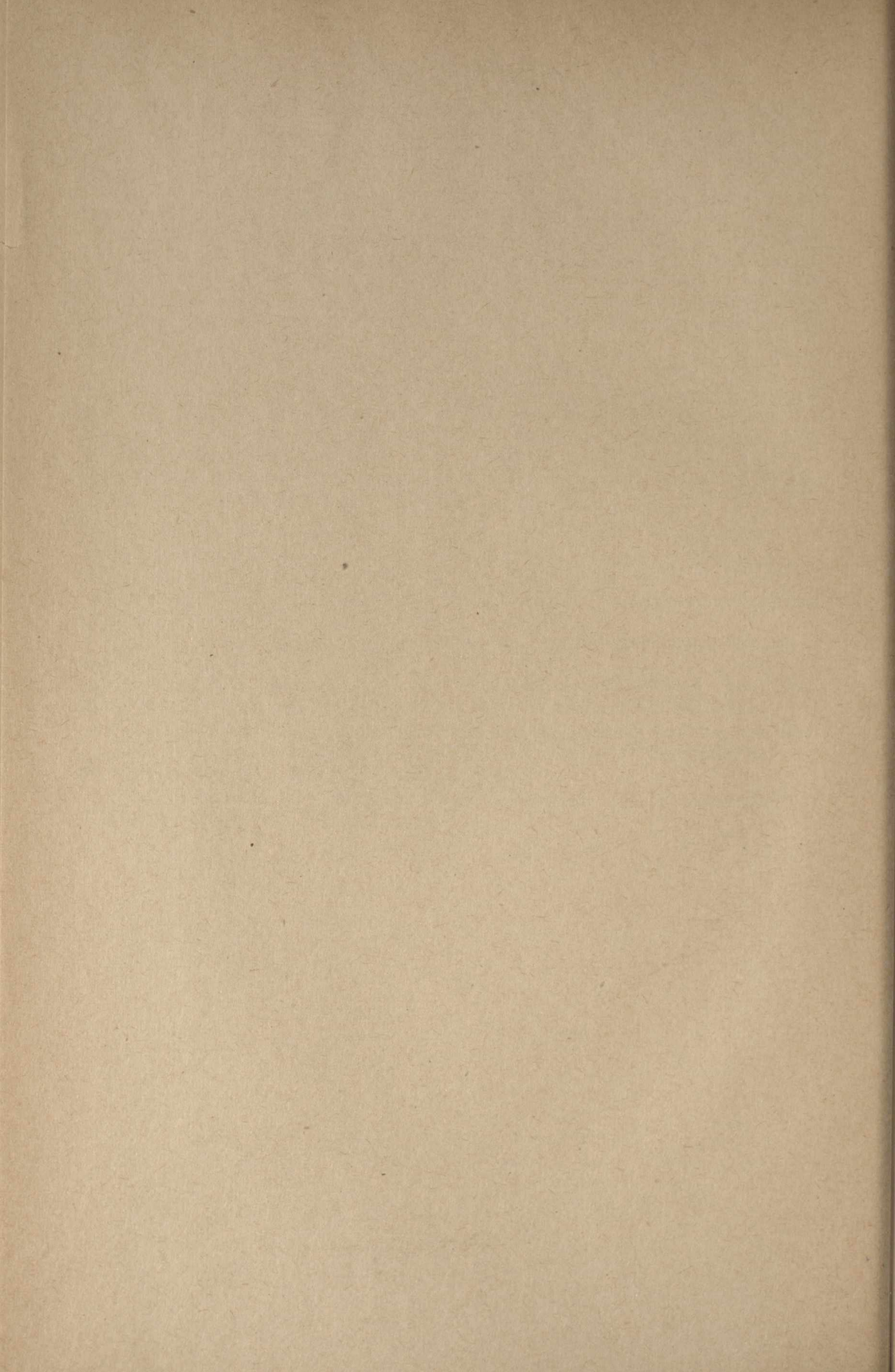
Q. And stored mainly government wheat, the people's wheat. That is right?—A. Yes.

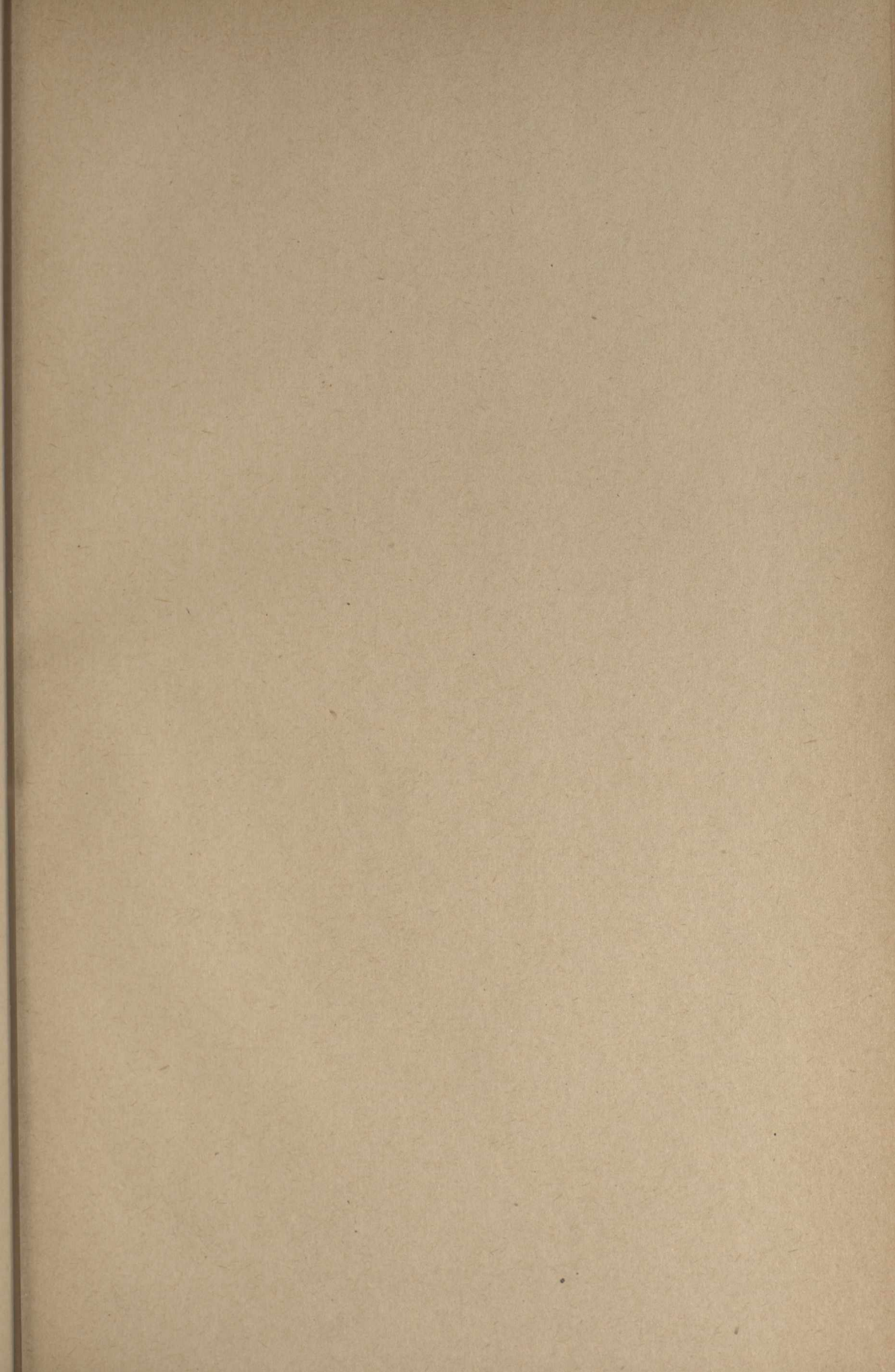
Q. And you made a net, after all deductions, of \$420,000?—A. Yes. That is one year only. We operated a number of years where we made a loss.

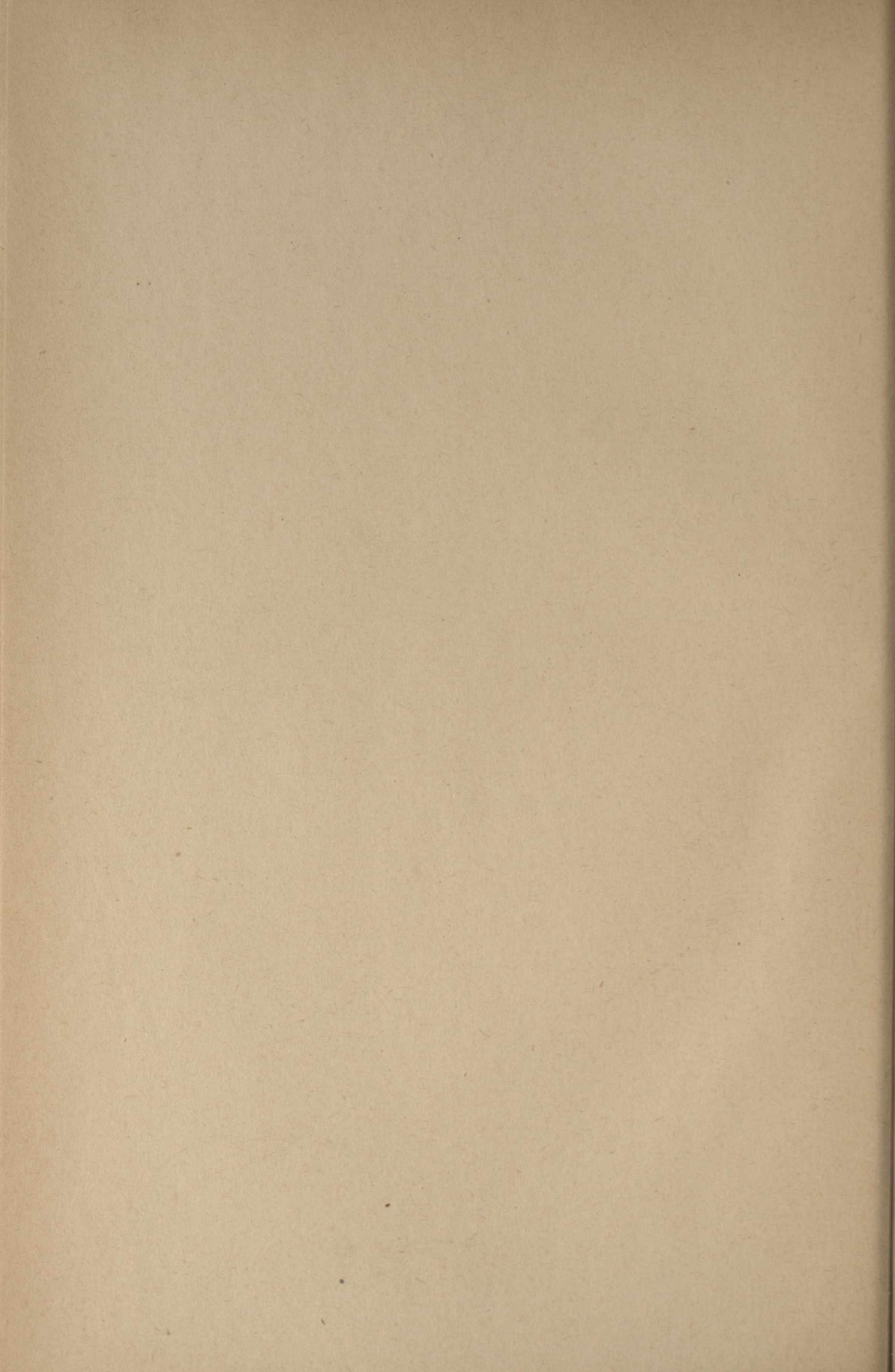
The CHAIRMAN: Members of the committee have pointed out that it is after 1 o'clock. Before we adjourn, I should like the opinion of the members as to our next meeting, and this will be off the record.

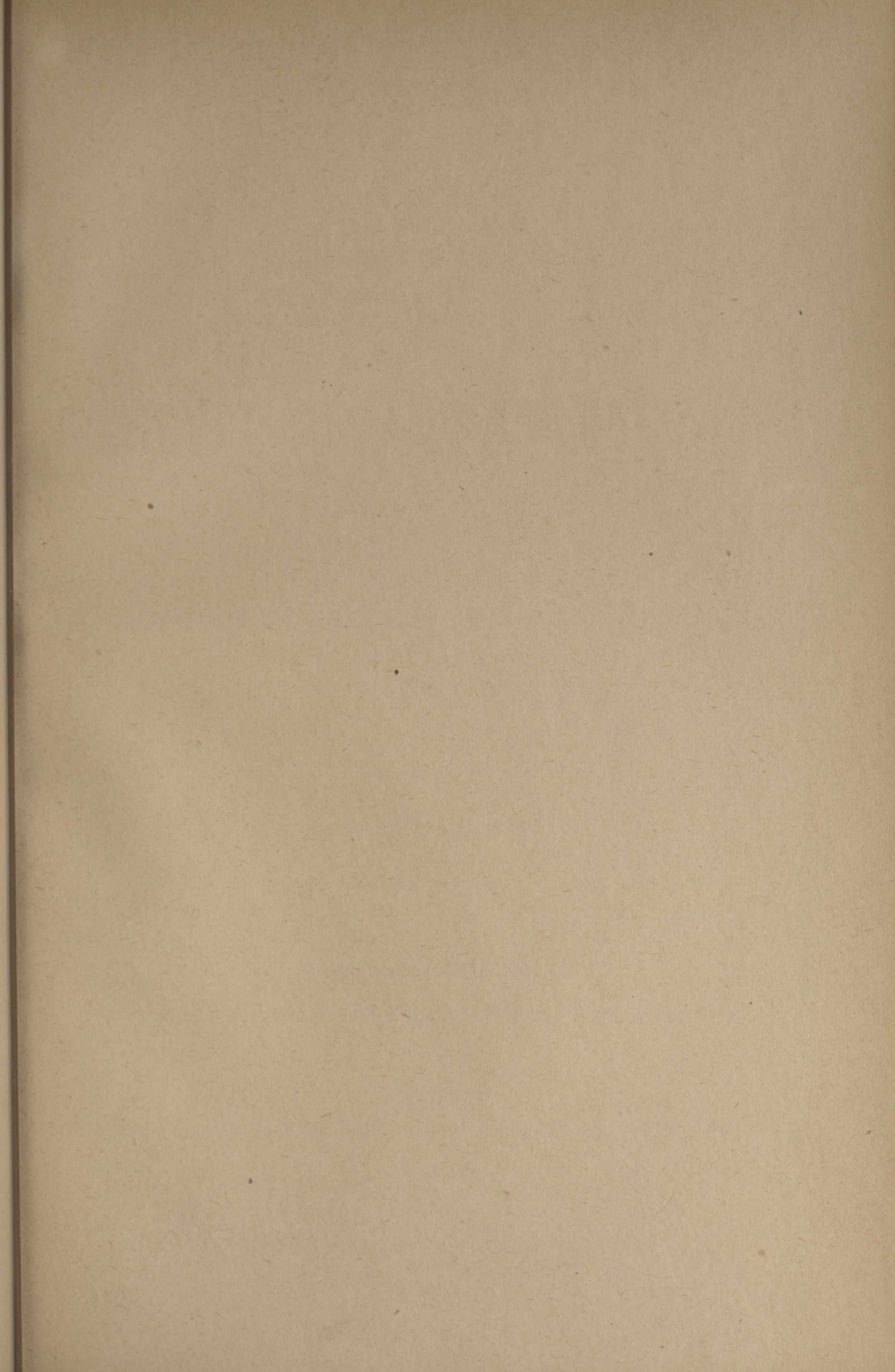
After discussion, the committee adjourned at 1.15 p.m. to meet again on Thursday, March 26, at 11 a.m.











SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

MARCH 26, 1942

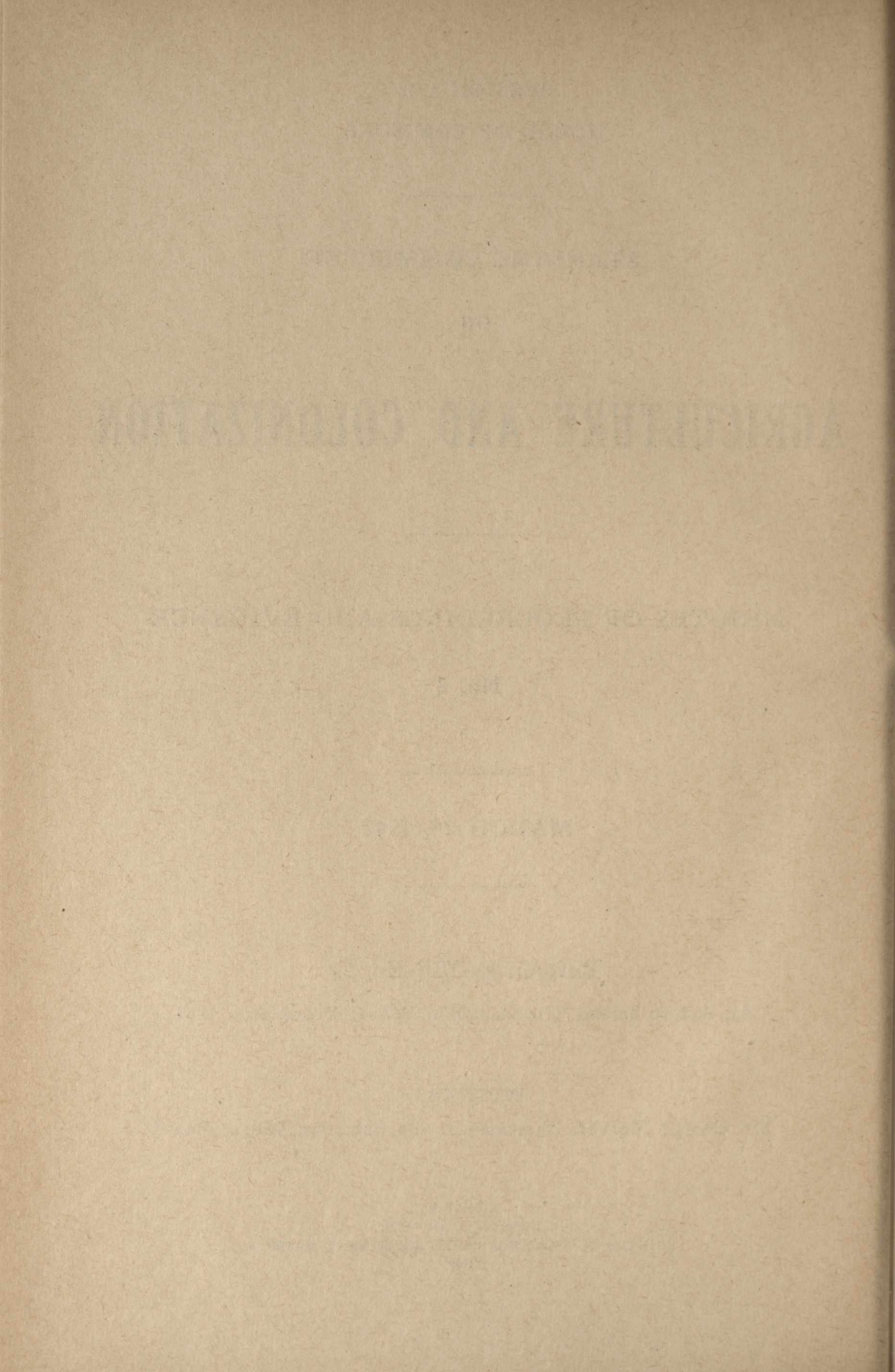
Reference—Bill No. 13

An Act to amend The Canadian Wheat Board Act, 1935

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

OTTAWA
EDMOND CLOUTIER
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



REPORT TO THE HOUSE

THURSDAY, March 26, 1942.

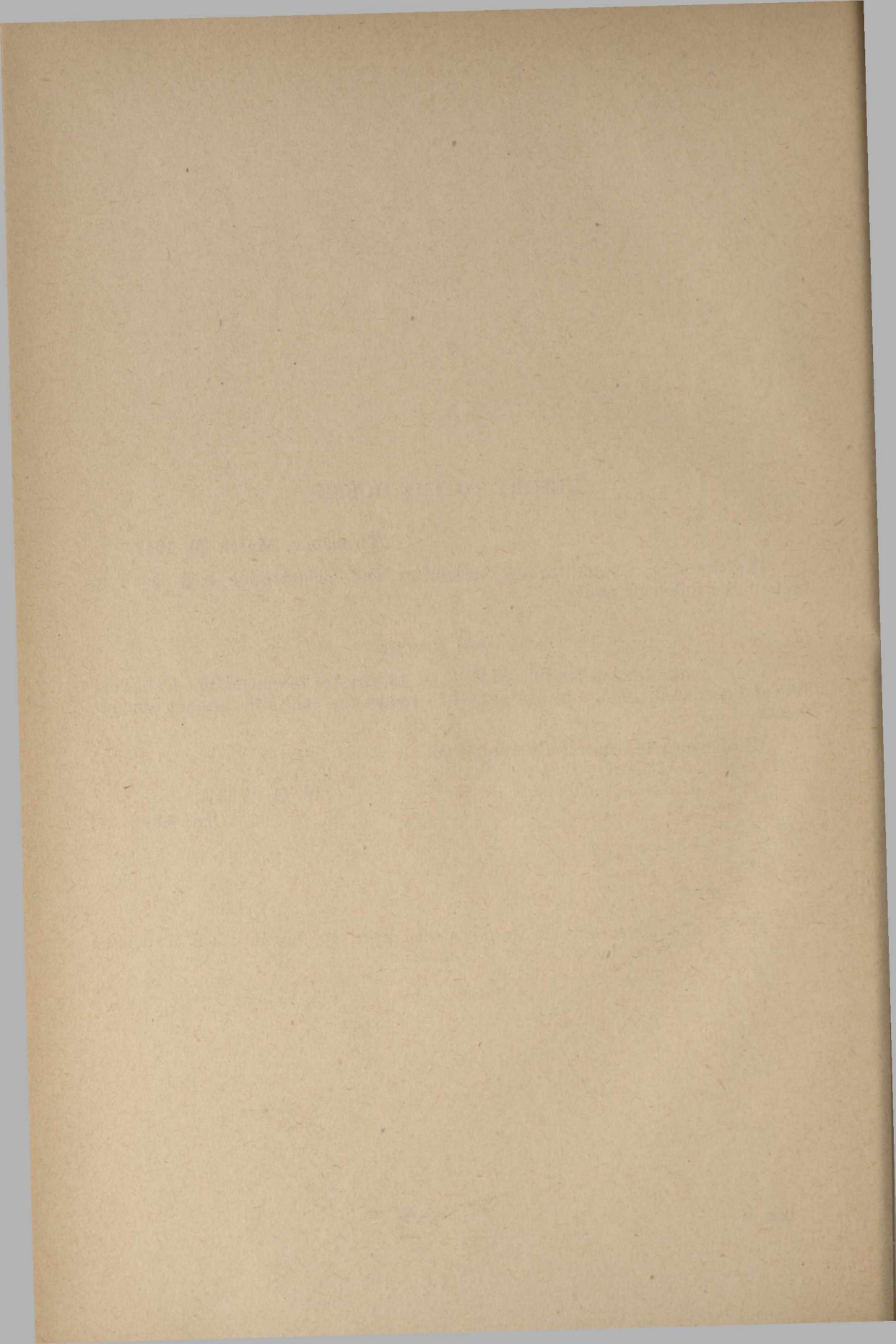
The Standing Committee on Agriculture and Colonization begs leave to present the following as its

FOURTH REPORT

Your Committee has considered Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935, and has agreed to report the said Bill without amendments.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.



MINUTES OF PROCEEDINGS

THURSDAY, March 26, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Davidson, Dechene, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Henderson, Leader, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Poirier, Rennie, Rheame, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Sylvestre, Ward, Weir, Wright, Lafontaine.—40.

In attendance: Hon. Mr. MacKinnon, Minister of Trade and Commerce; Mr. George McIvor, Chairman, Canadian Wheat Board; Mr. Clive Davidson, Statistician, Canadian Wheat Board; and Mr. C. F. Wilson, Chief of Agricultural Statistics, Department of Trade and Commerce.

The Chairman presented the Report of the subcommittee and its recommendations in regard to procedure for the main Committee which were as follows:

1. A new Order of Reference to be asked for.
2. Bill No. 13 to be considered and reported to the House.
3. That the Committee adjourn until a date not earlier than the week of April 27, when the examination of Mr. Wesson and Mr. McIvor could be continued.
4. That members of the Committee should specify the information desired and the witnesses they want.

The Chairman read a telegram from Mr. J. H. Wesson regretting that he had to return home unexpectedly but would be available when the Committee reconvened after the Easter adjournment.

Discussion took place on the recommendations of the subcommittee. Numbers 2, 3 and 4 carried.

On motion of Mr. Donnelly, recommendation No. 1 was allowed to stand until the Committee had considered Bill No. 13. Carried.

The Committee proceeded to the further consideration of Bill No. 13, Clause 1, subsection E.

Mr. Leader moved that the words "*ninety cents*" in lines 16 and 17 be deleted and the words "*one dollar*" inserted instead.

The Chairman ruled the motion out of order on the ground that the Committee had not the power to increase the financial commitment in the Bill. Clause 1, subsection E, carried.

Subsection (1), carried.

Clause (2), carried.

Preamble, carried; title carried.

Ordered.—That Bill No. 13 be reported to the House without amendment.

The Committee returned to the consideration of Recommendation No. 1 of the subcommittee, viz., the terms of the new Order of Reference as suggested:—

That the Annual Reports of the Canadian Wheat Board tabled in the House of Commons for the Crop Years, 1939-40 and 1940-41, be referred to the Standing Committee on Agriculture and Colonization;

with the power to inquire into any matters contained therein, and to print, from day to day, 500 copies in English and 200 copies in French of the evidence presented to it.

Mr. Douglas (*Weyburn*) moved in amendment,—That after the word *therein* in line 6, the following words be inserted: “and to review the operations of the Canadian Wheat Board to December 31, 1941.”

A recorded vote being called for the ayes and nays were taken down as follows:

For the amendment,—*Yeas*: Messrs. Cardiff, Douglas (*Weyburn*), Perley, Ross (*Souris*), Wright.—5.

Against the amendment,—*Nays*: Messrs. Clark, Davidson, Dechene, Donnelly, Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Henderson, Lafontaine, Leader, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Mullins, Rennie, Rickard, Ward.—24. Motion negatived.

Discussion was resumed on the new Order of Reference the Committee desired from the House and the Minister of Trade and Commerce, Hon. Mr. MacKinnon agreed to move the following motion in the House recommending,—

That the Reports of the Canadian Wheat Board tabled in the House of Commons for the Crop Years 1939-40, and 1940-41, be referred to the Standing Committee on Agriculture and Colonization; that authority be granted to print, from day to day, 500 copies in English and 200 copies in French of minutes of proceedings and evidence to be taken by the said Committee on the said Reports; and that Standing Order 64 be suspended in relation thereto.

The Committee then adjourned to meet again at the call of the Chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 277

March 26, 1942.

The Standing Committee on Agriculture and Colonization met at 11 o'clock. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, will you kindly come to order. I might say that your sub-committee met yesterday, with all its members present. I was able to advise the sub-committee that the Minister of Trade and Commerce was prepared to ask the House of Commons for a new order of reference whereby any future inquiry considered necessary by this committee into the operations of the Canadian Wheat Board might be continued. Following that, the sub-committee agreed to recommend that consideration be given at this morning's meeting to:

1. The terms of the new order of reference to be recommended.
2. That an attempt be made to dispose of Bill 13 and report it to the house.
3. That the committee should adjourn until not earlier than the week of April 27, when a further examination of the two witnesses who have already appeared before the committee might be continued.
4. That any members of the committee desiring specific information or the appearance of particular witnesses should advise the committee of the information they desire and name the particular witnesses they wish to have called.

Mr. PERLEY: I did not understand that as final. I thought that would develop out of the inquiry after it started.

The CHAIRMAN: My definite recollection is that the committee, in order to proceed, was most anxious to know what information was required so that these witnesses could be advised to be here as early as possible.

Mr. PERLEY: I think you will recall that, when that was discussed, I suggested that we would certainly have to have the treasurer and would want certain information in respect to the financial operations of the board; and that no one knows whom we might have to call until we get into the inquiry. But it was understood we would have a financial statement—the treasurer, for instance, and any man that Mr. McIvor might care to bring with him, as a member of the board, if he had anything to do with the operation of the board; as to any other witnesses to be called, that would be a matter to be decided according to what took place. But it was agreed that we would have the treasurer.

The CHAIRMAN: You will also recall that Mr. McIvor urged that if there were any information which the committee wanted to have from his controller, he would like to know what that information was so that the man could be advised of the records and other documents it would be necessary to bring before the committee. That was the whole point, to try to get at some specific matter that the committee might wish to deal with.

Mr. PERLEY: I think it was understood, more or less on a general line, that the information desired was that asked for by the leader of the opposition and myself at different times. As to the naming of any particular witness, we cannot tell whom it might be necessary to call until we get further into the inquiry, questioning Mr. McIvor, and it would depend on what may come out then. However, let us deal with the first part of that.

Mr. Ross (*Souris*): It is not suggested, is it, that if, for instance, when the treasurer of the board gives his report there is some point we wish them to clear up, we could not call some interested parties in connection with that report at a later time? We are not to specify now whom we are going to call and be limited to that, are we?

The CHAIRMAN: I do think there is some justification for urging that we know whom we wish to have called. It has got to be done some time. I think there is also a good deal of justification for outlining specifically the information that is required and which the committee wishes to have brought before it. I leave it to the committee to decide or to recommend what procedure should be adopted. I am just thinking of the conduct of the committee, with a view to getting on with any inquiry in a regular way.

Mr. PERLEY: Mr. Chairman, my understanding yesterday was in accord with the first thing you said, that the minister wanted to get the bill cleared up right away before Easter. I said, "That is fine, on the understanding that if we pass the bill to-day and it is reported to the house, there will be an undertaking given by the minister that we will start after Easter right where we left off on, say, Tuesday." That was all that I thought it was agreed would be recommended, that we would start to-day with the bill, but first having a statement from the minister, before the committee even deals with the bill. My understanding was that if we allow the bill to go forward to-day, the minister would give us a statement to be recorded on the minutes of proceedings here, and when we come back after Easter we will start in with Mr. McIvor and Mr. Wesson and proceed from where we left off on Tuesday. So far as another order of reference is concerned, that is a matter which will have to be discussed further. The minister may give us a statement now as to how he proposes to proceed after Easter when we come back. He can outline just what he proposes and if he desires to have a new order of reference, let us know what it is. I do not think that was discussed yesterday. I think it was the understanding that we should start where we left off on Tuesday.

The CHAIRMAN: My understanding definitely was that the committee would want to know what the new order of reference would be before they would allow this bill to go through; and I think that would be only natural.

Mr. WRIGHT: I think we have got to know what the new order of reference is before we allow this bill to go through; otherwise we tie our hands completely in the matter.

Mr. PERLEY: That is what I am trying to indicate, that the minister should make a statement now on the new order of reference before we proceed with this bill.

The CHAIRMAN: Yes. That is all right. May I just say a word or two before we get to that stage. I have before me a telegram received from Mr. J. H. Wesson last night. It is as follows:—

Regret important business made it impossible to remain in Ottawa
Stop If committee desire will attend for further examination any
convenient date after Easter at no expense to Government Stop
Regarding Canadian National Terminal pool has leased this elevator
continuously over long period years always for five year rental term.

I take it from that, gentlemen, that Mr. Wesson is willing to come back before this committee at any time it way wish to have him.

With respect to the order of reference, I may say that I gave it a little consideration and drafted wording which I thought would probably meet the wishes of the committee. I thought perhaps something along this line might meet with their approval:

That the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the standing committee on Agriculture and Colonization, with power to inquire into any matter contained therein, with power to send for persons, papers and records and to report to the house from time to time their findings thereon, and to print from day to day five hundred copies in English and two hundred copies in French of the evidence presented to it.

I think that opens the matter wide and fulfils entirely the request made by Mr. Douglas and Mr. Diefenbaker when they spoke in this committee a few days ago.

Mr. PERLEY: Mr. Chairman, may I say here that the order of reference would just be this report. Is that so?

The CHAIRMAN: That is the way I have drafted it.

Mr. PERLEY: If you will enlarge that to include further the term from the 31st of July, 1941, which I think is the date of this report, to date, I think that would be satisfactory.

Mr. DONNELLY: You mean to take in the different annual reports?

Mr. PERLEY: This one, further, to date.

Hon. Mr. MACKINNON: It cannot be done.

Mr. DONNELLY: You cannot get it up to date.

Mr. WRIGHT: I think that besides the 1940-41 report we should also have the 1939-40 report. They both tie in with one another, and I do not think we can very well have a complete picture of the thing unless we have the two reports included in the terms of reference.

The CHAIRMAN: I have no objection to that, and I do not think the government has. But I do not think we can go as far as trying to bring things up-to-date. We have got to cut off somewhere.

Mr. DONNELLY: It has never been the habit in these committees to inquire up-to-date, either under Mr. Bennett or under the Liberal government when the investigations were held in 1935 and 1936. In neither one of those cases was it done. The board objected to giving evidence within about six months. They said it would influence and prejudice their transactions which were taking place on the exchange and they asked to be excused from giving that information. The committee agreed with them and we did not press to have any up-to-date information. I think the same thing should apply in this committee.

Mr. PERLEY: That is not correct, because in 1935 we had it almost up-to-date. In fact, we met around the 1st of July. We had evidence with respect to purchases in June of that year.

The CHAIRMAN: As I recall it, those matters had to do with the stabilization operations and not the operations of the Canadian Wheat Board. I am bound to say there is a distinction which should be made. However, at this stage may I ask the minister for a statement. I think it is merely to give the committee added assurance as to the attitude of the government with respect to further carrying on this inquiry. Shall we have a word from the minister?

Some hon. MEMBERS: Carried.

Hon. Mr. MACKINNON: Mr. Chairman, Mr. Perley a few minutes ago referred to the fact that we were most anxious to have this bill reported back from this committee. I am quite sure that he and I have the same attitude towards that particular point; but I want to stress this, that in so far as I am concerned I have not the slightest interest in unduly hastening the passing of this bill. The only reason I have heard it suggested that the bill be expedited is because of the reason suggested by Mr. McIvor, that it would be advisable to get this bill reported as early as possible in the interests of the farmers of western Canada so that they may be able to make their plans for

sowing for the current year; and so that the operations necessary to preliminary arrangements that have to be made can be made by him and the wheat board. That was the reason for urging that we proceed with this bill at the earliest possible time.

Mr. McIvor stated on Tuesday that failure to report Bill No. 13 before the recess would seriously affect the operations of the Canadian Wheat Board. The present reference to the committee is actually only on the bill itself. I readily agreed, however, that reasonable latitude should be given the committee in investigating the operations of the wheat board and the Board of Grain Commissioners. I quite realize that after the bill is reported the committee have nothing on which to continue the desired investigation.

I am prepared, however, to recommend—and I believe I can assure the committee that my recommendation will be accepted—that this reference to this committee be continued along the lines as suggested by Mr. Diefenbaker and Mr. Douglas.

In his evidence in the earlier proceedings of this committee Mr. McIvor pointed out that if the remarks of Mr. Hanson were not intended as definite charges, they had certainly been interpreted as such by the press, and for this reason, I should do everything possible to facilitate examination of members of the Canadian Wheat Board and the Board of Grain Commissioners and other persons that in the opinion of your committee should be heard.

I would, therefore, Mr. Chairman, ask that this committee report the bill and in your report request that this reference be extended to carry out the wishes of the committee as they have been here expressed.

Mr. PERLEY: Mr. Chairman, with respect to this matter of including the last six months in our reference; again I do not agree with Dr. Donnelly because in the 1936 inquiry we certainly inquired into the operations of the board all through the month of December.

Mr. DONNELLY: That was not the evidence here.

Mr. PERLEY: Well, the last three months—the whole thing is such that within the last six months the whole picture has changed. We have had these annexes built, most of them even since the 1941 crop—some of them for the 1940 crop—but the 1941 crop certainly was storage, most of it. That is why I think we should have some little further data than July 31, 1941, that is only the 1940 grain. It is with respect to the 1941 crop that I think we should have the order of reference enlarged. We should inquire into that; and, what is the objection to bringing it up-to-date? We want the amended order to include the 1941 crop. As long as we are inquiring into this matter what is the objection to bringing it from the 31st of July last year up-to-date?

Mr. McNEVIN: Speaking to the reference, I have one or two observations I wish to make: I do not think in the consideration of any large business or corporation that you can expect to get a clear picture or to go into matters thoroughly until that year's operations have been closed. And I fully support that viewpoint. Now, with respect to the insinuations, or, as Mr. McIvor has stated, the charges made by Mr. Hanson, my opinion is this: this is war time and I am not prepared to support an expenditure of a large sum of money for any such purpose. I might say this further, that if Mr. Hanson made these charges, as he did on the floor of the House of Commons, I think he should come to this committee and he should have the information himself either to substantiate these charges, or withdraw them. I am not prepared to support a large expenditure of public funds at the present time for any other purpose.

Mr. DONNELLY: Mr. Chairman, I would like to make myself clear. I had thought I had done so in the steering committee. It was my opinion at that time, following what Mr. McNevin has said, that we should be ready and willing to bring here any government official, we should bring down any member of the wheat board or any member of the Board of Grain Commissioners or any other

person—like Mr. Hetherington, who is handling our internal storage—and that this committee should pay the expenses of any of our officials brought here, they should be brought here at the government expense; but I do not think the committee should bring any person or group of persons here at its expense who are appearing in a private capacity; I think they should come at their own expense. I have said, and I also said in the steering committee, that in my opinion Mr. Hanson should be called, and we should ask him to attend; and if he does not attend we should summons him and make him attend. If he makes charges (and Mr. McIvor has told us that the press consider them in that light), if he has made these charges, and I call them charges, then I think he should be ready and willing to come here and give his reasons for making them.

Mr. PERLEY: Last year, owing to wheat acreage reduction bonus the whole system of delivering the crop in western Canada was changed. It is now under the quota system. And I think one of the results of that particular system is that a lot of wheat was forced into the "B" class that never would have been put there. The right of the farmer to ship grain on his own account was taken away; because the man has only a 1,200-bushel crop (that is a carload lot) under the quota system he can only deliver five bushels to the acre. He has been forced into that situation. I am just citing that to show that the 1941 crop was a different crop both from the standpoint of handling and finance, and the operations of the board changed more or less with respect to that crop; and, unless we can get some information from Mr. McIvor—if he is willing to be examined—up to date I do not see how we are going to be able to plan for the marketing of our crop this year. And that difficulty not only applies to the crop this year, but to last year's crop also.

Mr. DONNELLY: We marketed the crop the year before last under the quota system; not only this year, last year too.

Mr. PERLEY: Under the quota system?

Mr. DONNELLY: Yes.

Mr. PERLEY: In each of those years?

Mr. DONNELLY: We have had two years under the quota system.

Hon. Mr. MacKINNON: Yes, that is right.

Mr. WRIGHT: I think the main point is this: our method of handling the crop this year is going to be considerably changed owing to the fact that the exchange is more or less not operating—

An Hon. MEMBER: Just now.

Mr. WRIGHT: —yes, just now. I would suggest that we cannot go fully into the 1941-42 crop, but I think we should be able to get some information as to the methods whereby the 1942 crop is to be handled; and if the terms of our reference deal with just these two reports we would not be able to get that information.

Mr. GOLDING: Mr. Chairman, I think there is a great deal of merit in the statement made by Mr. McNevin. It is so easy to get up in the house and throw out these insinuations that are interpreted by the press, as Mr. McIvor has pointed out, as charges. As I said before, I think there is a great deal of merit in Mr. McNevin's suggestion. Having made these statements in the house I think Mr. Hanson should be called before this committee; and he should know, he should have these facts, and he should have had this information before he got up in the house—or anybody else for that matter—and made statements like these; and I thoroughly agree with the idea suggested of bringing Mr. Hanson before this committee. I endorse entirely the viewpoint that he should bring the facts with him on which he based these allegations and present them to the committee. I also am in agreement with the idea that this com-

mittee should not go into anything at all that is going to involve large expenditures of money. The money that has been spent in investigating the handling of grain since the first of this century is to my mind ridiculous, and I do not know what use would be served by holding another inquiry which would cost \$141,000, as was the case in 1936. I do not know what use is being made of the evidence submitted from about 260 witnesses in that last inquiry. We are faced with this situation, that just because somebody gets up in the house and makes certain allegations then we are involved in another large expenditure of money. I think that the wheat board, these people against whom the actual charges have been made, should come here and give us their evidence; and then, if Mr. Hanson has information contrary to that he should come here and present that as evidence.

Mr. CHAIRMAN: May I point out this, that if these charges that have been made by Mr. Hanson and others involve the handling of this year's crop, then I would presume that apart from just presenting possibly official statements it might be necessary to consider the handling of this year's crop in order to get information with regard to these particular charges.

Mr. Ross (*Souris*): I think that is very important, that complaint right there. I do not think that we could possibly investigate this whole thing without referring to this year's business; particularly in view of the statements which we have heard here this morning. I do not know how we can get to the bottom of it without investigating this year's business, or the handling of the 1941 crop. I think that is very important. I agree with some of the other speakers that we do not want to spend a lot of money on this investigation. I do take issue with Dr. Donnelly and some of these other people that if, for instance, we investigate the officials of the wheat board, and there are certain transactions which make it necessary for the committee to hear evidence in reply to straighten out the details of transactions between them and the wheat board, say, I do not agree that they should be called here at their own expense. I do not think there will be any large number of them. If they are called here in connection with these transactions of the wheat board which we are to investigate, and we are going to need them if this investigation is to go as far as we would like to have it go, I do not think they should be required to pay their own expenses.

The CHAIRMAN: Mr. McIvor would like to say a word or two.

Mr. DONNELLY: I just want to draw the attention of the committee to what took place in 1936 before the Special Committee on the Marketing of Wheat and Other Grains—I am reading from the Minutes of Proceedings and Evidence No. 1 of that committee—Mr. Murray is on the stand and he has been asked a certain question (to bring it up to date) and he says:—

Rt. Hon. Mr. Bennett:

I would not narrow it down to the public interest. I think if Mr. Murray says, in my opinion it will prejudice my position in connection with the duties devolving upon me under the Act, we ought to go carefully before we ask any further questions. I think it goes a little further than the question of the public interest. His job is a very responsible one, and I would hesitate, at least, a long time before I would ask any question that in his opinion lessens his ability to discharge that responsibility.

And there was some discussion back and forth and then Mr. Murray says:—

I myself think that Mr. McFarland was sound in the attitude he took in so far as giving information right up to date was concerned.

This was in 1935 when Mr. McFarland was brought before the committee the year before that committee sat, and the matter before us was the handling of wheat at that time.

To give a few months back is a different thing. All the protection we want, I would say, is a back log of three months, and let the trade and the world over do their guessing as to what we have done in the past three months;

And he goes on with regard to that. It was agreed to; and Mr. Bennett and the others agreed to the very same thing. So I say the same thing should apply here; that there should be a certain leeway, that we should not bring it up to date and prejudice our men who are handling our wheat at the present time.

Mr. ROSS (*Souris*): Why not agree on that and take only the first six months of the 1941 crop. That will give you an idea as to the conduct of the business for the first six months of your present year—of the 1941 crop.

The CHAIRMAN: Would the committee care to have a word of explanation on this point from Mr. McIvor?

Mr. McIVOR: Mr. Chairman, Mr. Minister and gentlemen: I want to make it perfectly clear at the outset that as far as I am personally concerned you can bring this information up to to-morrow, if you want to. In other words, we have nothing to hide in regard to our operations. But I want to say also to this committee that that kind of thing requires stopping the work of the board while this information is gotten together by a group of auditors; there is no question about that, you have got to put men in to get out this information and bring it up to date. And, further, I want to say this: that if the committee insists on this information being submitted up to date the committee in all fairness should assume the responsibility for what effect it might have on the operations of the board. I think that is only fair. In other words, you cannot give information on a big business like the wheat board to a committee such as this without giving it to the world, and I do not think it is fair. I think Mr. Bennett and Mr. Murray stated quite frankly that it was not fair to a big business like the board to ask that this information be given completely up to date. And now, I just want to recall this to the committee: Mr. Perley complained last year that the minister did not have the proper information, the facts and so on, that he wanted to get. The facts are that so far as we are concerned we have given the information up to the 31st day of July, 1941, in complete detail; and so far I do not know of any questions that have been asked in regard to which information has not been fully given. There may be some, but I have not seen them; at least, so far as our board is concerned.

Mr. PERLEY: I asked for certain information from the minister and he said that it was not in the public interest to give it. He did that on at least three occasions.

Hon. Mr. MACKINNON: That was just in respect to price.

Mr. PERLEY: I just wanted to correct his statement to that extent.

Mr. McIVOR: As far as our board is concerned there is no reason why we should not give this information other than these two points: 1. The difficulty of getting the information together, the cutting off of the books of a big organization in the middle of the year; and, 2, the effect or harm that information may do the board. Apart from that, Mr. Chairman, I have nothing more to say on the subject.

By Mr. Perley:

Q. Just before you sit down, Mr. McIvor, is it not true that you have an auditor's statement every week? Your books are audited right up to date?—
A. Yes.

Q. So there would be no difficulty there. Then take the item of Exhibit A, liability to your agents. Could not that information be brought up to date? You must have them in your auditor's statement.—A. Any information can

be brought up to date, Mr. Chairman, but I am just saying to you—and I think Mr. Murray put it very clearly—if you demand this information up to date the responsibility is the committee's. Of necessity we will have to give it to the committee if the committee demands it; but I say this, that the responsibility is the committee's and the responsibility of what effects it might have is also the committee's. I think that is a fair statement.

The CHAIRMAN: The whole point is whether it is desirable to do so.

Mr. WARD: I think this might be said fairly: In the first place the honour of the officials of the Wheat Board is at stake to-day. They have to defend it. In the second place here is the largest grain handling concern in the world doing the business of nearly 50 per cent of all the farmers in Western Canada. The prestige and standing of that concern is also at stake. I am concerned as to whether I am going to have confidence in the Wheat Board and the wheat pools and whether they are going to handle my grain efficiently and honestly. I think it should be left with the officials of the Wheat Board to give us all the information that is necessary as near the present date as possible in order to satisfy this committee and in order that their honour may be protected and vindicated and to see that the position of the Wheat Board and the wheat pools is properly defended. I think that can be taken for granted and I think we should pretty well leave the matter there.

Mr. BLAIR: I think we would be well advised to have Mr. Hanson come here, and I would not be surprised if he would like to do that. He might reveal something we should know. If there is anything in the Wheat Board that should be exposed perhaps it might be well that we should know it. There might be things we should investigate, and perhaps Mr. Hanson might open up new avenues for us. No doubt he has some ideas that we should hear about and I think we would be well advised to call him to this meeting.

Mr. DOUGLAS (*Weyburn*): May I ask Mr. McIvor a question?

The CHAIRMAN: Yes.

By Mr. Douglas:

Q. How close to the present time can you give us information, Mr. McIvor, about the operations of the Wheat Board without endangering the business transactions of the Wheat Board?—A. Mr. Douglas, I just want to make it clear that there are a great many things in regard to the operations of the Wheat Board that I will cheerfully give up to date, things in which the committee would be interested. There are other matters, for example, the position of the Wheat Board, the amount of wheat they have on hand, the sales to the British Government and so on that I should not like to give. The British Government have asked us not to disclose that information to the committee. Mr. Perley said he could not get the information. The reason he cannot get it is the British Government have asked us not to disclose it. There is no other reason. I am quite willing to give the information apart from that, and I am sure the minister is. Just within recent months—I do not know the date—the British Government again said to this government, on this government's request, or at least Mr. MacKinnon instructed me to direct a cable to them asking if this information could be given to the house, and again they said for reasons best known to themselves they did not want this information given. Now, that is the position. How can you depart from that situation? As far as the records of the board are concerned the only point is this, it depends entirely on how wide you want to investigate the records of the board. As Mr. Perley said, there is a weekly audit of the board. As far as I am concerned I would say if that auditor's report were made available to the committee say up to the 31st of December, it would be quite satisfactory to me. But if it is the desire to go beyond the figures that are contained in the auditor's report then it means we

must put a group of auditors to work to get that information and it means that—we have only one set of books after all, as any organization—you have got to stop work on those books in many cases until the information is obtained. I want the committee to know as far as we are concerned the only concern that we have is the effect that the giving of information up to date would have on the board, and when it has an effect on the board it has a similar effect on the farmers of the country who deliver their wheat to the board and on the country itself. That is why I want to point out it is the responsibility of the committee as I see it, Mr. Douglas.

By Mr. Ross (Souris):

Q. That confidential information as between Great Britain and ourselves in the sale of wheat might affect the 1940 crop as well as the present year?—

A. Yes. I would say this, Mr. Ross, that we are simply in the position where we cannot give any information on any of the sales to the British Government.

Q. Have you any objection then to the term of reference including the 1939-1940 crop and the first six months of the 1941 crop, that is, your present year's business, which gives you a backlog of three months from the time we got started?

Hon. Mr. MacKINNON: Six months takes us up to the end of January.

Mr. ROSS (*Souris*): Yes.

The CHAIRMAN: Gentlemen, can we come back to this later? We neglected to have the minutes of our last meeting read.

Mr. PERLEY: I think we had better settle this.

The CHAIRMAN: We will come back to it.

Minutes of last meeting read and confirmed.

The CHAIRMAN: Now we will come back to the question of procedure. Is the committee prepared to adopt the recommendation of the steering committee as to procedure for to-day?

Mr. PERLEY: What part, the whole?

The CHAIRMAN: We will drop out the last section if you like.

Report adopted with the deletion of the last section.

Mr. PERLEY: I understand then there is no limit to the inquiry?

The CHAIRMAN: We will come to the reference now. We now open up the matter of the order of reference for the continuation of this committee.

Mr. DONNELLY: I move that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the Standing Committee on Agriculture and Colonization with power to inquire into any matters contained therein, with the power to send for persons, papers and records and to report to the house from time to time their findings thereon and to print from day to day 500 copies in English and 200 copies in French of evidence presented to it.

Mr. PERLEY: I think the limit should be up to date practically. This report refers to the sale of 120 millions of wheat in November and so on, which certainly will run in on the '41 crop and run on into May. No doubt your hedging was in May and July transferred from November and December option of the 1940 crop. We have the auditor's statement. The auditor's statement is tabled with the minister every week end. I cannot see that there is anything wrong or there would be any information given to the public that would be detrimental in any way. Now, as far as the British Government is concerned and their request not to disclose information, I think it is due to the public to know where they stand. I believe the board is working in a dual capacity. I suggest Mr. McIvor answer that now. I should like to have more proof than a verbal statement from anybody that the British Government has asked

that certain information be not given or that the Grain Exchange remain open and all that sort of thing. We have never yet been informed that it is authentic. I do not see any reason why we should not be given information up to date.

Mr. McCUAIG: We are here to get all the information we can, but at the same time I think we ought to appreciate the fact that in getting that information we should be guided by what information the minister and Mr. McIvor, the chairman of the Wheat Board, feel that we should receive. If it is not in the interest of the board and not in the interest of this country that information should be given us then it is for us as members of this committee not to ask for and seek that information. For my part I am going to be guided largely by what the minister and Mr. McIvor say.

The CHAIRMAN: Have you anything to say to that, Mr. McIvor?

The WITNESS: Mr. Chairman, as I understand it, Mr. Perley objects to the fact that he will not have the prices of the sales to the British Government. I do not know why he should persist in that because we have made an agreement and have been asked by the British Government not to disclose those prices. Then Mr. Perley suggests in connection with another phase of the problem that this government or this Wheat Board should make available the prices of those sales to the British Government. I think it is impossible.

Mr. FAIR: Mr. Chairman, if I have a proper grasp of this subject, the main reason for this investigation is to delve into the way the Wheat Board has done business. I believe this can be very well accomplished without coming right up to date on all questions. For instance, the wheat that is being held at the present time by the Wheat Board and held on the farm and all that kind of thing—it is not necessary to delve into all that to satisfy the charges that have been made by Mr. Hanson. I am not in agreement that we should not know what is being paid by the British Government or what our wheat is being sold for. After all, contrary to what Mr. Golding said a few minutes ago, these investigations are being held because people believe that we are not getting justice in the price we are receiving for our wheat. It is not my purpose to uphold every thing that is being done in connection with the sale of wheat. I do not believe that the country should be penalized by paying for investigations unless there is some foundation for them. I believe in the past in the sale of western Canadian wheat and perhaps eastern Canadian wheat as well, there has been reason for a whole lot of suspicion and to me a lot of it is not cleared up yet. I am not, of course, saying that the wheat board has anything to do with this, but on the practices that have been in effect with regard to information concerning the sales of western wheat an investigation should have been held and more fruitful benefits derived than has been the case in the past.

Mr. DONNELLY: You do not mean to say that the annual reports are not correct or that the report of our auditors is not correct?

Mr. FAIR: Not at all. Before the wheat board came into existence the same practices that have been carried on by some of the wheat trade, I say, still should bear investigation and some of those practices should be corrected. I am not, as I said before, pointing a finger at the wheat board, but if there is something suspicious about anything I think it should be investigated. I am not saying for one moment that the wheat board dealings are not all right.

Mr. DONNELLY: The same charges made by Mr. Hanson were made with regard to Mr. Macfarlane and were investigated by a committee here, and the same charges were made with regard to James Murray when he was running this board in 1936 and they were investigated. This matter was investigated the third time with regard to the very same matter: hedging for buying and selling of wheat and using the open market, the ordinary facilities—

the same charges were made again and those charges were investigated by Judge Turgeon, and this is his report, and he went around the country holding meetings. Several men who made charges never appeared before him at all.

Mr. PERLEY: Have you the evidence of 1936?

Mr. DONNELLY: Yes.

Mr. PERLEY: Will you let me have it please?

Mr. ROSS (Souris): I do not know why it is not in the public interest that the selling price of this wheat sold to the British empire should not be divulged. Why should it be a secret to the Canadian public what that wheat sold for; can you explain that?

Hon. Mr. MACKINNON: Gentlemen, I want to be very carfeul in what I say in answer to the statement made by Mr. Ross. Personally, I can say that as far as I as Minister of Trade and Commerce, or as far as the interests of anybody in Canada are concerned, I see no reason why this information should be withheld from the people of Canada, and for that reason I directed a request not long ago—some time ago first and not long ago secondly—urging that we be allowed to make public the price at which our wheat was sold to the British government. That was a personal request from me as Minister of Trade and Commerce and the reply came back that they were sorry but that at this time they must insist on secrecy as to the price. They went on to state that they hoped that possibly they might not have to make this request for very long, but that at the present time they wanted us to undertake to continue the undertaking not to reveal the price. Now, I cannot say very much more without revealing their reasons for asking, but I did say before the delegation from Saskatchewan that if I were able to answer the question that Mr. Fair has just asked he would be disappointed; it would not substantiate what is in his mind.

Mr. ROSS: You think it would not be in the public interest to give a reason for the secrecy?

Hon. Mr. MACKINNON: No, it would be a breach of trust with the British government; I could not do it.

The CHAIRMAN: Gentlemen, the motion before the committee would read in this way: That this committee recommend that the Minister of Trade and Commerce ask parliament for a new order of reference in the following terms: namely, that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, be referred to the Standing Committee on Agriculture and Colonization with the power to inquire into matters contained therein, with power to send for persons, papers and records and to report to the house from time to time their findings thereon and to print from day to day 500 copies in English and 200 copies in French of the evidence presented to it.

Now, the Minister of Trade and Commerce is agreeable to amending that resolution to include the annual report for the crop year 1939-1940.

Mr. WARD: Is that matter open to discussion now?

The CHAIRMAN: Yes.

Mr. WARD: Mr. Chairman, I want to take this position very definitely; I do not think we should accept any such responsibility without first calling Mr. Hanson before this committee. After all, are we not, perhaps, taking for granted entirely too much. Let Mr. Hanson come before this committee and make his charges and let him substantiate them or endeavour to. I do not think I am giving any secrets away when I say that I know for a fact that Mr. Hanson had employed in the city of Winnipeg a man for over a month preparing that statement he delivered in the house the other day—

Mr. PERLEY: I take exception to that statement; that is not a statement of fact at all. I know that.

Mr. ROSS (Souris): I happen to know that that is an untruthful statement. I think that should be retracted.

Mr. WARD: Let Mr. Hanson come before this committee and say that he did not have employed in the city of Winnipeg a man preparing that statement.

Mr. ROSS: He did not. That is a most untruthful statement.

Mr. WARD: Having delivered that statement based upon evidence gathered in the city of Winnipeg, why should Mr. Hanson not come here and prove his statements giving something with which to go forward upon. We have not anything except the statement by a man who knows very little about the grain trade—not any more than I do, and that is a mere nothing. I think we are making a mountain out of a molehill, and I think before we tie ourselves up to any large responsibility the committee should first have Mr. Hanson come before us and prove that these matters are worth while investigating.

The CHAIRMAN: The motion is before the committee. Let us hold to this reference.

Mr. DOUGLAS: Mr. Chairman, it seems to me the general reference as originally read out is unnecessarily restrictive. I do not care whether we call Mr. Hanson or not. Mr. Hanson's statements have nothing to do with my interest in this matter. I have felt that ever since the war started, by virtue of the fact that the handling of wheat is of necessity very different from what it was before the war—Great Britain is now our only customer—that there ought to be a committee of this house which could get some information as to the *modus operandi* by which this wheat is handled. I doubt if many members know exactly what is happening to a carload of wheat from the time it leaves an elevator until it lands in Liverpool; and irrespective of any charges made by Mr. Hanson or anybody else I would like to have this information, and I would like to see it given to this committee, whether statements have been made by the leader of the opposition or not. That does not enter into the matter. I think that the terms of reference should be wide enough to cover—the first term of reference only covered the 1940 crop—if the term of reference would cover the 1938-1939 report and the 1939-1940 report and show the transactions in the 1941 report up to the end of 1941 with the understanding that if at any time the chairman of the wheat board or the minister says that a certain question asked is not in the public interest, and can so satisfy the committee, I do not think that question should be pressed. After all, they are a business concern, and we must not be unreasonable. There does not seem to be any reason for argument against presenting these two financial reports, with the proviso that at any time should questions be asked which would seem to jeopardize the transactions of the boards answers would be withheld.

Mr. GOLDING: May I ask Mr. Douglas a question? Have you read the evidence taken in these committees and tried to follow it in every case?

Mr. DOUGLAS: Which committee?

Mr. GOLDING: The committees held here from time to time.

Mr. DOUGLAS: As a matter of fact I sat in on most of the sessions in 1936 and followed the proceedings closely, but there have been no committees in this house at any time to investigate any of the financial statements since the war. I doubt if there are six members of this committee who know exactly how wheat has been handled since the war started; there has been no opportunity to find out and for that reason this committee should welcome an opportunity to go into this matter.

Mr. MACKENZIE: It seems to me that at the beginning of this investigation we had certain witnesses who came here and gave evidence under oath.

Their evidence was to go on the record and be printed. Now, are all these questions being asked in this more or less political propaganda to be printed? I move that the chairman occasionally tell the reporter that certain things must go on and certain things must not go on. Now we have everything going on the record.

The CHAIRMAN: All the proceedings are on the record this morning.

Mr. ROSS (*Souris*): I am not interested in any charges by anyone; but I am interested in the operation of this wheat board.

Hon. Mr. MACKINNON: The wheat board is interested.

Mr. ROSS: That may be all right. I think it should be investigated further. These people are basing their whole argument on the statement that we should not inquire into this matter unless certain people prove certain charges. This is the first time that the agriculture committee has met since I have been a member of parliament, and I think it is our duty, because we are handling this wheat on a different basis during the war from the manner in which we handled it previously, to look into these matters. Surely every member of this committee is interested in getting details of how wheat is handled, and we should be allowed to proceed to investigate these matters on that basis.

The CHAIRMAN: Can we come to a decision?

Mr. DOUGLAS: What are the terms of the reference we are voting on?

The CHAIRMAN: The minister is prepared to include the crop years 1939 and 1940; the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, and the annual report for the crop year 1939-40 be referred to the Standing Committee on Agriculture and Colonization and so on.

Mr. DOUGLAS: The report does cover 1939 and 1940—that is 1939 and 1940, and 1940 and 1941.

Mr. McIVOR: I should just like to point out that the last report 1940-41 covers all of the operations of the two crops to which Mr. Douglas refers right up to date, so there is no use of this committee going back to the previous one.

On the point raised about having information up to December 31, I would much rather give all the information we can give up to December 31 than have any member of this committee think we are not prepared to give it. Now, there will be some questions we cannot answer, and I frankly cannot understand why there should be persistence in asking for information which we are powerless to give. As the minister said, with regard to these sales, we have no objection to giving that information, but the British Government asked us not to do it, and they have given this government a very good reason from their standpoint why the information should not be given. I think you will agree that we cannot go ahead in the face of that and give the information. As far as giving information up to the 31st of December is concerned, the only thing that is involved there is the fact that it is going to take a considerable amount of work to do it. It is just the same as if the Canadian Pacific Railway, who put out an annual report closing with the 31st of December, were told by their shareholders, "We are not satisfied with that annual report; we want a report as at the 30th of June." It means that the Canadian Pacific Railway have to turn their accountants in to give them that information. I just want to say, Mr. Chairman, that as far as the board is concerned, I would a thousand times rather go to the extra work and give the information to the committee up to the 31st of December than to have any member of the committee think we were not prepared to give it.

Mr. McNEVIN: Mr. Chairman, I just want to say a word here. We have been here for one and a quarter hours discussing this reference. I think we are ready for the question. When the next year's annual report is ready, there will

be an agricultural committee and we can then consider all those questions. We have got to pass Bill No. 13. We are asked to pass this important bill. What time is there going to be left for discussion if we fiddle around discussing something else.

The CHAIRMAN: Is the committee ready for the question?

Mr. PERLEY: Mr. Chairman, we are not going to rush this thing. There have been a lot of things said here this morning which are not correct. For instance, there is Mr. Ward's statement. I am not going to stand for that. I want him to withdraw it. Also Mr. Donnelly made a reference to the 1936 investigation. I wish I had the evidence here. I have it in my office. Mr. McIvor referred to it yesterday and said that the report was unanimous at the 1936 inquiry. Mr. Donnelly says the same thing was referred to that committee. It was not the same thing. It was a matter of protecting the shorts. I recall that as a direct charge.

Mr. DONNELLY: The handling of grain was in there too.

Mr. PERLEY: The report that Mr. McIvor referred to yesterday of June 11th is something I should like to read from. You have it there. Would you allow me to have it to read to the committee, Mr. McIvor?

Mr. McIVOR: Yes. Here it is.

Mr. PERLEY: I just want to correct the statement that Mr. McIvor made yesterday. But coming back first to the question before us, may I say that the integrity or the honour of the board is not at stake. Nobody made such a charge as that. Mr. Hanson asked for information. I have *Hansard* right here. It is just a matter of information. He asked for the amount of purchases of wheat to date. He asked for the amount sold. He did not ask for even the price. He asked for a statement with respect to brokerages. He did not make any charge. He deliberately asked for information. If you are going to insist on that interpretation, that in what he asked for he made a charge, then, sir, bring your evidence up to date. Let us go right up to the very date. Unless you are prepared to do that, I want you to withdraw any statement that it is a charge, because it is not a charge. It is just asking for information. If you are going to insist on it, then bring it up to date. If you are not prepared to bring it up to date, then withdraw that statement.

I just want to make reference here, for the information of some of the members of this committee, to the inquiry of 1936. Mr. McIvor quoted yesterday from the minutes and proceedings of the meeting of June 11th, No. 10, the last meeting of that inquiry. I think he said it was a unanimous report. Now, it was far from a unanimous report, and I am going to read one paragraph and explain to the committee why it was permitted to put that word "unanimous" in inadvertently; because we insisted then on a further inquiry and Judge Turgeon was finally agreed on as the commissioner. I want to read a paragraph from the report of the committee:—

After a full examination of Mr. Murray and the records placed by him at the disposal of the committee, we are of the opinion that the course taken by the board in the marketing of wheat was consistent with the intention of parliament in enacting the Wheat Board Act of 1935 and with the policy of the government to reduce the wheat surplus to reasonable proportions.

While there was a short interest in the Winnipeg wheat market in December of 1935, no evidence was produced that would warrant the conclusion that speculative short interests were protected by the board in that month. As the committee finds it impracticable to obtain conclusive evidence on this point, we recommend that this matter be referred for further investigation to the royal commission, the appointment of which is recommended in this report.

Then it goes on to say what should be the order of reference to the commission of Judge Turgeon. So there is evidence that it was not unanimous except with the understanding, "As the committee finds it impracticable to obtain conclusive evidence on this point we recommend that this matter be referred for further investigation to the royal commission." So it was not unanimous. We could not get conclusive evidence. It was referred to a royal commission on that account.

Mr. McNEVIN: You got the royal commission. Let us have the question.

Mr. PERLEY: The order of reference of that committee was not the same as this order of reference at all. Mr. Chairman, I think that the minister and Mr. McIvor should agree to bring it up to date or else withdraw all this stuff about there being a charge. They are only being asked for information.

Some Hon. MEMBERS: Question.

Mr. PERLEY: If you bring it up to date, all right.

Mr. DONNELLY: Mr. Chairman, just a word before going further. Mr. Perley has said that this was referred to a royal commission. I have here the report of the royal commission and this is in the order of reference, as appears from the first paragraph:—

The methods now or heretofore employed in marketing Canadian Grains abroad, including Government Grain Boards, co-operative or pool marketing, price stabilization measures and the open market or competitive method; and the effect of these various methods upon markets.

The whole matter of marketing grain was referred to this commission.

Mr. PERLEY: To the Turgeon commission.

Mr. DONNELLY: The same thing as, I was saying, we are investigating here—the method of marketing by open markets or by using the facilities of the trade.

Mr. PERLEY: But not this committee.

Mr. DONNELLY: I want to say this in connection with what is going on. I turn over to page 188 and I notice an excerpt of the evidence of Mr. J. R. Murray. I want to read this for the information of the committee:—

The criticism which has been directed against our operations illustrates what will always be one of the greatest difficulties confronting any government board, namely, satisfying the producer and parliament. Wheat is a commodity subject to the play of constantly changing conditions. In selling wheat the very nature of the problem—when, how much, and at what price to sell—is such that there must always be differences of opinion as to the best course to follow. Any board has to reach decisions and act in the light of facts and possibility as they see them and honest criticism, no matter how severe, need not be a cause of concern to anyone. There is another class of criticism. Some individuals for reasons best known to themselves, make their contribution to our wheat problem in the form of speeches or statements containing what can only be described as false statements. As people will listen to them and believe them, ignoring them simply assists them in killing the operation of the system they profess to uphold. It may be important to assess the probable effect of continued criticism on any future wheat board in their handling of the particular marketing problems that they will have to deal with from time to time.

Then Judge Turgeon says:

It is perhaps impossible to exclude any government appointed body from public criticism; but the fact that the members of such a body will sometimes believe and feel that the criticism to which they are

subjected is unfair, and of a nature to mislead those whom they are trying to serve, is something that will surely militate against the continued efficient performance of their duties. All this is bad for the producer. His interests are best served when politics are dissociated from his business.

Some Hon. MEMBERS: Hear, hear.

Mr. DOUGLAS (*Weyburn*): Let us have the motion.

Mr. CHAIRMAN: I just want to point out that the passing of this term of the further order of reference is to some extent conditional on the passing of the bill. If the bill is not passed to-day, then we do not need this order of reference.

Mr. DOUGLAS (*Weyburn*): Let us get on with it.

Mr. CHAIRMAN: What shall we do? Shall we pass the bill and then go on to the order of reference? Shall we let the motion stand?

Mr. DECHENE: Let us pass the order of reference.

Mr. PERLEY: Let us have a statement as to the order of reference from the minister before we proceed with the bill.

Hon. Mr. MACKINNON: I understand that this discussion is for the purpose of enabling the bill to be reported to-day.

Mr. PERLEY: Yes; that is right.

Hon. Mr. MACKINNON: I further understand, and my attitude to this discussion is that if the bill is not reported to-day, then this committee will adjourn and reconvene after the Easter recess without any further reference.

An Hon. MEMBER: Put the motion.

The CHAIRMAN: I point this out again, that the order of reference to this committee is to deal with Bill No. 13, and the other discussions that came in in connection with it are not strictly tied up with the amendments in the bill which is proposed. By offering this additional opportunity to inquire into it, it has opened the scope to secure information much wider than holding strictly to the bill. I do not want to be placed in the position of passing this order of reference and then not have this bill go through.

Mr. DECHENE: Let us vote on the bill.

Mr. DOUGLAS (*Weyburn*): It is clearly understood that the order of reference will be passed if the bill is passed?

The CHAIRMAN: I will see that the order of reference is passed if the bill is passed.

Mr. PERLEY: We are not agreeing on the order of reference until then?

The CHAIRMAN: Will someone make a motion that the order of reference motion stand and we will proceed to discuss the bill?

Mr. EVANS: I will move that the order of reference motion stand.

Mr. BLAIR: I will second that.

The CHAIRMAN: It is moved by Mr. Evans, seconded by Mr. Blair that the order of reference for continuing the enquiry stands, to be referred to at a later stage of this committee's meeting. All those in favour?

Mr. ROSS (*Souris*): Just a minute. I understood that this whole report from the steering committee was to the effect that we would have a distinct understanding as to the future terms of reference, that it would be brought in for us before we passed this bill. Once we pass the bill, it is understood there is to be a new order of reference?

The CHAIRMAN: I am afraid you are not going to pass the bill. You are not going to get to the bill. If you do not let the bill pass to-day then we do not need a new order of reference at all.

Mr. WARD: The whole thing is washed up.

The CHAIRMAN: If the bill is not passed to-day.

Mr. ROSS (*Souris*): We have a distinct understanding from the minister that we will have a new order of reference based on what you have given us?

Hon. Mr. MACKINNON: Absolutely.

The CHAIRMAN: The order of reference is as I have read it, that the annual report of the Canadian Wheat Board tabled in the House of Commons on Friday, January 23, 1942, together with the annual report of the crop year 1939-40, be referred to the standing committee on agriculture and colonization. There has been no suggestion to alter that in any way that I have heard.

Mr. ROSS: It may involve an alteration. I think it should be up to date. I think it should be broad enough to take in part of this year's operations.

Mr. McNEVIN: There is a motion to have this order of reference stand. I think we should have it passed.

The CHAIRMAN: That is the motion that is made.

Some hon. MEMBERS: Carried.

The CHAIRMAN: All those in favour? Contrary, if any? I declare that the motion with respect to the order of reference standing for the time being is carried.

Then may we proceed with consideration of Bill No. 13.

On section one:

Mr. DOUGLAS: I wonder if the minister will explain to us what will be the relation between this initial selling price of 90 cents and the selling price that has been established, or the ceiling scheme that has been established by the government. If I may amplify what I have in mind; a Toronto paper carried an interview some time ago in which Mr. Donald Gordon said that in spite of the fact that the price had been set at 90 cents he could assure the Canadian public there would be no increase in the cost of bread or flour. Now, that means that if the base price of last fall—September 15th to October 11th—is going to be retained at 77½ and the wheat board are going to pay an initial price of 90 cents, either the miller is going to have to absorb it if the consumer is not going to pay more for flour and bread, or the government proposes to pay a subsidy of the difference between the seventy-seven and a fraction cent price and the ninety cent price. I think we should have some idea as to how this scheme fits in. Is this initial payment to be the actual payment that is received for wheat sold to the domestic consumer, the miller; or, will they buy wheat at the old price and make up the difference some way?

Hon. Mr. MACKINNON: Mr. Chairman, in answer to Mr. Douglas' question: as a member of the wheat subcommittee of the cabinet I have with my colleagues participated in discussions among ourselves and with those responsible for the Wartime Prices and Trade Board's ceiling prices referred to by Mr. Douglas. Now, my understanding is that these discussions are continuing and that they have about reached the point where I can definitely make a statement as to how that particular position will be handled. I have no doubt though that Mr. Gordon's statement to the effect that bread prices will not be affected by this increased initial price to western farmers for wheat is correct—essentially correct.

Mr. DONNELLY: There is no ceiling being placed on wheat?

Hon. Mr. MACKINNON: Not that I know of.

Mr. DOUGLAS: Mr. Chairman, that is a queer statement to make; that there is no ceiling being placed on wheat.

Hon. Mr. MACKINNON: Pardon?

Mr. DOUGLAS: I say, that is a queer statement to make; that there is no ceiling being placed on wheat. If Mr. Gordon's statement is accepted at its

face value the miller will have to be able to buy wheat at the same price at which he bought it in the base period—

The CHAIRMAN: Order, please.

Mr. DOUGLAS: —and actually that will be the ceiling, and the government will have to subsidize the farmer to the extent of the difference between 70 and a fraction cents and the 90 cents; so that the 90 cents will not only be the maximum price but it will even be a subsidized price. Now, while I would like to have had this information before the bill passed, if that is the principle, that the government proposes to subsidize the difference between the basic price and the initial price, it means first that there cannot possibly be any extra payment going back to the participation certificate; the second thing it means is that we are taking from the Dominion Treasury some 12 and a fraction cents per bushel in order to give cheap wheat to the millers. Now, I am not going to go back over what has been gone over in the house but I think it has been shown again and again that the millers have paid more for their wheat than they are paying now; that they have paid even more than 90 cents and have still sold flour for even less than they are selling it at now; and they can afford to pay a much higher figure for wheat than they are paying now, and if the government are going to subsidize them and give them wheat at 77 and a fraction cents a bushel and then make up the difference between what they pay the farmer and the initial price, what they are really doing is subsidizing the milling industry out of the treasury department and giving them ridiculously cheap wheat.

Hon. Mr. MACKINNON: I do not think Mr. Douglas is correct in his assumption, because as I said certainly no decision has been arrived at yet, and there is a considerable body of public opinion to the effect that the very closest investigation should be made as to whether there is any necessity for the millers to buy cheaper than 90 cents.

Mr. DOUGLAS: I submit it should be possible to peg the price on the exchange at 90 cents, just as it was pegged before at 70 cents; and that they could buy as they have bought in the past, and a lot of them absorbed the difference. I can hardly believe the government are going to do it. When they took off the—what was the payment—yes, the processing levy—they took that off, and if they felt they could not charge the processing levy they certainly would feel that they could not carry the 90 cents.

Mr. WARD: Mr. Chairman, I read the same statement or article as did Mr. Douglas, the one to which he referred, and I wanted to point out that in it was stated that if the price of wheat rose as much as 52 cents per bushel—that it could rise as much as 52 cents per bushel before it would affect the price of a pound loaf by one cent; so I think it was just answering that very question which you have brought up.

Hon. Mr. MACKINNON: Yes.

Mr. DOUGLAS: I would like to point this out—I agree with what Mr. Ward said that you can raise the price 52 cents a bushel before it would raise the cost of a loaf of bread as much as one cent—however, I do not think the government quite agree or they would not have taken off the processing tax. On the same basis it is not likely that they will allow another 12 and a fraction cents on a bushel of wheat without some adjustment if they are going to insist on selling bread at the same price.

Hon. Mr. MACKINNON: I do not want to go into this unnecessarily, but may I just draw to the attention of the committee and Mr. Douglas the changes that have been made in the regulations affecting the wrapping and delivery and the packaging of flour; and the wrapping and delivery of bread and so forth.

Mr. DOUGLAS: Yes.

Hon. Mr. MACKINNON: I think that all has a bearing.

Mr. DOUGLAS: On the price of bread, not on flour.

Hon. Mr. MACKINNON: Yes, on the package method of distribution of flour.

Mr. DOUGLAS: Yes.

Hon. Mr. MACKINNON: On the flour packages in which it is put up for sale, and other matters of that kind; that will all have an effect on the price of flour.

Mr. FAIR: Might I ask the minister if in his opinion 90 cents a bushel is sufficient to guarantee the farmer his cost of production?

Hon. Mr. MACKINNON: Mr. Chairman, I cannot answer that question. I think it is quite safe and in order for me to say that I think 90 cents is all that can be paid at the present time as an initial payment on the price of wheat.

The CHAIRMAN: On section 3.

Mr. FAIR: As to the 90 cents, we all agree that it is better than 70 cents; but it seems to me, judging by what the Minister of Agriculture said in the house the other day, that the farmer is not getting nearly the cost of production yet. He said that under present conditions that this was the very best that could be done if we are going to carry on our war effort. I still contend, as I have been in the past, that there is no reason why the farmer should be penalized and others get cheap bread while they are still compelled to produce wheat far below the cost of production. At the present time I favour 90 cents as being better than 70 cents; but if it were within my power to move an amendment—but, of course, not being a minister of the Crown, I cannot—I would certainly move an amendment that the price be put up to at least \$1.00 a bushel initial with the view later of bringing it up to a parity price. That is my stand here. I want to make that clear. I don't want to vote against the 90 cent price; because, as I said before, it is better than 70 cents; but I am certainly not satisfied with 90 cent wheat.

Mr. Ross (*Souris*): Mr. Chairman, in section 1; on what basis would quotas be established for delivery—the same as last year?

Hon. Mr. MACKINNON: Mr. Chairman, on this matter of quotas, may I just refer briefly to the statement that was made by Mr. Perley: this is a matter which was very much more to the front in 1940 than it was in 1941 on account of the nature of the crop; and for that very reason the wheat board cannot tell what the quota system will be until they see the amount of wheat sown, the nature of the season, the nature of the growth and the prospects of the crop.

Mr. Ross (*Souris*): But you have been following a certain system in working out these quotas for each crop?

Hon. Mr. MACKINNON: For each crop, yes.

Mr. Ross (*Souris*): Could you give us an idea of the system followed so that the farmer himself might be able to have some idea as to what is going to be possible?

Hon. Mr. MACKINNON: I am advised by the chairman of the board that it would be impossible to do that until they have more facts.

Mr. DOUGLAS: Mr. Chairman, could I ask the minister just this question? Would it be possible to arrange to have regulations restricting deliveries brought down in the house, or in the hands of members, say at the time his estimates on the Canadian Wheat Board are being discussed? I think some opportunity should be given to us to see these regulations, not merely have them printed in the press the last week of July. I think we had an opportunity last year of discussing them in the house. I think it gives members a better understanding of them and it also gives the minister the reaction of the members from different parts of Canada.

The CHAIRMAN: May I just interject here: the matters Mr. Douglas raises, and also Mr. Ross, I think are pertinent matters which would be right within the scope of our reference as we continue in this committee. The amended order of reference which has been proposed when it is before us will afford us ample opportunity of dealing with all these various matters.

Hon. Mr. MACKINNON: I can give a direct answer to the question asked by Mr. Douglas. If he will look at Order in Council P.C. 1802 I think the information is all set out there.

Mr. Ross (*Souris*): The farmers will not have any idea of what system they are going to make deliveries of wheat on, and they would like to know the system on which they are going to be able to make deliveries. I am operating a farm; last year the basis was 65 per cent of original acreage allowance. If I find that I am going to be able to produce 20 bushels to the acre I would reduce my acreage, and do it early. I am merely asking that so that the farmer can be given some idea as to what his commitments will be. Could that be indicated to us, approximately?

The CHAIRMAN: There, again, I suppose the figure depends on the crop and conditions and cannot be fully determined until the 1st of September next. If they knew what the several factors involved were going to be they could probably give you some information on it now; but as matters stand I do not think they could do it now, nor do I think you or anybody else could.

Mr. Ross (*Souris*): We were given some information last year.

Mr. WRIGHT: I think the minister or the board should make some announcement—it might only be on the same basis as last year, providing for a crop that is not over 280,000,000 bushels.

The CHAIRMAN: Perhaps Mr. McIvor could give us a word on that point.

Mr. McIVOR: If the members will recall, the minister referred to that in his statement. There is no desire on the part of the board to change the system in so far as this basic acreage is concerned. There is some question as to how the quotas will be fixed, and that depends largely on the character of the crop. I would like to assure this committee that we will give that information to the farmers just as soon as we possibly can.

Mr. DOUGLAS: Going back to the point raised by Mr. Wright: in the event of there being a smaller crop than 280,000,000 bushels, does the government propose to take all the wheat irrespective of quotas as it did last year?

Mr. McIVOR: Our instructions are to take up to 280,000,000 bushels.

Mr. DOUGLAS: Irrespective of quotas that may be set?

Mr. McIVOR: Yes.

Mr. PERLEY: I think it is evident that we may expect some further orders in council and rules and regulations—conditions may develop.

Hon. Mr. MACKINNON: Yes.

Mr. PERLEY: The board would have to do that. I am quite willing to put it that way. Now, coming to this subsection (i) I just want to ask the minister with respect to "mills"; if the word "mills" inserted there—what was the idea of inserting "mills"? They had no elevators, and they had mills. That may be a matter for Mr. McIvor to deal with. Perhaps he could give us an answer to that. Could he indicate to the committee if the mills are stocked up, or will they be permitted to stock up with flour or wheat at the present basic price of the 31st of July? Will the board permit the mills, in maybe some of their large storage bins, to stock up wheat at the present price and carry it three or four months before milling—before the new crop comes in. I think it would be a great advantage if they were allowed to do it. I do not think they should be.

Mr. McIVOR: Mr. Chairman, regarding the first part of Mr. Perley's question; the word "mills" was just put in to clarify the position. There was some

doubt as to whether a mill-elevator was a mill, or a mill was a mill-elevator; and it is merely put in there to clarify certain situations which arise. We had that argument last year.

The second part of his question, as to the mills stocking up, must be linked necessarily with Mr. Donnelly's point, as to the question of what price the mills will have to pay for wheat this coming year; and until such time as the position is clarified I do not think I can answer your question as to what the board will or will not do.

Mr. PERLEY: It is quite possible, I know, for them to fill their space with wheat at the present time, with sufficient to carry them over for a long period of time.

Mr. McIVOR: I think, Mr. Chairman, that we will do our best to protect the interests of the board and the country in regard to the mills or anyone else.

The CHAIRMAN: That situation would not affect the change in this amendment, would it?

Mr. McIVOR: No, it has nothing to do with the amendment at all.

Mr. DONNELLY: Was not this amendment put in here to prevent the mills from taking wheat and mixing it; or, taking it out and shipping it again?

Mr. McIVOR: No.

Mr. DONNELLY: Is not that the section it comes under?

The WITNESS: No, Mr. Donnelly, that was put in; you see, it says: "To regulate deliveries of all kinds of grain of producers to country elevators, loading platforms, mills, mill elevators." Now, then, the question was raised last year as to the legal right of the board to regulate deliveries to a mill and our answer was that you were operating a mill elevator. They said, "We are not operating a mill elevator, we are operating a mill." So there would be no doubt about it the word "mill" was put in the act.

By Mr. Perley:

Q. Mr. McIvor, can you give us some information as to how the mills secure their wheat to grind and fill export orders of flour at the present time? A mill may not have sufficient wheat say to grind to fill their order. How do they get the wheat, from the board; how do they get it to fill the export order of flour?—
A. I would be very glad to explain that situation to you, but I cannot do it in fifteen minutes. If you want to raise that point when we meet again I shall be very pleased to answer it.

The CHAIRMAN: We are at section 1 (e).

Mr. LEADER: Since you are on (e) I just wish to voice my objection, as I have done on previous occasions, in regard to the 90 cents that it is proposed to be paid for No. 1 Northern at Fort William. I do so because I feel in my own mind that a price of \$1 should have been inserted in this bill; therefore I am taking this method of voicing my disapproval by moving an amendment which would delete the word "90" in section 1, line 13, and substitute the word "\$1". I move that as an amendment.

The CHAIRMAN: I point out to the committee—

Mr. McCUAIG: That motion would be out of order because it involves quite an expenditure of money.

The CHAIRMAN: I think I shall have to rule that way.

Hon. Mr. MacKINNON: You have accomplished your purpose anyhow.

The CHAIRMAN: Shall subsection (e) of section 1 carry?

Carried.

On section (i):

Carried.

On section 2:

Carried.

Shall the title carry?

Carried.

Shall the preamble carry?

Carried.

Shall I report the bill?

Mr. DOUGLAS (*Weyburn*): Before you report the bill may I say this? Once you report the bill we are all through. Before you report the bill I would move that the bill stand and we come back to the terms of reference.

Mr. ROSS (*Souris*): I second that.

The CHAIRMAN: You have the undertaking of the minister anyway. Mr. Douglas moves we reintroduce the motion providing for a further order of reference. Dr. Donnelly's motion is before the committee. Are you ready for the question?

Mr. DOUGLAS (*Weyburn*): Is it understood that the terms of reference are now worded so that they cover the operations of the Wheat Board up to the end of the calendar year 1941?

The CHAIRMAN: The terms of reference as I have them before me do not. Nobody submitted any wording to change that. If the minister wants to go so far as to say that he is prepared to agree to that, all right.

Mr. ROSS (*Souris*): I would move that the terms of reference be amended to read, "the first six months of the 1941 crop."

Hon. Mr. MACKINNON: Is there not such a thing as good faith any longer? The chairman of the Wheat Board has stated that he would be prepared to answer questions without any strict reckoning to any cut-off date as long as in his opinion he feels it is in the best interest of Canada generally and the operations of the Wheat Board to do so.

By Mr. Perley:

Q. May I ask Mr. McIvor a question with respect to the breakdown of brokerages that have been paid, brokerage fees paid up to date. Would that not be relevant under this order?—A. Mr. Chairman, with regard to the question of the breakdown of brokerages, if you have the breakdown of brokerages you have the same kind of breakdown if you make it up to July 31, 1941, as you would if you make it to December 31, 1941. I just want to repeat again, as far as I am concerned, and I am sure my colleagues will agree with me in this, we would rather a thousand times over have the information put before this committee, such information as in our judgment we think should be given to the committee, brought up to the 31st December, 1941, than have any member of the committee consider that we were holding anything back. I think that is clear; but I also want to couple with that that if you insist on the information being brought up to the 31st December, 1941, it means a good deal of work; it means that the board has to turn accountants over to it, stop doing the work they are doing on certain books and turn accountants into the task of getting the information up to the 31st December. The information that is given up to July 31, 1941, is very clear, I think. Some of the members think it is not complete now; but we have all our working papers up to July 31, 1941, and if the members want these figures broken down, if they tell us ahead of time what they want we will have Mr. Findlay brought down here to give that information; but there is no use having Mr. Findlay brought down with the books in Winnipeg and then be asked questions which it is impossible for him to answer when he is here. That is a needless expense.

I am absolutely in the hands of the committee. I put the question before you as clearly as I know how, and we are quite prepared to be guided by the committee with regard to the bringing of it up to date. I would suggest to your committee, though, that if you insist on the information being brought up to date you will have to accept the responsibility and it may be a serious one. That is all I have to say.

Mr. DONNELLY: I should like to ask one question.

Mr. ROSS (*Souris*): My amendment reads December 31, 1941.

Mr. DONNELLY: Mr. Perley has referred to the brokerage charges made, and there has been a lot said about the hedging question. I should like to ask Mr. McIvor to bring down a detailed statement up to the 31st of July, 1941, of all the brokerage charges paid and also the hedging operations and give us what it has cost you to carry wheat by the hedging operations and what it would cost you if you had done it under the ordinary method, by what Mr. Hanson said were storage charges, so that the committee may be in a position to judge whether it has been more profitable to carry wheat by hedging operations or whether it would have been more profitable to carry it by the ordinary storage method as Mr. Hanson suggested.

The CHAIRMAN: May I submit to the committee we are dealing with the terms of this order of reference.

Mr. McNEVIN: I want to say a further word on the point Mr. Perley has brought out, also Mr. Ross, in wanting this reference to read up to 31st December last. The main points in the conduct of the Wheat Board operations do not materially change from year to year, therefore if this reference takes us up to the end of the Wheat Board year it will serve our purpose. With regard to next year, as I said previously, we can carry on from there.

The CHAIRMAN: The amendment is before the committee.

Mr. PERLEY: I should like to speak to the amendment and I should like to make one observation. My whole purpose in trying to get this information is to see whether there can be some system evolved to make a saving. It is costing us \$60 millions to carry the crop of wheat this year, according to the minister's statement. I thought if we could evolve some way of saving storage charges or brokerage charges or whatever you like to call it, we would be doing a service to the country. However, if Mr. McIvor is not willing to give us a breakdown of these charges it would not be of any value to me.

Mr. McIVOR: Mr. Chairman, I object to Mr. Perley's statement. I never at any time said that we were not willing to give you further information.

Mr. PERLEY: Up to date.

Mr. McIVOR: I am going to ask that that statement be withdrawn.

Mr. PERLEY: If the committee is not willing to ask you to do that.

Mr. McIVOR: You said I was not willing.

Some Hon. MEMBERS: Withdraw.

Mr. PERLEY: I said that the committee is not anxious to get information of that character up to date.

Mr. GOLDING: That statement should be withdrawn too.

The CHAIRMAN: I think the committee is just as desirous of getting all the information that it can secure with regard to the actual operations and the details of operating the wheat board as any person. I mean the committee as a whole is anxious to get that. The whole question comes down to the method of procedure. That may be altered from time to time but we have to have a limit to the extent to which the committee is going to go in looking for this information. I do not believe this committee will itself want to be here all summer going through a full inquiry into the grain trade in order to answer

certain questions which have been asked. If we can get the explanations, and get the answers to the questions then I am sure the committee will be pretty well satisfied.

Mr. GOLDING: I think that statement, or that inference, that Mr. Perley has drawn that the committee is not anxious to get information should be withdrawn.

Mr. PERLEY: See how the vote goes.

Mr. GOLDING: I think it should be withdrawn.

Mr. DONNELLY: I agree with what Mr. Golding says. As a member of this committee I am quite anxious to get all the information that can be obtained; but I am not willing that the operations of the wheat board should in any way be prejudiced or that their operations should in any way be hurt or interfered with. I want all the information that I can get otherwise.

Mr. PERLEY: Everybody wants that.

Mr. DONNELLY: I resent statements of that kind, that I do not want information.

Mr. DOUGLAS (*Weyburn*): The chief commissioner has said it will not prejudice the board. I understood him to say it will not prejudice the operations of the board to give information up to the end of the calendar year, therefore no one is doing anything to prejudice the operations of the wheat board.

Mr. GOLDING: I still say in all fairness that Mr. Perley should withdraw that insinuation.

Mr. PERLEY: You had better name me.

Mr. GOLDING: Mr. Perley is an old member of parliament and should not make a statement of that kind. Are you withdrawing it?

Mr. ROSS (*Souris*): You have heard other members make false statements and they have not withdrawn them yet.

Some Hon. MEMBERS: Who?

Mr. ROSS (*Souris*): Mr. Ward.

The CHAIRMAN: This is all going down in the record.

Mr. McNEVIN: I want to find out everything that is possible as a member of this committee with regard to the wheat board but I am not prepared to interfere with or hamper the work of the directors of the wheat board; therefore I am willing to wait for these details until the conclusion of next year's business. That is all.

The CHAIRMAN: This proposed order of reference, may I say, was copied from the order of reference that is made in connection with the Canadian National Railways as a means of officially placing this matter before the committee so that it might be further considered at another time. Now, the motion is before the committee (read motion).

Mr. FAIR: Before this vote is taken may I say I am satisfied to have the information up to the end of December, 1941, if it will not in any way hurt the operations of the wheat board.

Mr. CHAIRMAN: You will have to take that responsibility.

Mr. McIVOR: Mr. Chairman, I just want to say again what I said before, that we have no objection to giving the information to the 31st of December, 1941. It won't harm the position of the wheat board; it will make a great deal of work for the board because in regard to the July 31 position we have all the working papers, with regard to the December 31 position it means getting a lot of our accountants to go over the books and bring these matters up to date. We are just exactly in the same position as any other corporation, our books are operated from the 1st of August to the 1st of August, and that is the position, and I am putting it up to you.

The CHAIRMAN: The question is on the amendment.

On a standing vote the amendment was lost.

The CHAIRMAN: I declare the amendment lost.

Mr. PERLEY: Mr. Chairman, I would like to have a recorded voted on this matter.

Mr. DECHENE: I think if we had no record at all we would get on better.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, this committee was protesting a few moments ago that it wanted a full investigation. The vote should be put on paper.

The CHAIRMAN: Very well. All those in favour of the amendment indicate by answering to the roll.

Upon division the amendment was lost.

Mr. PERLEY: Does the minister vote on this?

Hon. Mr. MACKINNON: I am not a member of the committee.

The CHAIRMAN: The vote is now on the main motion.

Mr. DOUGLAS (*Weyburn*): That means that the investigation should be restricted purely to the 1938-39 crop and the 1939-40 crop. All I want to point out is that a few moments ago when we were asked that this should be understood, the Minister of Trade and Commerce said there was no faith in people's promises. As a matter of fact, what we have done is the best proof that we should have something definite and understood. The minister indicated he was willing to have this matter investigated, and the wheat board commissioner is willing, and the committee have restricted—

Mr. McNEVIN: This is entirely out of order.

Mr. DOUGLAS (*Weyburn*): I am speaking to the terms of the reference, and the terms of the reference specify what can be discussed. I protest that when the question was raised in the house the minister stated that we would have a full investigation, and neither of the government spokesmen here took any exception to extending the terms of the reference. I maintain that this committee itself is restricting its own terms of reference, and it is not going to make a very effective investigation.

The CHAIRMAN: The committee has done it.

Hon. Mr. GARDINER: Mr. Chairman, as one who voted to restrict, I want to make the matter perfectly clear as I understood it and as every member of this committee understood it. The minister has no objection whatsoever, and I do not think any member of the government has, to the most thorough investigation possible being made into the handling of wheat by the wheat board or by any other persons who are handling wheat in Canada. I do not think that parliament or the wheat board has any objection to the very fullest possible investigation being conducted into all the operations in connection with grain in Canada. But the chairman of the wheat board has indicated to this committee, as has the minister, that there is a fully audited account down to the 31st day of July that covers all the activities of the wheat board down to that date and that that is available to everyone and available to this committee and can be made the basis of any investigation. The chairman has already indicated that there will not be another fully audited account until the 31st of July next which can also be brought before the agriculture committee at the next meeting of the house, if necessary, and can be gone into; but if this committee were to direct now that the investigation be extended down to the 31st day of December that means the putting of auditors on the accounts of the wheat board and making a special audit down to the 31st day of December, not to the 31st day of July, to cover the whole year, and that would merely be, in so far as concerns those of us who understand the operations of the wheat board and any changes

that have made in it since the 31st of July, a useless expenditure of money when money is very valuable. Putting auditors onto accounts now and making a special audit to the 31st of December is not necessary. The chairman of the board has already said that if any questions are asked in this committee which can be answered with the information available covering that period, even beyond the 31st of July, he is willing to give the information after the Easter recess. There is going to be no restriction whatsoever. The only thing the vote meant was that this committee is not prepared to put the government to the expense of making a special audit of the accounts between the 31st of July and the 31st of December which so far as I know means nothing at all in connection with this investigation; and we so vote.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, the interpretation of the amendment by the Minister of Agriculture is largely drawn from his own imagination rather than from the words of the amendment which says that the committee shall have power to inquire into the operations of the wheat board up to and including the 31st of December, 1941. It does not necessarily put the government to the expense of making an audit. The committee would have an audit of the books up to the 31st of December for any particular matter into which this committee decided to inquire, but the amendment only gives this committee power to inquire and does not say that the committee would require an audit of all the books up to the 31st of December.

Mr. ROSS (*Souris*): Is there no internal audit during the year?

Mr. McIVOR: Yes there is, but I want to put this to the committee, arising out of a remark made by Mr. Perley. He said: You have filed with the minister—as I recall his remark—weekly audit reports. As far as I am concerned you can have all the audit reports up to the 31st of December if the government feel they should be available to you, but I know this that the minute Mr. Perley gets that report he is going to say that that is insufficient and he wants an explanation of that figure and an explanation of the next figure, and it means turning the auditors into the board's books to get all of this information. I want to make it clear that we are not hiding anything, but I want to put the responsibility for this with the committee. That is where the responsibility should be; not with me.

The CHAIRMAN: Gentlemen, I simply point out again that the committee is getting much more through this procedure than they would have got if they had dealt with the reference that was made to it by the house; this is much more far-reaching than dealing with the bill. Now, I will call for the vote on the motion.

On division the motion was carried.

The CHAIRMAN: Shall I report the bill? Carried.

The Committee adjourned at 1 o'clock p.m. to meet at the call of the chair.

(This concludes the evidence taken on Bill No. 13, An Act to amend The Canadian Wheat Board Act, 1935.)

