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Canada. Parliament. House of  
Commons. Special Comm.on the  
Marketing of Wheat and Other  
Grains under Guarantee of the  
Dominion Government.

Minutes of proceedings and  
evidence.

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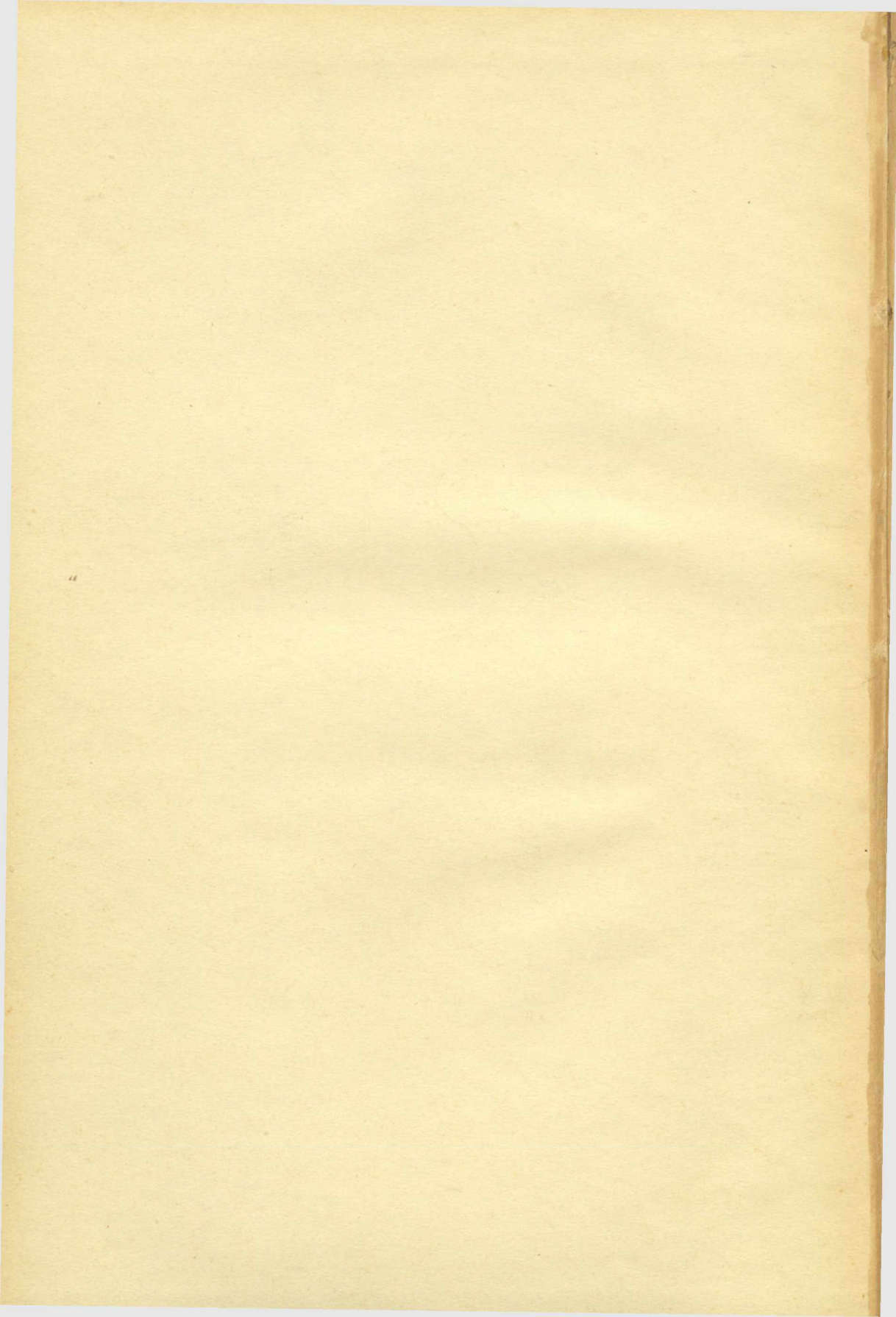
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SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

**MARKETING OF WHEAT AND OTHER GRAINS**

UNDER GUARANTEE OF THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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TUESDAY, MARCH 24, 1936

TUESDAY, APRIL 21, 1936

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WITNESS:

Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange

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EXHIBITS:

1. Winnipeg Grain Exchange Constitution and By-Laws
2. Winnipeg Grain Exchange List of Members

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1936

MEMBERS OF THE COMMITTEE

Hon. W. D. EULER, *Chairman*

Barry, J. P.	Leader, H.
Beaubier, D. W.	MacKinnon, J. A. ( <i>Edmonton West</i> )
Bennett, Rt. Hon. R. B.	MacMillan, J. A. ( <i>Mackenzie</i> )
Coldwell, J. W.	McLean, M. ( <i>Melfort</i> )
Crerar, Hon. T. A.	McNiven, D. A. ( <i>Regina City</i> )
Deachman, R. J.	Perley, E. E. ( <i>Qu'Appelle</i> )
Donnelly, T. F.	Pottier, V. J.
Fair, R.	Ross, J. G. ( <i>Moose Jaw</i> )
Gardiner, Hon. J. G.	Senn, M. C.
Gariepy, W.	Sylvestre, A.
Jacobs, S. W.	Winkler, H. W.

JOHN T. DUN,  
*Clerk of the Committee.*



## ORDERS OF REFERENCE

HOUSE OF COMMONS,

WEDNESDAY, March 18, 1936.

*Resolved*,—That a Special Committee consisting of Messrs. Barry, Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Hamilton, Jacobs, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Pottier, Ross (*Moose Jaw*), Senn, Sylvestre, Winkler, be appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government and upon all matters pertaining thereto, that Rule 65 be suspended in relation thereto; and that the Committee have power to call for persons, papers and records, to examine witnesses for evidence, to print such papers and evidence from day to day, as may be ordered by the Committee for the use of the Committee and members of the House, and to report from time to time.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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TUESDAY, March 24, 1936.

*Ordered*,—That the quorum of the said Committee be reduced from 12 to 9 members.

*Ordered*,—That the Committee be empowered to employ counsel and auditors.

*Ordered*,—That the Committee be empowered to sit while the House is sitting.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

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THURSDAY, April 2, 1936.

*Ordered*,—That the name of Mr. Gardiner be substituted for that of Mr. Hamilton on the said Committee.

Attest.

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## REPORTS TO THE HOUSE

## FIRST REPORT

TUESDAY, March 24, 1936.

Your Committee recommends,—

1. That the quorum of the Committee be reduced from 12 to 9 members;
2. That the Committee be empowered to employ counsel and auditors;
3. That the Committee be empowered to sit while the House is sitting.

All of which is respectfully submitted.

W. D. EULER,  
*Chairman.*

## MINUTES OF PROCEEDINGS

TUESDAY, March 24, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 11.30 a.m.

*Members present:* Messrs. Beaubier, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

On motion of Mr. McNiven (*Regina City*), Hon. Mr. Euler was elected Chairman.

The Order of Reference was read.

On motion of Mr. Ross (*Moose Jaw*),

*Resolved*,—That 500 English and 200 French copies of the evidence to be taken be printed from day to day.

On motion of Mr. MacKinnon (*Edmonton West*),

*Resolved*,—That permission be sought to reduce the quorum from 12 to 9 members.

On motion of Mr. Donnelly,

*Resolved*,—That permission be sought to engage counsel and auditors.

On motion of Mr. McLean (*Melfort*),

*Resolved*,—That permission be sought to sit while the House is sitting.

On motion of Mr. Gariépy,

*Resolved*,—That the Chairman appoint a sub-committee of five members to determine the scope of the inquiry and the witnesses to be called.

On motion of Mr. MacMillan (*Mackenzie*),

*Resolved*,—That, if procurable, a copy be supplied to each member of the Committee of,—

1. The evidence taken in 1935 by the Special Committee of the House of Commons on Bill 98, An Act to provide for the Constitution and Powers of the Canadian Grain Board.
2. Chapter 53 of the Statutes of Canada, 1935, An Act to provide for the Constitution and Powers of the Canadian Wheat Board.

The Committee adjourned, to meet at the call of the Chair.

TUESDAY, April 21, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 11.00 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Barry, Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Gardiner, Leader, McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn.

The minutes of proceedings of the previous meeting were read and approved.

The Chairman, having been authorized at the previous meeting to appoint a sub-committee to determine the scope of the inquiry and the witnesses to be called, stated that Messrs. Bennett, Crerar, Donnelly, Ross and Coldwell had been appointed members of such sub-committee. He announced that the sub-committee had met, and he outlined the consequent course of action that had been decided upon.

Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange, was called and sworn. He read a statement explanatory of grain marketing, and filed,—

*Exhibit 1*—Winnipeg Grain Exchange Constitution and By-Laws;

*Exhibit 2*—Winnipeg Grain Exchange List of Members.

After being questioned, Mr. Darby retired.

The Committee adjourned until Wednesday, April 22, at 3.30 p.m.

JOHN T. DUN,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 21, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government, met at eleven o'clock, Hon. Mr. Euler presiding.

The CHAIRMAN: Gentlemen, will you please come to order. We have a quorum, and I would ask the secretary to read the minutes of the last meeting.

Minutes read and approved.

The CHAIRMAN: At the organization meeting which was held on March 24, the Chairman was given authority to appoint what we might call a steering committee. I therefore named Messrs. Bennett, Crerar, Donnelly, Ross, and Coldwell to act on that committee. The sub-committee held a meeting and decided to recommend a certain course of action, the action being to investigate and clear up certain references that were made in the house with regard to the operations of the present wheat board. In the second place, which is perhaps the most important thing, to make a thorough survey of the whole wheat situation and how it may best be dealt with. The disposal of wheat is not only a very vital western problem, it affects the whole economic life of the Dominion of Canada. I need not emphasize, when I say that we should have a thorough survey of the whole situation, that in order that it shall have its greatest value, the members should refrain from any manifestation of partisanship, and should approach the question with the one thought of serving the public interest. Perhaps I should apologize for saying that, because it should be taken for granted.

The sub-committee recommends the following course of procedure; first, in order that the members of the committee shall have a complete, or at least a fairly complete, background of the work of receiving and selling wheat so that we may intelligently discuss all matters in connection with the work with which the committee is entrusted, a qualified representative of the Winnipeg Grain Exchange should be here to explain the operation of the exchange and the function thereof, and in a general way to explain the mechanics of that institution. For that purpose we have here to-day Mr. Darby, the secretary of the exchange.

Secondly, we propose to recommend that the same procedure be followed with regard to the clearing house at Winnipeg, and for that purpose, Mr. Fowler, the manager of the clearing house, is with us to-day. If we have time this morning we propose to call Mr. Murray, the chairman of the wheat board, to make a statement, after which the meeting will be open for questions and examination, and whatever the committee may decide to do. The representative of the Winnipeg Grain Exchange and the representative of the clearing house will give a description of the workings of these two organizations, but members are not precluded from asking questions: The questions should be questions that will clear up in the members minds the functions of these two bodies, and they should be restricted as far as possible. The whole purpose is for the members to get a clear understanding of the functions of these two bodies. If it is satisfactory to the committee, I would suggest that Mr. Darby be called to give his statement. Is it the wish of the committee that witnesses be sworn?

Rt. Hon. Mr. BENNETT: I think so, Mr. Chairman.

A. E. DARBY, called and sworn.

Mr. Chairman, the Winnipeg Grain Exchange has been requested by the committee to present a description of the established machinery of grain marketing. There is already a voluminous literature of a descriptive character, consisting of the evidence given to and the findings of a number of royal commissions, in particular those presided over by Mr. Justice Turgeon in 1923 and Sir Josiah Stamp in 1931. In addition, the proceedings of the World's Grain Conference at Regina in 1933, and the evidence given from time to time, and as recently as last June, to committees of the House of Commons, are available. It will now be advisable, therefore, simply to summarize what is already so extensively recorded.

The machinery of grain handling and trading falls naturally into three or four main divisions. These comprise the collection of grain at country points and its transference to central storage elevators; its storage and shipment in bulk to seaboard; the machinery by means of which it passes into export channels; and, finally, the facilities provided by the Winnipeg Grain Exchange which facilitates the working of this machinery to the greatest advantage of and at the lowest possible cost to the producers and all concerned.

The distinctive feature of the machinery of grain handling as developed on the North American continent is that the grain is handled in bulk. The grower is not required to place it in bags or containers. It is received in a building designed and equipped to handle, weigh, store and ship grain in bulk, and that method is followed throughout the whole process of transportation from the farm to the overseas market.

Dealing first with the collection of grain at country points and its transference to interior and terminal storage elevators, this is done chiefly by the system of country elevators and to a more limited extent by commission merchants and track buyers handling farmers' grain loaded over the platform.

The primary function of a country elevator is that of buying the farmer's grain. Its operator is ready at all times to buy grain direct from any farmer who desires to sell. The elevator is built by a grain buyer to enable him to weigh, handle and ship the grain purchased by him. It is in a real sense a primary grain market. The operator and the farmer agree upon the grade of the grain and the percentage of its weight to be allowed for seeds and waste. The farmer receives a cash ticket in the form prescribed by statute which shows the gross and net weights, grade and dockage and the total amount of money due. He presents this ticket to the buyer's paying agent (banker or merchant) and receives the money.

Such a local market is a great advantage to farmers. It is always active and available while there is grain for sale. There is no day in the year in which the farmer cannot sell his grain and get his money. The farmer is, or can be, well acquainted with the standard grades of grain, and is, or can be, fully apprized of the prices of these grades by means of the press, the telephone, the telegraph or the radio. He knows the railway freight rate from his shipping point to the terminal elevators at Fort William and the tariff of charges in country elevators. He can appeal to the government inspection department on grade and dockage and he can watch the weighing of his grain. If he does not choose to sell he can store and get an advance from the grain dealer on his stored grain. For no other farm produce is there such a market as this available, and keen competition prevails throughout the primary grain market.

The second function of a country elevator is that of public warehousing. If its price and terms do not satisfy the farmer, if direct shipping appeals to him instead of selling to the grain buyer, the elevator facilities for weighing, storing and shipping are at his disposal as long as there is space available, and without discrimination. The elevator offers him alternative methods of warehousing. He may store according to the grade agreed upon between himself and the operator. He may store subject to inspector's grade and dockage; or he may store his grain in special or separate bins.

[Mr. A. E. Darby.]

The elevator is built on a railway siding and partakes, necessarily, of the character of a public warehouse. Grain is the staple product of western Canada and elevators are necessary to its movement. Elevators are required by law to be licensed before doing a public warehouse business and in this respect their operations are closely regulated by the State through the Board of Grain Commissioners.

It is important to notice that in performing its main functions of buying and warehousing an elevator renders various services to the farmer which are of great value. It is an efficient transportation machine. The operator acts as a bank of credit agency in giving advances upon stored grain. He will take steps to save the grain if it shows signs of going out of condition and assist the farmer by loading out the car, while the storage receipt or ticket relieves the farmer of the risk of loss in transit, being redeemable in grain of like grade and quantity at the terminal elevator.

As already stated, country elevator operators buy from those who wish to sell, and advance money to those who wish to hold the grain in store, and for these purposes they need to have large sums of money at their disposal. While elevator companies have working capital of their own, in the main they borrow the required money from the banks, and do so by arranging lines of credit, running usually from the first of August in one year to the first of August in the next year. The country elevator company pays cash to the farmer, and is paid cash when it sells to the miller, the terminal dealer, the shipper or the exporter. The money paid to the grower returns to the bank again within a few days, and the money paid to the country elevator company keeps its credit revolving.

The elevator company must give security to the bank for the loan, and the main part of this security is the grain itself. It assigns to the bank its purchased grain in the elevators, gives the grain paper—bills of lading, terminal warehouse receipts, etc.—to the bank, and the grain is good security because it can be sold for future delivery. One of the conditions of the loan is that the company shall hedge its cash grain purchases; that is to say, that as it buys from the farmer from day to day it shall sell an equivalent amount for future delivery.

It is not commonly appreciated that money, mainly in the form of bank credit, is as necessary as all the other machinery described, for the movement of the huge Canadian grain crops into consumption.

In addressing the World's Grain Conference on this subject at Regina, Mr. R. A. Rumsey, of the Canadian Bank of Commerce, said:

In one recent year, 1928, when the crops of western Canada were abnormally large, it was estimated that full 200 million dollars was required from the banks for the production and marketing of grains, this amount being at least 50 million dollars higher than was necessary in the preceding year. Since then smaller crops and lower prices have automatically reduced the financial needs of crop production and movement, but the initial requirements for a year like 1932 may conservatively be set at 75 million dollars, with the possibility ever present that a greater fund may be necessary, and if so, that it must be created in short order. Any delay in payment to the growers or in bringing the crops to the market would damage the whole economic organization of the country, in one way by retarding the flow of money through the many channels to which it is diverted after it is launched by the farmer, and in another, by curtailing the supply just at a time when shipping conditions are favourable and importing countries are in the mood to purchase heavily.

Under normal conditions, and with proper safeguards, the terms of the credit would require that the value of the assigned or hypothecated grain in country elevators and that covered by documents (bills of lading, warehouse receipts and certificates) would provide a margin of, say, 15 per cent over the loans. Owing to the sharp fluctuations that occur

in the market values of grains, this margin is unusually small, and it is possible for a bank to grant this distinctly favourable term solely because it requires the company to hedge its grain holdings, and incidentally protect itself against these fluctuations. I am sure it is unnecessary for me to describe in detail the hedging system, and that it will suffice to say that it enables a grain company to sell immediately for future delivery at a fixed price the grain it buys from a farmer on the track. The market for the purchase and sale of grain under contracts for delivery at future dates—in other words, hedging transactions—is on the Winnipeg Grain Exchange, and this is one of the most important functions performed by that body. The existence of a “futures” market not only serves to enable a grain company to borrow on a small margin of security, but is actually one of the foundations of the whole system under which a farmer is able to take his grain to a track elevator and obtain cash therefore at a price immediately in line with its market value. In view of the lengthy period which must elapse from the time the grain leaves the farm until it reaches the ultimate market, it is obvious that unless there were some machinery which would enable the dealer to protect himself against market fluctuations in the interval, some other system for the buying of grain, which would necessarily be less advantageous and more cumbersome than that now existing, would have to be evolved. I should like to emphasize the importance of the part which the grain exchange takes in this way in facilitating the financing of the marketing of our grain crops. The exchange is a highly organized and efficient body which, through the operation of its associate company, the Winnipeg Grain and Produce Exchange Clearing Association Limited, serves to protect the trade, the banks and the community at large, especially the farmer. By reason of this protection it is possible for the trading companies to operate on a capital small in relation to the magnitude of the transactions involved, with a saving which is felt by all parties, from the farmer to the consumer.

This expression of a banker's opinion as to the necessity of protection against the risk of price changes leads to some consideration of the function of the speculator.

Since the conditions of the grain markets are never fixed but continually changing and the changes are frequently unforeseeable, or, at any rate, unforeseen, risk or speculation is inseparable from grain marketing. This risk may be carried by any of the various branches of the trade in the degree in which hedging is not practised; it may be carried by professional speculators who make a business of endeavouring to foresee price changes; it may be carried by the non-professional speculator who takes a chance in the grain market; it may be carried by the exporter or the importer who tries to anticipate a rise in price and to make a profit by carrying stocks unhedged; it has even, in some periods, been carried by governmental or co-operative marketing agencies.

The risk is there and must be carried by someone. The function of the speculator is to carry this risk, and if he can obtain from it some measure of profit—which he very commonly does not obtain—he has rendered in return for it a very real service and has removed the risk from those points in the machinery of marketing where its presence would create hardship and confusion.

In touching on this function of the speculator it should be added that a very important form of speculation in grain has nothing to do with the futures market though it has a considerable influence on grain prices. The holding of grain on the farms by the producers themselves is a form of speculation which must not be overlooked in any discussion of the subject.

The activities of the speculator and the existence of the futures market are not infrequently blamed for the fluctuations in grain prices. But it must surely be evident to any thoughtful observer, as it has been to the various Commissions

[Mr. A. E. Darby.]



of Inquiry, that the operation of the futures market tends to lessen these fluctuations and to increase the prices paid to the producers. So far as the speculator is concerned, the essence of his activity lies in the endeavour to foresee the course of the market. If the speculator is intelligent his forecast will be based on a close study of the many influences controlling supply and affecting demand. His endeavour is not to determine the course of the market but to anticipate it. Endeavours to determine the course of the market, as experience has repeatedly and bitterly proved, can have but one end. Where so many factors are humanly uncontrollable no speculator or group of speculators can hope to control them.

Breadth and elasticity is given to the futures market by the operations of speculators. The risk which the country buyer, the shippers, the millers and processors and the exporters and importers of grain wish to evade is taken by the speculators. That is their business. The business requires the same specialized knowledge, skill and foresight as any other business. The taking of risks of prices changing between the time the grain leaves the farmer and passes into possession of the ultimate consumer is a legitimate economic function. The removal of these risks enables all other services to be performed more cheaply. Speculators are useful.

The complaint against speculation arises from two facts: (1) that so many people do not understand its usefulness; and (2) that many people become speculators who are ignorant of the conditions operating to make prices, and who buy or sell grain in the hope of a change in prices without having any solid foundation for their hopes.

The first cause of the complaint is hard to remove. Understanding of the factors which create the risk and render speculation by somebody inevitable is not easy. The idea of insurance against risk is now fairly well grasped by most people. But many still fail to see that futures trading provides for dealers in numerous commodities insurance against changes in prices.

The second cause of the complaint is equally hard to combat. Taking chances for the sake of an anticipated profit is common in other directions as well as in the grain markets. Little is heard of the gains but much is made of the losses. All the legitimate interests concerned would prefer speculation to be pursued, i.e., the risk of prices changes to be carried only by those qualified by knowledge and training and equipped with the resources to perform the function. But the transactions of the one class are indistinguishable from those of the other, and meantime an indispensable service is rendered by a broad, active and liquid futures market.

To return to the part played by country elevators in the system of grain marketing:—if the farmer does not wish to sell but prefers to ship his grain he can use the elevator as a public warehouse. The procedure covering the reception of this grain is carefully controlled and standardized by the Canada Grain Act. There are three different methods of warehousing called: (1) Graded Storage; (2) Special Binning; (3) Graded Storage Subject to Inspector's Grade and Dockage.

If the farmer elects to store according to grade, the country agent of the elevator company and the farmer must agree upon the grade and the amount of allowance for dockage that must be made to clean it to a standard grade. With respect to determining the grade, this is a matter of judgment on the part of the agent. If he exceeds the official grade there will be a loss to the elevator since the latter is compelled to return to the farmer the quantity and quality marked upon the receipt.

Dockage may be described as foreign matter, cracked grain, etc., which must be removed to bring the grain up to standard. Dockage is determined by the use of dockage testing equipment approved by the Board of Grain Commissioners. A sample of grain is cleaned and the broken grain, foreign matter, etc., removed, weighed, and expressed in terms of percentage, giving the dockage.

The farmer and the elevator agent agree upon the grade and dockage. The Board of Grain Commissioners have established allowances for shrinkage, based upon experience in handling each class of grain. A special shrinkage table is supplied by the Board and displayed in each elevator.

After the grade and dockage have been determined, a graded storage receipt can be issued. This receipt sets out the details of grade, dockage, shrinkage, and the net amount of grain. It provides that a quantity of grain of the same kind, grade and quality will be delivered either at the elevator or in carload lots at a terminal elevator point upon the return of the receipt and payment of charges.

Maximum charges are authorized by the Board of Grain Commissioners for receiving, elevating, spouting, insurance against fire, storing for the first fifteen days, and putting into cars on track; and the Canada Grain Act provides that a tariff, lower than the maximum, may be filed with the Board by any licensee.

Where grain is specially binned the receipts issued by the elevator guarantee the weight and identity. Samples of the grain are drawn and retained until the grain is shipped out and the official grade is received by the shipper from the Inspection Department of the Board of Grain Commissioners. If the shipper is not satisfied with the grade, the sample is sent forward to the Chief Inspector of Grain, who compares it with the official sample drawn from the car. The inspector decides whether or not the identity of the grain has been preserved by the elevator company. His decision is final. By this method the farmer who chooses to special bin his grain protects himself with a view to receiving the identical grain from the elevator that he delivered. Although the authorized maximum rate for special binned grain is higher, the effective rate is the same as for graded stored grain.

Where the farmer does not wish to sell his grain at the local point but wishes to put it in store at a terminal, the usual method of handling is on the basis of a graded storage receipt. If there is a disagreement between the agent and the farmer with respect to the grade and dockage of his grain, the sample which has been drawn from each wagon-load at the time of delivery is sent to the Chief Inspector of Grain for official grade. After receiving the inspection certificate the agent, who has already issued an interim receipt, recalls same and issues a new receipt, basis the official grade.

There were in the three Prairie Provinces in 1935 according to the Board of Grain Commissioners, 5,729 country elevators with a total capacity of approximately 190,000,000 bushels.

The loading platform plays a certain role in the shipping of country grain. By concerted action farmers may secure a platform from which railway cars may be loaded from their wagons or trucks, thus avoiding the use of the country elevator. While, in actual practice, the competition offered by this means of shipment is not great, yet at some points the shipment of grain loaded over the platform is considerable.

The grain so loaded into cars over the platform may be immediately sold to a track buyer on the basis of government grade and the car will then be shipped forward to an interior or terminal elevator. After the car is unloaded the track buyer makes final settlement with the farmer.

Or alternatively the farmer may consign his car to a terminal selected by him in the care of some commission merchant or elevator company. The commission merchant or elevator company usually makes an advance to the farmer. When the sale of the grain has been negotiated in accord with the instructions received from the farmer and after receipt of the official weight and grade, settlement is made with the farmer.

Both commission merchants and elevator companies operate on a commission or price margin of 1 cent per bushel on wheat, barley, rye and flax and  $\frac{3}{8}$  cents on oats, these being the minimum rates of commission under the rules of the Winnipeg Grain Exchange.

[Mr. A. E. Darby.]

The farmer is thus enabled, if he wishes to do so, to load his grain direct into cars, to secure government inspection and grade, and have it sold to a miller, exporter or other buyer on the Winnipeg Grain Exchange at not more than the margins mentioned.

The operations of country elevators, commission merchants and track buyers are largely governed by the provisions of the Canada Grain Act and by the regulations made by its authority by the Board of Grain Commissioners. The Board of Grain Commissioners also regulates the operation of terminal elevators and is responsible for the inspection and grading of Canadian grain.

Grading of grain is for the purpose of determining quality and to fix a basis of valuation, and is based upon the scientific knowledge of qualities according to physical appearance, together with the weight per bushel; mixtures of other varieties, or other cereal grains and seeds; freedom or otherwise from disease and its effects; the percentage and severity of damage or immaturity; freedom from foreign odors; and the moisture content. Grading and inspection are governed by the Canada Grain Act together with the regulations of the Board of Grain Commissioners.

For grain inspection purposes Canada is divided into two divisions: Eastern and Western. The Eastern Division includes all that part of Canada east of the City of Port Arthur, with inspection points at Toronto, Montreal, Sorel, Quebec, Saint John and Halifax. The Western Division includes all that part of Canada west of and including the City of Port Arthur, with inspection points at Port Arthur, Fort William, Superior, Winnipeg, Churchill, Moose Jaw, Saskatoon, Medicine Hat, Lethbridge, Calgary, Edmonton, Prince Rupert, Vancouver, New Westminster, and Victoria.

Grain produced in the Eastern Division is largely used for home consumption and very little is exported; consequently only a small percentage passes through inspection points, and the number of inspections, therefore, is small in relation to the total production. The Grain Act requires that all grain passing through an inspection point in the Western Division shall be inspected and graded.

Committees on grain standards for the Eastern and Western Divisions, appointed by the Board of Grain Commissioners, establish standard samples for all statutory and commercial grades. The Western Committee also establishes standard export samples for statutory and commercial grades.

Standard samples are used as guides by inspectors, and in conjunction with the grade definitions contained in the Grain Act, govern the grading at all primary inspections.

Standard export samples govern the grading of any Western grain delivered out of terminal elevators, including overseas shipments.

All dockage is removed from the grain before being shipped out of terminal elevators. All outward shipments are sampled, inspected and certificates issued for the same. Each sample obtained is examined as to its cleanliness and quality, which are judged by comparison with the corresponding standard export sample established by the committee on grain standards. Inspection officers see that the grain is delivered into the proper car or hold of the vessel, thereby assuring the identity of the grain and grade.

A certificate issued on grain out of terminal elevators in the western division is known as "certificate final," as this is the final inspection certificate issued on this grain in Canada. These certificates accompany the grain to its destination.

Grain for export out of Canadian Pacific ports and Churchill, Manitoba, is delivered directly into ocean vessels. Grain for export out of Fort William-Port Arthur, Ontario, and Superior, Wisconsin, is loaded into lake vessels. Shipments destined for United States Atlantic ports are transferred in bond to elevators and railway cars at Buffalo. Those taking the all Canadian route are transferred to canal boats or railway cars at Canadian lower lake and bay ports for the Canada Atlantic seaboard where each lot loaded on ocean vessels

is again sampled and checked by officers of the inspection branch. These samples are preserved and are used for checking and comparison in case of overseas complaints. It is because of the efficient service given by the Canadian grading system that Canadian grain is bought and sold on foreign markets almost wholly on the certificate final basis.

Bulk handling of grain lends itself to economy both in transshipment and in storage and is accompanied by surprisingly low percentages of waste or loss. The first cost of elevator buildings and equipment is naturally considerable but is offset by the saving in labour cost of handling the grain into and out of the storage bins.

The operation of the system as a whole may best be compared to that of a river. The great network of branch railway lines covering the grain growing areas of the west, with country elevators dotted at short intervals along them to act as primary collectors of the grain hauled to them from the farms in wagons or trucks, provides the tributaries feeding two main streams which converge at Winnipeg in the east and discharge themselves through the terminal reservoirs at Fort William-Port Arthur into a channel reaching to the sea coast, provided by a great fleet of grain carrying steamers. A similar stream flows westward from the prairies to Vancouver, with smaller streams discharging at Prince Rupert and to the northeast through Port Churchill on the Hudson's Bay. The present provision of country elevators is ample to take care of present needs, supplemented as it is by a number of interior transfer and storage elevators capable of storing some 18,000,000 bushels.

These interior transfer and storage elevators are situated at important points in western Canada and were built by the Dominion government for the purpose of cleaning and storing grain. From these elevators this grain is forwarded either to mills throughout western Canada or to Fort William-Port Arthur or to Pacific seaboard ports or the port of Churchill for export to the markets of the world.

Coming now to the discussion of terminal elevators, those at Fort William-Port Arthur have a combined capacity of 93,000,000 bushels; at Vancouver and other Pacific coast ports over 20,000,000 bushels; and at Port Churchill 2,500,000 bushels.

By far the largest proportion of western Canada's grain moves out of the country by what is known as the eastern route. Navigation on the Great Lakes is closed from about the end of November until the end of April each year. These two factors combine to make it necessary to have a much larger elevator capacity at the head of the lakes, and during the winter months large quantities of grain are stored there awaiting shipment at the opening of navigation.

Vancouver and other Pacific coast terminals handle the grain of western Canada which moves by the so-called western route through these ports either to the markets in the Orient or through the Panama Canal to the markets in the United Kingdom and Europe. As navigation is open the year round at those ports, and also as the volume of grain shipped by this route is not as large as the volume of grain shipped by the eastern route, the terminal capacity of Vancouver and Pacific coast ports is not required to be as large as that at Fort William-Port Arthur, and the capacity at those ports is at the present time fully adequate.

Churchill handles the grain of western Canada which moves by the Hudson's Bay route. Navigation at Port Churchill is open approximately for two months in the summer. The shipment of grain by the Hudson's Bay route is as yet in its infancy.

The function of the terminal elevators is to receive grain in carload lots from shipping points throughout western Canada and to clean and prepare this grain for shipment by boat. These elevators are known as public terminals. This does not mean that they are owned by the public for, while some of them

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are provided by the government, they are largely and generally owned by private companies. They are called public terminals because they are licensed by the Board of Grain Commissioners, to receive, store and handle grain for any shipper who wishes to use them; that is, they are for the use of that section of the public who are interested in the handling of grain.

The charges for cleaning, storing and handling grain are under the control of the Board of Grain Commissioners, and are published each year by the board so that everyone pays exactly the same price for the use of the facilities of these elevators.

Another class of elevators is known as transfer elevators, and these have been provided at various points in eastern Canada to receive grain in transit for storage or transshipment to the seaboard, and for distributing the quantities required by the eastern flour mills for domestic consumption and export in the form of flour. The capacities of these elevators at the lower lake ports total some 50,000,000 bushels. They are located at various ports on the lower lakes and on the St. Lawrence river. They are also, generally speaking, privately owned and operated as public elevators, although the government has provided one or two of them.

At St. John and Halifax there are seaboard elevators connected by railway lines with the lower lake port elevators, and during the winter months, when navigation is closed on the St. Lawrence river, these are used in the export of grain to the markets of the world. The combined capacity of these elevators is about 3,700,000 bushels.

At Montreal, Sorel and Quebec during the open season of navigation, which is from about the end of April to about the end of November, the seaboard elevators there handle the largest proportion of grain that moves out on the eastern route. There is a combined capacity of 20,500,000 bushels at these ports and they receive grain from lake vessels and railways for storage and transshipment into ocean-going vessels, which carry the grain via the St. Lawrence route for export to world markets.

An alternative to the St. Lawrence route for the export of Canadian grain is provided by the facilities for storage at Buffalo and Erie, N.Y., through which Canadian grain is transhipped to U.S. Atlantic ports. The evolution of this system of handling grain is the result of many years of experience. The elevators have been constructed from time to time by private capital or by government expenditure, and viewed as a whole, comprise buildings of the most modern and up-to-date type. They are provided with every device which can be used in the economical handling, storage and treatment of grain. In a country producing such large quantities of grain as Canada does, elevator accommodation must be a most important factor in the successful marketing and handling of the grain production of the country, and it is difficult to imagine any system which, all things being considered, could be more efficient and less costly. The expense of handling and the wastage of grain have been reduced to the minimum.

As in the case of country elevators, grain held in storage at terminal elevators, grain in course of transshipment to seaports, and grain held in Canadian and United States ports in readiness for loading upon ocean vessels, is nearly always hedged in order to protect the owners against price fluctuations and to obtain the necessary financial credit.

The activities of shippers and exporters form the next important link in the machinery by which grain is conveyed from the producer to the overseas importer and consumer.

When grain is delivered to the country elevator by the farmer, that part of the grain which will ultimately be exported to foreign countries is shipped by rail to Fort William-Port Arthur or Vancouver and other Canadian ports on the Pacific and also to Churchill, where it is stored in various terminal elevators.

In the case of Fort William-Port Arthur, the shipper or exporter buys the grain in store in the terminals there and ships it to various ports in eastern Canada or the United States, depending upon where, in the opinion of the exporter, the grain may at that time be in the best position for export.

When the shipper or exporter purchases this grain he places a hedge upon it by selling the same quantity of futures. This hedge is kept on the grain until the grain is sold abroad to importing countries at a stated price. The hedge is then lifted by buying back the futures. At times the exporter may make forward sales abroad, and in such cases he protects himself by the purchase of futures which later are exchanged for the cash grain necessary to complete the sales. The shipper or exporter may ship the grain to such ports as Montreal, Sorel or Quebec, where it is in a position to be loaded into ocean boats, or to Bay ports such as Midland, Goderich, Owen Sound or Sarnia, where it can be moved by rail to Halifax, Saint John or other ocean ports, or he may also ship to Buffalo, where the grain can be moved to New York via the Erie Canal when navigation is open, or by rail to various United States Atlantic ports during the winter months.

When shipping grain from Fort William-Port Arthur the shipper or exporter must first charter his vessel space to the port to which he wishes to ship, and to the freight must add elevator loading charges at Fort William-Port Arthur, as well as vessel brokerage, insurance and banking charges. These charges are all added to the price paid for the grain in store Fort William-Port Arthur, and when the grain is moved across the lakes the shipper or exporter has his grain c.i.f. Montreal or c.i.f. Buffalo or c.i.f. Goderich, whichever the case may be. C.i.f. means cost plus all other charges, insurance and freight. It is important to note that the exporter uses all of these ports and keeps a large quantity of grain stored in the east so that he is able to offer abroad any grade of grain at any time of shipment that the foreign buyer may require.

When the grain is thus in position the exporter must endeavour to sell it to importing countries abroad. This is done in the following way: First, the exporter must charter or get offers of space in ocean freighters at some given freight charge. To this must be added elevator charges for loading the grain in the ocean boat, together with insurance charges. Then by taking the price of the grain c.i.f. the ocean port, plus this ocean freight and loading, shipping and insurance charges, he has the value in cents per bushel, c.i.f. foreign ports. If offering to the United Kingdom he must convert the price in cents per bushel to sterling per quarter, or, if to the continent, the price is usually converted to other foreign funds per hundred kilograms.

Between the close of one day's market and the opening of the next, exporters offer abroad at a stated price for different grades of grain c.i.f. various United Kingdom or European or other ports for acceptance before the opening. These offers are made to millers or merchants or agents located in different countries and cities abroad. Each exporter has many connections abroad and covers practically every place where there is any demand for Canadian wheat. It is clear, therefore, that with the many firms engaged in the exporting of Canadian wheat every probable buyer abroad is well supplied with offers, at a very narrow margin of profit, each exporter working in close competition with other exporters. As mentioned above, offers are usually made to importers in foreign countries at a stated or outright price, therefore, if the offer is accepted the exporter must buy futures to take off the hedge which was originally sold when the exporter purchased the grain.

Offering the grain at outright prices is usually the biggest risk that the exporter takes. If, for example, May wheat closes in the Winnipeg market at 80 cents, the exporter must decide at what price he will base his overnight offers. He may base these offers at 80 cents or perhaps  $\frac{1}{8}$  cent or  $\frac{1}{4}$  cent higher. In any

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event, if the offer is accepted he buys in his hedge the next morning at the best possible price. The amount an exporter may offer overnight depends on the condition of the markets and his judgment as to his ability to buy in his hedges next morning. The exporter then ships the grain on the ocean boat, according to the terms of the contract, from the port in which he has the grain stored, and invoices the buyer, accompanying the invoice with the ocean documents attached to a sight draft to secure payment.

Exporting Canadian grain from Vancouver and other Canadian Pacific ports is handled in the same way except that instead of buying grain in store Fort William-Port Arthur the exporter buys it in store or f.o.b. Vancouver, and he then adds freight and other shipping charges to the foreign port, and cables abroad giving firm offers at a stated or flat price for reply the next morning. The Pacific ports in Canada are particularly valuable in exporting Canadian grain during the winter months when navigation is closed on the Great Lakes and the lake ports are frozen over.

In exporting from Churchill the exporters buy the grain in store or f.o.b. Churchill and, after adding freight, insurance and shipping charges, offer abroad at an outright price in the same way as from Atlantic and Pacific ports.

Millers, maltsters and food merchants in Canada constitute an important part of the grain marketing system and utilize all the machinery here described for filling their requirements and hedging their purchases and sales.

Up to this point little has been said of the Winnipeg Grain Exchange though there have been frequent references to the hedging of grain by country elevator operators, terminal operators, exporters, millers and all others who buy and sell grain in order to assist in its transference from producer to consumer. It is now necessary to describe the Winnipeg Grain Exchange and its functions in facilitating the processes already mentioned.

The functions of the Winnipeg Grain Exchange in the marketing of the grain crops of western Canada are indispensable parts of the complex and delicate machinery which has been created to record the relations of supply and demand throughout the world for wheat and other cereal grains.

These relations determine the value from time to time of these grains. Whatever arrangements may exist or may be made for the distribution of grains for human consumption and for the feeding of live stock, the final determinant of their value will always be the relation of effective demand to available supply. The collection and publication of such information and the instant and accurate recording of prices as they change in response to it is one of the chief purposes of grain exchanges wherever they exist. And since it is of supreme importance to producers, to distributors and to processors and consumers to endeavour to foresee the course of prices and to protect themselves as far as possible against probable future changes in them, the exchanges record not only the price of grains for immediate transfer of delivery but the price at which they may be bought or sold for delivery at various times in the future.

Such information is of interest to those who produce, handle, manufacture and consume grain in all countries at all times. Whether a country is an importer of cereals or an exporter, whether its people produce more or less grain than they consume or are entirely self-satisfying in this respect, this information is necessary to the intelligent direction of their agriculture and the economical satisfaction of their needs. For an exporting country like Canada, which must find markets abroad for as much as five-sixths of its wheat crops, the information is peculiarly necessary.

A grain or commodity exchange is primarily a market place; a market place of a distinctively modern type. Market places have been required ever since men have produced more of any product than their families or communities could consume. They have existed throughout historic time.

Perhaps the first thing to be understood in connection with the exchange is that it does not itself buy or sell, handle, transport or process grain. It simply provides a meeting place where those who do all these things in connection with grain transact their business with one another.

The need for such a meeting place was felt in western Canada some forty-six years ago and at that time, in 1887, very early in the history of this western country, the first steps were taken to meet the need. The association of traders in grain then formed was the parent of the present Winnipeg Grain Exchange, which now has some 460 members, resident not only in Canada but in the United States and in many European countries.

Unlike most other similar bodies the Winnipeg Grain Exchange is not incorporated either by charter or by special legislation. It is a voluntary association. Its members are bound together by a constitution, by-laws and regulations which each voluntarily accepts and which may be changed from time to time by majority vote. There is no limitation upon membership other than that imposed by character and responsibility and the necessity to acquire a certificate of membership by purchase either from a member or from the association itself. It may be interesting to note in this connection that certificates of membership have almost invariably in recent years been purchasable from existing members, indicating that the number issued by the association has been adequate to admit to the exchange all properly qualified and responsible persons who have desired to obtain membership.

Not only is the Winnipeg Grain Exchange not engaged in trading, it does not as an institution know or record the business dealings of its members individually. It simply records the prices at which transactions are made. The members have assented to the rules and regulations which govern their transactions in grain and it is only when these rules are broken, or when disputes arise, or complaints are lodged with the association as to the conduct of business transactions, that the records and dealings of the members come under examination. Furthermore, the members of the exchange are daily, hourly, in fact momentarily in trading hours, in keen competition. The association stands in relation to them of an umpire or referee, interested only in securing the observance by all members of the rules, regulations and constitution of the exchange.

But these 463 members, representing all the various branches of the grain and milling trades, and in addition the shipping interests, banks and railroads, for purposes of convenience, have certain common needs. They require to be informed of the state of other grain markets, of the changes in prices registered on those markets from minute to minute. They require the latest statistical information relative to imports by consuming countries, exports by surplus-producing countries, the quantities of grain shipped, held in storage, and delivered by farmers in primary markets. They require to know what is the condition of crops in many countries, what climatic and other advantages or disadvantages they are experiencing, what are the estimates of production compiled by governmental and private agencies. They must be informed of the state of the money exchanges and of the changes in tariffs and import regulations affecting grain and grain products. And in order to satisfy these requirements they have formed this association.

The exchange provides them, of course, with a trading room equipped with all the conveniences for conducting their trading and for receiving and posting the price quotations and other information by which they guide their actions as traders.

The trading room is connected by telegraph with all important grain markets and there is direct access from it by telegraph and telephone with all parts of Canada and, indeed, with all parts of the world.

By means of direct telegraph wires and ticker service the price quotations in other markets are recorded without delay in the exchange trading room and Winnipeg prices are communicated to other markets with equal despatch. The

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quotations upon which the cash prices for grain at all country points are based are communicated by radio several times a day to farmers and elevator operators. The information received and disseminated by the exchange is public information equally available to everybody who will take the trouble to get it.

It has been said that the members of the exchange agree upon being received into membership to observe its rules and regulations. These regulations are designed to secure fair and honest dealing between all the persons and interests trading on or through the exchange. The minimum rates of commission and brokerage chargeable by members, whether acting for other members or for non-members, are prescribed by by-law. Rules governing the conduct of members and providing penalties for improper or unethical acts in connection with grain trading are strictly enforced.

The trading which takes place in the wheat and coarse grain pits on the Winnipeg Grain Exchange is entirely concerned with the buying and selling of grain for future delivery. That does not mean that trading in actual grain is not carried on very extensively. But the purchase and sale of grain for immediate delivery is largely conducted through the agency of cash grain brokers, whose operations are conducted directly with the buyer and seller. Such sales and purchases cannot in the nature of things be conducted as the trading in futures is conducted. They are concerned with the need or desire of the individual members to obtain or to dispose of definite quantities of grain classified in one or other of the very numerous grades which have been established by law or by the authority of the supervisory body created by law for the purpose. Since the grain sold and purchased for cash through the cash grain brokers is almost invariably hedged, however, these transactions are accompanied by the exchange of futures. As a matter of fact, the prices paid for cash grain are based on the prices recorded in the futures market.

Each day the cash closing price committee establishes the official cash price for the various grades of grain as of the close of the futures market. This committee secures from the cash brokers, shippers and exporters the sales prices of the last actual transactions which have been made or bids on the various grades of grain. These bids represent what the exporter, shipper or broker would pay for the grain if it were offered to him. The cash closing prices so obtained are posted in the trading room.

Perhaps the most important and valuable service of the Winnipeg Grain Exchange, or of any similar institution, is that of providing the facilities for futures trading. Under the bylaws of the exchange, contracts may be made by members for the purchase and sale of grain for delivery in the future in certain specified months. Thus contracts can be made contemplating the delivery of the grain in May, July, October, November and December. The contracts call primarily for the delivery of wheat of the grade of No. 1 Northern in store at Fort William or Port Arthur in units of one thousand bushels. But it is permissible also to make delivery on the contracts in the grades of No. 1 Hard, 2 Northern, 3 Northern, 4 Northern, 1 C.W. Garnet and 2 C.W. Garnet under discount of fixed amounts per bushel according to the grade delivered. No. 1 Hard is deliverable without discount, 2 Northern is deliverable at 3 cents discount, 3 Northern at 8 cents discount, 4 Northern at 18 cents discount, 1 C.W. Garnet at 3 cents discount and 2 C.W. Garnet at 8 cents discount. These grades are called the contract grades and delivery on a futures contract must be made in one of them. Delivery is made through the Winnipeg Grain and Produce Exchange Clearing Association. The trading carried on between members is cleared through by this association.

Trading in grain for future delivery in the months mentioned is authorized as necessity and convenience dictate by the council of the exchange and the quotations of the prices at which they trade are continuously posted thereafter until the last trading day of the month specified.

On the floor of the exchange are two trading places or pits, one devoted to coarse grains—oats, rye, barley and flax—and one to wheat. The transactions in these pits are all sales and purchases of grain for future delivery. In the wheat pit, for example, members buy or sell some stated quantity of October wheat, or December wheat, or May wheat, and as the prices change, records of the changes are posted on the quotations board placed above the pit in full view of all the traders.

This constitutes the futures market, and it is this futures market which enables the indispensable operation known as hedging to be performed.

The ability of grain traders to buy and sell grain for future delivery lends stability to grain prices by discounting those changing factors in the supply of, and the demand for grain which otherwise would cause violent and disturbing fluctuations in the current prices. Traders endeavour to foresee the probable course of prices and to anticipate the effects of potential scarcity or plenty in supply, or of apathy or urgency in demand. So long, in fact, as there is a broad market for grain futures operating with the least possible restraint or interference the fluctuations in price, great as they may seem on occasion, will always be considerably less than they would be were no such market in existence. This conclusion received its most recent and perhaps its most authoritative confirmation in the report of the royal commission under the chairmanship of Sir Josiah Stamp which inquired in 1931 into the workings of the futures trading system.

The process known as hedging has been recognized by numerous royal commissions and practically all authorities on economics as indispensable in any sound and economical system of grain marketing.

Hedging consists in selling for future delivery quantities of grain equal to the cash purchases of the trader or in buying for delivery in the future of quantities equal to that presently sold by the exporter, miller or processor. Fluctuations in price downward would cause the buyer of grain loss when he came to sell at a later date. Since the futures which he has sold as a hedge has also declined in price it can be bought in at a profit. The loss on the one transaction is offset by the gain on the other.

A miller, having sold grain in the form of flour for delivery at a future time, hedges his sale by buying futures. If the price of the grain he requires to fill his order rises he would incur a loss. But the price of the futures has risen also and the sale of that will compensate for the loss incurred on his flour sale.

Hedging is price insurance and removes in large degree the speculative character which would, without it, belong to every purchase and sale of the actual commodity. The risk of loss arising from inevitable price changes would undoubtedly have to be allowed for in determining the prices grain dealers could pay the growers and would render the financing of the whole trade more precarious and costly.

The existence of the futures market and its use for hedging purposes undoubtedly result in increasing the price received by the producer and in maintaining the market for cash or spot grain on a more stable basis.

It is commonly overlooked in discussions of the subject that hedging involves the buying of grain futures as well as the selling of them. It is reasonable to assume that, if the quantity of grain purchased in the primary markets was exactly equal day by day to the quantity absorbed by the consuming markets, the selling hedges and the buying hedges would exactly balance. Hedging would then be a perfect system of mutual insurance. Unfortunately, the current or flow of grain into the markets can seldom or never be exactly equal to the current or flow of grain out of them into actual consumption. The element of risk is never entirely absent and this risk must be borne by someone.

Risk is inseparable from human existence and human activities. Risks arising from accident, fire, storm and earthquake, and many other causes of death and destruction, are insured. The form of price insurance embodied in

futures trading is as useful and as legitimate as other forms of insurance and it has been developed to meet the needs of the case just as certainly as the other forms of insurance which escape criticism.

Mr. Chairman, and gentlemen of the committee, this description of the machinery of grain trading and of the functions of the Winnipeg Grain Exchange has perhaps been somewhat lengthy but the council and officers of the exchange hope that it will serve the purpose you had in mind and that the more detailed transactions you are about to consider will be more intelligible to you as a result of its presentation.

The CHAIRMAN: Thank you very much, Mr. Darby. You have given us a very clear description of the workings of the Winnipeg Grain Exchange. Do any members desire to ask any questions?

*By Mr. Donnelly:*

Q. Mr. Darby, track buyers in western Canada have to be licensed as well?—A. They are licensed by the Board of Grain Commissioners, yes.

Q. Are there any complaints about our grades of grain in the old country, these days?—A. I have not heard of any recently.

Q. Not recently?—A. No.

*By Mr. MacMillan:*

Q. How long has the operation of hedging been in existence?—A. I do not know that I could give you the exact date. You are referring to the whole world? Some form of hedging has been in practice for very long periods. I gave you the date as to the practice in western Canada.

*By the Chairman:*

Q. Did it originate in Canada?—A. Oh, no.

Q. Where did it originate?—A. I could not tell you that.

Mr. Ross: Germany.

*By Mr. McNiven:*

Q. If it has always been in existence, why do you conclude that the price fluctuations would be greater if there were no hedging?—A. Because the use of the system has been to avoid the effects of violent price fluctuation.

Q. In 1933 we had a drop in prices of nine cents in one day and eight cents the next day; would you not call that violent fluctuation?—A. Yes; but I should say conditions then were perhaps not just as normal as they had been in other periods.

*By Mr. Ross:*

Q. At the same time they would have been greater?—A. I think they would have been greater without hedging.

*By Mr. McNiven:*

Q. On what do you base that conclusion?—A. Because there was a certain amount of concentration, shall I say, unusual concentration of grain in a particular hand, there was not the same freedom of operation of the market that there had been, if it had been free of interference.

*By Mr. Ross:*

Q. There are countries in which grain is not hedged, are there not?—A. Yes; there may be many countries that grain is not hedged, and it simply means the owner of the grain takes the risk.

Q. For instance, in Australia there is no grain hedged?—A. No; I imagine they hedge grain, though. I am not very closely acquainted with the Australian market, but they would hedge in some future market.

*By Mr. Donnelly:*

Q. They have a grain exchange?—A. I think not.

Q. Where would they hedge?—A. I could not tell you. It would depend upon the operations of the individual operator. It would be fair to assume they might hedge in the Liverpool market.

*By Hon. Mr. Crerar:*

Q. They might hedge in ours?—A. Or Chicago.

*By Mr. Donnelly:*

Q. Where do the Balkans hedge?—A. I have no knowledge of that point; I do not know the Balkan trade.

*By Mr. Senn:*

Q. You made a statement to the effect that without hedging the producer would naturally receive less for his wheat?—A. Yes.

Q. For what reason?—A. The reason is if a trader is unable to protect himself against fluctuations in prices which may occur during the time the grain is in his possession, he would have to make an allowance for it in arriving at the price he is willing to pay for it.

*By the Chairman:*

Q. He would pay less to the producer in order to protect himself against loss; is that your argument?—A. Yes, that is the point.

*By Mr. McNiven:*

Q. Where does the individual elevator operator make his money if he buys grain for a certain amount and immediately sells it?—A. He makes money in the same way as most businesses make their money, in receiving a reasonable payment for services rendered. The charges in this country are largely governed by law and regulations of the Board of Grain Commissioners.

*By Mr. Perley:*

Q. You mentioned the speculator. Is he always there to buy and sell?—A. I would say under normal conditions he is always there.

Q. Does he not often take the opposite position by hedging?—A. Certainly; it is just as necessary to prevent violent fluctuations down as up, and the man who sells must eventually buy back.

Q. Do not the large speculators generally take that position?—A. I have no knowledge of that. That would depend on the position of the individual trader, of which I have no knowledge. I think it was very clearly brought out, Mr. Chairman, by the inquiry of the Stamp commission. Sir Josiah Stamp and his colleagues arrived at the conclusion that the effect of futures trading was to reduce the major fluctuations, though it might give rise to very minor and temporary fluctuations.

*By Mr. Donnelly:*

Q. Have you not a limit to the amount that may take place?—A. We have.

Q. What is it?—A. Three cents.

Q. What is it in Chicago?—A. I think Chicago is five cents.

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*By Mr. McLean:*

Q. Will you tell us something of what happened in the early days of grain trading in Manitoba when hedging was less general and when dealers used their own money to a greater extent? Were they compelled to hedge to the same degree as to-day; what was the general effect?—A. I would be theorizing about it, but I have heard men who were in the business at that time say they were compelled to allow more for the risks they took than the present trader has to allow.

Q. Are these traders still engaged in business?—A. They reduced the return to the producer.

Q. Would you say that these traders are still engaged in business to-day?—A. They would be working on a closer margin, working on a narrower margin.

Q. At that time?—A. No, to-day; a wider margin formerly.

*By Mr. Deachman:*

Q. Would not the elimination of hedging tend to monopoly trading and drive the smaller trader out? Would it not tend to drive the smaller trader out of the market and create a monopoly?—A. I did not get the first part of your question.

Q. If hedging were abolished, would it not tend to drive the smaller exporter out of the market and create a monopoly?—A. It would be reasonable to suppose the stronger institution would naturally survive the longest.

*By Mr. Perley:*

Q. There is no way you can control the price by using the Winnipeg exchange for selling and buying and selling in Chicago?—A. That is the recognized process. That is a process known as spreading. The Winnipeg price is tied with the prices of other futures markets of the world. You can buy in one and sell in another, and sell in one and buy in another. It ties the prices all together and enables a representative world price to be arrived at. While I have not gone into it at any great length, because it is very technical, you will find it fully discussed in some reports that have been brought out. Sir Josiah Stamp knew it in the money market, the same process.

Q. The Winnipeg market is the main cash grain market, is it not?—A. Certainly yes.

Q. If a large speculator wished to depress the price by buying cash grain on the Winnipeg market and selling the same quantity in another market, he could do it. That situation might arise?—A. He must very soon buy and reverse the process; he must do that very soon. He must sooner or later exercise the opposite influence that he exercised in the first instance.

Q. He is bound to deliver the contract?—A. Yes.

Q. Don't you think that Vancouver and Churchill should be our main points of delivery?—A. I would not care to express an opinion on that without considerably more examination. That is a very difficult question to give an offhand opinion on, as there are a number of factors to be considered.

Q. You made reference to trading in the pit. Have all trades to be made there?—A. All trades in futures.

Q. Is it strictly adhered to?—A. It is strictly adhered to.

Q. You have rules and regulations regarding it?—A. Yes; I have a copy here.

Q. I think it is rule 23. Will you read that rule and explain it to the committee?

*By Mr. Donnelly:*

Q. Do you give Canadian grades to American wheat at Montreal or any other sea port?—A. So far as I am aware of, no. I think a question like that should be directed to the Board of Grain Commissioners who control the grain situation.

Q. I did not know whether you knew that or not.—A. No, I have not a very close knowledge of it. By-law 23 of the Constitution and By-laws of the Winnipeg Grain Exchange reads as follows:—

“All trades for the future delivery of grain shall be made in the trading room of the Exchange in open competition during the recognized trading hours, except that on a sale of cash grain the contracting parties may make the complementary agreement or trade for future delivery otherwise than in the trading room.

Members of the Exchange are prohibited from gathering and forming a market in any place, public or private, except the public trading room of the Exchange, for the purpose of making any trade or contact for the future delivery of grain.

Any member who shall commit a breach of this by-law shall be liable to fine, censure, suspension or expulsion pursuant to the provisions of By-law 5.”

*By Mr. Perley:*

Q. What way of checking have you?—A. The only form of trading that would take place under that rule would be the normal exchange where a cash grain transaction is made, apart from the exchange of futures, what we call a complementary futures sale. We have no machinery of checking, other than that of enforcing the by-laws, generally. If we hear any rumours or complaints, we have the fullest authority to trace the rumours or complaints and to establish the delinquency, if there is any.

*By Mr. McNivan:*

Q. Does that mean that if a brokerage office, for example, in Regina comes in and buy and I come in and sell, both those transactions are supposed to go through the Winnipeg Grain Exchange?—A. They must go through somebody. In Winnipeg it means a member in the trade.

Q. A broker himself could not carry that?—A. No, not under our rules. We could not possibly know every detail. We endeavour, as far as possible, to keep a line on it.

*By Mr. Perley:*

Q. Suppose a broker in Winnipeg gets an order from the Regina office to sell; suppose he also gets an order from the Brandon office to buy. Can he switch them into futures?—A. Not as far as the Winnipeg Grain Exchange is concerned.

Q. It would be pretty hard to trace it, would it not?—A. It might be hard to trace it. But we have found by experience that the business ethics of the traders on the Winnipeg Grain Exchange is quite high.

Q. You say that you have 460 members on the exchange?—A. Yes; 463, I think.

Q. How many are actual buyers?—A. I could not give you that without some examination. I have not those figures with me. It is a question of subdividing the membership into its various functions.

Q. I think it would be interesting for the committee to have that information?—A. I can provide an analysis of the membership.

Q. From the standpoint of exporters, those who either export or buy cash wheat?—A. You have to bear in mind that, in very many instances, companies registered to trade on the Winnipeg Grain Exchange may be in two, three, four or five of these departments.

[Mr. A. E. Darby.]

Q. What is that?—A. You have to realize that a single company may carry on business in two, three or more of these separate departments. A company may operate country elevators; it may operate terminal elevators; it may have a commission department; it may have an export department.

Q. Do some of the firms have managers and assistant managers with memberships in their names as well as in the company name?—A. Some firms own more than one membership, but that would be only for the purpose of facilitating their trading on the exchange by increasing the number of people authorized to trade for them in the pit.

Q. Could these members clear the trades in their name?—A. Yes, in their name.

Q. As well as in the company name?—A. No, in the name of the company. They could only trade in the name of the company they represent.

Q. They cannot clear or trade in their own names even though they have membership in the exchange?—A. They could not clear or trade unless they possessed clearing certificates, shares in the clearing association; and they must be members of the Winnipeg Grain Exchange. I notice that you have made some study of the by-laws, Mr. Perley. I think, if you would pursue it a little further, you would realize that any member trading in the exchange for a registered firm, can only trade in the name of that firm.

Q. While he has membership on the exchange?—A. That is to say, he has membership, but he must trade in the name of the firm he represents.

*By Mr. McLean:*

Q. He could easily buy a licence to trade in his own name?—A. Yes. But that would be clearly understood at the time the membership was granted to him.

Q. Oh, yes, of course.

*By Mr. McNiven:*

Q. In April, 1933, I heard Major Strange of the Searle Grain Company, when addressing the Board of Trade in Regina, make the statement that 97 per cent of speculators, over a period of 25 years, had lost money, according to their views. What do you say to that?—A. Well, of course, that apparently would be an expression of Major Strange's opinion, based on his knowledge of the business of a certain company. As far as the Winnipeg Grain Exchange is concerned. I would not venture an opinion.

Mr. DONNELLY: Was that 97 per cent by numbers or by value?

Mr. McNIVEN: 97 per cent of their customers, their speculators, over a period of 25 years had lost money, was his statement; and he cited that as a reason why speculators should stay out of the market. It was to indicate to the members of the Board of Trade that that was the reason why they should stay out of the grain market.

*By Mr. McNiven:*

Q. The point I was trying to get, Mr. Darby, was this: If that is anywhere near correct, could not some other means be devised of carrying the grain insurance, hedging insurance, than requiring it to be carried by the uninitiated speculator, when the losses are so colossal?—A. I am not prepared to give any assent to that statement of opinion. I have not had the opportunity of examining it.

Mr. DONNELLY: If 97 per cent are losing, the other 3 per cent must be gaining.

Mr. ROSS: Not necessarily. The price varies, rises to that extent.

WITNESS: I think not necessarily. I think when you balance all the speculative transactions, what might be a loser at the one time might be a gainer at the other.

Mr. McLEAN: Probably the original producers might make a gain.

WITNESS: It is natural you will think more of the losses than the gains.

The CHAIRMAN: I think we are getting away slightly from the purpose of this particular presentation. This was merely a discussion of the working of the exchange. We are going into the merits of a certain question now, which I think might very properly come later.

Mr. DONNELLY: Are there any elevators owned and operated by the government at the head of the lakes.

Hon. Mr. CRERAR: There is one owned; I do not know whether it is operated.

Mr. DONNELLY: There are owned. But are they operated?

The CHAIRMAN: I just signed a lease yesterday. I forget the name of the company. Is it Searle?

Hon. Mr. CRERAR: There is the Searle Grain Company.

The CHAIRMAN: I signed a lease yesterday for a government owned elevator.

Mr. DONNELLY: You do not operate them?

The CHAIRMAN: No.

Mr. DONNELLY: Do you operate the one at Halifax or Saint John, or do you lease them?

The CHAIRMAN: The Department of Railways and Canals.

Mr. DONNELLY: They are operated by them?

The CHAIRMAN: Yes.

Mr. ROSS: They operate the interior.

Mr. DONNELLY: They are not leased, I mean.

The CHAIRMAN: Are there any further questions.

*By Rt. Hon. Mr. Bennett:*

Q. Mr. Darby, the memorandum you just read to this committee contains, I should judge, the considered views of the grain exchange?—A. Yes, certainly.

Q. It is a composite document?—A. Yes.

Q. It was not prepared by you in its entirety?—A. No.

Q. It is submitted to the committee, I take it, for the grain exchange. It was revised by them, and you read it to us here?—A. Yes.

Q. It contains their considered views of the situation which they desire to present?—A. Yes.

Q. That is right?—A. Yes.

Q. That is the defence of the grain exchange?

Hon. Mr. CRERAR: It is not a defence.

The CHAIRMAN: No, I would not think so.

Hon. Mr. CRERAR: It is not a defence of the grain exchange.

Rt. Hon. Mr. BENNETT: I am asking the witness, if you please.

Hon. Mr. CRERAR: Well—

Rt. Hon. Mr. BENNETT: If you do not mind.

Hon. Mr. CRERAR: Very well.

WITNESS: Well, I would call it a description, if I might say so.

[Mr. A. E. Darby.]



*By Rt. Hon. Mr. Bennett:*

Q. You have given us the mechanics of it, from the farmer hauling the grain to the elevator to the final disposition of it to the consumer in the markets of the world; you gave the history of it from its reception at the doors of the elevator and carried it through. That, I take it, was discussed with your committee?—A. There was a committee of five members of the council.

Q. And the committee considered this document?—A. The document represents or has behind it all the authority of the council of the Winnipeg Grain Exchange. I am in the hands of the chairman, but I think I should not be asked to divulge the names of the council of the exchange.

Q. You are under oath; and all you did was to read to us the document?—A. Yes.

Q. Now, obviously those are opinions. I am asking whose opinions they are.—A. They are the opinions of the Winnipeg Grain Exchange.

Q. Who are they, please?—A. The names of the council are: R. C. Reece, W. J. Dowler, Henry Gauer, G. E. Austin, C. E. Eggleston, C. C. Fields, L. D. Godfrey, C. E. Hayles, J. W. Horn, S. N. Jones, R. W. Milner, A. C. Reid, S. T. Smith, W. E. Reid, G. E. R. Heffelfinger.

Q. Were you present when this document was considered?—A. I also am a member of the council.

Q. Yes, and you were present when this document which you have read was considered?—A. Council delegated the preparation of this document to a committee of its members.

Q. That is what I gather?—A. Yes.

Q. Who were the committee?—A. The committee consisted of Mr. Reece, Mr. Dowler, Mr. Gauer, Mr. Milner, Mr. Hayles and myself.

Q. Was there any outside assistance?—A. Only in the sense that various presentations which had from time to time been made on various aspects of the trade by various members of the trade were used in the compilation of the documents.

Q. Was there any outside assistance?—A. No, none whatever.

Q. That is what I judge. This document was agreed upon as the document that you would present to us here to-day?—A. Yes.

Q. As finally approved by the council?—A. No, it was not referred back to the council. Council did not consider it necessary to request the committee so to do.

Q. So far as the committee is concerned, it is a document settled by the committee?—A. Yes.

Q. That is the position here?—A. Yes.

Q. You were good enough to mention the circumstances under which credit is advanced by the bank. It is a question in the first place of the banks requiring some certainty that the moneys they advance to the elevator companies for the purpose of buying grain would be repaid?—A. I think that is one of the factors involved, necessarily; probably the chief factor.

Q. If they had enough money, they would not require to borrow?—A. The bank desires to eliminate the risk.

Q. It was the lender of the money primarily that wished to eliminate risk, and that was the form of insurance that they took?—A. I could not quite assent to that statement in that form. That is certainly a factor. The trader himself, even if he were trading with his own money, would desire to eliminate the risk in the same way.

Q. Quite so. You have a list of the members. Would you file a copy with us?—A. Yes.

Q. And also a copy of your constitution?—A. Yes. I will leave both these with the secretary.

Q. I followed it with great care, and I think it was a very full presentation of the position that you made. But I notice that you referred to the fact that identity of the grain in special bins was being ensured. As a matter of fact, the act also provides that the identity of it may be lost, and a man may take other grain of the same quality, or may have to take other grain of the same quality at the terminal instead of that special binned?—A. I think in the terminal the grain goes into bins of the same grade.

Q. Otherwise the space would be exhausted and it would not be done?—A. Yes.

Q. I just mentioned that in passing. In 1931 Sir Josiah Stamp dealt with this matter. It was 1931, was it not?—A. Yes, 1931.

Q. We have had very abnormal conditions since then, have we not?—A. I would agree, I think.

Q. You would agree as to that?—A. Yes.

Q. In 1931 it is correct to say that there were speculators willing to take the hedges?—A. In reply to that I would say that the process which gradually eliminated the speculator had already commenced prior to 1931.

Q. Prior to 1931?—A. Yes.

Q. By the word "speculator" you mean all persons who buy futures on the Winnipeg Exchange?—A. No. I think in my statement—

Q. You provided three classes?—A. Yes.

Q. I saw that?—A. I would regard as a speculator anybody who takes a risk on price fluctuations as far as the grain market is concerned.

Q. I quite understand; anybody who takes a risk on price fluctuations?—A. Yes.

Q. Do you mean whether it is a non-professional or professional or whoever it may be, they are all in the same class, except one has wider knowledge than the other?—A. I drew some distinction in my statement.

Q. Yes, but that is the general system?—A. The general trend, yes.

Q. Who takes the hedges now?—A. I imagine to a large extent they are being taken in the same way as they have been in the last three or four years, with which you are quite well acquainted, of course. But there is some increase in public trading.

Q. By public trading you mean that the number of purchasers has increased?—A. The number of holders of futures has increased, yes.

Q. I asked you because I am not there and you are. I asked you who is taking the hedges now?—A. I do not know anything about the transactions, the individual traders.

Q. No. But I mean you know who take the hedges, I suppose?—A. No, not necessarily.

Q. It is only hearsay?—A. It would not come to me at all.

Q. How does the exchange maintain its existence financially?—A. The exchange maintains its existence by the payment of annual dues by its 463 members, by certain fees which are charged for the posting of its members quotations on various markets, by various members of the exchange.

Q. That is, there is an assessment made against them. Is that it?—A. No. Whenever a member of the exchange obtains the privilege of posting quotations, he pays a small fee to the Winnipeg Grain Exchange in addition to the cost he pays to the agencies supplying him over the telegraph wire with the quotations.

Q. You told us it was a voluntary organization, practically. It was not an incorporation?—A. No.

Q. And it has no charter?—A. No.

Q. It is simply a voluntary organization. I asked you how it is maintained financially?—A. It is a non-profit association maintained entirely by the fees, by the dues, and the payment of its members for services rendered, which are the smaller portion of its income.

[Mr. A. E. Darby.]

Q. It pays no dividends to the individual who constitute it?—A. No, none whatever. It is a non-profit institution.

Q. It is a non-profit organization?—A. Yes.

*By Mr. Perley:*

Q. Is there a limit to your membership?—A. Only as described in my statement. To be a member you must present a certificate of membership along with your application. You may obtain that certificate either from another member who desires to dispose of one or from the association.

Q. I mean any limitation in numbers?—A. No. There would be no limitation of members in that case.

Hon. Mr. CRERAR: I think it should be stated, in order to keep the record straight, that the grain exchange were not asked to present any defence before this committee, at any rate at the present time. After the meeting of the committee that decided upon the calling of evidence and what witnesses should be called, the request was sent to the Grain Exchange and also to the Winnipeg Grain and Produce Clearing Association to have witnesses here to-day to explain the functions and the mechanics of the exchange. I do not know whether a defence of the exchange is necessary by the exchange. They are perhaps the best judges of that. But at any rate, this witness to-day is for the purpose of explaining what the functions of the exchange are and what the mechanics, to use Mr. Bennett's own word, of the exchange are in the handling of grain. I thought that should be stated in order that the record might be kept straight.

Rt. Hon. Mr. BENNETT: I had no desire to use the word "defence" in the sense that Mr. Crerar now uses it. I took it that this document was prepared, as the witness now says it was, for the purpose of explaining to this committee the justification for the existence of this exchange.

WITNESS: At the request of the committee.

Rt. Hon. Mr. BENNETT: Exactly; at the request of the committee.

Hon. Mr. CRERAR: I made the statement because you asked a question of Mr. Darby if this was a defence.

Rt. Hon. Mr. BENNETT: Justification for its existence is perhaps a better expression.

*By Mr. Deachman:*

Q. Did I understand you to say that there was not a sufficient number to take the hedges in 1931?—A. No. I said that process by which the speculator was ultimately eliminated had probably begun before 1931, that being the process of increasing interference with the free operation of the market.

Q. That would be brought about by the feeling on his part, would it, that he could not afford to take the chance of buying at all at that time?—A. No. I would put it this way—

Q. I mean, he would be taking hedges?—A. I would put it this way, that no private trader likes to trade in any market where the government or a semi-government agency is trading with the resources of the government behind it.

Q. Would that be because of the price?—A. It was obviously a disadvantage.

Q. They would feel the price was too high and they could not take the risk?—A. It was not a question of price. It was a question of uncertainty in the trader's mind as to what might be the next policy of the agency.

Q. Because there was not the free play of natural forces?—A. Exactly. There would be a certain degree of interference.

*By Mr. McNiven:*

Q. Have you read Mr. Milner's statement before the committee last year?—A. Yes.

Q. On page 29?—A. Yes.

Q. As I understand it, Mr. Milner said that the speculator stayed in the market practically up until the time parliament came in in June, 1932, and he was taking hedges when wheat was as low as 38½ cents. Is that right, to your knowledge?—A. I think the statement Mr. Milner made is perfectly correct. But I think my statement is also correct.

Q. Here is what Mr. Milner said. He was being cross-examined or questioned by the Hon. Mr. Bennett, I think:—

Q. Now, Mr. Milner, surely when wheat dropped—wheat dropped to 38½ cents, didn't it?—A. Yes, 38½ cents.

Q. The lowest price known for four hundred years?—A. Yes.

Q. Who took the hedges then?—A. The speculative trade and the export trade.

Q. Yes, they were taking hedges at 38½ cents?—A. Yes.

Q. All they were offered?—A. Well, there was no other person that took them, other than the ordinary method.

Q. Quite so; and the hedges were not being taken.—A. I don't understand that.

Q. What I mean is that there came a time when there was nobody; the speculative interests were not prepared to continue further buying at 38½ cents?—A. What was the date of that?

Q. I am just asking you. I am putting these in the form of questions, not statements.—A. Yes, I have forgotten the date of that.

Mr. PORTEOUS: January, 1932.

The CHAIRMAN: It was after the 1931 crop was being marketed, in the spring.

WITNESS: I think perhaps that is fair if it was January, 1932. But to show that the market did function during the period of low prices, Mr. McFarland in evidence before the Banking and Commerce commission stated that he did not make a purchase of grain until June, 1932, as a stabilization effort.

WITNESS: That was Mr. Milner's view. He made it perfectly clear to the special committee at that time that he was expressing his own personal views.

Rt. Hon. Mr. BENNETT: No. The reason I asked him that was that Mr. McFarland did not buy any wheat until 1932.

WITNESS: I did not allege that he did.

Rt. Hon. Mr. BENNETT: No. But I asked you about 1931 purposely.

WITNESS: Yes.

Rt. Hon. Mr. BENNETT: You gave an answer at variance with that.

WITNESS: I would still make the same reply, that the forces which ultimately drove the speculator from the market in my judgment began to operate prior to 1931.

*By Mr. McLean:*

Q. Should the low point to which wheat dropped, 38½ cents, not be January, 1933, rather than 1932 as stated by Mr. McFarland?—A. I would have to look up the date. It was quite clearly stated in the evidence that you have in your possession, of last year.

Mr. McLEAN: I think it is accepted that it was the crop of 1932 that went down to that low level, not the crop of 1931 at all.

[Mr. A. E. Darby.]

Mr. ROSS: The low prices were in December, 1932, and January, 1933.

Mr. McLEAN: Yes, quite so; the crop of 1932.

The CHAIRMAN: Gentlemen, it is nearly 1 o'clock, the time at which we ordinarily adjourn. Do you desire to begin the examination of another witness? What is the wish of the committee? Do we propose to sit this afternoon?

Discussion followed.

The CHAIRMAN: Then if there is no notice sent to the members to the contrary, we will meet to-morrow afternoon at 3.30 p.m.

The committee adjourned at 1 p.m. to meet again on Wednesday, April 22, at 3.30 p.m.



SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

**MARKETING OF WHEAT AND OTHER GRAINS**

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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WEDNESDAY, APRIL 22, 1936

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WITNESSES:

- Mr. Frank O. Fowler, Manager, Winnipeg Grain and Produce Exchange Clearing Association.  
Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.
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EXHIBITS:

3. Copy of Memorandum, dated December 12, 1935, sent to Cecil Lamont by the Chief Commissioner, The Canadian Wheat Board.
4. Copy of letter, dated January 17, 1936, sent to small English millers by the Chief Commissioner, The Canadian Wheat Board.





## MINUTES OF PROCEEDINGS

WEDNESDAY, April 22, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 3.30 p.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Jacobs, Leader, MacKinnon (*Edmonton West*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. Frank O. Fowler, Manager, Winnipeg Grain and Produce Exchange Clearing Association, was called and sworn. He read a statement detailing the functions of the association, and was subsequently questioned briefly. He will file later a copy of (1) rules and regulations, (2) list of members, and (3) financial statement. Mr. Fowler retired.

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, was called and sworn. After reading a brief statement, he was questioned at length. Mr. Murray filed:—

*Exhibit 3.*—Copy of Memorandum, dated December 12, 1935, sent to Cecil Lamont by the Chief Commissioner, The Canadian Wheat Board.

*Exhibit 4.*—Copy of letter, dated January 17, 1936, sent to small English millers by the Chief Commissioner, The Canadian Wheat Board.

Mr. Murray retired.

The Committee adjourned until Thursday, April 23, at 3.30 p.m.

JOHN T. DUN,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS ROOM 231,

OTTAWA, April 22, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government, met at 3.30 p.m., Hon. Mr. Euler the chairman, presided.

The CHAIRMAN: Gentlemen, I do not suppose it is necessary to read the minutes.

Right Hon. Mr. BENNETT: I suggest that you take them as read.

The CHAIRMAN: Our next order of business is to get a statement from Mr. Fowler of the clearing house.

Mr. FRANK O. FOWLER called and sworn.

Mr. Chairman and Hon. members of the committee, I appear before you in response to a request from your chairman, Mr. Euler, to present a statement as to the general set-up and methods employed by our association in transacting its business.

The Winnipeg Grain and Produce Exchange clearing Association obtained incorporation under the Joint Stock Companies' Act of Manitoba in June, 1901. Its incorporators, along with others, after having a few years' experience in handling the grain crop of the west, during which they protected their purchases in the country with hedges in Chicago, decided they could not continue placing their hedges in a market in which they could not make delivery, and consequently through the Winnipeg Grain Exchange established a future market in Winnipeg where future contracts could be completed by the delivery of, and payment for, the grain stipulated in such contracts. Then, for the purpose of more efficiently and economically exchanging the daily balances due to the fluctuations in the price of grain and for the added security to contracts, a number of members of the Winnipeg Grain Exchange established this clearing association. Not all members of the exchange are members of the clearing association, but all members of the clearing association must be members of the exchange.

The affairs of the association are managed and administered by a board of nine directors, who in turn elect a president, vice president, secretary-treasurer and manager. I was appointed manager in the fall of 1903, and proceeded to organize and staff an office for clearing future trading in western grain on the Winnipeg grain exchange. This took considerable time, but we finally commenced trading in futures and clearing the trades on the 2nd day of February, 1904.

All future contracts made on the trading floor by members of the association, unless otherwise agreed upon, are cleared through the association. Members of the association also in many cases clear future contracts made by other members of the grain exchange who are not members of the association. The association assumes the position of seller to the buyer and buyer to the seller on all contracts of its members accepted by it for clearing, and guarantees the fulfilment of all such contracts. It has over \$600,000 of liquid assets available as security for the fulfilment of all such contracts, but in addition, the manager has full power and authority to call upon the member in whose name the contract stands in the books of the association for such additional security

as in his judgment he may think necessary to insure the fulfilment of the contract. This system has been so eminently satisfactory, both as to efficiency and security, that in thirty-two years' experience, with at times during that period outstanding contracts on the books of the association amounting in value to millions of dollars, the association has only had to accept one loss, which amounted to \$30,580.43.

The capital stock of the association was originally five hundred shares of \$50 each, amounting to \$25,000, but was subsequently changed to one thousand shares of \$50 each, or \$50,000. There are one hundred and thirty-one members, with six hundred and fifty-five shares subscribed, and a paid up capital of \$32,750 with surplus and reserve of \$609,026.36. Each member must be a holder of five shares. The company in its charter has the right to purchase and sell its own shares, and has a first lien on its shares for any indebtedness of the members to it.

There have never been but two dividends declared on the stock of the association. These were a ten per cent dividend on February 28, 1913 and a 12 per cent dividend on March 3, 1914, when at the annual meeting of the shareholders of that year the policy was laid down that no further dividends were to be paid, but the service was to be given as nearly as possible at cost to the members of the association, having regard to applying such surplus as might accrue to building up a good and sufficient reserve to meet all requirements of the association. The selling value of memberships in the association has, therefore, no relation in any way to dividends or earnings, and the principle of giving the service at cost was confirmed in a resolution as follows:—

Section 5 of by-law No. 13 is hereby amended by adding at the end thereof the following: "Provided, that beginning on the first day of August, A.D. 1925, if in any fiscal year, the net profits of the Association for that year exceed ten per cent of the paid-up capital stock of the association, the association will make a rebate to all members who have cleared transactions through the association during that year of the balance of such net profits, the amount of the rebate to be paid to each member being such proportion of the said balance of the net profits as the amount paid by each respective member for fines, fees and other services of the association bears to the total amount paid by all members for such purposes. Any rebate so made in connection with any fiscal year, is to be considered a reduction in fees charged by the association during that year."

The association accomplishes with reference to transactions in grain for future delivery made on the open market of the grain exchange essentially the same results as a bank clearing house performs for member banks. In the one case, the clearings are made for members covering accounts involving fixed values—that is, the ownership of money or acceptable commercial paper. In the case of the Grain Exchange Clearing Association, clearings are made for members for accounts involving the transfer of ownership in grain of definite grade, but of fluctuating value. It is this fluctuation in the value of grain which gives rise to the margins required by the clearing association. Upon the acceptance by the manager of transactions in grain for future delivery, the clearing association assumes the position of buyer to the seller, and seller to the buyer, in so far as its members are concerned. In this way individual dealers of the Winnipeg Grain Exchange, for a nominal charge, are relieved from making individual settlement between themselves. Likewise, all trades, by virtue of the clearing association taking the position of buyer to the seller and seller to the buyer, are "rung out" in an organized way, or cleared. A record of all trades is furnished the clearing association by each member, and settlement for the day's trading is made by writing a single cheque, either in favour of the clearing association by the member, or by the clearing association in favour of the member.

[Mr. Frank O. Fowler.]

In clearing future trades, therefore, the clearing association is of value in the following respects:—

- (a) For the convenience it serves in facilitating the handling of the immense volume of transactions of the grain exchange;
- (b) In relieving the members from the task (previously often imperfectly performed with resulting loss) of depositing margins between themselves in the cumbersome forms formerly used;
- (c) In guaranteeing the fulfilment of each contract in respect of which it becomes the buyer to the seller and the seller to the buyer so far as its members are concerned.

It is incumbent upon the clearing association to know the reliability of the members whose business it accepts, and all members are required to furnish the manager with a statement of their assets and liabilities, duly certified to by their auditor. By the very nature of the operations of the clearing association, in which it takes the position of buyer to the seller and seller to the buyer, it must closely scrutinize the financial and moral responsibility of the parties whose trades it accepts.

The association guarantees the fulfilment of all trades which are accepted by it and actual delivery is properly made of the grain required for the fulfilment of all contracts on their delivery date. Thus, through the clearing association there is secured to the grain trade at Winnipeg:—

- (1) A close scrutiny of its personnel;
- (2) An efficient, economical and safe method of keeping all future contracts cleared to the market daily;
- (3) A guarantee of the safe holding and proper delivery in all transactions in future trades.

The following example will serve as an illustration of the differences between the old method of the individual members of the exchange looking after their daily balances on future contracts and finally making delivery, or receiving delivery in fulfilment of such contracts, and the present method of taking care of the contracts through the clearing association. Assuming that the market on the 15th day of April for May wheat (that is, wheat deliverable on or before the 31st May at the seller's option) ranges between \$1.50 per bushel and \$1.40 per bushel, and closes at \$1.40 per bushel:—

- A buys from B 10,000 bushels of May wheat at \$1.50 per bushel.
- B buys from C 10,000 bushels of May wheat at \$1.48 per bushel.
- C buys from D 10,000 bushels of May Wheat at \$1.46 per bushel.
- D buys from E 10,000 bushels of May wheat at \$1.44 per bushel.
- E buys from F 10,000 bushels of May wheat at \$1.42 per bushel.
- F buys from G 10,000 bushels of May wheat at \$1.40 per bushel.

Under the old method, in order to clear these several trades to the closing price of the market of that day:—

- A would have had to pay B \$1,000
- B would have had to pay C 800
- C would have had to pay D 600
- D would have had to pay E 400
- E would have had to pay F 200

and as F bought from G at the closing price, there would be no balance due him.

Under the new method A would pay the clearing association \$1,000.

The clearing association would pay to B, \$200; C, \$200; D, \$200; E, \$200; F, \$200. And the association having accepted all these trades would have a contract for delivery to A of 10,000 bushels of May wheat and would

have a contract with G for the delivery of 10,000 bushels of May wheat by him to the clearing association. When the date of delivery in May came around for the fulfilment of these contracts under the old method:—

F would call at the office of G and pay for 10,000 bushels May wheat, receiving documents for same.

E would call at the office of F and pay for 10,000 bushels May wheat, receiving documents for same.

D would call at the office of E and pay for 10,000 bushels May wheat, receiving documents for same.

C would call at the office of D and pay for 10,000 bushels May wheat, receiving documents for same.

B would call at the office of C and pay for 10,000 bushels May wheat, receiving documents for same.

A would call at the office of B and pay for 10,000 bushels May wheat, receiving documents for same.

Under the new method, the transaction would be completed by the clearing association instructing A to call at the office of G and pay for 10,000 bushels of May wheat, and receive the documents in fulfilment of the contract, and during the period between April 15 and the date in May when the contract was completed by payment and delivery as above mentioned, the clearing association would have guaranteed the fulfilment of the contract and would have either paid to, or received from A and G the market differences resulting from the variations in the daily closing price.

The above is a simple example of the security, efficiency and economy of the service rendered by the association to its members and the trade generally, and applies to six trades made by seven traders, and for the same quantity of wheat. When this security, efficiency and economy of service is extended, as it is, to the one hundred and thirty-one members of the association, involving often from three to five thousand trades daily, and for varying quantities, the use and necessity of the association is fully demonstrated.

This service is performed under rules and regulations established by the association and the Winnipeg Grain Exchange, and are amended or changed from time to time to meet changing conditions, the underlying principle in all being to promote and establish the most perfect conditions possible commensurate with security, of marketing our western grain.

The CHAIRMAN: Do the members of the committee desire to ask any questions?

*By Right Hon. Mr. Bennett:*

Q. Will a list of the members be filed?—A. I have not a list of the members, but I have a copy of the rules. I can get a list at any time. There are 131 members involving the biggest traders in the building.

Q. All of the same class of membership?—A. Yes, there is no difference.

Q. I would like to have a copy of the list filed, not necessarily at the moment?—A. I can easily get a copy.

Q. And of the rules and regulations?—A. Yes. I have a copy of the financial statement; I thought you might want to see it.

Q. I was going to ask you about that?—A. This is last year's financial statement.

Right Hon. Mr. BENNETT: That is sufficient for my purpose.

The CHAIRMAN: Mr. Fowler will produce the list.

Right Hon. Mr. BENNETT: It need not be done at the moment, but later on we will need it.

[Mr. Frank O. Fowler.]

*By Mr. Coldwell:*

Q. I understood you to say that all profits of over 10 per cent were returned to the members?—A. Yes.

Q. In proportion to the amount of business they did with the clearing house?—A. Yes.

Q. In effect, then, this is a co-operative organization?—A. It was established for the service it would give and not for the profits it would make, and, consequently, they decided to return all but 10 per cent to the members.

*By the Chairman:*

Q. Rebating it from the charges?—A. Yes.

Mr. COLDWELL: I was interested in that point because of the principle involved.

*By the Chairman:*

Q. It is the co-operative principle?—A. Yes, absolutely.

Mr. COLDWELL: It is interesting to note that the Grain Exchange has adopted the co-operative principle; that was the point I had in mind.

Hon. Mr. CRERAR: They did that quite a number of years ago.

*By Mr. Perley:*

Q. Have the members of the clearing house a line that they can draw up to?—A. Yes.

Q. Some would have more than others?—A. Yes.

Q. How do you establish that line?—A. On the basis of their financial statements.

Q. And they can only trade to the limit?—A. They can trade as far as they like, but we call them for what we call the original margin when they exceed that line.

Q. What is your original margin?—A. It varies from 5 cents, 10 cents to 20 cents a bushel. It is really a one-man job, and the manager has the responsibility of looking after the security of the trades. He would be foolish if he took any chances, that is all.

Q. Who is the manager?—A. I am.

*By Right Hon. Mr. Bennett:*

Q. You have been the manager since its organization?—A. Yes.

Q. Suppose a man in Chicago buys one million bushels of wheat through a broker in Winnipeg, and pays for it, does that go through your organization?—

A. I would not know anything about it unless some questions were asked and I have to get the information, that is all.

Q. Then you would endeavour to secure the information as best you could?—A. Yes.

Q. Suppose a man bought an option for a million bushels of wheat, May delivery, from a man in Chicago and asked the broker to do it for him, would that necessarily go through you?—A. Well, it likely would, but I could not be sure.

Q. But it need not; you could not be sure?—A. No.

*By Mr. Perley:*

Q. But if it was trading in the Winnipeg pit, it would have?—A. Yes, it would have to go through if it was done in the pit.

*By Rt. Hon. Mr. Bennett:*

Q. I believe you stated so unless they arranged otherwise among themselves?—A. That is only for the purpose of permitting cash grain brokers who sell cash grain. For instance, an elevator operator in the country, in the fall and all

during the year, if he has cash grain coming forward that he wants to sell he has got it hedged in the future month, and he sells it on the basis of so much under the option, and they exchange the option. That is done outside the pit, and that, I think, is the only exception that is made to trades being done outside the pit.

*By Mr. Perley:*

Q. Is that permissible under your rule?—A. Yes, that is permissible under the Grain Exchange rule.

Q. That is, if a seller of 50,000 bushels of wheat, instead of delivering to the clearing house and balancing his trade there, he delivers it to some other buyer and gives back the option?—A. Yes, that is permissible, and most of the business is done that way.

*By Mr. Coldwell:*

Q. In connection with business done by the Canada Wheat Board through the clearing house, is there a record of every trade made?—A. Every trade that they make in futures would go through our office.

Q. Every trade in futures?—A. Yes, unless they gave the option to a cash broker, and then I would not know anything about that except that the option would be cleared.

*By Mr. Perley:*

Q. If cash wheat is delivered to the clearing house, how do you designate to whom it shall be delivered?—A. We take the oldest trades first, I mean the oldest trades on our books. Of course, the daily clearing sheet shows who is the first man to buy October wheat for instance, and he will get delivery if he still stays along. The first delivery that comes in will go to the oldest trade.

Q. And he has to be prepared to take it at any time, is that it?—A. Yes, over the month.

Q. What about the seller?—A. The seller has to the end of the month to make delivery.

Q. If a case should arise where a firm trading in the pit were pretty well up to their line, and brokers in the pit had received orders and in the end found the firm was over their line, that is, over their trading in the clearing house, how would they deal with that?—A. Our regulations call for 10 cents a bushel to accompany on the trading sheet for what is over their line.

Q. Is there any borrowing between members to cover, for instance?—A. I think there is.

Q. Can one member borrow from another?—A. I think so.

Q. You have no way of tracing that?—A. Well, I suppose it could be done, but it did not make any difference to me.

Mr. DEACHMAN: You would not be interested in that.

The CHAIRMAN: You would not be interested in that.

WITNESS: Not at all.

*By the Rt. Hon. Mr. Bennett:*

Q. How many settlements do they make?—A. Every day to the market.

Q. And if there is any deficiency in margin, and a check has been given to you, for any excess margin you send a cheque to the company?—A. Yes. Every member of the clearing house brings in his sheets at a certain time after the closing of the market, and we check every trade against every other trade that is made. There has got to be a buyer for every seller and there has got to be a seller for every buyer, and they all balance. We have to balance the money and the grain every day. If there is a mistake, we send out what we call error

[Mr. Frank O. Fowler.]



slips, and if there is a dispute in the price, as there often is if the trading is very active in the pit, they sometimes put on their cards "wrong price" and come in to us, and if they do not agree we send them this error slip. They go and see one another, of course, immediately and adjust it, and if they cannot adjust it, we cut out both sides of the trade.

*By Mr. Perley:*

Q. The active trader in both buying and selling in the pit has clearing sheets; he would not show the purchases and sales on the one sheet, he would have to bring two clearing sheets, one showing the sales and the other the purchases?—A. Yes. The purchase sheets are printed in red and the sold sheets are printed in black. He puts all purchases on the purchase sheet, and all sales on the sales sheet, and extends them to the closing prices, and we check all those extensions in trades and amounts with whoever they are supposed to be with, and they have all got to correspond before the day is through. Then, the balances are carried down to the next day.

*By Mr. McNiven:*

Q. For what months in the year is trading quoted on the Winnipeg exchange?—A. What month?

Q. What months—I am speaking of futures.—A. Futures are only traded in May, July, October, November and December.

Q. And who determines when these months shall be quoted?—A. The Grain exchange.

Q. How soon after the 31st of May would the October option be quoted?—A. Oh, it is put on before May; it is on now.

Rt. Hon. Mr. BENNETT: It was on in January this year.

*By Mr. McNiven:*

Q. When was it put on in 1935?—A. I cannot remember that. You can get all that from the records of the Grain exchange; they do all that.

Q. The reason I am asking you is this: I understand there was some considerable delay before the October option was put on last year?—A. Oh, I don't know.

Mr. COLDWELL: Was it on at all last year?

Rt. Hon. Mr. BENNETT: Yes, just before the crop came on.

*By Mr. McNiven:*

Q. I want to know what, in your opinion, was the effect of not having the October option available, insofar as the marketing of grain was concerned?—A. Oh, well, my judgment would be it would narrow up the market.

Q. Would it affect the price at all?—A. Oh, I don't know. I am not prepared to say that. Nobody can tell what affects the price of grain. I cannot; I wish I could.

Rt. Hon. Mr. BENNETT: Mr. Fowler is coming back again?

The CHAIRMAN: He will be available.

Rt. Hon. Mr. BENNETT: This is just a statement as to how the clearing association operates?

The CHAIRMAN: Exactly. Are there any further questions?

Witness retired.

JAMES RICHARD MURRAY, called and sworn.

Mr. Chairman and gentlemen of the committee, I have a somewhat brief statement which I should like to read. Commencing just ten days after our board started to work, and continuing for some time thereafter, press interviews and dispatches have made it clear that our board's operations and policies have not met with the approval of some people. The insinuation is made that our board has been actuated by unworthy motives in deciding our selling policies. Accusations are made that—

Rt. Hon. Mr. BENNETT: It is evidence, not a speech we are supposed to have.

The CHAIRMAN: He is supposed to make a statement.

Rt. Hon. Mr. BENNETT: This is not a statement.

WITNESS: I think, Mr. Chairman, if I am permitted, it may be agreed before I am through that it is a statement. It is somewhat brief. Accusations are made that on a somewhat famous day—Friday, December 13, 1935—we rescued or protected gentlemen known as “shorts;” that we have sold too much wheat at too low a price and finally that we are dominated by the Winnipeg Grain Exchange.

The duty of the wheat board in regard to the sale of wheat is set out in section 8, subsections B and C of the Canadian Wheat Board Act, which read:—

8. It shall be the duty of the board:—

(b) to sell and dispose of from time to time all wheat which the board may acquire, for such price as it may consider reasonable, with the object of promoting the sale and use of Canadian wheat in world markets;

(c) to sell and dispose of stocks of wheat and contracts for the delivery of wheat acquired from Canadian Co-operative Wheat Producers Limited and the wheat represented by such contracts as may be reasonably possible, having regard to economic and other conditions.

Our board has followed the policy enunciated in these sections of the act and amplified by the statement issued by the Minister of Trade and Commerce at the time of our appointment. That statement reads:—

The concentration of surplus stocks of wheat in Canada during the past few years has created an abnormal situation in the world wheat trade.

Last June this situation was recognized by parliament as not being in the interests of Canada or her wheat producers, and the Dominion government desires to have our surplus restored to a normal basis. To accomplish this the wheat board will seek the good-will and co-operation of the grain and milling trades in all importing countries.

It is not necessary to have and there will not be any “fire sale” of Canadian wheat, but it will be for sale at competitive values and will not be held at exorbitant premiums over other wheats.

The board considers its main responsibility is to dispose of the burdensome part of the “surplus stocks which have hung like a millstone about the necks of wheat producers since 1928”—before another new crop comes along.

During our first week in office, realizing that our exporters and millers were the salesmen on whom we had to depend for moving our wheat abroad, we held meetings with these branches of the trade. We informed them as to the board's policy and encouraged them to offer our wheat and flour on world's markets. The board also immediately sent a goodwill emissary to visit the British milling and import trades to advise them of Canada's new wheat policy and to seek their co-operation and goodwill in using the largest possible amounts of Canadian wheat.

[Mr. James R. Murray.]

Rt. Hon. Mr. BENNETT: Obviously, Mr. Chairman, this must strike you at once as being improper. If there were written instruction given, they must be produced, for they speak for themselves. The witness is putting a construction upon them. That is elementary.

The CHAIRMAN: I think it was decided at our sub-committee meeting that these three gentlemen should be permitted to make a statement.

Rt. Hon. Mr. BENNETT: He is under oath, you know.

The CHAIRMAN: Yes.

Rt. Hon. Mr. BENNETT: He is under oath. The point is this, Mr. Chairman: It seems to me we must not entirely disregard the fact that when a man talks about instructions and having given instructions, the instructions should be produced. They speak for themselves.

The CHAIRMAN: I am at the disposal of the committee, but my view as chairman is, I would say certainly Mr. Murray must be given an opportunity to make a statement. If he makes a statement to which issue can be taken, surely opportunity will be given to every member of the committee to question him and contradict him, if he so pleases.

Rt. Hon. Mr. BENNETT: I am only pointing out what is an elementary rule. When a man talks about instructions the instructions then speak for themselves. His proper course is to say, "We requested Mr. Lamont to do so and so" wherever he happened to be. He has to say what the instructions were.

The CHAIRMAN: That is another way of doing it, I suppose.

Rt. Hon. Mr. BENNETT: No. One, you see, is the witness's interpretation of the document, and the other is the instructions he gave. But if you, Mr. Chairman, think it is desirable that he should go on and make the statement, which will only prolong the matter, I am not going to interfere.

The CHAIRMAN: I have no desire to dictate to the committee. I am perfectly willing to receive the opinions of the committee with regard to the matter.

Mr. JACOBS: Are the instructions in writing, and are they available?

The CHAIRMAN: To Lamont?

WITNESS: I have a copy, Mr. Chairman, and I shall be glad to furnish it to the committee if they wish it.

Mr. MCLEAN: Might I suggest it would be just as well to have this long brief printed? It can be read later. I do not know why a witness should be sworn and then simply read a long statement, holding up the time of the committee. Why not print them, and the witness can give evidence?

WITNESS: I should like to point out, Mr. Chairman, that it is entirely incorrect to describe the statement I have here in front of me to read, as a long one. It consists of four pages of foolscap, double-spaced, and not typed the full width of the sheet.

Mr. DONNELLY: I think it is only right and fair that this man be permitted to read his statement upon what has been done.

WITNESS: It is perfectly satisfactory to me if the committee do not want the statement read. I am quite ready to submit to examination on any other basis.

Rt. Hon. Mr. BENNETT: I think he should read his statement. I was only pointing out that to put a construction upon a written document is not the correct way to do it. So long as it is understood that he is reading a prepared statement, it is satisfactory. I only point out that it is not fair to himself or anybody else. Let him go on with his statement, so far as that is concerned.

WITNESS: Our emissary also visited the continent.

In determining our selling policy the board has endeavoured to take a long view of the situation and not to allow itself to be unduly swayed by day to day ticker news and opinions. The merchandising of 340,000,000 bushels of wheat and wheat contracts cannot be done successfully by blowing hot and cold with every wind that blows, nor by having the mentality of a speculator.

Neither can merchandising this quantity of wheat be successfully accomplished by reposing a blind faith in that thing known as "the statistical position" which has so often been quoted glibly to prove that all our wheat troubles were over.

Our board has recognized the seriousness of the situation resulting from the reduction in markets for our wheat and has not thought its job could be handled successfully by believing that the world must and would come for our wheat and clean up most of our surplus irrespective of price before the end of this crop year.

Our board has not considered it to be its duty to follow a policy of gambling on what Providence might do in the way of helping us again with serious crop failures in North America and other parts of the world. If, in 1936, we have a good crop in Western Canada—which everyone hopes for—nothing could be worse than for us to still have an abnormally large carry-over. Consider how big a gamble Canada would be taking if the Board had based its selling policy on the hope that the United States winter wheat crop would be a failure again and that we would once more have poor spring wheat crops in North America in 1936. If nature decreed otherwise Canada would be in the same position that was looming right in front of us last June.

Last June when the Wheat Board legislation was before the Committee of the House our prospect was for a 450 million bushel crop in Western Canada. If it had not been for the action of Providence through rust we would have had a 450 million bushel crop and would have started in the 1935 season with 665 million bushels of wheat in Canada alone, 550 million of which would have been available for export. If this had happened we would, even with an aggressive selling policy, have had a carry-over next July of 275 million bushels.

Our Board cannot forget the fact that in order to reduce the Canadian carry-over at July 31 next even to 125 million bushels, Canada would have to export about  $5\frac{1}{4}$  million bushels per week for the last eight months (December 1, 1935 to July 31, 1936) of this crop year. Such a figure of exports from Canada during the last eight months of the crop year has not been reached since the 1928 crop and in that year international trade in wheat and flour (world shipments) was  $917\frac{1}{2}$  million bushels. Such exports from Canada during the similar period have only been exceeded in five years out of the last fifteen and in those five years international wheat and flour trade (world shipments) averaged 793 million bushels per annum, compared to 528 million bushels now estimated for this year. In view of such a situation our Board believed it was no use deluding ourselves with the idea that the statistical position was such that the world would have to take the burdensome part of our surplus no matter how high we held the price.

For years past we have heard a great deal about "orderly marketing." There may be different opinions as to the proper definition of the term "orderly marketing" but our Board believes that the policy we have followed truly interprets the meaning of the phrase when used in its best sense. Our policy has been and will continue to be a merchandising and not a speculative policy.

In looking forward beyond this season there can be no doubt that reduced markets for wheat in Europe constitute the greatest menace to a healthy world wheat situation. High tariffs against wheat imports, bonusing of home production, drying up of international trade in all commodities, have reduced international trade from over 700 million bushels a few years ago to 520 million

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bushels during the past two years. Normal crops on the present acreage in Western Canada alone would produce about 400 million bushels annually, giving us about 285 million bushels for export. We cannot export anything approaching this quantity yearly by following a policy of just holding on to our stocks and hoping Providence will, through crop failure, compel someone to come and buy them.

This statement just outlines some reasons for the policy our Board has followed. Your Committee and other people can judge whether it has been good or bad. We have believed that it was in accordance with what Parliament desired last July when it passed the Canadian Wheat Board Act and also that it was in the best interests of Canada.

I have, Mr. Chairman, a statement here. It is not a statement to be read, necessarily, but it gives the figures of our sales from December 9, the daily sales from December 9, 1935, onwards for a period. I am not sure that it will meet the requirements of the Committee in regard to information as to what we have sold, because a letter that you handed to me, I think it was yesterday, from Mr. Bennett reads as follows:—

I will require Mr. Murray to produce, in addition to the documents set out in Sessional Paper 162, a complete précis of the number of bushels of which option sales have been made by the Canadian Wheat Board, showing the number of bushels of each crop year so optioned, and the price per bushel, the point at which the wheat was stored, and the extent to which the wheat so optioned has since been sent from Canada.

I am of course, Mr. Chairman, on behalf of our Board, in the position of being entirely prepared to furnish any information about our operations that your Committee wishes us to furnish. If I have not got the information here, I will be glad to get it from Winnipeg. While this statement shows the number of bushels sold daily, the average price, and it has set down beside it the average closing price of Winnipeg May wheat, I am not sure that it will meet what Mr. Bennett has in mind, because there is some misunderstanding perhaps in regard to futures, and just what is involved in, we will say, the futures that the Board has. They are spoken of as wheat contracts, I think, in the Act.

*By Rt. Hon. Mr. Bennett:*

Q. In the statute?—A. Yes, as contracts. We have cash wheat, which is actual wheat either in country elevators or terminal elevators. In that connection I might state—and perhaps it would be a good place to start—that our inheritance on December 7 (that was a Saturday, and we started to work on December 9) was 122,863,000 bushels of cash wheat and 175,492,000 bushels of wheat contracts, making a total of 298,356,000 bushels.

Q. Was the cash wheat all 1935 crop?—A. No. There would be of that, Mr. Chairman, 69,263,000 bushels 1935 crop; on the old account, 53,600,000 bushels of cash wheat. Perhaps I should divide, for the information of the Committee, the 298,356,000 bushels total between the 1935 crop and the old account. There were 93,295,000 bushels of the 1935 crop and 205,060,000 bushels of the old account.

Q. That is cash and contracts?—A. Cash and contracts, yes sir. The futures contracts, I might say, were practically altogether Winnipeg May wheat. I think there may have been a very small amount of Winnipeg December wheat, but it was insignificant to the total.

Q. That you call May option?—A. No. Mr. Chairman, for what are generally called May options, and are perhaps better understood in that way,—at least, what the grain men generally call them is options,—I think the correct term is May futures. I think that is the term that is used in the by-laws of the Exchange, but I am not sure.

Q. We put it in the statute as contracts?—A. Yes, wheat contracts.

Q. Wheat contracts?—A. Yes.

Q. For future delivery?—A. Yes.

Q. That would be a correct description of it?—A. Yes, quite correct.

*By the Chairman:*

Q. They call them futures?—A. Yes. The general term is, as Mr. Bennett states, May options. If I might say so, that is the slang description that is generally used. I think the correct one is May futures.

*By Mr. Perley:*

Q. Could you give us the exact amount of wheat in all positions in Canada at that time, December 7, to satisfy your contracts?—A. The visible supply in Canada at that time, if I remember correctly, is 267½ million bushels. That is very close to the figure.

Rit. Hon. Mr. BENNETT: 265 million some give; others give 267 million.

WITNESS: 265 million I have heard. I think it is 267½ million.

*By Mr. Donnelly:*

Q. You stated that you had 340 million to sell, though?—A. Perhaps I should explain that. We had 298½ million bushels, in the round figure, of wheat and wheat contracts plus 42 million bushels which we might get between the beginning of December and July 31 next from farmers. If we did not get it, it would be because the market price would be above the minimum of 87½ cents. But that 42 million would have to be marketed; that is, the 42 million is arrived at on the basis of the Dominion Government crop estimate for the year, less the amount that farmers had delivered.

*By Rt. Hon. Mr. Bennett:*

Q. And the amount they kept for feed and seed themselves?—A. Well, that is after making allowance for feed and seed.

Q. That is after making allowance for that?—A. Yes.

Q. There is 42 million net available for marketing?—A. Yes, that is correct.

Q. That is what I thought. That is an estimate, of course; the average as the Dominion Bureau makes it?—A. Yes. The final estimate of the Dominion Bureau, made since that date, increases the crop a few million bushels, three or four, not a very large amount.

Q. There has been no revision of that 42 million figure though, as such, has there?—A. No. There is another thing that might be interesting to the Committee just on that point, Mr. Chairman. As at that date, if you take the estimates, the most recent estimates made of the world's requirements, that is, what is known of world shipments of wheat for the year, it is 528 million bushels.

Q. That is as of what date?—A. For the whole year, from August 1, 1935, to July 31, 1936.

Q. That is what I thought.—A. It was estimated at 540 million. That has been reduced. The most recent estimate is 528 million.

Q. Is that Broomhall's estimate?—A. Yes, that is Broomhall's estimate. The world's shipments weekly will have to pick up pretty smartly to reach that. But on the basis of that 528 million, and taking the world's shipments up to the date we took over, we had Wheat Board wheat and this 42 million which has, of course, all been coming to us since then, making 340 million bushels of wheat available to fill all world requirements for the thirty-five weeks left of the crop year, of 353 million bushels. Seventeen weeks of the crop year had

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gone by. There were thirty-five left, and on the basis of the most recent estimate 353 million bushels was the amount that the world would take for the remaining thirty-five weeks, and we had 340 million bushels of it in Canada, most of it in the hands of our Wheat Board.

*By Mr. Deachman:*

Q. If the price was high, that was enough to supply the whole world?—  
A. Yes,

The CHAIRMAN: How much was there in other parts?

Rt. Hon. Mr. BENNETT: He is only telling what he reads on that score.

WITNESS: Yes. Mr. Bennett says I am only telling what I read.

Rt. Hon. Mr. BENNETT: On that score.

WITNESS: Yes, on that score; which is a very true statement.

Rt. Hon. Mr. BENNETT: Unfortunately the reading has been different during the last few years from one period to the other.

WITNESS: Mr. Chairman, Mr. Bennett's remark just puts in my mind the dangers of reading sometimes, particularly if you read too much and allow yourself to be influenced too much by the statistical position. With regard to wheat in the rest of the world, Argentina had approximately 50 million bushels, it was estimated, for export out of her crop.

*By Rt. Hon. Mr. Bennett:*

Q. That is of December or when? Was it at the first of August or the first of December?—A. December. That would be out of the new crop.

Q. That is what I thought.—A. There was a little carry-over as well.

Q. Two million bushels?—A. I don't remember the amount. I believe I have some figures here on that.

Q. Yes, it is in that last report.—A. As a matter of fact, the Sanford-Evans statistical service gives the information that at November 30, on the basis of a 150 million bushel crop—and I find the Government estimate was a little less than that—Argentina had 67,434,000 bushels available for export and carry-over; Australia had 101,633,000 bushels. I think it would be fair to make an estimate for other countries. There are a lot of small ones that you cannot quote individually. France is shipping wheat, Portugal unfortunately found some wheat and has been selling it and shipping it, and countries even like Lithuania and Danube. I think 50,000,000 bushels for other countries would be a fair figure; but the significant thing, of course, to us in the wheat board was we had what looked like a very definite prospect of having to try and reduce 340,000,000 bushels to some reasonable figure before July 31 next.

Q. That is right?—A. May I give another figure on that, Mr. Chairman? I mentioned I think, we had 35 weeks left. To bring our holdings down to even 125,000,000 bushels at July 31 next, we would have to sell 216,000,000 bushels or about 27,000,000 bushels a month for eight months. Does the committee wish me to read the figures of our daily sales, Mr. Chairman?

Mr. COLDWELL: The first two weeks would be very interesting.

*By Right Hon. Mr. Bennett:*

Q. Does that include contracts in cash wheat?—A. I might say this, Mr. Chairman, in explanation, because there will be naturally some members of the committee who could not be familiar with all the bases of trading or selling. Practically all cash wheat is sold on what is termed the basis of the option. Mr. Fowler, in his evidence, mentioned that. When cash wheat is sold generally the seller of the cash wheat buys from the purchaser of the cash wheat, buys back the futures contract. Now, when our wheat board sells, shall we take

a round figure of say 100,000 bushels of No. 1 Northern wheat in whatever position that may be we would, shall I say for illustration, sell 100,000 bushels of No. 1 Northern at—these figures are fictitious illustrative prices—85 cents, and we would buy from the party to whom we sold that 100,000 bushels, 100,000 bushels of May wheat, the May option, May futures, whichever you want to call it, 87½ cents. In that case, what we have done is to sell, in the terminology of the trade, 100,000 bushels of No. 1 Northern at 2½ cents under May. Now, in this statement of our sales that I have here, I would think that 98 per cent, possibly, of those sales were sales of May futures; the others were sales of cash wheat sold flat; that is the trade term. The flat sales, if I may explain, of cash wheat, are made on this basis: A miller wants to buy 50,000 bushels of No. 1 Northern wheat. He says, I want to buy it flat. That means that if he wants to buy at 85 cents and we want to sell at 85 cents we will sell him 50,000 bushels of No. 1 Northern at 85, and there will be no option exchanged between us in connection with the transaction.

Q. It is a commodity sale like anything else?—A. Yes; he gets the wheat.

Q. You get the money?—A. But the big bulk of our sales, and that is equally true in any condition in the grain market with other people who have got wheat and are selling it—are made basis the option. Now, I want to give that explanation, because in having this statement made up I have had it reduced to the basis of futures options, because that is the most accurate and truest picture that I can give this committee, or I think anyone can give this committee, auditor or anybody else, of what we have actually done since December 7 with the wheat, both cash wheat and wheat contracts that were entrusted to us.

Q. Would you prefer to be asked questions now or to proceed with your story?—A. I would just as soon be asked questions now, Mr. Chairman.

Q. I thought probably you would wish that we did not ask you questions now.—A. No, sir.

Q. You say that it was essential for you to buy May options when you sold 100,000 bushels of wheat. Why is that?—A. Mr. Chairman, I did not say, I think,—in fact I am sure I did not say it was essential for us to buy 100,000 of May options when we sold 100,000 bushels of cash wheat. I did say that the great majority of the cash wheat sold by us or other people trading in the grain market was sold on the basis of the option.

Q. Didn't you say that when you took the illustration of 100,000 bushels of wheat sold for 85 cents that you bought back the May option for 87½ cents to the amount of 100,000 bushels?—A. No, Mr. Chairman, I am afraid I cannot agree with that in two particulars.

Q. I am asking what you said.—A. No—well, that is correct, Mr. Bennett asked me what I said. Let me put it this way, Mr. Chairman. If I may answer the question this way: I want to get that answer more accurately now. I did say that the great majority of our wheat—

Q. I do not want to interrupt you. Confine yourself to the illustration, if you please.—A. Mr. Chairman, I do not mind being asked any question. I do not suppose I can answer them all to satisfy everybody; but I am going to ask to be permitted, even if I am not quick on the trigger in the answer and cannot make my answer as short as it should be, I am going to ask to be permitted to answer in my own way.

Q. The witness has the right to answer in any way he likes, but the answer must be responsive to the question. He took an illustration of the sale of 100,000 bushels of wheat at 85 cents. He said, "I will take that by way of illustration." Then, he said he bought back from the purchaser an option for 100,000 bushels of May wheat at 87½ cents.

The CHAIRMAN: He said it was not obligatory.

[Mr. James R. Murray.]



Right Hon. Mr. BENNETT: He says that later. He says for illustration that is what he did. I want to know what it means.

WITNESS: In regard to this question and answer, I am glad Mr. Bennett agrees with me that a witness is entitled to answer a question in his own way. I agree with Mr. Bennett that the answer should be to the point and should be an answer to the question; but I also would suggest, Mr. Chairman, that if the first answer of the witness, through the ineptness or inability to answer the question, or that the answer is not a sufficient and fair answer to the question, then it is up to the member to question the witness until he gets an answer he is satisfied with.

*By Right Hon. Mr. Bennett:*

Q. No, Mr. Chairman, the member of the committee must never be satisfied with the answer. The witness is under oath; it is his answer that I am concerned with, and he took an illustration. The minutes will show what he took. Now, I ask him to explain why he found it necessary to buy 100,000 bushels of May options at 87½ cents.

The CHAIRMAN: That is what I understood.

*By Right Hon. Mr. Bennett:*

Q. That is not unfair.—A. No, sir; I am not suggesting unfairness. I do not expect to get unfair treatment from any member of the committee. The difference between Mr. Bennett and myself at the moment consists really just of the use of the word "essential."

Q. I did not say "essential" until later.—A. I understood Mr. Bennett to ask why it was essential when we sold 100,000 bushels of cash wheat to buy back 100,000 bushels of option—the record will show to-morrow whether I am right or wrong.

Q. Put it this way: Why did you buy back the illustration you gave? Why did you tell us you bought back the May option at 87½ cents? That is a fair way to put it?—A. Yes; absolutely. Because the buyer of the wheat from us wanted to trade on that basis. That is why we bought it back. We had 100,000 bushels of cash wheat. Incidentally probably we had a lot of futures as well. The buyer wanted to buy 100,000 bushels to mill or export or any other thing. Well now, we were no worse off, if we gave him 100,000 bushels of cash wheat and we took 100,000 bushels of future contracts. Instead of that, we had the same quantity of contracts, whether contracts or wheat in some other form, as we had before we made a deal. That is the reason why we took it back, because the buyer wanted to trade on that basis.

Q. Then you did not sell any wheat?—A. We sold some cash wheat, but we still had the same amount of wheat or wheat contracts.

Q. Quite so.—A. Undoubtedly we did, and what we had to sell then to complete the transaction and to finally fix the price that we were securing for our cash wheat was that 100,000 bushels of wheat futures.

Q. Of May wheat?—A. Yes, May wheat.

Q. Then it is fair to say the result of the transaction was you found yourself, instead of having 100,000 bushels of cash wheat, with 100,000 bushels of futures?—A. That is right.

Q. There was no change in total?—A. That is right.

*By Mr. Perley:*

Q. If the purchaser of the cash wheat sold to another party who might deliver it to you, instead of your option you would get cash wheat back?—A. No; it would be quite impossible for that to happen to us, Mr. Chairman.

We were selling cash wheat in December, in January, in February, in March and April and taking back May futures, and there is not a man in the world who could deliver a bushel of cash wheat to us on May futures until the first of May.

*By Right Hon. Mr. Bennett:*

Q. That is quite clear.—A. Not a man in the world.

Q. He could not?—A. No delivery until May first.

Q. He could not legally compel you to take any until the first of May? —A. No. Until then no one could deliver cash wheat to us. Now, the reason I want to try to explain the handling of the cash wheat and the May futures was perhaps to make clear and have more accurately on the record what these prices, bushels, and so on, mean. I might, perhaps, before coming to that, mention this. I have Mr. Chairman, these figures up to January 31 last. I gave the committee the figures of the wheat and wheat contracts that we inherited on December 7. I also have the same figures on January 31 last. Now, I have not got here in these two sheets our sales after January 31. I do not know whether the committee will desire to have them furnished for February, March, and right down to date, or not. There is a matter of policy, I would imagine, to be considered there; but perhaps I can go ahead with December and January and the other can be decided later.

Q. Mr. Murray, would you mind if I asked you a question before you read the document?—A. No, sir.

Q. Do I understand that you have reduced the selling prices to terms of the May futures in the document you are reading from?—A. Yes, sir.

Q. So that it would not agree with your illustration; that is the cash price. The cash wheat was 85 cents. The statement that you are reading from is a statement of the sale of cash wheat converted into terms of the May futures at 87½ cents?—A. No.

Q. That is what I want to know.—A. I have to look up some figures here before I answer.

Q. Perhaps it will help you, Mr. Murray, when I say you saw the return brought down in the House of Commons, did you?—A. Yes, sir.

Q. You supplied the material from which it was made, because the law requires you to make reports to the minister from which a file is made?—A. Our office compiled—that was what?

Q. The long document consisting of sales made during the month of December of cash wheat?—A. Yes. You wrote me. That is the return that you, Mr. Bennett, asked for, consisting of 120 pages?

Q. Yes.—A. Yes.

Q. Is that in terms of the May futures or terms of the actual sale prices?—A. That return was the actual record from our books.

Q. That is what I thought.—A. Showing, if I remember correctly, the date of the sale, to whom it was sold—

Q. And the amount sold?—A. The amount sold, the grade, where it was stored and the price.

Q. Yes?—A. Now, that is the actual price at which that cash wheat was invoiced, and we collected that money in cash.

Q. These were actually cash sales?—A. Yes.

Q. What you call sales flat?—A. No.

Q. Were not they?—A. No.

Q. I just want to see if I understand you.—A. No, it would be—I was guessing when I said 98 per cent were on the basis exchanging options.

Q. That is the reason I asked you.—A. Some flat sales were put in there, Mr. Bennett, and the sales on which options were exchanged, all in that 120-page production.

[Mr. James R. Murray.]

Q. Not at the price at which you actually made sales in converted May option prices, I see from looking at it. I am asking you, I don't know.—A. They are the prices at which we actually made the sales; but in making a sale there is a complementary exchange of that made at a price. You think that does not show on the record?

Q. No, I don't know, but it does not. As a matter of fact, I thought until you explained it, that that made a diminution in your stocks of wheat on the particulars mentioned in the return. That is what it shows on the face of it, I would say, but it does not show the purchases contract of the option?—A. No, it does not show diminution of our total stocks of wheat, on the particulars; we were not asked to show that.

Q. That is the fact. I asked for the amount sold. The return shows the amount of wheat sold on those dates, with the particulars you have indicated, and of course the sale of wheat diminishes the amount and quantity that you had?—A. The quantity of cash wheat?

Q. Yes; but it does not show the contract you made for purchasing May futures?—A. For exchanging May futures would be more correct, if I might suggest it, just for the record.

Q. You used the word yourself, to me, and that is why I am following your example.—A. I am afraid I will not agree on more than one point.

Mr. JACOBS: Mr. Bennett can always supply you with a word.

WITNESS: Just in connection with this, so we will get the picture clear of the record of daily sales of ours. This shows the picture from December 9 to January 31. We sold 75,929,805 bushels.

*By Mr. McLean:*

Q. From December 9 to January 31?—A. To January 31. We reduced our amounts by that amount less what we took from producers during the period, what was delivered to us in the country, to our agents. Of that 75,929,805 bushels—I have to figure here for a moment—2,495,806 bushels and 5 pounds were flat sales. The balance, which should be approximately—

*By Rt. Hon. Mr. Bennett:*

Q. Seventy-three million bushels?—A. Seventy-three and a half million bushels.

*By Mr. Perley:*

Q. You took back in options?—A. No. Of this seventy-three and a half million bushels—we did not take back options; we got rid of options. Somebody else has got it.

*By Mr. Donnelly:*

Q. You sold your options?—A. Yes, that amount. So that in making up this statement of our daily sales of average price daily—if the committee would bear in mind out of this total of 75,000,000 odd bushels, seventy-three and a half million bushels is shown at the actual sale price at which it was sold in the pit, and for which we put our clearing sheets in daily at the end of the day to the clearing house, and either took our money out of the clearing house, or paid money in if the market had gone up, as the case may be, but we got rid of that much May futures contract.

*By Hon. Mr. Crerar:*

Q. The point is, you reduced your net position in actual wheat and contracts for delivery of wheat by 75,000,000 bushels odd?—A. Almost 76,000,000.

*By the Chairman:*

Q. Less what you bought from the farmer?

*By Mr. Jacobs:*

Q. That was without a comeback?—A. Yes.

*By Rt. Hon. Mr. Bennett:*

Q. Of that how much was contract wheat? You had no contracts of your own for the purchases of 1935. How much of that was contract wheat for May delivery that you took over from the producers?—A. I am not sure that I get Mr. Bennett. He said we had no contracts of our own. We had nearly 175,-492,000 bushels on December 7.

Q. That came to you from the producers?—A. 151,400,000 bushels came from the wheat producers, 24,032,000 came to us from the old wheat board; it was there when we got there.

Q. Then you took over 175,000,000 bushels, of which 24,000,000 odd represented contracts that had been made during the year, and the balance represented the old wheat producers' contracts?—A. That is right.

Q. Of the 75,000,000 bushels you have sold, I was asking how much was old producers' contracts, and how much of it was new contracts?—A. I would have to get that figure.

Q. I thought you had it beside you.—A. I have the net position on January 31, as well as the seventh of—

Q. You have not separated them?—A. I have not separated them. Of course there is the question of the division when we make sales. So much belongs to 1935. We are somewhat in a dual capacity—

Q. You have an account in the one case, and not in the other?—A. Yes, sir. I made a statement that the figures I have here are the most accurate way I know of to put before you a picture of our total sales of either wheat contracts or cash wheat that we have got rid of. But we have another great obligation in connection with it and our actual price basis. Of almost 76,000,000 bushels, 73,500,000 were those May options that we had and we have sold. 2,495,806 bushels were cash wheat that we made on flat sales.

Q. Like any commodity, you sold it and got paid for it?—A. Yes; but in order to take these flat sales and dovetail them to the picture and show them on the same kind of a price basis, and show what we actually got for the wheat on the price of May futures, they have been reduced to May futures, and that is shown this way: In our sales department, for a sale of 10,000 bushels flat, at 85 cents, No. 1 Northern, on our record that would be marked—

Q. \$8,500?—A. Yes. 10,000 bushels at 85 cents.

Q. The May will show at 87 cents?—A. In the May exchange, nothing is shown, but for our own record we keep a record that we have sold that really at two cents under May. We would sell and exchange the option for that amount. We would sell May wheat, exchange the difference of two cents. It was on that basis that we arrived at these figures for December 9. We sold 820,000 bushels of wheat—perhaps it is not necessary to read over the average prices, but I shall do so if the committee wishes. There may be one or two or three days that you might be particularly interested in, and I can give you the prices. I shall read the bushels, because perhaps that is what you are more interested in at the start.

Q. Perhaps it would be easier for you to say, "We sold 820,000 bushels at an average blank price," and then indicate the price.—A. It would be easier than reading a lot of figures. On December 10 we sold 2,779,559 bushels at a blank price of—

Q. Can you fill in the prices?

[Mr. James R. Murray.]

By Hon. Mr. Crerar:

Q. Have you the average price there?—A. 87·26 cents.

The CHAIRMAN: You may as well put it in.

WITNESS: In the list I have here, I have the average price reduced to three decimals, but in reading it I presume it will be sufficient to give two decimal places, and the exact figures can be entered in the record.

Date	Bushels	Average price
December 9.. . . . .	820,000	87·849
“ 10.. . . . .	2,779,559	87·266
“ 11.. . . . .	581,500	87·285
“ 12.. . . . .	1,776,000	86·888
“ 13.. . . . .	22,025,445	88·779
“ 14.. . . . .	2,934,827	89·906
Total sales for week . . . . .	30,917,333	88·589 Average price for week

By Mr. Coldwell:

Q. Can you tell us how much of that was sold during the time the pit was open.—A. All of it, sir. Perhaps I should qualify that.

By Right Hon. Mr. Bennett:

Q. Yes, I think so?—A. I do not need to qualify it very much. I do not wish to qualify it for the sake of changing it.

Q. Oh, no, just for the sake of accuracy; that is all?—A. Yes. It was all put on our clearing sheets going into the clearing house that day and cleared that day. Some of it, a large quantity, was the result of an understanding, agreement, undertaking or anything you wish to call it that we had with exporters.

Mr. Chairman, would it be all right if I just went ahead with this record, and we can go into that feature of it as fully as anyone wants to later on?

Mr. COLDWELL: That will be all right.

The CHAIRMAN: Yes, I think so.

WITNESS: I think I have got as far as December 14. Continuing from there:—

Date	Bushels	Average price
December 16.. . . . .	2,263,000	89·803
“ 17.. . . . .	2,523,077	88·643
“ 18.. . . . .	2,713,391	88·844
“ 19.. . . . .	3,072,332	89·067
“ 20.. . . . .	1,109,707	89·166
“ 21.. . . . .	813,000	88·803
Total sales for week.. . . . .	12,494,508	89·058 Average price for week

Date	Bushels	Average price
December 23.. . . . .	333,489	88·412
" 24.. . . . .	371,775	88·231
" 27.. . . . .	533,000	88·300
" 28.. . . . .	51,000	87·848
Total sales for week.. . . .	1,289,264	88·291 Average price for week
December 30.. . . . .	2,076,561	88·181
" 31.. . . . .	2,694,045	88·460
Total sales Dec. 9 to Dec. 31..	49,471,713	88·675 Average sale price

Mr. Chairman, the Committee might be interested to know that the average daily closing price for the Winnipeg May options during that same period was 88·312 cents.

*By Hon. Mr. Crerar:*

Q. What was your average?—A. 88·675. There were fluctuations up and down, high and low, but the average closing price was 88·312. Ours was 88·675.

On January 2, the day after New Year's—I do not know whether the buyers abroad and other people had a kindly feeling towards us and wanted us to start the New Year off well; I did not happen to be in Winnipeg that day but I was in touch with the market, there was a big export business. With the help of exporters and others we sold that day 8,833,480 bushels at an average of 88·99.

Date	Bushels	Average Price
1936—		
January 2.. . . . .	8,833,480	88·995
" 3.. . . . .	477,500	89·027
" 4.. . . . .	1,021,500	89·074
Total sales for week.. . . .	15,103,088	88·794 Average price for week
January 6.. . . . .	1,463,441	89·209
" 7.. . . . .	715,427	88·907
" 8.. . . . .	449,500	89·096
" 9.. . . . .	461,019	88·242
" 10.. . . . .	1,281,000	88·245
" 11.. . . . .	558,500	88·188
Total sales for week.. . . .	4,928,889	88·698 Average price for week

January	13..	483,500	87·742	
"	14..	687,746	87·718	
"	15..	2,032,297	87·989	
"	16..	825,963	87·617	
"	17..	1,065,000	88·168	
"	18..	746,300	88·534	
Total sales for week..		5,840,807	87·986	Average price for week
January	20..	618,124	88·175	
"	22..	1,376,505	88·135	
"	23..	1,054,792	88·173	
"	24..	527,000	88·022	
"	25..	633,625	87·700	
Total sales for week..		4,210,047	88·071	Average price for week
January	27..	323,950	87·738	
"	29..	50,196	87·238	
"	30..	224,024	86·491	
"	31..	547,696	86·527	
Total sales for month..		26,458,092	88·483	Average sale price

The average daily closing price of May wheat for the month of January was 88·057. Just to complete the record on that point, I might repeat the figures of the total sales from December 9 to January 31, 75,929,805 bushels at an average price of 88·603.

The CHAIRMAN: How much did you buy in that period?

Hon. Mr. CREERAR: From farmers, you mean?

The CHAIRMAN: Yes, from farmers.

WITNESS: We took in from producers during that period approximately 15 million bushels, if my memory serves me right. I can get it in a moment. There were 15,074,903 bushels taken from producers.

*By the Chairman:*

Q. So that your actual reduction in stocks actually carried or futures contracts would be about 60 million bushels?—A. Nearly 61 million bushels.

*By Rt. Hon. Mr. Bennett:*

Q. That 15 million bushels is all grades, I take it?—A. Yes.

Q. And is the 75,945,805 all grades or No. 1 Northern?—A. The 75 million is, with the exception of 2,495,806 flat sales that I mentioned, actually just May options.

Q. Nothing to do with grade at all; May options for No. 1 Northern, I suppose?—A. No. The options provide for delivery of No. 1 Northern, No. 2 Northern, No. 3 Northern and No. 4 wheat.

Q. Yes, but the basis of the price that you gave was No. 1 Northern, I take it?—A. And I should mention No. 1 hard.

Q. That is what I notice.—A. No. 1 hard is deliverable on futures too.

Q. I noticed on the sheet you gave me there was a small quantity of No. 1 hard, a very small quantity, which would be at a higher rate than the rate you have given, would it not? That is a slightly higher rate?—A. I have forgotten on what basis No. 1 hard is deliverable. Is it one over?

Q. Mr. Ross would know. My memory is it was slightly in excess of the figure you gave for May options?—A. My recollection is that No. 1 Northern is deliverable on option in Winnipeg at one over.

Q. No. 1 hard?—A. No. 1 hard.

Mr. McLEAN: I think it is a fraction over.

WITNESS: I think it is one over. I am not positive.

*By Rt. Hon. Mr. Bennett:*

Q. You do not mind if I ask you a few questions now, do you?—A. No.

Q. You gave us the figure for the cash wheat that you had on hand when you took over as being about 122 million bushels?—A. 122,863,000.

Q. Yes. I am just using round figures. Nearly 123 million?—A. Yes.

Q. As a result of your operations up to the end of January, what did your cash wheat stand at?—A. At the end of January we had 82,680,000.

Q. It was also represented by options that you had for May?—A. Cash wheat could not be represented by options. It is cash wheat.

Q. I want to make that clear.—A. Yes. That cash wheat was in country elevators or terminal elevators some place. We owned it. If it was in terminal elevators, we had the documents, warehouse receipts; or if it was in the east, we had the bills of lading.

Q. It was scattered among the several thousand country elevators in Western Canada, some of it, I suppose, standing to your credit?—A. Yes. The elevator owners had it.

Q. At the elevator storage points and at the terminals at Fort William?—A. Yes, and some east of the lakes.

Q. And some east of the lakes?—A. Yes.

Q. So that the figure that was 122 million—nearly 123 million—at the end of January stood at 82 million in round figures?—A. 82½ million.

Q. To what extent did you acquire options as the result of the diminution of that quantity by 40 million, getting back to the illustration?—A. Would it make it clearer to answer that by giving the total amount of options at December 7 and at January 31?

Q. That would be helpful, yes. I will get back to the other question in a moment.—A. On December 7, the total options we had were 175,492,000. At the end of January 31 they had been reduced to 154,641,000. They had been reduced about 21 million.

Q. But the stocks had been added to by 15 million of the purchases, in round figures?—A. But those are the net reductions after stocks were in.

Q. That is just what I wanted to make clear, because it was not made abundantly clear what that was. You bought at country elevators from actual producers some 15 million bushels of wheat?—A. Yes.

Q. Of various grades?—A. Yes.

Q. And you sold options in round figures of nearly 76 million bushels—I think 75,945,805 was what you said. Is that right? It does not make any difference; it is nearly 76 million bushels?—A. I was just wondering if you remembered those figures or if you could see them somewhere.

Q. No, I have not seen them. I think you said you sold options on 75,945,805 bushels?—A. 75 million, yes.

Q. The point I desire to make clear is that your options have been reduced by some 21 million?—A. Yes.

Q. Yes, as the result.—A. Yes.

[Mr. James R. Murray.]



Q. Does that mean that actual delivery had been taken to that extent and therefore the options were reduced?—A. Delivery?

Q. Yes.—A. Taken of the cash wheat on the options?

Q. Yes.—A. No. I explained some time ago that no one can make delivery of cash wheat on May futures to anybody until the 1st of May.

Q. I follow that. But you say the options had been reduced by 21 million?—A. Yes.

Q. How would that come about?—A. Well, we sold them. We had got rid of them.

Q. In other words, you had sold them to somebody else?—A. Yes.

Q. Could they ever come back to you? I know the practice, but I want to make it clear so far as the record is concerned. Could they ever come back to you?—A. If we follow the policy that we have in selling wheat, they cannot come back to us to increase the amount of wheat that we have.

Q. No. They could come back to you how? Under any circumstances?—A. By the sale of 82,680,000 bushels of cash wheat and taking back those options, exchanging options when we sell that 82 million bushels of cash wheat, that is the only way they can come back.

*By Mr. McLean:*

Q. Would you be anything ahead if you did that?—A. I did not get that.

Q. I was going to ask a little while ago if you had any assurance, reasonable assurance, that those 73 million would not come back to you, that they would go into export or go into consumption in the country. Mr. Bennett asked you the same question. You answered that by saying that unless you take back options when you sell 82 million bushels your amount would be decreased; but when you sell 82 million bushels of cash wheat and take back 82 million of options, will your position be very much better?—A. Yes sir, if we continue the policy we have been following, because we are selling options every day.

*By Right Hon. Mr. Bennett:*

Q. You sell options when you buy wheat?—A. Yes, and sometimes before. Every day we are selling futures.

*By Mr. Perley:*

Q. You are selling options on all the new wheat you take in?—A. Well, before we can sell options on the new wheat we take in in the country, we have got 154½ million, or we had 154½ million bushels at the end of January that we had to get rid of before we started to sell against any amount we took in in the country.

*By Mr. McLean:*

Q. You are not buying any options except for wheat you actually sold?—A. We are just exchanging them when we sell cash wheat. Aside from that we are not buying any options whatever.

Mr. DEACHMAN: A sale of cash wheat in that case means that wheat is going into consumption. Is not that the case?

Right Hon. Mr. BENNETT: No.

*By Mr. Deachman:*

Q. Or is it going into export?—A. Let me answer it in this way: we hope that it has started on the road for consumption or export.

Q. That is what I mean. It has gone its first step.—A. It has gone its first step to get out of our hands.

Q. In other words, he would not take the cash wheat unless he had an end in view for it. The man who buys that cash wheat has a purpose in buying it. It is going to be used for some purpose?—A. He has some purpose.

Q. Yes. It has started on its way.—A. Yes.

Right Hon. Mr. BENNETT: That is a very broad answer, "some purpose."

WITNESS: Yes. The purpose might be different.

Right Hon. Mr. BENNETT: Exactly.

Mr. DEACHMAN: He might be speculating.

*By Right Hon. Mr. Bennett:*

Q. He might be speculating in options?—A. He would not buy cash wheat.

Q. Conceivably he might be?—A. No. No man that wanted to speculate in options would ever buy cash wheat. At least, I never heard of a grain man that did. He would not start to do that. He might speculate in options, and if he held onto the options too long, get delivery of cash wheat on the 1st of May. That has happened.

*By Mr. Perley:*

Q. He thought it was better to take cash than take his loss?—A. Yes. of course, he does not finish his loss because he takes his cash. If he has got cash, he has got it, and if the market goes down a few cents, he has got it.

Mr. DEACHMAN: He is just a stubborn speculator.

WITNESS: I think I really left Mr. Deachman's question not quite answered. Mr. Deachman says that gentleman is just a stubborn speculator. I said it was started on the road. A man might buy cash wheat. We will say it was stored in his own terminal elevator and somebody else held the warehouse receipts, and there might be low-grade wheat. Under the Act he is permitted to mix that with other grades, the low-grade wheat. He would buy the cash wheat so that he would own the warehouse receipts himself, and owning that wheat himself he could mix it and do what he liked with it. He would sell it at some time. He would contemplate making a profit in the mixing of it. A miller might buy it. An exporter might buy it. An exporter may buy it some time before he had sold it, hoping of course to sell it later either for export by some other exporter or some other way. An exporter might buy it after he had sold it. He might have made a contract abroad before he bought the cash wheat. The miller might have sold before he bought the cash wheat. I am simply illustrating why a man might buy cash wheat.

*By Mr. Deachman:*

Q. Would the position be that he might buy cash wheat and store it in Montreal for export?—A. Yes. Sometimes where he would not buy wheat in bay ports and where he would not want to buy it in Fort William.

*By Mr. McLean:*

Q. I want to have that part of the question that was asked by one or two cleared up very definitely, if possible. In your method of selling your 73½ million bushels options for May delivery, knowing how you sold them, and to whom you sold them, do you feel satisfied that that wheat would go out of the country as early as possible in May, that you can deliver wheat on the option in the early part of May and get rid of it at the time?—A. Of

[Mr. James R. Murray.]

course we cannot deliver wheat on that option that we sold. We sold the option. We have not got it. We had  $175\frac{1}{2}$  million bushels. We have now, after having exchanged a lot for cash wheat,  $154\frac{1}{2}$  bushels left. We have got 40 million bushels—

Hon. Mr. CRERAR: Less cash wheat.

*By the Chairman:*

Q. That is at the end of January?—A. Yes.

*By Mr. McLean:*

Q. Do you expect that the wheat will be taken on the option no matter who holds the wheat? You held the option on the wheat. You have now sold the option. Do you expect that the wheat will be delivered on the option as early as possible in May and go out of the country, or is it going to come back?—A. I would say that the majority of the  $75\frac{1}{2}$  million bushels—

Q.  $73\frac{1}{2}$  million bushels.—A. — $73\frac{1}{2}$  million bushels of May options that we held have already—I will put it this way, that the Board has already got cash wheat, and that a lot of it has already gone out of the country.

Q. You told us a moment ago that it could not be applied?—A. Oh, yes. It cannot be delivered to him on the option. We sold  $73\frac{1}{2}$  million bushels. Someone bought that  $73\frac{1}{2}$  million.

Q. May options?—A. May options.

Q. Yes?—A. They have got  $73\frac{1}{2}$  million bushels of May options; they are going to buy cash wheat, and they will get rid of the May options. They have got  $73\frac{1}{2}$  million of cash wheat, a lot of which has already gone out of the country and more of it will go in the weeks to come.

Q. And the option will have been extinguished in the meantime?—A. Yes.

Q. It cannot come back to you, then?—A. Yes.

Q. That is the question I want to make clear, because the suspicion has been freely entertained that it was only a matter of trading in that option, and that the option would come back to you in the form of an option or in the form of wheat; but if the wheat had left the country in the form of cash wheat, that has extinguished the option completely, has it not? If the wheat has left the country or has been stored or milled, there is no more option in existence on that wheat?—A. Well, the option is not on any particular million bushels of wheat in any particular position.

Q. I understand that.—A. Well, I cannot get it clear in my mind how you can extinguish the option on some particular lot of wheat.

Q. On any wheat.—A. On any wheat?

Q. The option would be reduced by that amount.—A. It is as Mr. Fowler mentioned. I will try and get it clear. He says all the trading in the pit is in options every day, buyers and sellers. They put in their sheets to the clearing house at the end of the day, and the number of buyers—whatever the total of bushels is, there must be sellers for the same amount.

Q. Quite so.—A. If they all decided that they were going to go out of the grain business and they were going to clear up all their open option trading, the fellow that was long would be selling and the fellow that was short would be buying. If they all did that in one day, there would be no options. There may be say 200 millions bushels of cash wheat in Canada.

Q. That wheat would be due to you on the 1st of May if you held option against it?—A. What I was talking about, there would be no options.

Q. But you were not in that position.—A. No. We would not take them when it came to that point.

Q. The point I am pressing for is to get information from you as to how large a percentage of this wheat has already gone into consumption.

Rt. Hon. Mr. BENNETT: Mr. Murray made it clear that 21 million, was it not, has already been disposed of?

WITNESS: Of the cash wheat?

Rt. Hon. Mr. BENNETT: Yes.

WITNESS: No, 40 million. That is to the end of January, it should be remembered; and it was 20 million futures.

Rt. Hon. Mr. BENNETT: Yes, 21 million futures.

WITNESS: We have sold some. We have got 21 million less. We sold 76 million. That is to the end of January.

*By Rt. Hon. Mr. Bennett:*

Q. You put it the other way a moment ago. I thought you sold 21 million and had the balance. It is the other way about?—A. We sold the 76 million. After selling 76 million and selling 41 million, we have got 21 million bushels less of options than we had. That is, we had at January 31. I must keep that in mind.

Q. Then the 55 million, roughly speaking—it is not quite that—that has been sold, you sold options?—A. I do not know where that 55 comes from.

Q. 21 from 76, that is all. I should say, to be accurate,  $73\frac{1}{2}$ , because  $2\frac{1}{2}$  million was flat sales. But you told us a moment ago that you had sold options to purchasers for 70 odd million less 21 which you now hold?—A. No, not less 21 that we now hold.

Q. What do you hold now—not what you hold, but what did you hold in wheat options at the end of January?—A. At the end of January, 154,641,000.

Q. Of options?—A. Yes.

Q. And at the beginning of the period you held what amount?—A. 175,492,000.

Q. Then you sold 21 million of options, futures contracts?—A. No. Our net reduction in the amount of options is 21 million.

Q. I see. That is after taking into account the purchases you made?—A. The exchanges we made against cash wheat, yes.

Q. And what was taken into the elevators as well?—A. What is taken into the elevators is cash wheat.

Q. That is what I thought you meant.—A. That is not options at all.

*By Mr. Donnelly:*

Q. You do not option that at all. It is taken as cash wheat. You do not sell it on option. You do not hedge it?—A. We got so many million of options already—

Q. I mean to say, when you buy cash wheat in the country you do not go on the market and hedge it the next day?—A. Well, we are on the market selling options or futures every day.

*By Mr. Perley:*

Q. As long as you have more options than you have cash wheat, you do not require to hedge your wheat?—A. No. We do not need to bother about hedging the wheat. We got  $298\frac{1}{2}$  millions to start with and we had 15 million coming to us in addition on January 31, and our job is to sell it, get rid of it. I would not call it hedging.

Q. Are all your options at the present time in May?—A. I do not think I should be asked the position in that at the present time.

Q. I cannot see why.—A. Well, Mr. Chairman—

Q. It may be a little confusing to the Committee. You are talking about the May all the time, but is this all May wheat?—A. Mr. Chairman, I think perhaps that brings up the question—of course, the Committee have got to

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decide it—I mentioned in starting to give these figures of the sales. I have got the figures to January 31. The grain trade throughout the world knew pretty well some time after we took charge—not by our choice, we had no control—how much wheat we inherited and so on. As we are endeavouring to reduce the amount of wheat that we have, it becomes very important from the point of view of the grain trade throughout the world, the buyers of wheat in other countries, the sellers of wheat in other countries, to know how much we have got. If it is the desire of the Committee, as far as our Board is concerned we are prepared to give you the figures of all our holdings right down to a few days ago and up to yesterday. I can get them from Winnipeg and give them to you, if the Committee think that it is advisable; also to give the Committee the information as to how much May wheat we hold now, how much July wheat or October wheat and how much cash wheat we have.

The CHAIRMAN: If I may interrupt you, I would say that if, in your opinion, it is not in the public interest that that information should be given, I do not think the Committee would ask for it.

Mr. JACOBS: That is a rule we laid down several years ago.

Rt. Hon. Mr. BENNETT: Last year you demanded everything.

Mr. JACOBS: Did we get it?

Rt. Hon. Mr. BENNETT: Well, Mr. McIvor gave the last detail of information.

The CHAIRMAN: That would have no connection with this. I think we ought to put it on one basis, and one basis only, whether it is in the public interest or not.

Rt. Hon. Mr. BENNETT: The question is one of very great importance, Mr. Chairman, and I really think it requires a good deal of consideration. Now, the exchange of options of May, July, or October is of importance. Of course, that is in this instance subject to arrangement made between the board, practically, and the grain dealers of the country. In March last Mr. Murray sent them a letter which was posted on the blackboard of the grain exchange. My understanding is the notice was posted on the grain exchange board on the 25th of March or thereabouts, and at least that is known to all the grain dealers of the world.

WITNESS: The notice is known.

Rt. Hon. Mr. BENNETT: Yes; but it does not indicate the extent to which he has exchanged May futures contracts for July or October, and if he says in his opinion, being in charge of this great operation, he does not believe it is in the public interest it should be made known, I should like to give it a good deal of consideration before I asked any question.

The CHAIRMAN: I think it should not be disclosed now, if in Mr. Murray's opinion it would prejudice the handling of the whole situation.

Rt. Hon. Mr. BENNETT: The committee on banking and commerce in 1934 decided the information should not be given until Mr. McFarland was prepared to give it. Mr. McFarland was not here last year, and every detail to the last bushel was secured and published to the world. I think that the cases, of course, are not quite analagous, because in one instance it was the accumulation of many years and was fairly well known. Now, I suppose, it is not quite the same. I should like to think it over. Personally I would be governed largely by what Mr. Murray says in his considered opinion.

The CHAIRMAN: He is in charge; he should know.

Mr. DONNELLY: Mr. Murray has practically given us the amount of options up until the end of July, and I cannot see the purpose of this. He has told us the amount of wheat he held in options up to the end of January, and I cannot see any advantage in knowing the amount he holds on hand.

Mr. McLEAN: He has not told us what he holds in May.

WITNESS: I do not know, Mr. Chairman, that any damage would be done by answering Mr. Perley's question as to the amount of May options that we hold now.

*By Mr. Perley:*

Q. In every month, July?—A. Oh, when you ask me about any other month, that is another question. I do not wish to assume any responsibility beyond perhaps a very slight one in regard to the way these figures should be shown, whether the date should be given out or not.

*By the Chairman:*

Q. You have an opinion as to whether it is in the public interest or not; you are in charge of this operation.

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.

WITNESS: I appreciate that, sir.

The CHAIRMAN: Let us leave it for consideration at a later date.

Rt. Hon. Mr. BENNETT: Yes, I think so.

WITNESS: May I make a comment on that? I appreciate that very much. Mr. McFarland, as Mr. Bennett stated, said before the banking and commerce committee, in March, 1934, that he did not think it would be a good thing to disclose certain information. If I remember the discussion correctly that was held in the committee, a good many of the western members thought it might have an injurious effect on the market.

Rt. Hon. Mr. BENNETT: There was a vote on it.

Mr. PERLEY: There was a vote on it.

WITNESS: Yes, and quite a large majority, if I remember correctly, decided it was not a good thing.

Mr. PERLEY: Mr. McFarland was asked the question if he thought it would be injurious to his position.

WITNESS: I myself think that Mr. McFarland was sound in the attitude he took insofar as giving information right up to date was concerned. 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; but I think as a market operation, having wheat to sell, a back log of three months is sound. I think that is only fair. I can give this information to the committee. After our board took over, when we got a little time, we started checking up how the information was compiled in the office where it came to a focus as to the total amount of wheat we had, and we adopted measures so that fewer people in our office would know how much wheat and wheat options we held. If I remember correctly I suggested to the cabinet sub-committee that it was very important to us that the amount we were holding from, whether day to day, week to week, or month to month, be kept absolutely secret. Our reason for that is this: When we hope to reduce our holdings of wheat and contracts as time goes on, the lower they get the more curiosity there is among the grade traders of the world to know how much we have got left. Now I have had

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several people in the last six weeks, friends of mine, asking how we were getting along, and if we were making any sales. They were very nice friendly inquiries, and so on. There were one or two important cases, such as inquiries as to how much we might have left, and I tried to be absolutely non-committal in all my replies, so that they could not gather any information. I had one general manager of one of the banks on a trip west suggest a figure to me in my office. He was kind enough to call on me and suggest a figure about two months ago, that we must be down to that. I looked at him and said, "You don't suppose I am going to tell you whether you are right or wrong?" He said, "I just thought I would try." Now, in the grain trade itself, it is a matter of interest to them, and if it was my act and my own money I would not give it to them down to date.

*By Right Hon. Mr. Bennett:*

Q. Then in your judgment, Mr. Murray, it is not desired from your standpoint, as chairman of this board, that you should give your figures later than the end of January?—A. Well, it won't help our operations in disposing of the balance.

Q. It might be a detriment; is that your view?—A. Yes, it might.

Mr. LEADER: Would it hurt?

The CHAIRMAN: He said "yes."

WITNESS: I said, "it might."

*By Mr. Leader:*

Q. Has not the world, as you said a few moments ago, knowledge of how much wheat we sold last January, and how much wheat we sold since then?—A. No, sir.

Right Hon. Mr. BENNETT: Only the exports that go out.

Mr. DONELLY: The press guesses would be there, and sometimes they guess right, and sometimes wrong.

*By Mr. Leader:*

Q. I can quite believe they do not know how much options you are holding, but I think they would know how much cash wheat you sold, and how much you still hold?—A. No, sir. They do know, Mr. Leader, how much the visible supply is in Canada. They do not know whether we own more than the visible supply, or less than the visible supply.

Mr. PERLEY: You make your weekly reports to the grain commission?

Right Hon. Mr. BENNETT: The Dominion report gives the amount that is cleared out of the country, and the amount that the visible supply has decreased during the week, does it not?

WITNESS: Yes, sir. You are referring to our reports? Auditors' reports go to the minister every week.

*By Mr. Perley:*

Q. To the Board of Grain Commissioners?—A. We do not make any reports to the Bureau of Statistics.

*By Right Hon. Mr. Bennett:*

Q. Where do they get their information?—A. From the elevator companies, the terminals, who get it from the Board of Grain Commissioners.

*By Mr. Perley:*

Q. Have you any idea of the actual amount that has left Canada in those months you have sold—really exported?—A. The disappearance of wheat from the beginning of December to April 11, which I think is the last day I have, is 86,000,000 bushels; that is the disappearance of wheat.

*By Right Hon. Mr. Bennett:*

Q. Since when, December 7?—A. To April 11.

Q. That has not all been exported out of the country; some has been eaten in the country?—A. Some has been milled, of course.

Q. Yes.

*By Mr. Donnelly:*

Q. Coming out of the visible supply?—A. No; the visible supply is not reduced that amount, because some has been delivered in the country. But if you take what has been delivered in the country, plus the reduction in the visible supply, there has been a disappearance of 86,000,000 bushels to April 11. These figures are got out every Friday, I think it is, and that is the last one. It takes until the middle of the following week to get them. I have those figures somewhere.

*By Mr. McLean:*

Q. Do you hold all the visible supply?—A. Mr. Chairman, if I answered that question, then the world would know whether we had that amount, or more or less.

Mr. JACOBS: I think it is a good time to adjourn, Mr. Chairman.

The CHAIRMAN: I don't know.

Mr. McLEAN: I cannot see why there should be any mystery about it.

WITNESS: Mr. Chairman, let me please make it clear that as far as our board is concerned, there is no mystery about it, and if this committee of parliament wants the figures right up to date of what we hold, they can have them.

Mr. JACOBS: We do not want them.

The CHAIRMAN: Are there any further questions?

Mr. COLDWELL: Is Mr. Murray going to file the letter containing the instructions to Mr. Lamont? I am asking that as a reminder, as it has been asked for.

Rt. Hon. Mr. BENNETT: There is the letter that was posted on the 28th of March, or thereabouts, and the letter of instructions to Mr. Lamont, and the letter that was sent to the milling companies in England at the time you took over, and some other communications that were sent to those who were interested in the wheat trade.

The CHAIRMAN: Yes, the memorandum of instructions to Mr. Lamont is filed. Is there anything else?

Rt. Hon. Mr. BENNETT: Yes, the letter that was posted in the grain exchange on the 28th of March.

WITNESS: I do not think I have that. No, I have not that in my file. I will get it for you.

Rt. Hon. Mr. BENNETT: Mr. Chairman, there are letters that were sent to millers in Great Britain since the new board took over and the letter that was posted in the exchange on the 28th.

WITNESS: My secretary tells me that that letter has just come in. I sent for it the other day, and it is down at the hotel.

Rt. Hon. Mr. BENNETT: The letter sent to the millers?

*By Mr. Perley:*

Q. Is that letter to the secretary of the exchange the one that was posted on the board?—A. The letter to the secretary was posted on the board.

Q. The letter to the secretary I think is the 26th, and the one posted on the board, the notice on the board, was dated the 28th.

[Mr. James R. Murray.]



Mr. COLDWELL: I think we shall have to adjourn in a few minutes, because there are undoubtedly some questions to be asked as to Friday, December 13. We do not want to start the questions now, because they will take a long time.

Rt. Hon. Mr. BENNETT: Mr. Murray has been good enough to allow us to ask questions as we go along, and as Mr. Coldwell suggests, there are a large number of questions we desire to ask in connection with these transactions.

The CHAIRMAN: Well, if the committee is through for the day, we shall adjourn. When shall we meet again?

Mr. JACOBS: To-morrow?

WITNESS: You asked for another letter. It was the letter to the small millers in Britain.

Rt. Hon. Mr. BENNETT: I asked for two letters. The first letter I had in mind is the one you sent shortly after you took over, indicating that the millers should co-operate.

WITNESS: Yes. Here it is.

Rt. Hon. Mr. BENNETT: There is another one. Let me see if that is the one I meant.

WITNESS: That is the one. That is the one that was sent abroad. That is the only one that was sent abroad.

Rt. Hon. Mr. BENNETT: That is January 17. Do we sit to-morrow at 11?

The CHAIRMAN: I thought you might want to base some of your questions on the evidence which has been taken, but I understand that it will not be printed in time.

Rt. Hon. Mr. BENNETT: Mr. Coldwell says he is not familiar with it and he wants to read it over. There is another letter besides this one, I think—the instructions.

WITNESS: No. This is the only one that was sent abroad.

The CHAIRMAN: It has been suggested that this evidence upon which some of the members may desire to base questions will hardly be ready for use to-morrow. It is up to the Committee whether they want to meet to-morrow or Friday.

Mr. JACOBS: Friday is a bad day.

The CHAIRMAN: Yes, it is.

Rt. Hon. Mr. BENNETT: I am informed that there are four committees meeting to-morrow. One meets in this room to-morrow.

The CHAIRMAN: Could we meet in the afternoon?

Rt. Hon. Mr. BENNETT: I think we might do what we did to-day, say we will meet at 3.30. If the Railway Bill is on, it might be difficult for the Chairman to be here.

The CHAIRMAN: Then we will meet at 3.30; and if anything comes up in the House for which we desire to remain, we will adjourn.

The Committee adjourned at 5.50 p.m., to meet again on Thursday, April 23, at 3.30 p.m.



SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

MARKETING OF WHEAT AND OTHER GRAINS

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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THURSDAY, APRIL 23, 1936

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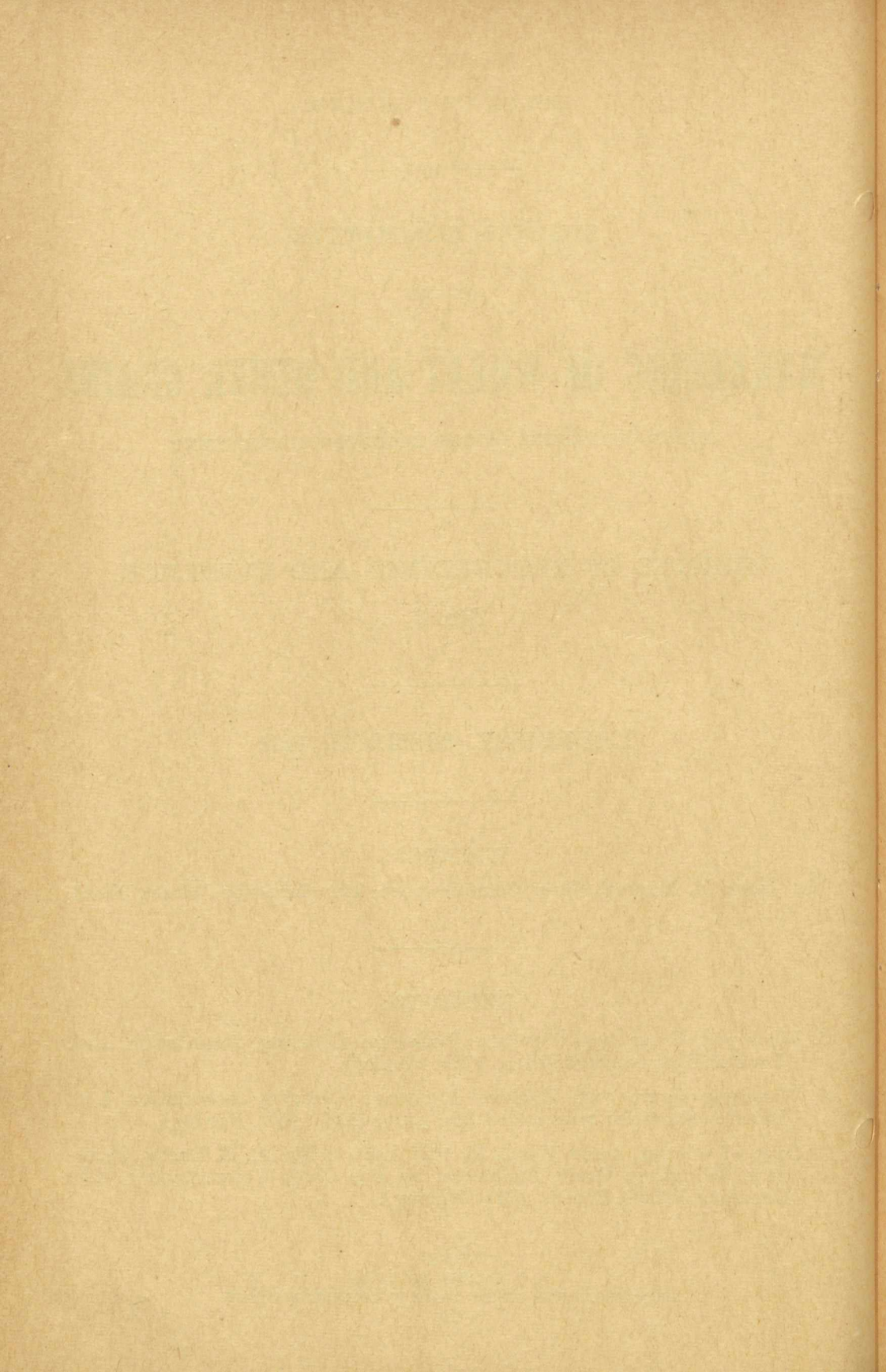
WITNESS:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.

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EXHIBITS:

5. Winnipeg Grain and Produce Exchange Clearing Association Ltd. General By-Laws and Rules. (*Mr. Fowler*).
6. Winnipeg Grain and Produce Exchange Clearing Association Ltd. Balance Sheet for year ended 31st July, 1935. (*Mr. Fowler*).
7. Copy of a letter, dated March 26, 1936, sent to Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange, by the Chief Commissioner, The Canadian Wheat Board. (*Mr. Murray*).



## MINUTES OF PROCEEDINGS

THURSDAY, April 23, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 3.30 p.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Jacobs, Leader, MacKinnon (*Edmonton West*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. Perley requested that two questions asked by him on April 21, contained on page 17 of the evidence, be corrected, viz,—

- (1) "If a large speculator wished to depress the price by buying cash grain on the Winnipeg market and selling the same quantity in another market, he could do it."

which should read,—

"If a large speculator wished to depress the price before buying cash grain on the Winnipeg market, he would sell on the Winnipeg market and buy similar quantities in other markets."

- (2) Don't you think that Vancouver and Churchill should be our main points of delivery?"

which should read,—

"Don't you think that Vancouver and Churchill should be made points of delivery?"

*Ordered,*—That the above corrections be made.

In compliance with a request made yesterday when Mr. Fowler was under examination, there was filed,—

Exhibit 5—Winnipeg Grain and Produce Exchange Clearing Association Ltd. General By-Laws and Rules.

Exhibit 6—Winnipeg Grain and Produce Exchange Clearing Association Ltd. Balance Sheet for year ended 31st July, 1935.

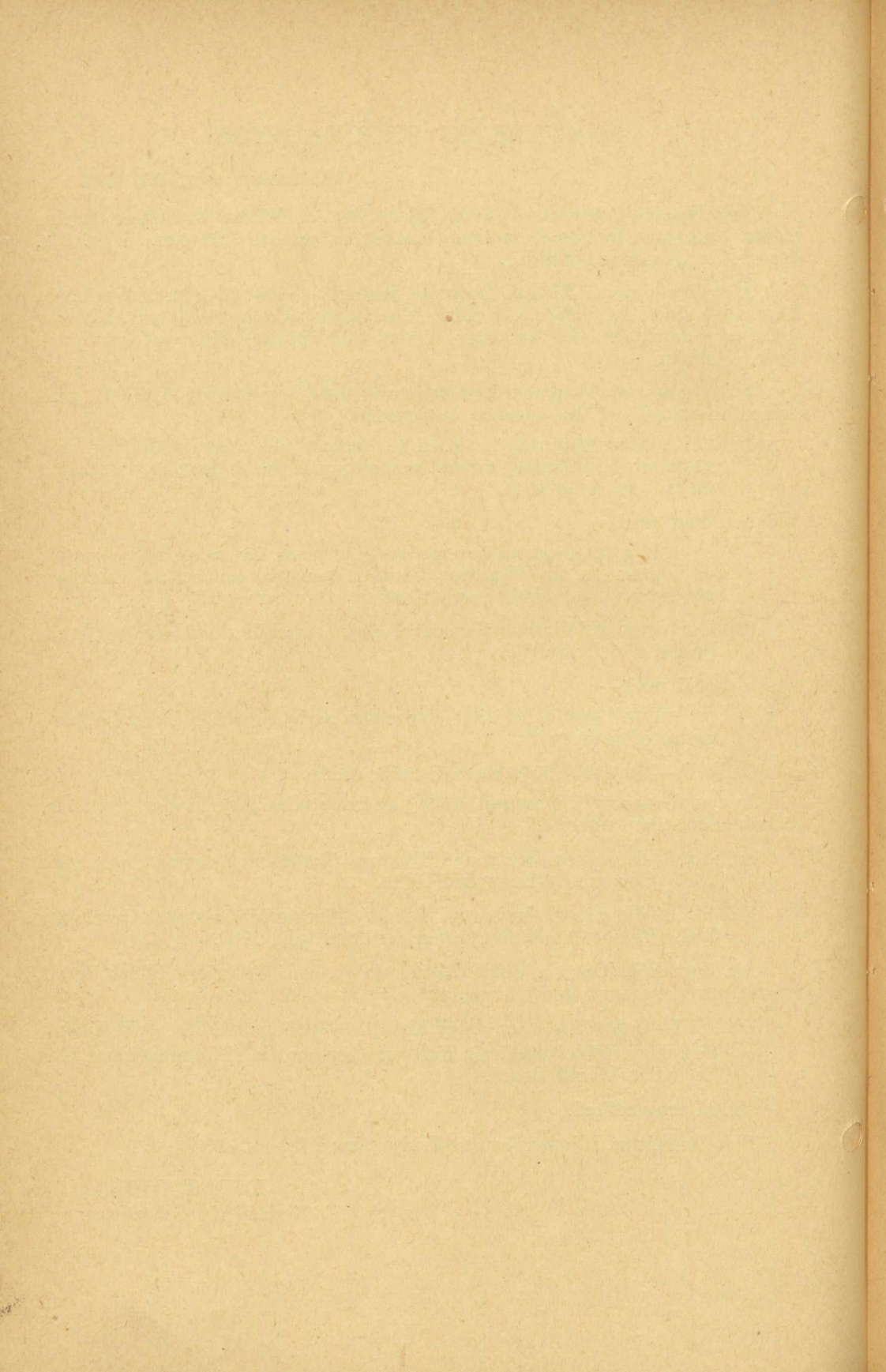
Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, was recalled and further examined. He filed,—

Exhibit 7—Copy of a letter, dated March 26, 1936, sent to Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange, by the Chief Commissioner, The Canadian Wheat Board.

Mr. Murray retired.

The Committee adjourned until Friday, April 24, at 10.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 23, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government, met at 3.30 p.m., Hon. Mr. Euler presiding.

The CHAIRMAN: Gentlemen, we have a quorum. Mr. Bennett is not here, but possibly some of the other members would desire to go on with the examination of Mr. Murray, who is the witness.

JAMES RICHARD MURRAY, recalled.

WITNESS: Mr. Chairman, yesterday I was asked to file a letter addressed to the Secretary of the Winnipeg Grain Exchange, dated March 26, 1936, the final paragraph of which requested that it be posted for the information of members. I will file it with the clerk.

*By Mr. Perley:*

Q. What date is that?—A. March 26, 1936.

Q. And it was posted on the board in the trading room?—A. Yes.

Q. On the 28th, was it not?—A. I do not know the date it was posted.

Q. That is the letter that was posted?—A. Yes.

Mr. COLDWELL: There is a question I should like to ask Mr. Murray, if I may.

WITNESS: Mr. Coldwell, before you do that might I make one correction? Yesterday I think you will remember, Mr. Chairman, that I was uncertain in regard to the basis on which No. 1 hard wheat was deliverable on the option. I said I thought it was deliverable at one cent over. I was wrong. It is deliverable on the option at the same price as No. 1 northern.

The CHAIRMAN: Are there any other corrections before we go on? All right, Mr. Coldwell.

Mr. COLDWELL: I think Mr. Perley has a question that he wants to ask the witness.

*By Mr. Perley:*

Q. Do you not think the purport of this is an indication to the trade that you propose to assist them and help them out; for instance, the shorts?—A. This letter addressed to Mr. Darby?

Q. Yes, and posted on the exchange?—A. No sir, I do not. Would it be well if I read the letter?

Mr. COLDWELL: Yes. We do not know what is in it.

WITNESS: It was written on March 26, 1936, and is addressed to Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange, Winnipeg, and reads as follows (Exhibit 7):—

DEAR SIR,—For some time it has been customary for every branch of the trade who are interested in transferring their hedges on cash grain from one future month to another, to depend entirely on those in charge of the government wheat operations to give them all or a substantial part of the spread desired.

The Canadian Wheat Board will continue, as far as they are able to do so, co-operating with the trade in spreading as well as other marketing operations. The Board will continue to handle cash wheat and futures in a normal way. The next spread will be July/October, and we wish to suggest to the trade that they should consider if it is desirable for them to continue depending blindly on the Board for all or any particular part of this spread.

Our sole purpose in drawing this to your attention now is to give all the time available to the trade for any necessary adjustment of their hedging operations, particularly in connection with "out of position" wheat.

Our Board would appreciate your posting this as a notice for the information of all members of the Exchange and their out of town clients. I might add, Mr. Chairman, that a copy of that letter was sent to the Secretary of the Vancouver Merchants Exchange, the New York Produce Exchange and the Montreal Board of Trade, with a similar request that it be posted for the information of their members.

*By Mr. Perley:*

Q. What do you mean by the term "depending blindly on the board"?—

A. I mean, Mr. Chairman, exactly what the words say. That is, I think, what had been customary on the part of the trade for quite a period of time.

*By Mr. Beaubier:*

Q. What do you mean by "all the time available," if I caught the reading right?—A. Oh, yes. "Our sole purpose in drawing this to your attention now is to give all the time available to the trade . . ." This was sent on March 26. That was three months and a few days before the first of July. To anybody with cash wheat, particularly "out of position" wheat referred to there—that would be cash wheat in Eastern Canada, Vancouver, Churchill—it gave three months, all the time available from that date, in which to decide whether they would leave their hedge on that cash wheat in the July option or sometime during that three months buy in their hedge in the July option, at the same time selling October option, and keeping that as their hedge. Just to complete the answer, the idea was that instead of waiting to notify the trade say on the 1st of June, they were notified then so that they would have all the time that was available.

*By Mr. Perley:*

Q. Do you not think it weakens your position when you go into the October? That is the new crop month. Switches are made into July and then July into October.—A. No.

Q. They would have the new crop to deliver on those old contracts?—A. It does not weaken our position.

Q. You might have to take delivery of the new crop wheat on the old contracts you made?—A. It becomes a new contract when you change it from the July to the October.

Q. But it is cleaning up your May and cleaning up your July, to get it into the October?—A. It does not weaken our position in any way. The only thing that would weaken our position, being placed as we are with the responsibility of selling wheat, would be to exchange one option for an option that was not so readily saleable.

Q. Suppose they could not deliver all your May. If you stood pat, so to speak, on your May and wanted delivery and they could not deliver, would it not just give them the opportunity to switch to the other month and then again to October?—A. I am very glad, Mr. Chairman, that Mr. Perley brings that

[Mr. James R. Murray.]



point up, because it would create a very interesting situation on the 1st of May if we held all our May contracts and did not switch any of them to July. That is what you mean, Mr. Perley, is it, if we held on to our May?

Q. Yes.—A. It would be a very interesting situation. The position would be that the Dominion Government of Canada, through the agency of the Canadian Wheat Board, would have an absolute corner on Winnipeg May wheat, and would be in the position to take everybody in the grain trade, a grain dealer in Canada, a miller in Canada, a miller in the United Kingdom, in France, a miller in the United States, who might have some of our wheat down there—and you know, gentlemen, that they have taken some 35 million bushels of our wheat already this year for milling. The Dominion Government would have, through our agency, all these gentlemen with wheat out of position and quite normally and naturally hedged in the Winnipeg May option. We would have them in the position where they would be at our mercy. We would have the most perfect corner, I would think, that has ever been known in the history of the grain trade, for this reason among others: we are in the fortunate position of most gentlemen that we have read about in the old days in Chicago when they used to attempt to corner the Chicago market. But they did not have unlimited money. The Dominion Government of Canada, I presume—

The CHAIRMAN: You do not think they have unlimited money, do you?

WITNESS: Well, they have enough to take care of a couple of hundred million bushels of wheat at 75 cents a bushel, anyway. In the next place, the only point of delivery for the satisfaction of that contract is Fort William and Port Arthur, the total terminal storage capacity at those points being 96 million bushels, some of which, of course, is taken up with coarse grain. So, we being the holders—we will take our figures perhaps to illustrate the thing and get something actual—at January 31 last of 154 million bushels of futures contracts, suppose we held those all in the May, and that we confined our sales between January 31 and May 1 to sales of cash wheat, of which we had 82,600,000 odd bushels, we would have this 154 million bushels which could not possibly be delivered to us in any way, shape or form except by someone paying the railroad to haul it from Vancouver to Fort William, bring it down from Churchill to Fort William, ship it back from Eastern Canada to Fort William. If I may use a name for illustration—I do not want to bring the names of grain firms into it, but I will use one—I will mention the Scottish Co-operative Wholesale Society, who are excellent customers for Canadian wheat, who take wheat across to their Glasgow mills; and I might mention incidentally they make some flour out of 98 per cent Canadian wheat or the highest grade of flour. They keep the wheat that they take over there hedged in our Winnipeg futures until they sell the flour. They might have to bring some of it back from Glasgow to deliver to us, and that all accumulating—I am going into some detail, but we may as well make it as clear and as simple as possible—that wheat coming from all those quarters and being accumulated at Fort William and Port Arthur, if there were railway cars and boats enough to bring it up there, I do not know how it would be delivered to us because they could not get it unloaded in the terminals. So that we come to the point that we have a perfect corner in the Dominion Government of Canada, and then we squeeze these gentlemen and make them deliver at our own price. We could do that if it was considered—or I will say this, that a Canadian wheat board could do that.

*By Hon. Mr. Crerar:*

Q. You cannot do that?—A. No. I will not say "we." But it is reasonably clear that a Canadian wheat board could do that, and could make those people settle for anything that might be considered reasonable, if it was considered a proper thing for the Dominion of Canada, after having gotten into the wheat business in the circumstances under which they did, to run such a corner and squeeze those gentlemen.

*By Mr. Deachman:*

Q. What about your Combines Act?—A. Well, I am not a lawyer.

*By Mr. Perley:*

Q. Last year Mr. Milner, replying to a similar question, said that Mr. McFarland would never do that. Now, I assume possibly that you would never do that. You have 154 million options. Would it not be quite proper to settle up those options? They each have margin in the clearing house. You could make a reasonable settlement and get out of your options. My contention is if you allow it to go on until October, they could get new wheat, you do not know at what price, but they could deliver 150 million of new wheat on your options. I do not suggest that the Board would ever insist on the unreasonable settlement that you have outlined.—A. Mr. Chairman, if I have the question right in my mind, Mr. Perley asks if it would not be a good thing to settle up the options on a reasonable basis in the May as we go along. The answer is that that is exactly what we do when we sell a dealer May wheat and buy July wheat from him. We settle the May option contract right then. In this particular year, for the information of the committee I might state that we sold May wheat to dealers at  $1\frac{3}{8}$  cents under July options. We sold to dealers May options at  $1\frac{3}{8}$  cents and we bought from them the July options at—we sold May at  $1\frac{3}{8}$  cents under the July options, buying back their July options from them. That difference of  $1\frac{3}{8}$  cents would not carry the cost of carrying the actual cash wheat in store at the terminal elevators. In other words, if we own—we will take the round figures—50 million bushels of actual wheat and held warehouse receipts in store at Fort William or Port Arthur on the first day of May, we would have to pay the storage charges of  $\frac{1}{45}$ th of a cent per day, which for the two months from the 1st of May to the 1st of July would amount to, roughly,  $1\frac{1}{2}$  cents per bushel. We would have to pay interest on our money that was invested in that wheat which, at our rate of interest—I have not got that figure exactly, but if it was 6 per cent, the rate of interest, it would be  $\frac{3}{8}$  cents a month on 75 cent wheat. So you can see that by changing the contract that we are carrying, the May option contract into July option contract at a  $1\frac{3}{8}$  cents difference, we are carrying our contracts or our wheat cheaper than we could possibly carry the wheat if we had the physical wheat when we are paying the storage charges and interest. To try to finish the point that is in Mr. Perley's mind, the same situation arises when you come to go over from July into October. We will inevitably, aside from some miracle, have some wheat left at the 1st of July next. How much we will have in the form of cash wheat and futures contracts, I do not know. I do not know what total we will have. But we will have some left, and it will be a substantial quantity. We could take delivery of that wheat to the extent that the terminals at Fort William and Port Arthur would carry it, some time during July. We could pay the storage charges on it and the interest charges on it. We would, under the terms of our Act, when we went to ship it, export it, have to sell it to exporters for delivery, to ship it out of the country. But what we will do will be—and this is a notice to the trade, and it is the sole purpose of the notice—that between now and the first day of July, gradually in a normal way, by selling July wheat in the pit and at the same time buying October wheat, which is called spreading July and October, we will put that on a basis that will enable us to carry our contract or to increase the price of our wheat that we are carrying. Because all the time you carry wheat it costs more money, whether you carry it in futures contracts or cash wheat. We will increase the cost of our wheat that we are carrying less by doing that than if we took delivery of the wheat and paid charges on it.

Q. Let me ask you this question: When you switched from July to October on the basis you have outlined as to carrying charges, would you consider that a reasonable spread between July and October?—A. That depends upon market conditions. It is no secret because the operation has been done in the pit.

[Mr. James R. Murray.]

We have sold in the last month July wheat at even money with the October. To the extent that we could do that, we were carrying our wheat from July to October at no cost to the Dominion government. We have sold July wheat, bought October wheat, selling July at a discount of a half cent under October. We have been down to three-quarters of a cent under October. I think the discount on July now is a little less than that.

Q. One and one-eighth cent?—A. One and one-eighth cent. We might be doing it out there in the last day or so at one and a half cents, but we will say this: If that spread should come to a point where it is too wide under the October—we do not like that—but suppose it went to three and a half cents, we would stop selling July and buying October; we would keep our July wheat and we know some one would want it, and would come along and want to buy it from us at a narrower spread than three and a half cents.

Q. You said you had made some spread between May and July of one and three-eighths cents?—A. Yes.

Q. Can you give us the spread that was on the board when you did that? Was that in the pit or— —A. No; we had quite a bit in the pit. We had some May-July, at even money, some at half a cent, some at three-eighths cents, some at seven-eighths cents, some at one cent, all done in the pit. We had then asked the trade—no we did not deal with the committee on that. We had then asked them to put in lists to us giving their clearing house position and telling us what May-July spread they wished. When we got those lists we decided how much we were going to spread in total, and how much we would give to different branches of the trade. Distinctions were made between different branches of the trade. We gave to the people that were out of position the full amount of their spread; that is, one hundred per cent, the one and three-eighths cents. Country elevators, terminal elevators, country elevators who could ship their grain down, we gave them fifty per cent. Terminal elevators at the head of the lakes we gave them a spread on their low grades under 3 Northern, and the spread, as I say, was down to one and three-eighths cents, if I remember correctly. To come to the point Mr. Perley wishes answered, the widest spread traded in the pit was one cent, but we gave on that three-eighths of a cent wider than the widest that was paid in the pit.

*By the Chairman:*

Q. You stated you were able to switch July wheat to October wheat at exactly the same price. Would the reason for that be that there was an anticipation that the price of wheat would drop?—A. No; we did not do a large amount of that. As a matter of fact, I do not know what the amount was. No, that would not be an indication of that.

Q. What would it be?—A. The best reason I can give for that at the time, Mr. Chairman—

*By Mr. Perley:*

Q. Somebody was desirous of making the switch?—A. Somebody was foolish enough to take July from us at the same price as October. I never would have done it if I was on the other end, not with the amount of wheat in this country. I might have started doing a little at a cent and a half under, but I never would have done it at even money.

Q. If he decided to call for delivery of May and July it might make a little difference?—A. It might, but I think Mr. Chairman—

Q. I think it would make considerable difference.—A. It might, but of course it is quite clear that Mr. Perley's question, and quite natural, and I find no fault—I have no business to find fault anyway—with it; it is quite clear that Mr. Perley's question is directed to the thought of shorts and letting shorts out. We have heard a lot about it. I have heard a lot about it since,

I think, October 1, 1934. But let me explain this to the committee: We have followed, generally speaking, in the one switch that we have had to make in the time of the new board, the same procedure that was followed by the previous wheat board, and also that was followed by the gentleman previously in charge of the government wheat operations. For the information of the committee I might say the spread that we had on May-July this year with the trade of one and three-eighths cents, was the same figure at which the government manager made a spread one year ago. It was the same spread that they had made in 1934, if my memory serves me correctly. It was within one-eighth of a cent of the spread that they had in 1933, and I think in one year they had made a spread of one and three-quarter cents. I want to mention that because I do not want to leave on the record anything that might give the committee or the public an impression that the wheat board in making a spread of one and three-eighths cents, three eighths of a cent wider than the widest figure that was traded up to that time in the pit, were giving away money, government money, or doing anything that was questionable. The wheat board could have made, if they wanted to, every trade in the pit, and we might have pushed up that spread to one and a half cents, five-eighths, three-quarters or seven-eighths; we might have, I don't know. We considered that the best policy was to make the spread at a reasonable basis on a lesser cost than if we were carrying actual wheat and at some reasonable basis with the grain dealers. That is the reason we did that.

*By Mr. Donnelly:*

Q. I suppose the spread dropped down on account of bringing down the price of storage. The price of storage has dropped down from one-thirtieth to one-forty-fifth?—A. That is, to-day it is one-forty-fifth. It was down once before for a period, but had been restored, I think, to one-thirtieth. The natural tendency, of course, is if the storage rates are lower, the actual cost of carrying the wheat is lower. If exchange rates are lower, the actual costs are lower, and that has a tendency to narrow the spread.

*By Mr. Senn:*

Q. You stated a moment ago by transferring May to July on the basis of one and three-eighths cents you saved money rather than if you had carried the wheat through; but somebody sustained a loss on the thing?—A. No, not necessarily. That is the correct answer; no. You see, if I might give an illustration, the minimum amount that is usually traded in the pit in one trade, though there is provision for trading in 1,000 bushels, is 5,000 bushels. Now, if I took on the first day of January and I bought 5,000 bushels of No. 1 Northern wheat in store at Fort William and I got warehouse receipts for it for the twelve months, it would cost at the present rate of storage, eight cents per bushel storage for the year. I think that is right, and my interest charges. That would mean on a dollar wheat, six per cent money, five and a half per cent money is the general cost in the grain trade, but let us take six per cent money. The cost would be 14 cents for me to carry it if I had paid a dollar for it on the first of January and put it in storage, at the end of the year it would have cost me \$1.14. My charges would have brought the price up to that. Switching futures in this way I could probably carry it for about 10 cents, or an average of one and three-eighths from May to July, perhaps two and a quarter to two and a half from July to October, perhaps six and a half from October to the following May, somewhere around 10 cents. I would have saved a few cents a bushel.

Q. I still cannot understand why if it cost 14 cents to carry it through and by switching you could get through at ten cents, somebody does not lose on the transaction?—A. Well, your wheat is not all at Fort William and Port

[Mr. James R. Murray.]

Arthur. You have exporters and millers and other people and they are all interested, yes, all interested. First of all, when they buy wheat they put their hedge under the nearest most active trading month. In February they put their hedge in May. Well, they might still have a lot of that cash wheat in their mill storage. You gentlemen know how big storage places some of the mills in western Canada have, and they have them filled. They cannot mill it and sell the flour before the first of May. Consequently they have a lot of it in the mill storage; they are short on their hedge in the Winnipeg May options. Now when it comes to the time where they see they can buy that May option and sell July, transfer their hedge farther away at some reasonable figure, they are not going to wait to get the loss of one-eighth of the cost of carrying it, and it would not pay them to put that wheat in Fort William. They are satisfied to take less than the full carrying charge. There is the storage, and some of it in flour. They would rather have their hedge farther away, and there is always somebody coming along that would take less than the full carrying charge that he has lost on the hedges. There is a loss to him in this way, and the question brings up a perfectly correct point. He is taking less money; he is getting less money to take care of his carrying charge than he would if he waited for the full storage. He does lose; that is correct, when you analyze it.

Q. Perhaps the storage charge is higher than what it really cost him?—

A. Yes.

*By Mr. Perley:*

Q. Do not the elevator companies out in the country bring it on in this way: They fill up after the first of the year?—A. They have been in the past few years. The country elevators have filled up or have been nearly so for nine months of the year.

*By Mr. Coldwell:*

Q. Is not a lot of grain stored by the agents, too?—A. During the winter time, yes.

*By Mr. Perley:*

Q. A certain amount of this switching has been put through the pit?—A. Yes.

Q. You employ brokers?—A. Yes.

Q. To do that? Do you care to give names of the brokers you employ, not all the principal brokers?—A. I would have to get a list showing the principal ones.

Mr. Ross: I object to that; I do not think it is in the interest of the public.

*By the Chairman:*

Q. Do you object?—A. No, with one qualification. I have no objection whatever to our giving a list of the brokers that the new board has employed, if at the same time we are permitted to give a list of those previously employed by those in charge.

Mr. Ross: I do not think there is anything to be gained by it.

Mr. PERLEY: I think that is fair; it is o.k. with me.

Mr. Ross: No doubt some of these brokers are still employed.

Mr. McNIVEN: What is the object in giving names?

Mr. PERLEY: That may come out afterward.

The CHAIRMAN: Are you asking Mr. Murray whether he thinks he should give the names or not?

WITNESS: I am perfectly satisfied to leave it to the committee, Mr. Chairman.

The CHAIRMAN: You have an opinion on it.

*By Mr. Ross:*

Q. Is it liable to affect your dealings from now on?—A. No; it will affect our peace of mind, Mr. Chairman, in regard to line brokers. Some of them naturally do not get as much business as others, because some are not as competent as others. The ones that are most competent naturally get the most of our business; but particular circumstances of the market may make it necessary for us to use others, and where you can put little orders we spread around the business to the least efficient men. There are a lot of brokers that are like other classes of people, some are better than others. I would be perfectly willing, in fact I think I would be quite pleased to give the names under conditions that I state.

Mr. DEACHMAN: Is it not a fact in a matter of this kind where a man has been appointed in charge of a position that we should be guided largely by what he considers as the right thing to do in connection with the administration of the business?

The CHAIRMAN: Exactly. That is the idea I had in mind. I asked Mr. Murray if he had an opinion on the matter, as to whether it would be advantageous to the public interest to give the names. If he does not think it is in the public interest, I do not think the committee should require him to give them.

WITNESS: I would not stress the opinion that it would not be in the public interest.

Mr. COLDWELL: Mr. Murray has said he is willing to give the names, provided he gives the names of the others.

WITNESS: Not only willing, but pleased. I would emphasize the word "pleased."

Mr. JACOBS: What is the object in getting the names; is it just to satisfy vulgar curiosity?

Mr. PERLEY: Not necessarily. It depends on how far you intend to go with this inquiry.

Mr. BEAUBIER: By divulging these names, you only create soreness as between brokers and commission men at Winnipeg. Why give them?

Mr. Ross: Between the broker and the board, when the board is trying to create good feeling with everyone, as I understand it.

WITNESS: May I make a suggestion with regard to that; as Mr. Perley in his reply to one or two of the other members of the committee who asked him what purpose would be served, replied, that may become clear later on. If when it gets to a point in Mr. Perley's examination that he desires to know the names of some broker whom he thinks or brokers whom he thinks or whom he may have been told the board have been using in connection with taking care of shorts, shall I say, or any other nefarious kind of operation, we shall be glad to give them to the committee and Mr. Perley.

The CHAIRMAN: Do you want to press it now?

Mr. PERLEY: I will let it ride now.

*By Mr. Perley:*

Q. May I ask what is your brokerage for pit operations?—A. I am going to get goodwill, I think, on that one, 25 cents a thousand bushels for the pit operation, a dollar and a quarter for five thousand bushels.

*By Mr. Senn:*

Q. Either buying or selling?—A. Yes, sir.

Q. I do not know, Mr. Murray, whether you will care to answer my next question with respect to what extent you have been dealing with some of the large international firms, Bunge, Dreyfus, and Continental?—A. Dealing with

[Mr. James R. Murray.]

them in quite a large way. I have no figures over quite a period of time, Mr. Chairman, but perhaps it would help to supply some information that the question may have a bearing on, if I gave the figures of, we will say, December 13. Yesterday I was asked a question in regard to that. This, perhaps, may help to answer that question also. The question asked yesterday by Mr. Coldwell was whether all the 22,000,000 odd bushels of wheat we had sold in the day was sold during the session. Now, on December 13 we sold to Mills against export flour business, 901,000 bushels at  $87\frac{1}{8}$  cents.

Q. What was the price of the May wheat that day on the board?—A. That is a matter of record. You have those prices, Smith. I think, if I remember correctly, the market opened at  $89\frac{7}{8}$  and closed at  $89\frac{5}{8}$ ; it had closed on the 12th at  $86\frac{7}{8}$ . Yes, that is correct. It opened at  $89\frac{7}{8}$ , the high point was  $89\frac{7}{8}$ , the low point  $89\frac{7}{8}$ , and it closed at  $89\frac{7}{8}$ .

Q. These prices you are quoting now, I suppose, right through would be the May option?—A. Yes, sir. We exported that day 7,782,000 bushels at  $87\frac{1}{8}$ .

*By Mr. Ross:*

Q. Do you say that would be the cash price or the May option?—A. May future.

Q.  $87\frac{1}{8}$ ?—A. Yes, sir. I gave the opening, high, and low. The close of the May future was  $89\frac{7}{8}$ . We sold to the mills 797,000 bushels at  $89\frac{7}{8}$ .

*By Mr. Perley:*

Q. In addition to the other mills?—A. That is in addition to the other mills. That was not against export flour business, the last amount. We sold in the pit to a lot of people of whose names we have no record, 11,684,000 bushels at  $89\frac{7}{8}$ . We made sales of cash wheat, flat sales amounting to 861,445 bushels and 50 pounds. The average price to reduce that to a May basis, a fair comparable average is 89.58, making total sales of 22,025,445. Now as to the question of Mr. Perley whether we deal in a large way with certain firms on the sales to exporters that day, may I say that on that day we sold to the Alberta pool 46,000 bushels at  $87\frac{1}{8}$ ; Bunge North American Grain Corporation, 703,000; Continental, 1,095,000; Cargill, 869,000; Canada Atlantic, 98,000; Dreyfus, 2,460,000; Norris, 246,000; Peerless, 10,000; Reliance, 668,000; James Richardson, 825,000; Scottish Co-operative, 65,000; K. B. Stoddart, 697,000; making a total of 7,782,000. I think, Mr. Chairman, just at this point, so that we won't get further off on the wrong foot, if I may use that expression, it might be well to tell the committee the circumstances of May options being supplied to mills and exporters on that morning at  $87\frac{1}{8}$  cents, from which you will note from the figures I have quoted of the official opening, high, low and close of the market, was two and three-quarter cents below the Winnipeg Grain Exchange records of the market price that day. I am anxious to have the point absolutely clear for several reasons, because a good deal has been said, the first of it by a prominent gentleman ten days after we started to work, about our having sold wheat at less than pit quotations and in doing so, having rescued a certain type of trader that has been talked about in the last year and a half. Now, the position of the board was this, on December 9, if I may be permitted to go back a few days. That is the day I got back from Ottawa after having been appointed. Shaw arrived the same day. Mr. McIvor had been holding down the job alone since the previous Thursday. It takes two members of the board to make a quorum; so we actually started to work on the morning of December 9. There were 34 weeks of our crop year left. Eighteen weeks had gone; the best shipping season in any normal basis for marketing the Canadian crop. There was actually of actual wheat, if the Dominion government estimate was right, 310,000,000 bushels available for export and for carrying over next July. I mentioned yesterday in the opening statement which I read that we considered one of our principal duties was to dispose of the burdensome part of the surplus.

I think I used the phrase that it hung like a mill-stone around the necks of our farmers since 1928. I might mention that is not my description. If I may be permitted, I will say that that is the description given to that surplus by Mr. John I. McFarland on December 8, 1934, if my memory is correct.

Now, we could not afford to wait for one, two, three or four weeks or to wait until it was found out what the policy of the board was going to be. At least, we do not think we could. We wanted to get some action. We called meetings of the exporters and millers. They are the only salesmen of Canadian wheat. The Act tells us specifically that we have got to use them. It means to use all branches of the trade without discrimination. So we called meetings, and we told them the new board was there; that we wanted their co-operation and we wanted them to get busy and sell all the wheat and flour for export that they could possibly sell. We asked for suggestions as to what we might do to help them accomplish that. We told them we did not expect them to do business for nothing. I do not know that anyone can be expected to do business for nothing. From the competition in the export business, and judging from the number of firms that have gone out of business, the competition within itself is sufficient to keep the margin down.

One of the suggestions they made to us was that we agree to sell them their hedges against export sales made between the close of the market one day and the opening of the market the next day at not more than one quarter of a cent over the previous day's close. We made that agreement with them, or gave them an undertaking, whichever you like to call it, with one proviso. We explained to them that we were not handling our own money and our own funds.

*By Mr. Perley:*

Q. This is on the 9th of December?—A. No, this meeting did not take place on the 9th. I think it was the 10th or the 11th.

Q. The 11th?—A. The 10th or 11th. Perhaps it was the 10th when we saw them first. We told them we would do that on one condition. We explained that we were not there to do just what we liked on all matters but that we would give them this undertaking provided that they would at any time we desired make their records available to independent auditors of our choosing. I myself told them at the meeting that the reason for that was this—I used this illustration—there may be a war some day in Europe in the next few months and that something may happen to send it three, four or five pennies higher. I told them we would do what we said and that we would want to be able to check and have assurance that the actual export business was done. They agreed. Much sooner than they expected the need arose, on December 13, and we were called upon to fulfill our undertaking that morning which we did to the extent to exporters of seven million seven hundred and some odd thousand, and some to the mills.

Now let me make this point clear. The market closed the day before at  $86\frac{7}{8}$  split, I think to be exact. If there had been no exporters in business, the Canadian Wheat Board would themselves have been offering wheat to buyers in England, Sweden, Norway, Denmark, Belgium, the Orient and any other place where we might sell wheat. We would have been offering it over night, but whether we would have offered five million or six million or ten million over night I do not know; but we would have had, I can assure you gentlemen, a very free offer of wheat, because we thought we had a lot of wheat and we wanted to get busy selling it. What would have happened to us on the morning of the 13th? Every offer that we had out would have been accepted. We would have sold five million or eight million or ten million. Our offers would have been based on  $86\frac{7}{8}$ , and put on the basis of  $86\frac{1}{2}$  we would have made the sales at one quarter of a cent less than the basis on which we made delivery.

[Mr. James R. Murray.]



Now it may well be asked, even supposing that is true and that would have been our position, why was it necessary to give these exporters that protection, if you want to use that word. We felt that it was absolutely necessary. We felt that it was necessary to instill confidence into these exporters so that they would not be afraid to offer wheat freely. We wanted to instill confidence in them. It might well be asked, why was it necessary to instill confidence in them.

*By Mr. Fair:*

Q. Is this the first time that protection of that kind was extended to exporters?—A. No, sir, but it is the first time it was done right out in the open.

*By Mr. McLean:*

Q. Is there any difference in principle between that deal and the wholesale grocery man sending agents to sell for a limited time at a certain price?

*By Mr. Deachman:*

Q. Or for iron and steel?—A. That is new thought to me but maybe it is correct. Anyhow, it might be asked why was it necessary to instill confidence in them. We considered, as I said, that it was absolutely necessary, because they are operating from a market in which almost the only seller left who can sell their hedges against their sales abroad when they want to buy their hedges is the Canadian Wheat Board. If it were an entirely open market with no one big concentrated holding, such as the wheat board, they would have no protection. They would go out and take their chances, and they have to buy the wheat in in the morning. But when there is a large concentrated holding such as there is in our hands and such as there was in the hands of those who preceded us, they are at the mercy, if you want to use that word, of the big holder of wheat.

We, wanting them to offer that wheat freely, gave them that assurance. We did not anticipate it would continue for an indefinite time. We wanted to get them started. It was discontinued on December 20th, for this reason; the market in the pit itself was being killed. People having done an export business, instead of coming into the pit in the morning to buy their wheat, would come direct to us. It was an easier way to do it.

We had a meeting with the exporters that morning or, to put more correctly, I should say that I attended a meeting with the exporters after having first discussed it with my colleagues on our board, and told them that they had had a certain period of administration; that a different policy was being followed in regard to Canadian wheat by the new board, and that they would have to judge for themselves from that time on in regard to the freedom of their offers. I told them that our board would offer wheat for sale freely in the pit, to take care of any export business they might do; that our doors would be open if at any time they found there was not enough in the pit to enable them to cover their over night commitments, but that they had no guarantee any more. I asked them to call on two or three correspondents for offers. Some of them protested and said it would limit business. Naturally those were some of the more timid ones. They said they would not feel so secure in offering out large quantities over night. Our reply was, You have got to be the judge of that yourselves, and if you are not convinced that there is a different policy in regard to the sale of wheat, then be careful about your offers and hold them down, but you have got to be the judge. If you feel like going ahead and doing it freely, go ahead.

When we speak about the necessity of instilling confidence may I give a little evidence on that point. The opinion is not mine. I have a letter dated November 15, 1935, from a well-known firm in London, England, William H. Pim and Company, addressed to Mr. D. L. Smith, who was formerly Assistant Chief Commissioner of the Wheat Board, It states:—

Unfortunately, every time there is a sign of improved demand the Winnipeg Option Market advances and stops all chances. The fear of these advances makes shippers too nervous to sell when buyers are prepared to purchase. For example, there was a slight sign of improved demand yesterday and we sold a fair quantity of Manitobas. The rise at the opening took the gilt off the sales, but immediately we advanced prices, millers turned their attention to Russians and in the end Canadians were left high and dry. To-day with Winnipeg  $1\frac{7}{8}$  up, the best bid for Manitobas is  $2\frac{1}{2}$  pennies per quarter over yesterday morning and all other wheats are practically unchanged.

That is just one illustration of what someone thinks.

*By Mr. Coldwell:*

Q. You stated that on December 20 you changed the policy that you adopted about December 10 of selling wheat at a quarter of a cent over the previous day's close. Further, you stated the buyers were coming to the board because they felt this was the easiest way to do business. If it is an easier way to do business, why would it not be advantageous to sell wheat direct rather than in the speculative method that we are now pursuing?—A. Of course, Mr. Chairman, that would get us into a discussion of what my opinion was as to whether the open market, functioning as it has been, would be the best method of selling, or whether some other method of selling would be better.

Q. I may say, Mr. Murray, that a question I had intended asking you at the opening of the sitting this afternoon was precisely along the same lines. I notice that yesterday, for example, you stated, according to page 36 of the record:—

Our board has not considered it to be its duty to follow a policy of gambling on what Providence might do in the way of helping us again with serious crop failures in North America and other parts of the world.

A little later on, you went on to say:

Our policy has been and will continue to be a merchandising and not a speculative policy.

I followed your statements very carefully yesterday afternoon and it struck me that the whole argument on behalf of the new board's policy was that it was in strict conformity with the speculative methods of the grain exchange as established throughout the years. I notice that at page 39 you stated that the wheat board sells, shall we take a round figure of one hundred thousand bushels of No. 1 Northern Wheat, and you buy a like amount of futures. That is a summary of what was said. Now the point I have in mind is this; that there seems to be a direct conflict between the statement made regarding a merchandising policy and the speculative policy adopted by the board. The remark made just now seems to indicate that even the chairman of the board considers there is an easier way, and therefore I would say a more efficient and better marketing plan than the one which has been pursued. I am interested not so much in a controversy as in getting the facts concerning marketing and what is the best method of marketing crops for the future, for I believe that is to be our big problem in the years to come.—A. Mr. Chairman, I have found in my experience that the easiest method is not necessarily the best. I have found that the best method for anyone was sometimes the hardest road to go over. The fact that I said they took the easier method meant only that it was easier in this respect; that they showed us wires, cables, and so on, that they wanted so much wheat against export rather than having a broker buy it and wondering whether they were going to get or not. I meant that it was just easier to that extent, that is all.

[Mr. James R. Murray.]

You spoke of some conflict, or suggested a conflict between a comment in the memorandum which I read yesterday and some of my opinions now expressed. The basis on which we are conducting the wheat board's business is not a speculative basis. In regard to the reference that we were pursuing a merchandising and not a speculative policy, my reference only referred to gambling on what Providence might do. I meant this; if we in the month of December or early in the month of January decided that we had so much wheat and we think it is a little dry down in the United States wheat belt and we do not think they are going to get much rain in the spring, and we think they are only going to have a comparatively small amount of wheat, we will gamble on that and base our selling policy on that. That is what I call gambling on what Providence might do.

Q. You have not got my point.—A. Might I finish this point and come back to it?

Q. I am not dealing with the question of gambling on what Providence might do but the actual details of what you said the wheat board was doing in relation to sales and purchases?—A. I will be glad to come back and explain that and explain what we have done in exchanging options for cash wheat. But that is in no way a speculative policy.

Arising out of this reference to what I said yesterday in that memorandum, we were told that in December and January we should get ten cents a bushel for our wheat, or that Canada should get that.

Mr. McLEAN: Twenty cents.

WITNESS: Of course, other people told us that we were asking too high a price. We did not listen to either of them. We went ahead and used our own judgment, and we were conscious of the fact that we had a lot of wheat to sell in a somewhat limited time. Now the gentlemen who said that we should have got ten cents more, maybe they were right, I do not know. It is just a matter of opinion.

Right Hon. Mr. BENNETT: Surely.

WITNESS: Personally, I think they were wrong. It might be interesting to point out that there is one gentleman whom I have heard quoted on that, and who is a very prominent gentleman on the Continent. His name has not been quoted, but he writes a very valuable market letter monthly from Rotterdam. Under date of January 2, he said:—

It is, of course, quite possible that some time when Canada will have sold much larger quantities than up to now, she may spring a similar surprise upon the market as the Argentine by putting up prices considerably. Canada could easily do it, and we have no doubt whatever that she could sell to-day exactly the same quantity at ten cents per bushel or more higher than to-day's price.

We began to get those opinions expressed somewhat vehemently to us directly and indirectly in January, and I saw letters not directed to our board but sent to correspondents, other grain firms, that were shown to us and very quickly it got to the point where, when you read the letter, "I know how that fellow stands on the market, he is long wait, he bought on December 13, or within a few days thereof and thought the market should go a lot higher and he is disappointed."

*By Right Hon. Mr. Bennett:*

Q. Does the same argument apply to those who were short on the morning of the 13th?—A. I would think the man who was short on the morning of the 13th, if he was short a lot of wheat and bought it all in that day would be very sorry he had not stayed short and bought it in around eighty cents.

Q. The argument you are using is that these men were told that a higher price might be obtained for Canadian wheat, because they had bought wheat at a higher price than the price then prevailing?—A. I would not say that was their only reason.

Q. You put it that way.—A. I did not say it was their only reason. I said seeing some of those letters I could tell, or I thought I could—I would be wrong in some cases—how they stood on the market.

In connection with this market letter which I have read—

Q. There is a later one, Mr. Murray, in which the same thing is stated by that Rotterdam man.—A. I have not got the later one, but it is the same thing.

Q. Without using the figure of ten cents.—A. If it will be of any use to the committee I would be glad to find it and have it produced.

On the next page there is an interesting thing. The gentleman is speaking of Russia:—

Russia really is a "dark horse." We have expected and often written that the wheat export from Russia this season is a price factor, and higher prices would bring out more wheat.

On one page he says if we put the price up we will sell more, and on the next page he states that if the price is higher Russia will have more to sell, though he does not use the figure of ten cents on that page.

The fact of the matter, gentlemen, in regard to the price situation that price does have an effect of bringing out wheat, and bringing it out from very unforeseen countries at times.

*By Mr. Coldwell:*

Q. Would you mind returning to my question?—A. Excuse me. Your question was why the policy we followed in selling cash wheat and buying futures was not a speculative one?

Q. Yes.—A. Yesterday when asked why we did that, I stated that we did it because the board wanted to buy on that basis. Something was said to me by Mr. Fowler this morning that I was not entirely complete or fortunate in my explanation of selling cash wheat on the basis of futures, so I would try it again. He pointed out to me, quite correctly, that I talked about selling the No. 1 Northern at a discount under the future without explaining that the amount of the discount depended upon the carrying charge or the cost of carrying the actual wheat from the date you were making that transaction to the first day of May, the day of delivery of the May option. In other words, No. 1 wheat on the first day of January in store at Fort William, might sell four cents under May, but on the 15th day of April, with only half a month's carrying charge, it would sell at half a cent under May. But to get back to this point, if I may use this illustration, take an exporter doing business out of the Vancouver market—get out there because it is away from Winnipeg—and he sells one thousand tons of wheat to be shipped, we will say. He does this in January, and it is for February shipment from Vancouver. Now he receives his cables on that, or whatever they are, before the opening of the market in the morning. The first thing he wants to do is to protect himself in the quickest possible way against market fluctuations. Therefore, he sends word to Winnipeg to buy 37,000 bushels of May wheat. There are 37,000 odd pounds to a long ton. He knows if he is in there before the opening he will be able to buy that inside of two minutes or three minutes easily, perhaps in one minute. That is his quickest way of protecting himself against a fluctuation in the market.

If he waited to get in touch with an elevator man and buy from the elevator man 37,000 bushels, we will say it is No. 4 wheat he sold, and to buy 37,000 of No. 4 wheat in store in the terminals at Vancouver in a position where it would be available for shipment sometime in February, it might take him two or three hours. In fact, he might not be able to find someone like that. And the market

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might have gone one, two or three cents against him in the period. So he buys that future quickly. He has 37,000 bushels of May wheat and he wants 37,000 bushels of No. 4 wheat to put on a ship leaving Vancouver in February. He goes to the wheat board salesman out there and he says, "I want 37,000 bushels of No. 4 wheat f.o.b. February." The reply is, "I will sell it to you, how do you want to buy it, flat?" "No, I want to exchange the option." The response is, "all right, I will sell it to you at ten cents under May." He knows what it has been trading at, and if he thinks he can afford to pay that and is willing to pay it, he will buy 37,000 bushels of No. 4 wheat f.o.b. Vancouver in February. If he bought the 37,000 bushels of No. 4 wheat and did not at the same time sell his 37,000 bushels of May option, he would have 74,000 bushels and he does not want 74,000 bushels. We sell him 37,000 bushels of No. 4 wheat at ten cents under May and we take back from him 37,000 bushels of May option. We have exchanged 37,000 bushels of No. 4 for 37,000 bushels of a futures contract, and we have 37,000 bushels of No. 4 much closer to getting on to a ship and getting out of the country. To finally complete and get rid of it, we have got to sell 37,000 bushels of May option, but there is nothing speculative about the transaction at all.

Q. Let me put it this way: that policy is distinctly a policy in the interests of the man who is the middleman handling the grain. It protects him both ways. It is a case of making the market safe for the trader?—A. Well, Mr. Chairman, there are always, of course, different views in regard to that and in regard to the usefulness of middlemen. Generally speaking the world of business takes care of them if they can justify their existence. I am not laying that down as law, it is not up to me to do so, but Royal Commissions have investigated it and they have seen some good in it. I am not saying that it is perfect. I do not think the futures market and everything in connection with it is perfect. I doubt if there is anything perfect in the world.

So far as our board is concerned I would say this that that matter was considered last June by a committee of the House and considered by parliament, and an Act was passed under which we are operating. It lays down our duties: to offer continuously wheat for sale in the markets of the world in the established channels, etc.

Our duty is purely a matter of using the facilities that are there, which include, of course, those futures.

*By Mr. Deachman:*

Q. In considering the best system, would you not consider that system best which eliminated the risk most completely if you minimized the risk?—

A. You will get the business done on a narrower margin if you minimize it, yes.

Q. That is what I am after. If you minimize the risk you reduce the margin between the consumer and producer?—A. Yes.

Mr. DEACHMAN: You must minimize the risk for all, I would think, as far as possible.

Mr. PERLEY: The middle man in particular.

Mr. DEACHMAN: No. It does not discriminate between one and the other.

Mr. PERLEY: It does not touch the farmer.

Mr. DEACHMAN: If you reduce the spread, it touches the farmer.

Mr. ROSS: If the middle man has less risk, you are going to get your business done cheaper.

Right Hon. Mr. BENNETT: Section 7 of the Act provides as follows:—

The Board shall undertake the marketing of wheat in interprovincial 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.

*By Right Hon. Mr. Bennett:*

Q. How do you justify the purchasing of options?—A. I was looking for a document here which I think would help me to answer that.

Q. This is the statute that I read from, Mr. Murray.—A. Well, I have not got it here.

Q. What is it, an opinion of the Department of Justice?—A. No sir. I will find it and we will have it marked. I will find that and I will be able to bring it anyway. But to answer that now, without that document, when we sell—

Q. Mr. Murray, if you think you require a document to give your answer, I will not press the question now.—A. No. I am perfectly satisfied to answer it, but I wanted to quote some words of your own in regard to it, Mr. Bennett. That was all.

Q. The rule is that what takes place in Parliament cannot assist in the interpretation of the statute.—A. I did not catch that.

Q. I said, the rule is that what is said in Parliament cannot assist in the interpretation of the statute.—A. Mr. Chairman, surely a committee would not be so unkind as to apply a parliamentary rule like that to an inexperienced man like myself when I have to answer questions here.

Right Hon. Mr. BENNETT: The witness is asked a question and his job is to answer it. He is under oath.

WITNESS: Yes.

The CHAIRMAN: Will you answer the question, please?

WITNESS: Yes. We have not bought wheat when we exchange a future for cash wheat.

*By Mr. Donnelly:*

Q. What is it, an option?—A. We exchange an option. When we sell cash wheat and exchange an option we have not bought wheat at all.

Mr. PERLEY: Then you have not sold it.

Right Hon. Mr. BENNETT: Equally then you have not sold it.

Mr. DONNELLY: You have sold it for July.

Right Hon. Mr. BENNETT: That is what the statute says you cannot do.

WITNESS: I made the statement that to complete a transaction primarily and to get rid of or lessen our load we must sell that future. But there is one thing, gentlemen; if the statute says that we cannot do it, then I would say that the statute was most villainously drawn, if it was going to be used for the marketing of 298 odd million bushels of wheat, because there is no other way that you could utilize the facilities that are existing, and certainly there was a slip by the people who knew the law about the grain business in the drawing of the statute. It could not be done if that operation could not be performed. There is no doubt about that, if it is correct that it is against the law.

Right Hon. Mr. BENNETT: Mr. Chairman, I merely asked the witness a question. Section 7 says "without limitation." Section 8 is the section that deals with the duties of the Board:—

(a) to fix a price to be paid to the producers for wheat delivered to the Board as by this Act provided, subject to the approval of the Governor in Council;

[Mr. James R. Murray.]

(b) to sell and dispose of from time to time all wheat which the Board may acquire, for such price as it may consider reasonable, with the object of promoting the sale and use of Canadian wheat in world markets;

(c) to sell and dispose of stocks of wheat and contracts for the delivery of wheat acquired from Canadian Co-operative Wheat Producers Limited and the wheat represented by such contracts as may be reasonably possible, having regard to economic and other conditions;

Then subsection (i):—

(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 continuously 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;

Those are the relevant sections that deal with the sale and disposition of wheat. One is the broad general power to sell wheat and buy it, but the limitation imposed upon buying is that no wheat shall be purchased except from producers; and whatever else may be said, that was dwelt upon by a special committee at great length.

*By Right Hon. Mr. Bennett:*

Q. Mr. Murray, you were present at the meetings of the committee?—

A. Not at all of them.

Q. Well, not at all of them, but you were present at several of them?—

A. Yes.

Q. And you were in Ottawa when the Bill was being considered, most of the time; that is correct, is it not?—A. When it was being considered by the committee, yes, sir.

Q. Yes, and you heard Mr. Milner's statement last year?—A. No, I was not present at the committee when Mr. Milner made the statement.

Q. You came in before he was finished?—A. Excuse me.

Q. I am just asking you.—A. I was not in the committee when Mr. Milner made the statement.

Q. Any part of his statement?—A. No, sir.

Q. Did you see the statement before it was read?—A. Yes.

Q. There were several of you present when the statement was finally settled. Mr. Pitblado was solicitor here, was he not?—A. Yes.

Q. A number of you got together and considered the statement as finally presented by Mr. Roy Milner?—A. Yes.

Q. That is true, is it not—down at the hotel?—A. Yes.

Q. And the statement as finally presented by Mr. Milner to the committee was a statement in the preparation of which you took a considerable part?—A. Some part.

Q. Well, you might be modest and say it was not considerable; but you took a part?—A. A part or some part.

Q. Yes, some part; and you made suggestions from time to time which were embodied in the statement read by Mr. Milner?—A. I do not know whether they embodied in it my particular suggestions or not.

Q. Were you satisfied with the statement that was finally read?—A. Well, I would think that was doubtful.

Q. That was doubtful?—A. Yes.

Q. My information is that you expressed very strong opinions during the preparation of the statement, Mr. Murray.—A. One of my failings is to express strong opinions.

Q. Yes. It is well to recognize that. At any rate, it is doubtful whether or not the statement read by Mr. Milner was one to which you gave your complete approval. Is that right?—A. Well, I just made that statement generally, because a lot of gentlemen who, in spite of it, still remain my good friends, know that I am at times very difficult to work with. But I am not satisfied with some things that they want. I learned long ago that I cannot get my own way all the time, so I do not get it and I am satisfied to that extent to let the other fellow have his way when I know I have got to.

Q. Yes. I think that is a fair answer, Mr. Murray. Then this statement presented by Mr. Milner was a statement presented as the result of a conference between the solicitor for the Grain Exchange and its interests, namely Mr. Pitblado and a number of other gentlemen. Is that right?—A. Yes.

Q. Who were the other gentlemen present at the conference?—A. I do not remember who all the other gentlemen were. I might mention, for the information of the committee, that I was not down as part of the Grain Exchange delegation at that time. I stopped in here on my way either to or from Montreal. Mr. Milner, as president, would be there.

Q. You might answer my question.—A. Excuse me.

Q. Who were present at the conference?

Mr. McLEAN: What has that to do with this investigation?

Right Hon. Mr. BENNETT: It has everything to do with it.

Mr. McLEAN: I am asking the Chairman if it has anything to do with it.

The CHAIRMAN: I am just debating in my own mind what Mr. Murray's activities had to do with it while he was not chairman of the Wheat Board, or his opinions at that time.

Right Hon. Mr. BENNETT: Do you think it is very difficult to see the relationship between the two things? Mr. Roy Milner was here officially for the Grain Exchange, as their spokesman.

WITNESS: He was president of the Exchange.

Right Hon. Mr. BENNETT: I am addressing the Chair. Will you be good enough, please, not to interrupt me?

WITNESS: I beg your pardon, sir.

Right Hon. Mr. BENNETT: Thank you. I am pointing out, Mr. Chairman, that that was the considered statement of the Grain Exchange presented by Mr. Milner. This witness was an active factor in the preparation of that statement, and he has very fairly indicated his position, that he has strong opinions, that he presses them very strongly, and that he is difficult to get along with. They found that out, as I am able to prove by witnesses under oath, if necessary. I am just asking who were present in order to show what was being done in the preparation of this statement, that is all; because it becomes very important, in view of what you yourself, sir, said, that it was thought that the Grain Exchange interests played a very large part in shaping the policy of the Board. I shall presently, as this case develops, or as this inquiry develops, be able by competent testimony, to show just what is meant by that.

The CHAIRMAN: Mr. Bennett, I do not want to interrupt you or to restrict you.

Right Hon. Mr. BENNETT: No. That is all I have to say.

The CHAIRMAN: What is in my mind is this: It seems to me that what you were bringing out by quoting from the Act was that the Grain Board [Mr. James R. Murray.]



was not permitted to buy grain from anyone but the producers. Your citation from the Act would indicate that. I think your interpretation of it is that, that in buying options they were breaking the law. Is that correct?

Right Hon. Mr. BENNETT: Well, I was not yet making that statement. I was only trying to get facts. The legal phase of it will be considered later. At the moment I am contenting myself with getting facts from the witness. That is all he swears to. I am just finding out what has been done. I wanted to see whether or not his attention had been directed to that provision by what was said here in the House, which is of course helpful in the interpretation of a statute, and what was stated here in the committee in the preparation of the Bill, which was a committee bill. I am only asking him whether or not he considered this section when he was dealing in wheat, as he was.

WITNESS: Yes. I can answer that in this way: We considered the sections of the Act. We did not, on December 9, take a lot of time and go out and ask for legal opinions. But we considered that under the Act we had the right to sell cash wheat and take in exchange futures. One of my reasons for considering that was that we knew the previous Board had been doing it. But I would like to add this: there was one thing we knew we did not have the power to do, and that was to buy wheat in the pit and not in exchange for options; and that practice of buying wheat in the pit in Winnipeg and not from the producers and not in exchange for cash wheat had been followed by our predecessor, the previous Wheat Board.

*By Right Hon. Mr. Bennett:*

Q. You mean the producers association or the Board, because the very essence of the association's existence was that it should do that. That is what its job was, to stabilize and aid in marketing?—A. Certainly.

Q. And it did that?—A. Certainly.

Q. We have evidence of that?—A. I would like to give more evidence on that. I have made a statement.

Q. Well, for the present—

WITNESS: Mr. Chairman, am I permitted to add to what I have said?

Mr. McLEAN: Certainly.

The CHAIRMAN: I cannot see that there is any objection to your making a statement.

Right Hon. Mr. BENNETT: Is it not desirable that we should be entitled to an answer to our question? You see, it is no good with me for this witness to refuse to answer a question by making a statement about what somebody else did. That is not going to help the thing.

The CHAIRMAN: What is your question?

Right Hon. Mr. BENNETT: I was asking him about the question of selling wheat and selling options—at least, buying options not from the producers. That is what I was endeavouring to deal with; and I propose, unless the committee says I shall not do so, to proceed with it.

The CHAIRMAN: My recollection of what Mr. Murray said was that he thought they were not selling wheat when they were selling options, or buying wheat when they were buying options.

Right Hon. Mr. BENNETT: He used the word "buy" yesterday, as you will see by the reporter's evidence. It is no good to suggest what the witness should say. It is what he did say that is important.

The CHAIRMAN: I think that is what he did say, that he thought that exchange of options was not the buying of wheat.

Mr. DONNELLY: He was told that he could use all of the facilities of the Exchange for selling wheat.

Right Hon. Mr. BENNETT: No. He was allowed to do it.

Mr. DONNELLY: And that is what he was doing.

Right Hon. Mr. BENNETT: He has already said that he discontinued the selling of wheat to people who wanted to take it from him.

Mr. DONNELLY: Discontinued?

Right Hon. Mr. BENNETT: Yes.

Mr. McLEAN: I never heard that.

Right Hon. Mr. BENNETT: On December 20.

Mr. ROSS: He said he discontinued the fraction, the one-quarter cent over night.

Right Hon. Mr. BENNETT: He said the reason he did certain things was because people came and tried to buy direct from him, and they wanted to send them back to the pit to buy wheat.

The CHAIRMAN: Mr. Bennett, you had a question; and if the witness can answer it categorically, well and good. I do not like to restrain him from answering your question in his own way, if it gives you the information that you desire.

Right Hon. Mr. BENNETT: Quite so; entirely so, Mr. Chairman. But now he is going on to make a statement about what somebody else did.

The CHAIRMAN: I take it that was to lead up to the answer to your question in that respect.

Right Hon. Mr. BENNETT: No. He had already started to answer it. This witness must realize that we are not going to be fooled by that sort of thing.

WITNESS: That is not necessary.

Right Hon. Mr. BENNETT: It is necessary. Because you charge that somebody else sold or bought wheat in the pit is not going to answer my question.

The CHAIRMAN: Well, Mr. Murray, what do you say?

WITNESS: I think, Mr. Chairman, that I should like to answer Mr. Bennett's question. I said that when we started we did not fine tooth comb the Act and call in lawyers to interpret every clause to us. We went on the assumption that we had the power when selling cash wheat to take options in exchange; or in other words, to exchange cash wheat for options. I amplified that reply by stating that we at least were following a good precedent, because the previous Wheat Board—not the producers who were handling the matter before August 14, 1935, but the Wheat Board—had done the same thing. Then I regret, Mr. Chairman, that I got out of bounds and started to make a statement. But may I say this, that my statement was not going to be about what the wheat producers had done previous to August 14. It was going to be about what our predecessor, the Wheat Board, had done after August 14.

*By Mr. McLean:*

Q. I should like to ask the witness if it has come to his attention since he took office that his predecessors were censured by the authorities for doing that; that they were censured by the then government for taking that action?—A. I will put it this way: my interpretation of it would be that I do not think the gentleman previously in charge of the operations were censured for exchanging cash wheat for futures. If I might add this, I would say that I feel that to the extent to which that was done by those gentlemen, they carried the wheat more cheaply for this country than it could have been carried by carrying the cash wheat and owning it all.

Q. Yes, I agree to that. But would I be correct in supposing this: if you gave it any thought at all, you would consider that if it had been correct for them to do it and they had not been censured for it, it could not be very far wrong for you to do it?—A. That is what I thought.

[Mr. James R. Murray.]

*By Mr. Deachman:*

Q. You did not consider it as buying wheat from others than producers?—A. No.

Q. It was not a question of buying. It was a question of exchange?—A. Yes.

Q. By exchanging a bin of wheat for a bin of wheat you have not bought wheat?—A. I thought it was using the machinery of the trade to facilitate the export of wheat.

*By Right Hon. Mr. Bennett:*

Q. I will draw your attention to what you said under oath yesterday at page 39:—

Q. Does that include contracts in cash wheat?—A. I might say this, Mr. Chairman, in explanation, because there will be naturally some members of the committee who could not be familiar with all the bases of trading or selling. Practically all cash wheat is sold on what is termed the basis of the option. Mr. Fowler, in his evidence, mentioned that. When cash wheat is sold generally the seller of the cash wheat buys from the purchaser of the cash wheat, buys back the futures contract. Now, when our wheat board sells, shall we take a round figure of say 100,000 bushels of No. 1 northern wheat in whatever position that may be we would, shall I say for illustration, sell 100,000 bushels of No. 1 northern at—these figures are fictitious illustrative prices—85 cents, and we would buy from the party to whom we sold that 100,000 bushels, 100,000 bushels of May wheat, the May option, May futures, whichever you want to call it, 87½ cents. In that case, what we have done is to sell in the terminology of the trade, 100,000 bushels of No. 1 northern at 2½ cents under May. Now, in this statement of our sales that I have here, I would think that 98 per cent, possibly, of those sales were sales of May futures; the others were sales of cash wheat sold flat; that is the trade term. The flat sales, if I may explain, of cash wheat, are made on this basis: A miller wants to buy 50,000 bushels of No. 1 northern wheat. He says, I want to buy it flat. That means that if he wants to buy at 85 cents and we want to sell at 85 cents we will sell him 50,000 bushels of No. 1 northern at 85, and there will be no option exchange between us in connection with the transaction.

Q. It is a commodity sale like anything else?—A. Yes; he gets the wheat."

Now, three times—I think it is three times—you have used the word "buy" from the party to whom you sold. That was your oath yesterday. What explanation have you to give as to that being incorrect or unsound?—A. I did not just catch the last part.

Q. I say what explanation have you to give as to that being incorrect or unsound or otherwise?—A. Well, Mr. Chairman, in the first place when I took the oath to tell the truth I did not guarantee that I would be sound all the time. In the second place, I think it might be fair for the committee to consider that when you get a grain man who has spent twenty-five odd years of his life in the grain business, which business uses peculiar terminology, of his life in the grain business, which business uses peculiar terminology, peculiar phrases, slang phrases and so on, he is bound to lapse at times into the use of words that are just the words he commonly uses.

Mr. McLEAN: The grain vocabulary.

WITNESS: If as a witness—and I am perfectly satisfied if the committee so decides—I must be held to the point where I have got to beware of myself, that a play will be made on the words that I may use, then I will do my best to meet that situation. But let me say this, that when I said sell cash wheat and buy an option, I did not mean anything different from when I say sell cash

wheat or exchange cash wheat for an option. The same thing is done in both cases, the same procedure is followed and I mean no different. I have no apology to offer for having used that phraseology when I was under oath.

*By Right Hon. Mr. Bennett:*

Q. Mr. Murray, the language is not that. At the top of page 40, the fourth line it reads: "We would buy from the party to whom we sold that 100,000 bushels, 100,000 bushels of May wheat, the May option, May futures, whichever you want to call it, 87½ cents." Note that: "We would buy from the party to whom we sold." That is the evidence you gave yesterday, and I take it for granted that that was correct.—A. If it is law breaking of this Act—well, I have got good company.

Q. Of course that does not answer the question.—A. Well, I am asked for an explanation of the use of the word "buy". I have done my best to give an explanation. I do not know whether it is clear to the rest of the committee or not.

Mr. DEACHMAN: If there is a mistake in regard to the use of the word, why not restate the case using the word "exchange" and then we will clear up this whole matter entirely?

WITNESS: Thank you, Mr. Deachman. I was conscious some time ago in just these recent exchanges that I might have asked the indulgence of the Chairman for the privilege that some other gentleman asked at the beginning of the proceedings, to change some of the words used yesterday, but I did not wish to do that.

*By Mr. Ross:*

Q. You were making a statement in regard to your predecessor doing things of a similar nature. I think it might be well for the committee to know something of the dealings that were carried on by the Wheat Board; not by the Board or the people handling ahead of it, but by the Wheat Board up until the time you took over. Could you give any statement on that?—A. Well, what I had in mind, Mr. Ross, or the statement that I was going to make when it was properly pointed out to me—

Mr. COLDWELL: I wish to raise a point of order. If we are going to inquire into the operations of the late Wheat Board, then the persons from whom the inquiries should be made are those who were charged with the responsibility of conducting the operations of the Board.

Mr. McLEAN: Later on.

Right Hon. Mr. BENNETT: He is giving hearsay evidence. That is all he is going to do.

Mr. ROSS: He did not give the amount of wheat held or sold.

Mr. PERLEY: Not by the previous Board.

Mr. ROSS: Why not?

The CHAIRMAN: Just a minute, gentlemen. Order, please. Mr. Coldwell raises the question of order. He thinks that Mr. McFarland, I take it, ought to give the evidence with regard to that. I would take it that what Mr. Murray is going to give is not just his own opinion. What he would give would probably be from the records.

Mr. COLDWELL: If he sticks to that and does not express opinions which he has been doing already in the evidence this afternoon then of course that is a different matter.

WITNESS: I do not think I expressed a single unfavourable opinion of the former Wheat Board, if I may say that, in my evidence.

The CHAIRMAN: Would you answer Mr. Ross?

[Mr. James R. Murray.]

WITNESS: Yes.

The CHAIRMAN: Confine yourself to evidence.

Right Hon. Mr. BENNETT: The records speak, not the witness. When the witness is giving hearsay evidence or evidence from records, it is needless to say—you do not have to be a professional man to realize it—the records speak, not the witness; and the records should be produced to indicate what they are.

The CHAIRMAN: He should have the records.

Right Hon. Mr. BENNETT: That is what I say. If he has them, they should be produced so that we may know that what he is reading from the records is what is in the records; because it is easy to be mistaken about it.

WITNESS: What I was going to read is copied from some record, but perhaps I could put it in better shape for the next session, so that it could be in better shape for the committee and they could have it to follow when I was reading.

*By the Chairman:*

Q. You have it in Ottawa?—A. Yes.

The CHAIRMAN: Then we will leave it at that.

*By Mr. Jacobs:*

Q. Mr. Murray, may I ask you a question? When you said that you bought 100,000 bushels, I understood you to say that that was an option you were buying, and that you afterwards got rid of that option?—A. Yes.

Q. By disposing of it to outside parties?—A. Yes.

Q. And in that way you got rid of it?—A. Yes.

Q. You did not mean to say you bought 100,000 bushels. You bought the right to buy 100,000 bushels, the option?—A. The right to get delivery of 100,000 bushels.

Q. That is what I understand.—A. That is correct.

*By Mr. Ross:*

Q. You took that in exchange for the wheat you were selling?—A. That is actually the practical operation.

Q. Then you disposed of the option?—A. Yes.

*By Mr. Perley:*

Q. How do you dispose of the option?—A. Sell it in the pit.

Q. You do not take back any wheat on it?—A. You cannot sell an option and take back wheat; I mean, in the pit. You can—

Q. Yes, you can sell an option and take delivery of your wheat?—A. Yes.

Q. You exchange. The same system prevails?—A. You are on the other end of the exchange.

Q. The other way around?—A. Yes.

Q. The man that is short can exchange for your wheat?

Mr. ROSS: The man that is short?

Mr. PERLEY: He can deliver wheat to the clearing house and this man will take an option, take it over when he has bought it.

Mr. ROSS: But they do not take a short for exchange. They take a long.

Mr. McNIVEN: At page 41, at the middle of the page, Mr. Murray gives exactly the same explanation there as he gave to-day.

Right Hon. Mr. BENNETT: Yes, there it is. He says that is the reason he bought it back, right there on page 41. He says "Because the buyer of the wheat from us wanted to trade on that basis. That is why we bought it back."

The CHAIRMAN: It seems to me it comes to pretty much an interpretation under the Act whether dealing in options or futures means the actual buying of wheat or not.

Mr. McNIVEN: On page 41, he says, "That is the reason why we took it back, because the buyer wanted to trade on that basis."

Hon. Mr. CRERAR: After all, the practical question is this: If the Wheat Board, in possession of actual wheat, exchanges that for an option, are they buying wheat?

Mr. ROSS: No.

Right Hon. Mr. BENNETT: The practical question is, What has he got to sell, wheat or the option?

Hon. Mr. CRERAR: He has wheat.

Right Hon. Mr. BENNETT: He has the option to sell, according to his statement. He sold his wheat but he bought the option to sell.

Hon. Mr. CRERAR: No, that is getting off the track.

Right Hon. Mr. BENNETT: No.

Hon. Mr. CRERAR: Yes.

Right Hon. Mr. BENNETT: He says he bought an option. These are his own words. He had 100,000 bushels of wheat. He sold them and bought back an option for 100,000 bushels. Then he says, I will sell the option. He did not sell 100,000 bushels of wheat; he sells the option.

Hon. Mr. CRERAR: The practical thing is, it is not a sale of 100,000 bushels of actual wheat. To make that sale he takes back 100,000 bushels of options, as they buy the wheat.

Mr. ROSS: After, he sold the option.

Mr. PERLEY: If the exporter did not sell—

Hon. Mr. CRERAR: Certainly it could come back. The practice has been to go into the pit and sell that option and reduce your amount by 100,000 bushels.

Right Hon. Mr. BENNETT: Mr. Crerar has answered the question instead of Mr. Murray. He goes into the pit and sells the option, according to Mr. Crerar. That is what he could do, but he has described the process of selling the 100,000 bushels.

Hon. Mr. CRERAR: Taking the 100,000 bushels of wheat and exchanging the cash wheat for future options is not a purchase. Ask anyone in the trade who has done business for the last twenty-five years. They know that; the office boy knows that.

Mr. ROSS: What is the argument about, anyway?

Mr. DEACHMAN: Mr. Murray used the word "exchange"; that is the point.

Mr. PERLEY: He has to sell later on.

*By Right Hon. Mr. Bennett:*

Q. Perhaps you will answer this question:—A. Mr. Chairman, may I—

The CHAIRMAN: Have you a question, Mr. Bennett?

Mr. BENNETT: Yes.

*By Right Hon. Mr. Bennett:*

Q. There is no desire to have any uncertainty about the transaction. If Mr. Murray desires to use the word "exchange" I am not going to raise any issue about it. He is giving evidence, not me. He took the illustration yesterday of selling 100,000 bushels of wheat at 85 cents, and he says that because the buyer of the wheat wanted to trade on that basis, namely of exchanging, put it that way, the May option for his wheat, that is the story as I understand it. Is that correct?—A. Mr. Chairman, before answering the question, may I ask for the protection of the Chair for a moment?

[Mr. James R. Murray.]

*By the Chairman:*

Q. Do you want to make a statement?—A. No, sir; I want to ask the reporter through you, if he heard the remark made on an aside by Mr. Bennett just a moment ago? The remark was to the effect, "In other words, he gambled with it, instead of selling wheat," the reference being to myself. I want to see if that is on the record.

Right Hon. Mr. BENNETT: I did say that to Mr. Perley and Mr. Coldwell.

WITNESS: I just wanted to make sure, because if it was going to be on the record—it was made on the aside loud enough for me to hear—if it was going to be on the record I wanted to deal with it at the moment.

The CHAIRMAN: I have asked the reporter if he heard it, and he tells me he did not.

Mr. DONNELLY: Maybe the other reporter was here at the time.

Mr. COLDWELL: It will be on the record now, in fairness to yourself.

WITNESS: Thanks, Mr. Coldwell.

Right Hon. Mr. BENNETT: It is on the record now.

*By the Chairman:*

Q. You wish to reply to that? That is fair.—A. Just in so far as to say that it is an absolutely incorrect statement, and I will be glad to deal with it at further length later on.

*By Right Hon. Mr. Bennett:*

Q. That is not the question I asked at the moment?—A. No.

Q. The question I asked was this: you said you sold 100,000 bushels of wheat. Now, you have wheat. Let us have no misunderstanding. You say (1) that you own a large quantity of wheat?—A. Yes, sir.

Q. And, (2) that you sold 100,000 bushels of real wheat to some buyer?—A. That was used as an illustration; yes, sir.

Q. Which would be correct?—A. Yes.

Q. Now, as I understand it ordinarily you would get your money for what you sold, and he would get what he bought?—A. Yes, sir.

Q. But in this instance you say that instead of getting money for the wheat at once, you exchange—we will put it that way?—A. I did not say we did not get money for the wheat at once.

Q. Did you get money for the wheat at once?—A. All cash wheat is paid for in cash before you ever deliver the documents representing cash wheat.

Q. The illustration that you took you got cash for it, did you?—A. Yes, sir.

Q. \$85,000—A. Yes, sir.

Q. Then, what did you do with the \$85,000?—A. Put it in the bank.

Q. Yes; how did you get your option for the \$100,000 from the man who bought it?—A. Through the clearing house; trades were cleared in the clearing house.

Q. Did you pay for it?—A. You don't have to pay for it.

Q. Put up the margin?—A. If you will let me answer that, I will tell you. We did not have to pay for it. I was going to explain you do not have to pay an option off when you get an option for 85 cents. The May option market closed at 85 cents that day, and I would not, after the close, have to pay a nickel for it. If the market closed at 84 cents, I would have to pay the one cent margin.

Q. If it dropped or rose you would deal with the clearing house, as Mr. Fowler mentioned yesterday, send a cheque or get money back, as the case may be?—A. Yes.

Q. But this securing of the option for the 100,000 bushels was to be charged against your accounts in the clearing house?—A. We would show on our sheets that we had bought from Smith and company, shall we say, that 100,000 bushels on the bought side of our report; they would show it on the sold side.

Q. In the bookkeeping entries charged against you in the clearing house account?—A. Yes.

Q. In the wheat board account?—A. Yes.

Q. So far as this is concerned, it was a purchase of 100,000 bushels of options the same as any other business transaction transacted with the clearing house on the books?—A. Yes.

Q. There is no doubt about that?—A. No.

Q. In that case you sold your wheat for \$85,000, took the money out and put it in the bank?—A. But it is a sale, the exchange for cash wheat, and it is, in my opinion, not a contravention of the act.

Q. I am not asking about that now.—A. I want to have that on the record at the moment; I do not want to go too far along the slippery road of so many purchases.

Q. I am glad you describe it as a slippery road; it helps greatly.—A. But I won't come as near to being wrecked as some other people have.

Q. Now, Mr. Chairman, here is a witness who says that he is difficult to get along with, and he becomes more violent in his expressions. I am asking a perfectly reasonable question. The question is this— —A. Not violent.

Q. Is the purchase of the 100,000 bushels of May options that he mentions charged against his account in the clearing house, the same as any other transaction on the bought side of his option sheet?—A. It shows an addition to purchases side or bought side of our reports. If we had sold 500,000 bushels of May options, then our records in the clearing house would be that we have 400,000 bushels less.

Q. Quite so, and until such time as you sell the option you have on hand the same quantity of wheat as you undertook to sell; there has been no diminution of your line?—A. No; we have not got the same quantity of wheat.

Q. Well it is—

Mr. PERLEY: It is not a fair exchange.

*By Right Hon. Mr. Bennett:*

Q. It was not an exchange at all.—A. You see, we inherited at the start—one of the great difficulties about this grain business is it seems to be technical, and I suppose those of us who are used to it, talk technicalities, get technical, but we inherited the figures I gave yesterday, several millions of bushels of cash wheat. I have forgotten the exact figure, and some one hundred and seventy odd millions of options. We had them both when we started. Our job, as I saw it, was to get those millions of bushels of cash wheat and options down to as reasonably low figure as we could by July 1 next, using the machinery existing, and which is referred to in the act, in doing it.

Q. Go ahead.—A. I should like to repeat, if the act or the framers of the act or parliament in passing the act, had any other intention but that that machinery should be used in the way I have mentioned, then it was a villainously drawn act from the point of view of practical operation; because if we had to sell the millions of bushels of cash wheat that we have had to sell in any other way but the course we followed, I would not have undertaken the job, and it would be an extremely difficult job and much slower getting the thing done—oh, well, I won't use the language. The net result of what we did anyway, was that between December 9 and the end of January, after taking in 15,000,000 bushels of wheat from producers, we had 61,000,000 bushels less than when we started; that is, on January 31, whether we are right or wrong. If I am wrong in using the word "buy," I don't know, but that is the result.

*By Mr. Coldwell:*

Q. We will have to come to a decision on this matter one of these days, and I should like to be perfectly clear regarding this particular point: If I am [Mr. James R. Murray.]



a trader selling, and I sell \$100 worth of goods on a certain day, and contract to receive at a later date, \$100 worth of the same kind of goods, then I am in exactly the same position as though I had the goods and not sold them.—  
A. No, Mr. Chairman.

Q. That is the point.—A. No; you cannot be in exactly the same position. In the first place, you sold the goods, you got an option. Now, if the option is easier to dispose of than you have benefited yourself. If the option is harder to dispose of than the goods, then you have hindered yourself.

Q. Might not that be the case?—A. That is the whole thing.

Q. Yes. Might it not be the case that by the time of delivery, the option may be harder to sell than the goods at the time you make the contract?—  
A. That might be, but you buy your option further away. Let us put it this way: In this operation—

*By Mr. Ross:*

Q. Mr. Murray, at this point may I ask this question: If you as the head of the wheat board considered it was easier to sell wheat flat, you would not have been selling any option at all?—A. Thank you very much, Mr. Ross. That is absolutely true. We were looking for the easiest way of getting rid of it.

Q. Certainly.

The CHAIRMAN: It seems to me it comes down to this, gentlemen: Either Mr. Murray and his board have exceeded the powers that were given to them under the act, or they have not. I think we ought to get an opinion as to whether they are within the provisions of the act. If they are not, and if then the committee feels that he is right in the way in which he has proceeded, then some amendment to the act should be recommended and brought down in the house. He does not desire to act in contravention of the act, and we do not want him to. If he is right, let us find out about it; let us get the opinion of the Justice department. If we find he has been wrong, and it is regarded as desirable that he should continue in the way he has been going, then let us get the act changed.

Mr. Ross: Before that is done, I want an answer to my question.

WITNESS: I quite agree. I do not want to break it; but might I suggest that when you are getting that point cleared up and while you are waiting for parliament to amend the act, get some special licence for us so that we can go on doing business the way we are.

Mr. DONNELLY: What is the difference, so long as you are selling wheat?

Mr. McLEAN: I should like to ask Mr. Murray this question.

Mr. Ross: I spoke to Mr. Murray and he said he would get the statement and give it here.

WITNESS: I will have the statement.

Mr. Ross: I want that done before we go any further with this thing, and before we put it up to the house.

The CHAIRMAN: You mean get an opinion on the act, or in regard to the brokers?

WITNESS: The statement I was going to bring.

Mr. Ross: In regard to the operations of this wheat board, between the time it was initiated and the time Mr. Murray took over, because it has a bearing on what he got.

The CHAIRMAN: We should have the records. I think the records are in the city, and Mr. Murray can produce them to-morrow.

Right Hon. Mr. BENNETT: They have been talked about a great deal, Mr. Chairman, in the last few weeks by the newspapers and other people. I think they should be here.

*By Mr. McLean:*

Q. In selling cash wheat, and at the same time or later on having an option for a permanent number of bushels, would it be fair to assume that the taking of the option was part of the contract in the selling of the cash wheat?

—A. Yes.

Q. It was not a purchase at all; it was part of the consideration?—A. That is correct.

Mr. JACOBS: It is a quarter to six, I think we should adjourn.

The CHAIRMAN: Mr. Jacobs has made a motion that we should adjourn.

Mr. COLDWELL: I think we should adjourn; Mr. Murray has been on the stand long enough.

The CHAIRMAN: When shall we meet again?

Hon. Mr. CRERAR: To-morrow morning, at 10.30.

The committee adjourned at 5.45 p.m., to meet on Friday, April 24, at 10.30 a.m.

SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

**MARKETING OF WHEAT AND OTHER GRAINS**

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

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FRIDAY, APRIL 24, 1936

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WITNESS:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.

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EXHIBITS:

- 8—Blue-print of a graph showing premium of Atlantic 2 CIF Liverpool over highest Australian CIF Liverpool based on Liverpool daily Future close, July, 1932, to November, 1935.
- 9—Blue-print of a graph showing premium of Atlantic 2 CIF Liverpool over highest Argentine CIF Liverpool based on Liverpool daily Future close, May, 1931, to November, 1935.



## MINUTES OF PROCEEDINGS

FRIDAY, April 24, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 10.30 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gardiner, Jacobs, Leader MacKinnon (*Edmonton West*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, was recalled and further examined.

Mr. Murray retired.

The Committee adjourned at 1.00 p.m. until 3.30 p.m.

The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Gardiner, Leader, MacKinnon (*Edmonton West*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn Winkler.

Mr. James R. Murray was recalled.

Mr. Murray requested that two mistakes in the evidence he gave on April 23 be corrected, viz:

*Page 71, 7th line from bottom of page*

".....he is long wait" should be "..... he is long wheat"

*Page 74, 9th line from bottom of page*

"a slip by the people who knew the law" should be "a slip by the people who knew all"

*Ordered,*—That the above corrections be made.

Mr. Murray was further examined, in the course of which he filed,—

Exhibit 8—Blue-print of a graph showing premium of Atlantic 2 CIF Liverpool over highest Australian CIF Liverpool based on Liverpool daily Future close, July 1932 to November 1935.

Exhibit 9—Blue-print of a graph showing premium of Atlantic 2 CIF Liverpool over highest Argentine CIF Liverpool based on Liverpool daily Future close, May 1931 to November 1935.

Mr. Murray retired.

The Committee adjourned at 6 p.m. until Tuesday, April 28, at 10.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 24, 1936

The special committee appointed to investigate upon the marketing of wheat and other grains under guarantee by the Dominion government, met at ten thirty o'clock, Hon. Mr. Euler presided.

The CHAIRMAN: Gentlemen, when the committee rose yesterday, we were engaged with the evidence of Mr. Murray. I presume it is your intention and desire to continue with him. That being so, we might proceed.

JAMES R. MURRAY, recalled.

*By The Chairman:*

Q. Have you anything you desire to say before we continue your examination, Mr. Murray?—A. Mr. Chairman, in connection with the question asked by Mr. Ross yesterday afternoon, I have sent to Winnipeg for the records, and they assured me they would mail them to-day special delivery, so they would be here in time for Monday, if that is satisfactory.

Mr. LEADER: Mr. Chairman, if it is in order, I should like to ask Mr. Murray some questions. As a member of this committee, I have an open mind, and I should like to follow the proceedings with care and earnestness, so that I will be able to arrive at a sound judgment, as far as I can see, before the investigation becomes involved by technical questions and so on. I should like to say to the committee that I am not only a member of the committee, but I am a producer. I am one of those who produces the commodity in which so many people deal and make their livelihood. I have no fault to find at the present time with any of those people. It seems to me that the primary producer has not often the opportunity to give voice to his opinion at times such as these; therefore, Mr. Chairman, I am going to take the opportunity to ask a number of questions of Mr. Murray. I am going to ask Mr. Murray this: Do you believe that dealing in futures is in the interests of the grain producer? Before answering that question, I want to point out that I believe that 90 per cent of the producers of western Canada found fault with the old board headed by Mr. McFarland because of its dealing in the futures market. I am expressing that as my opinion, that there was the feeling among the producers that it was a gamble, and it is very doubtful in their minds if it was necessary to deal in futures; so my first question is: In your opinion, do you believe that dealing in futures is in the interest of the grain producers?

WITNESS: Mr. Chairman, I—

*By Mr. Leader:*

Q. Perhaps I should qualify that question. You are the head of the wheat board. I am asking you as head of the wheat board if you believe dealing in futures is in the interests of the grain producer?—A. Well, Mr. Chairman from my point of view in coming down before your committee, I felt I was being brought down to answer any question or to give any information that your committee might desire about our operations since we took over on December 9. I felt that I was coming down to be answerable for what we have done.

Right Hon. Mr. BENNETT: That is fair.

WITNESS: And while I don't want for one moment to appear to want to dodge the question that Mr. Leader asks, I am wondering if at the moment it is the fairest position to put myself in. I am here as chief commissioner of the Canadian Wheat Board. If I were here as J. R. Murray, a private individual with some knowledge of the grain trade, to express opinions as to the best method that should be followed in marketing the Canadian wheat crop, I would immediately and unhesitatingly answer that question. If the inquiry is going to take the course a little later on of considering what is the best method of marketing the Canadian wheat crop, I would feel more happy in being asked to answer that question then; because after all as chief commissioner of the Canadian Wheat Board, we are operating under an act passed by parliament last year, which sets out our duty, our duty being to use the futures market and all other machinery that there is available. Frankly Mr. Chairman, I feel a little—I know it is not intended that way, I do not want to suggest that—bit, so to speak, put on the spot in being asked for an opinion on that point, which, as Mr. Leader says, has been a very contentious one over a long term of years whether the futures market is the best method. Commissions have investigated that, and commissions have given opinions on it. Now, that is just the way I feel. If Mr. Leader wants me to answer...

*By Mr. Leader:*

Q. I do not feel disposed to press the question. It has been often asked in the country, and there is doubt in the minds of many of the people who produce this commodity as to whether it is in the public interest or not.—A. Excuse me just a moment. Would it be satisfactory if we left it on the basis that after we had got through discussing the operations of our board as such, whether good, bad or indifferent, and our opinion about that had been given to the committee, if after that the committee wished to get opinions as to the general marketing policy, I should be very glad to do that after we are through, if that would be satisfactory.

The CHAIRMAN: If I may interrupt you, I think that is the entire set-up of the sittings of the committee as arranged by the sub-committee. We decided that we would proceed, as we have done, first with the examination of the two previous witnesses and then yourself with regard to the operations of the wheat board at this time. Then, it was the intention of the steering committee, at least, subject to the approval of the whole committee, that we would make a general survey of the whole situation which would, no doubt, include a discussion of the best method of dealing with the wheat situation. That would be a better time, perhaps, to discuss the matter of futures.

Mr. LEADER: That is satisfactory.

Mr. COLDWELL: On the other hand, in order to arrive at a conclusion regarding the board's operations, it seems to me that Mr. Leader's question is a very pertinent one. I know I would have difficulty in coming to a conclusion without having some of these questions answered, particularly since Mr. Murray says the board is charged with using all existing machinery which in his opinion includes the futures market. Now, that is the question, I think, in view of what we understood to be the policy of the late government.

Mr. DONNELLY: I do not think we will arrive at any conclusions until the whole of our sittings and investigation is over. At the present time we are investigating and asking Mr. Murray to state what has been done. After that we will go into the whole question of marketing and the different methods. We are not going to come to any decision until we have heard all sides.

The CHAIRMAN: Mr. Leader, you had a number of questions to ask?

[Mr. James R. Murray.]



Mr. LEADER: Yes.

The CHAIRMAN: You have some others. Do you want to press the first one or not?

Mr. LEADER: They are all along the same line.

The CHAIRMAN: They are all along the same line? Just put them and we will see whether it is wise to have them answered or not.

The WITNESS: May I make a statement, for the sake of accuracy? Mr. Coldwell made a remark and said that I had mentioned that we were charged with using all machinery of the trade. I do not think that is correct. I think I said it was stated in the Act our duty is to use the machinery.

Mr. COLDWELL: That is precisely what I meant, and is precisely what I took out of your remark.

The WITNESS: We were charged with doing it, was I think, the phrase you used.

*By Mr. Leader:*

Q. My second question is: Do you believe that the futures should be sold before crop is assured? The third one is: What was the amount of futures inherited by the new board, and what amount has been sold? The fourth question is: Has the board sold for October delivery? I have a copy of these questions here, Mr. Chairman, and I shall pass them to you.

Mr. COLDWELL: Mr. Chairman, may I just say that Mr. Murray misunderstood the use of the one word "charged." We were not charging him with anything. I meant the government, by the Act, is charging him with responsibility.

*By the Chairman:*

Q. It is clear now?—A. Yes. I think, in answer to question three, it deals with the operations; No. 2 is an opinion similar to the first one, the amount of futures inherited by the new board, and what amount has been sold. I gave those figures.

*By Right Hon. Mr. Bennett:*

Q. It is on the record?—A. I am not sure whether I gave them the first day or not. The amount sold by the board was 70,000,000 bushels up to the end of January, 75,000,000 bushels odd, a net amount of 73,500,000 bushels after the flat sales of cash wheat were taken. The amount we inherited—

*By Mr. Donnelly:*

Q. According to page 33 of the evidence you inherited 175,492,000 bushels?—  
A. That will answer the question.

*By Mr. Leader:*

Q. How much of that did you dispose of?—A. The figure to the end of January was 73,500,000 bushels.

Mr. DONNELLY: Not of options?

The CHAIRMAN: He says of futures.

Mr. MCLEAN: 75,000,000 less 2,000,000.

*By Right Hon. Mr. Bennett:*

Q. I think Mr. Murray said he had not a separation made at the moment of the amount of futures sold out of what he inherited as distinguished from the futures that he had inherited from the board. There were two classes of futures, one the old Canadian Wheat Producers' futures or contracts, and secondly, those that had been made by the board.

The CHAIRMAN: The previous board.

Right Hon. Mr. BENNETT: The previous board up to 9th December. He had to make an accounting, because the law requires him to do it for the purpose of determining gains or losses. He said that we had done it at the moment, but would do it if we required it. My memory tells me that is what he said.

WITNESS: Yes, but I did give the total of the futures we had sold at that time.

*By Right Hon. Mr. Bennett:*

Q. Yes.—A. It was 73,500,000.

Q. After deducting the 2,500,000 flat from the 73,000,000?—A. That was after deducting flat sales.

Q. At page 37 of the evidence, Mr. Murray in answer to me made a statement as to the quantity of cash and contract wheat we had on hand, and then you will observe that he went on and discussed the matter in detail, but I do not think he separated the future sales as between those inherited from his own board, and those inherited from the Canadian Wheat Producers?—A. Of course, Mr. Chairman, they would be the same futures; that is, they were all May options.

Q. Quite so.

*By Mr. McLean:*

Q. You gave the figure of 75,500,000 less 2,000,000, making a total of 73,500,000 May options. That is found on page 51. The discussion carries over several pages, but this is found at page 51.

Right Hon. Mr. BENNETT: At page 43 he says "we sold 75,929,805 bushels."

Mr. McLEAN: Yes, that is on page 43.

Right Hon. Mr. BENNETT: Then he says, we deducted from this, 2,495,806 bushels and 5 pounds of flat sales and the balance of roughly 73,500,000 of bushels represents the net sales.

Mr. LEADER: I think, Mr. Chairman, we can determine the amount sold up to the last of January. My question is: What was the amount sold up to date? Now, I understand it was decided that perhaps it was not in the best interest to answer that question.

The CHAIRMAN: We did discuss it the other day. I am rather inclined to think it should not be answered now; but it is up to the committee to decide. That is merely my opinion.

Mr. McLEAN: The Chairman of the committee decided that question would not be answered when I asked it.

The CHAIRMAN: At the moment.

Right Hon. Mr. BENNETT: In view of the fact that Mr. Murray says that he is in a responsible and difficult position and in his opinion it is undesirable to give figures since the end of January, I am disposed, insofar as I personally am concerned, to think that we should accept his view.

The CHAIRMAN: I think we should be guided by him.

Right Hon. Mr. BENNETT: He has the job and he should do it as he thinks best.

Mr. LEADER: Personally I should like to know how we stand as regards futures inherited, and how we stand to-day.

Right Hon. Mr. BENNETT: We would all like to know that.

Mr. LEADER: Then we would have some knowledge of what headway we have made in getting rid of this load that we have been carrying.

[Mr. James R. Murray.]

Right Hon. Mr. BENNETT: Were you here when Mr. Murray made his statement as to why he thought it was undesirable to do it?

Mr. LEADER: Yes, Mr. Bennett.

Right Hon. Mr. BENNETT: That influenced me.

Mr. LEADER: I understand that even lawyers sometimes press their questions.

Right Hon. Mr. BENNETT: Quite so.

The WITNESS: On that question, I should like to make it clear again that I do not wish the committee to be guided and reach their decision just because it may be my opinion. I did say that our board was perfectly willing to give figures up to date if the committee desires them, perfectly willing to do so. I did give some few reasons why it might not be in the best interests of the government on account of the large amount of wheat that we had, but we are perfectly willing to do it if the committee desires it.

The CHAIRMAN: To settle the matter, I should like to ask Mr. Leader if he desires to press this question or not?

Mr. LEADER: No, Mr. Chairman, I stated that definitely.

The WITNESS: In regard to a question asked by Mr. Ross I wonder if the committee would permit me to make a statement. There is one thing I had in mind. Through inexperience yesterday afternoon, I was responsible for something being put on the record, which, had I had more experience, I would not have been the cause of it arising. As it is on the record, there is the point of the use of those futures in the sale of cash wheat that I should like to explain. It is a difficult matter for people not familiar with the grain trade, and I should like to put it on a little different basis that might make the situation clearer to the committee. Yesterday I used the illustration, I think it was before Mr. Bennett came in, of an exporter in Vancouver who in the month of January sold 1,000 tons of No. 4 wheat f.o.b. vessel in Vancouver during the month of January; that is, having to load it in the month of February. His first step in that sale was to buy 37,000 bushels of May options because he can do that more quickly and protect himself against fluctuations in the market with greater speed by buying options than by waiting and trying to gather that cash wheat. Having bought that May option he then has to charter his boat and get his 1,000 tons or 37,000 bushels of No. 4 wheat. That may take him a month; but when he goes to get his No. 4 wheat he goes to, I think, I said our salesman in Vancouver, and he says, "I want to buy 1,000 tons of No. 4 wheat, basis May. He already has bought his May, so we sell him the 1,000 tons, if we have it, and the price is right, and the difference between the four and the May option is agreeable to us and the buyer. We sell him the 37,000 bushels of No. 4 wheat, at the same time taking in exchange from him 1,000 tons of the May option, 37,000 bushels. Now, we have got rid of 1,000 tons of No. 4 wheat, 37,000 bushels of No. 4 wheat, and we have put it on the road where it is going to get in the boat in February, and we have taken in exchange 37,000 bushels of May option. We did the business. Let me take some figures for our operations in the months of December and January. In the months of December and January, we sold in round figures, 58,250,000 bushels of cash wheat of various grades, No. 1 Northern, 2, 3, 4, 5, 6, every grade for which we could find buyers, 58,250,000 bushels. During the same period our sales of options were 73,500,000 bushels. Now then, these sales of options were 15,250,000 bushels more than our sales of cash wheat; so that if when selling the 58,250,000 bushels of cash wheat we had taken in exchange for every bushel of cash wheat so sold a bushel of May options we would have had in exchange 58,250,000 bushels of May options. I think that is clear. That is during the period of December and January. We would have had 58,250,000 bushels of May options, and would have got rid of 58,250,000 bushels of cash wheat. But having during that period sold 73,500,000 bushels of options, we would then have sold 15,250,000 bushels more options than we had taken in exchange for our

cash wheat. Now, that was what the operations of our board, taking the whole figures, are in the month of December and January. Let me put it another way. We had sold by the end of January all the options that we had taken back against cash wheat and 15,250,000 bushels more. There is just one other point I should like to add to that. I think Mr. Perley asked me yesterday a question about those options and about our selling them and switching them and getting them back possibly in October. There were 73,500,000 bushels of options gone in that way, and 15,250,000 more than we might have exchanged against cash wheat that we could never get back, never get back. No one could ever give them back to us; they are gone; we are through with them.

*By Mr. Donnelly:*

Q. The question is asked if you sell 1,000,000 bushels to an exporter and you take 1,000,000 bushels of options, why do you not let the exporter take his own options and sell the cash wheat? Why do you take options? Why do you not let him sell his own options?—A. You mean, sell him the wheat?

Q. Let him take his own options, sell his own options.—A. Well——

Mr. PERLEY: Let him sell them to the speculator.

The WITNESS: I would not like to have to sell our wheat on that basis for this reason, and this will answer your question, I think. If we sell an exporter, or an exporter comes to us to buy 1,000,000 bushels of No. 1 Northern, we will say—you can use wheat at Churchill as an illustration—and he says he wants to exchange the May wheat, say, and we say, “No, no, we will sell to you flat.” He replies, “At what price,” and we say for the sake of illustration, “85 cents.” He will figure and see what the value of that 85 cents flat is to the price at which the option is then trading. He will say, “I can afford to pay that for it, if I am sure I can sell my option at——” we will suppose it is trading at 86 cents, because that will be the relative price—“I can afford to pay that for it, if I am sure I can sell my option for 86 cents; I have to sell one million bushels of it.” He would have to go into the pit and sell it. He might get 86 cents for the first 100,000 bushels, but he will say, “I do not know whether I can afford to take 1,000,000 bushels and before I can buy a million—no, I cannot do that, because I have got the May option, and I must sell my May option, and the option price to your cash wheat is the basis of the price on which I can sell my option.” Well, suppose we said, “All right.” We would be telling him then, “You go and sell a million bushels of options in the pit, and on the basis of the average price you get for the million bushels of options, we will give you the cash wheat.” Well, he would say, “That is fine; all right.” He would go out to sell the million bushels. He does not care what price he sells the million bushels of options at. It does not matter a button to him if he puts the market down three cents a bushel in selling the million bushels of options. Say that the average that he sells at is  $1\frac{1}{2}$  cents less than 86 cents; he knows he is going to get his cash wheat on the basis of that  $1\frac{1}{2}$  cents lower. The reason that we take his futures in exchange is that we would rather have them in our control and sell them ourselves, and feed them into the market as the market will take them, trying not to depress the price too much in doing that, rather than give some one a million, another man a hundred thousand and another man another quantity, and let them go, they not having to care or worry at all. Does that answer your question?

Mr. DONNELLY: Yes.

Mr. ROSS: There is a question that I wanted to ask.

The CHAIRMAN: Has your question to do with this particular point?

Mr. ROSS: Yes, several of them.

[Mr. James R. Murray.]

*By Mr. Ross:*

Q. In the first place, in regard to this exchange of options, I want to ask Mr. Murray this: In the ordinary trading, prior to the wheat being handled by the Wheat Board, did not the ordinary holder of the cash wheat, in making the sales to an exporter, take in exchange the options that the exporter had on the market?—A. Oh, yes; easily to the extent, I would think, if 95 per cent or more of the trades were made on that basis. That has been the custom as far back as I can remember on the exchange.

Q. That has always been the custom in the sale of cash wheat to an exporter?—A. Yes.

Q. For the exporter to trade or to exchange his May options or whatever month they are in the future to the cash seller of wheat?—A. Yes.

Q. For his wheat?—A. Yes.

Mr. McLEAN: Is that really meant the way the question is put and answered there?

Mr. PERLEY: No.

*By Mr. McLean:*

Q. If a farmer sends in a load of wheat to the agent and he sells to the exporter, does it mean that he has got an option of that farmer, an option to buy wheat at a future month? I think it is ridiculous.—A. He does not have to take on it an option of the farmer. I may have misunderstood Mr. Ross's question. As I understood the question, it was that it had been customary in the trade for a holder of cash wheat, selling cash wheat to an exporter, to take from the exporter in exchange an equal quantity of the option.

Mr. ROSS: Yes.

WITNESS: My answer is correct, then. But Mr. Ross, when he says holder of cash wheat, I presume—I do not know whether I am right in doing so—that he meant the elevator company.

Mr. ROSS: Holding wheat.

WITNESS: Holding cash wheat of their own.

Mr. DONNELLY: Selling to the exporter.

WITNESS: Selling to the exporter. I was not talking about the farmer through a commission firm selling to an exporter; not that at all.

*By Mr. McLean:*

Q. You would not include in that farmers' agents, wheat commission agents, pool selling agencies or anything of that nature?—A. Yes. I would still include them in the bulk of the business, for this reason, that if they are going to sell the farmers' wheat to the best advantage for them, they are going to sell the future options to put themselves in position to take them back. They are going to sell it for his account right then. He does not pay any commission on it.

*By Mr. Perley:*

Q. That is the commission merchant?—A. Yes.

*By Mr. McLean:*

Q. In this case he would have two futures on his hands?—A. No. The commission merchant buying a car of farmer's wheat has got to sell it. He can go to the exporter and sell it and the exporter says, "I am not going to buy it flat; I am going to buy it basis the option." The commission merchant can say, "All right, you go and sell the option. The market is 86 cents, trading in 5,000 bushel lots. The exporter or broker, the buyer in this case—anyway,

acting for the buyer,—has 1,000 bushels of May options to sell. He offers it at 86. Well, he does not get it off readily, in less than a minute or so, and he is in just the same position as an exporter that is buying a million from us. He does not care what the price is. The price of the future is going to fix the price of his cash. He might offer at 85½. He has got no responsibility to the farmer. The commission merchant for the farmer would have better control of the sale if he fixed the price of the futures. What they all do, I do not know. But I think the majority of them use the method that is going to get the best result for their customers.

Mr. SENN: Surely.

*By Mr. Ross:*

Q. The second question was in connection with flat sales of wheat. In the ordinary course of trading prior to the time that the government board took over, when an exporter came and endeavoured to buy cash wheat from the holders of it, those who had it in terminal elevators, it was not the ordinary thing for those holders of cash wheat to tell the exporter that they wanted to sell flat and that they would not exchange on option, was it?—A. No.

Q. Since the board has taken over, the largest holders of options in the market are the board, are they not?—A. Yes.

Q. In other words, the board largely controls both the cash market and the option or future market in the exchange to-day. Is that not so?—A. No. I could not go that far with you, Mr. Ross.

Q. Well, they are the largest holders.—A. Not to the extent of saying that we largely control. The word "control" is just the one that raises the question in my mind. We are the largest holders, undoubtedly.

Q. My point is this: An exporter comes to you to buy cash wheat. He knows that you are the largest holder of options and therefore, if he has to compete with you in the pit, that you with your tremendous amount of options can put up the options anywhere you like.—A. No, sir, That is just the point where I would not agree with you a moment ago. We cannot do that. We cannot put it up.

Q. No. You can sell them.—A. We cannot put them up, as you stated there, anywhere we like.

Right Hon. Mr. BENNETT: You might put them down.

WITNESS: Quite right, Mr. Bennett.

Mr. ROSS: Mr. Murray says they could not put them up anywhere he liked.

Right Hon. Mr. BENNETT: No.

Mr. PERLEY: He demonstrated yesterday by the corner that he would create.

*By Mr. McLean:*

Q. You could put them up temporarily?—A. We could put them up temporarily.

Mr. ROSS: Yes.

WITNESS: Let me change that. We could, probably, if there were some bullish influences coming working from outside, by withholding entirely from the sale. We could influence the market to go up.

*By Mr. Ross:*

Q. That is what I had in view.—A. By withholding.

Q. You could withhold the sales of the tremendous amount of options you have got?—A. Yes.

[Mr. James R. Murray.]

Q. Or you could offer as many of the options as you saw fit on the market, and thereby influence the market the other way?—A. Yes.

Q. Knowing that, is not that a reason that to-day the exporter is much more anxious to have the board take in exchange the option, even than he would have been before, in the trade. There is practical control, though they say it is not control?—A. I do not think that that just applies in regard to the exchange of options. I do not think so. I may not have that clear, but I do not think so. It does apply in regard to when he is purchasing the option in the first place against his sale that he may have made abroad, purchasing his hedge. But I do not think he is any more anxious now in regard to the exchange than he was before. His position is that he has an option first of all. He has got it, and he buys his cash wheat. He wants to get rid of the option. He does not want to have the two at the same time.

Q. What I am trying to get at is this: to-day in the Winnipeg Grain Exchange you have a situation in which the Wheat Board has a tremendous amount of options, and also they have cash wheat?—A. Not as much as they had.

Q. No. They have most of the cash wheat?—A. No, we have not got most of the cash wheat.

Right Hon. Mr. BENNETT: Not now.

WITNESS: No. We have not got most of the cash wheat.

*By Mr. Ross:*

Q. You will have it if the price stays where it is.—A. What is that?

Q. You certainly will have it if the price stays where it is, below the pegged price or the minimum price.

*By Right Hon. Mr. Bennett:*

Q. There is only 14 millions left among the farmers?—A. Yes, there is about 14 million bushels left, on the basis of the government crop estimate, to be delivered by farmers; and I hope that they have not got any more.

Mr. McLEAN: That is a mean thing to say.

WITNESS: Well, no. At the same time, Mr. McLean, I hope that they will have a good crop this year.

Mr. McLEAN: So do I.

WITNESS: I am sorry they had such a poor crop last year. Will that put me right?

Mr. McLEAN: That is all right.

*By Mr. Ross:*

Q. At any rate, I am trying to bring out that you are now carrying on with the Board the exchange of futures for cash wheat, which is similar to the business that was done by the trade prior to the time that the Board was formed. You have not deviated from the ordinary practice of the trade in that way, have you?—A. We have been carrying on the ordinary practice, yes, sir.

*By Mr. McLean:*

Q. But the situation is somewhat different, Mr. Murray. As I understand it, you have not sold options against your cash holdings?—A. We got so many options to start with, Mr. McLean, as well as the cash holdings that we got. How can you make a distinction or differentiation? You go in and sell options. Are you selling the ones you already have or are you selling ones against cash wheat that you hope to get? You cannot make a distinction. You do not earmark them. They are not numbered or labelled in any way.

Mr. PERLEY: For the purpose of protection, would it not be the same thing?

*By Mr. McLean:*

Q. To make that clear, as I understand it at the present time you have options on wheat, not options against wheat. It is not the options you have sold. The trading about which Mr. Ross speaks is in normal times, selling options against wheat which was being actually held by them?—A. Yes.

Q. Naturally when the wheat itself was sold, the exporter, the seller, had to take back the option because that is the only way the transaction could be closed out, and it was automatically closed. It was finished then. But you have not got options outstanding against wheat that you have, to be extinguished by an option coming back from the exporter?—A. No.

Q. So it is in a different position?—A. If we could get ourselves into that position, which is our function, we would be in the position where we would have disposed of all the options that we had. We will suppose that we had left—a consummation devoutly to be wished for—20 million bushels of cash wheat in country elevators, held by country elevators as our agents. Getting rid of all our options, and just with 20 million bushels of cash wheat left, if our Board was still responsible for it, we would then immediately, Mr. McLean, in marketing that last 20 million bushels, all we would have left, sell options against that, and would then be in the position where we had 20 million bushels of cash wheat and start to sell 20 million bushels of options.

Q. That is making it clear. Then when the cash wheat was delivered to the exporter, your options would come back to you and would automatically be exterminated?—A. Yes.

Q. The only real reason that you take options now as part of the contract when exchanging cash wheat for options, is that you can dispose of the options later more efficiently?—A. More efficiently, Mr. Chairman.

Right Hon. Mr. BENNETT: More advantageously.

Mr. McLEAN: More advantageously, yes.

WITNESS: And we believe more efficiently.

*By Mr. McLean:*

Q. Yes, I think more efficiently, too, than the exporter can, because with the large bulk of options you hold and disposing of them to the best advantage possible all the time, you are in a better position than the exporter would be who has to deal with it and close out his trade in a hurry?—A. Yes. As I said to Mr. Donnelly, and I think this is a vital point, we have a more compelling interest, a more compelling reason, I should say, for being vitally interested in getting the best price, than he would.

Q. Is it true also that you have more time at your disposal in which to do it? You do not have to do it so hurriedly as the exporter might have do it?—A. Well, I do not think there is much difference there.

Q. You do not think there is—A. No, I do not think so.

*By Mr. Coldwell:*

Q. I should like to go back to Mr. Leader's question, if I may. I do so because one of the criticisms that is made of the Board at the present time is that there is a distinct reversal of policy in the direction of grain exchange policy. Mr. Murray said that during the period under discussion, to the 31st of January, the Board has sold 15 million bushels of options or thereabouts more, and what I was going to ask was—A. More than what?

Q. More than cash wheat. You sold more options?—A. Yes.

Q. That is right, is it not—A. Yes.

Q. What I was going to ask was if this is the usual practice of grain operators, to endeavour to sell more options than grain.

Mr. McNIVEN: He has the grain.

[Mr. James R. Murray.]



WITNESS: It is the only practice that any grain operator put in the position that we are put in could follow.

*By Mr. Coldwell:*

Q. The point I am getting at is this, that some period in the marketing leaves an accumulation of options, which you said a short time ago resulted in a depression of prices?—A. No.

Q. Yes, I think that was quite distinctly said, that this might result in a fall of 3 cents later in the price of wheat?—A. I am not just sure—an accumulation of options resulting in depression?

Q. Well, if all sellers are selling more options, then at some period of the market the options exceed the amount of grain—A. But there must be a buyer for every seller.

Q. I know that. My question is dealing with a large quantity of options coming into play at a certain time; the market from the point of view of the seller of grain must be depressed?—A. Well—

Q. I was just going to ask this question supplementary to that: How could the Board defend this in the interests of the producers?—A. Well, we sold from December 9, or in December and January, 73½ million bushels of May options. I think the figures that I gave showed our average price was 88·6.

Right Hon. Mr. BENNETT: ·65, I think.

WITNESS: The average closing price for that period was a little less. But our sales did not depress the price during that period. They may have kept it from going higher.

*By Mr. Coldwell:*

Q. I asked the question if this was the practice of all operators on the market, the agents?—A. Well, of course I do not want to answer for what someone else might have been doing at the same period, because I do not know. The practice is to whatever extent generally they buy wheat in the country, if it is an elevator operator, they sell the future against it, the future or option. Of course, they have not been doing that recently because they had a fine crop of wheat. The elevator companies have not been buying any wheat in the country except as agents for our board.

Mr. DONNELLY: Mr. Murray states that he had 122 million bushels of cash wheat and 175 million of options which represent wheat. It does not make any difference whether he sells options or whether he sells wheat, because they both represent wheat. Whether it is options or wheat, he is getting rid of it. I do not see any difference.

Mr. PERLEY: But when he sells wheat and takes back options, he is not getting rid of anything.

Mr. COLDWELL: He does not sell.

Mr. DONNELLY: He sold one option.

Mr. PERLEY: The illustration he gave was about Vancouver a little while ago. He only really got rid of 15 million bushels of wheat.

Mr. DONNELLY: It does not make any difference.

The WITNESS: Oh, no. Excuse me, Mr. Perley, that is a mistake.

Mr. PERLEY: All right.

The WITNESS: You will find that our auditors' reports to the minister and to the committee—we will leave my opinion out of it—will show that at the end of January we had obligations, wheat obligations, of 75 odd million bushels less, holding them on behalf of the government; not 15 million bushels less, 75

million bushels less. It is a good deal less now and we hope it will be a lot less before the end of July next. Mr. Chairman, if I could satisfy Mr. Perley on that point, I should like to.

*By Mr. Perley:*

Q. You sold 73 and took back 58?—A. Yes. We had sold the 58 cash wheat. 58 cash wheat and 15 is 73. 58 cash wheat and 15 options is 73.

Q. But you still have the options to dispose of against the 58 million you took back?—A. No. The 58 million of options that we took when we sold cash wheat, that has gone in the 73 million, so that the net result of the transaction is 58 million of cash wheat against 73 million of options from which must be deducted the options taken against cash wheat.

Q. 58 million?—A. Therefore the net result is 58 million, in round figures, of cash wheat and 15 millions of options as well. That is net, a total of 73 or 73½ millions. As a matter of fact, including our flat sales, it comes up to over 75 million.

*By Mr. McLean:*

Q. So that you really sold about 131 million bushels of cash and options, and you took back about 58 million of options?—A. That is the position.

Q. And you did not sell any new options at all?

Right Hon. Mr. BENNETT: Do not put that quite so strongly.

The WITNESS: Of course, to the grain man—I know the point you are making, Mr. McLean—there is no such thing as a new option or an old option. It is a May option whether you get it in December, January or February or whenever you get it.

Mr. McLEAN: Yes. I am trying to make it clear to myself and to the committee, if possible.

The CHAIRMAN: Is that clear to you, Mr. Perley?

Mr. PERLEY: If you sell cash and take an option, I still think you are in the same position.

Mr. COLDWELL: Mr. Chairman, it is not clear to me.

*By Mr. Coldwell:*

Q. Mr. Murray, you sold 58 million cash; you sold 73 or 75 million of options and you bought 58 million of options. Therefore is the difference not about 73 or 75 million bushels?—A. That is wheat we sold. That is what we got rid of in the way of wheat obligations.

Mr. McLEAN: You have sold something less than 75 million.

Right Hon. Mr. BENNETT: Mr. Chairman, may I ask the witness a few questions?

The CHAIRMAN: Yes.

*By Right Hon. Mr. Bennett:*

Q. I have had the same question put to me by farmers that Mr. Leader and Mr. Donnelly have put to this committee; and the difficulty of making a farmer understand just what the witness has said must be quite clear to everybody, in view of the difficulty of this committee in getting to understand anything about it. That, I think, is clear. The farmer puts it to me in this way: If he has 1,000 bushels of potatoes and takes them to the warehouse and sells them, he gets his money and puts it in his pocket and comes home. He is not interested in the warehousing or the warehouseman selling the potatoes. He deals with them and takes his chance of making a profit or a loss. That is the end of that. With wheat, he has been told that during the last two years when-

[Mr. James R. Murray.]

ever a bushel of wheat has been sold there has been the acquisition of an option to buy wheat, and he has found it difficult to understand what it means. He does not understand it. Mr. Murray has had a very large experience, and in view of what Mr. Darby said and what Mr. Fowler said, it is quite clear, is it not, Mr. Murray, that wheat is dealt with on a different basis than any other commodity that we deal with in Canada, any other agricultural commodity? When I say wheat, I mean grain.—A. I think that is correct. There is no other agricultural commodity for which there is a futures market.

Q. I know of no other commodity.—A. No. I think that is correct.

Mr. McLEAN: There are many things in the United States, but not in Canada.

Right Hon. Mr. BENNETT: I am talking about Canada at the moment.

*By Right Hon. Mr. Bennett:*

Q. In the open futures market to which reference was made by Mr. Darby, it was proposed to establish a means whereby great fluctuations in values would not take place and the risk of the people engaged in the trade would be lessened. Is that right? That is the short way of putting it. This is not technical.—A. I think you said it was proposed—I did not follow that, I am sorry to say.

Q. Well, the proposal was that an open futures market be established for the purpose of lessening fluctuations and insuring against losses those who dealt in grain?—A. You mean the original establishment of the futures market?

Q. Yes.—A. Yes.

Q. That is the general idea?—A. So I have been told.

Q. Reading Sir Josiah Stamp's report, I should think that is a fair way to put it, is it not?—A. Yes, I think so.

Q. Then what happens is that the farmer, having sold his crop to the elevator, receives in cash a price which has been more or less settled by the exchange, issuing its statement in the morning or evening or whenever it may be, as to what is the prevailing market price for that particular type of grain on that particular date. Is that a fair way to put it?—A. I do not think it is more or less settled by the exchange.

Q. Well, they are the medium of communicating it to the farmer through the elevators?—A. I think the trade taking place among the members of the exchange, among the buyers and sellers, is what more or less settles the price. The exchange itself does nothing but furnish a meeting place.

Q. When the futures market was established it was quite clear, Mr. Murray, was it not, that there was no such thing as the artificial price of wheat being fixed by bonuses, subsidies and various other methods that has been adopted in the world during the last few years? Supply and demand were in active operation regardless of subsidies, bonuses and other artificial stimulants of prices?—A. When the futures market opened?

Q. Yes.—A. Yes.

Q. And until recent years the open futures market was the market in which the rules—if you can call them rules—of supply and demand more or less prevailed. That is true?—A. What you mean is it was a free and open market?

Q. Yes.—A. No restrictions?

Q. Yes.—A. No bonuses?

Q. Yes.—A. Yes.

Q. Yesterday you referred to a report from a well-known Rotterdam firm. Am I correct in saying that was the firm of Weil Hermanos?—A. Yes.

Q. There was a later letter than the one you read, one of the 31st of March. I should like to read a paragraph merely as indicating what the effect of the present world conditions has been upon the futures market. It says:—

It is an instructive fact that there is to-day hardly a single country in the world—outside perhaps China and similar placed countries—which can grow wheat to advantage without either the guarantee of a minimum price, or exchange manipulations, or a direct government subsidy, or such like government's measures to bridge over the difference between the actual cost of production and the value of the wheat either nationally or internationally. Must this be the permanent solution of the wheat problem? Are there no better solutions?

I dare say you have that letter?—A. It was in my files. It is the same, March 31.

Q. Yes, March 31.—A. I have it.

Q. From what you know, that is a fair statement of the situation, that we have bonuses, subsidies or exchange restrictions or manipulations as he calls it, and various other methods that operate to destroy the effectiveness of what was called the free futures market?—A. Mr. Bennett, what page are you reading from?

Q. Page 10, at the top of the page.—A. I just wanted to look at it.

Q. It is the letter of March 31, 1936, at the top of page 10.—A. Well, I do not know just offhand whether I would go so far as to agree immediately. I had not read this part of the letter before.

Q. I think he perhaps would say "is growing" rather than "can grow." There is hardly a country in the world outside of China and similarly placed countries that is growing wheat except those receiving assistance—France, Britain?—A. Well, there are a lot of smaller countries. I do not know what the position is in all of them. But if the point that you have in mind, Mr. Bennett, and upon which you want my opinion or agreement is that really there are restrictions, that the freedom of trading in wheat that used to exist 10, 15 or 20 years ago is not there any longer now, with all the restrictions and in addition to the assistance given in different countries, that is absolutely correct.

Q. That is the only point I wanted to make.—A. That is what I thought.

Q. Therefore it is not fair to say that the open futures market is operating as it did when it was established?—A. It is operating under very different conditions.

Q. Quite so. And it cannot operate in exactly the same way because the normal laws of supply and demand to which Mr. Deachman referred the other day are no longer operating, but are subject to the conditions to which we have referred?—A. Well you state it cannot operate in the same way.

Q. There is nothing technical in what I am saying?—A. No; I have got wrong in the use of words myself in the last couple of days, and I want to try and avoid getting wrong again. It cannot operate in the same way. There is a difference between considering, can it operate in the same way or can it operate as efficiently or effectively.

Q. That is what Mr. Senn says. It cannot operate as it did up to the time that these restrictions and control operations began to be effective?—A. Well that again depends, I think, on just how large a territory one wants to cover with the words that it cannot operate as it did.

Q. Now for instance, you know the story of the Chicago market. You are familiar with the history of the investigation?—A. No, I am not.

Q. You know the Winnipeg exchange perhaps as few men know it. It is quite clear, is it not, that at one time the price in Winnipeg would be settled by the price in Liverpool, broadly and generally speaking?—A. No. The Liverpool price would have an influence on it, but it would not settle it. There are a lot of other things to influence it.

Q. But in a general way, we used to get our first word from Liverpool as the most important factor in connection with the price regardless of sudden flurries because of rust or frost or anything of that sort?—A. To a very large extent.

[Mr. James R. Murray.]

Q. That is so?—A. That was so.

Q. And is now, to a large extent?—A. That influences the market.

Q. But the farmer who asks me the question about this whole situation necessarily must receive from me the information, if I am going to be at all accurate, that every country in the world that is producing wheat in a large way has been dealing with it by a different method, shall I say, than it was a few years ago. That is a fair way to put it, is it not?—A. No, not dealing with it by a different method from what they did a few years ago, from their method of a few years ago in so far as selling of it is concerned. I do not think, for instance, that there is any—if there is I do not know of it—difference to speak of, if any at all, in the method followed by Australia in disposing of their wheat now and the method they followed five, ten, fifteen years ago.

Q. I was going to mention that as an exception.—A. Russia, I think, is the same, probably, as they were.

Q. No, Russia sells regardless of cost, as you know.—A. Yes, we all have heard that. But what I thought you had in mind was, you were making comparison of the method followed by these countries now, and the method they had followed say, ten or fifteen years ago. There is a difference in the Argentine method in the past year or so.

Q. Perhaps our minds are not working together. In every country in the world except as indicated in the paragraph I have read, you have artificial stimulants being administered, shall I say?—A. To the production of wheat, yes sir.

Q. And that in turn affects the general operation of an open futures market?—A. Well,—

Q. I think that is fairly correct?—A. The bonusing of production, I do not think, affects the operation of the futures market except in this way as you know: It has put a lot of countries on the basis of being exporting countries, that used to be importing countries.

Q. And that has changed the whole question of supply and demand?—A. It has changed the wheat picture of the buying country; there is no doubt whatever about that.

Mr. DONNELLY: Supply and demand still govern the price.

Mr. DEACHMAN: It changes the volume, not the basis.

*By Right Hon. Mr. Bennett:*

Q. It changes the price, if I understand the thing aright. For instance, in Great Britain they are subsidizing 60,000,000 quarters of wheat, are they not?—A. I think I have a note about the subsidizing.

Mr. McLEAN: Sixty million quarters?

Right Hon. Mr. BENNETT: Sixty million bushels, 7½ million quarters.

*By Right Hon. Mr. Bennett:*

Q. I do not want to take up the time of the committee with it, but at any rate I think we agree there is no such thing at the moment as what we call world's prices in the sense that it used to prevail before those artificial efforts were resorted to.—A. No, I do not think I would quite agree with you.

Q. You would not go that far?—A. No.

Q. World's prices, as we understood it when I first went west, for instance, is an entirely different thing from what it is now, not in the amount of it, but in the way in which it is determined, or when you first went west?—A. There certainly are not as many countries buying and helping to make a good world price.

Q. And the reason they are not buying wheat is that by artificial means of production the growing of wheat is being stimulated. That is a fair way of putting it?—A. That is correct, absolutely.

Q. We have a farmer who puts this question—I am taking it only as an illustration—you have sold 73,000,000 bushels of wheat in January, February, cash wheat?—A. No, 58,000,000.

Q. 58,000,000 of cash wheat, I meant to say, in January and February?—A. December and January.

Q. You got paid for that?—A. Yes, sir.

Q. Cash?—A. Yes, sir.

Q. You put the cash in the bank and you reduced your liability to the banks accordingly. Now the farmer says to me, "Why does that not end the transaction? They got my wheat, and they paid me for it. It is in their hands and they have sold it and put the money in the bank. Why does that not end it?" That is the question he puts to me, and that is the question Mr. Leader has put to us, or the question, at any rate, he says the farmer has put to him. What is the answer to that, Mr. Murray?—A. The answer as far as our board is concerned—

Q. No.—A. Yes.

Q. All right, speaking as a board, yes.—A. The answer so far as our board is concerned, is that we are operating under an act that says it is our duty to use the machinery that is there.

Q. The answer is— —A. We found the machinery and we proceeded to use it.

Q. The answer is because special machinery has been created for the sale of wheat, the ultimate distribution of wheat to the consumer— —A. There is, as you pointed out in the beginning, different machinery for the marketing of the new product, wheat, than there is for any other—

Q. Grains?—A. Yes.

Q. That is the answer I must give to my farmer making the inquiry when he says, "When Mr. Murray sold 58,000,000 bushels of wheat, got the money and put it in the bank, and reduced his liability thereby, why is not that the end of it?" Mr. Murray says, "I only sold that, only could sell it, because I had to take options from the clearing house for May delivery of an equal volume of wheat."—A. And perhaps had already sold some of your—

Q. Would that be a fair answer?—A. Well, I would not answer just as briefly as that, because some questions like that you cannot answer "Yes" or "no."

Q. I am trying to summarize it for the man who spoke to me out in Okotoks and wanted to know about it. I am trying to show him the reason why Mr. Murray was able to sell wheat at all, and get the money to put in the bank. The reason is that he bought the right or the contract for the delivery of wheat in May of equal volume.—A. Well if I had to answer the question, if we had the same friend in Okotoks, Mr. Bennett, I would want to sit down and talk to him about it for a couple of hours.

Q. He would be perfectly willing to listen to you.—A. No.

Q. I will deal with that. But what I am trying to do is to get a summary of your evidence as to why you bought the options. After all, you did buy options, because you got the money and your clearing house sheets show you bought 58,000,000 bushels of options for May delivery. That is a fair way of putting it, is it not?—A. We took it in exchange for the cash wheat.

Q. You did not take any exchange for cash wheat?—A. Yes.

Q. It was part of the deal to buy them and because you put the whole of the money in the bank and reduced your liability and then through the clearing house on the bought sheets of the day's operations you acquired contracts for the delivery of wheat in May to a corresponding amount?—A. Well, I do not mind, really—

[Mr. James R. Murray.]

Q. I am using the word "bought" in no sense to trap you at all.—A. We had such an argument about the word "buy" as to whether it was a proper word or not.

Q. I am leaving that out.—A. It might be wiser for me to stick to the word "exchange."

Q. It is not an exchange, Mr. Murray, under any circumstances, because you made it perfectly clear, and Mr. Fowler did make it clear, that the bought sheet has every transaction on it, all purchases, and they go to the clearing house and are charged to your account, and the margins are put up for it and you get a cheque or a request for a cheque under the rules of the clearing house, like any other man who goes in and buys a bushel of potatoes on margin.—A. Well of course I still think that while—

Q. That is true, is it not?—A. There is nothing wrong with the statement, but I still think it is an exchange. May I give another illustration?

Q. What you say about an exchange is this: This is more agreeable to you. You say, "I could not make a deal with this man except I agreed to acquire from him—" "secure" is the word you used—"secure an option for an equal quantity of wheat for delivery in May."—A. We could make a deal with him, but not as good a one.

Q. That deal you may?—A. I could make a deal, but not as good a one.

Q. Therefore the producer, if he is getting an increase in the price, benefits by that transaction, as you said yesterday. That is your view, and what you would say to the wheat farmer—A. I did not say, and I do not think I was expressing any opinion, that the farmer benefited from it.

Q. May I go a step farther? You took the case first, of having sold 100,000 bushels of wheat at 85 cents a bushel, and you got \$85,000 and put it in the bank. Then you took options?—A. Not then. I took the option at the very same second that I made the contract.

Q. That was part of the contract. You put it through the clearing house and it was charged against your credit there, as Mr. Fowler very clearly explained the other day. But it was 87½ cents that you agreed to pay for the May wheat.—A. That was the illustration yesterday, remember that. Just on that point I should like, for the purposes of the record, to make this clear. When I explained the illustration yesterday, I said the relation of the cash wheat to the option depended on the length of time distant from the first delivery point of the option, the length of time it was distant depending on storage and interest charges.

Q. That is what I am going to explain. I am trying to answer my farmer friend who may read this—he may or may not. At any rate, your point was this: You agreed to buy 100,000 bushels of wheat at 87½ cents in May, and until the first day of May you could not be compelled to take that wheat?—A. Could not get it until the first day of May. I think, as a matter of fact on this point of exchange, it is running through my mind that transactions like that go through what we call the cash grain broker—nearly always, anyway, but not necessarily. There is no rule that it should do so, but it generally does. I had in mind this thought: The Canadian Wheat Board sells to so and so, so many bushels of No. 1 Northern, and I think lower down you will find probably on some brokers' notes there will be "Exchange 100,000 bushels May."

Q. At?—A. At 85.

Q. No.—A. I think so. "Exchange" will be there, rather than the word "buy."

Q. I am going to ask you to give us those option papers and the documents that are used in order that there may be no misunderstanding about that. Let me go a step farther. You see, it would look very strange, would it not, Mr. Murray, to think that you had \$85,000 in the bank, and the other man

has delivered to you an option to get 100,000 bushels of wheat in May. You got the money. Why should he part with his money and have to wait until May to realize where he is on the transaction? Your answer is a simple one, I suppose. The increased option which you will agree to buy over what you sold it for is supposed to make either equilibrium or a profit?—A. No.

Q. Well, it was  $87\frac{1}{2}$  cents and you have guaranteed charges, insurance and interest on the money, because you have \$85,000, and the use of it reduces your interest in the bank?—A. It is not to make equilibrium or a profit.

Q. No, that was part of the deal, the delivery of the May option.—A. My illustration might have been a better one, if I had said the transaction was made the 30th day of April, or the first day of May, and that the sale was 85 cents and the option to purchase 85 cents.

Q. You used the figure of  $87\frac{1}{2}$  cents, because, I assume, you are far enough distant to think that that was a reasonable spread?—A. It would not be from now.

Q. It was away back?—A. I did not use these figures for that particular reason. If the sale had been a good thing in May—

Q. There must be a high enough price, otherwise you have made a foolish bargain. You have the money and the use of it saved interest on your own, and where is he?—A. Quite right. If the contract is made two or three months before the delivery month, or six weeks before.

Q. Or a month, because after all a month's interest is considerable?—A. Yes, quite.

Q. And there is storage of 1/30th to 1/45th per bushel per year, and there are interest charges?—A. Yes.

Q. These are factors in themselves. Then there is the unknown factor. The X in this is what you always think the weather will be, and what you think conditions will be throughout the world, what the statistical figures will be, and all that sort of thing. That is the unknown X?—A. That does not enter into this at all, Mr. Bennett.

Q. Does it not fix the price of the May option?—A. It does not enter into it when you are making a cash transaction at all.

Q. What fixes the price at which you agree to buy the contract?—A. The price at which it is trading at the time.

Q. How is that fixed?—A. Well, it is an open market there.

Q. The known factors are carrying charges, interest and insurance. The unknown factor is the crop conditions that may be caused by many things, and that helps to fix the prices of May wheat, and traders do that on the exchange and elsewhere?—A. It is probably the opinion of the grain trade the world over as to the value of wheat for May delivery, traders in Chicago, Minneapolis, Liverpool, and other places.

Q. Quite so. As a result of what you have done, namely selling 58,000,000 bushels of wheat, getting your cash for it, and buying or acquiring—I will use the word "acquiring"—options for 58,000,000, you would have in wheat on the first of May, if you had to take delivery of it, you would have agreed to sell 58,000,000 bushels and taken back 58,000,000.—A. We have made sure we would not get in that position.

Q. How?—A. Sold the options.

Q. That is what I want to make clear. You sold options?—A. Yes.

Q. Your ability to sell the options determines the net amount of wheat you have actually got rid of?—A. Yes, sir.

Q. That is the story, is it not?—A. Yes, sir.

Q. That is the whole story, as far as this is concerned?—A. Well it is a fair and simple way to put the story.

Q. And your view is, speaking of the statute as it is, that the result of this rather complex machinery that has been set up through the years, is to ensure steadiness in prices and perhaps some benefit to the producer?—A. I have not expressed any view on that so far.

[Mr. James R. Murray.]



Q. You have not?—A. No.

Q. Because it is not fair to compare conditions for instance, seven years ago, when you had an open futures market, with conditions that prevail in the world to-day, is it?—A. There is a very great difference in the world wheat condition. I think I would go back farther than seven years, ten years, although I think seven would probably be correct, but your open market has shown a big difference in the last ten years?

Q. Yes?—A. Yes, sir.

Q. And operations of the futures market have accordingly become different?—A. The trade of wheat in the world between countries is a different thing to-day from what it was ten years ago.

Q. Yes?—A. Yes, sir.

Q. I think you said yesterday that many of these matters were matters of opinion, and you could not with certainty give any fact. All you could say was that this set of men have one opinion and another set of men have another opinion, and you can only judge of the soundness of the opinion by the result; is that right?—A. We will be in a better position to reach judgment on July 31 next.

Q. Quite so. In the meantime, what was the maximum price that prevailed for wheat from the time you took it over on December 9 and the 31st day of January at the exchange? I think you gave the highest price.

Mr. Ross: The closing price.

Right Hon. Mr. BENNETT: We will say the closing price.

The WITNESS: I have the figures right here.

*By Right Hon. Mr. Bennett:*

Q. Yes; I thought you said you had.—A. Take May.

Q. Take two items, one cash wheat and the other May options.—A. I have not got the cash wheat.

Q. Take the May options, the highest on any one day.—A. The high in December for May wheat was 90 $\frac{3}{4}$  cents.

Q. What was the highest in January?—A. In January, 90 $\frac{1}{4}$ .

Q. That is what you speak of as 90-cent wheat. What was the date of the 90 $\frac{1}{4}$ -cent wheat in January?—A. January 6.

*By Mr. Perley:*

Q. What was July that day?—A. The high July was 90 $\frac{7}{8}$ . These are not the closing prices.

*By Right Hon. Mr. Bennett:*

Q. The middle prices?—A. That was the high point the market reached that day.

*By Mr. Ross:*

Q. What was the closing price?—A. Do you want the closing price?

Q. Yes.—A. The closing price of the May options on January 6 was 89 cents. The closing price of the July option on January 6 was 89 $\frac{1}{2}$  cents.

*By Right Hon. Mr. Bennett:*

Q. Was the high and the low on December 9?—A. We have given the close on January 6. We gave the high for May during the month of December. I said the high was 90 $\frac{3}{4}$  on the 14th of December. The close on that day for May wheat was 89 $\frac{5}{8}$  split. You asked for December wheat?

Q. No, not December wheat, the month of December.—A. I beg your pardon?

Q. What were the lowest closing figures, if you will, for December and January?—A. Shall we take the low of the market, as we took the high of the market?

Q. Yes.—A. The low of the market for May wheat in the month of December was  $86\frac{5}{8}$  cents.

*By Mr. Ross:*

Q. The opening of the market, not the close.—A. That was not the close; that was the low.

*By Mr. Coldwell:*

Q. What date?—A. I have to search to see what date that was.

*By Mr. Ross:*

Q. The low closing?—A. I will give you that just in a minute. The low on December 7 was  $86\frac{5}{8}$ .

*By Right Hon. Mr. Bennett:*

Q. December 7?—A. Yes. The close in price on that date, December 7, was  $88\frac{1}{8}$ . It closed on a range, as the term is.

Q. What were the corresponding January figures?—A. The low price in January for May wheat was  $86\frac{1}{8}$  cents, which was on the 30th, and the close on the 30th of January for May wheat was  $86\frac{3}{8}$  cents split.

Q. Has the figure of 90 cents high been reached at any time since January?—A. No, I do not think so. The last sheet I have here is February. I think I have the March sheet some place else. No, it has not been reached since January.

Q. Has the low price been under 80 at any time?—A. Yes.

Q. It was under 80?—A. Yes.

Q. What was it?—A. I think May wheat sold as low as  $78\frac{1}{2}$ —I am speaking from memory.

Q. Yes, I know you are. You can correct that.—A. I think that is correct.

Q. At any rate, it was below 80 that day?—A. Yes.

Q. At any time since January 31 has May contract wheat sold at 80 cents?—A. That is right.

Q. That is a fair way to put it?—A. Yes.

Q. It has sold down to a little less than 80?—A. I am practically certain  $78\frac{1}{2}$  is correct. I will check that up and correct it with the reporter.

Q. When was October option put on the board this year, the year 1936?—A. Some time in the month of January. I can get the date here; it should be in this book.

Q. Perhaps that is a question we might more properly ask Mr. Darby?—A. The first quotation is here, January 9.

Q. That was for delivery of wheat under contract in the month of October, 1936?—A. Yes.

Q. Of course it is reasonably obvious to us that no wheat had been sown at that time, at any rate. There is no question about that, is there? The year before the October option was not put on until the fall of the year?—A. It was put on some time around the middle of August.

Mr. DONNELLY: 1935.

*By Right Hon. Mr. Bennett:*

Q. Do you remember when it was put on in 1934?—A. No. In 1934, if I remember correctly, it was put on in the month of March. That will be here.

Q. March or April, I know.—A. It would be here, anyway. That is in 1934, is it not?

[Mr. James R. Murray.]

Q. Yes.—A. It was put on March 29.

Mr. McLEAN: August 15 in 1935?

Right Hon. Mr. BENNETT: Yes.

WITNESS: Shall we, for the sake of putting them on the record, give the figures for 1931, 1932 and 1933 as well? I have them here.

*By Right Hon. Mr. Bennett:*

Q. Yes, if it can be done at once.—A. We can do it immediately without delay. In 1933 it was on the 5th of January.

Q. 1932 is January too, I think?—A. 1932 it was on January 15, and 1931 it was on January 8.

Q. Now, on whose instance does October wheat appear on the blackboard in the exchange?—A. Well, I would rather some one on the exchange answered that.

Q. Well, I think that is fair. At any rate, you, except as in the position of a member of the exchange, had nothing to do with it in your present capacity? Now, during all the years you have been a member of the exchange—how many years?—A. Since 1912.

Q. And you were a member of the exchange up until December, 1935?—A. I still am.

Q. I was going to come to that. But you are not as active, I suppose, as you were then, because you had your membership in your personal capacity or as a representative— —A. Representative in my name—of course the Canadian Wheat board are members of the Winnipeg exchange now.

Q. I know that. I was going to ask you that, because so far as you are concerned, were you a member of the exchange as representing a corporation?—A. Previous to December?

Q. December, 1935, yes.—A. Yes.

Q. Is there such a thing as personal membership, apart from the representative of a firm or partnership or corporation?—A. Yes. It is the same kind of membership exactly.

Q. I gathered from what Mr. Darby said that you had a representative?—A. No. For instance, I could hold a membership, and if I was not connected with the Alberta-Pacific Grain or the Pacific Elevators Limited, not connected with any company—

Q. Just as James Murray?—A. Just as James Murray, I could be a member of the exchange as long as I continued to pay my dues.

Q. Quite so. And since 1912 you have been a member of the exchange. Have you held offices in the exchange?—A. Yes.

Q. What offices have you held?—A. Only part of the time.

Q. Yes?—A. I have been a member of the council for I do not know—the records will show for what period.

Q. I do not mean to go into great detail about it.—A. In addition to that, from some time in the spring of 1930 until very early in the fall, shortly after Dr. Magill's death, I was secretary of the Winnipeg Grain Exchange.

Q. That was only a temporary appointment filling in the time until after the permanent appointment was made?—A. I was asked to take the position as secretary of the grain exchange, and I said that I would, but that I would not contemplate staying there permanently. They were kind enough to ask me to come anyway and so I did; and it lasted, I think, about six months.

Q. Then you, latterly, as you say, have been associated with one of the elevator companies?—A. Yes.

Q. As vice-president and general manager?—A. Yes.

Q. How long has that been?—A. From, I think it would be September 1930. I am not sure of the exact month.

Q. At any rate, the fall of 1930?—A. The fall of 1930, until last November.

Q. You spoke in your first statement of the board. The board consists of yourself and two other gentlemen. Who are they?—A. Mr. George McIvor and Dean Shaw.

Q. Dean Shaw is of Saskatchewan, is he?—A. Yes, he was.

Q. And Mr. McIvor is also your colleague?—A. Yes. He is assistant chief commissioner.

Q. Do I take it that before the appointments of these men were made, they were discussed with you?—A. I would prefer that you ask some members of the government.

Q. I think that is a fair question to ask you.—A. Were they discussed with me?

Q. Yes.—A. Yes. I did not catch the question. I beg your pardon.

Q. Yes. In other words, they are acceptable appointments to you?—A. I do not like that way of putting it. I do not think it even should be.

Q. Put it in your own way.—A. I was very glad to be associated with them.

Q. That is a fair answer. In other words, there was a discussion as to your colleagues and you are satisfied with your colleagues?—A. Yes.

Q. That is a fair way to put it?—A. Yes; and have no regrets down to date.

Q. Quite so. That makes it clearer still. Then Mr. McIvor, your colleague, was for many years prior to his becoming a commissioner under the Wheat Act, an employee of the Canadian Wheat Producers Limited?—A. Yes.

Q. What position did he say he occupied last year?—A. He was sales manager. He was Mr. McFarland's chief assistant.

Q. I think you were here when he gave part of his evidence last year?—A. No. I was not here when he was on the stand.

Q. I remember seeing you here two or three days, but I do not exactly remember which days. You would have no reason to think that any evidence given by Mr. McIvor would not be accurate?—A. I would not agree with it all.

Q. No; but it would be an accurate statement of his views?—A. Well, I have not even read all of Mr. McIvor's evidence. I have read some of it but not all of it.

Q. Having read part of it through which annoyed you, you concluded not to read the rest; is that it?—A. No, I do not think that is it.

Q. At any rate, you did not find that it did entirely agree with you; put it that way?—A. I think Mr. McIvor and myself might get along very well and agree on most things and disagree on some things.

Q. The reason I ask that question is not perhaps what you are thinking. It is just this. It illustrates more clearly than anything else, perhaps, what you said yesterday, the difference of opinion when you get to a certain point in dealing with this grain matter. When it gets down to certain things you do not agree with Mr. McIvor?—A. We have had no disagreement in regard to the sale of wheat since the beginning of December.

Q. No. I am leaving that out for the moment. I am just trying to illustrate by your own association the difficulties arising because of differences of opinion. He was, as you say, Mr. McFarland's assistant during the time he was there. He was there before that, as a matter of fact?—A. Yes.

Q. He had been with the Canadian Wheat Producers for a long time?—A. Yes. For years, I think, he was their general sales manager.

Q. You read a letter to Mr. Smith yesterday from Pimms of London. I take it that that letter was on the files?—A. Yes.

Q. And when you say it was sent to Mr. Smith, it was a letter on the official files directed to Mr. Smith by Pimms of London?—A. Yes.

[Mr. James R. Murray.]

Q. That is the story. Is it fair to put it this way? that there are differing opinions as to the price at which wheat is sold? You read yesterday from a letter of a Rotterdam firm indicating that Canadians might have gotten ten cents more for their wheat?—A. Yes.

Q. That is a matter of policy based upon an opinion of a situation, is it not?—A. What is a matter of policy.

Q. The price at which you offer wheat for sale.—A. Would you mind if I have that question read by the reporter?

Q. I can put it over again.—A. Really it is linked up in my mind, following the previous question.

Q. It is a separate thing. I had finished with the other matter. The price at which wheat is offered by your board for sale is a matter of policy?—A. It is a matter of our judgment.

Q. Yes.—A. Yes.

Q. Which, of course, means your policy?—A. Yes.

Q. To put it fairly. You said that this Rotterdam firm made certain statements regarding prices, saying that Canadians might have gotten a little more. That is their opinion, and yet they are a highly reputable firm. It is merely nothing but a posted opinion. But, Mr. Murray, I think you have had complaints nearer home than that, have you not?—A. Complaints of what kind?

Q. As to the price at which Canada has been selling wheat.—A. Nearer home?

Q. Yes, from other sources than Rotterdam grain dealers.—A. Oh, we have had. I think I said that we had a lot of people stating we were selling wheat too cheaply.

Q. Yes. You are aware that the Australian Co-operative Organization and the government of one of the Australian states protested to the High Commissioner of Canada at the price at which we were selling wheat?—A. I do not know whether they protested, but we had an exchange of cables with them which was very interesting.

Q. The statement was made by the government of Australia that they waited upon the High Commissioner for Canada and protested against the price at which Canada was selling wheat?—A. Yes.

Q. And the High Commissioner was to communicate with you. I presume he did so?—A. We had some communications direct. I would be very glad, for the information of the committee, if it was proper, to produce the cables. We had an exchange of cables direct with some of the co-operatives in Australia.

Q. In Australia itself?—A. Yes.

Q. Because they had their representatives in London. A representative of the Co-operative and a representative of one of the state governments of Australia waited upon our High Commissioner in London, I think, and he was to communicate with you. I do not know whether he would do that direct or through the government.—A. Well, I have got some in my files. I do not know that I have got them with me. I may have. If I have not, I could get them very quickly from Winnipeg, the cables and everything bearing on this point.

Q. I think this is a fair way to put it to you. The position that they took was that the two great countries that had wheat to sell at the moment were Australia and Canada, and that we were selling our wheat too cheaply and not supporting the market. That is the short way to put their position, is it not?—A. I would rather refresh my memory before I agree with that. I would rather refresh my memory from their cable. The impression I got of their cable—there is one thing I remember. At the time we got the first cable from them, their price for their nearby wheat, we will say their January shipment wheat, was a certain figure. The trade price for their March shipment wheat was lower than the January price. In other words, they were offering their deferred delivery at a cheaper price than the nearby. I remember it created the impression in my mind that they were somewhat inconsistent, when they were doing that, in saying that we should be holding for higher prices.

Q. And the good reason they gave for that was that they were forced into that position by the position you took—not you, but the position Canada took, that Canada's position in the markets compelled them to lower their price; and I shall presently give you the dates so that you will be able to speak about it. But if you will look for those documents in the meantime, I will be content?—

A. I have some other documents here which are rather interesting in regard to that, that have some bearing on it. We will get them together in regard to Australia. I remember, for instance, a letter from a well-posted man in Australia, I think addressed to Mr. McIvor, if I remember correctly—a friend of Mr. McIvor's, he has met him—written around the beginning of January, in which this gentleman pointed out that the farmers in the state of Victoria, I think it was, had during December already sold 75 per cent of their crop and that a lot of it was in the hands of dealers, and the dealers and millers had bought a lot and were sorry that they had bought so much. I have gathered the impression through this exchange of opinions and ideas with Australia, that there were some dealers there who had wheat who wished they had not bought so much and would have liked us to hold off selling until they could get rid of theirs at a better price.

Q. Victoria is a very, very small producing state, as you know. The delegation that waited upon our High Commissioner in London represented two bodies, one a government body and the other a government enterprise. If you will look up your cables, you will probably be able to fix the date, because I think I can show you that the prices subsequently at which Australians offered their wheat was lower than before, because they had to do it in consequence of our not having maintained the price which they thought we should have gotten?—A. We approved their views about price but obtained no response.

Q. Quite so.—A. There is this interesting thing that the records will show, that after that interchange of cables, their wheat went on for a period of weeks selling at a bigger and bigger discount under our wheat. In other words, they went down more than we did. We were very worried for a while about their selling so cheaply, and they were worried about us. It was mutual.

Mr. DONNELLY: If we held our wheat at a high price, they could sell theirs.

WITNESS: There is one thing. In their cables some time they mentioned how little wheat they had for sale over a period of time, as an encouragement to us to hold wheat. Naturally, we felt if they had so little available and no new crop coming along until December, 1936, that they were in a much stronger position to hold and not to press wheat on the market as they did do, than we were; because they pressed wheat very very freely on the market. There were some weeks where their shipments from Australia were almost 5 million bushels, and that is much larger than usual for them.

Mr. DONNELLY: In other words, if we had held our wheat at a good high price, like 90, or above the world price as we have been doing, they would have been able to sell their wheat. That is all.

WITNESS: At better prices.

*By Mr. Deachman:*

Q. How much did they have on hand at the time of these cables? Would it be 50 million bushels?—A. No. It would be more than that; I would think more than that. I would have to check that up before answering that. I might say in regard to that that a good deal of this argument about the price and whether we should have held or sold or what should have been done, was based on the idea that Canada and Australia were the only countries in the world who had wheat for sale for the balance of the crop year, and that the action of the Argentine government had made a tremendous change in the world's wheat position. As a matter of fact, the action of the Argentine government made

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no change whatever in the amount of wheat that well-posted people knew was available for world trade. I will quote you from a market report of the Canadian wheat board, before we had anything whatever to do with it, before our board:—

October 31, 1935:

It is now becoming evident that the improvement of Argentine crop conditions following recent rains was exaggerated.

Broomhall's Agent has now reduced his estimate of the new crop surplus from 88 millions to between 56 and 72 millions.

Even these figures are dependent upon very favourable weather conditions until harvest. The weather now is clear and hot.

November 4, 1935:

The news from the Argentine is again less promising and the feeling is growing that Argentina will yet strengthen the world positions by failure to produce more than a very moderate exportable surplus.

Might I quote another one? The second one is also from the market report of the Canadian Wheat Board.

*By Hon. Mr. Crerar:*

Q. What date?—A. November 4. The Northwestern Miller, a paper which most of you gentlemen know, which is conservative and careful in its reports generally, printed this from their Buenos Aires correspondent on October 23, 1935, which was seven weeks before December 13. I will not quote it all, but they say this:—

We think the crop promises a surplus of about 60 million bushels maximum. Until the late rainfall we had calculated it at about 25 million bushels. In view of the poor start we think Argentinos will have no complaints to make if the surplus attains 50 million bushels. Anything over that will be an unexpected windfall.

On October 30, 1935, they report:—

There are guesses in excess of 80 million, but most estimators look for around 60 million.

*By Mr. Deachman:*

Q. Of that, how much would go to nearby countries like Brazil?—A. I was going to come to that. But for the information of the committee I wanted to deal with this idea that was abroad that Canada and Australia had practically all the wheat in the world that was available to supply the world requirements for the eight months that were left in the crop year, because that is a totally wrong idea. As I have the figures to show, it is a totally and absolutely wrong idea. That was not the case. That was the position a month or six weeks before December 13. The United States Department of Agriculture estimates of the Argentine crop made on November 4 was 150 million bushels, which would leave 55 million bushels for export from Argentina.

Now then, just one more proof. We will bring it nearer home. I know of an argument that developed in Winnipeg among two members of the grain trade about the end of October as to the amount of wheat that the Argentine would have for export out of their crop. One of them made a small wager with the other that the Argentine—and this was done before the end of October, just a day or so before—between October 25 last and July 21 next would not export 42 millions bushels of wheat. I think the gentleman that made the bet that they would not export 42 million bushels of wheat, judging from the figures so far, is going to win it. My only purpose in saying that is to emphasize that a month or six weeks before this famous December 13 it was known and well

known to well-posted grain traders throughout the world that Argentina was going to have a very small surplus for export; and the action the Argentine government took in putting their domestic price of wheat up on December 13 did not change by one bushel the amount of wheat there was available for export in the world. Let us come to the bushels available for export, and to deal with the idea that Canada and Australia had all of it. Well, rather than deal with the statistics of what were available, perhaps a more practical proof would be the amount that other countries shipped since the 1st of December—the shipments from other countries.

*By Mr. Senn:*

Q. That is from December 1 up to the present time?—A. Up to April 11, which is the last official date that I have, they were 29,132,000 bushels.

*By Mr. Donnelly:*

Q. What countries are those?—A. Those include Russia, Roumania, France, Sweden, Poland, North Africa, Lithuania, Persia, India, Hungary, Germany, Portugal and Chile. In addition to those countries, Argentina has shipped from December 1 to April 11, 21,208,000 bushels.

*By Mr. Senn:*

Q. That is in addition to the 29 million you mention?—A. That is in addition. The figures that I gave were for those other countries. Argentina in addition shipped 21,208,000 bushels; so that you get a total from the Argentine and from those other countries of 50,340,000 bushels in the nineteen weeks from December 1 to April 11. That is not taking anything from Australia or Canada. That is an average of 2,650,000 bushels per week, or 27 per cent of the total world shipments. The total world shipments in that nineteen weeks averaged 9,850,000 bushels per week.

*By Mr. Donnelly:*

Q. What is that?—A. The total world shipments for those nineteen weeks from December 1 to April 11 averaged 9,850,000 bushels per week.

*By Mr. Perley:*

Q. That is from where?—A. That is total world shipments. 50,340,000 bushels were supplied by the Argentine and those countries called others. That is entirely aside from what Canada and Australia would furnish. Surely those figures are the most definite, positive proof that anybody could have or want that any idea that a grain trader or anybody else might hold early in December—even the Australian gentlemen, let me include them, with all due respect—that Canada and Australia had all the wheat and could settle things for themselves as to price, was a totally wrong idea. There are some other very important angles in connection with that matter. The matter of price does bring out or hold back wheat from certain countries, just as you gentlemen will know it does with intelligent farmers.

*By Mr. Senn:*

Q. Does that wheat that was exported from those countries go into the same markets as Canadian and Australian wheat generally goes?—A. Some of it, unfortunately, yes.

Q. But some of it does not?—A. Yes. But that makes no difference to your whole picture with regard to the world wheat situation. The importing countries are going to take so much wheat. If they cannot get it from one country they get it from another. Price competition enters into it. I will

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give an illustration. Portugal, within the last two months, sold a cargo of wheat to go to the Orient. That is the first time that has been known of. As a matter of fact, Portugal has always been an importing country of wheat until the last few months, and we woke up one morning in January to get the cable from abroad, a private cable first, telling us that Portugal had 300,000 tons of wheat—

*By the Chairman:*

Q. That would be how many bushels?—A. That would be 11 million bushels, in round figures. There was 11 million bushels that the government had stored up there that they were going to sell for export. Well, that was 11 million bushels that we did not know was going to come in competition with us. Just to illustrate this point, if I remember correctly, a year ago Argentina shipped wheat to the Orient for the first time. The world wheat trade is on this basis, what there is left of it: if the world requires 500 million bushels of wheat—there are some countries that are bigger importing countries than others—considering quality, a price will get the market. That is, Canadian wheat may get a higher price than some other because it is of better quality. But price will enable a country anywhere to compete in any importing country.

*By Mr. Senn:*

Q. You spoke about quality, and that has just occurred to me. Was this wheat that goes from those other countries—leaving out Argentina—of a quality that competes actively with Canadian and Australian wheat?—A. It absolutely competes as long as the miller can use it in making flour.

Mr. Ross: First of all, we have many different qualities of wheat.

Mr. SENN: Oh, yes, I understand.

WITNESS: Yes. But I do not know the milling business. I have picked up a little information about it, and heard millers talk about it and other people talk about it. I have heard a good deal in the last four months about the U.K. miller and what he does, because some of them have talked to me frankly, and they will use 50 per cent Canadian wheat and 30 per cent Australian and 20 per cent of the type called filler wheat. I do not know what they require as a filler wheat, but I know it is cheap wheat.

*By Mr. Senn:*

Q. We have that as well as the others?—A. Yes.

Mr. McLEAN: Different kinds.

WITNESS: The French wheat will compete with it.

*By Mr. Deachman:*

Q. Would the percentage of Canadian wheat used depend on the price?—

A. What is that?

Q. Would the percentage of Canadian wheat used by the British miller depend on the price?—A. I believe so.

Q. He would shift over to some other if he could get better value?—A. He has found that in the last few years.

*By Mr. Ross:*

Q. My point is this: No matter where the buying of wheat was done in the world, it would compete with some of our wheat, at any rate. For instance, in the Orient they take a lower grade of wheat, or used to take a lower grade of wheat than you would ship to the countries in Europe. Therefore competition in the Orient would meet with a certain amount of our wheat anyway.

—A. I would say this absolutely, without any hesitation, that any wheat offered for export anywhere in the world will compete with our wheat, I do not care what quality it is. You take, for instance, at the start of this crop; I heard what I thought were some of the most ridiculous statements and estimates made by grain men. I heard one made by a man who was a very prominent miller, that there was 60 million bushels of unmerchantable wheat in western Canada—feed wheat and so on. We have sold that feed wheat in millions of bushels for export, and it has gone in to help to fill this 520 million of bushels of wheat, world shipments of wheat, that the importing countries require. What is the use of saying it is unmerchantable? If we had not sold that for export, it would be in bins. If there was 10 million bushels of it in bins in the country—because a market is provided for it—there would be 10 million bushels more feed wheat in the Canadian official visible supply, and it would get out of the country in some form or another and someone would buy it. Whether they used to grind it up and make dog biscuits out of it, I do not know, but it has gone into the world trade. Every bushel of wheat that you raise, of any grade whatever, is going to go into world trade. And to talk about it being unmerchantable and working yourself into a bullish state of mind because you have got 60 million, with the idea that you can make it disappear that way—you cannot make wheat disappear that way.

*By Mr. Perley:*

Q. If there had been a fixed price on your feed wheat, would it have gone on the market at all, or what would have been the value of it? What would the grain trade have got for it?—A. I could not possibly tell what the market value of that wheat would have been. To be able to do that I would have to have the powers of a prophet, and I have not got those.

Q. I think it would be interesting for the committee to bring this statistical position up to date if you would. You referred to the letter of March 31. I think you have it, the Weil Hermanos letter?—A. Yes.

Q. With regard to the statistical position, I think it would be interesting for the committee if you would just read it.—A. I would rather it was filed. I have no objection to doing that, but when people want to put a statistical position to me—

Q. You have quoted already the statistical position with respect to Argentina, Australia and those other countries.—A. No. Excuse me.

Q. Well, I thought that was what you were doing a little while ago.—A. No, the figures I gave were actually shipments that had taken place. That was a known and established and accomplished fact that that wheat had been shipped. I think at the beginning I made use of those figures, I said, rather than use the statistical position, Mr. Perley, at the beginning of December, to establish a theoretical picture that was ahead of us then, I would rather use actual happenings since.

Q. You quoted the amount that was available?—A. From the Argentine?

Q. Yes.—A. Not from any other countries.

Q. On the first page of the letter you referred to—you have it in front of you—you will find that the Argentine has for export 39,000,000 bushels this year; the estimated surplus is 39,000,000 bushels as against 111,000,000 bushels last year, the same date?—A. Yes.

Q. I think it would be interesting to the committee to have the figures in respect to Australia, Roumania and those other countries that export to the United Kingdom. It is all there on the front page.—A. If they are useful, and if this kind of statistical figures, which supposedly give what is known as the statistical position, should govern any person in selling wheat, they would be useful for the committee to have. Naturally, I think it is because of the first statement I read I do not think as much importance should be

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attached to the statistical position as some people do. One of my reasons for thinking that is that I can look back over the past few years and I can see the roads strewn with wreckage of forecasts made, based on the statistical position. There was a forecast made based on the statistical position in February, 1934, that we would have less than 100,000,000 bushels of wheat carried over into July; we had 215,000,000.

*By Mr. Deachman:*

Q. Was he a good statistician?—A. No; it was a forecast made, and lots of people—I am not suggesting the one man who made that forecast was the only man who could be wrong on it, but whatever the statistical position may be at any time, the people who base their attitude or base their position as to what should be done on the statistical position, forget this: As far as wheat is concerned, within a few months Mother Nature the world over is going to change that statistical position and nobody knows ahead of time, unless they have the powers of prophecy, what Mother Nature is going to do in those next few months. May I give one illustration about that, because I am perhaps sensitive about this statistical position. I saw a letter in January—

Q. We had better do away with our statistical department?—A. Statistics are useful so long as you do not allow them to dominate your thinking. They are a useful assistance to us. I saw a letter in January criticizing the ability of our board, which undertook to state that with the wheat we had, and the position in Australia—I do not need to give the figures—there would be only so much wheat available in the world on the 31st July next. Now, before the 31st July next, the winter wheat crop in the United States will be very largely marketed, a lot of it marketed at that time; the new United States crop will be pretty well established; there cannot be very much danger to it after the 31st July, and the crop in Canada will also be pretty well established. I do not ask the committee to comment on that. I wrote a letter. I put something like this in the letter. I said, "Anyone who makes a statement in the month of January, 1936, as to the amount of wheat that will be available in the world for world trade on July 31, 1936, must arrogate to himself the power of prophecy, and the people who believe in the Bible and those things they have been taught to believe, should have the right to believe that Divine Providence is the only person that has that power, and there is no use talking about it." Because, suppose you based it on there being short crops in North America, and you did not have short crops, you had large crops, then what? Let me give an illustration. Suppose that instead of having rust we had a big crop, a large amount of wheat, where would we be? Nobody could tell last January what the position is going to be next July. There is one thing that Canada knew, and those who were selling Canada's wheat, and that is they had on hand so much wheat that if they sold the figures that had been given, 216,000,000 bushels for export between that date and the 31st July next, they would still have 125,000,000 bushels left. Now, if that is the situation, and acting on the instructions that you have to get that down as well as you reasonably can, with that responsibility, if anybody wanted to guess who was carrying that responsibility on the 13th of December last, that because the Argentine government had put their domestic price up—and I would like later to go back to that word "domestic"—to a certain degree that Canada should hold its wheat for higher prices, try to get it up to a dollar, I would hate to be the man who would take that responsibility, and on the 31st of July next be answerable for the result.

*By Mr. Deachman:*

Q. We have been speaking of the obstructions that have developed in regard to marketing in the last three years. These obstructions affect supply and demand; is that right?—A. Yes.

Q. And supply and demand determines price. Is that a safe way to put it?—A. You are a better authority than I am. I would agree to that.

Q. I am coming to a very practical question?—A. I would agree; I do not want to be the authority.

Q. We will be safe in assuming that demand and supply determines price, and several things definitely affect the demand. Are we safe then in assuming that the price is not determined by the system of marketing?—A. You mean the final determination?

Q. I am not talking about the price at which it might be held in Canada; I mean world prices are not determined by the system of marketing?—A. No.

Q. That would be right?—A. I think so.

Q. But the system of marketing might affect the difference or spread between the prices which the consumer pays for the wheat in the open market and the prices that the producer receives in this market?—A. I agree with that.

Q. That is as far as I can go at the moment.

The CHAIRMAN: Mr. Perley, do you want to press for the placing of those figures on the record?

Mr. PERLEY: I think they would be interesting to the committee.

Mr. ROSS: There is no objection.

Mr. PERLEY: This firm is supposed to be a reliable statistical firm, and I should like the figures on the record to bring it up to date.

WITNESS: This is the March 31st letter.

Mr. PERLEY: Yes.

WITNESS: How would it be if I gave it to the reporter?

Mr. PERLEY: That is all right.

The CHAIRMAN: You would like them on the record? I think it should be clear they are put on the record at your request, and not by the witness.

WITNESS: I would not want to put it on as substantiating any idea I have.

#### *Statistical Position.*

World's visible supply . . . . .	365	mill. bush. against	421	mill. bush. last year
Afloat to Europe . . . . .	36.8	" " " "	28.8	" " " "
Stock in the United Kingdom . .	9.1	" " " "	12.0	" " " "
Stocks in Antwerp and Rotterdam . . . . .	1.9	" " " "	4.1	" " " "
Remaining Argentine export surplus . . . . .	39	" " " "	111	" " " "
Remaining Australian export surplus . . . . .	50	" " " "	72	" " " "
Remaining Canadian export surplus . . . . .	229	" " " "	252	" " " "
Shipments to Europe from 1st Aug.—28th Mar. . . . .	242	" " " "	249	" " " "
Shipments to non-European countries 1st Aug.—28th Mar. . . . .	92	" " " "	90.4	" " " "

The CHAIRMAN: You have explained your idea of what you call the statistical position.

#### *By Mr. McLean:*

Q. Before we leave the statistical position, I should like to ask Mr. Murray what the effect would be if he or others were to pass their opinion on the statistical position and to hold for stiffer prices and the world found itself with other grains such as barley, rye, oats, and vegetables such as potatoes and others that they could use to better advantage at a lower figure; would not that feature, as well as higher grain crops in Canada or the Argentine or some other country, upset the statistical position just as much as anything else?—A. Absolutely,

[Mr. James R. Murray.]

Mr. McLean; there is no question. I have a letter here that I think would be interesting, and I should like to quote it. It is from Broomhall's Corn Trade News, dated February 11, and it reads as follows:—

In some of our recent reviews, we have drawn attention to the disappointing rate of European imports since August 1st, 1935. The expectations we entertained at the beginning of the season are not being fulfilled and it may shortly become necessary to reduce our estimate of requirements. We fear that the relatively low prices at which maize and other feeding articles have been selling, have diverted to the mills several million quarters of native wheat which, under normal conditions, would have been used on the farm or sold for animal feeding.

Now, that refers really to what you were mentioning. It means that wheat is going to be used for human consumption because something else is used for animal feed. I have here a letter from the orient, and before reading it, I should mention that this must have been one of the disappointments to the statisticians this year. At the beginning of the year they were probably expecting and figuring that the orient would take as much wheat as they had in the previous year. The orient has not taken anything like the quantity of wheat they did in the previous crop year. If I remember correctly in the previous crop year, the orient took about 65 or 67 million bushels of wheat.

Q. 1934-1935?—A. The 1934-1935 crop year; 40,000,000 odd bushels of which they got from Australia. This year they have not been able to take as much Australian wheat, which forced more Australian wheat in competition with us in the United Kingdom and Europe. In order that I will not get away from the point you raised, Mr. McLean, here is a letter from the orient, dated December 12, from a well known firm in Shanghai, to Mr. George McIvor. It is too lengthy to read, but I shall read a portion dealing with your point:—

We then succeeded in making a sale of 5,000 tons Australian—the first and only sale of the season—and the fact that in spite of the above position in regard to supplies it only took this one sale to send flour values down some 8 per cent, will clearly illustrate the smallness of the market. It is the old story that as soon as the price of flour exceeds the price of other native foodstuffs to any considerable extent the consumption immediately declines. The great majority of the Chinese people can only afford to eat what is cheapest at any one time, and the present situation is a very clear illustration of this fact. The second rice crop was a very good one, and the same can be said about the crops of Kaoliang and Millet in the north.

That is an illustration of the decrease in the orient.

*By Hon. Mr. Crerar:*

Q. What is the date of that letter?—A. December 12. I have some figures here—

The CHAIRMAN: I suggest we adjourn.

*By Mr. Ross:*

Q. I should like to ask one question. Mr. Murray, by a series of questions Mr. Bennett elicited from you a certain amount of the history of your life. Were you connected at any time with one of the big farmers' grain companies in Canada?—A. Yes. Do you want me to give you the particulars?

Q. Yes.—A. From the fall of 1909, with the exception of a short interval, I worked for the United Grain Growers until February, 1930. I started at \$60 a month, and went along.

Q. Mr. Murray, it has been stated that at the time the wheat pool was started in 1923, or around there, that you were somewhat instrumental in helping them to draw their first pool contract; is that correct?—A. Yes, that is correct. The executive of the United Grain Growers, consisting of five members of the board, were asked to come to Calgary, and they asked me to go to Calgary, and I was asked by the Alberta pool specially to sit in with their lawyer and some other men on that first contract, and I also, I might say, made the first draft of the contract that the Alberta pool had with the elevator companies. I drafted it, and it was submitted to them without legal assistance and they approved it and it was put into force; and in the years that they operated with country elevators there were only one or two—well, I will say a few very minor changes made afterwards in that contract. And just while we are on the history end of it—thank you, Mr. Ross—I might mention this, that the records will show in the province of Alberta that as early as 1921 I addressed a convention of the secretaries of the United Farmers' of Alberta in Calgary, a few hundred of them there, and I advocated the pooling of wheat and gave reasons for it. That was two years before Mr. Aaron Sapiro came to this country. And I remember well Mr. Garland, Mr. Ted Garland whom you gentlemen all know very well, was in the hall at the back, and he wanted to get ready to sign the first contract—while we are just on the history, and you have raised the point you have. I did that because I believed that the pooling of wheat for the sale of it was a benefit, was a system that would be a benefit to a certain number, a certain percentage of the farmers in western Canada. I think the records will show I said at the time that I did not know what percentage it was, whether it was 10 per cent or 25 per cent or 50 per cent, but there was some percentage. They could pool their wheat to sell it through the machinery it could be most efficiently sold through, to get them the best price. We have no argument about opening the markets or closing up the markets or anything. That was my position. I have not changed that opinion.

*By Mr. Deachman:*

Q. What is that?—A. I have not changed that opinion.

*By Hon. Mr. Crerar:*

Q. Is that a voluntary pool?—A. That is a voluntary pool, for the farmers to sign up, whether 10 per cent or 25 per cent or 50 per cent wanted to sign up their wheat and entrust it to directors who would give sound management, would sell that wheat for them and account to them for it. That is a voluntary pool. I have not changed the opinion that I expressed then, that that pooling idea can be of benefit to a certain percentage—I do not know what—of the farmers in Western Canada; and I do not think I am on record anywhere as ever having varied that opinion that I expressed in those words.

*By Mr. Ross:*

Q. You have been called "Grain Exchange Murray" by some people; and by different people in the grain trade and by different members of the grain exchange I understand you have been called "Wheat Pool Jimmie."—A. Yes.

Mr. PERLEY: What is he called now?

WITNESS: As far as names are concerned, Mr. Ross, my position is simply this: If it makes anybody feel better to call me names, it does not hurt me.

*By Mr. Coldwell:*

Q. I just was going to ask Mr. Murray this: Was it not a fact that the voluntary pooling idea in Alberta at that particular time arose out of a failure [Mr. James R. Murray.]

to get a wheat board to control the marketing of wheat? Was not the contract drawn with the view of setting up Western pools to market the entire wheat crop at sometime, owing to the failure of the farmers of the West to get a wheat board operating?—A. There may have been some gentlemen, Mr. Chairman, who had the idea of marketing the whole crop in that way at that time. But I am sure of this, that there was a tremendous number of farmers who came in and signed up, and their one idea was to try and get some more money for their wheat. They were not so much worried about considering the policy used if they could get more money out of it.

Q. I think that is right.

*By Mr. Fair:*

Q. If this co-operative marketing were a benefit to 10 per cent, 25 per cent or 50 per cent, do you not think it would be a benefit to 100 per cent?—A. No, not necessarily. I knew from my experience in the grain business up to that time in handling and selling the farmers' wheat, or seeing some farmers sell their wheat, that there were some farmers with the ability or judgment or whatever you want to call it, who on the average could beat the average price existing in the trade and beat it to a large extent.

Q. That would be by guess work?—A. By judgment, sir.

Q. Guess work.—A. By judgment.

*By Mr. Coldwell:*

Q. There is a question I was going to ask Mr. Murray some time ago that I would like to ask now. It will only take a moment to answer it. There was an exchange of cables between Australia and yourself. You said that following that exchange of cables the price of Australian wheat dropped proportionately greater than the price of Canadian wheat. The question I want to ask is this: Was this fall or is this fall to be attributed to the failure of the Canadian Wheat Board to reach an agreement with the Australians regarding the selling policy on world markets?—A. I would not attribute it to that.

Q. To what do you attribute the proportionate fall of Australian wheat? Was it because they were increasing the volume of wheat available for selling at a lower price than they hoped to maintain?—A. Too much pressure of Australian wheat in too short a space of time. They should have had more courage. If they believed in the policy they advocated, I would say it would have been reasonable for them to have had more courage and held more of their wheat at home to market next August, September and October, before the next crop came in. Why should they be in such a rush to get it all out before the end of July?

Q. You are advocating a holding policy for Australia and a selling policy for Canada?—A. I am not advocating anything whatever for Australia, Mr. Coldwell. Only, as far as I am concerned, they should use their own best judgment as to when they sell their wheat. But I did say it would not be unreasonable for them, if they wanted to support their contention—if they wanted to—they should have had the courage to do it by holding their wheat. I am not saying that they should have, absolutely not.

The CHAIRMAN: Shall we adjourn, and when shall we meet again?

Hon. Mr. CRERAR: What they wanted to do was to get us to push our price up so they could market their wheat.

Mr. DEACHMAN: And leave us holding the bag.

Mr. SENN: I do not think that is a fair assumption.

The CHAIRMAN: Do you desire to meet this afternoon, gentlemen?

Mr. McLEAN: I think so.

Some Hon. MEMBERS: Yes.

The CHAIRMAN: What time, 3.30?

Some Hon. MEMBERS: Yes.

The CHAIRMAN: Then we shall meet again at 3.30.

The committee adjourned at 12.55 p.m. to meet again at 3.30 p.m. this day.

### AFTERNOON SESSION

The committee resumed at 3.30 p.m.

Hon. Mr. CREERAR: Gentlemen, if the committee will come to order, we shall proceed. Mr. Euler will be back in a few moments.

JAMES R. MURRAY resumes.

ACTING CHAIRMAN: Mr. Murray wanted to make a correction or two, I believe.

WITNESS: This morning, speaking from memory, I put some figures on the record in regard to the wheat taken from the orient in the crop year 1934-1935. I think I said the amount was either 63,000,000 or 67,000,000. The amount was 67,600,000 bushels. I mentioned Australia as having supplied about 40,000,000; they supplied 41,300,000 bushels. While mentioning those figures I might, for the information of the committee, mention that in this crop year 1935-36 the wheat and flour imports into the orient, China and Japan, were 20,432,000 bushels. In the same period, in the previous crop year 1934-35 they were 43,304,000 bushels. In other words, the oriental imports this year of wheat and flour were to the end of April—that is the crop year—were 23,000,000 bushels less than the previous year.

*By Mr. Perley:*

Q. In that same period, Canadian exports to the United States increased about that much?—A. I would think not, not that much. But it would be somewhere near that. This year we have exported to the United States, up to a week ago, 35,000,000 bushels.

*By Right Hon. Mr. Bennett:*

Q. Duty paid wheat?—A. Duty paid wheat, actually duty paid. I have not the figure for a year ago, but I do not think it would reach 20,000,000 bushels.

Mr. Euler resumed the Chair.

*By Mr. Perley:*

Q. That helped out our exports?—A. Certainly.

*By Right Hon. Mr. Bennett:*

Q. 35,000,000 bushels of duty paid wheat. Was not there some lower grades also in addition to the 35,000,000 bushels that would come out of that because of the tariff that exacts a duty of 10 per cent—A. That would be in the figure.

Q. It would be in the figure?—A. The figure I have is taken from the figures of our total exports to the United States.

Q. Was the wheat in bond shipped out for milling?—A. There is wheat in bond there yet, some yet in bond.

Q. Have we shipped much in the crop year 1935-36 in bond?—A. I think [Mr. James R. Murray.]



a good quantity. I have not got that figure; I can get the figure quite easily.

Q. That is in addition, of course, to the 35,000,000 bushels?—A. Yes. Some of that goes, of course, overseas, and some is taken out of bond and milled in the United States. These figures for the orient, Mr. Chairman, show the difference between what they have taken this year, and what they took last year. I suppose in the whole crop year they will not take much, if anything, over 30,000,000 bushels. These figures are one illustration of where statisticians are wrong in estimating at the beginning of the year. They estimate pretty carefully the available supply, but the tendency is to go wrong when trying to estimate consumption. There was one other thing I might refer to before Mr. McLean's question. There was a reference this morning to the Argentine price. I said it was a domestic price, new price. It is a domestic price in this respect, that while they have exported quite a little wheat since the beginning of December, as a matter of fact something over 30,000,000 bushels, they have not, as far as anybody knows, exported any to the United Kingdom or Europe, for which they have secured the minimum price that the government set to the farmers. The bulk of their exports, I believe, have gone to Brazil, and they can get a higher price net to them at Argentine ports for the wheat they ship to Brazil, than any other country can get because they are closer, and they have exchange arrangements. The wheat they have shipped to the United Kingdom and the continent—I am speaking of the Argentine—is generally believed to be in fulfilment of contracts made before December 13. Now, some comparison has been made, gentlemen, a good many times I think, in the last few months, between their 90 cent price and our Canadian prices. Theirs is a domestic price for the reasons I have stated; and while the quality of their wheat is not as good as ours, they are for this season in much the same position in comparing trade prices with ours as Chicago. Chicago prices have been for a year or more a good deal above Winnipeg because it represents the domestic value in the United States. There are other years when, if they have an exportable surplus that is really material in their marketing, their market trade would come down to a closer level with ours. But a comparison of prices in the Argentine with our prices for the present season under the circumstances is hardly fair. I thought that angle of it that I mentioned should be borne in mind. These were the only things that I had.

Mr. McLEAN: This morning the question came up as to opening dates of October trading. The dates were given by Mr. Murray. I notice from those dates that in the past six years, including this year—four years out of the six—trading commenced in January; one year it commenced in March and last year in August. I should like to know whether there is any significance attached to those dates. The remark was made by one member of the committee, I think, that there was no wheat sold at that date, that there was apparently no object in opening October trading so early. I presume that October would be used for the wheat that is on hand, old wheat that is on hand, for settlement of many of those trades. I should like to know from the witness what the significance of these dates might be, if any.

WITNESS: Well, Mr. Chairman, October is used at this time of the year or earlier mostly for the transference of hedges.

*By Mr. McLean:*

Q. On wheat already existing?—A. Wheat already existing, from say July to October, or from May to October. There is not a large amount of trading in October, generally, as early as this. It is generally very small.

*By Mr. Donnelly:*

Q. What significance was there in having the October open last year only in August?—A. Well, if my recollection is right, at the request of the Dominion government transmitted through Mr. McFarland—I think it was an instruction.

I think I should not use the word "request." It was an instruction, I think. The October future was not opened until the middle of August. I think those instructions were given around the beginning of January, 1935.

*By Mr. McLean:*

Q. Would that have a tendency to make it easier or to complicate the dealing in grain that then existed, when there was no market later than July in which to transfer it?—A. Personally, I do not think it made any material difference for perhaps the first three months of the year, January, February and March, and perhaps not very much for April. It would make some in April. After that, I think it made some additional difficulty for exporters and other people with wheat out of position. To what extent I do not know, but I think it would make some.

*By Mr. Donnelly:*

Q. Did you have an August option then or a September option? Otherwise you would have no months to transfer your option?—A. There was an August option last year. I do not know when the August option came on the board, but those price books I have here will show it, if you want that information.

*By Mr. McLean:*

Q. During the latter months of the crop year it would make it more difficult, in any case, to deal in grain?—A. Well, to the extent of whatever deterrent effect it had, in my opinion it would affect the exporter more than anybody else.

Q. Quite so.—A. The exporter with a lot of wheat in Eastern Canada or some in Vancouver, in the month of June, having his hedges on that wheat, the wheat being out of position so that he could not, without shipping it back, deliver on his contract, would be nervous about his position. He would be in the position that he would not know what the holder of the July contract was going to demand from him when July came, and if he had a lot of wheat out of position he might be feeling rather uncomfortable about it.

*By Mr. Donnelly:*

Q. The wheat being out of position as you say, would there be a tendency on their part to take wheat in Fort William in case they had to cover it?—A. Well, if they were seriously afraid of their position in July, their tendency would be to clean up any cash wheat they had out of position, perhaps. The tendency, I think, would be to limit business. But how much the tendency would be, I do not know. That would be a question of the individual judgment of the exporter.

Q. If there had been any sort of chance, that would have been the time to bring them up, to close down on them, make them come to heel?—A. Well, there would be an opportunity then.

*By Mr. Leader:*

Q. In delaying the opening of the option, such as took place last year in regard to the October, do you think it would have any effect on the price of cash wheat when it was put on the market?—A. Oh, Mr. Chairman, I think I would not care to express an opinion on that. There are so many things affecting the price, I think it would be impossible to say what effect that would have on the price.

*By Mr. McNiven:*

Q. Were there any fluctuations in the price that could be attributed to the fact that the October option was not shown, was not quoted?—A. I do not remember whether there were any or not. I do not remember.

[Mr. James R. Murray.]

*By Mr. Perley:*

Q. The price was really stabilized by the operation, was it not, up to the time of the board of last year taking over?—A. Well, that is a little different question, Mr. Perley, from the question being asked about the effect of the October. The last questions were in connection with the August future and the October not being on the board. I think that brings up a different point. I do not think the October option not being on the board or the August option just being on by itself for a while would be any particular help in stabilizing it.

Q. You mentioned a minute ago that the effect of the October not being on the board might have a tendency to make the dealers clean up their cash wheat. What did you mean by that?—A. Sell it, if they could.

Q. Why would they sell it if they were holding? If they had sold the option and would likely have to deliver on the option, why would they sell their cash wheat?—A. Well, you will remember yesterday I think I explained that there was only 96 million bushels total capacity at the head of the lakes, the delivery point for the options; and speaking of the man with wheat in Churchill and a hedge in the option in Winnipeg option, whether it is May option or July option or what it may be, the only way he could deliver his wheat from Churchill would be to ship it down, paying the freight back from Churchill, someone having already paid it up there, to ship it down to Fort William; from Vancouver the same; for all wheat in eastern Canada, the same. Of course, there is not enough capacity at Fort William to take care of it. So that if he is an exporter with wheat in a forward position, putting it there so that it will be easier for him to do export business when that business shows up, he leaves his hedge, of course, in the Winnipeg option. That is the only place he can leave it. And he expects that he will either transfer that hedge within the month if he is not successful in cleaning up his cash wheat, or that when he sells some cash wheat he will be able to buy in his hedge.

Q. The whole thing in a nutshell is that it is practically a physical impossibility. It would have been. And not being able to do that, there would have to be a settlement made with the party holding the long wheat. Is that not really it?—A. Yes. If the party holding the long wheat did not want to transfer the long wheat that he was holding out and transfer the hedges with the man holding the other end, there would have to be a settlement. That is exactly the point that Dr. Donnelly made—at least, as I understood the point—that if last August there were shorts or bears, speculative shorts or bears on the market, to a very large extent there was an excellent opportunity, or an opportunity, the doctor said, to make them settle. Was that the question, Dr. Donnelly?

Mr. DONNELLY: That was the question.

*By Mr. McLean:*

Q. Was there any unusual amount of settlement brought about by the board at that time or was the board in existence at that time?—A. The Wheat Board was appointed on August 14, 1935.

Q. Do you know from your records if there was any unusual amount of settlement of that kind made?—A. I have not looked at the records, but I never heard of any unusual amount. Yes, it was August 16 that the October future went on last year. That was two days after the board was appointed. I never heard of any particular amount of settlement, but I do not know the circumstances.

Q. There was another question raised this morning about Australia, or some Australian interests protesting against Canada selling her wheat freely late in the year last year. I was wondering if Australia had been associated very closely with Canada in previous years, if she had been following Canadian

policy or associating very closely with Canada in such a way that we were under any obligation to consult Australian interests?—A. Well, I do not know, Mr. Chairman, whether the Australians ever in previous years addressed any communications direct to whoever was in charge of our wheat operations here. There were, of course, the international meetings—I do not know the correct name of the committee—of the international wheat committee, where there were discussions. But I would not know if there were any direct communications from Australia to someone here in Canada.

*By Mr. Donnelly:*

Q. Was the price of their wheat out of line with ours last year?—A. Out of line in price?

Q. In price, yes.—A. I have some blue-prints that would give some information on that. I would be glad to file these, Mr. Chairman, if the members of the committee would be interested. It runs back, starting some place back in 1932. It gives comparative prices of our Atlantic No. 2 northern, and Australia and Liverpool price, and it runs along each month. On the blue-print is shown the prices c.i.f. Liverpool, showing the high point of our No. 2 northern c.i.f. Liverpool during each month, the low point and the average price, and then showing the premium or the discount on Atlantic No. 2 northern compared to Australia each month, the maximum premium, the minimum premium, and the average premium for the month. I do not know whether this chart can be seen from where members are sitting, but if you can see it it might be of interest. That white line which perhaps is clearer than the others is our No. 2 northern. This red straight flat line is the Liverpool future, December or May as the case may be. The Australian is the yellow line. A year ago January—here is the December, 1934. There is our line. Australia is here. You will notice back here that they both run very close together.

*By Mr. Coldwell:*

Q. What year is that, 1932?—A. 1932.

Q. You could not go very much lower?—A. That is, I think, a fair statement.

Q. Do not 1929 and 1928 both come close together also?—A. There, in the summer of 1933; we took a jump up in there in July of 1933. They did not make the same jump. They both stayed close together—December, 1933. In January of 1934 you see what it shows. Our 2 northern over Australia  $14\frac{3}{8}$ ; average  $10\frac{1}{4}$ ; and it runs along to practically January, 1935, when the average is  $22\frac{3}{8}$ . December is a little higher with the average about  $22\frac{1}{4}$ ; then, average  $20\frac{7}{8}$ ; average 18; average  $13\frac{1}{2}$ —that is in April at which time probably the greatest pressure of Australian selling was beginning.

*By Right Hon. Mr. Bennett:*

Q. What time was that; April, did you say?—A. April, when the Australian pressure was beginning. I am just suggesting that that is the reason. I do not know that that was the reason.

Q. Rotterdam shows pressure of Australian wheat. There is a reference to the flow of Australian wheat in their March report and arrivals would have taken place, and, as you say, our shipments would be likely to fall off.

WITNESS: The figures are down to the end of December.

*By Mr. Donnelly:*

Q. Is that December of last year?—A. Yes. I haven't got the December average. It has not been figured out. November is the last one which has been figured out here. I might say, with regard to this blue print, that I have kept

[Mr. James R. Murray.]

these figures myself for my own amusement or information, whatever you wish to call it, before that period. I have had it brought up to date from time to time. That was before I had anything to do with the Wheat Board.

*By Mr. Senn:*

Q. Are the grades available?—A. They would be different.

WITNESS: Would you like to have me file that with the committee?

The CHAIRMAN: All right.

WITNESS: The question was asked whether the grades were available. It includes the different classes of wheat. Theirs is a soft wheat.

*By Mr. Senn:*

Q. Are the values available?—A. The values vary on their soft wheat as compared to our hard wheat according to the supply of good soft wheat. There might be in the world a large supply of good hard wheat. I remember 15 or 20 years ago, I am sure it would be as long ago as that, some of you gentlemen would remember, those of you who have visited the west, one of the things that was a matter of quite frequent discussion among farmers' organizations in their annual conventions was why Australian soft wheat should be selling in Liverpool at a price higher than our Canadian hard wheat. The same thing used to happen with the Pacific Coast soft wheat. When that happened it was generally I think because there was a scarcity of the softer wheats in the world and a larger supply of the harder wheats, such as our own good Canadian.

Q. Well then, Mr. Murray, that heavy flow of wheat from Australia would have the effect on prices that they would naturally tend to be lower on that class of wheat?—A. If there was more offered than the market would take, yes sir.

Q. On the other hand there would be a greater demand for our hard wheat for blending purposes, wouldn't there?—A. If our wheat was held at a reasonable price, yes.

Q. And the tendency would be toward increased prices; it would make a greater demand thereby increasing prices and increasing the spread, would it not?—A. Well, yes, it would. It would have a tendency to do that.

Q. Would that then not account for part of the large spread in these months while the wheat was still coming in from Australia?—A. That might have some influence on it, but I would not think that that was the most powerful influence in regard to it.

*By Mr. Deachman:*

Q. Does not a bushel of Australian wheat make more pounds of flour than a bushel of Canadian wheat?—A. I do not know. I have heard that stated.

Q. At the time of the Turgeon commission that question came up, about Australian wheat being better than Canadian wheat in that regard. The discussion also brought out the information that there is considerable difference in respect to colour, that the Australian wheat was whiter in colour and that there were more pounds of flour per bushel. That was advanced at that time as an argument. I am sure that at that time the prices were higher. It was brought up on account of having been higher than in some years?—A. That changes. You might have a period of three years or even longer where Australian wheat would not be above our wheat, and you may have a couple of years when it was above our wheat for a period of half the year. It will depend upon the supply of different kinds of wheat in the world. There is one thing that should be borne in mind. In recent years I am told, and it has been generally conceded, and conceded by people who are in a position to speak with first hand knowledge, that the millers in the old country and in Europe have so changed and improved

their milling processes that they can use wheats in different proportions. I do not know what is the maximum proportion of Australian they can use with hard wheat. I suppose that would vary with some millers.

Mr. Ross: That chart which you show does not indicate that last year Australia was very exercised as to whether we sold wheat. It seems to indicate that they were selling without any consideration or whether we wanted to get out wheat on the market at all or not.

Mr. COLDWELL: Isn't there another factor in the situation? Last year at this international conference did not Australia combine in a substantial agreement with Canada on wheat selling policy; and Argentina was, if I may use the expression, "the bad boy of the piece".

Right Hon. Mr. BENNETT: Both the Argentine and Australia signed.

Mr. Ross: The Argentine sets the prices and Australia considers that Canada should co-operate. In acting as she did Canada becomes, as it were, "the bad boy of the piece," by refusing to co-operate. Isn't that the explanation? The attempt on the part of Australia to make some agreement with Canada, and then the Argentine having tried to reverse the policy and set a price of 95 cents approximately for the producers of that country.

WITNESS: I don't know what Australia's reasons were, just what was in their minds or what reason they would have, such as Mr. Coldwell mentioned; but, there is one thing that is a fact, they did sell their wheat a year ago and they did get rid of it. Now, it is true, the farmer did not have to stand the whole brunt of that, because he was getting assistance from the government. I do not know just what degree of assistance he got a year ago. However, the fact is that no matter what agreement they sign they did sell their wheat. I know the Argentine people did the same thing.

Mr. COLDWELL: I was going to make that point, about Argentina pursuing that policy and Australia being forced to follow the same policy; then the Argentine drops out and Australia looks at Canada to assist, and we have adopted a policy of selling wheat at competitive prices, which some people interpret as being "fire-sale" prices.

WITNESS: I wonder, Mr. Chairman, what would have been the effect a year ago if the Australian people, being convinced of the desirability or perhaps even the necessity of keeping the prices up had said, we won't sell, we won't follow the Argentine plan. Just let them do it—if they had done that I suppose they would have sold a lot less wheat, and they would have helped world prices perhaps. Or, more wheat might have been brought out from Russia or some other place. Price will bring wheat out. There is 800,000 tons, which would be 30,000,000 bushels, of wheat in Jugo Slavia which has been there for months and it has not found its way into export channels yet. That is three or four week's supply at the rate the world is taking wheat. I don't know whether a ten cent higher price would bring that out or not. The great importing countries know it is there. It was price which brought the Portugese wheat out. Of course, the Australian people got a higher price for their wheat by a good deal than we are or can.

*By Mr. Perley:*

Q. During that period, 1934-35, when they were still practically a month away did not Canada maintain its position in supplying the world's import requirements? In fact, we supplied a little larger percentage of the world's import requirements than we had done over a period of say five or ten years?—  
A. No. Mr. Chairman, there are some mistaken ideas and mistaken figures in regard to that, which are the result of perhaps not the very best method of keeping our records or statistics of export.

[Mr. James R. Murray.]

Q. The wheat conference in London brought that out?—A. I am still afraid that I will have to differ from the wheat conference, in this degree at any rate, that the percentage over the whole world—perhaps I should not say that—it may be true, but even if it is true the figures and facts are there to show that in certain importing and consuming countries Canada had lost a lot of ground in the last few years.

Mr. PERLEY: Certainly, in France and those countries that were increasing their production.

*By Right Hon. Mr. Bennett:*

Q. Have you seen the figures issued by the British Board of Trade on the imports from Canada in relation to their total imports from 1919 to 1920?—A. I do not know whether I have seen those particular ones or not, Mr. Bennett; but there are some figures. I thought the matter might come up later in a different sequence.

Q. I have the British Board of Trade figures which were recently issued?—A. The British Board of Trade figures, or the British customs figures, I think that was what I had in mind. They will be the same thing, would they not?

Q. They might be?—A. Yes, I think they would be. There is a difficulty in connection with these figures, because previous to 1932 they did not keep them; that is, previous to the agreement with respect to preferences.

Mr. COLDWELL: You mean, the Ottawa agreements?

Right Hon. Mr. BENNETT: Yes, to draft out figures with respect to total imports.

WITNESS: Yes, but they did not keep figures of imports of Canadian wheat separate in this respect: A lot of the Canadian wheat went to the United Kingdom and Europe in those days through United States ports, and the British customs did not bother keeping separate as Canadian wheat what went from United States ports.

*By Right Hon. Mr. Bennett:*

Q. My information is to the contrary. The figures recently supplied by the British Board of Trade in a statement since 1919-20 of the quantity of Canadian wheat that went into the United Kingdom and the percentage of their total importations that came from Canada up until 1923 included the figures of importations of the Irish Free State, and I was going to ask you if you had those figures, because they are now public. I propose to direct your attention to them presently, but they give the complete percentage of Canadian wheat that was imported into the United Kingdom—their total importations—during that period?—A. Right down to 1935?

Q. Last year's crop. They imported 100,950,000 cwt. Imports from Canada into Great Britain, 34,947,298 cwt. or 34.62 per cent of the whole?—A. Those are the figures which show taking the last ten year period.

Q. If you take the year before the percentage was 34.35 per cent, the year before 50.11 per cent, the year before 25.67 per cent, the year before 25.47 per cent, the year before 22.73 per cent, and so on. I can give them all to you if you like to have them?—A. I have those figures. They would include the figures for the past ten years, but what I have in mind—I know the statement was made by somebody speaking out west in the last few months about the wheat situation—the statement was made that during the past five years Britain had imported about 34 per cent, I think, of her requirements from Canada as compared to about 33 per cent for the previous five years. Whether those percentage figures are right or not, they imported a larger percentage of their requirements during the past five years than during the previous five.

Q. That is true. It was in consequence of that that these figures were obtained—in consequence to a difference of opinion with respect to it; but these are the Board of Trade figures, as I have indicated. Whether or not they are completely accurate or not I cannot say; I am giving them as they came from the Board of Trade in Great Britain?—A. Yes. I had some suggestions that I hoped the committee would give me an opportunity to make about that after we were done. But in connection with this point, I suppose it has a bearing on these figures, Mr. Bennett. You know of the particulars given by the Bureau of Statistics in their preliminary report for 1934 in regard to that.

Q. Well, I do not carry it in my head; I saw it.—A. There are corrections in there in regard to this matter.

Q. Yes, I know.—A. And those Board of Trade British figures are wrong and the deductions are wrong.

Q. No. These are figures just recently obtained in consequence of the dispute that took place, and they are supplied by the Board of Trade as indicating the exact number of hundredweights imported from Canada from 1919-20 to 1934-35. I said, you remember, that in 1932-33 they took from us an enormous percentage of their requirements amounting to over 50 per cent—as a matter of fact, 50.11 per cent—which is the largest we ever had in our history that went to the United Kingdom?—A. In giving those figures, I think—I have no doubt that the statement is correct, Mr. Bennett, but they gave you those figures as the wheat imported from Canada, but are they all imports of Canadian wheat?

Q. No. The importations of Canadian wheat. Oh, yes, this is to cover just that point. These are importations of Canadian wheat. It made no difference how it arrived there, but it was Canadian wheat.—A. They knew it was Canadian wheat?

Q. That is what they supplied as the answer to the inquiry made direct.—A. Well, they are quite contrary to our Bureau of Statistics figures.

Q. I think not, Mr. Murray. I do not want to get into a discussion about it here, but I think the Bureau of Statistics was dealing with a situation that had to do with the continental requirements. For instance, I know of my own knowledge that our minister in France sent a cable over saying the number of bushels of Canadian wheat France had bought was entirely at variance with our reports of exports for two reasons, one, because part of the wheat went from the United States, as you have said, and secondly, because substantial quantities of the wheat were consigned on order to Great Britain and subsequently sent on to the continent and went on to France. You know the custom?—A. Shipped for orders.

Q. Yes. For instance, we sold 36,000,000 bushels of wheat to France according to Mr. Roy's report to us and according to the French figures. According to my memory our figures showed that we had not sold 20,000,000. I was greatly impressed to hear that they bought 36,000,000 from us. It was at the time we were negotiating the agreement, and their contention was that they were buying from us more than we gave them credit for. I can get those figures for you.

*By Mr. Ross:*

Q. Would it be possible to get the correct figures of Canadian wheat that had been shipped to Great Britain for the past ten years, and also the amount of Canadian wheat that went through American ports to Great Britain in the last ten years and the amount of American wheat that went through Canadian ports to Great Britain for the last ten years?—A. I understand that it is contained in the preliminary report of the exports of Canada for 1934—the Bureau

[Mr. James R. Murray.]



of Statistics—in those corrections that they have made to the very best of their ability, and I have certainly no reason to doubt that they have the ability to do it accurately. Just what do you want, Mr. Ross? They deal with it on pages 18, 19 and 20 of this report.

*By Right Hon. Mr. Bennett:*

Q. The final report for 1934 has been issued; that is the preliminary?—A. I have not got the final, but they deal with this. I do not know whether it would change the figures or not.

Q. Yes. I know what you mean?—A. They give an explanation on pages 18, 19 and 20 about the discrepancies.

Mr. Ross: What is that?

WITNESS: The 1934 report.

Right Hon. Mr. BENNETT: The final report is now issued.

WITNESS: If I might read from the top of page 19:—

Canada's declared exports to the United Kingdom do not represent the actual amount of Canadian products received by the United Kingdom from Canada, the British imports being much less than the Canadian exports prior to 1933. The discrepancy is due in large measure to diversion of Canadian grain, especially wheat, from its original destination, the United Kingdom to other destinations, chiefly continental Europe.

And they go on dealing with it on page 20. There is a table making these corrections. The table we have here shows up to 1933, but I asked my secretary on the Wheat Board who worked in the Bureau of Statistics for some time to get the figures up to date for me. They do not show the same result in regard to the last ten years importations into the United Kingdom. As a matter of fact, what they do show is that in the five years from 1930-31 to 1934-35 inclusive Great Britain imported 53,000,000 bushels less Canadian wheat in the last five years than in the previous five. They show figures here on a calendar year basis, and we got them broken down to a crop year basis. They show very closely the same on a crop year basis as on a calendar year basis, but they show definitely less, and the discrepancy is still greater when you consider that previous to certain years Great Britain was importing a lot of United States wheat which, of course, they have not done in the last few years. For instance, I think the figures checked up in any way you wish will bear out the fact that in the years 1930-31 to 1934-35 Britain imported 135,000,000 bushels less wheat from the United States—that is United States wheat, not Canadian wheat going through, but wheat grown in the United States—than they had in the previous five years. If the Bureau figures are correct we not only shipped less to the United States ourselves in the last five years, but we did not get any of that.

Right Hon. Mr. BENNETT: Colonel Ralston gave us that. He endeavoured to make that point last year, Mr. Murray, and in consequence of part of that these figures were obtained from the British Board of Trade.

WITNESS: I have some figures from some smaller countries, it is true, but as this question has been raised I will take them. Take Belgium, Holland and Switzerland—and these are somewhat interesting figures—these countries import about 90,000,000 bushels of wheat a year. They did that five years ago. I think for the last year it is down to about 75,000,000. But just take a few figures by way of contrast. In 1930 Belgium imported altogether forty-four and a half million bushels in round figures; 6,027,000 from Canada; 10,470,000 from the Argentine. In 1935 they imported 38,697,000 bushels; from Canada 9,280,000 bushels. That was an increase of over 3,000,000 bushels for us; from the Argentine 22,625,000 bushels, an increase for the Argentine of 12,000,000 bushels, just over 12,000,000. Take the percentage figures. In 1930 we supplied 13·6

per cent of their requirements, in 1935 24 per cent of their requirements. The Argentine in 1930 supplied 23·6 per cent of their requirements, in 1935 they supplied 58·5 per cent of their requirements. Now, take Holland. I have not got the figures for 1930. I have not got them previous to 1931, because, if I recall, these have come through the trade commissioners and the Department of Trade and Commerce. In 1931 Holland took 2,940,000 bushels from us; from the Argentine 2,954,000 bushels, just about the same amount, each 10·3 per cent of Holland's takings. In 1935 they took 3,560,000 bushels from us, an increase of 600,000 bushels. They took 11,638,000 bushels from the Argentine, an increase of a little less than 9,000,000 bushels. The percentages are as follows: In 1931 Canada and the Argentine each supplied slightly over 10 per cent. In 1935, Canada supplied Holland 18·3 per cent, and the Argentine supplied 59·8 per cent. Take Switzerland, which is just a small country, but it does import wheat, and in these days when it is so hard to find markets for wheat, a market, though it is small, should not be neglected by Canada in my opinion. In 1931 Switzerland imported 20,500,000 bushels of wheat; Canada supplied 8,678,000 bushels; the Argentine supplied 1,882,000 bushels. In 1935 their total imports of wheat were down slightly, 17,640,000 bushels. We supplied 2,107,000 bushels; the Argentine supplied 8,056,000 bushels. Take the percentages. In 1931 Canada supplied 42·3 per cent of Switzerland's requirements, the Argentine 9·2 per cent. In 1935 Canada supplied 11·9 per cent—we had dropped over 30 per cent—the Argentine supplied 45·7 per cent—they had increased 36 per cent.

*By Right Hon. Mr. Bennett:*

Q. Of course you know the reason, Mr. Murray. You are familiar with the reason, I take it?

MR. DONNELLY: They say they are buying from those countries that buy from us, the consul told us.

*By Right Hon. Mr. Bennett:*

Q. That is not the fact at all. The fact is exchange had to do with Switzerland. Switzerland is on the gold standard. It is purely a question of exchange. The Argentine manipulated their exchange and Switzerland was carrying under what they called one of those agreements that they have made with the Argentine in connection with exchange.

MR. DONNELLY: I read a report in the house from one of our Canadian consuls in which he said that Switzerland said they were buying from countries that buy from us, and they were not buying Canada's wheat.

WITNESS: Substantially that is the view, as expressed by Mr. Donnelly.

MR. DONNELLY: They said, "We are buying from those who buy from us."

WITNESS: Wheat can only be imported into Switzerland through a permit or licence given by the government. I saw a dispatch the other day, whether correct or not, that a deal had been made between Switzerland and Chile; that Chile was taking a quantity of machinery from Switzerland and were going to supply wheat in exchange.

Right Hon. Mr. BENNETT: The same arrangement exists between Switzerland and the Danubian countries and Italy in regard to machinery and watches.

WITNESS: I am quite sure of this, in connection with what Dr. Donnelly says, that our wheat board would have a lot better chance to sell wheat to Switzerland if we took more of their goods.

*By Mr. Coldwell:*

Q. Is not that a very good argument for the suggestion that we should export and import through national boards, the wheat board to handle all our wheat and exchange commodities abroad.

[Mr. James R. Murray.]

Mr. DEACHMAN: There should be a basis of exchange between the two, instead of trading on a triangular basis.

Mr. McLEAN: We have been doing that for five years now.

The CHAIRMAN: We had better not get into that.

WITNESS: I have figures, Mr. Chairman, for a later point, in connection with some suggestions, and I should like to leave them until then. They are suggestions in connection with our problem of the future, I should say. I think the finally checked and corrected figures will show that we have not held our own in the British market in regard to wheat.

Mr. McLEAN: Figures in regard to China and Japan?

WITNESS: Yes.

*By Right Hon. Mr. Bennett:*

Q. Have you the latest figures for Japan? Japan has been working on a five year plan looking towards providing 50,000,000 bushels of wheat, which would meet their entire requirements. The last estimate from Japan indicates they are producing this year somewhere between 45,000,000 and 47,000,000 bushels and will require nothing from imports. That is the Japanese situation.—  
A. They have been buying some wheat, a little, probably for milling and re-shipping.

Q. They import our milling wheat and are selling the flour abroad.

The CHAIRMAN: They do not produce it in Manchuria?

Right Hon. Mr. BENNETT: Japan shows that as part of their government statement. They had a five year plan. I think you will find that in one of those Rotterdam lists, or one of the others, in which the details were given. They have been working on a five year plan which was designed to produce 50,000,000 bushels of wheat; and as a matter of fact they now place their estimate at 48,722,000 bushels.

Mr. McLEAN: They are probably going to get it from Manchuria.

Right Hon. Mr. BENNETT: No; that is their estimate this year of their production, the Japanese production available for domestic requirements. I do not know where it comes from.

Mr. Ross: That is one of the things we ought to find out, why these people are doing these things.

Right Hon. Mr. BENNETT: I took that from the report I have just read. I have here the Searle Grain Company Limited Grain market features under date of April 8, 1936, in which they say:—

In 1885 the United Kingdom imported, in the form of wheat and flour, the equivalent of approximately 154,000,000 bushels of wheat. During the previous year, 1884, the first shipment of wheat was made from western Canada to Great Britain by the all-Canadian route, and consisted of 1,000 bushels of No. 1 hard. It landed on the docks at Glasgow exactly 21 days out from Brandon. This was probably the second shipment only of wheat from the Canadian west to Great Britain, the first shipment having been made on October 17, 1887.

It is interesting to note that during this past crop year, 1934-35, Great Britain imported a total of 210,000,000 bushels of wheat and flour, of which Canada supplied the equivalent in wheat and flour of 76,000,000 bushels.

That is the figure I have given, 34.62 per cent of the whole. This extract is taken from the Searle Grain Company Limited report.

WITNESS: That is for the last year.

*By Right Hon. Mr. Bennett:*

Q. 1934-35.—A. Yes. That, of course, would be absolutely correct and would be in agreement with the figures of the Bureau of Statistics for flour. That does not cover the point of the first five years, and of the past ten when our exports of Canadian wheat to Britain were much bigger than are shown in any British customs figures or in our own statistical figures that have been published previously. The correction of our Bureau of Statistics shows that we supplied less wheat to Britain in the last five years than in the previous five.

*By Mr. Coldwell:*

Q. Less wheat for domestic consumption, or less wheat for the British import market? They are two different things. I know that, and it is important.—A. The British import market would be the domestic consumption; they use it there.

Q. Yes? But a good deal of wheat used to be re-exported from Britain.—A. But it appeared in their trade returns. Now, I was thinking of the figures you were quoting a moment ago.

Q. Mr. McLean quoted a figure of 34 per cent showing an increase of the previous five years on the wheat actually consumed in Britain of Canadian origin?—A. I think you will find if you will look over the last ten years or more, there has been very little variation in the importation of wheat into Britain. It runs between 200 and 225 million bushels a year. I think it will average 225,000,000 bushels, the imports of wheat and flour.

Q. I was thinking of wheat actually used in the British loaf. We have supplied a larger percentage during the last five years than in the previous years?—A. I do not know how you can determine what is used in their loaf. My point is in the ten years there is no variation in their total imports.

Q. We are speaking more or less at cross purposes. I am speaking of wheat used in Britain, and you are speaking of the total amount which passes through British ports, some for transshipment.—A. No, not for transshipment. That is not an import. I am thinking of the British flour trade who import wheat and re-export that wheat in the form of flour in the last few years, as they did in the first five years of the last ten. I am quite certain our Canadian millers know it. They have taken a lot of markets away from Canadian millers because they have undersold them.

*By Right Hon. Mr. Bennett:*

Q. The West Indies?—A. And other markets. To this extent, Mr. Coldwell, in the calendar year 1935 the Canadian milling industries exports of flour were the smallest in barrels that they had been since the year 1911: A large part of the reason was that they could not compete, considering the relatively high prices. I won't call 80-cent wheat a high price for wheat—at least I won't do it inadvertently, if I can help it. The relatively high price they had to pay for their raw material, let me put it that way, as compared with what the British miller could buy wheat for in a lot of other countries in the world to make his mix, put them out of business. The Canadian miller could not stay and compete. That is to me some evidence, at least, that our price was considered relatively high. Compared with other prices it was considered at a rather too high premium.

*By Mr. Coldwell:*

Q. Of course that argument is an argument more or less of despair, because it means if we are going to accept that as a fundamental, then we have to continue to try to produce wheat at a tremendous loss and reduce our producers to a state of peasantry.—A. I am not making an argument; I am making a statement of fact.

[Mr. James R. Murray.]

Q. I say, if you accept that as a statement of fact, then we must be satisfied, fundamentally, with market conditions as they are.

Mr. McLEAN: No.

WITNESS: I have a chart here on the Argentine and our No. 2 Northern c.i.f. Liverpool, and if it would be of interest to the committee, I shall produce it.

*By Mr. Donnelly:*

Q. Is it not a fact, Mr. Murray, that before 1930 the price of Australian wheat was practically on a parity with our No. 2 Northern?

Right Hon. Mr. BENNETT: No. 2 Northern?

*By Mr. Donnelly:*

Q. Yes, No. 2 Northern before 1930.—A. No, I do not think it was on a parity all the time; it was fluctuating.

Q. There was not very much of a fluctuation, a little one way or the other, a few cents, but nothing to the extent it is now.—A. I have some figures somewhere. The figures were not copied and published daily the way they have been for several years past. I have some figures on Australian and our wheat, c.i.f. Liverpool. You had to take out certain cargoes ahead for a period of ten years. I have not that here.

*By Mr. Coldwell:*

Q. In comparing Australian with Canadian you must not lose sight of the fact they manipulated their exchange; their producers got more in the local currency throughout. You must not forget that?—A. Whether producers got more or less has not got a single thing to do with the problem of the sale of the wheat when the government becomes the owner of the wheat, because the government can give the producer in any country—I am not just talking about Canada alone—the government can give the producer any price they like for the wheat and take it all. The question becomes then what is the sound policy for the country in the sale of the wheat. Is it a sound policy to sell it in competition with other wheats at some reasonable parity, or is it a sound policy to hold that wheat in the bins and wait for Providence to come and destroy crops some place else in the world to let you out?

Mr. COLDWELL: I know the point we are discussing now is really one that does not come within the control of the wheat board. I am sure that is a matter that will have to come up perhaps some time when we are discussing the wheat policy. It really does not come under the purview of the exchange and all the rest of it.

Right Hon. Mr. BENNETT: Might I continue, Mr. Chairman, where I left off this morning, for a few minutes?

The CHAIRMAN: Yes.

*By Right Hon. Mr. Bennett:*

Q. I said that the Australians had protested. Perhaps the word "protested" is too strong. The memorandum which they circulated was that the Farmers and Settlers' Association of New South Wales, in conjunction with the co-operative companies and the wheat pools of the wheat exporting states in Australia, made representations to Mr. Massey, the Canadian High Commissioner in London, on the subject. They then said that they had submitted to him that the wheat pools and co-operative companies considered that the Canadian selling methods were having a very adverse effect on the market, and suggested that by steadily advancing prices it would stimulate demand and reinstate confidence; and that broadly speaking, Canadian and Australian

wheats were not competitive—I did not know anything about this—as each was of a particular type and that, in view of the exceptionally strong world statistical position, with Argentina off the market and Australia and Canada the only principal exporters, it was a very favourable opportunity to put the proposed course of action into effect. The Association said in London that they had been informed that these representations were being passed on to the head office of the Canadian Wheat Board in Winnipeg, but the reply had not then been received. The London agents of the Australian co-operative companies expressed the considered opinion that an arrangement between the two Dominions would probably bring about an immediate improvement in the market of two to three shillings per quarter, or about four to five pence per bushel. That is something of the same statement made by the Rotterdam brokers in their grain letter. I suppose that you can, from your files, give us the representations that were made by these wheat producers in Australia through the High Commissioner to your office. I think the word “protest” was perhaps an inept word to use. They merely made representations, and I was curious to know just what those representations were as they reached you, and you told me you would get them for us later?—A. I have here, Mr. Bennett, the cables that were exchanged direct.

Q. With whom?—A. With Mr. Tilt, of the Victorian Wheatgrowers, Melbourne, Australia. The first was a cable sent by Mr. McIvor on February 5, reading as follows. As far as the other ones are concerned, any other ones, I would prefer to discuss them with the minister to whom we are responsible before undertaking to produce any that may have passed.

Q. You see, Mr. Tilt is an individual sending a telegram to one of your board. What I was dealing with was the official representation?—A. It is connected with it.

Q. Is it?—A. Yes.

Q. It was the New South Wales representative in London and the wheat pools. Is this the Victoria wheat pool?—A. The Victorian Wheatgrowers. They were all in consultation and discussion.

Q. They are a different organization. Some states have wheat pools in Australia and some have not?—A. Yes. Well, they were all interested in the same way. They were all in the same way and same degree interested in our welfare as well as their own.

Q. Quite so. That is the ground they put it on?—A. Yes. I shall read the first cable, if I may. The date is February 5, 1936, and is as follows:—

Australian exportable surplus 90 million bushels of which 40 committed including four to Orient. Export flour requirements probably absorb further fifteen.

That is, a further 15 million.

Think impossible for serious pressure to sell from Australia. Please give cable sent to Massey London earnest consideration. Price does not affect United Kingdom requirements.

That was on February 5. On February 6 our board replied by a cable sent by Mr. McIvor, as the first cable had been directed to him, and I believe he knows Mr. Tilt personally. We replied on the 6th as follows:—

Thanks your message also have copy Massey cable note Australian state pools co-operatives think market should be higher. Personally can understand opinion in view your strong position account small amount Australians available export next ten months.

Ten months they had left.

Continued offering Australians March shipment at heavy discount under February seems contradiction cable to Massey and market views expressed—

[Mr. James R. Murray.]

Meaning their market views.

—and cannot understand. Suggest in view available world supplies Canada getting moderate share world shipments.

We received in reply on February 9 a cable as follows:—

Present February-March offerings largely resellers.

That means—

Q. People who had bought wheat already?—A. People who had bought the wheat and were reselling it, dealers.

Q. Yes?—A. Continuing with the cable:—

Farmers not disposed sell below equivalent thirty-one shillings even then sparingly. Australian offerings could not impede advance. Think advanced price Canadian would advance Australian accordingly and would not restrict your sales.

Those are the ones that we exchanged. In regard to some other ones, as I say—

Q. I quite appreciate your point.—A. —I would wish to discuss the matter with the minister of the government to whom our board is responsible before supplying any of those. But there is enough in this and in what Mr. Bennett has mentioned, I think, to indicate or to make it clear that the committee would require some further information in regard to this matter. I will just speak individually as one member of the wheat board, if I may for a few minutes, in regard to this. I will express a personal opinion, and I will express it, if I may, as a trader in grain, a seller of grain. If I could divorce myself from my position of responsibility to the government, it might make it easier. But why one seller of grain, having, according to his own word, a very small amount of wheat available for export over the ten months before he has another crop on his hands, should say, before he will attempt to back his judgment that the statistical position is very strong and that he will be justified in holding his wheat for a higher price, that he must get help from the other holder of wheat who has about—well, going on towards 300 million bushels of wheat available for export, enough to supply all the world requirements before that other holder's new crop comes along, why he should ask the gentleman with the heavy load to back the judgment of the man with the small load, I do not know. I think if I had a small load of wheat and ten months in which to sell it, and I believed that the statistical position was strong, I would not undertake to say to a friend of mine, "Now, Bill, you have got probably six times more wheat than I have and we are both selling it in the same markets. We are both good friends. In fact, we are distant cousins. But, Bill, while I believe this thing is going up and this statistical position is very strong, I want you to hold your wheat first. If you hold yours for a higher price, then I will do it." I would think there was something wrong with me personally if I put that up to Bill. If my case was strong and I thought I was right, I would take a chance and hold it for a while first. I would certainly be in a better position to do it. Neither would I say to Bill that I do not believe the price of this wheat—price does not affect requirements. I do not think I would put that up to him as an argument. I do not think I would tell him that both of us could get together and get 10 cents more or 20 cents more, that the people in the United Kingdom would not care. I do not think I would. As a matter of fact, we avoided any reference to that in our cable in reply. We did suggest that we were getting a moderate share of the world shipments. So we have been, considering the quantity we had available. We did suggest that there was a contradiction in the position that the people took who had cabled to us. We did suggest that we could understand their view and we hoped that they would have the courage of their convictions, that they would hold their wheat and not try to get rid of this relatively small exportable surplus that they had, not try to get rid of about 90 per cent of it

before the 31st of July next. Where is the soft wheat in the world going to come from in August, September, October and November next? Perhaps there will be a lot from the Pacific coast. I do not know. But they certainly had a relatively small quantity. With those cables exchanged, early in February, some information—because quite evidently we are under fire for following our own judgment in regard to the matter rather than following the judgment of the Australian gentleman who, as I said, had so very much less wheat to sell than we had.

Q. Mr. Murray, I think it is only fair to point out that that is hardly the correct way to put it. It was not the Australian gentleman. It was the co-operative pools of Australia and the farmers' association of New South Wales that made representations to Mr. Massey.—A. Well, we heard from Victoria.

Q. Mr. Tilt sent a telegram from Victoria, which is a small producing state, to Mr. McIvor?—A. Yes. But he asked us to get the cable that had been sent to Mr. Massey and asked us to consider it and we referred to it in our reply to him. It is true that the market has gone lower, for which there are various reasons, some of them being growing crops. But it has been interesting, and it was particularly interesting to me to note about this time, these cables having been exchanged and it having been put up to us in the way it had been, some of the market comment coming from the United Kingdom. Broomhall in his market comment of February 11—and I am not going to read long extracts, just short ones—says:—

“Holders of Australian parcels and cargoes are very anxious to liquidate and all positions at Liverpool ruled weak.” On February 18:—

“The value of parcels quoted c.i.f. Liverpool yesterday were mostly higher with Australian prices now  $5\frac{1}{2}$  cents under Two Manitoba, February shipment.” They were at a bigger discount under us.

The same day: Liverpool—renewed liquidation in March affected the entire market, Australian shippers are keen sellers.

February 20: The No. 2 Manitoba-Australian spread yesterday was  $5\frac{1}{2}$  cents per bushel.

*By Right Hon. Mr. Bennett:*

Q. What is the date of that, please?—A. February 20.

Q. That is what I thought it was. It was in February; long after the 17th of January?—A. To replace wheat storage, I think I stated.

Q. Yes?—A. Early in February.

Q. Early in February?—A. The same happenings in the market within two or three weeks, or four weeks after that; I am referring to the same happenings in the market for two or three or four weeks after that. That is what I am referring to, and I am referring to it so that the committee may have a picture that about the time and shortly after the time that there was such a strong desire that we hold for a higher price from people in Australia—and I do not wish to be or even seem to be critical or fault finding with them, but I do not agree with their view—I am quoting what was happening afterwards. “The spread,” and I quote again, “on No. 2 northern, the Manitoba-Australian spread yesterday was  $5\frac{1}{2}$  cents a bushel. Early this month the spread was  $2\frac{3}{4}$  cents, so that Australia appears to be willing to break prices to get the business.”

Q. That was after the cable reply was sent and the answer given in London?—A. I quite realize, Mr. Bennett, that it is open to interpretation, that this happened because we did not enter into an agreement. I quite realize it is open to that interpretation. I realized that before I started to read these extracts. I would like to add this in regard to it, if the figures of the grain bookings from Australia previous to the times at which cables were exchanged are checked it will be found that they had very large freight commitments made for carriage of wheat which they were going to put afloat, some of it sold and some of it unsold. After a lot of it got unsold the cables started to come to us.

[Mr. James R. Murray.]



To go on with the quotation: This is an extract from February 24, Broomhall comments stating, "Australian arrivals are of good quality and shippers are receiving about 3d per cental on most tenders." That is, on the futures in Liverpool. "The standard for this crop has been fixed at 63½ pounds for western Australian wheat against 62½ pounds last season. Our agent"—that is, their agent in Australia—"cables recently that shippers were anxious to unload, but that farmers were not pressing sales." We again hear that the farmers are not pressing. I read a letter some time in the last two days before the committee from a well-posted gentleman in Australia which stated that 75 per cent of the wheat had been sold by farmers, so a tremendous amount of this wheat was in the hands of the dealers. I would just like that to be kept in mind, it was the dealers—and no one could blame them—it was the dealers over there. And in that I would include the pools over there because they are dealers in wheat to the extent that they have wheat to sell out of the country. To meet what Mr. Coldwell suggests—and I am not going to make any comparisons and I do not want to say anything that might be construed as a criticism of our friends in Australia—if our board is being criticized, although it is not a severe criticism yet it may be and possibly will be; when our board is being criticized for not having immediately rushed into the suggestion that was made to us, then I think our board is entitled to speak frankly; and if we think that the dealers or the people over there, pools or otherwise, did over estimate what the market would take of Australian wheat in their particular bookings and find themselves in an uncomfortable position, I think we are entitled to talk plainly about the facts, because talk can be plain without being offensive.

MR. COLDWELL: I quite agree with that; but let me say this, a moment ago I think the word "dealer" was used as applied to the pools. It was used loosely if applied to the pools in that way, because the pools are organizations of the producers themselves.

RIGHT HON. MR. BENNETT: They are co-operative sellers.

WITNESS: I believe that would include the pools, because they were "dealers" in that they were sellers of wheat.

Let me make this point before I quote any further extracts: The pools there I presume, the same as our pools here, would have a banking arrangement that would enable them to make an advance to their growers. I presume it is on that basis that they do business. Now, apparently the pools in Australia as well as the dealers in Australia were convinced that the statistical position was so strong that Canada and Australia could control the whole thing. I do not know whether they knew that all these other countries had so much wheat, or if they did whether they would have shipped so much wheat. Argentina tried this and shipped 50,000,000 bushels of wheat, as I mentioned this morning, in 19 weeks. If they were going to do that in the face of those conditions, then their judgment of the statistical position back in January was wrong.

RIGHT HON. MR. BENNETT: They did not ship it to Europe—

WITNESS: They shipped it to supply the 520,000,000 bushel requirement of world shipments.

RIGHT HON. MR. BENNETT: Broomhall's estimate was that, and it is not quite clear if that includes Brazil.

WITNESS: That includes Brazil every year—

RIGHT HON. MR. BENNETT: Yes, to the extent to which the exchange of coffee and wheat took place with Brazil.

WITNESS: Yes. But the amount that Brazil exchanges coffee of anything else has nothing to do with world shipments of wheat.

RIGHT HON. MR. BENNETT: It puts wheat into consumption.

WITNESS: Every bushel that leaves the country goes into consumption.

Right Hon. Mr. BENNETT: Yes.

WITNESS: The point I wanted to go back to was, the pools and the dealers believed that the price should be higher. The pools being able to make advances to their growers would feel that they had to sell wheat, and the pools being strongly of the opinion that the prices were going to be higher—because that is the only way that can be interpreted—the dealer might be forced to unload his wheat, perhaps at a very small profit or perhaps at a loss. Perhaps he had to hedge in Liverpool against his wheat for ten to eleven months ahead before the new crop would be available in Australia. That being the case it would be fair for our board to say that they should back their judgment and hold that Australian wheat, particularly in view of the fact that we were only getting a small share of the world requirements. Why shouldn't they do it? Why should they take up that position, that we should have to back their judgment for them? I don't think that is fair.

Mr. COLDWELL: We are discussing problematical things to the detriment of the pools. On the other hand it is just as feasible to suggest that they thought this was the particular moment when in view of the statistical position an agreement could be reached between Canada and Australia with the Argentine more or less out of the picture. That is the way it strikes me.

WITNESS: That is a quite, I was going to say "plausible" thing. I hesitated about the use of the word because I said I was not going to use any offensive words.

Mr. COLDWELL: There is nothing offensive in the word "plausible."

WITNESS: But I go back to my reference to the freight bookings which were made.

*By Right Hon. Mr. Bennett:*

Q. You mean, in Australia?—A. For shipment from Australia. The record will show the extent of that.

Q. There are some 20 or 25 shiploads from Australia bound for Liverpool now?—A. February 25 was the first date on which we were able to get them checked up accurately.

Q. What was that date?—A. February 25.

Q. Yes?—A. I would rather not just get off on those figures at the moment. I would rather go on with a few more of these extracts that will show us the happenings in the market.

Q. I was not endeavouring to confuse, I was only endeavouring to get the facts?—A. Quite.

Q. I am sorry that you think it necessary to go into this long explanation because it necessitates my having to draw attention to something else. I only want to have the facts. No one suggests that your judgment may not be as sound as that of somebody else. I was only endeavouring to show that it was a purely factual matter. There was a difference of opinion, that is all. I was not casting any reflections upon the wisdom of your judgment. I merely thought that it was important that the condition should be known. The reason I pointed out Australia's bookings was not so much for the purpose of obtaining their view of it as to show the effect it had on market conditions and balances. However, since you have brought the matter up possibly I had better refer to this market letter of the Rotterdam firm of Hermanos and Company, dated March 31, 1936, in which it is stated:—

Canada, however, is still dissatisfied with the rate at which sales, shipments and the reduction of the carry-over takes place.

[Mr. James R. Murray.]

Canadian exports in February have been the highest for this month since 1931, but we imagine these shipments of the last few weeks have been mostly execution of old contracts rather than fresh business. The quantity left on farms is estimated to be only about 18,000,000 bushels.

That agrees with your view.

If Canada is dissatisfied with the present position when she has only Australia as competitor, what would be her state of mind when she has to have to face again in addition the Argentine, Russia and other countries? Canada cannot expect to be able to satisfy 100 per cent of world requirements.

Experience of the last few months has shown that this is absolutely unattainable however cheap Canadian wheat may be. European millers cannot and will not use 100 per cent of Canadian wheat. Even to-day European millers are getting a bit surfeited with Canadian wheat, sometimes even so tired of it that they are longing to be able to use other qualities, however inferior they may be, and however relatively dearer as compared with Canadian wheat.

We have seen only recently that Belgium and even Dutch millers have bought Russian wheat of the lowest soft type, also inferior Portuguese wheat, Uruguay wheat and Plate wheat which would have been saleable last season at only 20 to 30 cents per bushel discount below say Manitoba No. 2 at prices above Manitoba No. 2 for Russian, Plate or Uruguay wheat, at only about 10 cents per bushel lower for the inferior Portuguese wheat.

We know it must be very exasperating for the Canadian Wheat Grain Board to hear so much criticism of the present policy, and some of this criticism is certainly unjustified, even unfair, especially when coming from the very people who criticized the holding policy of the previous board, but it cannot be taken amiss to point out to Canada in her own interest that the days when lowering prices meant correspondingly increased sales have gone.

Now, that is the European view of the board. Then, again:

Under present circumstances when so much of business possibilities depend not on price only but on consideration of politics, commercial reciprocity, general finance, etc., when the milling industry can use almost any quality of wheat, the quantities which can be sold at any price must be limited.

Any quality which is offered to excess will in time depreciate in value, and any quality of which there is a relative scarcity is able to command a scarcity value, irrespective of any intrinsic differences of value.

Surely Canada cannot wish to depreciate the value of her wheat down to the inferior soft European wheats?

What a change in the valuation of Canadian wheat already to-day when the Rotterdam option market is based on Manitoba No. 3 having been tendered in March whilst in previous seasons Danubian or low-grade Russian wheat has been the basis.

Very soon Manitobas will form the basis for Liverpool option market as well and no longer Australian.

Then, having discussed the matter further he proceeds with this paragraph:

Another reason, of course, is the possibility of a comparative scarcity of soft wheat, and a certainty of a plethora of strong Canadian wheat; whilst millers, therefore, might expect further reduced supplies of soft wheat, they are certain of being able to secure all requirements of strong wheat from Canada with the greatest ease.

The best proof for this is the fact that lately freight from Vancouver to the U.K. has become cheaper than to Rotterdam and Antwerp, we believe quite a unique phenomenon.

The CHAIRMAN: Who writes that, Mr. Bennett?

Right Hon. Mr. BENNETT: That is a letter issued by a firm in Rotterdam from which Mr. Murray read yesterday. He read a letter of an earlier date and I am reading from a letter of the 31st of March which gives the European view from the same people. Knowing it to be the firm which Mr. Murray himself referred to yesterday I read from it. He read a letter from a firm of his choice.

WITNESS: Not of my choice.

Right Hon. Mr. BENNETT: Well, of his selection.

WITNESS: Not of my selection.

Right Hon. Mr. BENNETT: Nobody asked you to read it.

WITNESS: Not because nobody asked me, but because reference had been made to it previously, and everybody that had anything to do with the business knew why. In fairness to our board, right at the moment when Mr. Bennett interrupted the information about Australian sales which I felt in fairness to the board should be put on the record—just at that moment I would like it understood that I did not intend to convey the idea that the criticisms coming to our board was all coming from Mr. Bennett.

Right Hon. Mr. BENNETT: Oh, no.

WITNESS: But when you interrupted me reading those extracts from certain market reports about Australian sales which, as I say, in fairness to our board I believe it is necessary should go on the record—just at the moment when we were discussing these Australian cables so that it will be easy—

Right Hon. Mr. BENNETT: We have not the file of the Australian matter before us; we have only the cables that came and were sent by Mr. McIvor the secretary.

The CHAIRMAN: It is all pertinent. I think now that it has been brought up it is only fair that we should have it.

WITNESS: I do not want to leave the impression that our board felt or thought that all the criticism was coming from Mr. Bennett, and it was not because of what he alone said, because other people have said things which are critical of our board. But I want to put this on the record. Now that so much of Mr. Hermanos' letter has been put on the record I would like to put right alongside of it one or two other things, and when I have done that I will go back to the Australian matter. He speaks about the dissatisfaction of the Canadian Wheat Board with their sales. I never met the gentleman, but he is a man of repute, and with regard to much that is in his market letters. While I do not always agree, I have no doubt that he is a man of high ability and standing. However, I do not know how he knows that the Canadian Wheat Board is so dissatisfied because I have never told him that we were dissatisfied, so that the information he expresses in his market letter to the effect that we are so dissatisfied with our sales is not justified, and he has no justification for making that statement. It has been agreed here by the committee that we are not giving these figures down to date, but lest the impression be given and go abroad as a fact that the Canadian Wheat Board are dissatisfied with their progress so far, let me say this—considered in a considered way—that is anybody had told me on the 1st of December that we could have lightened the load of wheat carried by the government in this country to the extent that we have done in 1, 2, 3, 4 months—make it four and a half months down to the middle of April—I would have said that it would not be possible.

[Mr. James R. Murray.]

Right Hon. Mr. BENNETT: I will put it the other way; it would be impossible to do otherwise if you sold it cheap enough and had a fire sale to get rid of it.

WITNESS: No. There is another comment. The gentleman makes this statement: he speaks about the continent being surfeited by Canadian wheat. I will say it is the first time for years that has ever happened.

*By Right Hon. Mr. Bennett:*

Q. Why not look at the letter. It is only fair to say he points out the carry-over in Canada and he expects it to be between 100 and 125 million?—  
A. Yes. Other gentlemen in the past have expressed expectations as to the carry-over. They were so far wrong that I do not want to take the trouble to tell these gentlemen from the continent because as far as we are concerned let me say that we are trying to sell wheat to people when they want to buy it, and we believe that is the time to sell a commodity—when you get somebody wanting to buy it. We hope they will want to buy enough of it, so that up to July 31 we will have got rid of the burdensome part of that millstone.

Now, he makes reference to the comparative prices of Portuguese and some other wheats being right on a par with ours. We were speaking, I think, this morning about what the millers used abroad—so much good wheat of a hard type, so much soft wheat, and then we spoke of filler wheats. I do not know what the percentage is, but if it will stand 10 per cent of a filler wheat and if I can only buy that filler wheat at 1 cent over some other wheat I am going to save a cent. Now, some reference was made to the board being exasperated because of criticism. That is not in the gentleman's letter, but some reference was made, because I made a note of it when it was said, during the last fifteen minutes.

Q. That was in the letter?—A. It was in the letter?

Q. Yes. "The board might well be excused from being exasperated."—A. The board is not exasperated because of criticism; they never expected anything else. If I had anything to say about it I would say that it has not been as bad as we anticipated.

Now, with that comment on Mr. Hermano's letter, may I go back and put on the record some more information with regard to these Australian sales. On February 24, Broomhall's agent in Australia cabled that "shippers were anxious to unload, but that farmers were not pressing sales."

On February 28th—this is an extract from a letter from an English grain broker. It is only one personal opinion; perhaps it is not as good as Broomhall's. He says:—

One of the chief reasons for the apathy of the baker is undoubtedly the large quantity of Australian wheat appearing for February and early March shipments. Everybody can see there is enough wheat afloat to satisfy any immediate demand, and therefore, millers and bakers find no inducements to purchase.

And then he goes on: "At present, however, the weight of Australian wheat is a cloud over the market." That is an individual broker's opinion, and I do not put it forward as being worth any more than the value I attribute to some other individual opinions of brokers in regard to our operations.

February 28, Broomhall Liverpool comment:—

Reports that bakers had completed their buying programs for the time being in Great Britain and that Australian wheat was pressing at 5 cents to 6 cents under 2 Manitobas disturbed the market yesterday.

March 2nd—referring to tenders being 480,000; "world shipments are fairly substantial."

*By Mr. Ross:*

Q. What was the date of the last letter you read; February 28th?—  
A. February 28th.

Q. When was the cargo put afloat in Australia?—A. Some of them before the end of January.

March 2nd, Broomhall's comment again: "Australian arrivals in the United Kingdom are a depressing factor, and continued in stocks afloat for Europe helped unsettle the market." There is a word missing. "Continued increase," I think, "in stocks afloat for Europe helped unsettle the market." I would say, "increase" would be the word.

March 2nd, Broomhall's comment:—

Continued pressure from Australia and expectations of substantial tenders of Australian wheat on the Liverpool March position this week affected the market. Directly this fear has passed, consumers will be willing to prepare for future needs and will no doubt buy in the cheapest, markets, which to-day happens to be in Australia.

March 17. Broomhall says:—

Market opened quiet in sympathy with North America and local apprehension of pressure of arriving Australian wheat parcels.

A private cable on the same date says:—

In the absence of encouraging political developments, buying power not sufficient to offset pressure of Australian wheat.

The record of the comparative prices will show that on January 30, 1936, Atlantic 2 Northern from January shipment was—these are c.i.f. Liverpool prices— $1\frac{3}{8}$  over Australia, and then the spread widens. There is some reference to  $5\frac{1}{2}$ . That is in February. In March it goes to 7. Now, it is beginning to narrow up, and it has narrowed up to the point that our wheat of some grades, 2 Northern—I am not sure of the position—were below Australia, not for the first time in history. We may be below Australians all summer. I might also mention that during this period when a good many people felt we were selling our wheat too cheaply, and the Australians both before and after they were cabling us, we were getting cables from buyers abroad—not from all of them by any means—but we were from some, when there was any little excuse for saying that we were too much out of line with Australia and they were a little cheaper. We read them and filed them and went ahead to do our chore the best way we could feeling that that fellow wanted to get wheat a little cheaper. That is all I want to put on the record at the moment about the Australian situation.

*By Mr. Perley:*

Q. Is it not a fact that Australia has no storage capacity and has to put its wheat afloat. They put it down in July and as the crop comes in they had to do that even before the date of these cables?—A. I think that is true to a point, but you will find in previous years that Australia has managed to store wheat and carry quite a lot of wheat through the summer and into the fall. The rate they have been selling and shipping at is going to clean them down to a very small carry-over at the end of July. It is not necessary because of lack of storage. They pile it out of doors, and they cover it up with sacks and corrugated iron sheets.

Right Hon. Mr. BENNETT: It is shipped in sacks.

WITNESS: There is one thing I should say—that question brought it back to my mind—there is one thing, in fairness to the Australians, that should be borne in mind. I say that, because, perhaps, my remarks will be interpreted as being critical. I have talked plainly on the matter; I hope not offensively. The

[Mr. James R. Murray.]

orient, taking so much less wheat this year than last year, has had a very powerful effect on the price structure. If the orient this year had taken as much wheat as they took from Australia last year, there would not have been the same pressure of Australians on the United Kingdom market. Now, as far as the oriental market is concerned, whatever little business was done there, we could not touch Australian prices. Our No. 5 wheat—

Right Hon. Mr. BENNETT: Could not be sold—

WITNESS: —delivered at Shanghai or Hong Kong was dearer than the best Australian.

Right Hon. Mr. BENNETT: We discovered that eighteen months ago.

WITNESS: We could not compete with them there.

*By Right Hon. Mr. Bennett:*

Q. We discovered that eighteen months ago when we tried to buy it.—

A. An exporter from Canada did sell about three weeks ago the first lot of Canadian wheat of any quantity—I think it was a cargo of No. 5 wheat—to go to the orient. They were putting this wheat all afloat for the United Kingdom and other places and knowing they had heavy, heavy flat commitments all going to be afloat they cabled us and said, “You are selling wheat too cheap; jack up your prices and we will go along with you.”

Mr. DONNELLY: We will come along and sell ours.

*By Right Hon. Mr. Bennett:*

Q. Now I direct your attention to the letter (*Exhibit 4*) you wrote on the 17th January, 1936, which I submit was the basis of all the discussions with the Australians. The letter was produced by you. It is the letter which was sent to the small English millers and reads as follows:—

DEAR SIRs,—The Canadian Wheat Board and the government of Canada are anxious to obtain the goodwill of millers and importers abroad, and especially those in the United Kingdom, with a view to increasing the use of Canadian wheat in the flour blends of overseas mills.

With this in mind, the board dispatched a special representative to England shortly before Christmas, in the person of Cecil Lamont, with instructions to visit British millers or their representatives and discuss with them the new Canadian wheat policy and seek their co-operation in carrying it out.

You will appreciate that to visit every flour miller in the United Kingdom would require more time than the board's representative has at his disposal, and for that reason the board is sending this letter to you, outlining briefly the wheat policy of Canada.

Canadian wheat will no longer be held at exorbitant premiums over other world wheats, and it is the intention of this board to offer wheat consistently at competitive values. It is desired to assure millers and importers that in the event of their increasing the percentage of Manitobas in their flour blend, Canadian wheat will be made available to them at competitive values and in quantities sufficient to meet their requirements.

In the sale of its wheat, the board will utilize existing channels of trade, and the board invites millers to feel free to communicate their views to the board at any time concerning matters relative to the use of Canadian wheat.

If there is any feeling of antagonism toward Canada and her wheat because of past policies the board is anxious that millers dismiss the past and work with it in the future on the basis of mutual profit and

goodwill. The board believes it to be in the best interests of Canada to cultivate increased trade with the mother country and hopes for the sake of empire ties and other good reasons, that British millers will feel it to be in their interest to cultivate similar relations with Canada.

It is the desire of the board to regain permanently for Canadian wheat, a full share of the import requirements of wheat in the British Isles. In this, it seeks your co-operation and goodwill.

The board has much pleasure in forwarding herewith a detailed report of the milling and banking quality and other characteristics of western Canada's 1935 wheat crop, for your information and guidance in the use of Canadian wheat.

The board's representative, Mr. Lamont, can be reached through the Canadian High Commissioner's office, in Canada House, London, in case you have any particular matter to discuss with him in the immediate future.

Respectfully yours,

THE CANADIAN WHEAT BOARD,  
*Chief Commissioner.*

Now that letter was dispatched to how many smaller millers, Mr. Murray?  
—A. I have not got the exact number, but I can have it checked.

Q. Roughly?—A. I have not got even approximately the number; I don't remember the number.

Q. But it was sent to all of whom you could reasonably secure a record, I take it?—A. It was sent to all that we had on the list.

Q. Yes; and the list contained the names of those who were supposed to be smaller millers. That letter is dated 17th January last. Was it about that time the letter was mailed?—A. It would be mailed at that time.

Q. And in the ordinary course I suppose it could be said it would reach Great Britain at about the end of the month?—A. Yes.

Q. At about the end of the month or the beginning of the next week, depending on whether it caught the next ship or not. The statements contained in that letter are statements which you are authorized by the government of the day as to the policy of the country in respect to wheat?—A. I wrote the letter; I did not ask anyone in the government about it.

Q. Now you will observe a striking similarity to the words used and to the instructions given to Mr. Lamont in the letter of the 12th December, 1935, if you have it there. Am I correct in assuming that the instructions given to Mr. Lamont were given him at Ottawa?—A. No, sir.

Q. Where were they given to him?—A. In Winnipeg.

Q. Where did the instructions come from?—A. From me.

Q. Where did you get them?—A. From myself and the other two members of the board.

Q. It refers to the government; that is the reason I assumed that.—A. Well, it is a wrong assumption, Mr. Chairman. If—

Q. Wait until I read the letter. The letter (Exhibit 3) is dated December 12, 1935, and it is a memorandum for Cecil Lamont, and reads as follows:—

Following the discussion between yourself and the members of the Canadian Wheat Board to-day, we would appreciate it if you would arrange to sail from New York December 14 to visit the principal millers of the British Isles on behalf of the Wheat Board.

The main purpose of your visit to the old country will be to seek the goodwill of the British millers in connection with the free use of Canadian wheat in their flour blends.

[Mr. James R. Murray.]



The policy of the Canadian Wheat Board is the restoration of surplus stocks of Canadian wheat at a normal basis at as early a date as is reasonably possible. To this end there will be consistent selling of Canadian wheat at competitive values compared with other bread wheats of the world. Canada's surplus stocks of wheat will no longer be held at exorbitant premiums over other wheats.

We wish you to convey to the British millers this statement of policy and to impress them with the fact that Canadian wheat will, at all times, be available to them, at competitive values, in quantities to meet their requirements.

It is the desire of the board to permanently regain for Canadian wheat a full share of the import requirements of wheat in the British Isles and elsewhere. It is recognized by the board that a proper price relationship with other wheats must be maintained. With the goodwill of millers and consumers we feel that a better share of the available markets can be obtained for Canadian wheat.

You are authorized to assure the millers that in the event of their increasing the percentage of Manitobas in their flour blends that the policy of the board will be consistently that of making Canadian wheat available at fair competitive values. It is recognized by the board that the millers require, and must be given, assurance that when they do revert to the use of greater quantities of Canadian wheat in their flour blends that sufficient Canadian wheat will be constantly available to enable them to maintain the standard of the product supplied to their clientele of bakers and that no attempt will be made to hold them up in obtaining the needed supplies. The fixed minimum price paid producers by the board does not necessarily bear relationship to the board's selling price. Particular emphasis should be laid on regaining, through the British millers, the goodwill of the bakers for the use of a flour containing increased volume of Canadian wheat.

In the sale of its wheat the board will utilize existing channels of trade. The millers are to feel free, and should be encouraged to communicate their views to the Canadian Wheat board on matters relating to the use of Canadian wheat.

As to what the board considers a fair value for Canadian wheat, compared with other wheats of the world, you are free to inform the millers that the board does not agree that the premiums at which our wheat has been held during the past two years is in any sense a fair premium. The board does feel that the contract grades of Canadian wheat, in normal seasons, should bring some premium over other wheats. A fair premium should be considered what the millers of the world will pay for Canadian wheat, based on its season-to-season value compared with other wheats, and allowing for the free use of Canadian wheat in volume.

The principal reason the board are sending you to England is to cultivate the co-operation and good will of British millers towards the use of Canadian wheat. If they feel any antagonism toward Canada on account of past wheat policies, our desire is that they should, as the board is prepared to do, forget things that are in the past and look forward to conducting business in the future on the basis of mutual profit and goodwill. Our board believe it to be in the best interests of Canada to cultivate increasing trade with Great Britain, and we hope for the sake of empire ties and other good reasons, that the British millers will feel it to be in their own interest and in the interest of the old country generally, for them to cultivate similar relations with Canada. It has been made quite clear to the board by the present government of Canada

that the desire of the government is for the development of our Canadian wheat trade along these lines.

On arrival in London kindly visit the Hon. Vincent Massey, the Canadian High Commissioner, and acquaint him of the purpose of your visit, and follow his advice in visiting the British government in the matter of advising it of the purpose of your visit.

We would ask you to keep the chief commissioner of the board advised as to the progress and results attained in your work.

THE CANADIAN WHEAT BOARD,  
(Chief Commissioner.)

Now, Mr. Murray, that letter is dated 12th December, 1935, and it suggests that Mr. Lamont shall sail two days later from New York, namely on the 14th. That is the reason why I asked if you were in the east when it was written.—

A. No, sir.

Q. I asked if the letter was written in Ottawa and if you were in the east. That was the implication, because he was to sail on the 14th, and the letter is dated on the 12th. As a matter of fact, did he sail on the 14th?—A. I know this positively. I am told, and I am sure this is correct, but I know this positively, that this letter was handed to Mr. Lamont in my office in Winnipeg on the afternoon of December 12, and that he left Winnipeg that night. My secretary verifies my belief that he sailed from New York on midnight on the 14th, for the Old Country. I might mention in regard to this letter, the reference made to the similarity of the letter to the millers. We started to work, as I mentioned before, on the morning of the 9th December. We decided without delay we wanted to get somebody over there. We discussed it at the board, and we chose Mr. Lamont as the best representative, and we got him away in a hurry, and he saw some of the principal millers in Britain before Christmas. We did not want to lose any time.

Q. What was he doing at the time you sent him to England?—A. Where was he employed, do you mean?

Q. Yes.—A. I received the loan of Mr. Lamont from the Alberta-Pacific Grain Company, of which company I had been the vice president and general manager up to the time I went with the wheat board.

Q. He reached London and reported to Mr. Massey and got in touch with some of the larger millers and reported back to you, I take it. I am not asking for the report for the moment, but you will observe, Mr. Murray, that wheat at that time was selling at around 90 cents?—A. Yes.

Q. And you knew the fixed price was 87½ cents?—A. Yes.

Q. At which it was being bought?—A. Yes.

Q. The letter says "It has been made quite clear to the board by the present government of Canada that the desire of the government is for the development of our Canadian wheat trade along these lines. Then, when wheat is sold at less than 87½ cents, it means a loss to the Canadian people?—A. Yes, sir.

Q. And you did not change the fixed price when you lowered the price; when the price went below 87½ cents you did not reduce the price paid to the producer?—A. No.

Q. So that all wheat sold at less than 87½ cents, including what it bought since, was a loss to the Canadian people?—A. Not in the final analysis a loss. There was a loss of cents when we sold, but the selling of it and getting it moved out of the country I would not consider a loss to the Canadian people.

Q. A minimum loss to the Canadian people?—A. In a sense, but let me repeat this for the record—

Q. S-e-n-s-e or c-e-n-t-s?—A. Well, of course, the final proof of that will have to be about July 31 next, and whatever we may lack in either s-e-n-s-e or c-e-n-t-s, we won't suffer from wheat indigestion as badly as we have.

[Mr. James R. Murray.]

Q. I hope you are right about that.—A. We have made no forecast yet, but I will venture this far—

Q. You have made two this afternoon?—A. They are reasonably safe ones.

Q. Every man makes his prognostications, assuming of course, they are reasonably safe. You have no doubt that the effect of these instructions and the letter that was subsequently sent to these smaller millers was to indicate that you were, provided one of these grain dealers was anxious to sell wheat, going to sell it at competitive prices regardless of any other consideration?—A. No. The private and confidential instructions to Mr. Lamont—and in case the reporter did not get the fact that they were private and confidential—should be kept separate from the letter, because there are one or two points about that, one or two of them which you have mentioned, Mr. Bennett. There is this point here where you read on the second page, "It has been made quite clear to the Board by the present Government of Canada that the desire of the Government is for the development of our Canadian wheat trade along these lines." I drafted this letter myself in Winnipeg. My colleagues on the board agreed with it. The only thing I had from the government to go on was the public statement that had been issued by the Minister of Trade and Commerce when we were appointed. I interpreted that to the best of my ability in a letter of instruction to Mr. Lamont, and I tried to cover some of the points that I thought might be put up to him when he was over there. There is a great deal of misunderstanding or ignorance in various countries abroad, or in any country, about what happens in another country and about what the intentions are.

Q. I quite agree.—A. He might be asked a question about the 87½ cent price, whether we were going to sell at that price or insist on getting that price, or what it was going to be. They were private and confidential instructions for himself.

Q. No, these were to indicate to the people the position.—A. For his guidance.

Q. Yes.—A. In communicating and representing our board. I gave the letter to him and sent a copy of it to the Minister of Trade and Commerce in the middle of the day, and asked him if he approved of the reference in it to the government—just the reference to the government was what I asked for—if he would cable to London confirming the instructions in that respect, which he did. Now, while we are talking about this and the question of the reduction of prices, our board knows quite well that we could have followed a different policy, of perhaps reducing the price or recommending to the government that they should reduce the price to be paid to the producers. If that was suggested to our board by the government, that we should consider the advisability of that—if they had suggested it to us, I would have told them, or at least we would have told them as a board that we thought that would be very unfair to the producers, to take those who had still wheat to market and to penalize them because the price was set at a certain figure, just because the market had then, after a period, gone below that figure. Because in the first place, as you will remember, Mr. Bennett, when the price was set, it was set at several cents a bushel above the then market price.

Another point that arises out of this is, should we as a board not sell any wheat for less than that fixed price? That would have been a perfectly feasible policy for us to follow. In fact, I might say that our board found when we got in there on December 9—we did not find it that day, but within a reasonable length of time—that no Durum wheat had been sold, and I asked why. We had taken in some several million bushels of Durum wheat,—I think something over 7 million bushels. And you gentlemen from the west, or anyone that has been following this, will remember that the price of No. 1 and No. 2 Durum was set at the same price as No. 1 and No. 2 Northern.

*By Mr. Ross:*

Q. Although at the time the price was set there was a very wide spread between No. 1 and No. 2?—A. I do not remember that. But I do remember this particular thing which struck me, to which I wish to refer, that the sales department had instructions that they were not to sell any Durum wheat at less than the fixed price or at not less than the spring wheat price, not less than the fixed price, the initial payment price, and none had been sold. Four months of the season had gone. We considered it. Frankly, it would not take me two minutes to make up my mind that that was, I would think, a silly policy. So we decided that we would start to sell. And I say it was a silly policy for this reason, that if we had followed it, outside of a miracle, the help of heaven, we would have had all that Durum wheat next July and the growers of the new crop of Durum wheat would have found that waiting there to compete with their new crop. We could have done it. However, we decided to sell Durum wheat, get started on the best price we could get for it.

*By Right Hon. Mr. Bennett:*

Q. What did you get for it?—A. For the Durum wheat?

Q. The highest price?—A. Well, I mentioned the highest price offhand; but Durum wheat has been trading different grades. No. 1 Durum was somewhere from 5, 6 or 7 cents under No. 1 Northern; No. 2 Durum perhaps a little wider under No. 2 Northern, and No. 3 Durum I think as wide as 10 cents under No. 3 Northern. There is a loss in the Durum wheat. Whether the loss should be charged to those who sell it now or to those who set the price in the first case, I do not know. Of course, the setting of the price in the first case—let me make it clear right there that I as a westerner have not got the slightest objection in the world to the government setting the price of wheat high so that the producer of Durum wheat out there in Manitoba where I live can get a good price out of it. But where the responsibility should be for the loss in the market, whether it should be on the unfortunate gentleman who inherits it or those who fix the price, I do not know. I suppose there can be an argument about that, but it is not necessary now.

*By Mr. McLean:*

Q. Perhaps it should be placed on the fellow who will pay more for it?—A. That is one of the difficulties. In selling wheat you bring up the point who is going to set the price of wheat when you have to sell it.

Mr. DONNELL: Who did set it?

WITNESS: Well, after all in any commodity, it is all right to talk about what manufacturers can do with things. We all remember the time in the last fifteen years in Canada when people wore overalls instead of paying for a suit of clothes what they thought was an outrageous price. I remember one year, around 1920 or 1921, when the farmers—and I know of it—left new machinery in the spring, that had been manufactured ready to sell at as high a price as it could be sold for, on their hands. In the final analysis there is some place you come to where the man who has got the cash to pay for it is going to say, "No thanks," and he is going to determine the price. If you want to sell your goods to him—I do not care whether you manufacture them or grow them out in the field—you may as well make up your mind in this world you are going to have to compete with the fellow who has the same or similar goods to sell. When you have got to the point that you are so all-powerful in this world that you do not have to conform to that—

*By Mr. McLean:*

Q. You will be through with the world?—A. I think it would be something like that.

[Mr. James R. Murray.]

*By Right Hon. Mr. Bennett:*

Q. You will admit, I suppose, without question, that the letters sent to the small millers as well as the instructions indicate an anxiety to get rid of wheat?—  
A. I think they indicate just as much—they were intended to indicate, and I think they do indicate just as much as they say plainly, that there is a new policy in regard to the sale of Canadian wheat, and that it is no longer going to be held at an exorbitant premium. I think it says in the letter of instruction that the board—and speaking for our board only—does not agree that the premium at which our wheat has been held during the past two years is in any sense a fair one. And in making that statement might I add at the moment that that is not a criticism, and must not be interpreted as such, of our farmers getting the price. It is a criticism of our having arranged the method of the farmer getting the price he got, of not keeping the selling of wheat on a competitive basis, or some reasonably competitive basis.

Q. I suppose it goes without saying that you of all men know that from 1930 to 1935, with a carry-over of 127 million bushels, there was a sale of practically all the crops of those years?—A. But not a sale of as much wheat as we could have sold.

Q. I see. At a price?—A. Of course. May I have about two minutes—

Q. When you say not as much as we could have sold—at a price?—A. At a price; that would have been as far as we were concerned. We come back to this, Mr. Bennett: I am not for one moment questioning anything that got a price for the farmer.

Q. You cannot have it both ways.—A. Well, it comes back, of course, to whether the wheat producers in Canada, competing in a changed world wheat situation such as you referred to and made clear, whether they must stand absolutely on their own feet and stand the whole racket without any help.

*By Mr. Perley:*

Q. The fact remains that during that period we did sell all the wheat that was grown in Canada, other than what went into domestic consumption?—A. No. I do not think that could quite be correct. Because if we started with a carry-over of 127 million, and finished with a carry-over of 225 million, we could not have sold it all.

Q. That was on the record.—A. You can get into figures, going back about five years. It is something like this question of who takes the hedges and how much were taken. That is another question with a lot of figures.

Q. Last year Mr. McIvor stated that the figures were 1,706 million, I think, which he had sold?—A. Yes, but that is not correct. The farmers in five years marketing—just take what they marketed. I am speaking from memory. If I am not wrong, the farmers from 1931—July, 1931, to the end of the 1935 crop; 1931, 1932, 1933, 1934 and 1935 crops, five crops—marketed 1,101 million bushels of wheat in Western Canada. I bet about a nickel that is right.

*By Mr. Senn:*

Q. They got a higher price than if the price had not been maintained, I suppose?—A. Of course, the price was not maintained all the time by artificial means.

Q. No, but after it was?—A. After it was started, it was not maintained all the time by artificial means. It was maintained for a period by artificial means. I will take the 1932 crop as an illustration. The market was supported in the fall of 1932, and goodness knows it needed support. It was supported for a certain period of weeks at 50 cents. Then it was let go down, and it went down to as low as 38½ cents, and did not get much support around 38½ cents.

Right Hon. Mr. BENNETT: It does not need support at all.

WITNESS: Well, something stopped it there and it turned and started to go back.

Right Hon. Mr. BENNETT: Certainly.

WITNESS: What stopped it? The buyers of wheat. They started and bought, rotten prices and all. They started to work out there. Before the end of the crop year, what happened? The farmers to help whom it was supported getting in the fall 50 cents and 49—that is all they got for their wheat—were in the spring able to get more; you will find in May, June and July of that crop year all the farmers who had grown wheat in the same year and in the same crop, as a result of the supporting operations got over 90 cents a bushel. I do not think that was equable to the fellows that sold in the fall. So that I say the supporting operation was a thing that did not work out equitably.

*By Mr. Senn:*

Q. Did that follow all the way through? A. The same thing happened in 1931.

Right Hon. Mr. BENNETT: It was continuous after that.

WITNESS: No. Excuse me, because you follow that along from July, 1933, and you find that by October, 1933, instead of the farmers that were delivering their wheat getting over 90 cents for it, they were getting down about 60 cents again. The fortunate fellow was the fellow who had enough money to carry it and who carried it for a few months and then got over 90 cents.

*By Right Hon. Mr. Bennett:*

Q. That has been so all the years we have been selling wheat?—A. Certainly. But that was left to natural forces. That was not the result of a government agency which was going to assist all the farmers and presumably would treat them equably and get equable results.

Right Hon. Mr. BENNETT: It did as long as they supported it.

The CHAIRMAN: Gentlemen, we have had two pretty heavy sessions, and I think we might adjourn now. When shall we meet again, Tuesday morning?

Right Hon. Mr. BENNETT: That suits me.

The CHAIRMAN: On Monday I think the Railway Bill is up.

Right Hon. Mr. BENNETT: Yes, I understand so.

The CHAIRMAN: Then we will meet on Tuesday morning at 10.30 a.m.

The committee adjourned at 6 p.m. to meet again on Tuesday, April 28, at 10.30 a.m.

SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

MARKETING OF WHEAT AND OTHER GRAINS

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

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TUESDAY, APRIL 28, 1936

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WITNESSES:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.  
Mr. Frank O. Fowler, Manager, Winnipeg Grain and Produce Exchange  
Clearing Association.

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EXHIBITS:

- 10—Winnipeg Grain Exchange Summary of Membership. (*Mr. Darby*)
- 11—Winnipeg Grain and Produce Exchange Clearing Association List of Shareholders, December 31, 1935. (*Mr. Fowler*)
- 12—Report, dated March 6, 1936, from Glendinning, Gray & Roberts, Chartered Accountants, Winnipeg, to Commissioners of Canadian Wheat Board regarding transactions related to the May wheat cleared by Canadian Wheat Board at  $87\frac{1}{8}$  cents on December 13, 1935. (*Mr. Murray*)





## MINUTES OF PROCEEDINGS

TUESDAY, April 28, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 10.30 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Gardiner, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Pottier, Ross (*Moose Jaw*), Senn, Winkler.

Mr. Darby filed,—

Exhibit 10—Winnipeg Grain Exchange Summary of Membership.

Mr. Fowler filed,—

Exhibit 11—Winnipeg Grain and Produce Exchange Clearing Association

List of Shareholders, December 31, 1935.

Mr. Coldwell asked that his question on page 65 of the evidence be corrected by deleting "too?" and substituting "on ships?"

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, requested that the following corrections be made in the evidence given by him on April 23:—

Page Line

62	21	Change "carry" to "cover."
64	29	" "exchange" to "interest."
65	3	" "under" to "in."
65	11	" "loss of " to "last."
65	15	" "that he has lost on" to "in switching."
67	15	" "exported" to "sold to exporters."
69	36	" "administration" to "demonstration."
69	43	" "call on two or three correspondents for offers" to "send that to their correspondents everywhere."

Mr. McLean (*Melfort*) asked that "permanent" be deleted and "comparable" substituted in the first of his questions as contained in page 86 of the evidence.

*Ordered,*—That all of the foregoing corrections be made.

Mr. Murray was recalled and further examined. He filed,—

Exhibit 12—Report, dated March 6, 1936, from Glendinning, Gray & Roberts, Chartered Accountants, Winnipeg, to Commissioners of Canadian Wheat Board regarding transactions related to the May wheat cleared by Canadian Wheat Board at 87½ cents on December 13, 1935.

Mr. Frank O. Fowler, Manager, Winnipeg Grain and Produce Clearing Association, was recalled and asked a few questions.

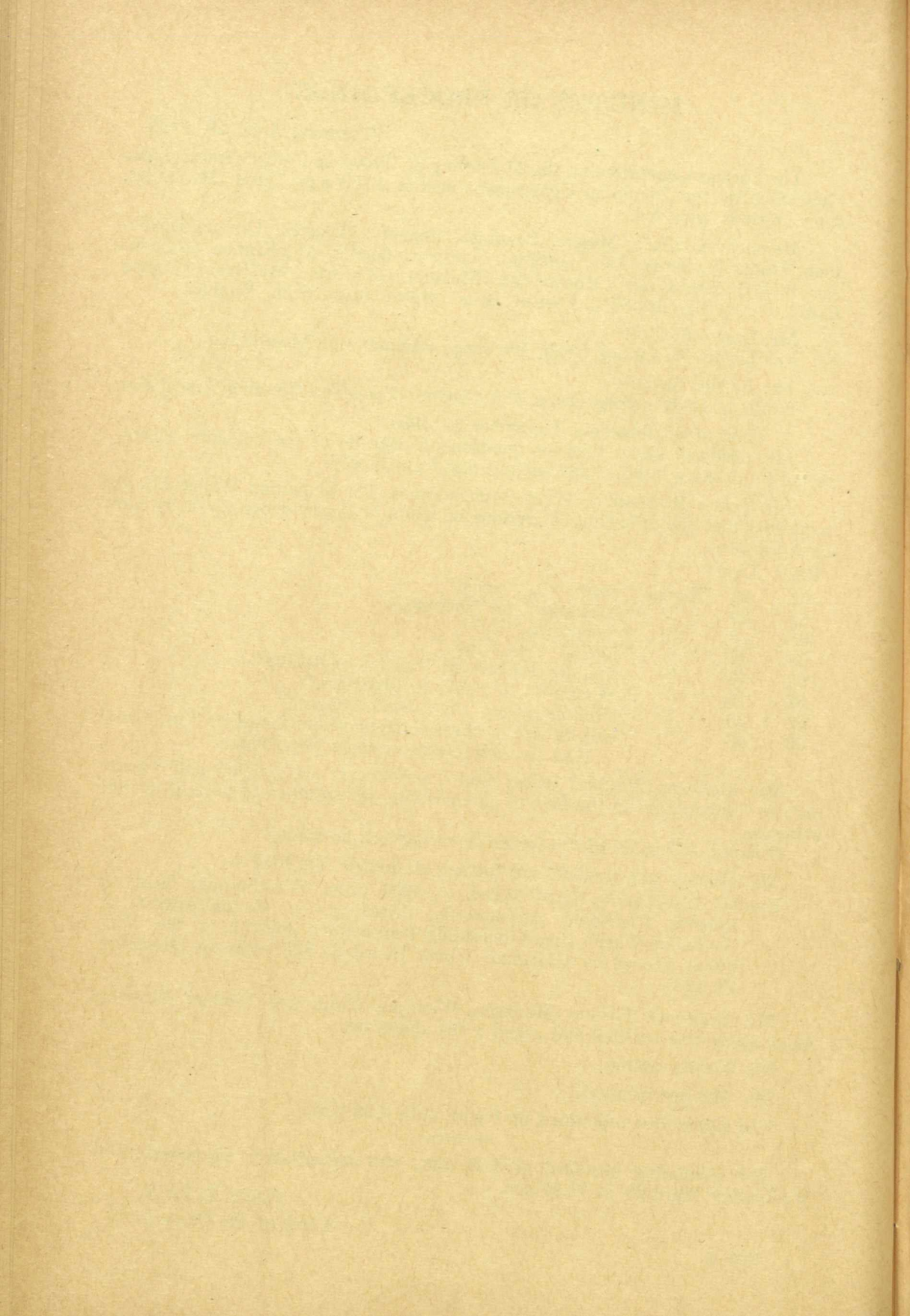
Mr. Fowler retired.

Mr. Murray resumed.

The Committee adjourned at 1 p.m. until 3.30 p.m.

The Committee resumed at 3.30 p.m., and immediately adjourned until Wednesday, April 29, at 11.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 28, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government met at 10.30 o'clock, Hon. Mr. Euler, presided.

The CHAIRMAN: We have a quorum, gentlemen, and if you will come to order we shall proceed. I understand that there is some disappointment with regard to the printing of the evidence of the last meeting. I do not know why it has not been printed; there has been plenty of time to do it. I understand some copies will be delivered to us in ten minutes. I have here from Mr. Fowler a list of the shareholders supplied by the Winnipeg Grain and Produce Exchange Clearing Association as requested by us. We shall now proceed with Mr. Murray.

JAMES R. MURRAY, recalled.

Right Hon. Mr. BENNETT: Would it not be conducive to a proper determination of the witness' testimony if he completed any statement he desires to make and then answers questions we might ask him. The witness has said he desires to make a statement, and the making of that statement has taken up two or three days. We should like to ask a few questions, if he has completed his statement.

The CHAIRMAN: Have you completed your statement, Mr. Murray?

Right Hon. Mr. BENNETT: I do not desire to impede him in any sense in that regard, Mr. Chairman.

WITNESS: There is one thing, Mr. Chairman, that the committee might well consider and discuss, as it has been discussed previously. That is the question of the rescuing of the shorts, to use some one else's term in regard to it, that we have heard so much about. If it is the wish of the committee I can deal with it now, or shall try to deal with it briefly. Before doing that there is one other thing I should like put on the record in connection with the Australian situation.

*By Right Hon. Mr. Bennett:*

Q. Since we were here last day you know, the weekly statement has appeared, provided by the Bureau of Statistics, dated the 23rd April. We have that before us also?—A. I have seen that, yes; that is the last one. I should like to refer to a part of a letter by Mr. Robert Tilt of the Victorian Wheat Growers Corporation, Limited, Melbourne, Australia, dated January 29, 1936. He is the gentleman, as the committee will remember, with whom we had an exchange of cables that were put on the record Friday.

Q. To whom is the letter addressed?—A. Mr. George McIvor. The first part of the letter deals with business with the Orient, and covers the situation that was dealt with before by you.

The CHAIRMAN: Would you like to put the whole letter on the record, or just the pertinent parts?

Right Hon. Mr. BENNETT: If Mr. Murray says it has nothing to do with this inquiry I am prepared to accept his statement with regard to that.

WITNESS: There are just two short paragraphs I wish to read:—

Export flour business from the Commonwealth generally for the past month, at any rate, has been particularly slack. North China, presumably for the same reason as I have mentioned, are not buying to any extent and that destination has become our principal outlet for export flour.

This position has resulted in rather more than ordinary pressure on the U.K. market, and curiously enough that market was sufficiently bullish to absorb the wheat offered without unduly depreciating prices.

That was written, you will note, on January 29, before prices started to weaken.

At times the pressure to sell was rather heavy as at least two of our big shippers had distinctly bearish ideas and were quite prepared to cut their price in order to effect a sale.

The market here generally has been particularly nervy and erratic.

*By the Chairman:*

Q. Nervy or nervous?—A. Nervy is the word in the letter; it means "nervous," I think.

To give you an instance, on Saturday last, we sold wheat to the U.K. which gave us a nett return of 3/11 per bushel f.o.b. That sale was of course duly reported and everybody here knew it. There was no feature overseas Saturday which justified bearish ideas; and yet on Saturday morning a sale was made f.o.b. at 3/9½d. for shipment at least a month later than our U.K. sale.

There is one other thing I should like to put on the record, as there has been a lot of comment about the statistical position and the extent to which one should be governed in one's thinking and action by statistics. I should like to give for the information of the committee Broomhall's estimates and one or two other estimates of the importing countries requirements. Everybody is familiar, of course with the fact that Broomhall and some other statistical authorities, quite early in each crop year, make estimates of the amount of wheat that will be required during the year in international world trade.

*By Right Hon. Mr. Bennett:*

Q. By importing countries?—A. Well, the amount required in international world trade. The addition of these words "by importing countries" makes it clear.

Q. Makes it clear?—A. Yes. In 1932-1933 crop year, Broomhall's first estimate is put out in September, 1932, and was 704,000,000 bushels. The second estimate made in March, 1935, was 664,000,000 bushels. The final actual world shipments for that year were 614,409,000 bushels. For the 1933-34 crop, Broomhall's first estimate made on August 15, 1933, was 552,000,000 bushels. The second estimate made on May 2, 1934, was 528,000,000 bushels. The final actual world shipments were 523,000,000 bushels. In 1934-35 Broomhall's first estimate on August 15, 1934, was 576,000,000 bushels. The second estimate on February 6, 1935, was 552,000,000 bushels. The third estimate on May 1, 1935, was 544,000,000 bushels. The final actual world shipments were 520,000,000 bushels. In the 1934-35 crop year the wheat advisory committee put out an estimate in September, 1934, I think. Their estimate was 600,000,000 bushels. Just for contrast and to go on the record I will repeat that the final actual world shipments were 520,000,000 bushels. Coming to this year, 1935-36 we find Broomhall's first estimate which was made on August 14, 1935, was 540,000,000 bushels. The second estimate which was made a very few weeks

[Mr. James R. Murray.]

ago, was 528,000,000 bushels. For this same crop year the Stanford university estimate was 560,000,000 bushels. That estimate was made in September, 1935. It looks now as if the estimate made last fall—I am not sure that it was made public but it was made at any rate, by our own Bureau of Statistics—of 520,000,000 bushels, would be more accurate than the other estimates. In finishing with these figures I would draw to the attention of the committee the fact that the final world shipments have been considerably less than the estimates made earlier in the year and throughout the year by the statisticians; so that if one figured each year during the early part of the season that the world was bound to take the amount of wheat as forecast by the statisticians and governed one's selling policy accordingly, one would have in every case, in greater or lesser degree, been very much out, in one year as much as 90,000,000 bushels.

Q. Have you given Mr. Broomhall's revised estimate of this year?—A. 528,000,000 bushels, just a few weeks ago.

*By the Chairman:*

Q. Are they the same as our Bureau of Statistics figures?—A. A little more than our bureau figures. The world shipments for the balance of the year will have to be higher than they have been running to reach that figure.

Mr. DONNELLY: Mr. Chairman, we have heard a great deal during the last year and a half about the men interested in wheat. We have been told here from time to time certain things were not to be, and Mr. Bennett in the house referred to the protection that shorts were getting by the present wheat board. When Mr. Euler endeavoured to explain in the house what this protection or apparent protection meant, Mr. Bennett insisted that we have a committee in order to find out if there was anything sinister or wrong about it. He said he wanted to bring it up before the committee. In my opinion that is the only thing we are to investigate or look into. That is why we are organized. That is why this committee was set up, because it was alleged there is something sinister or wrong in what this board has been doing in connection with the protection of shorts.

The CHAIRMAN: That is one of the reasons.

Mr. DONNELLY: That is one of the reasons, and that is what brought it to a head.

Right Hon. Mr. BENNETT: There is no reason why we should get untruthful statements from this man.

Mr. DONNELLY: Mr. Bennett said he was going to insist on a committee, to investigate the shorts or the protection of the shorts, as it is sometimes called.

Right Hon. Mr. BENNETT: There is no reason, Mr. Chairman, why any member of this committee should make statements at variance with the facts. The record indicates what was said. What was said is not what Dr. Donnelly has now said. It is here upon the record; there is no difficulty about it at all. I shall read what was said, so there may be no misunderstanding about it. The statement made as to the quantity of wheat came from Mr. Gardiner, the Minister of Agriculture.

Mr. DONNELLY: I have Mr. Bennett's own statement here before me. It is found on page 58 of Hansard. He said:—

I am asking him where the short interest is. Who benefited by the action taken on the grain exchange when Argentine wheat went up twenty cents? Who had the short interest on that day?

and so on.

Then Mr. Euler said:—

I should like to say a word with regard to the criticism voiced by my right hon. friend in connection with the protection of the shorts. If my right hon. friend sees anything sinister or wrong in the action taken by the present board, I invite him to ask for a parliamentary committee, and I promise that he will receive it promptly.

That is where the idea of the committee came from.

The CHAIRMAN: I think there is no doubt about it. Everyone concerned will want that matter cleared up. Mr. Bennett, I presume, and certainly Mr. Murray, because he is concerned in the charge, if charge there was.

Right Hon. Mr. BENNETT: There was no charge made.

The CHAIRMAN: I said, "if charge there was".

Right Hon. Mr. BENNETT: It is not a question of "if". The document speaks for itself.

The CHAIRMAN: Quite so.

Right Hon. Mr. BENNETT: Here is what was said, in order that there may be no understanding about it. This is what appears on page 58:—

Mr. Speaker, when the house rose at six o'clock, I was pointing out that when the wheat board took over the available wheat held by the co-operative selling agency, according to the statement made in western Canada by the Minister of Agriculture (Mr. Gardiner) they had to purchase 298,000,000 bushels of wheat. When I say 298,000,000 bushels, I refer to the wheat and the contracts for wheat making up that total. The documents issued by the Department of Trade and Commerce presided over by the hon. member for North Waterloo (Mr. Euler) indicate that at that time there were only 265,000,000 bushels of Canadian wheat, including feed wheat, in commercial channels on this continent. I wonder if the minister was aware of that fact when he made that statement? Was he aware that the farmers then owned 5,000,000 bushels of that wheat in public storage? Was he aware that the public, about which they speak so frequently as being buyers of wheat, were the owners of many millions of bushels of that 265,000,000 bushels which they had bought for future delivery? Yet in spite of all that, we have 298,000,000 bushels of wheat and futures contracts taken over by the wheat board at an average price of about 85 cents. I think that was the blackboard price at that time. I ask this house and I ask the Minister of the Interior (Mr. Crerar), who more than anybody else is responsible for the present condition, whether or not an explanation can be given of what became of the difference between the 298,000,000 bushels of wheat and futures, and the 265,000,000 bushels, which was the total quantity on the American continent, and which as I say, included 5,000,000 bushels in the hands of the farmers and many millions of bushels in the hands of the public.

Why? Of course there was a short interest. There were people who had sold wheat that they did not own upon the Winnipeg Grain Exchange. That is a matter known to everyone. And what happened to them? In December last the Argentine raised the price of wheat over night by 20 cents per bushel.

That represented the arbitrary rule passed by the grain exchange as to the maximum it could rise. Under these circumstances shorts were protected. That is the position.

The CHAIRMAN: That is the answer to your interruption of a moment ago, your statement that the shorts were protected.

Right Hon. Mr. BENNETT: Yes.

[Mr. James R. Murray.]

The CHAIRMAN: I would suggest this—

Hon. Mr. CRERAR: That also amounts to a charge.

Right Hon. Mr. BENNETT: I say "were they protected".

Hon. Mr. CRERAR: No; you said they were protected.

Right Hon. Mr. BENNETT: Excuse me. This is what I said, "What happened to your short friends then? Were they protected on the Winnipeg market?"

Mr. EULER: No; you said, "under these circumstances the shorts were protected."

Right Hon. Mr. BENNETT: "How were they protected? Did they suffer?" These are the words I meant to use. That is what I said.

The CHAIRMAN: You said "Under these circumstances the shorts were protected." These are your own words.

Right Hon. Mr. BENNETT: Certainly.

Hon. Mr. CRERAR: That amounts to a charge.

Right Hon. Mr. BENNETT: If you want to make it a charge, I am agreeable to it, along with a great many other matters, but I would like to make that charge.

The CHAIRMAN: We want the whole thing cleared up, if shorts were protected.

Right Hon. Mr. BENNETT: If you want a charge, you will get it any time you want it.

The CHAIRMAN: How does the committee desire to proceed? I think Mr. Murray may make his statement in respect to what you may or may not call charges, I would suggest to Mr. Bennett or any other member of the committee that they can ask their questions afterwards. If that is satisfactory to the committee, let us proceed in that way.

WITNESS: Mr. Chairman, in considering the position of our Board in regard to this matter it should be borne in mind that we started to work on December 9, and that four days afterwards this situation arose, and that very shortly thereafter—December 19 was the first date—statements were made reflecting on the actions of our Board.

Now, as to what happened to shorts, large shorts or small shorts, international shorts or domestic shorts, on December 13, our Board has no knowledge. The Committee can through other sources, if they desire, get that information. But in order to put our Board in the proper light before the public I would ask your indulgence if I take a little time to trace the history of this story about the shorts, and I wish to do that in justice to my colleagues and myself, because as I said, very shortly after we took office statements were made in the Press throughout the country, particularly through western Canada, which could not help but reflect on our Board, and I think could not help but bring some discredit on us among farmers in western Canada. We took no notice of those statements at the time, although I will admit that I was sorely tempted, because we considered it was not the proper time and we considered that we had something more important to do.

Mr. McFarland, on leaving Winnipeg on December 19, gave an interview in which he said:—

Among other things the big speculators and manipulators who had effected enormous short sales in the Winnipeg futures market awaiting a smash in prices because of the vicious propaganda carried on in this country and abroad were caught napping and stood to lose millions of dollars. The public are wondering, and they have a right to know, whether these destructive short-sellers were rescued from their predicament by the reports of the enormous sales made by the Canadian Wheat Board.

That was one statement that was made ten days after we were in office.

In a magazine which I understand is a monthly, called "The Research Review" for February, 1936, there is an article entitled: "Grappling with the Grain Problem" by Mr. M. J. Coldwell, M.P., and on page 9 part of that article reads as follows:—

Speculators, it has been alleged, bought short in anticipation—

Mr. McLEAN: "bought short" or "bought shorts"?

WITNESS:—

. . . bought short in anticipation of new Government and Wheat Board policy depressing prices.

Then there is something more which I will skip, and I read this line:—

John I. McFarland had stated that the speculators were in a trap.

Apparently this statement by Mr. McFarland was sufficient for Mr. Coldwell to put out his statement among the farmers and other people in the West for whatever good or injury it might do to the new Board. It was a contribution to our wheat problem, I presume.

Then the last paragraph reads:—

Looking towards the future the Western farmer has good reasons to feel apprehensive of the effect of bumper crops and a Wheat Board dominated by his old enemy the Grain Exchange.

I read that last part, not that it has anything to do with the question of shorts, just to make this comment, that the statement that our Wheat Board is dominated by the Winnipeg Wheat Exchange or dominated by any other bodies that may be in the country is just as accurate as the statement that the speculators bought short.

Reference has been made to what Mr. Bennett said, which I do not wish to discuss or make any comment upon. Also the same thing is repeated in a speech, a carefully prepared speech, that Mr. McFarland made at a luncheon given in his honour in the city of Calgary on February 14, 1936. It is too long to read in its entirety, but there are a couple of comments in it that rather appeal to me, and one, appearing on page 15, is as follows:—

The shorts were relieved to find the new Wheat Board quite ready and willing to rescue them at the Grain Exchange fixed price limit of 3 cents, and even less. . . .

Mr. McFarland apparently was intimately acquainted with the feelings of the shorts. They were "relieved."

On page 16 he says:—

There was a rush of "shorts" to cover and the present Wheat Board rescued them at the Grain Exchange fixed price limit of that day.

There might be, if someone desires later on, a little discussion on the fixed price limit, but it does not have a place at the moment.

Now I would like to get back to the beginning of the story, asking you to bear in mind the particular periods, so soon after we were in office, when these statements were made, and the gentlemen by whom they were made, because some of the gentlemen who made those statements should, I think, in fairness to the Wheat Board and in fairness to the people of this country, consider what their record was in connection with this matter of shorts for more than a year before our Wheat Board took office.

[Mr. James R. Murray.]



The first that was heard of them in a large way in public was on October 1, 1934. Mr. McFarland, on the morning of October 1, had an interview published before the market opened that morning in the Winnipeg Free Press, headed as follows in the paper:—

Questioned late Sunday night—

this was Monday morning.

—as to the authenticity of a report that he would request an investigation into selling operations in the Winnipeg wheat market, John I. McFarland stated definitely that it was his intention to place the matter before the proper authorities at Ottawa for their consideration.

It is too long to read. There is a lot of it. Part of it reads:—

Investigation into wheat futures operations in Winnipeg was suggested Monday by John I. McFarland, general manager of the Canadian government wheat agency, with a view to ascertaining the source of the heavy selling of futures in the Winnipeg market during recent weeks while the farmers of western Canada have been delivering and marketing moderate quantities day by day.

That was on October 1, 1934. On October 30, after Mr. McFarland had paid a visit to Ottawa, he returned to Winnipeg and issued another statement, a very lengthy one, in which he went into a great deal of detail to explain the operations of the futures market and expressed a good deal of sympathy with the doctors and lawyers, butchers and bakers, comptometer operators and stenographers who got caught in the speculative whirl, but towards the end he says:—

. . . then there is a moral responsibility on the governments of this country to take such steps as will protect the operation of this system in some measure at least against unwarranted operation by large speculators.

On November 2, two days after that, the Council of the Winnipeg Grain Exchange issued a statement to the public, part of which reads as follows:—

The international investigation suggested by Mr. McFarland on October 1 should, in our opinion, not be lost sight of. There can be no argument about the fact that our greatest need is to export more Canadian wheat, and if there is any hope that an independent international investigation into the situation in the Canadian, Argentine and English markets will disclose anything in the actions of government agencies or individuals that is making it difficult for us to market our wheat abroad, it should be undertaken at once. It would obviously be in the interests of the whole country as well as of our wheat producers. It would, we are sure, be welcomed by the grain trade of Canada. The Council of the Exchange is prepared to afford facilities for investigation of the trading and operations of all its members without exception by competent and impartial persons if such an investigation is deemed to be in the public interest.

That was at the beginning of November, 1934. During the following months, and particularly coming down to May, 1935, there were numerous reports in trade circles that the shorts were going to be squeezed in the month of May when the time for delivery of the May option wheat came along, but nothing happened. May wheat closed at the end of the month at 81½ cents, and July wheat at 82½ cents, on the last day of May. Mr. McFarland switched hedges from May to July with the trade at 1½ cents per bushel difference just the same as our Board have done this year. In June, 1935, Mr. Bennett made a speech in the House of Commons in which he dealt with this matter of shorts at some

length. It was discussed then in some detail before the Special Committee of parliament which sat here last June, and on July 4, after it had been discussed, the committee reported the Canadian Wheat Board Act to the House of Commons and parliament passed that Act, after all the discussion there had been over a period of nine months about the bear raids and about the shorts. And I would ask you gentlemen to note that the Act passed for the purpose of providing machinery that in the judgment of the committee, and I presume in the judgment of parliament, was thought the best machinery to use for the handling of the problem that confronted the government of this country through their ownership of over 200,000,000 bushels of wheat, and also for the purpose of providing what, in the judgment of the committee and in the judgment of parliament was the best means of handling the 1935 crop for the farmers, set out certain duties for the Board to which we in due course became subject. There is I think nowhere in that Act a word which says that our duty is to distinguish between bulls or bears, or longs or shorts, or exporters or importers, or any other kind of people that there may be who do business in the grain trade in Canada. We were told, in short, in the Act, to sell wheat.

Now, to put it another way, the Act left unhampered by parliament the machinery of the futures market in the Winnipeg Grain Exchange. Everybody who had anything to do with the passing of the Act, and particularly those most responsible for the Act, knew that the futures market in its operation has longs who buy wheat because they hope the market is going up, and has shorts who sell wheat because they hope the market is going down; and some of those who were principally responsible for the Act had talked a lot about these shorts. Now, we inherited whatever situations existed, and the responsibilities placed upon us by the Act, and there was no responsibility placed on us to make any distinction. I would think it was a fair presumption, if our Board were to be put and kept in a fair light throughout western Canada and the rest of Canada, to say that we were at least entitled to have that side of the question put before the farmers in western Canada. Our Board is not expressing any opinion whatever as to the merits or otherwise of longs and shorts, and I do not wish to or propose to do so. That question has been investigated by royal commissions. You gentlemen are familiar more or less with the different findings they have made. The thing I want to emphasize is that in addition to the royal commissions the committee last year investigated to whatever extent they desired, whether thoroughly or not is not our responsibility, and parliament passed the Act. Now, surely it is hardly fair to blame us for not having chased the elusive bears and made them settle. I do not think there was a responsibility on us to do it. It is stated nowhere in the Act.

Let me make this clear: Mr. McFarland for the late Government had owned all the wheat in Canada. He had a whole year and unlimited opportunity, after he talked about the bear raid on the shorts, to catch these gentlemen and make them settle, and he did nothing about it except to wait until after we were in office, and then either directly or indirectly tell his friend Mr. Coldwell that they were in a trap, and to say to the public himself that we had done something we should not have done.

MR. COLDWELL: I may say that I never made any such statement.

WITNESS: It came second-hand to me. At any rate, you took his word that they were in a trap.

MR. COLDWELL: I considered you were the responsible officials.

WITNESS: Mr. McFarland, let me repeat, did nothing about these shorts in the month of May, 1935, an option delivery month; he did nothing about them in the month of July, 1935, another option delivery month; he did nothing about them in the month of August, 1935, another option delivery month, and he did nothing about them in the month of October, 1935, another option delivery month, and he was still in charge.

[Mr. James R. Murray.]

I hardly think that it is quite fair, if I may put it that way, to our Board to blame us for not having caught or squeezed these gentlemen on December 13 and made them settle. It could not have been done on the one day, but that is incidental. We knew, of course, the figures that Mr. Bennett has mentioned, and that we held more wheat and wheat contracts than there was in the final visible supply in Canada. How much of that extra 30,000,000 bushels—I think that is about the amount—was hedges against flour in Canada, or flour in the United States, wheat in the United States bought by United States millers, wheat afloat, Canadian wheat afloat, Canadian wheat in the hands of British and other millers, or speculative short wheat, we did not know; but I come down to this again, that neither parliament nor anybody else had told our Board that it was our duty to find out these trades and not to sell wheat to speculative shorts. If I may put it in somewhat slangy language, I would say nobody had told us that on any particular market day or at any particular period, if someone came to us and wanted to buy wheat and wanted to pay a price that we thought we were willing to sell wheat at, we should ask him what his nationality was, or his address, or whether his mother was a negress or a Chinawoman or anything else, whether short or long, exporter or importer; there was no obligation on us. That is the position of our Board in regard to this matter. And if there were speculative shorts who covered their short requirements entirely on that day, of course if there were 30,000,000 bushels short—we sold 22,000,000 bushels and we know that millers got some of it—the whole 30,000,000 bushels did not get rescued—if there were, why, we do not know it and we have not got the information; but we could suggest to your committee that it is quite easy to get.

At the moment, Mr. Chairman, I do not think I have anything more to add to the picture I have put before the committee.

*By Mr. McLean:*

Q. Did you have an opportunity to catch some who were caught short? Was there a settlement day?—A. No.

Q. You did not have an opportunity on any settlement day to find out what the short interest was?—A. No.

Mr. COLDWELL: Mr. Murray quoted from an article of mine in *The Research Review*, and drew attention to the phraseology of one sentence: "bought short." It should have read: "sold short." Mr. Murray has constantly corrected his phraseology, and so I would like to correct mine in that particular in that article, and make it read: "sold short." I was going to say, with regard to the latter statement, that the Board was dominated by the Grain Exchange. After listening to Mr. Murray's evidence my opinion in that regard has been confirmed so far. I did not intend, perhaps, just the construction that Mr. Murray placed upon that phraseology, but that the whole machinery used is the machinery of the Grain Exchange, and I believe the methods are in the strict conformity with the speculative methods that have grown up around the Grain Exchange; and after listening to this particular statement I think the western farmers to-day have more reason for apprehension than they had when that article was written.

WITNESS: Mr. Coldwell, I wonder if it would be fair to me and fair to our Board to suggest that if the domination that you and also Mr. McFarland, in the statement he issued on December 19, mentioned, was only a domination that existed because of the Act that compelled us to use that machinery, it was equally true that our predecessors on the Board, Mr. McFarland, Mr. Smith and Dr. Grant, would be dominated by the Winnipeg Grain Exchange? And if it is just a domination that arises out of the machinery that we are compelled to use, what was the necessity for suddenly bursting into print and pointing out to the western farmers that this new Board was dominated? I

would submit, Sir, that the opinion of 99 per cent of the people of Western Canada would be that the word "dominated" was used in the sense of trying to impress the people with the idea that we were subservient as individuals to the Winnipeg Grain Exchange—

Mr. McLEAN: No question about that.

WITNESS: —and to bring us into discredit wherever it might do so.

Mr. COLDWELL: The point of view held by myself and many people in western Canada is that progressively up to the time the new Board took office an attempt had been made to get away from the Grain Exchange method of marketing, and that the new Board coming into office came into office with the intention of reversing that policy to this degree, that the methods formerly utilized in the Grain Exchange would be the only methods, if I might put it that way, used by the Board; and that is particularly substantiated, Mr. Chairman, by Mr. Murray's own evidence when he says that he made some direct trades but discontinued them on December 20. I may say that the statement by Mr. McFarland from which Mr. Murray quoted this morning, and upon which my article was based, was made on December 19, and one day later the Board changed that policy; and in my opinion that change of policy would confirm the opinion that there was something in the interests of the producers in the change of policy because of justifiable criticism of the Board. That is the interpretation I place upon it. I would like to hear comment on it.

WITNESS: Mr. Chairman, Mr. Coldwell and members of the committee. I may say that our Board has not in any particular degree that I know of, since we started, changed our policy because of any criticism. I do not wish to labour the point as to the word "domination," but perhaps before I refer to that I should refer to Mr. Coldwell's point with regard to December 20. I stated the reason why we made that change on December 20. The reason was because if exporters had continued to come to us direct to buy half a million bushels of futures they would have bought the futures just as they were doing. They were buying the futures just the same as if they went through the pit. If they had continued coming direct to us they would not have been doing it through the pit through brokers, and we would not have been selling it through the pit through brokers. And if you will look at section 8, subsection (i) it reads:—

(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;

The discretion, of course, is left to the Board, but the whole tenor of the Act is to use that machinery; and you will find that the record last year of speeches made in the House when the Act was brought back rendered that perfectly clear.

*By Mr. Coldwell:*

Q. But you knew of that provision prior to the adoption of the policy of direct selling?—A. Certainly we knew it; but you will remember that I said the other day that we had 34 weeks of crop year left, and a lot of wheat on our hands, and we knew these people were the salesmen we had to depend on, and we considered it absolutely necessary to instil confidence into them in so far as offering wheat abroad in large quantities was concerned.

Q. That does not alter the fact that you knew that nine or ten days before the 20th?—A. Yes, we did; but you might take temporary action necessary to cover a particular period and not continue it, and not be breaking the Act. I repeat that it was not any criticism contained in Mr. McFarland's statement of December 19 that caused us to change any policy; and as far as the phrase

[Mr. James R. Murray.]

“dominated by the Exchange” is concerned, personally I have not any feeling about it. I think I mentioned once before in this committee that at least in so far as I am concerned, when I undertook to go on the Wheat Board I expected criticism, and lots of it, and perhaps more than we got; but to whatever extent I expected it, I was not disappointed at the efforts of some people.

*By Mr. Deachman:*

Q. If you had been in the export business at that time you would have had your offers out every night?—A. Yes.

Q. Then you would have been caught, too?—A. We would have been out at 86 $\frac{7}{8}$  cents, the previous day's close.

Q. Then if you had had charge of everything, including export, it would not cover this situation?—A. No, sir.

Mr. McLEAN: I would like to get an understanding of what several speakers and the witness have in mind in using the term “direct trade” or “direct selling.”

Q. Mr. Murray, by “direct selling” do you mean selling to users of wheat in Britain or simply trading through traders and exporters in Winnipeg?—A. It is simply trading on the floor in Winnipeg.

Q. It does not mean direct selling to the millers of Europe?—A. No.

*By Mr. Perley:*

Q. There was a lot of evidence given before the committee last year, and they reviewed the whole situation, as far as Mr. McFarland's operations had gone with respect to stabilizing prices, and it was quite evident from the evidence we heard that he had, on different occasions, to buy huge quantities of wheat in order to prevent the market from going below the stabilized price. Now, when the committee drafted the bill they left the machinery of the exchange there to be in operation partly for the purpose of facilitating the exporter, and I think we understood that there was to be no further buying and selling of futures other than to dispose of the futures of long wheat that the board held. There was no power in the Act to permit the board to buy wheat other than from the producer there; that was distinctly understood. The question has been brought up here about rescuing the shorts. I do not think there was any intention that that should be done, but to clean up the contracts that the board had?—A. I do not understand that, Mr. Perley.

Q. Under the Act the board had no power to buy wheat other than from the producers thereof?—A. That point is quite clear.

Q. As far as dealing in futures is concerned, it was only to clean up the futures they had, the long wheat they held?—A. That was to sell the futures contracts.

Q. Yes.—A. Options he had, and to sell the cash wheat.

Q. And to use the existing agencies in the exchange for the export of wheat, to facilitate the export or the sale of wheat through that channel?—A. You mentioned this now in connection with these shorts? I do not want to be confused about it. Your reference now has no connection with this question of rescuing shorts on the 13th?

Q. I am going to come to that.—A. Let me get this clear: The point you are making is that the Wheat Board had no power.

Q. At least the committee, when they drafted that Act, did not think they were giving them that power?

Right Hon. Mr. BENNETT: It was so stated in the House of Commons.

WITNESS: That you were not giving them power to make any trade in futures or to make any trade in options except to sell what wheat we had?

*By Mr. Perley:*

Q. Yes?—A. In other words, that it was beyond our power or beyond the power of the Wheat Board to sell cash wheat, and at the same moment take in exchange or buy any options?

Q. That you should not buy any more options?—A. That was the intention of the committee and the intention of parliament.

Q. Yes.—A. I am afraid I would have to stand by the opinion I expressed the other day, that if that was the intention when people knowing as much about the grain business as they did were in charge of it and they were considering marketing the amount of wheat there was, and knowing as well as they did and as completely and thoroughly to the last detail all the operations of our grain trade, and what makes it easy to sell wheat and what makes it hard, it was a villainously drawn Act.

Q. That is apart from the question.

Mr. McLEAN: There is another answer to that, and that is the answer Mr. Bennett has given us so often, that the intention of the individual legislators does not bind the meaning of the Act at all once it is passed.

*By Mr. Perley:*

Q. I should like to ask a few questions. Coming back to December 13, you stated the other day that it was on the 10th you made arrangements with the exporters of grain firms; that you made offers over night that you would take the supply of wheat at a quarter of a cent over the previous close; that was on the 10th?—A. On the 10th or 11th, speaking from memory, I am not sure which.

Q. Was there any written rule or order—does your board have sessions, and are the minutes kept of the meetings, and do you pass rules and regulations with respect to what you are going to do?—A. I think the board has passed one rule or regulation—of course we have minutes, yes.

Q. Is this a written rule?—A. No, sir.

Q. Just a verbal understanding?—A. Yes.

Q. Which you changed on the 20th, I think?—A. Yes, sir.

Q. Well now, you stated that you had to have a copy of the offers and the acceptance cables, so to speak, of the offers they had made over night?—A. We provided that they would make their records available to independent auditors of our choosing, and I have, if you wish it; the auditors' report in regard to the investigation they made.

Q. These would show the offers and the acceptances?—A. I have the auditors' reports, sir, which I would be glad to give to the committee.

Q. Will they show it?—A. I will file it with the committee and the committee will see what it shows.

Q. I am asking if it shows the offers of the 9th, 10th, 11th, 12th and 13th?—A. No, sir.

Q. Does it show the offers of the 12th?—A. It does not show that. It is a report of the auditors who went into these people's books and records and reported back to us.

Q. After that day?—A. Yes.

Q. That would not be any use to protect you after the operation of the 13th?—A. Why not?

Q. You say there was an understanding made after that they would produce the offers and the acceptance of the offers that you would supply them with the wheat to fill these offers at a quarter cent above the previous close. Now, an auditor's statement days after— —A. We supplied them with the wheat and the auditors went in and got the information, confirmed whether we had done it or not, and incidentally I might mention the auditors reported to us 503,000 bushels of wheat, options or contracts, were not in accordance with what they thought was intended, and we made a settlement with these gentlemen by getting them to pay us another  $2\frac{3}{4}$  cents per bushel, making the price  $89\frac{7}{8}$ , instead of  $87\frac{1}{8}$ .

[Mr. James R. Murray.]

Q. Well then, you did not have the offers in your possession or you had not seen them on the morning of the 13th when you supplied 22,000,000 bushels of wheat to the market, Mr. Murray. You did not have the offers or acceptances of the 12th?—A. No, sir; the export firms told us what business they had done over night, and we took their word for it that they had done it, until the auditors could check it.

Q. The impression the public has, and I think the members of this house have, is that it was understood that you should have the offers and the acceptances before you delivered any wheat. An auditor's statement, days afterwards, I do not think clears up the situation?—A. Well Mr. Perley, I wonder if anything would clear it up for you, as far as our board is concerned?

Q. You admit you did not have the offers on the morning of the 13th?—A. No, sir, I do not think I admit anything of the kind. I made a statement of the procedure we follow. I made a statement of what the auditors had done, a reputable firm of auditors. We will just let it rest at that, as far as our answer is concerned, if you do not mind.

Q. That answer is not very satisfactory to me; I do not know about the rest of the committee. Can you give us the amount of the wheat that had been offered on the 9th, 10th, 11th?—A. By exporters?

Q. By exporters?—A. No, sir.

Q. You do not know whether these 22,000,000 bushels apparently that were offered on the night of the 12th, was an accidental offer or a coincidence, or was there a great deal more offered that night?—A. It was a coincidence to the effect there were 22,000,000 bushels offered over night. Do you think there was 22,000,000 bushels from information that is not before the committee?— There were 22,000,000 bushels offered out on the night of the 12th.

Q. That is the inference I gather. That is what I am asking you?—A. Yes. You were making a statement about the 22,000,000 bushels offered over night.

Q. I was referring to a statement made in the press and a statement made by Mr. Gardiner when speaking about the fact that they had sold 22,000,000 bushels of wheat, and the public was led to believe it was practically all cash wheat. Is that not the answer?—A. I do not know who led them to believe it.

Q. A statement made by myself, reported in the Regina Leader that the board had delivered 8,860,000 bushels of wheat to the exporters at presumably quarter of a cent over the previous close, and 12,400,000 bushels of wheat was sold at an advance of 3 cents.—A. Shall we go back then, and instead of taking 22,000,000 to which you are now referring; the over night offer of 8,000,000 odd bushels is what we gave to exporters and millers.

Q. 8,600,000 bushels?—A. Yes; that is a lot less than 22,000,000.

Q. Yes. I would judge in respect to the statement you made the other day, with regard to this position, you said that of the 22,000,000, so much went to mills, so much to exporters, so much to mills again at an advance of two cents, and then in the pit, 11,684,000 bushels and flat cash sales of 861,444 bushels, being a total of 22,025,455 bushels, of which 11,000,000 odd was in the pit. Could it all have been put through the pit at a full three cents advance?—A. No. unless we consider that our word was worth nothing.

*By Right Hon. Mr. Bennett:*

Q. Your word was given on what date, on the 10th December?—A. Either the 10th or 11th, Mr. Bennett.

Q. Yes, I see that.

*By Mr. Perley:*

Q. Mr. Murray, I had in mind this thought, that we should have the rules before this committee, the actual offers and acceptance cables?—A. I have no doubt you will be able to get that sir. You can get them from the gentleman who made them; perhaps you can get them from the auditors.

*By Right Hon. Mr. Bennett:*

Q. They went through the clearing house?—A. These auditors are a reputable concern, and quite competent, I think, to check the matter up. The name of the auditors is Glendinning, Gray and Roberts.

Q. Price Waterhouse and Company is the firm that has been doing it all these years?—A. Price Waterhouse and Company have been the auditors for the Canadian Co-operative Wheat Producers. The auditors for our board are Miller Macdonald.

*By Mr. Perley:*

Q. Can you give us the amount that was asked for on the morning of the 13th by any of these firms?—A. It would be in accordance with what we sold.

Q. Was there more asked for than you gave before the market opened a quarter cent above the previous close?—A. But there were people who asked for wheat against flour that they had sold in Canada and other places, asked for it at the quarter cent offer, and we would not give it.

*By Mr. McLean:*

Q. You had not promised them?—A. No.

*By Mr. Perley:*

Q. Had you any suspicion or idea in your own mind that the amount of wheat that was asked for that morning was not for actual export but for shorts, to give shorts a chance to cover?—A. Mr. Perley, I was not interested in suspicion; I was interested in, or our board was interested in, carrying out the undertaking that we had made, and then going and checking up afterwards.

Q. Well now, there was a report in the Wall Street Journal; I think it has been referred to before. How did the people in Wall Street come to get the impression that you had established a precedent, so to speak, so far as any government board was concerned, in your operations of the 13th, in helping out those who were apparently short? You have seen that comment in the Wall Street Journal?—A. I am not sure that I have. I was somewhat busy; I do not see every comment made about us. At that time I had something else to do.

Q. Well, the Wall Street Journal in its report makes this comment:—

The Canadian Grain Board showed its co-operation with exporters, particularly the small ones that had made definite price contracts over night, by allowing them to take in their hedges at one quarter cent over the market's close. Had this not been done, the small shippers would have been in a plight, for Winnipeg wheat futures opened up the permissible three cent limit on the following day. Those exporters who had sold over night would have been hard pressed to cover their hedges.

As yet no Canadian government, irrespective of its political complexion has recognized any obligation to succor the grain trading interests. The action of the Murray board, accordingly, constitutes an interesting precedent which is scheduled to be the subject of an important airing at the session to come.

Mr. McLEAN: I wonder how they knew it was going to be aired in parliament?

Mr. PERLEY: That is what I am asking.

WITNESS: I think there is a perfectly simple answer to your question as to how they knew it. I was asked by one gentleman of the committee some days ago, if a similar procedure of protecting exporters over night at any more than a quarter of a cent away from the previous day's close had been followed

[Mr. James R. Murray.]



by our predecessor; and my answer was yes. I added this: it was not a policy established, avowed and known and available to everybody in the trade. Now, that was my answer. This is a little more fully. Let me add this, that I did not know that when we made the arrangements that we had with the exporters; and I said that for this reason, that I had no desire to hide behind anything that may have been done by our predecessors. We made that agreement because we considered it was good business to get the exporters and millers working in our confidence, that they were not going to be, to use a word used in the trade, crucified when they came to buy in their hedges. We made that, without knowing that our predecessors had done it. As a matter of fact, they had. But I do not wish to quote that as any justification for us. I think they were quite right in doing it. I do not want to criticize them.

Q. Some reference has been made in a previous session of the committee, with respect to those large international firms. What do you think is really their influence on the Winnipeg market? Do they have a real stimulating influence, so far as the producer is concerned, to get a better price, or do they generally operate to depress the market?—A. Let me answer your question—

Q. Just a minute. I mean the firms have no interior elevators? They have no terminal elevators, and they are not in the grain business in that way at all? They are there as members of the grain exchange, representing large international firms. They are just agencies of the large international firms, put it that way?—A. They are officers, and they own an office.

Q. They have membership in the grain exchange?—A. Yes.

Q. Do they have a stimulating effect?—A. You want to know my opinion?

Q. That is all we can get.—A. More than a stimulating effect. Do you wish any particular—

Q. I said, what influence?—A. I do not know, Mr. Perley. I have not had access to their records, even if I had I don't know that I would know.

Q. Are not there a good many members of the Winnipeg Grain Exchange—you know them all, no doubt—are not there quite a number of the real Canadian firms that think these firms have an influence which is more or less depressing, and that the grain exchange could carry on very well if they were not there?—A. Well of course, if there are some real Canadian members there that think that, they would have to answer that themselves. I cannot answer for their thoughts, Mr. Perley.

Q. You conversed with a good many of those members, no doubt, about that situation from time to time; before you took over this position you were actively engaged in the grain business?—A. Would it not be just as useful for the committee to get the information from the information you have received from your friends on the exchange? Why ask me for it?

Q. My information then is that they are a menace not only to the trade, but to the farmers of western Canada, but I will go further and say that we have to go even beyond this board in setting up some organization, or the government will have to take over the whole grain trade of western Canada before the farmers will ever get a square deal, as long as you have these large international companies working on the grain exchange?—A. I think that is very valuable information for the committee, and more valuable than if I were to express an opinion about it.

Q. You are an active grain man and have been for some time. I think you know this much better than I do.—A. I would put it this way: Well—

Mr. SENN: You do not want to express an opinion?

The CHAIRMAN: It is a matter of opinion.

WITNESS: I thought, Mr. Chairman, we came down here to answer for, and supply information as to what we have done. Mr. Leader asked a question the other day that was asking an opinion, and asked to have it left until later, until an examination of our operations was finished, and you would be discussing the question of the policy of the future.

*By Mr. Perley:*

Q. I might add further to that that my opinion is expressed with some little experience. I am not only a farmer, because I have been farming in quite a large way, producing a good many thousands of bushels a year when we had decent years, but I am also operating a small elevator business in the country; I have come to the conclusion in the last few years that the small man has not a chance in the world, and it is because a majority of the Canadian firms on the exchange who have interests in the country and who are anxious to give us a square deal, find they cannot do it because of the existing conditions.—A. Of course these people would not have any influence on their operations in operating elevators in the country, Mr. Perley.

Q. They have an influence on the fellow we are dealing with?—A. An influence on the man you are dealing with? You mean in the country?

Q. No, the man to whom we are selling.—A. Oh, you mean in the exchange?

Q. Yes.—A. I can say this, from my own knowledge, not saying what someone else thinks, that in operating the Alberta Pacific Grain company as a country elevator concern, having terminals at the coast, I do not know of any occasion when they made it more difficult for us to operate as an elevator concern. I have heard this suggested, and I have no wish to take sides at all, either for or against the international firms, or domestic firms. I think it would be out of place for me to do so, Mr. Perley, as long as I hold the position of chief commissioner of the wheat board.

Q. You might do that after this particular reference is finished?—A. We have to do business with these gentlemen and a lot of other gentlemen. I do not think it is our business to do that. But they are foreign firms. They have offices in foreign countries, and I have heard it said sometimes it is not a bad idea to use a foreigner to sell wheat to a foreigner.

Q. Would you care to produce the clearing house sheets for the days between the 9th and 20th?—A. Of course we have not got them, but I think you could get them from the exchange.

Q. You could get them?—A. Certainly, from Mr. Fowler. I was going to suggest later on, if you wanted the information you could get it.

MR. DEACHMAN: Why not put in the position of the 30th of January?

WITNESS: That is entirely a matter for the committee, Mr. Deachman.

THE CHAIRMAN: Does the committee desire Mr. Fowler to produce those sheets?

Right Hon. Mr. BENNETT: Yes, but it could be done later.

THE CHAIRMAN: Have you those sheets with you, Mr. Fowler?

MR. FOWLER: What sheets?

WITNESS: The clearing house sheets back in December, December 9 and 10, along up into January.

MR. FOWLER: Your sheets show the actual trades. While we have copies of them, we only get the balance.

WITNESS: It is the balances that are wanted.

MR. FOWLER: We have the balances, but not here.

Right Hon. Mr. BENNETT: The bought and sold sheets.

*By Mr. Perley:*

Q. Have you got the individual clearing house sheets?—A. You want our individual clearing house sheets; we have them, yes, sir.

*By Right Hon. Mr. Bennett:*

Q. That is what he is talking about.—A. I did not understand that. Yes, I can produce them.

[Mr. James R. Murray.]

*By Mr. Perley:*

Q. Showing the different trades you made?—A. Yes, sir.

*By Right Hon. Mr. Bennett:*

Q. The options you bought?—A. The options we took in exchange for cash wheat.

*By the Chairman:*

Q. Have you those here?—A. No, sir; I would have to send to Winnipeg for them.

Mr. McLEAN: The order of reference says that this committee is appointed "To investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion government, and upon all other matters pertaining thereto." I wonder how far back the committee should have these sheets? Should we have them for two or three days, or since the 10th of December?

Mr. PERLEY: There is quite a bulk of them.

Mr. McLEAN: I know 298,000,000 bushels of wheat is a lot of wheat, and that is something more important than the 7,000,000 bushels that were sold in one morning.

The CHAIRMAN: You mean we should go farther back?

Mr. McLEAN: I would think so. I should like to know how the 298,000,000 bushels accumulated. If Mr. Fowler is going to be asked for clearing house sheets for certain dates, I think he should at the same time save confusion and delay by being asked for them for a longer period.

Mr. FOWLER: I would have to get a car to bring them down.

Mr. McLEAN: Probably, but 298,000,000 bushels is a great many more carloads than 7,000,000 bushels.

Right Hon. Mr. BENNETT: The Dominion government did not own the wheat.

Mr. McLEAN: It does not say that. It says "marketing of wheat."

Right Hon. Mr. BENNETT: I am only referring to the observation you made about the Dominion government owning the wheat.

Mr. McLEAN: No, I did not that. I said the order of reference was "to investigate and report upon the marketing of wheat." Now, the Dominion government did have 298,000,000 bushels of wheat.

Right Hon. Mr. BENNETT: No.

Mr. McLEAN: The wheat board, which was the creature of the government, and I take it there is an axiom which says "Things which are equal to the same things are equal to another."

Mr. PERLEY: I did not think you could apply geometry to the grain trade.

The CHAIRMAN: What do you want from Mr. Fowler and Mr. Murray?

Right Hon. Mr. BENNETT: What he is asking for is the sheets representing the accumulation of the 298,000,000 bushels of wheat.

The CHAIRMAN: Do you want to go as far back as that?

Right Hon. Mr. BENNETT: That is what he suggests.

Mr. McLEAN: That is what the order of reference says we are to investigate.

Mr. FOWLER: Excuse me; we have not got them over a year old, you know. We cannot produce them. We do not keep them over a couple of months beyond the year. If anybody in the office requires any information they can get it from those records, but after that we burn them.

*By Right Hon. Mr. Bennett:*

Q. Have you completed your statement?—A. Yes; I was answering Mr. Perley's question.

Q. Do you desire to make any further statement? I should like to ask some questions and get continuity in the questions and answers.—A. Mr. Bennett, is it fair to suggest this is the first time you have asked me questions, and I have not been answering previously?

Q. I started at one time to ask you questions, and you said you desired to make an explanation. These statements sometimes ran to an hour and an hour and a half. I am not complaining about it.

*By Mr. McLean:*

Q. Just one question with reference to shorts before Mr. Bennett begins his examination. The Wall Street Journal and Mr. Perley both referred to the succour of small exporters, and I looked up the record at page 67 to find who took the 7,000,000 bushels. I would like you to tell us who the small exporters were, and perhaps for the benefit of the Committee you will tell us by contrast who would be the large exporters. Bunge North American Grain Corporation, Continental, Cargill, Canada Atlantic, Dreyfus, Norris, Peerless, Reliance, James Richardson, Scottish Co-operative and Stoddart took the bulk of that stuff. Would it be correct to say who the small exporters were among them?—A. I do not know whether I should start to differentiate between them. The Canada Atlantic is a very small firm.

*By Right Hon. Mr. Bennett:*

Q. I think you answered that question. Look at the top of the long question?—A. "We sold in the pit to a lot of people of whose names we have no record, 11,684,000 bushels at 89 $\frac{7}{8}$ ."

*By Mr. McLean:*

Q. The grain sold in the pit would not be succouring anyone?—A. Your question, Mr. McLean, was—I do not know what Mr. Bennett has to do with answering the question—which were large and which were small exporters?

Q. Quite so?—A. Generally speaking I think from Winnipeg: Bunge, Continental, Dreyfus, Richardson, Reliance, and perhaps Norris are looked on as being large exporters.

*By Mr. Perley:*

Q. Which one of these firms is the representative of Rankin & Company?—A. I think more than one firm does business for Rankin & Company, as I understand it. Rankin & Company buy wheat from anybody; they have no actual agent in Winnipeg.

Q. I thought perhaps they had an actual agent?—A. I do not think so; they might have business looked after by two or three there.

*By Mr. McLean:*

Q. Is Stoddart looked upon as a large exporter?—A. They are a good-sized firm. You are taking me too far there; I might hurt somebody's feelings.

Q. I want to narrow down the field to see if I can find out who the small exporters were who were succoured. That leaves the Scottish-Co-operative?—A. They were all treated the same way, large and small.

Q. The explanation is made by both Mr. Perley and the Wall Street Journal, that it was the small ones who were succoured and the large ones apparently could have looked after themselves?—A. The Wall Street Journal might still have left out the word "small."

Q. I think so, but it means the Scottish-Co-operative, Cargill and Canada, apparently?—A. Cargill is a large firm.

[Mr. James R. Murray.]

Q. That brings it down to the Scottish-Co-operative?—A. (No response).

Mr. PERLEY: I think Mr. McLean misunderstood me. I was trying to show that the small fellow had to be taken care of in operating against these big fellows or he had not a chance in the world. These are some of the big fellows. There are a dozen other small fellows not mentioned there. I would judge there are ten or a dozen small firms not mentioned in that list at all?—A. I do not think there are, that are exporters.

Mr. McLEAN: I am trying to get at the truth or otherwise of the statements in the Wall Street Journal which were quoted in the House, and which forecasted a parliamentary or governmental investigation on account of the terrible wrong that was done in succouring these small exporters that morning.

Right Hon. Mr. BENNETT: That was not the alleged wrong.

Mr. McLEAN: That is the wrong that the Wall Street Journal alleges.

Right Hon. Mr. BENNETT: More than that.

Mr. McLEAN: Why investigate it then?

Mr. PERLEY: We are just quoting the impression given out. How did they get the impression?

Mr. McLEAN: I would like to know that, too, and how they knew it was going to be investigated?

The CHAIRMAN: I suggest that Mr. Bennett now proceed with his questions.

*Right Hon. Mr. Bennett:*

Q. When did you take over, Mr. Murray?—A. I think it was December 2 we were appointed, or December 3, and we started to work on the 9th.

Q. You actually took over the office on the 9th December?—A. Yes.

Q. At that time the wheat and contracts held by the Co-operative Producers Limited were still in their hands, is that right?—A. In the records in the books they were in their names, but they had handed over to us the week before, handed over to the Wheat Board, I should say, the week before. There was an interval of a few days when Mr. McIvor was alone, on the Thursday, Friday and Saturday before the 9th December, I think.

Q. At any rate, when you took over the office the transfer had not yet been completed of the contracts and wheat held by the old Co-operative Producers Limited?—A. We had possession.

Q. The documents were completed subsequently. At the time you took over on the 9th December how many bushels of wheat had been sold by the old Board, that is Messrs. McFarland, Grant and Smith?

Mr. DONNELLY: From what date to what date?

Right Hon. Mr. BENNETT: At the time he took over what had they sold? They only came into being a few weeks before that.

Q. From the time they began to function, Mr. Murray, up to the 9th December how many bushels had they sold?—A. The auditors' weekly report is up to the 7th December.

Q. Yes?—A. That is the closest I have: 13,242,599 bushels and 43 pounds.

Q. They had sold?—A. Yes.

Q. How many bushels had been cleared for export up to the same date from the beginning of the crop year?—A. About 65½ million bushels.

Q. Up to that date?—A. I do not know whether that is the end of November, but somewhere around that date.

Q. My figures are a little different from that, it is only fair to say. From the beginning of the crop year on the 1st August, 1935 to the 9th December I have a slightly smaller figure than that, that is, cleared for export; I am

talking about what went out of the country into consumption?—A. The figure I have mentioned, speaking from memory. I am pretty sure includes the shipments cleared into the United States, actual exports, as well as abroad, and I think includes flour.

Q. That is what I wanted to be clear about. I want to see if you can give me the figures showing exactly how much wheat had been cleared out of Canada in the crop year of 1935-1936 up to the date you took over, which would include (a) shipments from ports by sea; (b) shipments to the United States whether by sea or land; and (c) shipments of flour in terms of wheat?—A. I am pretty sure it is 65½ million bushels.

Q. I think that is including flour. What are the total sales up to the end of January including flour and including exports and including clearances from ports?—A. The total shipments to the end of January?

Q. Yes?—A. I have not got those figures.

Q. I thought you gave me the figures just roughly up to the end of January the other day?—A. No.

Q. You can get them, the clearances from Canada (a) by the sea; (b) by sea or land to the United States; and (c) flour in terms of wheat. I think you can get that without difficulty because I have it roughly?—A. That would be between what dates?

Q. The total from the beginning of August up to the end of January, and the difference, of course, would be what your Board had actually sent out of the country in that period of time?—A. Of course our Board does not send any out of the country. For the sake of accuracy I want that on the record.

Q. Actually cleared from the country and gone into consumption. I want to make it quite clear if I can, Mr. Murray, that the wheat that is under option has gone into consumption so far as Canada is concerned until such times as it leaves our ports or goes into other countries or goes into flour shipped from the country. There is no doubt about that, I suppose?—A. You say the wheat that is under option?

Q. I used the term "under option." I can make it clearer than that. So far as we are concerned in dealing with our wheat surplus, wheat does not go into consumption for our purposes until such times as it leaves the country, except domestic requirements, of course?—A. That is correct.

Q. There is no doubt about that?—A. Of course, the sale of the option in the first place may start it on the road to someone.

Q. I am speaking with regard to the effective position. It must leave the country or go into domestic use before it is no longer a surplus in the country that has to be taken care of. That is a fair way of putting it, perhaps. It is a carry-over until such times as it leaves the country?—A. Yes.

Q. That settles that. Shortly after you took over you gave instructions to Mr. Lamont, as you have already indicated, and later you wrote letters to millers in Great Britain, and I think you also sent Mr. Smith abroad, did not you?—A. No, sir.

Q. He did not go abroad?—A. No.

Q. At one time it was thought he was to go abroad instead of Mr. Lamont, because I remember a friend of mine was introduced to him in Winnipeg as being about to go abroad. Was there any discussion about his going abroad?—A. Not that I know of.

Q. Perhaps coming events cast their shadows behind?—A. Perhaps your friend was not well posted.

Q. No. He had a conversation with him and said he was leaving on the train that day.

The CHAIRMAN: Which Mr. Smith was that?

Right Hon. Mr. BENNETT: Mr. Sidney Smith's son, Mr. Sidney Smith being one of the exporters and the head of the Reliance Grain Company.

[Mr. James R. Murray.]

Q. I take it that that is so, Mr. Murray?—A. Yes, sir.

Q. I think that answers the question put by the Chairman. Shortly afterwards you called together the exporters, I gathered from what you said, Mr. Murray?—A. No. Shortly after what?

Q. Shortly after you took possession, took over?—A. Yes.

Q. You fixed the date as being the 10th or 11th?—A. Yes.

Q. Do you mean to tell me that no minute was made of that meeting?—A. I did not say no minute was made of it.

Q. I am asking you?—A. I would rather that you asked the simple question. The question as you put it: "Do you mean to tell me that no minute was made of that meeting?" is hardly fair.

Q. Anyway, I thought you told Mr. Perley, who asked about the minute, that there was not any?—A. No.

Q. Was a minute kept of the meeting?—A. There is a record of it in the minutes, yes.

Q. Would you produce the minutes?—A. I would have to send to Winnipeg for them. They are in charge of our secretary in Winnipeg.

Q. Then the board did make a minute of that meeting, so that we can fix the date and ascertain who were present?—A. Yes.

Q. And the minute is a correct record of what took place, I take it, as far as you know?—A. I would presume so.

Q. Have you read the minutes since?—A. Read them and signed them, no doubt; I have not read them recently. The first meeting was with a committee of the exporters; I think there were about four present.

Q. There is a minute of that also?—A. Yes.

Q. We will get the minute. Then in consequence of that I gather that you felt, as I suppose you would feel, that your board was bound to implement its undertaking until such time as it had withdrawn it?—A. Yes.

Q. And you did withdraw the proposals as indicated by the minute, on what date?—A. December 20.

Q. And I suppose there was a minute of that also?—A. I would presume so; I would not like to answer from memory as to that.

Q. Your recollection of that is that the transaction is minuted, and we can have a complete record of it from the beginning to the end?—A. Really my recollection does not matter, because we can get the minutes and find out what the facts are.

Q. Quite so. That is the position with respect to that matter. When was it that the Argentine raised its price, so far as you knew?—A. Do you mean when did I first hear of it?

Q. Yes.—A. On the morning of the 13th.

Q. That is, it came by cable as news, or were you advised or otherwise?—A. I had a telephone message at the house from a broker; that is the first news I got of it, and I got the news at the office when I went down there.

Q. And as soon as you reasonably could after that you rescinded the proposal of the 9th or 10th?—A. No, sir.

Q. Did you not?—A. No.

Q. How soon after that did you do it? I thought you said you did it on the 20th?—A. That was seven days afterwards.

Q. Did the board receive any consideration for the offer it made to the exporters?—A. We did not make an offer to the exporters. We were asked by the exporters for protection, which I believe they had asked for previously at times, of a quarter of a cent over, and we said we would give it to them.

Q. And a week after the Argentine had raised its price you notified them that that arrangement was no longer binding?—A. And at the same time notified them that we would have wheat for sale in the pit so that they did not need to be afraid to offer wheat freely overnight.

Q. Quite so.—A. In other words, we continued a similar practice without their having our definite guarantee on it.

Q. You regarded the result of the meeting with the committee as embodied in your minutes as constituting a definite guarantee, you say?—A. We considered our word was a definite guarantee.

Q. There is a minute of it. It is more than your word, it is an undertaking reduced to writing?—A. Not an undertaking reduced to writing between us and them.

Q. No writing between you?—A. No; no written contract between us.

Q. Then on the 20th, having withdrawn the arrangement, you undertook to sell wheat in the pit. Had wheat been sold by your board in the pit prior to that?—A. Yes, sir.

Q. And it had been sold in the pit since the beginning of the crop year by your producers as well?—A. Well, I have some records here that Mr. Ross asked for the other day that will answer that.

Q. Would you please answer the question: Had it been sold in the pit by your producers? You are on the exchange, you see?—A. The only reason I gave the answer in that way is not because I had any objection whatever to giving it, but if my memory is correct I think you objected the other day to my making some statement about what they had done and said you would rather have the records speak for themselves.

Q. Did they or did they not offer wheat for sale in the pit, to your knowledge?—A. You don't mind my explaining why I take that form of answering?

Q. Will you please answer the question?—A. Yes, to the best of my knowledge and belief and information they did.

Q. When you acquired the contracts from the Wheat Producers Limited were they all contracts for delivery of wheat in May, or were they for other months as well?—A. I think there was a very small amount in December, an insignificant amount.

Q. Would you indicate how many bushels were actually taken over from the Wheat Producers Limited by your board?—A. Of futures contracts?

Q. How many bushels of wheat (a) actual wheat, and (b) contracts?—A. I gave that the other day.

Q. Yes, and I wanted to check it up. Possibly I may be wrong, but I thought there was a little mistake there. But you are satisfied it is correct?—A. I think so. I wonder where that is.

Q. It is rather early in the evidence, Mr. Murray?—A. I do not know where I have those figures.

The CHAIRMAN: They are on the record now?—A. Yes.

*By Right Hon. Mr. Bennett:*

Q. Look at page 44, Mr. Murray. I just want to get the continuity of the story, if I may?—A. I think I had better try to find those figures in my files again.

Q. It is to avoid any possible confusion about them that I am asking you now, Mr. Murray?—A. Yes, I know.

The CHAIRMAN: May I suggest that Mr. Murray's secretary might look those figures up.

Right Hon. Mr. BENNETT: Quite so. Mr. Chairman, if you don't mind I want to make it perfectly clear what the position was, and I do not want any misunderstanding as to quantities.

WITNESS: I have it. The figure that you wanted, sir, was what?

*By Right Hon. Mr. Bennett:*

Q. I wanted you to indicate how many bushels of actual wheat were taken over from the Wheat Producers Limited by you and how many bushels repre-  
[Mr. James R. Murray.]



sented by contracts for May delivery, and how many by contracts for delivery in other months?—A. I will have to get the figures for the other months.

Q. It is trifling?—A. My recollection is that it is insignificant for December. Cash wheat 53,600,000 bushels; futures contracts, practically all May futures, put it that way: 151,460,000 bushels; a total of both of 205,060,000 bushels.

Q. I thought on page 37 of the evidence you said—

Mr. DONNELLY:

In that connection I might state—and perhaps it would be a good place to start—that our inheritance on December 7 (that was a Saturday, and we started to work on December 9) was 122,863,000 bushels of cash wheat. . . .

*By Right Hon. Mr. Bennett:\**

Q. That is what I am trying to put in proper shape?—A. That is the total of Wheat Board wheat; let me put it this way, 1935 crop wheat and old Producers wheat.

Q. I am very anxious to try to get this in some sort of sequence so that anyone reading it will know exactly what the position was. You have been good enough to give me the cash wheat and contract wheat that your Board took over from the Wheat Producers Limited?—A. Yes, that is right.

Q. That, you say, makes a total of 205,060,000 bushels of wheat that came into the Board's hands for sale on the 9th December, 1935, as far as you know?—A. Yes.

Q. On that day how much wheat had been acquired by the McFarland Board between the 1st August, the beginning of the crop year, and that date and was actually turned over to you as wheat?—A. I have to do some figuring to do that.

Q. Perhaps your secretary will help you to do that while we are going on. The next question is, were there any contracts for the delivery of wheat made by the McFarland Board from the 1st August to the 9th December that were turned over to you?—A. Might I get that first question down: How much wheat?

Q. Roughly how much wheat was turned over to you that had been acquired between the 1st August and the 9th December by the McFarland Board?—A. That is the Wheat Board, 1935 crop.

Q. There was no Wheat Board until—A. The 14th August.

Q. Quite so. And any wheat you got other than from the McFarland Board came to you as we have already indicated. What did you find on hand as acquired by the McFarland Board?—A. I do not know that it is possible to answer that because I do not know that you can differentiate, but I will see if I can figure it out.

Q. What do you mean by saying you do not know that it is possible to answer that question?—A. I do not know how you can differentiate between futures you have on hand, that are turned over to us—for instance, Mr. Bennett, that on the 1st August the operation under Mr. McFarland—using the figure as purely illustrative—had 100,000,000 bushels of futures contracts and they proceeded to sell 20,000,000 bushels through August and September, if through August and September they bought 10,000,000 bushels they would have at the end of September 90,000,000, but to say how much was acquired and how much was turned over to us on December 9 that they took during that period—

Q. Pardon me, Mr. Murray. I do not think we need have any difficulty in coming to an understanding about that. You have given me a clear and definite answer as to what was taken over from the Wheat Producers Limited by them in cash wheat and contracts. Now I want a comparable figure as to what you took over from Mr. McFarland's Board?—A. Oh, you want the figure we took over from him?

Q. Yes. I thought you misunderstood me?—A. I am thinking ahead, I guess.

Q. No, but you are worried about questions that have not been asked?—  
A. I would not count too much on that, Mr. Bennett.

Q. I do not mean to say that you are worried, in any offensive sense. I mean your mind was projecting itself forward rather than directed to this simple question?—A. I could not have my mind projected forward when I thought I was dealing with some past operation, as I thought; I was wrong. As to the cash wheat, 1935 crop, that we took over on the 9th December, these figures are as of December 7.

Q. Quite so?—A. 69,263,000 bushels of cash wheat, belonging to the 1935 crop.

Q. Stored in country elevators and at various other points?—A. Yes.

Q. And belonging to the Wheat Board?—A. Yes, and 24,032,000 bushels of futures contracts or options.

Q. For delivery in what month?—A. They would practically all be May. Making a total of 93,295,000 belonging to the 1935 crop.

Q. Then you say that the McFarland Board from the time it came into existence up to the time they turned over to you on the 7th December had in fact been buying contracts for future delivery?—A. The McFarland Board?

Q. Yes?—A. No. You say I said that?

Q. I say do you say that?—A. That 24,032,000 bushels there, I presume, they took in exchange for cash wheat.

Q. Is there any way by which you can definitely indicate how they came into possession of that 24,000,000 bushels of contract for delivery in May, from your books?—A. The auditors' report on December 7 shows under the heading: "Sales of Wheat"—may I give the round figure?

Q. 33½ million; open contracts 3¼ million; making sales of 37¼ million bushels. Less cash grain sold for which option contracts not completed, 24,032,000, which agrees with that figure of the options, leaving the net sales of 13,242,000 bushels.

Q. What is the meaning of "option sales not completed"?—A. "Cash grain sold for which option contracts not completed?"

Q. Yes?—A. That is the sale of cash grain against which they took back or exchanged the option, and they have not yet sold that option.

Q. Had not yet?—A. Had not yet.

Q. And that is what you mean as being the same procedure that you continued to follow when you spoke of it the other day?—A. Yes.

Q. I wanted to make that clear. Now, the cash wheat to which you referred that was in the hands of the McFarland Board would be in elevators and country points and elsewhere in Canada, terminals and elsewhere?—A. Yes.

Q. When you took over, Mr. Murray, you will perhaps remember that there was an advisory committee in existence. Do you remember that?—A. No, sir.

Q. You did not know there was such a body?—A. I knew there had been one once, but there was not one in existence when we took over.

Q. When you took over?—A. No, sir.

Q. When had it gone out of existence; was it after the date of your actual appointment?—A. I am not sure of that.

Q. It was around about that time?—A. Yes, sir.

Q. It was governmental action that put it out of business?

The CHAIRMAN: If my memory serves me rightly I think the old advisory board was dispensed with at the same time we appointed the new wheat board.

Right Hon. Mr. BENNETT: I want to be perfectly clear on that point as to when the advisory board was dispensed with.

[Mr. James R. Murray.]

The CHAIRMAN: I think it is in the same order in council.

Right Hon. Mr. BENNETT: I did not remember that it was in the same order in council; you may be right.

*By Right Hon. Mr. Bennett:*

Q. At any rate, did you wish the advisory committee to be dispensed with?

—A. I did not see any use for any advisory board when you had a cabinet committee.

Q. Quite so. Did you think it undesirable that it should be continued?—

A. Yes, sir.

Q. Then, having taken delivery of the cash wheat and contracts from the Co-operative Producers Limited you proceeded shortly after, to endeavour, shall I say, to secure the active co-operation of the exporting agents in Winnipeg. These are all questions, Mr. Murray?—A. Yes, sir.

Q. Through the methods you have indicated by calling the committee together, etc.?—A. Yes.

Q. And anything else? Now Mr. Murray, you have been very long engaged in the grain business and know more about it than the most of us. I would ask you this question: When you said the legislation of last year was villainous when it contemplated that there was to be no purchases except from producers you realized, I suppose, that that committee was composed of several persons who had experience as grain producers and knew the business? I suppose you remember that Mr. Lucas, Mr. Perley, the Hon. Charles Stewart, Mr. Vallance and Mr. Willis, all actual western farmers that you knew personally, were on that committee?—A. You would have to make the question longer than that to catch me on the point,—let me answer it,—to catch me on the point that I said it was villainously drawn if it provided that wheat could only be bought from the producers. I did not say any such thing.

Q. Well, what did you say?—A. Well, we can look it up in the record.

Q. Yes, we will do that. Mr. Murray, will you get this in your mind: I am not trying to catch you about anything. You are under oath. I am asking questions, and I have no desire to catch you in any way, shape or form. I am looking for information.—A. Well then, let me apologize for my remark.

Q. Yes. I desire you to get that in your mind.—A. Mr. Bennett, knowing how accurate you can be, and usually are, I was a little surprised to hear you ask the question in the form you did. It would put the words in my mouth that I had said the statute was villainously drawn if it provided that wheat could only be bought from producers because that would be putting words in my mouth.

Q. That you did not intend to use?—A. That I did not use.

Q. Well Mr. Murray, I certainly gathered that, or I would not have asked you the question. You refer to section 7 of the Act, clause (b) which says:—

To buy and sell wheat: Provided that no wheat shall be purchased by the Board except from the producers thereof.

And I pointed out that paragraph (f) contemplates that very thing by saying that:—

Notwithstanding anything hereinbefore contained, to acquire from Canadian Co-operative Wheat Producers Limited, upon terms to be approved by the Governor in Council, all wheat or contracts to purchase or take delivery of wheat in respect of which the government of Canada has given a guarantee.

That is all I am directing attention to.

*The Chairman:*

I think perhaps we had better have Mr. Murray repeat exactly what he did say.

Right Hon. Mr. BENNETT: I am talking about this morning.

The CHAIRMAN: I understood you made a reference to the statement which included the word "villainously".

Right Hon. Mr. BENNETT: This morning he repeated it again.

WITNESS: Yes.

The CHAIRMAN: This morning's statement?

Right Hon. Mr. BENNETT: Yes, it was this morning's statement I had reference to.

WITNESS: Yes; I did it because it provided only for buying wheat from producers. I repeated the same statement I made on two previous occasions.

The CHAIRMAN: Let us have it again.

*By Right Hon. Mr. Bennett:*

Q. These are your own words.

WITNESS:

But there is one thing, gentlemen; if the statute says that we cannot do it, then I would say that the statute was most villainously drawn, if it was going to be used for the marketing of 298 odd million bushels of wheat, because there is no other way you could utilize the facilities that are existing, and certainly there was a slip by the people who knew all about the grain business in the drawing of the statute.

Q. Well now— —A. I repeated that a little later on; it was along the same line.

Q. I am speaking about this morning.—A. In regard to the sale of wheat, yes, sir.

*By Mr. Ross:*

Q. Your first word was "if"?—A. Yes. I have not at any time referred to the clause in it dealing with the buying of wheat from the producers.

*By Right Hon. Mr. Bennett:*

Q. Some reference was made by yourself and others to the debate in the house after the bill was sent to the house. I suppose you are aware of the fact that it was the express view of those who had to deal with the framing of the statute that it prevented anything other than the purchase of wheat from producers, and that no speculative purchases were possible?—A. No speculative purchases possible?

Q. Yes.—A. Yes, I understood that was the intention.

Q. That was the purpose of it?—A. Yes, and the operation that we did in disposing of our cash wheat and taking the futures in exchange was in no sense a speculative operation?

Q. Quite so. I follow your point exactly. You remember, I dare say, since reference has been made to the discussion here, that the committee prepared a compromise bill, and when it went to the house it was stressed that there was to be no purchases of speculative wheat. I dare say you recall that because you were here, but I do not know whether you remained until the bill was passed or not. Did you remain at Ottawa until then?—A. No.

Q. Therefore you only know what you read. Now, after having taken over in this way, there was a rise in prices up to a certain point, and after that rise in prices, the price of wheat has fallen until to-day it is down to less than eighty cents. That is a fair way to put it, is it not?—A. Yes, sir.

[Mr. Frank O. Fowler.]

Q. Now Mr. Murray, Canadian wheat has enjoyed a premium, has it not, in the world market?—A. Over what period?

Q. Well, generally I say, if you want to put it that way?—A. Yes, generally.

Q. Do you know that Argentine wheat is one of the competitors of Canadian wheat?—A. Yes.

Q. And has been for many years?—A. Yes.

Q. Increasing since the war to a very marked degree?—A. Yes, sir.

Q. That is a fair way to put it. Now, may I ask you this: Has there been any time that you know of, up to the present year in which Canadian and Argentine wheat were sold on a parity as to grades, on an equal price on a parity of grades is perhaps a fair way to put it?—A. Oh, for a very short period, for a period. I think you yourself recently made reference to the times when Canadian wheat was offered at less than the Argentine price, offered for sale at the Argentine price, but the Argentine always came down.

Q. That was in the discussion last year, as you remember, when we had some reference to that?—A. Have you the blueprint there? We are talking about parity. I am not sure.

Q. You recall last year's discussion as to the relative prices of Canadian and Argentine wheat. It was discussed in the press and in this committee. I suppose you recall it, Mr. Murray, naturally?—A. Yes, there had been a lot of discussion about it.

Q. Is it not fair to say that our wheat has commanded a premium as compared with Argentine wheat because of its qualities?—A. When the Argentine wheat is in competition with it, which is not, of course, the case in the last few months.

Q. I am coming to that presently. I might as well deal with it now. Argentine wheat, you say, now is not in competition with Canadian wheat. Why?—A. Not on the basis of price. There is a domestic price.

Q. That is the answer?—A. Their wheat, as you know, Mr. Bennett, that is going for export is going to Brazil, the bulk of it.

Q. It is not in competition with Canadian wheat, and I ask you why, and you say because of the domestic price. Is it not because of the slackness of their crop, the shortness of their crop?—A. I think they have probably got some 50,000,000 bushels of wheat to export.

Q. That is a higher figure than Broomhall gives?—A. It is only from memory; I may be wrong.

Q. I will put it to you in this way: You know the Broomhall reports from which you have quoted, and I might as well deal with this now as at any other time, and Broomhall gives an estimate of the Argentine crop for the year 1935?—A. Yes.

Q. In order that there may be no misunderstanding, when does the Argentine crop mature?—A. Oh, they start the harvest I think before the end of November in the northern part; I am not familiar with it. In the grain trade we generally consider December.

Q. Let us give the general date of Argentine harvest in so far as we are concerned?—A. I am trying to be as accurate as possible.

Q. I think you said broadly and generally the month of December?—A. November and December.

Q. That would be fair?—A. It was known this year in November.

Q. That there was practically a crop failure?—A. Well, that they would only have about 50,000,000 or 60,000,000 bushels for export.

Q. Quite so?—A. There was a short period where the two prices were together in the last few years, but a very short one.

Q. That was the occasion, was it not, when attention was attracted to the fact that an effort was made to sell at the same price as the Argentine, and an effort was made to lower their price?—A. I do not know.

Q. You remember their figure was below ours?—A. No; that was not the same date. I think the illustration used was in 1929, about the offers; it was not the same date.

Q. Australia is also a competitor with us in the European markets?—A. Yes.

Q. Australian harvests are reaped about what month, for our purposes?—A. About the same time.

Q. About December?—A. Yes.

Q. So that there is a period of time in which we have a preferred position in the European market, but it is a very short time, our crop being matured and harvested roughly when,—September?—A. Our deliveries get heavy around the middle of August. Our deliveries get heavy earlier than they used to, around the middle of August.

Q. That is the Manitoba crop?—A. And even farther west.

Q. Alberta, of course?—A. Yes, August 15. We have from then until the close of navigation, and after the opening of navigation in the spring.

Q. Would you give me from your records the relative prices of Australian and Argentine and Canadian wheat on the British market in the months of January and February—we cannot go later than that—December and January, that is December last year and January this year? Frankly—you need not take this down, Mr. Reporter.

Discussion with witness omitted.

Q. The reason I asked the question was because of two things: one, because the Rotterdam letter said surely we did not wish to do that; and, secondly, because expressions of opinion in some parts of Canada are that as the result of our selling at that price our superior wheat we shall never be able to recover the ground which we have now lost. I am making this statement so that you will understand me?—A. Of course, so far as Australia is concerned we have many times in the past twenty years seen our wheat sell below theirs.

Q. Was not that referable to grades and climatic conditions?—A. No. It was a case in years where there was more or less a shortage of soft wheat of the Australian type. And we are facing that in the next eight months until the new Pacific Coast soft wheat comes in, and we will face that situation with the next Australian crop; and of course, as far as the Argentine is concerned, in the periods you have mentioned I do not think there is any Argentine wheat being offered for sale.

Q. I think a few cargoes were offered between December last and the present time, but Mr. Broomhall points out that the sale has been very limited.—A. I will get the figures.

Q. You saw the last report that came out on the 23rd April, 1926, regarding the whole wheat situation?—A. I glanced through it hastily.

Q. I think that covers a great many of the matters about which we have been making inquiries. You said this morning that you did not think too much importance should be attached to a statistical position, for reasons that you gave. You would, I think, agree that climatic conditions and estimates of crop conditions have a tremendous effect upon the market prices of our wheat?—A. Yes, sir.

Q. And largely because of the uncertainty since the war began we have had great difficulty in getting complete statistics from Russia. That fact has had some influence upon the general accuracy of Broomhall's reports.—A. Well, the only place I quoted his reports was in regard to the requirements of importing countries, not estimates of what exporting countries would have at all.

[Mr. Frank O. Fowler.]

Q. No, but the value of the statistical position is, of course, only apparent when you consider both?—A. Yes, but the amount available for export is generally a more easily determined and fixed figure than an estimate made twelve months ahead of what the world is going to eat in the next twelve months. The discrepancies that work out, I think more generally come on the side of the importers' requirements.

Q. Estimated consumption by importing countries?—A. Yes, I think so.

Q. I read from Broomhall's Review these words:—

Business in the United Kingdom during the Easter holidays was fairly active. English millers bought three Australian wheat cargoes and on Thursday before bought four Canadian cargoes for prompt shipment. The Australian wheat sold 92½ c.i.f. while number 2 Manitoba Atlantic for early May shipment fetched 92 cents. However, since the holidays the demand has subsided and the Liverpool market lost all of the early advance, closing  $\frac{1}{8}$  up to  $\frac{1}{4}$  down. The report that France and Portugal would release further quantities of wheat for export, unsettled the market and checked the demand. Unseasonable weather in Europe with frost and snow checked spring field work. Practically all countries report crop damage and in Tunis it is felt that a complete crop failure will result from the prolonged drought. In Russia the temperatures are very low with no snow protecting. The ground is frozen to such a depth that spring field work is almost impossible in North Caucasia, the Crimea and Volga regions.

All c.i.f. wheat prices are close together. There is scarcely more than 3 cents bushel difference between all grades of good millable wheats. Russia is not offering and a small lot on the spot market is held at one dollar a bushel compared to 95 cents for Australia and 92½ for French. Number 1 Manitoba parcels from Vancouver and Australia for May shipment are both quoted at practically the same price. Importers however are not bidding and sales are only for prompt shipment, which shows that the demand is for hand to mouth business only.

I have read that for two reasons: One is indicating the parity of Canadian and Australian prices—not the parity but the similarity between the two prices—and, secondly, as indicating the general character of what you might call the statistical information and other information received by the trade upon which market prices are based. Would that be a fair average sample of the sort of thing that we receive for the purpose of indicating general conditions?—A. Might I have a look at it?

Q. Yes.—A. Of course, crop forecasts really are not statistical.

Q. That is a combination of two. It is statistical as to prices. It is an estimate as to crop and a statement as to conditions?—A. Oh, in so far as it refers to weather it is a report of the reports he has received about the weather conditions.

Q. But the prices, as you will observe, are also dealt with, and the question of demand, the hand to mouth requirements rather than provision for future requirements?—A. Yes.

Q. All I want to do is merely to produce it.—A. That is a typical Broomhall Review.

Q. Now, on the statistical side of the situation it has generally been customary in the trade for many years to take Broomhall's estimates as being accurate?—A. (No response.)

Q. I just ask for information on that point because I certainly have found them most inaccurate in the last five or six years, in view of what the ultimate result was?—A. They have been in a good many cases, his estimates of consumption principally.

Q. However, his reports do indicate the market quotations throughout the world to some extent, do they not? I think that is a fair way to put it?—  
A. To a small extent; sometimes they do not, not always.

Q. There are four large option markets in the world where open futures are dealt with?—A. You have in mind Winnipeg, Minneapolis, Chicago and Liverpool.

Q. I had in mind Winnipeg, Chicago, Liverpool and Buenos Aires?—A. I do not know about the size of the Buenos Aires market; I do not know how large it is.

Q. At any rate, market operations in Winnipeg are influenced by the operations in the option market in the other three markets I have mentioned?—A. Yes, influenced.

Q. And in the same way the other markets are influenced by the Winnipeg market?—A. Yes.

Q. When you were speaking this morning of the provisions of the Statute and of the known operations of the Wheat Producers Limited under Mr. McFarland, and of Parliament having seen fit to continue the utilization of the existing facilities at Winnipeg did you overlook the fact that there is in the Statute creating the Wheat Board a provision that there should be no purchases of wheat except from producers?—A. No one can read the Statute without getting that.

Q. What is the effect, the literal effect, of that limitation?—A. Legal or literal?

Q. The reason I did not use the word "legal" was because it would be unfair; I thought that would be asking you to do something I do not think it would be fair to ask you to do?—A. I had the Act here a moment ago. My own impression, to answer that question, would be, Mr. Bennett, that these words have to be considered with the rest of the Act.

Q. Yes, but the rest of the Act also has to be considered in the light of those words?—A. Any one is well able to interpret the meaning of the English language as well as I am.

Q. You may think the question is a little unfair, so I will put it to you in another way, Mr. Murray. The intention of those who prepared that limitation that there should be no purchases except from producers was to prevent speculative purchases of wheat by the Board?—A. That was the intention.

Q. Would that accomplish it?—A. What?

Q. Would those words be sufficient to accomplish that end?—A. Yes, I think you ask me now, speaking as a grain man, and not legally.

Q. Quite so.—A. I think those words taken in conjunction with the rest of the Act would be sufficient to do that and still let a person go ahead and sell his cash wheat and exchange options and do business in the usual way. That is the way I interpret it.

Q. I was chairman of that committee, and the discussions that took place in the House of Commons are upon Hansard, but the purpose was to prevent the Wheat Board buying futures?—A. Well, just to get it clear—

The CHAIRMAN: There is no use entering upon an extended argument now, as it is one o'clock.

WITNESS: The intention was to prevent the purchase of futures even if bought in exchange for cash wheat, even if bought when you are selling cash wheat.

*By Right Hon. Mr. Bennett:*

Q. I did not want to get into that for the moment.—A. All right.

[Mr. James R. Murray.]



Q. I think I am putting it fairly, and I want to put it this way: If the intention of Parliament was to prevent the Wheat Board from purchasing futures, is the language used appropriate to accomplish that end?—A. Oh, well, you are asking me to go a little too far there. The law officers of the Crown should deal with that.

Q. If you say the Wheat Board shall not buy any wheat except from the producers, surely that is ample to prevent them from buying or speculating in wheat, to use the language of one of the members of the old committee, by buying futures.

The CHAIRMAN: It is one o'clock.

WITNESS: You are pretty nearly asking me to interpret the Act.

*By Right Hon. Mr. Bennett:*

Q. I do not want you to do that?—A. No.

The CHAIRMAN: It is one o'clock. Shall we meet this afternoon?

Right Hon. Mr. BENNETT: We are at the most difficult piece of legislation we have.

The CHAIRMAN: It was stated last night that the business to-day would be the Estimates and the consideration of the Railway Bill. My suggestion is that we might agree to meet at three-thirty this afternoon if the House is dealing with the Estimates at three-thirty p.m. If later on the Railway Bill comes up we can adjourn, if the Committee desires. Is that satisfactory?

Right Hon. Mr. BENNETT: Quite. So far as Mr. Murray is concerned I am not going to keep him very long. I want to get a continuous story if I can, and I want to deal with the 13th December in the light of his answers.

The CHAIRMAN: You could not complete your examination of Mr. Murray this morning in any event?

Right Hon. Mr. BENNETT: No.

The CHAIRMAN: Then the Committee will adjourn to meet at 3.30 this afternoon unless the House is dealing with the Railway Bill at 3.30.

The Committee adjourned at 1.01 o'clock p.m.

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#### AFTERNOON SESSION

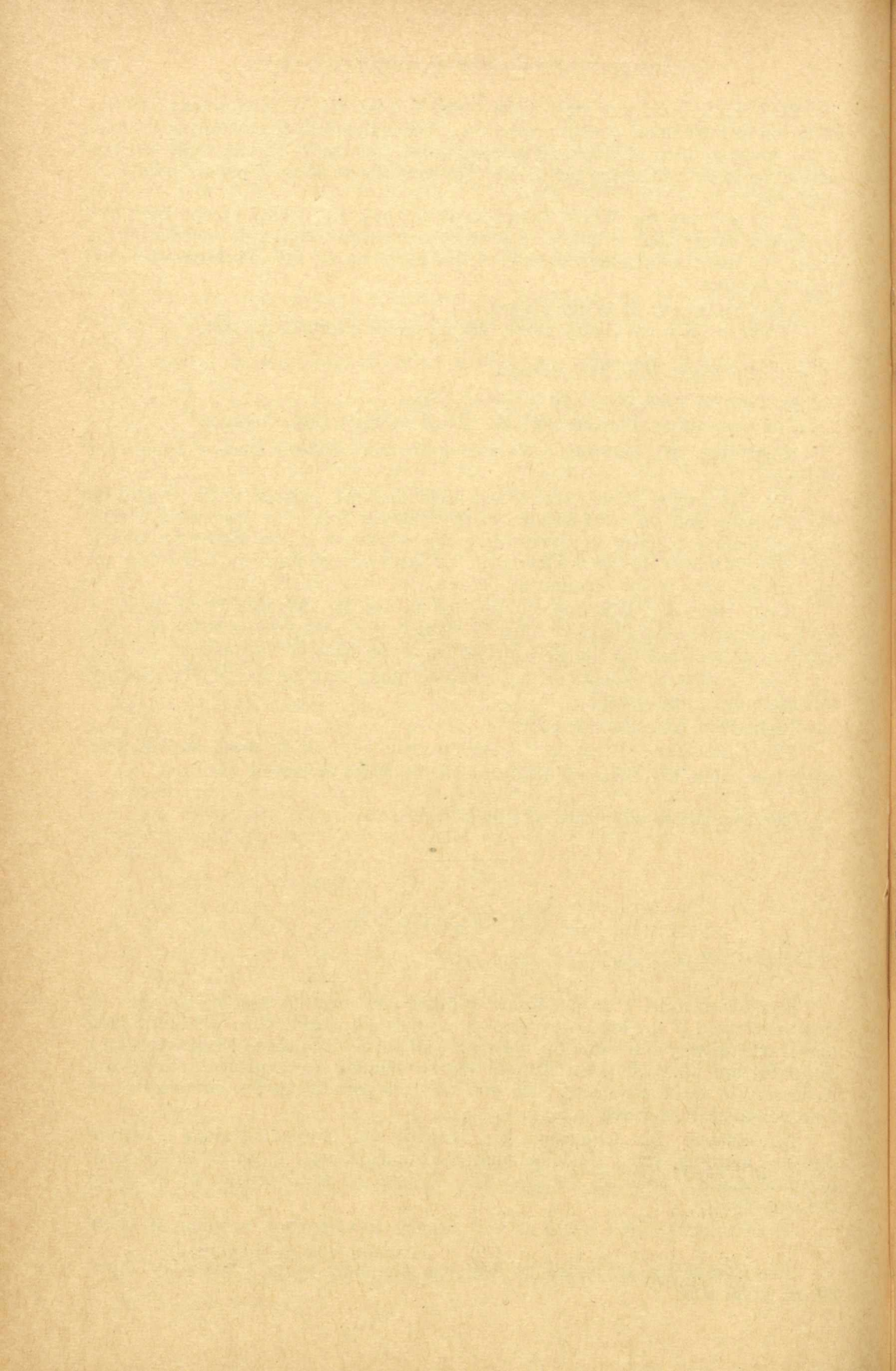
The Committee resumed at 3.30 p.m.

The CHAIRMAN: I do not know whether you want to proceed or not. It was understood if the estimates were up we would continue with the committee, and if the railway bill came up, we would adjourn. The special supplementary estimates are up. Mr. Bennett told me he wanted to be present during the discussion of those estimates. Do you want to proceed in the circumstances? I do not think it is worthwhile.

Mr. PERLEY: Mr. Chairman, Mr. Bennett was proceeding along a certain line this morning, and I think he wanted to finish it up. If we continued now, it would make a break in the evidence. I think he would rather get it all in the one report.

The CHAIRMAN: We might as well adjourn to to-morrow morning at 11.30.

The Committee adjourned at 3.40 p.m., to meet again Wednesday, April 29, at 11.30 a.m.



SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

**MARKETING OF WHEAT AND OTHER GRAINS**

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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WEDNESDAY, APRIL 29, 1936

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WITNESS:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.

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EXHIBITS:

- 13—Copy of legal opinion rendered on August 27, 1935, to the Canadian Wheat Board by F. M. Burbidge, K.C., E. K. Williams, K.C., and the Deputy Minister of Justice, respecting the Canadian Wheat Board Act, 1935.
- 14—Canadian Co-operative Wheat Producers Limited—Special Suspense Account—Statement of Pit Purchases and Sales—August 14 to October 31, 1935.
- 15—Overseas Export Clearances and United States Imports of Canadian Wheat and Exports of Canadian Flour,—
  - (1) August 1, 1935, to December 6, 1935;
  - (2) August 1, 1935, to January 31, 1936;
  - (3) Difference between (1) and (2) i.e. December 7, 1935, to January 31, 1936.

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY



## MINUTES OF PROCEEDINGS

WEDNESDAY, April 29, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 11.30 a.m. Hon. Mr. Euler, the Chairman presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gardiner, Jacobs, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, having been recalled, requested that the following corrections in his evidence be made:—

Page	Line		
97	31-2	Change	"had a fine crop of" to "have not got the."
111	48	"	"21" to "31."
120	14	"	"from" to "by."
120	22	"	"the" to "this."
121	14	"	"30,000,000" to "20,000,000."
126	39	"	"Jugo-Slavia" to "Czecho-Slovakia."
126	45	"	"we are or can" to "they did last year."
127	2nd last	"	"larger" to "smaller."
129	38	"	"to" to "through."
134	20	"	"by" to "to."
136	last line	After	"got" insert "afloat."
137	40	Change	"tried this and" to "and others."
138	5	"	"would" to "should now."
141	21	"	"over" to "under."
150	15	"	"1931" to "1933."

Mr. Perley requested that the following corrections in questions asked by him be made:—

Page	Line		
114	22	After	"had" insert "not."
114	24	Change	"got" to "paid."

*Ordered,*—That the above corrections be made.

Mr. Murray was further examined.

The Committee adjourned at 1 p.m. until 3.30 p.m.

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The Committee resumed at 3.30 p.m.

*Members present:* Messrs. Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gardiner, Leader, McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. Coldwell requested that the following corrections be made:—

Page	Line	
158	47	Change "never made any such statement" to "have never met Mr. McFarland."
158	50	Change "I consider you were" to "He was."

Mr. Perley requested the following corrections:—

Page	Line	
162	21	Delete all after "firms" to "supply of" in line 22, and substitute "that on all their offers made overnight that you would supply them with."
163	33	Change "myself" to "Mr. Gardiner."

*Ordered*,—That the above corrections be made.

Mr. Murray was recalled and further examined. He filed,—

Exhibit 13—Copy of legal opinion rendered on August 27, 1935, to The Canadian Wheat Board by F. M. Burbidge, K.C., E. K. Williams, K.C., and the Deputy Minister of Justice, respecting The Canadian Wheat Board Act, 1935.

Exhibit 14—Canadian Co-operative Wheat Producers Limited—Special Suspense Account—Statement of Pit Purchases and Sales—August 14 to October 31, 1935.

Exhibit 15—Overseas Export Clearances and United States Imports of Canadian Wheat and Exports of Canadian Flour,—

- (1) August 1, 1935, to December 6, 1935;
- (2) August 1, 1935, to January 31, 1936;
- (3) Difference between (1) and (2) i.e. December 7, 1935, to January 31, 1936.

The Committee adjourned at 5.40 p.m. until Thursday, April 30, at 10.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 29, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government met at 11.30, Hon. Mr. Euler, the Chairman, presided.

The CHAIRMAN: Will the committee please come to order? Perhaps we owe an apology to the members of the committee for keeping them waiting so long. The steering committee had a meeting this morning, and the subject matter discussed there will perhaps come up before this meeting before we are through. Before proceeding I should like to make a statement. Yesterday in reply to a question I think asked by Mr. Bennett as to when the advisory committee was discharged, I said I thought that was done in the same order in council in which the new board was appointed. As a matter of fact the old board was dispensed with and the new board appointed in one order in council on December 3, and on the same day a separate order in council was passed dispensing with the advisory committee.

Right Hon. Mr. BENNETT: I looked it up and I noticed it was not in the order in council.

The CHAIRMAN: Yesterday when we adjourned we were continuing the examination of Mr. Murray. I presume it is the desire of the committee to continue the examination this morning. I think Mr. Murray, you had not concluded.

JAMES R. MURRAY, recalled.

WITNESS: Mr. Chairman, may I make a few corrections?

The CHAIRMAN: Very well.

WITNESS: I should like to put them on the record.

The CHAIRMAN: We might have the corrections made first.

WITNESS: I should like to say considering the length of the report and the technical matters that are discussed and the technical terms that are used, that the corrections are very few. I should like to make that statement, because I think it is due the reporters who are doing this work. The corrections that have to be made from day to day are very few, and I would not want the idea to get abroad that the work is not being done well.

The CHAIRMAN: In the interests of economy of time, would the committee be satisfied if Mr. Murray handed the corrections to the reporter, or do you want them read? I do not imagine that by mentioning the words you will get a conception of what they mean.

Mr. McLEAN: Take them as read.

The CHAIRMAN: Is the committee satisfied with that?

Some Hon. MEMBERS: Yes.

WITNESS: I have some of the figures that Mr. Bennett asked for.

*By Right Hon. Mr. Bennett:*

Q. You might give them first?—A. These are the figures of the comparative prices of Canadian No. 2 Northern Atlantic c.i.f. Liverpool, and Australian prices c.i.f. Liverpool. I have no prices for Argentine c.i.f. Liverpool for the

period mentioned, because I think there were perhaps not more than half a dozen days during that period when there was any quotation on Argentine wheat, and that was back in December some time. The figures here are from December 2, through January, February to the end of March. Does the committee wish them all read?

The CHAIRMAN: Perhaps it is pretty lengthy.

WITNESS: There are several sheets of them.

The CHAIRMAN: Would the committee be willing to take them as read and file them?

Right Hon. Mr. BENNETT: Yes; but I should like to get them first.

The CHAIRMAN: You might let Mr. Bennett see them first.

Right Hon. Mr. BENNETT: Yes.

WITNESS: The December ones are at the bottom.

LIVERPOOL C.I.F. PRICES

Date	2 Nor. Atlantic	Afloat Australian	Canadian Premium
February 25	99	93½	5½
26	98¾	93	5½
27	1.00	94½	5½
28	98¾	93	5½
29	98¾	91	7½
March 2	97¾	90	7½
3	97	89	7½
4	97	89	7½
5	97½	90½	7
6	97½	91	5½
7	96½	92	4½
9	98	94	4
10	97	92	5
11	98	91	6½
12	97	92	5½
13	98	93	5½
14	99	93	6½
16	98½	92	5½
17	97	90	7
18	97	90	7
19	96½	90	5½
20	97	91	5½
21	95	90	5
23	96½	91	5
24	95	91	3½
25	95	91	4½
26	95	91	3½
27	94	91	3½
28	94	91	3
30	94	92	2
31	94	92	2

Date	Prompt Shipment 2 Nor. Atl.	W. Australian	Canadian Premium	March Shipment Australian	Canadian Premium
December 2	97	88½	87	Nil for month of December	
3	100	88	12	"	"
4	101	88½	13	"	"
5	100	87½	12	"	"
6	99	88	9	"	"
7	98	87½	11	"	"
9	99	88	11	"	"
10	98	87½	11	"	"
11	98	87½	11	"	"
12	98	87	11	"	"
13	100	90	9	"	"
14	101	93	8	"	"
16	101	90	10	"	"
17	100	92½	7	"	"
18	100	93	7	"	"
19	100	95	5	"	"
20	102	95½	7	"	"

[Mr. James R. Murray.]



LIVERPOOL C.I.F. PRICES—Continued

Date	Prompt Shipment		Canadian Premium	March Shipment Australian	Canadian Premium
	2 Nor. Atl.	W. Australian			
21.. .. .	101 <sup>3</sup> / <sub>4</sub>	94 <sup>3</sup> / <sub>4</sub>	7	"	"
23.. .. .	100	93 <sup>3</sup> / <sub>4</sub>	7	"	"
24.. .. .	100	93 <sup>3</sup> / <sub>4</sub>	6 <sup>1</sup> / <sub>2</sub>	"	"
27.. .. .	100 <sup>3</sup> / <sub>4</sub>	94 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>	"	"
28.. .. .	100 <sup>3</sup> / <sub>4</sub>	94	6 <sup>1</sup> / <sub>2</sub>	"	"
30.. .. .	101	94 <sup>1</sup> / <sub>2</sub>	6 <sup>3</sup> / <sub>4</sub>	"	"
31.. .. .	100	93 <sup>3</sup> / <sub>4</sub>	5 <sup>5</sup> / <sub>8</sub>	"	"
January 2.. .. .	100	98 <sup>1</sup> / <sub>2</sub>	2		Nil
3.. .. .	101 <sup>1</sup> / <sub>2</sub>	97 <sup>1</sup> / <sub>2</sub>	4		"
4.. .. .	101 <sup>3</sup> / <sub>4</sub>	97 <sup>1</sup> / <sub>2</sub>	4 <sup>1</sup> / <sub>2</sub>		"
6.. .. .	101 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>		"
7.. .. .	101	95 <sup>3</sup> / <sub>4</sub>	5		"
8.. .. .	101	96 <sup>3</sup> / <sub>4</sub>	5	95 <sup>1</sup> / <sub>2</sub>	6 <sup>1</sup> / <sub>2</sub>
9.. .. .	101 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>	95 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>
10.. .. .	101 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>	95 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>
11.. .. .	101 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>	95 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
13.. .. .	100	97	3 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
14.. .. .	100	97	3 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
15.. .. .	99	97 <sup>3</sup> / <sub>4</sub>	2 <sup>3</sup> / <sub>4</sub>	97	2 <sup>3</sup> / <sub>4</sub>
16.. .. .	100	99 <sup>1</sup> / <sub>2</sub>	2	97 <sup>3</sup> / <sub>4</sub>	2 <sup>3</sup> / <sub>4</sub>
17.. .. .	100	100		97 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>
18.. .. .	100	99 <sup>3</sup> / <sub>4</sub>	1 <sup>3</sup> / <sub>4</sub>	97 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>
20.. .. .	100	99	1 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>
22.. .. .	100	99	1 <sup>3</sup> / <sub>4</sub>	97 <sup>1</sup> / <sub>2</sub>	3 <sup>3</sup> / <sub>4</sub>
23.. .. .	101 <sup>1</sup> / <sub>2</sub>	99 <sup>1</sup> / <sub>2</sub>	1 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
24.. .. .	101 <sup>1</sup> / <sub>2</sub>	99 <sup>3</sup> / <sub>4</sub>	1 <sup>3</sup> / <sub>4</sub>	97 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>4</sub>
25.. .. .	100 <sup>3</sup> / <sub>4</sub>	98 <sup>3</sup> / <sub>4</sub>	1 <sup>3</sup> / <sub>4</sub>	95 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
27.. .. .	100	99 <sup>3</sup> / <sub>4</sub>		95 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
29.. .. .	100	98 <sup>3</sup> / <sub>4</sub>	1 <sup>3</sup> / <sub>4</sub>	95 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>4</sub>
30.. .. .	99 <sup>3</sup> / <sub>4</sub>	98 <sup>3</sup> / <sub>4</sub>	1 <sup>3</sup> / <sub>4</sub>	95 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>4</sub>
31.. .. .	99	96 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	94 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
February 1.. .. .	101 <sup>3</sup> / <sub>4</sub>	96 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	95 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
3.. .. .	100	97 <sup>3</sup> / <sub>4</sub>	2 <sup>3</sup> / <sub>4</sub>	94 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
4.. .. .	99	97	2 <sup>3</sup> / <sub>4</sub>	94	5 <sup>3</sup> / <sub>4</sub>
5.. .. .	99	96 <sup>1</sup> / <sub>2</sub>	3 <sup>3</sup> / <sub>4</sub>	94	5 <sup>3</sup> / <sub>4</sub>
6.. .. .	99	96 <sup>1</sup> / <sub>2</sub>	3 <sup>3</sup> / <sub>4</sub>	94	5 <sup>3</sup> / <sub>4</sub>
7.. .. .	98	95 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	94	4 <sup>3</sup> / <sub>4</sub>
8.. .. .	97	94	3 <sup>3</sup> / <sub>4</sub>	93 <sup>1</sup> / <sub>2</sub>	4 <sup>3</sup> / <sub>4</sub>
10.. .. .	97 <sup>1</sup> / <sub>2</sub>	93	4 <sup>3</sup> / <sub>4</sub>	92 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
11.. .. .	94 <sup>1</sup> / <sub>2</sub>	91 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	90 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>
12.. .. .	94	91 <sup>3</sup> / <sub>4</sub>	3	91	3
13.. .. .	96	92 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	91 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
14.. .. .	96 <sup>1</sup> / <sub>2</sub>	92 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	91 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
15.. .. .	97 <sup>1</sup> / <sub>2</sub>	92 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>	91 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
17.. .. .	98	92 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>	91 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>
18.. .. .	96	91	5 <sup>3</sup> / <sub>4</sub>	90 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>
19.. .. .	95 <sup>3</sup> / <sub>4</sub>	90 <sup>1</sup> / <sub>2</sub>	5 <sup>3</sup> / <sub>4</sub>	89 <sup>3</sup> / <sub>4</sub>	6 <sup>3</sup> / <sub>4</sub>
20.. .. .	96 <sup>3</sup> / <sub>4</sub>	91	5 <sup>3</sup> / <sub>4</sub>	90 <sup>1</sup> / <sub>2</sub>	6 <sup>3</sup> / <sub>4</sub>
21.. .. .	97 <sup>1</sup> / <sub>2</sub>	91 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>	91	6 <sup>3</sup> / <sub>4</sub>
22.. .. .	96	92 <sup>3</sup> / <sub>4</sub>	3 <sup>3</sup> / <sub>4</sub>	91	5 <sup>3</sup> / <sub>4</sub>
24.. .. .	97	93 <sup>1</sup> / <sub>2</sub>	4	92 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
		(Afloat)			
25.. .. .	99	93 <sup>3</sup> / <sub>4</sub>	5 <sup>1</sup> / <sub>2</sub>	94 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
26.. .. .	98 <sup>3</sup> / <sub>4</sub>	93 <sup>3</sup> / <sub>4</sub>	5 <sup>1</sup> / <sub>2</sub>	94 <sup>3</sup> / <sub>4</sub>	4 <sup>3</sup> / <sub>4</sub>
27.. .. .	100	94 <sup>1</sup> / <sub>2</sub>	5 <sup>1</sup> / <sub>2</sub>	94 <sup>3</sup> / <sub>4</sub>	5 <sup>1</sup> / <sub>2</sub>
28.. .. .	98 <sup>3</sup> / <sub>4</sub>	93 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>	93 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>
29.. .. .	98 <sup>3</sup> / <sub>4</sub>	91 <sup>3</sup> / <sub>2</sub>	7 <sup>3</sup> / <sub>8</sub>	93 <sup>3</sup> / <sub>4</sub>	5 <sup>3</sup> / <sub>4</sub>

By Right Hon. Mr. Bennett:

Q. They are only down to December, is that right?—A. It begins at the beginning of December. You notice one early in December where we show a bigger premium over Australian than we have since.

Q. To what date is it brought down, Mr. Murray?—A. To the end of March.

Q. That is quite all right.—A. They are taken from the Sanford Evans records.

Q. Since then there has been a lessening of the premium, has there not?—

A. Yes, sir.

Q. And at the moment, as I indicated yesterday from the report which I had, the wheats were practically at a parity?—A. Yes; I think that we are a little under them on some days.

Q. We were under on some sales?—A. Yes; we have been on some days.

Q. That is a fair way to put it?—A. Yes.

Q. So far as a few sales of Argentine that were made are concerned, there was also a disappearance of the Canadian premium, was not there?—A. I don't know.

Q. Now Mr. Murray, having in mind what you told me yesterday as to the agreement which you made with the committee of the trade, the grain exchange, in December, the early part, you fixed the date as being, you thought, about the 10th?—A. 10th or 11th.

Q. The minute book will show anyway?—A. Yes, sir.

Q. I was curious about your answer indicating that you did not withdraw from that arrangement until about the 20th of December, is that right? I want to be very clear about the date.—A. That date is correct, yes, sir.

Q. So that on the 20th you concluded or rescinded the arrangement you had with the trade?—A. Yes, the guarantee of a quarter of a cent protection they had.

Q. Yes.—A. Yes.

Q. Thereafter in what condition were they?—A. They were on the basis that we told them that we would have wheat for sale in the pit at a reasonable basis as compared with previous days' closes.

Q. Did that mean that you fixed with your selling agents in the pit the price at which they would offer wheat from day to day?—A. We gave them the instructions as to the price at which to sell.

Q. And that price had a close or near relation to the closing price of the day before?—A. Yes; that was our sales at the opening.

Q. And I suppose the variation during the day would depend on the fluctuations in world's markets so far as you could be advised of them in the Winnipeg exchange?—A. Well they would depend on the demand that there had been for wheat that day on the Winnipeg exchange, and also on what other markets would be doing.

Q. I notice from the trade reports that the Chicago market greatly influenced the Winnipeg prices during the last few weeks?—A. They had some influence.

Q. Some of the trade papers say that they have the paramount influence. You perhaps do not agree with that?—A. Well I would not want to agree with all that the trade papers might say.

Q. No, I do not suggest you should. Is it a fact that recently the Winnipeg prices for grain has more or less reflected the Chicago prices?—A. Oh, we have not gone up as much as Chicago.

Q. What in your opinion—it is only an opinion—are the factors that have been responsible for the fall in prices from 90 cents in December to less than 80 cents at the moment?—A. Well I would think the consumptive demand for wheat has not been as much as some people anticipated. I think the lack of demand in the orient which resulted in much heavier shipments of Australian wheat being put on the United Kingdom market, are the principal influences; and recently the weather in the southwest of the United States. The winter wheat crop has had a very large influence, and influenced for a while the putting up of Chicago prices and helped to put ours up from the low point of 78½ cents. It went back, but I have forgotten the figure.

Q. Over 82, I think; 83, was it not?—A. I have forgotten the figure. I would have put it a little higher than that; I think they went up above 84.

[Mr. James R. Murray.]

Q. Perhaps you are right?—A. And, of course rains now coming into the United States winter wheat belt have had the opposite effect. If I remember correctly the dry weather down there was the principal cause in the advance in Chicago new crop months by about 10 cents a bushel, and they have lost practically all that advance.

Q. Although the United States purchased from us during the present crop year about how many bushels of all kinds, wheat in bond and of every character?

—A. Wheat in bond, of course, is not purchased.

Q. Wheat for milling in bond. They paid the duty on it and took it?—A. No, not if it is in bond. I think the actual duty paid figure on the correction was between 35,000,000 and 36,000,000 bushels about April 11 or perhaps the following week.

Q. I want to clearup that matter. They bought wheat for which they paid 10 cents a bushel duty or 10 per cent duty for a certain type of non-human consumable wheat. That is one class, is it not?—A. Yes.

Q. Then there is wheat they bought and paid the duty on and took into their mills for their own domestic purposes. Did you separate that?—A. The figure I gave for the total imports into the United States on which duty has been paid, whether it is 42 cents a bushel duty or the 10 per cent ad valorem duty, wheat, if I understand correctly, which is shown in storage in the United States for milling in bond has not had the duty paid on it.

Q. And never will be?—A. It will be milled and exported as flour.

Q. Yes, but it goes out of our country into the United States and through channels of trade and sold in the world as part of their product?—A. Yes. I think you could get that down to date.

Q. That is the other figure that I want. You gave me the two figures, the ordinary wheat they paid the duty on and the wheat not fit for human consumption?—A. The last date I have figured for here is January 31, wheat for milling in bond and export, 5,827,000 bushels.

Q. That would increase the figure that you have just given us by 5,000,000, as wheat that went from Canada?—A. Yes, 6,000,000 bushels.

Q. Making a total of about how many bushels?—A. Of course, it would not be correct to add that to the thirty-six because the thirty-six figure I gave is down to some time in April and this is just to the end of January.

Q. But it is more than that now?—A. Yes.

Q. Have you any idea about how much more?—A. I might be able to get that.

Q. It is right to say that the United States have taken from us about 45,000,000 bushels of crop?—A. Between 40,000,000 and 45,000,000 bushels.

Q. That serves my purpose for the moment. Then the United States acquired from Canada between 40,000,000 and 45,000,000 bushels of wheat since the beginning of the crop year of 1935-1936?—A. I think that is right.

Q. I asked you to look at that figure as compared with the amount of wheat that the United States normally exported to Great Britain to which you referred the other day?—A. I did not refer to a figure that they normally exported to Great Britain, because they have not exported any for years.

Q. I know, but it was pointed out by you, Mr. Murray, that we had not been able to take the place of the United States in the United Kingdom market?—A. If I remember correctly, I said that in the five-year period from 1930-1931 crop to 1934-1935 crop Great Britain had taken of United States-grown wheat 135,000,000 bushels less than they had in the previous five-year period, and that we had not increased our shipments to Great Britain to make up part of that 135,000,000 bushels.

Q. I am putting it to you the other way, that that is an average of 27,000,000 bushels per annum, and during the period you mention, the five years, the United States took practically no wheat from Canada?—A. They took a little in the 1934-1935 crop.

Q. But relatively trifling?—A. I think it was over 90,000,000 bushels.

Q. But in the five-year period you quoted, by Great Britain?—A. 1930-1931 to 1934-1935 crop inclusive.

Q. In those five years they took 135,000,000 bushels less from the United States than they had in the previous five-year period?—A. Yes.

Q. That is an average of 27,000,000 bushels. Now, during this crop year the United States have taken from us between 40,000,000 and 45,000,000 bushels of wheat, which is much more than what their loss has been in the United Kingdom?—A. Much more than their average loss?

Q. Yes?—A. Yes.

Q. So that so far as we are concerned what the United States lost in that market on the average has been more than compensated by what we have sold them during the present crop year?—A. No; I do not think it has been compensated.

Q. Compensated in volume?—A. No; I do not think it has been compensated in volume. I would not describe it in that way, because we have just had what I would call a very temporary market in the United States because of crop failures there, and I would not consider that that was compensation where you are losing a quantity in a constant and steady market in the United Kingdom.

Q. I am coming to our loss in the United Kingdom, but I point out that we sold more wheat to the United States than they lost on an average in their sales to Great Britain, nearly twice as much, as a matter of fact?—A. I do not see the connection between the two.

Q. I am not saying anything about the connection at the moment. I am speaking about marketing Canadian wheat.—A. What the United States would lose in exports to Great Britain has really nothing to do with the marketing of Canadian wheat except in so far as that if they do lose in an importing market there is an opportunity for us at least to get some of the business they lost.

Q. Quite so. But if we sell to some other country twice as much as they have been buying from us before we have found a market to that extent for our wheat?—A. A temporary one in this case.

Q. In any falling off of the United States market there would also be a temporary falling off, if we took from them their market in Great Britain today and they came back to exporting tomorrow it would be only a temporary advantage?—A. Yes. We would have the advantage of being on the ground and they would have to get the trade back. That is some advantage.

Q. You were going to give us those figures that I had yesterday?—A. Of our exports over a certain period?

Q. Yes, from the time you took hold.—A. I have got those figures since yesterday from the Department of Statistics. Would you like me to read them?

Q. Read them, please.—A. These figures are from August 1, 1935, to December 6, 1935; that is the period you asked for. Item A: Overseas Export Clearances, 48,319,727 bushels. Item B: United States Imports for Consumption 16,664,106, and for Milling-in-Bond for Re-export 4,307,114; total 20,971,220. Then Exports of Flour—

Q. In terms of wheat?—A. Yes, converted to wheat at  $4\frac{1}{2}$  bushels to the barrel.

Q. Yes.—A. That is Item C: Exports of Flour (Department of National Revenue) August to November, inclusive, 8,095,554 bushels. Estimate Flour Exports December 1 to 6, 500,000 bushels, making a total of 77,886,501 bushels. That figure I mentioned is about 10,000,000 bushels more than the figure shown

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in the Weekly Returns, and the difference being Canadian imports into the United States, most of it being there, imports into the United States with duty paid, because you will remember Mr. Bennett, the figure that has generally been accepted is about 67,000,000 bushels.

Q. That is really the reason I asked you.—A. I got these figures from Dr. Grindley in order to have them correct and up-to-date. Do you want me to go on with the figures to the end of January.

Q. Yes?—A. Would it be satisfactory if I just read the total figure, because I think that is the figure you are interested in most.

Q. That is the total figure up to the end of January in terms of the previous figures?—A. Yes, 109,746,046 bushels, leaving a difference between the figure from December 6 to January 31, or in other words showing the shipment between December 7, 1935, and January 31, 1936, of 31,859,545 bushels.

Q. To put it briefly, the sales of wheat that left Canada from the 1st August up to the time you took hold amounted to 77,000,000 odd bushels?—A. 78,000,000 odd. That is the nearer round figure.

Q. And from that date up to the end of January the clearances from the country were about 31,000,000?—A. 32,000,000 is the total, 31,800,000 odd.

Q. Up to the end of January?—A. Yes.

Q. Could you tell us from your records to what extent in bushels the old board had disposed of wheat that had not been cleared from Canada on the 6th December?—A. Disposed of wheat that had not been cleared?

Q. Yes, contracted sales that had not been cleared out of the country?—A. No; that would not show on the records.

Q. Would not the records show the contracts they had made for shipments out of the country at a later date?—A. No; they do not make contracts for shipment; they seal wheat.

Q. Put it that way. From your records can you say how much wheat had been sold in addition to that which had been actually cleared from the country, from Canadian ports and through the United States, in addition to what you have given?—A. In addition to what has been cleared?

Q. Yes?—A. I gave the figures the other day. I think you asked the other day what quantity of wheat the old Board had sold during the period.

Q. But I want to make it clear in terms of what you have now given me. You have made it quite clear that the old Board had succeeded in sending out of this country roughly 78,000,000 bushels of wheat up to the end of January?—A. No; I did not say that the old Board had succeeded in sending that much out of the country. I did not say that or suggest that. I think I see the thought in your mind, Sir. The other day in answer to your question I said that the old Board had sold  $13\frac{1}{4}$  million bushels of Wheat Board wheat between August 14 when they took office and December 6.

Q. Yes?—A. Of course the 78,000,000 bushels of export last fall could not possibly be the result of those sales. You cannot translate  $13\frac{1}{4}$  of sales into 78,000,000 bushels of shipments.

Q. It is not suggested?—A. No; but it must be remembered that during the same period except for the two weeks from August 1 to August 14 the sales of farmers' wheat in Western Canada that the Board never got, from August 1 to December 6, were 63,000,000 bushels. During the same period the wheat producers under Mr. McFarland's management sold about 8,000,000 bushels. And, of course, it should also be remembered in considering the exports for the period last fall or for any period, that some of these exports of 78,000,000 bushels were made, 23,000,000 of them were made in the month of August. Now, the sales of wheat that resulted in August exports were probably made in the month of July, 1935, and some of them probably in the month of June.

Q. I only wanted to ask you what did your records indicate as to the sales made by the old Board during the months of August, September, October and November that had not been shipped?—A. The records would not show anything like that.

Q. Do not they show the sales?—A. I have given you the figures of the sales, 13½ million bushels.

Q. No; but the sales that had not been shipped as distinguished from those that had been shipped?—A. I do not know how they could be distinguished.

Q. You said a moment ago that sales were made in June, July and August that were shipped later in the year, and I was trying to reverse that by asking what sales were made by the old Board in August, September and October that were subsequently cleared out of the country either via the United States or by water for domestic purposes?—A. The old Board sales cannot be tied any more than the new Board sales, at least I do not know in what way they can be tied to any particular shipments, unless you have wheat in a place like Churchill.

Q. Suppose in the month of September the old Board made a sale of 100,000 bushels of wheat?—A. Sold 100,000 bushels of October future?

Q. I am not talking of October future,—sold 100,000 bushels of wheat, and it was cleared out of the country from Saint John, we will say, in January. Now, cannot you tell me from the records what the aggregate of such transactions was up to the time the new Board came into office on the 6th December?—A. No, sir.

Q. Then if it cannot be done we will not worry further about it. The actual clearances of wheat, I suppose, from this country and to the United States and for domestic use by mills for flour in terms of bushels of wheat up to the end of April are also before you, having been provided by the Department of Statistics. Have you the figures before you?—A. No.

Q. Do you happen to know what the clearances have been from Canadian ports up to the end of April?—A. I have the last book; of course, this is only up to the end of March. Have you the figures for April?

Q. Yes. Perhaps you will put it this way—I do not desire to keep you unnecessarily—Of the sales that had been made by the Wheat Board since it came into being in August, 1935, up to date, how many bushels have actually left this country by water or by rail to the United States or for conversion into flour for domestic or export use?—A. I do not think that can be answered because during that period the farmers sold 63,000,000 bushels of wheat outside of the Wheat Board entirely and that wheat, of course, supplied perhaps 63,000,000 bushels of what has gone out, I do not know.

Q. But I am trying to confine it entirely to the operations of the Board. From the time the Board took over in August, 1935, up to the present time, or to the end of April, how many bushels of wheat were actually cleared from the ports of Canada belonging to the Board? Surely you know that?—A. No. For instance, I think there is some confusion in your mind in regard to this. That is what I thought when I read that letter of yours the other day that you handed to Mr. Euler, when you asked about how much wheat so optioned had been moved from Canada.

Q. Yes?—A. I cannot understand that as a grain man.

Q. It probably is not put to you in the terms it should be, but I am trying to get from you whether your records indicate how much wheat the Board became possessed of, either by purchases from farmers or by taking over the Wheat Producers Limited contracts in wheat, has been cleared out of Canada?—A. I do not think that can be determined.

Q. Well, Mr. Murray, there is a great difference, is there not, between the mere sale of wheat and the movement of it as far as we are concerned?—A. There is at a certain time; you can make a cut-off on any date, and there will

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be a difference between the amount sold and the amount cleared. But the first step in getting it cleared is to get it sold, and when you get it sold it is on the way to being cleared. May I illustrate: We sold wheat, May futures, in the month of December to an exporter. He was buying his hedge from us against a sale he made for shipment from the Atlantic seaboard after the opening of navigation this spring. I have no doubt that there are sales on the books of exporters now for shipments from the Atlantic seaboard next July.

Q. Surely we should be able to ascertain from you, Mr. Murray, how much wheat your Board has actually delivered for shipment out of Canada (a) from ports in Canada, (b) for the United States, and (c) for other uses, as I said the other day. Cannot you tell that?—A. I do not think so. You can get our total sales. For instance, you speak of sales to the United States, Mr. Bennett.

Q. I want to distinguish between the sales to the United States and deliveries to the United States?—A. Yes; but let me give this illustration to you and the other members of the Committee: On December 9 last there were millions of bushels of Canadian wheat in the United States, taken down there by firms such as Washburn, Crosby, Pillsbury, and other large millers.

Q. Some of which paid duty and some have not?—A. Yes. Their hedges on that wheat which was down there in their possession were in the Winnipeg market. They had sold May wheat as a hedge against that wheat when they took it down there. As they manufactured it into flour and sold the flour they came to us to buy the hedges, came to the Winnipeg market, I mean, and they bought May wheat. They might buy 50,000 bushels of wheat one day and 20,000 bushels another day, and so on. We sold them through the machinery of the Exchange some of those hedges. That wheat had already gone out of the country, but our sales of the futures lightened the amount that the Canadian Government was carrying of futures contracts, and so on.

Q. The Bureau of Statistics supplied us with information showing the export clearance from Canadian ports of wheat from January 31 to April 24, 1936, and the total seems to have been about 31,000,000 bushels of wheat. Can you tell me how much of that actual wheat was supplied by your Board for export?—A. No. I will tell you why.

Q. It is no wonder the farmer gets worried about this business?—A. We had a lot of cash wheat in eastern Canada, some of it in Montreal, Halifax, Saint John, bay ports, and other places, but at the same time exporters owned wheat—I will put it that they might have, and I think they did—of their own in those positions; some of their own wheat that we never had went in to make up that 31,000,000 bushels of wheat possibly, and some of ours, we do not know. The measure of the thing, so far as our sales are concerned, will come broadly speaking at the 31st July, next.

Q. Yes, but at the end of July next could you tell us that?—A. No. What the picture will show then will be that there is so much in the Canadian visible and it will show that we own so much.

Q. Then the complex operations of our Grain Exchange under this open futures market means that you cannot tell me how much wheat has actually been shipped by that Board out of Canada since you took over?—A. I do not know that they are complex operations.

Q. Then we will eliminate the word "complex"?—A. The fact is that we know and the government knows through the auditors' reports that they receive weekly how much their load has been lightened, and the public and everybody knows through the figures issued weekly by the Bureau of Statistics how much wheat has gone out of the country. We have sold more wheat than has gone out of the country.

Q. Of course that is quite clear, but I am endeavouring to ascertain from you how much of the wheat that left the country really was the property of

the Board. If you cannot tell me I will leave it at that?—A. By a long search and calculations it might be done to a certain extent, but I do not think it can ever be done with anything like 100 per cent accuracy.

Q. I am getting back to the difficulty the farmer has when he asks the question why all this machinery to get rid of this wheat? You had a large quantity of real wheat to sell and this country has sent abroad a very large quantity of real wheat, and you were by all odds the largest owner, but you cannot tell me how much of the wheat that left the country really was the property of the Board. That is all I care to know. If you say it cannot be done it cannot be done?—A. We sold in the country, and the man we sold it to in the natural course of events would want to get it off his plate and out of the country.

Q. But your records do not show to what extent your transactions involve the wheat leaving the country?—A. No.

Q. That is quite clear, Mr. Murray. For instance, take last week: The reports that we have indicate that North America cleared about 2,500,000 bushels of wheat?—A. I think the corrected figure is higher than that.

Q. I think that is what the statistical reports show—we will say 3,000,000 bushels. You cannot say now how much of that was Board wheat?—A. No.

Q. All right. We will just leave it at that. Now I should like to take you, if you will follow me, to this transaction in connection with December 13.

Mr. DONNELLY: Might I ask a question?

Right Hon. Mr. BENNETT: Yes.

*By Mr. Donnelly:*

Q. If you sold flat for cash, would you have any track afterwards? If you sold wheat and were paid the money, would you have any track afterwards if it was shipped out or whether it was shipped out?—A. No. We would have the cash and put it in the bank. We would not know what the man does with it afterwards.

Q. So far as exchange is concerned, it has nothing whatever to do with your keeping track of the wheat?—A. Whether we sell it flat or whether we sell it for exchange in the future?

Q. Yes.—A. It makes no difference in keeping track or keeping the records; none whatever. We would not know any more than if it was sold for cash.

Q. When you sell wheat, you do not know when a man ships it out or when he does not?—A. No.

*By Mr. McLean:*

Q. You sell it and get paid. After that you do not care?—A. Oh, yes. We want it to get out of the country.

Right Hon. Mr. BENNETT: Surely you made that clear the other day.

*By Mr. McLean:*

Q. If it is paid for, and the other chap is going to pay the storage and the costs of carrying it, is there not enough protection there that it is going to go into consumption?—A. He is going to help to get it out of the country. His business is to find a buyer abroad and sell it to him for immediate shipment, shipment a month ahead or two or three months ahead.

Q. Do you think that the farmer is very much concerned if he sells his wheat and gets paid for it a desirable price?—A. Oh, I do, yes, Mr. McLean. I think he is very much concerned. For instance, I think the farmer last fall, say at the start of the crop season, if we had had the 450 million bushel crop

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that we were told of at one time last summer, would have been very much concerned to have had 215 million bushels already in the bins to compete with his 450 million. I think he is much concerned in getting it out of the country.

Q. Because it is taking up space?—A. And affecting the price of his new crop.

Q. Exactly.—A. I think he is very much concerned in getting it out of the country.

Q. Those are his only two concerns?—A. Yes. We do not know what success our operation will show by the end of July next, because that perhaps will be the final test, but we hope that there will be a fairly substantial reduction in the Canadian carry-over.

*By Right Hon. Mr. Bennett:*

Q. When you said that wheat sold flat, of course you have no further interest in it?—A. No. I did not say that. Excuse me.

Q. Well, that you got your money for it and that is the end of it, from that standpoint. The fact of the matter is that the wheat sold flat is a relatively small quantity?—A. Yes. But I did not want it understood—I do not want it on the record that I said we had no further interest in it, because that is not what I said.

Q. No. But the wheat sold flat, for which you do not take an option back, I suppose is very limited in quantity?—A. Yes, a small percentage. I mentioned that.

Q. Yes, you made that clear. What I am trying to do is—and apparently my poor intellect does not grasp the matter as it should— —A. It would be hard to get anyone to believe that.

Q. Well, no, I do not think it would be any trouble, from my difficulty in understanding this. I thought I knew a little about it. You sell cash wheat and take back in exchange—you desire to put it in those words—a May option. When I undertake to ascertain what the visible wheat in the country is, how do I learn it?—A. From the statements of the Bureau of Statistics.

Q. How do they make them up?—A. They get a lot of their figures from the Board of Grain Commissioners, to whom the warehouses throughout the country have to report weekly what they hold.

Q. Yes.—A. And all the terminals at the head of the lakes report what they have.

Q. Yes.—A. But simply so much wheat, represented by warehouse receipts and so on all through. They know the position of the wheat.

Q. It is all that is in the elevators of the country and the terminals; you add them all up and that is the visible?—A. Yes.

Q. Exclusive of what may be in the farmers' hands?—A. Yes.

Q. How do you ascertain that?—A. What is in the farmers' hands?

Q. Yes. Just in order that we may have it. What is the method?—A. That is estimated on the basis, first, of the Dominion Government crop estimate, less what the farmers may have delivered to any certain date. If the crop estimate is 277 million bushels, and the farmers to a certain date have delivered 100 million bushels, then it is estimated that there is 177 million bushels left in the farmers' hands. When you come to get to the figure of the amount in farmers' hands to market, you take off the last figure I mentioned the amount that it is expected the farmers will use for seed.

Q. Or feed?—A. Yes, or feed.

Q. Or both?—A. We come back to the recent figures referred to in the last couple days, about 14 million bushels left to market from about the middle of April.

Q. Which, as you pointed out, is a small quantity; because they have marketed practically all the wheat they have except 14 million bushels?—A. Well, if that figure is correct.

Q. Yes.—A. Sometimes, of course, more than is expected comes out.

Q. That is the visible wheat we have in the country?—A. The amount in farmers' hands is not counted in the visible.

Q. No. But in making up the visible, you have the elevators and terminals; and then you say in farmers' hands the estimate is so much. That is the amount of wheat there is in Canada?—A. No. What is in farmers' hands is not put in the visible. That is called invisible.

Q. Well, I say with the estimate of what is in the farmers' hands, that makes up all the wheat there is in Canada?—A. Yes. The visible plus what is in farmers' hands.

Q. Yes.—A. There are one or two figures more—plus the amount on rail in Canada. That has not been, up to this time, taken into our visible.

Q. That is, moving between points?—A. Yes.

Q. It was estimated that the visible in Canada, in the month of December last, was 265 million bushels of wheat. Is that correct?—A. Somewhere close to that. I think it is 265 or 267, I am not sure which.

Q. I think 267 is the figure given?—A. That is close enough, anyway.

Q. That figure did not include the wheat in farmers' hands nor, I understand, did it include the wheat on rail being moved between points?—A. No, sir.

Q. That is right?—A. Yes, sir.

Q. But outside of that, it meant all the wheat there was in Canada?—A. Yes.

*By Mr. Donnelly:*

Q. Would it include flour?—A. No.

Right Hon. Mr. BENNETT: I am just dealing with wheat now.

*By Right Hon. Mr. Bennett:*

Q. The Board—your Board—took over from the old McFarland Wheat Producers Limited, in contracts and wheat, 298 million bushels. Is that right?—A. 298 and a third or a half, yes.

Q. And some thousand?—A. Yes.

Q. How do you explain the difference between the visible figure as given by the department, and the fact that in contracts and wheat you took over 298 million bushels from the Wheat Producers Limited?—A. Among the contracts which we took over there would, of course, be a lot of wheat represented by—no, there would be contracts, I should say, not wheat—there would be contracts represented by hedges on wheat that might not be in the country, on flour that would be in the country.

Q. But you had presented to you, and you took assignment of and delivery of real wheat and contracts amounting to 298 million bushels?—A. Yes.

Q. That is clear, is it not?—A. Yes.

Q. In December last. The contracts called for performance, in Canada, of the contracts, did they not?—A. For May wheat.

Q. No. Did they call for performance or execution in Canada of the contracts?—A. According to the terms of delivery of May futures on the Winnipeg Exchange?

Q. That is what I am asking you?—A. Yes.

Q. Yes. So that, so far as you are concerned, you have bought, in wheat and contracts, 298 million bushels. That, in the terms of the contracts, would mean that you were to receive in Canada by May 298 million bushels in all?—A. Well, we did not buy that. We inherited it.

Q. I mean, you took it over?—A. Yes. I did not want it on the record that we bought it. We inherited it.

[Mr. James R. Murray.]

Q. You inherited it?—A. Yes.

Q. We paid, the other day, something for it; the country did?—A. Of course, while it calls for delivery in Canada, those May futures, I think the whole circumstances of the government operations should be considered in connection with it.

Q. Mr. Murray, we seem to find it difficult to arrive at a common understanding about this. There is no doubt that when you got your documents from the Canadian Wheat Producers Limited, and had turned over to you actual wheat, you had 298 million bushels of wheat, (a) real wheat and (b) contracts for delivery in May of the balance in Canada, at Fort William. I do not know whether there was any at Vancouver or not?

*By the Chairman:*

Q. A total of 298 million bushels?—A. Yes.

*By Right Hon. Mr. Bennett:*

Q. In Canada?—A. Yes.

Q. What, I ask is the explanation of how that could come about, in as much as the total visible wheat was, as expressed by the government statisticians, 265 million bushels? I am just asking for information so that it may be put upon the record?—A. Well, to find out how it came about, of course you have got to go further back than the start of our operations.

Q. I am not suggesting for a moment that you are responsible for it.—A. No. Really you want an explanation from me of the difference between 265 and the 298?

Q. Yes. What is the explanation of there being in your hands wheat and contracts for wheat that would entitle you to 298 million bushels of Canadian wheat, when there was only 265 million bushels of wheat in Canada?—A. I think, Mr. Chairman, that yesterday in dealing with this matter which obviously has to do with the question of shorts—

Q. Oh, no, not necessarily.—A. I think it obviously has. I indicated many times, in the fifteen months previous to December 1 last, explanations had been made of this difference. One of the most popular explanations in certain quarters was that it was the result of a bear raid and shorts.

Q. Yes, but—A. I am trying to answer your question.

Q. That is not an answer to my question.—A. I am asked for an explanation.

*By the Chairman:*

Q. You are giving the explanation now?—A. I am.

*By Right Hon. Mr. Bennett:*

Q. You are giving somebody else's explanation?—A. Certainly. I think I am entitled to give someone else's explanation. I did not handle the wheat business of this country so that this situation developed. I did not handle it on that basis. Somebody else did. As I say, there is one explanation very popular in many quarters, in some quarters, that has been made of that situation. There have been other explanations made too, explanations indicating that a lot of that discrepancy was made up as a result of people owning wheat or flour which was not in the visible supply of Canada, and having such wheat or flour naturally and properly hedged in the Winnipeg market. That is another explanation that has been made. I have not attempted to account for that difference and do not know that I am capable of it; but I could throw one little bit of enlightenment, perhaps, on it. When the first was heard of the bear raid on October 1, 1934, Mr. McFarland, for the government, had 202½ million bushels of wheat. The Canadian visible, plus the amount on rails in Canada, plus the amount on

passage at that time, was 249½ million bushels, which was 47¼ million bushels more than he held. That is when he first talked about the bear raid. He did that, you will remember, on October 1, 1934. When you look over the records, it might be reasonable to suppose—I am not saying that is—that the real facts are that Mr. McFarland's outburst at that time was the result of an attack of the jitters on his part more than anything else. If I remember correctly, he explained or claimed that there was a bear raid because of the heavy sales that had taken place in the few weeks previous to October 1, 1934. If you will look up the situation of farmers' marketings and relate that to Mr. McFarland's purchases, you will find from August 17 to September 28, 1934—I took September 28 because it is the week-end figure and it is only one market day away from October 1—the total marketings by farmers were 81½ million bushels of wheat. Mr. McFarland's purchases in the same period were 26½ million bushels of wheat or 32½ per cent of the farmer's marketings. The balance of 55 million bushels which had been delivered by farmers up to then was being sold and had to be sold by the farmers for consumption. And another interesting fact, to me at least, about it was that at the middle of August, starting in on stabilization operations for a new crop, Mr. McFarland owned in round figures for the government 176,000,000 bushels of wheat. His line of credit at the time was 200,000,000 bushels of wheat—Mr. Bennett was in the Old Country—and when having purchased 26,000,000 bushels of wheat, which is 32½ per cent of the farmers' marketings, by the end of September he was up to his line of credit; I do not know whether he needed an excuse to use with Mr. Bennett to get his line of credit extended—Mr. Bennett was across the water—but in any event it was then the story of the great bear raid on shorts first appeared. Now, I mentioned yesterday that our Board has no opinion in regard to this matter of shorts. There has been ample opportunity with the constant talk for a year about bear raids on shorts, plenty of opportunity to check it up and investigate it. People in charge of the affairs of this country were invited to investigate it and find out the true facts and they did not make a single move to do so. I do not want to be asked to explain that difference that happened to exist when we took over on December 2. If this committee or any other body wants to ascertain how much of that was speculative shorts, how much of it was hedges against wheat not in the visible in this country, flour in this country, Canadian wheat in other positions, it is perfectly possible for them to do so.

*By Right Hon. Mr. Bennett:*

Q. Having, with that digression, dealt with the matter that you dealt with yesterday, you might direct your attention to my question if you please. You took over 298,000,000 bushels of wheat and there was a visible 265,000,000 bushels. What is the position to-day?—A. I was asked that question the other day and, of course, my answer was the only obvious one unless this Committee rules otherwise. If I explain the position to-day and the Canadian visible is known to the world they would know how much wheat we had. Our Board are perfectly willing to give it if the Committee desire it.

Q. I am not going to put myself in the position of asking questions that you think in the public interest it is undesirable to answer?—A. I mentioned the other day that neither myself personally nor our Board wish to be put in the position of taking the onus and the whole responsibility of saying it is not in the public interest. As far as our Board is concerned, we can continue to sell wheat for the government and handle our job if the figures are given up to yesterday. It is not our own money that is involved. The gentlemen here are just as competent as we are to decide whether it is in the public interest or not, and I do not want on the record at any single place the suggestion that the only reason the figures were not given was because Mr. Murray said it was not in the public interest.

[Mr. James R. Murray.]

The CHAIRMAN: I think that is understood.

Right Hon. Mr. BENNETT: Mr. Murray was asked by me if he would prefer that it should not be done and he said "Yes" and I said I would govern myself accordingly, and the chairman, speaking for the members of the committee, said he had the same view.

WITNESS: Yes.

The CHAIRMAN: Yes.

*By Right Hon. Mr. Bennett:*

Q. Therefore I will not press the question, Mr. Murray. Did you hear Mr. Milner give his explanation last year?—A. No, sir.

Q. Did you see the typewritten copy before it was given?—A. Yes.

Q. And you will recall that it gave just what you have been giving here now, the question of flour and hedges abroad and matters of that kind. Do you remember that?—A. Yes.

Q. And do you remember Mr. McIvor, your co-commissioner, giving evidence immediately after that or shortly after that? You read it, I suppose?—A. Part of it, I think.

Q. At page 362, after going into each one of those separate items, Items 1, 2, 3 and 4 raised by Mr. Milner, he said:—

My view, after analyzing the figures of the Canadian visible and having in mind the amount of wheat which is on hand for stabilization purposes, is that there is no question of doubt that there is a large short interest in the Winnipeg market and the figures which I have quoted absolutely prove this fact.

Do you recall that?—A. No; I do not recall that.

Q. You say you did not hear him, but you read his evidence, I take it?—A. Not all of it.

Q. He gave a detailed answer to the various points made by Mr. Milner and Mr. Milner's explanation was read, and you say you heard it or saw it before it was read to the committee, and it is much the same as you have given here to-day, is it not?—A. No.

Q. About the hedges of wheat abroad, and flour?—A. He supplied some figures that the exchange had secured from the members. I was not giving the explanation, Mr. Bennett.

Q. Your view then is this, that there may be shorts and there may be longs, and you are not interested in that at all?—A. No.

Q. In the broad way you said you sold wheat and did not ask him whether it was for long or short purposes?—A. I said that was our interpretation of our duties.

Q. And I gathered from what you said that you recognize that there are shorts on the Winnipeg market and there are longs. You said that yesterday, I think?—A. I think in any futures market there will be.

Q. There are men who expect the price of wheat to go down who make their trading on that basis, and you call them "shorts" I take it?—A. We call them bears. They might be bearish and not be short in wheat.

Q. What do you describe the "short" as?—A. I beg your pardon?

Q. What do you describe the "short" as?—A. Well, if it is for the purposes of the discussion that has ranged up and down this country for a year and a half it would be a speculative short, a man who sold wheat short because he thought the price was too high and expected it to go down.

Q. He would make his money out of what? How would he make his money, if any?—A. He would make his money, if he were correct in his judgment; and he would lose it if he were wrong.

Q. You say you recognize the fact that there are short and long traders in Winnipeg and other places, but you do not enquire into that phase of it?—  
A. No; we do not enquire.

Q. Do I gather that your own view is, from what you know as a member of the Grain Exchange for all these years, only taking over this position in December, that there were actually no shorts in the Winnipeg Exchange in December, 1935?—A. I would not express my own view on that at the moment. I do not think, frankly, that it is in order for me to be asked to express my view on that.

*By Mr. Ross:*

Q. You have never had an opportunity to find out, have you?—A. I certainly never have had nearly as good an opportunity to find out about it as some of the people who talked so much about it for a year.

*By Mr. Deachman:*

Q. Would a short interest be a bull or bear factor?—A. It depends on the time. When he is already short he certainly thereafter is going to be a bullish factor because he is going to have to buy that wheat in.

Mr. PERLEY: When it gets low enough.

Mr. McLEAN: Or when it gets high enough.

Mr. PERLEY: He runs to cover.

WITNESS: We want the price to go down when we are short, but the fact that you are in the market after that means that you are going to have to buy wheat some time.

*By Right Hon. Mr. Bennett:*

Q. Your suggestion that men whose business it is to drive the market down are bullish factors is a new one on me, but you may be right?—A. Let us get it correct on the record so that when parts of the record are picked out and used for the purposes of speeches in the country the answer will be there.

Right Hon. Mr. BENNETT: Mr. Chairman, I submit that Mr. Murray has no right to make an observation of that character.

WITNESS: I did not say you would make the speeches.

Mr. McLEAN: That is exactly what will happen.

Right Hon. Mr. BENNETT: This witness is under oath.

Mr. McLEAN: He knows what he is talking about.

WITNESS: It is very definite, for my own protection.

Mr. McLEAN: Mr. Bennett, you have prepared the material lots of times, if you did not make the speeches.

Right Hon. Mr. BENNETT: It seems to me that a witness under oath should confine himself to an endeavour to answer the questions. I know this is not a court of law, but I confess I cannot make any progress with Mr. Murray.

The CHAIRMAN: What is your question?

WITNESS: Excuse me a moment. I would like a little protection from the committee.

The CHAIRMAN: If you are appealing against the ruling of the Chair you are at liberty to do so. When Mr. Bennett has re-stated his question I will rule upon it.

Right Hon. Mr. BENNETT: I made the observation that a man who is out to reduce the price at which he could buy a commodity I have not heard of as being a bullish factor before, and then the witness said, in effect: We must now deal with this matter about speeches in the country, and so on.

[Mr. James R. Murray.]

The CHAIRMAN: He was going to make an explanation.

Right Hon. Mr. BENNETT: Mr. Chairman, I mentioned to you that I had an engagement.

WITNESS: Mr. Chairman, excuse me for a moment—

Mr. GARDINER: I object to the committee adjourning until the witness has answered the question.

WITNESS: Mr. Bennett has not correctly stated what he said.

The CHAIRMAN: The reporter will read Mr. Bennett's question.

The REPORTER:

Q. Your suggestion that men whose business it is to drive the market down are bullish factors is a new one on me, but you may be right?

WITNESS: What I had in mind, and I think I am reasonably correct, is that Mr. Bennett said—

Right Hon. Mr. BENNETT: Mr. Chairman, I—

The CHAIRMAN: Let the witness proceed.

WITNESS: What I understood Mr. Bennett to say was that to describe a man who makes his money by driving the price of wheat down as a bullish factor is a new one on him, and I wanted to put on the record that I did not describe any such man. I said, in reply to a question by Mr. Deachman, that under certain circumstances a man who was short would be a bullish factor in the market. I did not want to have on the record, Mr. Chairman, for any reason whatever the words put in my mouth, namely, that I had said a man who made his money by driving the price of wheat down would be a bullish factor. That is all I wanted to say.

Right Hon. Mr. BENNETT: The further answer to you, Mr. Chairman, is on the record when you asked a certain question to which he gave an answer.

The CHAIRMAN: Shall we meet this afternoon?

Hon. Mr. CRERAR: Can you come this afternoon, Mr. Bennett?

Right Hon. Mr. BENNETT: I cannot come, but that does not make any difference. I want the minutes of the Exchange. I have not touched the sale of the 22,000,000 bushels until I get the minutes of his board.

WITNESS: They are in the mail now, sir.

Mr. Chairman, might I make a suggestion. As you know, I am here at your disposal for as long as you require me, but there is important wheat board work to be done in Winnipeg, and if you gentlemen could hold meetings more or less continuously in order to make it possible for me to get back to my job in Winnipeg I would appreciate it very much, and so would the other members of the board. Dean Shaw is ill at the present time.

The CHAIRMAN: I think it is desirable to let Mr. Murray go as soon as possible. The immediate question is, shall we meet this afternoon?

Right Hon. Mr. BENNETT: The committee wishes to meet this afternoon, and so far as I am concerned it does not make any difference.

The CHAIRMAN: Then we shall adjourn until three-thirty this afternoon.

Whereupon the committee adjourned at 1.03 o'clock p.m. until 3.30 o'clock p.m.

## AFTERNOON SESSION

The committee resumed at 3.30 p.m.

The CHAIRMAN: I think our quorum is complete now. How do you desire to proceed?

JAMES R. MURRAY, resumed.

*By Mr. Deachman:*

Q. There is a question or two I should like to ask. Mr. Murray, as I recall it, a day or so ago you said that the price was ultimately determined by supply and demand?—A. Yes, I agreed with you.

Q. Yes, in that. Has there been any material change in the system of marketing during the last ten years, would you say, as far as the open market is concerned?—A. There has been a new factor introduced into it, yes.

Q. What factor?—A. What has been known as the government stabilization operation.

Q. Yes. But that would not affect the actual operations of the system except to alter the supply in relation to the demand, would it?—A. No; it does not change the operation of the system. It put another buyer into the market; that is, in our market in Canada, but not in so far as the—

Q. The world market is concerned?—A. —but not in so far as the world market is concerned, no.

Q. I have heard this contention raised, that at the present time there was no one available to take the hedges on the open market the same as there was years ago?—A. Well at the present time there are no hedges coming on the market against wheat being purchased in the country because the market price is below the fixed minimum price, and the wheat board gets all the wheat.

Q. But in the autumn season when there is the rush of wheat to the market, if the fixed price were abandoned, in other words, or if it were above the fixed price, would there still be available those who would take these hedges on the market?—A. Yes; they would take some of them; they would take a lot of them, yes. In the past few years there have been times when other people besides government agencies were taking the hedges; they were coming into the market.

Q. Who took them, for instance, last fall?—A. Well, I could not say who took them except exporters would take some of them, millers would take some of them, millers in the United States who wanted to buy some Canadian wheat, they would take some of them; speculators might take some of them.

Q. The same parties then would be there to take the hedges as were present say, ten years ago, or twenty years ago, or when the exchange opened; is that right?—A. Well, the same class of buyer.

Q. Therefore any failure to take the hedges now as compared with any other time would be due to the risk of monopoly control on the market; that is to say the government being a very large and determining factor the speculator might fear to risk an encounter with the government?—A. Well, I do not know that I would go so far as that. These things have different effects on different people, the way they look at it, but I have some figures here—I do not know whether it would be useful information to the committee or not—but they might be of some use. It is my information as to who might or might not take the hedges. Yes, I have the information here. I might say this in regard to the matter that Mr. Deachman has raised. I think there has been a good deal of nonsense talked about this question of taking the hedges. I do not mean to suggest that everything that has been said about it is nonsense, but a good deal

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of it has been nonsense. There are figures that are readily available, and the thing is a simple mathematical calculation that is capable of proof. If you take the figures between August 1, 1931, and September 1, 1935, four crop years—I take August 1, 1931, because it was in July or August, 1931, when what has been called the stabilization operations started.

Mr. SENN: That is when wheat was very low.

Mr. DEACHMAN: Wheat was approximately 55 cents at that time.

Mr. SENN: What price was wheat at that time?

Mr. DEACHMAN: Fifty-five cents.

WITNESS: No, wheat was over 60 cents a bushel around the beginning of August, 1931—no, I am wrong. In July, 1931, the average price for October wheat was 59 $\frac{3}{8}$  cents. In August, 1931, the average price for October wheat was 55 $\frac{1}{4}$  cents. If you take the figures from August 1, 1931, to September 1, 1935, the total amount of wheat marketed by farmers in western Canada was 1,101,000,000 bushels, all of which would be sold during that period, because the amount held by farmers unsold at the end of August, 1935, first of September, 1935, would be very very small. During that period the Canadian Co-operative Wheat Producers, through whom the stabilization operations were conducted, total purchases were 327,000,000 bushels in round figures, or 29.7 per cent of the total marketing. Therefore, the balance of 774,000,000 bushels was purchased by other people, or in other words, the hedges put in the market against that 774,000,000 bushels were taken by people other than those in charge of the stabilization operation. That was 70.3 per cent of the total marketing.

*By Mr. Senn:*

Q. Mr. Murray, what period elapsed between the beginning of this term that you have mentioned, the figure of one billion odd bushels, and the time that those stabilization proceedings commenced?—A. The first wheat was purchased by Mr. McFarland for the Co-operative Wheat Producers in the first week of July, 1931.

Mr. DONNELLY: Mr. Chairman, if I remember correctly, Mr. McFarland in giving his evidence before the Banking and Commerce committee said he did not begin the stabilization process until 1932, the first wheat was bought in 1932. Did he buy some in 1931?

WITNESS: That statement of Dr. Donnelly, according to my memory, is correct, that Mr. McFarland made that statement before the Banking and Commerce committee, but I think that Mr. Findlay who was before the special committee last June, gave figures from the records showing that the purchases started in 1931, and the records show that the first purchase in the pit was a purchase of one million bushels some time in the first week of July, 1931.

Mr. SENN: On whose behalf, Mr. Murray?

Mr. DONNELLY: On whose behalf?

WITNESS: Purchased for the Canadian Co-operative Wheat Producers.

Mr. PERLEY: Not in the stabilization operation.

*By Mr. Senn:*

Q. For the Co-operative?—A. The Co-operative Wheat Producers Limited bank account was guaranteed by the Dominion government.

*By Mr. Perley:*

Q. But the real stabilization operations did not start in 1931, that is certain.—A. Well, I don't know. There were several million bushels bought in the fall of 1931 anyway. Perhaps we should not call them stabilization operations; I don't know. At least they went into the market and bought wheat. The record shows that.

Mr. DONNELLY: That was probably speculation.

WITNESS: May I go on and finish?

*By Mr. Perley:*

Q. It might have been the system which Mr. Murray is outlining in which they had to take the May back?—A. These purchases I speak of had nothing whatever to do with cash wheat transactions; no connection. But might I go on with my answer to Mr. Deachman's question?

*By Mr. McLean:*

Q. Before you leave that, may I ask how many crop years were included in that period?—A. Four. These are the final figures of the amount of wheat marketed by farmers during those four years. Now, the first figures I have given show that 29·7 per cent of the hedges were taken by the Co-operative Wheat Producers, 70·3 by some other people. That was the first part of the operation. We find that at the first of September, 1935, the Canadian Co-operative Wheat Producers held 134,000,000 bushels more wheat than they held on August 1, 1931, the beginning of this period. They had therefore resold in the market the difference between the 327,000,000 they had purchased and the 134,000,000 bushels they had received and kept; that is, they had more. I think the thing is clear. That difference was 193,000,000 bushels. They put that—if I may use a grain trade term—back into the pit at some time other than when they bought it; so that the market took the hedges for that 193,000,000 bushels when the Co-operative Wheat Producers put them in. Therefore you come to this picture as the complete one for the whole period. The farmers marketings, let me repeat, were 1,101,000,000 bushels. The Canadian Co-operative Wheat Producers took and kept 134,000,000 bushels, or 12·17 per cent of the total marketings. Other people took 774,000,000, referred to above, plus 193,000,000, which equals 967,000,000 bushels, or 87·83 per cent of the total marketings.

*By Mr. Deachman:*

Q. So that the total they took and held is 12·17?—A. Yes, took and kept.

Q. The total of the hedges carried over a period of four years?—A. Yes. The total of hedges put in there against farmers' marketings in the country, put into the market or coming into the market against the purchases in the country.

Q. So that the same forces would still be existent, but with more freedom in the market? One might assume that there would be more speculative activity?—A. Well, I do not want to express an opinion about the volume of speculative activity.

Q. It is a rather loose term, perhaps?—A. It is just an opinion of mine. As far as the whole market is concerned I think the figures are of more value. There is a picture of what has happened, in my opinion.

Q. The statement was made the other day: "Our wheat may never recover from the fact that it has been put on a parity with other wheats," speaking in reference to Australia. Is there any material danger to be anticipated from our wheat going on a parity with other wheats?—A. No; I do not think necessarily so. It has been referred to in this committee. There have been many times in the past twenty years when our wheat was selling c.i.f. Liverpool at considerably below the price of Australian wheat, and that did not stop it when the world situation justified it coming back to sell at a premium.

Q. Would it be a dangerous thing to hold our wheat above the price of other wheats, reversing the question?—A. Yes, I think we have a demonstration of that in the past couple of years, because there are figures that have been quoted here that show, in my opinion, that we have lost out; definitely the figures in Belgium, Holland and Switzerland show that we have lost to the Argentine a proportion of those markets, and we have lost some in Britain. And there is

[Mr. James R. Murray.]

one thing to bear in mind when we talk about the parities and what is a fair parity, that it will change from year to year; but if you take the last two years when our wheat was held at such a high premium, twenty-five to thirty cents over the Argentine and twenty cents or more over long periods over the Australian, those two countries sold their wheat and cleaned their bins and cleaned up their crop, and we piled up a burdensome surplus—that is not my term for it—in this country, and I do not think that that is a good thing to do. I would like to repeat that my statement in regard to that has no reference to the price the farmer received, because the farmer could have received the price he did and, in my opinion, a system could have been worked out of getting a more equitable price than he received.

Q. A more equitable price in relation to other prices?—A. No, but a fairer price throughout each month of the year to the farmers who were marketing in each month of the year, and just as good a price as he got, and still we did not need to pile up our wheat in this country.

*By Mr. Perley:*

Q. Could you indicate to the committee during that period from August 31 to September 1, 1935, the amount of wheat that was cleared, option trades cleared through the clearing house?—A. I have not those figures.

Q. It would be a great deal more than these figures?—A. Yes.

Q. How many times more?—A. I have no idea.

Q. Is it not true that some time during that period, I think in the early part of 1933, the grain exchange made representations to the government through their directors that Mr. McFarland should continue in his operations in order to take the hedges, that there was nobody really there to take all the hedges?—A. I do not know about that. I do not think, speaking from memory, that the grain exchange made any representations; individual members of the grain trade may have. I do not want to leave the impression that I think that Mr. McFarland's operations to the extent that at times they took hedges were useless and not of some value. I was trying to give Mr. Deachman and the committee some figures in answer to Mr. Deachman's question.

Q. The point I think you want to leave with this committee is that, to take care of what we might term legitimate hedges, that is, to take care of the grain taken in in the country which has to be sold for future delivery in order to get the protection, if that is the only grain hedged there are agencies present in the shape of mills and exporters and buyers from the United States, as you stated, to take care of that legitimate hedging?—A. No. I do not want to give an opinion on it. I just wanted to give Mr. Deachman the facts—it is a mathematical calculation and perfectly simple—and let the committee draw their own deductions from it.

Q. Last year before the committee reviewing these matters I think Mr. Milner or one of the witnesses representing the grain exchange stated in answer to some member of the committee that he thought the system should be allowed to function as normally as possible, but that some agency or someone should be present in order to take care of any of the hedges that these agencies could not take up. I think the term used was "to stand by with the basket," ready to take up the surplus.

Mr. COLDWELL: A pretty costly basket.

WITNESS: Of course, among members of the grain exchange there are differences of opinion on these matters just as there are among other classes of people. I am not expressing any opinion on it because that brings us into the consideration of the best system for the future.

*By Mr. Coldwell:*

Q. Following Mr. Deachman's question, to get the entire picture regarding the law of supply and demand and the various factors that have interfered with it, is it not true to say that a great deal of this difficulty arose because of the trade barriers and the exchange situation in Australia, the Argentine Republic, and between Switzerland and other countries, and so on, and we were unable to meet that situation because we did not utilize our exchange and our trade relationship to some degree, to the extent that they did? Was not that a factor?—A. I would not agree that we were unable to do so; I would say we were unwilling to do so.

Q. We did not?—A. I would not say we were unable to.

*By Mr. Ross:*

Q. Some days ago I asked you if it would be possible to get certain records here from the board in connection with the handling of grain futures prior to the time that you took over the board. Have you got those figures here?—A. Yes.

Q. Before asking certain questions in regard to those, for the purpose of the record I would like to get certain dates set. When was the wheat board appointed pursuant to the Wheat Board Act of 1935?—A. August 14, 1935.

Q. Who was the chief commissioner of the board?—A. Mr. McFarland.

Q. Was the wheat board authorized to buy wheat with money supplied by the government or under Dominion government guarantee?—A. Well, they had the authority that was in the Act. Just in connection with that, when the question was raised the other day about the power of the board to take futures in exchange for cash wheat when we sold cash wheat, there was a lot of discussion as to whether that was buying or not, and I stated the position of our board early in December, that we did not get any legal opinions but just went ahead because we thought we were within our powers. Mr. McIvor apparently saw some newspaper reports about it, and he has sent me down a copy of a legal opinion secured on August 27, 1935, by the old board, just thirteen days after they were appointed, that deals with this very question.

Q. Have you that opinion with you?—A. Yes. It is a letter from Mr. F. M. Burbridge, K.C., addressed to the Canadian Wheat Board, Winnipeg:—

Summing up the views which I have expressed to you at our various conferences 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 years.

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;

That deals with the point that was mentioned by Mr. Bennett. Then:—

. . . 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 . . .

I want to emphasize the word "customs"—"but only for the purpose of and to the extent requisite for carrying through such sales" referring to selling wheat.

[Mr. James R. Murray.]

There is another letter from Mr. E. K. Williams, K.C., to Mr. Burbridge, also dated August 27, 1935, and reading:—

DEAR SIR:

*Re Canadian Wheat Board, Gen. 3278*

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.

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.

*By the Chairman:*

Q. You read something to the effect that it is the duty of the Board, with the concurrence of the Governor in Council, to fix the price of wheat. Do you suppose the writer intends to say it is mandatory on the part of the Board to fix the price of wheat so long as the Wheat Board is in existence?—A. He says the board has the power and duty.

Q. Have you the Act here?—A. Yes. I think the word "duty" appears in the Act. It is section 8:—

It shall be the duty of the Board—

(a) to fix the price to be paid to the producers for wheat delivered to the Board as by this Act provided, subject to the approval of the Governor in Council.

Q. One might interpret it that if it is to be fixed the Board shall fix it with the concurrence of the Government. I was curious to know what was the interpretation of these two gentlemen.

*By Mr. Ross:*

Q. Were they the legal advisers of the board?—A. Yes. This, of course, was before our time, August 27. Mr. Burbridge was the legal adviser, and as it was an important matter apparently he called in Mr. E. K. Williams for his opinion.

*By Mr. Perley:*

Q. The wording of the Act says:—"It shall be the duty . . ."?—A. Yes, quite clearly.

*By the Chairman:*

Q. Of course, I suppose if the Government did not desire to do that and the wheat board recommended it to the government it would not be obligatory so far as the Government is concerned?—A. You cannot expect the Government to agree to all the suggestions of the wheat board.

*By Mr. Ross:*

Q. I asked you whether the money was supplied by the government or the Dominion Government guaranteed the purchase of wheat by the board?—A. The account of the Co-operative Wheat Producers was guaranteed, and all the money was supplied for us by the Government.

Q. Was the function of the board to buy wheat from producers and sell that wheat, or did they have other functions?—A. That is the function, as I understand it.

Q. Were they supposed to take over any wheat from anyone?—A. Yes, we had to take over the wheat and contracts held by the Canadian Co-operative Wheat Producers.

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.

Q. And the next question is fairly well answered by the legal opinion in the ordinary course of business using the existing machinery of the trade could the board acquire futures in exchange when making cash sales?—A. Yes.

Q. Was Mr. McFarland the manager or selling agent for the Canadian Wheat Producers Limited at the same time as he was chief commissioner of the wheat board?—A. Yes, he was last fall; at least, I understand so.

Q. Was Mr. McFarland handling the grain for the Co-operative Wheat Producers Limited under Dominion Government guarantee?—A. Yes, the guarantee of the Co-operative Wheat Producers' bank account was in effect last fall, was in effect up to March 31 this year.

Q. Until what date did he hold the dual position?—A. As far as I know until he retired from the Wheat Board.

Q. Can you give me the purchases and sales by Mr. McFarland for the Board or the Co-operative Wheat Producers Limited from the inception of the Board on August 14 to December 7 when you took over the Board?—A. These are the statements that I sent to Winnipeg for as the result of your question the other day, Mr. Ross. I have a letter here from Mr. Aitken, the acting-treasurer, dated April 24:—

Please find enclosed a statement showing the purchases and sales for the period from August 14 to October 31, 1935. This is a correct statement compiled from the books of Canadian Co-operative Wheat Producers Limited.

You asked as of December 7. There is a more voluminous statement, and in looking over it to check in regard to the date October 31 I find that apparently there were not any after October 31. Shall I read this statement to the Committee?

Q. Please?—A. If the Committee do not mind, rather than read the detail, would it be satisfactory if I read the daily totals and just indicated about the price? I think it will give the information.

Q. Yes. Before you start, have you the monthly totals?—A. They can be added up. This statement shows the amounts sold at different prices on each different date, but I will give the daily figures:—

August 14: Sold 220,000 bushels, that is of the August futures. The price ranged from  $82\frac{1}{8}$  to  $82\frac{1}{2}$ .

*By Mr. Donnelly:*

Q. Wheat Producers?—A. Canadian Co-operative Producers from August 14 on.

*By Mr. Perley:*

Q. How much?—A. 220,000 bushels. Then:—

August 15: Sold 597,000 bushels of the August options—I had better use the word "option". Prices ranged from  $81\frac{5}{8}$  to  $83\frac{1}{4}$ .

August 16: Sold 175,000 bushels at prices from 82 to  $82\frac{5}{8}$ .

August 17: Sold 250,000 bushels, prices ranging from  $82\frac{5}{8}$  to  $86\frac{1}{2}$ .

August 20: Sold 121,000 bushels, prices ranging from  $84\frac{3}{4}$  to  $85\frac{1}{2}$ .

August 21: Sold 629,000 bushels, prices ranging from  $84\frac{3}{8}$  to  $87\frac{3}{4}$ .

August 22: Sold 275,000 bushels, prices ranging from  $86\frac{1}{8}$  to  $87\frac{3}{4}$ .

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August 23: Sold 157,000 bushels, prices ranging from  $86\frac{1}{8}$  to  $87\frac{1}{2}$ .

August 24: Sold 77,000 bushels, prices ranging from  $86\frac{3}{8}$  to  $87\frac{3}{8}$ .

August 26: Sold 37,000 bushels at  $86\frac{3}{4}$ .

August 28: Sold 87,000 bushels, prices ranging from  $84\frac{3}{4}$  to  $85\frac{5}{8}$ .

August 31: Sold 35,000 bushels, prices ranging from  $84\frac{7}{8}$  to 85. All these being sales of the August option.

Q. Those were straight sales?—A. Yes.

*By Mr. Perley:*

Q. On whose account?—A. Canadian Co-operative Wheat Producers.

Also August 31: Sold 62,000 October options,  $81\frac{7}{8}$ .

Also August 31: Purchases 1,620,000 bushels of October options at prices ranging from  $81\frac{1}{2}$  to 84.

*By Mr. Ross:*

Q. Purchases in the pit, Mr. Murray?—A. Yes.

*By Mr. Donnelly:*

Q. This is not taken in exchange?—A. None of this is taken in exchange against cash sales. I have the total of the August sales and purchases. I have totalled them in pencil myself. The sales from the 14th August to the 31st, inclusive, are 2,722,000 bushels, and the purchases 1,620,000 bushels.

*By Mr. Crerar:*

Q. Before you go on, on what date was the price fixed for wheat?—A. September 6.

*By Mr. Donnelly:*

Q. What is the price range for the 1,620,000 bushels?—A. Prices ranging from  $81\frac{1}{2}$  to 84.

*By Mr. Ross:*

Q. Can you give us purchases and sales from the 31st August to September 6?—A. Very well.

Q. Or you can go right through?—A. Very well:

September 3: Bought 680,000 bushels October option, at 82.

September 3: Sold 18,000 bushels October option at  $82\frac{3}{8}$ .

September 4: Bought 595,000 bushels October option, prices ranging from  $82\frac{1}{2}$  to  $82\frac{7}{8}$ .

September 4: Sold 732,000 bushels October option, prices ranging from  $82\frac{1}{4}$  to  $82\frac{3}{4}$ .

September 5: Bought 1,040,000 bushels October option, prices ranging from  $83\frac{5}{8}$  to  $84\frac{5}{8}$ .

September 5: Sold 759,000 bushels October option, prices ranging from 82 to 83.

September 6: Bought 409,000 bushels October option, prices ranging from  $84\frac{3}{4}$  to  $85\frac{1}{8}$ .

September 6: Sold 476,000 bushels October option, prices ranging from  $82\frac{5}{8}$  to  $84\frac{5}{8}$ .

September 7: Sold 2,019,000 bushels October option, prices ranging from  $84\frac{5}{8}$  to  $87\frac{1}{2}$ .

No purchases on the 7th.

September 9: Sold 751,000 bushels October option, prices ranging from  $85\frac{1}{2}$  to  $88\frac{1}{2}$ .

No purchases on the 9th.

September 10: Sold 193,000 bushels October option, prices ranging from  $88\frac{1}{4}$  to 89.

No purchases on the 10th.

September 11: Sold 1,136,000 bushels October option, prices ranging from  $88\frac{1}{4}$  to 90.

No purchases on the 11th.

September 12: Bought 90,000 bushels October option and May option at  $89\frac{7}{8}$  to  $92\frac{5}{8}$ .

*By Mr. Ross:*

Q. That was after the price was set?—A. The price was set on the 6th. Then:

September 12: Sold 837,000 bushels October option, prices ranging from 89 to 90.

September 13: Bought 300,000 bushels May option and October option, prices from  $89\frac{3}{8}$  to 93.

September 13: Sold 325,000 bushels October option, prices ranging from  $90\frac{1}{8}$  to  $90\frac{1}{4}$ .

September 14: Bought 460,000 bushels October option, prices ranging from  $89\frac{1}{2}$  to 90.

September 14: Sold 44,000 bushels, prices ranging from  $90\frac{1}{4}$  to  $90\frac{3}{4}$ .

September 16: Bought 200,000 bushels October option at  $89\frac{3}{4}$ .

September 16: Sold 352,000 bushels October option, prices ranging from  $90\frac{1}{8}$  to  $90\frac{7}{8}$ .

September 17: Sold 904,000 bushels October option, prices ranging from  $90\frac{1}{8}$  to  $92\frac{3}{8}$ .

September 18: Bought 540,000 bushels October option, prices ranging from 91 to 93.

September 18: Sold 648,000 bushels October option, prices ranging from 91 to  $94\frac{3}{4}$ .

*By Mr. Perley:*

Q. A good sale?—A. Yes, a pity there were not more of them. Then:

September 19: No purchases.

September 19: Sold 501,000 bushels October option, prices ranging from 93 to  $94\frac{3}{4}$ .

September 20: No purchases.

September 20: Sold 149,000 bushels October option at  $93\frac{1}{4}$ .

September 21: Bought 347,000 bushels October option, prices ranging from  $93\frac{3}{4}$  to 94.

No sales on September 21.

September 23: Bought 1,975,000 bushels October option, prices ranging from  $93\frac{1}{8}$  to  $93\frac{3}{8}$ .

No sales on September 23.

September 24: Bought 1,480,000 bushels October option, prices ranging from  $92\frac{7}{8}$  to  $93\frac{5}{8}$ .

September 24: Sold 50,000 bushels October option, prices ranging from 94 to  $94\frac{1}{8}$ .

That concludes the figures for September.

The total for September: Bought, 8,116,000 bushels; sold, for September, 9,894,000 bushels.

*By Mr. Ross:*

Q. What was that again?—A. Bought, 8,116,000 bushels; sold, 9,894,000 bushels.

[Mr. James R. Murray.]



WITNESS: Now, October: October 2—sold, 1,217,000 bushels; the October, December and May options being at prices ranging from  $95\frac{1}{8}$  for the December to  $96\frac{1}{4}$ ; and for the May at \$1. He purchased 200,000 bushels there on May option at a dollar.

No purchases on October 2.

October 3: Sold, 292,000 bushels; December and October options; prices from  $96\frac{3}{8}$  to  $97\frac{1}{2}$ . No purchases on the 3rd.

The next is October 7: Bought, 400,000 bushels; October and May options; prices from  $95\frac{1}{8}$  to  $99\frac{3}{8}$ . No sales on October 7.

The next trade, the only ones left, October 16: Sold, 250,000 bushels; October option price  $91\frac{7}{8}$  to  $92\frac{1}{8}$ .

There were no pit transactions after that date. That makes the October figures, purchases 400,000 bushels; sales, 1,759,000 bushels.

*By Mr. Ross:*

Q. What is the total of all these purchases and sales?—A. They are on this statement.

*By Mr. MacLean:*

Q. What was the last date of these transactions?—A. October 16. The total purchases of these options from August 14 were 10,136,000 bushels; and the total sales were 14,375,000 bushels.

*By Mr. Ross:*

Q. These purchases and sales, Mr. Murray, were straight purchases and sales in the pit. They had no connection with each grain transactions?—A. That is what I am informed by the acting treasurer from his letter here. I read the first letter that he sent, but there is another letter here enclosing this statement. It came in a different mail the same day enclosing this bulkier statement, the last paragraph of it reads:—

These purchases of options have no connection with any cash grain transactions but were outright pit purchases.

That is his statement. I will file this letter.

*By Mr. Leader:*

Q. Might these transactions be construed as gambling in futures; or, we will say, "speculating" instead of "gambling"?—A. Well, Mr. Chairman, I would prefer to let the record speak for itself.

*By Mr. Ross:*

Q. Mr. Murray, these amounts of course made up part of the futures that you received from the old board when you took over with the new board?—A. Well, the sales of course diminished the amount they had on hand that finally came to us, and the purchases added to that amount.

Q. But the purchases added 10,000,000 bushels to the amount that you otherwise would have had to take over on the new board. Isn't that correct?

Mr. PERLEY: How about the sales?

Mr. ROSS: Never mind the sales. This Board as handled by Mr. McFarland was given no authority to purchase in the pit but he did purchase in the pit some 10,000,000 bushels of wheat, whether he purchased it for the producers or for the board made no difference; all the purchases made by Mr. McFarland in the pit eventually came to the new board.

The WITNESS: Your point, as I understand it, is that if he had made the sales and had not made the purchase of 10,000,000 bushels of wheat it would have reduced the amount by 10,000,000.

Mr. Ross: Yes.

WITNESS: I think that is correct.

*By Mr. Perley:*

Q. If he had made the sale of what—options?—A. Whatever he had.

Q. You mean to say, all the contracts he took over under this bill; is that it?

—A. The contracts that he had accumulated.

Q. When he took over. When the board took over.

Mr. Ross: Mr. Murray, the long wheat—

The CHAIRMAN: Wait a minute. What is your question, Mr. Perley?

*By Mr. Perley:*

Q. He took over certain cash wheat and contracts for wheat when the new board took over. Now, these might have been some of the contracts that he was selling.—A. But as far as the sales—sales that Mr. McFarland made—

Q. Yes.—A. Oh, yes; they were sales of what he had on hand. Of course, the purchase of the 10,000,000 bushels, those were not purchases that he had on hand. They simply added to what he had on hand.

Mr. Ross: That is the point I want to make.

*By Mr. Perley:*

Q. You have been selling for cash and taking options?—A. Not in these cases. They had nothing to do with cash grain transactions.

*By Mr. Ross:*

Q. Therefore, Mr. Murray, on account of having purchased 10,000,000 bushels, regardless of what he was selling at the time, on account of having purchased 10,000,000 bushels in the pit your Board received 10,000,000 bushels more of options or futures than they would have received if Mr. McFarland had not bought these futures in the pit?—A. That is correct.

Mr. PERLEY: I do not think that is a correct statement; it might be possible that he was selling cash wheat; not that he was taking on futures.

Mr. Ross: I asked that question very specifically.

*By Mr. Perley:*

Q. There is no way of determining whether these trades were cleared in the pit, whether they were large sums or not. You did not clear cash grain in the pit?—A. Oh, but, there are, of course, the records in the office; and everyone in the office knows.

Q. That might be.—A. These are made up—

Q. What are you quoting now?—A. Answering the point raised. What I am quoting from are the records sent down to me by the Acting Treasurer of the Wheat Board, from the official records in Winnipeg of the operations conducted last fall; alongside each other—the Canadian Co-operative Wheat Producers operations under Mr. McFarland's management and the Board's operations under his management. They are from these official records. I just want to make clear to the Committee that this is sent to me from the official records. I sent for it the other day as a result of your questioning, Mr. Ross; and this is the information I got.

*By Mr. Ross:*

Q. I asked you specifically before you started to read these records whether they had any connection whatever with cash grain transactions, and you have read from that letter in which it says that they had no connection?—A. That is correct.

[Mr. James R. Murray.]

Q. Now, Mr. Murray, many of these purchases were made after the price of wheat was set at 87½ by the board?—A. Yes, sir.

Q. And above that price?—A. Yes, sir.

Q. You took over 175,000,000 bushels of contracts from the board of Mr. McFarland when you took over the new board, did you not?—A. Yes; that is, around that figure, according to my memory. It is on the record.

Q. Well then, if these purchases of 10,000,000 bushels had not been made in the pit by Mr. McFarland you would have taken over 10,000,000 bushels less at that time. Is that correct?—A. I think that is correct. Yes.

Q. Mr. Murray, can you tell me what date the prices for other grades of grain were set? You said the price for No. 1 northern was set on September 6. Have you got the date?—A. It was announced, Mr. Bennett announced it on the evening of September 6.

Q. Yes, on the radio. What date was it set on the other grades of grain? Have you got that?—A. I haven't got the dates, but I would say it was about a week afterwards—a few days afterwards, perhaps not a week.

Q. And then the price for feed wheat was set sometime after that?—A. A little later.

Q. The board was authorized to take over other wheat than the 1935 crop too, wasn't it—old wheat?—A. The wheat that it was authorized to take over was all the wheat or contracts purchased, or to take delivery of wheat in respect to which the government of Canada had given a guarantee.

Q. Outside of that, Mr. Murray, there was no way for the board to tell whether they were taking over 1934 or 1935 wheat was there? Were they authorized to take over 1934 wheat for instance that was held in the hands of the cooperative?—A. There are no suggestions of any dates in the Act, Mr. Ross.

Q. I realize it would be very hard to tell, but I was wondering whether they were given authority to do that?—A. There was some old wheat. One of the grades comes to my mind; that No. 2 northern, that obviously was old wheat; some of the 1934 crop and some of the crop of 1933 that was in the hands of the Cooperative Wheat Producers—on account of the difference in grading. That was the broad circumstances of that.

Q. Oh yes. In connection with setting prices at that time, Mr. Murray; could you give me the price for Durum wheat just prior to the setting of the wheat prices on September 6?—A. I haven't got that here. I think I have that down at the hotel. I have not got that here.

*By Mr. Perley:*

Q. You have not got on that statement the amount bought and sold in that period. I took it down in pencil here and some of it I did not get exactly right. Have you got a copy of it there which I might just look over, a spare copy?—A. There was this copy which I have placed on file. Would you like that.

Mr. PERLEY: Yes, I would.

*By Mr. Ross:*

Q. You say you have not got that information there?—A. No.

WITNESS: You asked me for some figures about September 6. I do not know what it was, Mr. Ross.

*By Mr. Ross:*

Q. I wanted to know in detail the purchases or sales of wheat in the pit, if you have them, after the September 6 date when the set price for wheat came into effect?—A. I can get them for you in just a minute. Purchases after September 6—I added it hurriedly but I think I am right—5,792,000 bushels; the sales, 9,668,000 bushels.

*By Mr. Perley:*

Q. Quote those again please?—A. Purchases 5,792,000; sales 9,668,000.

*By Hon. Mr. Crerar:*

Q. That was at a higher price than the 87½?—A. Yes, sir.

*By Mr. Ross:*

Q. Mr. Murray, since you have taken over the board did you ever consider that you had the authority or that it was your duty to purchase any wheat or any options in the pit?—A. We have never thought about doing it at all, Mr. Ross.

Q. You never have?—A. No, sir. We never thought of doing it.

Q. The only wheat you ever took over or futures you ever took over were in exchange in the sale of cash wheat?—A. Yes.

Mr. Ross: Thank you.

*By Mr. Donnelly:*

Q. Who was the chairman of the Wheat Board from August 14th to December 9, 1935?—A. Well, I think it was Mr. McFarland.

Q. And he was the selling agent of the Cooperative Wheat Producers?—A. I do not know who was the selling agent. Do you mean the general manager?

Q. Yes, the general manager?—A. Mr. McFarland, as far as I know.

Q. Who set the price on wheat that was to be paid to the farmers at 87½ cents?—A. I understand the board made the recommendation to the government and the government set the price.

Q. That would be Mr. McFarland made the recommendation to the government?—A. He was the chairman of the board that made the recommendation. Yes.

Q. When was that price set?—A. It was announced on the night of September 6.

Q. September 6: Now, in the figures you have given us Mr. McFarland was supposed on September 5th to buy 1,040,000 bushels of wheat at from 83 cents to 84½ for the Wheat Products?—A. 1,040,000 bushels?

Q. Yes.—A. Yes, sir.

Mr. DONNELLY: At 83 to 84½; you would not call that gambling or speculation, you would call that a lead-pipe cinch where a man knew what price was going to be set and then went out and bought a million odd bushels of wheat. That is not a speculation or a gamble at all.

Mr. PERLEY: Well, Mr. Murray, Mr. Ross made a statement or asked you a question and I think you answered it in the affirmative that the wheat purchases in the month of August and up to the 6th of September, the greater amount of it had been purchased at prices above the fixed price, the price which was fixed later.

Mr. ROSS: No, I did not ask that.

Mr. PERLEY: I think that you did.

Mr. ROSS: No, about the quantity.

WITNESS: I think it was after—

Mr. ROSS: After September 6.

WITNESS: I think it was after September 6.

Mr. PERLEY: Immediately the price was fixed the price jumped.

Mr. ROSS: What was the necessity of any purchases then?

[Mr. James R. Murray.]

Mr. PERLEY: He was purchasing, there is no question about that. I think according to the statement that you have filed he made a very good showing up to that time. He sold 14,375,000 bushels and bought 10,136,000 bushels. He got rid of practically four million bushels and a quarter.

WITNESS: I don't want to make any comment on it, Mr. Chairman, by expressing an opinion; but we have been pounded for taking back futures against cash wheat. I might only say that as one member of the board I regard that 10,000,000 bushels as having been added to our load, and that there was that 14,000,000 bushels sold. I might perhaps fairly point out that, because that would be the difference; and you have Mr. Burbidge's and Mr. Williams' letter that it was, that it could only be bought against cash wheat, that it could not be bought for any other purpose.

Mr. PERLEY: Are you done, Mr. Ross?

Mr. Ross: Yes, I think so.

*By Mr. Perley:*

Q. That brings me back then to a question that was asked this morning with respect to the present position: It is inadvisable, of course, possibly the committee would think it is not advisable to give it, but if we can I think maybe it might show that the position is similar to-day as to what it was then you took over?—A. In what respect, Mr. Perley?

Q. Well, that you were long a lot of wheat far more than you held, cash; and I would just state this, that if the reverse is the case, if the position is the reverse to what you inherited, I do not think there would be any harm in giving the position; and if the position is not given it must be the admission that the situation is similar to what it was?—A. Mr. Chairman, I think I would like to have consecutively on the record with Mr. Perley's remarks the statement that the figures down to date not having been given, solely at the instance of the committee, does not make it correct to call it an admission of anything. The essential difference between the position we inherited at December 9th and what we have done since might perhaps be summed up in this way, and it might help to make clear the question of our exchanging futures when we sell cash wheat, or our taking back futures—it was referred to as gambling. I said it was not in any sense of the word. There have not been more than six days since we took over on which at the end of the day we did not own less wheat and wheat contracts, which are the things we inherited, than we did at the beginning of the day; not more than six days. Those six days were, where we perhaps owned more at the end of the day than at the beginning, were days on which because of a poor market our sales had been small and our purchases from producers in the country amounted to more than the sales we had made that day. We have not at any time, the beginning or the end of the day or for a matter of minutes throughout any day, added to the obligations of the Dominion government of Canada in connection with wheat by buying a bushel of wheat from anyone except the producers.

Q. Well, I think that is a very fair statement, and just about what we would expect. But I want you to understand that I haven't any brief for Mr. McFarland?—A. I was not suggesting that.

Q. Now, Mr. Murray, I think it is only fair to say this: That the situation as you inherited it was brought about owing to the fact that Mr. McFarland for two or three years had been stabilizing prices, and he had to buy in order to do that. As you are dealing with fixed prices you have not got to buy any wheat futures to stabilize or fix that price at 87 cents. It is fixed by the board. I think the situation is somewhat different.

*By Mr. Ross:*

Q. Mr. Chairman, I asked a simple question in regard to wheat, as to whether Mr. McFarland had purchased wheat in the pit after the date the price was fixed; and you told me he did?—A. Yes, sir.

Mr. PERLEY: If you will check the dates you will find that he did not buy very much after the 6th September. His sales were much greater than his purchases.

Mr. ROSS: But, Mr. Perley, if he thought one bushel—

Mr. PERLEY: If you want to place that interpretation on the Act you are quite right.

The CHAIRMAN: Was the purchase of this 10,000,000 bushels of options in the pit in your opinion made in line with stabilization operations?

Mr. PERLEY: I do not think he did under the Act. As a member of the committee of last year I have the impression that there was no power under the Act to buy and sell futures. I would be inclined to think that unless it was as you have stated for the purpose of stabilization, I think possibly he was overstepping the Act.

The CHAIRMAN: That would be speculating I would think.

Mr. PERLEY: I do not know what you would call it. Call it what you like.

*By Mr. Perley:*

Q. Now, Mr. Murray, there is one little matter I would like to try and clear up. It was dealt with this morning, with respect to "shorts" and having taken a hedge on flour that was afloat; is it customary for millers to put flour afloat not sold?—A. I cannot answer that, Mr. Perley. I do not know enough about the internal workings of the milling business to say whether that would be customary or not.

Q. Can you explain the millers' system of hedging, how he uses the market to protect his sales of flour, just for the information of the committee?—A. Yes.

Q. For instance if a miller makes a contract possibly because of getting a cable from the old country, asking him to make offers on a cargo of flour to be delivered on a certain date, what does he do, presuming he has not the wheat?—A. If he makes a sale of flour abroad, the first thing is he comes to buy the future or the option to protect himself against fluctuation in price just in the same way as I explained the exporter doing business out of Vancouver does. You will remember the explanation. The miller does the same. If it is the equivalent of 50,000 bushels of wheat he buys 50,000 bushels of options. Then he has to—

Q. Get the wheat?—A. He has to translate, if I may use the word, it is not the best one, that 50,000 bushels of options into the particular kind of wheat he wants to grind into flour. He buys cash wheat that he wants at the same time selling out his option. Then he mills the wheat into flour and ships it in fulfilment of his contract.

Q. Then, as far as any hedge is concerned on that flour, it is not necessary, from that point?—A. That flour is sold before he ever buys the hedge, sold before it is ever put afloat.

Q. Following the operations that you have outlined, when the flour is afloat it is not necessary for him to hold any future?—A. Unless he had consigned some. He might have consigned it unsold. I do not know whether he does that or not.

Q. I am assuming that they do not do that, generally?—A. I don't know.

[Mr. James R. Murray.]

*By Mr. McLean:*

Q. If it was consigned unsold, he would sell the wheat, wouldn't he?—A. Well he would leave his hedge; he would leave—

Q. He would not have bought his hedge, and would still hold the flour?—A. The thing would be this, Mr. McLean. He would never, in the first place, have bought an option. He would have bought 50,000 bushels of cash wheat and at the same moment sold 50,000 bushels of options. He made that cash wheat into flour and he would get the flour and own the flour, ship it abroad or someplace else; but he would be short that option. He would have his hedge in the option, and when he sold his flour then he would come and buy the option.

*By Mr. Perley:*

Q. Then dealing with the export clearances since January 31, up to the 24th April, they were practically 31,000,000 you said?—A. No, I did not give that figure. I said I had no figure for that period.

Q. I thought Mr. Bennett quoted from the statement he had?—A. I have got them since.

Q. I thought Mr. Bennett quoted them from the statement he had, from the Bureau of Statistics?—A. Dr. Grindley was good enough to get them for me during the luncheon interval. The total figure to April 24, is 158,212,923.

Q. From the 31st January to—A. From August 1 to April 24. We would have to take other figures that I have, if I can find them. I have them here, sir. The figures this morning up to the end of January were 109,746,046, so that would give us 48,466,877 from January 31 to April 24.

Q. That includes flour, of course?—A. Yes, as the figures have—

Q. The actual wheat, I think, is 31,000,000?—A. No; it would be more than that.

Q. Well the statement provided by the—A. There would not be 17,000,000 bushels in the form of flour in that period. Let us see. Take January 31 to April 24, that would be ten weeks, and you will find the average of flour estimates would be, on a safe estimate, 500,000 bushels of wheat, which would be only 5,000,000 bushels. I have got the flour, and we can check it actually. I have the flour figure. From January 31 to April 24 the flour figure would be 4,500,000 bushels, so that would leave 44,000,000 bushels of wheat.

Q. You are not prepared to give us a statement as to what amount the board supplied of that export from their cash wheat?

The CHAIRMAN: Mr. Bennett was asking that this morning.

Mr. PERLEY: Yes.

WITNESS: I did my best to explain this morning I do not think you can ear-mark our sales against any particular export.

*By Mr. McLean:*

Q. These were actual exports out of Canada?—A. Yes.

*By Mr. Perley:*

Q. It figures out to about 3,000,000 bushels of wheat for 13 weeks, does it not?—A. From January 31?

Q. There are 13 weeks. In the figures we have the week of January 31 is taken?—A. No, it would be 12 weeks.

Q. They figure in the week ending January 31?—A. Yes, but it is from January 31. You do not figure in the week ending the 31st. It is wheat to January 31, inclusive, and these figures given to me by Dr. Grindley during the luncheon hour—

Q. How much does that figure out to per week?—A. Twelve weeks. I think I said it was 44,000,000 bushels of wheat, but you take wheat and flour—

Q. We were taking all the wheat there in those figures that Mr. Bennett asked for, and I think it would be fair to take them?—A. It is 4,000,000 bushels of wheat, which is only—

Q. In the Sanford Evans last report an estimate is made that we will have to ship in the neighbourhood of 6,000,000 bushels; have you seen them?—A. I do not remember.

Q. To get the carry-over down around 130,000,000 bushels?—A. That would be for what date? Do you remember what date it was?

Q. I think it is the last report that Sanford Evans put out. At any rate, it does not matter?—A. Mr. Perley is not talking about our holdings, he is talking about how much we have to ship per week out of the Canadian visible supply.

Q. That is right?—A. I do not know whether 6,000,000 bushels of wheat would be the correct figure, but you can take his figures as being correct, Mr. Perley.

Q. I have a few more questions and I think I will be through. I want to go back to those days in September, the 10th and 11th and 12th, around there. Can you give the committee the amount of cash wheat that was given to the exporters at their request to fill overnight offers on the days of the 10th, 11th and 12th?—A. Well, of course, Mr. Perley, you come back again to where it is clear that you are not familiar, even with your long experience in the grain business and your contacts with men in the exchange, you are not familiar with the procedure. The exporter is not necessarily given cash wheat to take care of his overnight offer. He wants to buy the future or the option—

Q. Pardon me, I have here a reference to that 8,600,000 bushels which they state was actual cash wheat, given for that purpose—A. No, it does not say actual cash wheat given for that purpose. Nobody said that. We sold May futures, May options, that is what we sold. I have not got here the sales of cash wheat.

Q. This arrangement you had made with those exporters was that you would deliver them the actual wheat to fill their offers?—A. No, sir, I never said that. That has not been stated at all.

Q. That is the impression I have always had.—A. Of course, Mr. Perley, you should not hold me responsible for all your misunderstandings.

Q. I think that has been said a good many times.—A. I have tried to state what we said we would do was to protect them on their hedges against their overnight sales. Now, they make their overnight sales; they come to buy their hedge, and it was that protection that we said we would give them.

Q. Then was any actual cash wheat delivered to them?—A. Oh, there may have been cash wheat sold to exporters those days but it would have no relation to this particular thing.

*By Mr. McLean:*

Q. As the market has developed, Mr. Murray, aside altogether from the final lightening of the load, has it turned out to be good or bad business to have sold that large amount of wheat during those one, two or three days?

Mr. COLDWELL: That is a question of opinion again?

WITNESS: Oh, but it is an opinion that there are facts in existence to substantiate, Mr. Coldwell. The Australian prices went down afterwards; our price is ten cents lower.

Mr. COLDWELL: Oh, I thought as you had no figures in the one case, you might not have figures in this particular case to substantiate the opinion.

WITNESS: I think the point Mr. McLean really is making or asking about it is, if I might put it another way, was that a good sale on that day?

Mr. McLEAN: Yes, that is right.

[Mr. James R. Murray.]



WITNESS: Well the market is ten cents lower; let some one else give that opinion.

*By Mr. McLean:*

Q. Then it was a good thing to get rid of?—A. I think so; that is why we sold. I would like to repeat right on that point, seeing you have brought that point out, just what I said, that the action of the Argentine government that day did not change the amount of wheat in the world one bushel.

Q. Of course not.—A. And the well posted people in the trade knew for six weeks before that the Argentine would not have more than 50,000,000 bushels of wheat available, and a lot of them knew that there was lots of wheat in the world to supply the world's requirements until new crops came along, and they did not all get the jitters that day, get excited and rush to buy wheat. I am quite sure that lots of buyers of wheat abroad, millers in England that may not have bought wheat that day, and of course, when these things happened in the market, a lot of people got excited.

*By Mr. Perley:*

Q. I do not like that word "jitters".—A. Perhaps I should not use it, but it is expressive. People get excited. We have all seen it on several occasions and I have often seen in my 25 years of experience that when they have two or three days to think it over, and get their feet on the ground again, that they are sorry for what they did in the excitement of the moment.

Q. Some of them are pretty sorry now, I understand, that they ever got out.—A. Some of whom?

Q. The shorts.—A. Some of the shorts. Mr. Perley, you seem to be well acquainted with the shorts, and they probably have been telling you about how they feel.

Q. Let me say if the information supplied me is correct, if I am properly informed, I am informed that there were several complaining that they did not get enough from the board. One outfit would have probably taken 5,000,000 more bushels, but now he is tickled to death he did not get it.—A. Mr. Perley, I will say this in all seriousness: If anybody had come along to me that day and said he wanted 5,000,000 bushels of wheat at 89 $\frac{7}{8}$ , he would have got it, even in addition to what we sold.

Q. Can you give us the amount of wheat of any character, cash wheat or options, that was supplied by the board on the 10th, 11 and 12th?—A. I have already put on the record, sir, our sales from the 9th on daily.

Q. I will look at the records.—A. It is right early on when I read the figures.

Q. About the first or second day?—A. Yes.

*By Mr. McLean:*

Q. I want to know the difference between the 15,000,000 bushels sold by Mr. McFarland and the 10,000,000 bushels that he bought. Were those the full net sales of the Wheat Board from being set up on August 14?—A. I think the figure is on the record: Sold for Wheat Board account, in round figures, 13 $\frac{1}{4}$  million bushels, and for Wheat Producers I had the figure this morning that I used; in round figures about 8,000,000 bushels.

Q. About 22,000,000 bushels net sales?—A. About 21,000,000.

Q. About 31,000,000 sales and about 10,000,000 purchases?—A. Yes.

Q. And during that time there were about eight weeks elapsed?—A. Oh, no; there were more than that: From August 1 to December 9. I know how many weeks it was, because it was impressed on my mind how many of the crop year weeks had gone by, sixteen weeks.

Q. About fourteen weeks after the Board had been set up?—A. Sixteen weeks between August 14 and December 9.

Q. And in those sixteen weeks there was only about 21,000,000 bushels net sold by those agencies?—A. That is what the record shows.

Q. And during those sixteen weeks it has customarily been that those were the best selling weeks for Canada's new crop?—A. Yes. Of course, Mr. McLean, it should be noted right here, in justice to those selling agencies, that the market was above the fixed price for some portion, a considerable portion of that period, and that the farmers were marketing and selling their wheat during that period.

Q. Outside of the agencies altogether?—A. Yes.

*By Mr. Deachman:*

Q. Did Mr. McFarland's purchases on the stabilization account stabilize the wheat? (No response).

Mr. PERLEY: It would have been twenty-five cents if he had not been there.

WITNESS: I do not know what the dictionary definition of "stabilization" is, but you will remember, Mr. Deachman, that the other day when I was on the stand the question came up similar to that, and I gave an illustration in regard to the 1932 crop, the marketing of it in the fall of 1932 and on through the year; and I pointed out that the farmers who marketed their wheat in the fall of 1932—I will go into a little more detail—in October and November and December, were selling their wheat on the basis of fifty cents and lower down, just below forty cents, in store at Fort William, on that basis. During January, February and March of 1933, the same crop, I do not think the price got back above fifty cents; but in the summer of 1933 you will find, I think in May and June, and certainly in July, the price was crawling up and got above sixty cents, seventy cents and eighty cents some time in June or early in July, and was held up around the eighties during July while the farmers who marketed in the months of May, June and July got a great deal more for their wheat than the farmers who marketed in the fall and in that winter. To that extent the market was not stabilized on an equitable basis for all the farmers marketing their wheat in the 1932-1933 crop. I would like to follow that along right into the fall of 1934. You will find at the time of the heaviest deliveries the market was down in the sixties by early in October, 1934.

Q. You do very well in speaking from memory, because I am following the prices.—A. Well, I have been interested in the wheat operation not only from the point of view of being an operator of elevators but from the point of view of what the producers were securing in the way of assistance and help, and so on, in marketing their crops. That is perhaps why I am familiar with it. In 1934, of course, the 2nd November, there was a minimum price of seventy-five cents put in at the instance of the government, so you do not have the same fluctuation downwards afterwards. To a certain extent, Mr. Deachman, the same picture that I paint is true previous to 1932, but there is not the same startling difference.

Q. But your rise in price here at the end of 1933 and in 1934, in May, June and July, the increase in price at that time, was due to developments in the "Dust Bowl"?—A. And to the fact that the Government agencies were not selling wheat. They did not sell wheat, to speak of, until wheat was up around eighty cents, and that was about thirty cents above the cost of wheat stabilized.

*By Mr. Ross:*

Q. Do you say wheat was stabilized in December, 1932?—A. No; but that was in the period after the stabilization operations started.

Q. I sold 3,000 bushels of No. 1 hard wheat for 24½ cents a bushel at the elevator?—A. If you had held that wheat until the following July you would have got over 90 cents a bushel for it. The stabilization operation was going on all during that period.

[Mr. James R. Murray.]

*By Mr. Deachman:*

Q. Mr. Ross sold it at 24 cents. You reach 24 cents for wheat at Moosejaw, then at points still farther away from Fort William the price is so low that it will not pay to haul it to the railroad?—A. That was a big crop, that price down in the low forties. It is all right to emphasize 38½ cents and talk about it being the lowest price in 400 years. I do not know whether it was or not. That one day was bad enough to get down there. But it was not big buying by the stabilization organization that stopped it and turned it there. You will find on the record, I think, that the market was stabilized at fifty cents, call it that, starting on September 30, 1932, and I think it was a Friday; and for three weeks the market was a little above fifty cents for December wheat, about fifty-one cents or fifty-two cents, and for three weeks and two days thereafter the wheat hedges that were being put in the pit against what the farmers were selling in the country were taken at fifty cents by Mr. McFarland's operation, except what exporters might buy at the same price. Three weeks and two days or three days thereafter, on a Tuesday, you will see the market broke through fifty cents, and if my memory of the record is right with regard to the figures given last summer Mr. McFarland had bought—no, not by then—he went on buying intermittently when it was down in the forties, but not nearly in as large amounts as he got at fifty cents, and in that all up to January.

*By Mr. Coldwell:*

Q. I have not last Thursday's record of the proceedings here, but I made a note of one matter at the time. You placed a letter on record which was addressed to Mr. D. L. Smith by a London buyer. I cannot say whether the buyer was an agent or a miller, or what he was. In this letter it was stated:—

Unfortunately, every time there is a sign of improved demand the Winnipeg Option Market advances and stops all chances. The fear of these advances makes shippers too nervous to sell when buyers are prepared to purchase.

What I was going to ask you at the time was this: Would not this indicate at least one reason why we should try to discover a method of marketing which would not be as fluctuating as the present method that has been operated? I may say that I have in mind, of course, selling through a single agency, and I noted in Saturday's paper, I think, that the Government of New Zealand is taking over all stocks of wheat and flour and stabilizing it there. Of course, that is a very small producer of that commodity. But on the 1st August, too, they are taking over all their dairy produce, and doing approximately the same thing with it. Of course, they are an exporter of dairy produce comparable to Canada as an exporter of wheat, and I wondered what that phrase in that letter meant to you when you read it, whether you put the same interpretation on it that I have placed on it, or whether you have a different one, and if you have a different one I would like to get it?—

A. In this particular circumstance I could only interpret it in one way, that the seller of wheat in Britain, that is, an importer with a connection over here, who brings wheat in and sells it to the miller, on that particular day the importer over there sold some wheat to the millers, and then he comes to buy it here, and he finds this market here has jumped up, but this is a market here at that time in which there is one great big concentrated holding in the hands of the government agency, who could have done as we did and have done since we came in, could have given that importer's agent over here the wheat, the hedges against his sale at not more than some small advance over the previous day's close, so that he could go ahead and feel confident that the next day he could do the same, or later on during the same day he could sell more to the millers.

Q. I was going to say that you abandoned that particular policy?—A. No. We just abandoned the guarantee. I think you will find I stated that in December in a conference with the exporters we told them that they had had a demonstration of the policy of the Board. They knew the Act we were operating under as well as we did. We told them we were going to operate in accordance with the Act and we demonstrated our operations; and that while no further guarantees would be given, they could go ahead and we would have wheat for sale there, and we have had wheat for sale there; and there have been days since then when exporters have sold a lot of wheat overnight, but because we found in the morning that they had sold a lot of wheat overnight and had to buy the wheat in the pit we did not put up our price one cent, two cents, or three cents. We could have done so, and we could have temporarily, if I may use a slang expression again, put those men across a barrel. But we did not consider, Mr. Coldwell, with regard to those men, who are the salesmen, both millers and exporters, to sell our wheat abroad, that it was good business for us every time they sold a lot of wheat to somebody, to make them lose money on it, to squeeze them. I make the illustration again, that if they were not there and we were selling it direct abroad our offers would be based on the previous day's close, and our acceptances would come on that, and we would have no opportunity to put the price up.

Q. Then the millers can still get wheat to fill the overnight sales at the same price or a fraction above?—A. On some reasonable basis related to the previous day's close, and have been ever since; but there is no guarantee on our part.

*By Mr. Ross:*

Q. Only this, that you are not going into the pit to buy futures to drive the market up again?—A. No; and we are not going to attack these men who are trying to export our wheat for us. They are not doing it for love but for some small margin, and they lose money sometimes in doing it. Gentlemen, I was in New York three weeks ago—

*By Mr. Coldwell:*

Q. Just a moment. The thing that strikes me in connection with this particular phase of the thing is that this is, of course, working advantageously to the buyer, to the miller or to the agent?—A. The buyer where?

Q. Well, the man who makes the sales, the agent?—A. The buyer where, in Canada or abroad?

Q. The exporter?—A. The exporter on this side?

Q. Yes. What I am anxious to get at is this: How can we do something comparable for the producer of wheat, because it seems to me that this policy will ultimately result in driving down prices? There is the thing that strikes me. You may not agree with me?—A. If there is a sufficient market abroad to take our wheat and wheat from other exporting countries it will not drive the price down.

Q. The trouble is that there is not?—A. I know; but then you come to the consideration of future policy, which is another thing. It has been established before, before commissions, and it is on record, I think, that the export business is a risky business, hazardous, with market fluctuations, and so on. I was going to give you an illustration: I was in New York about three weeks ago. There was word on the New York Produce Exchange that day of two cargoes of Canadian wheat, and two or three cargoes of Australian wheat that had arrived in London unsold. The manager of the export firm in New York who was the owner of one of those cargoes of Canadian wheat told me that day what his loss per bushel was that he took rather than unload it unsold, when his loss would have been larger. It is not a frequent occurrence with cargoes, but it often happens, particularly on wheat from Vancouver put afloat unsold by these

[Mr. James R. Murray.]

exporters. They relieve the Wheat Board of all that risk, and so on. Whether they are a desirable element to have in the machinery of marketing our wheat is another thing. I have something here that might be of use to the committee on that. I would like to file it with the committee, and it can be put on the record. Our Board was curious a little while ago to find out how many countries in different places in the world the exporters operating out of Winnipeg offered wheat to, and I got a list. Some of them had to write to their offices abroad before they could get a complete list. There are no names here. It covers all the firms that operate out of Winnipeg. There are all the countries, and the different ports set out here. I will file it and it will be printed.

*England*—London, Southampton, Avonmouth, Bristol, Swansea, Portishead, Liverpool, Birkenhead, Manchester, Newcastle, Dunstan, Hull, Ipswich, Butterman's Bay, Plymouth, Silloth, Barrow.

*Scotland*—Glasgow, Aberdeen, Dundee, Leith.

*Wales*—Barry, Cardiff.

*Ireland*—Waterford, Dublin, Belfast, Londonderry, Cork, Limerick.

*Norway*—Oslo, Stavanger, Bergen, Aalesund, Laurvik, Christiansund.

*Sweden*—Ijorn, Gothenburg, Helsingborg, Landskona, Malmo, Trelleborg, Ahus, Calmar, Norrkoping, Stockholm, Djuroen.

*Finland*—Helsingfoss, Vasa, Kotka, Viborg.

*Denmark*—Copenhagen, Svendborg, Vejle, Horsens, Aarhus, Aalborg, Odense, Esbjerg.

*Germany*—Hamburg, Bremen, Mannheim, Berlin, Danzig, Frankfort.

*Malta*—Valetta.

*Belgium*—Antwerp, Liege, Brussels.

*Poland*—Warsaw.

*Maderia*—Funchal.

*Holland*—Rotterdam, Amsterdam.

*Lithuania*—Riga.

*Morocco*—Tangier.

*France*—Lyons, Havre, Dunkirk, St. Nazaire, Bordeaux, Marseilles, Paris, Lille, Nantes, Strasbourg, St. Louis du Rhone.

*Italy*—Oneglai, Genoa, Leghorn, Civitavecchia, Castellammare, Naples, Milan, Palermo, Bari, Trieste, Catania, Ancorra, Venice.

*Greece*—Piraeus, Athens.

*Sicily*—Messina, Catania.

*Turkey*—Istanbul.

*Algeria*—Oran, Algiers.

*Spain*—Barcelona, Valencia, Carthagina.

*North Africa*—Casablanca.

*Austria*—Vienna.

*Portugal*—Lisbon, O'Porto.

*South Africa*—Capetown, Durban, Johannesburg.

*Switzerland*—Zurich, Berne, Basel, Lausanne.

*Tripolitania*—Tripoli.

*Egypt*—Cairo, Alexandria.

*China*—Hankow, Dairen, Tientsin, Tsingtae, Shanghai, Hongkong.

*Japan*—Tokio, Nagayo, Kobe, Yokahoma.

*Cuba*—Havana.

*Brazil*—Pernambucco, Para.

*South and Central America*—Panama, Mexico City.

*By Mr. Perley:*

Q. You spoke about the chartering of vessels to take wheat?—A. Yes.

Q. I noticed in the Press, I think yesterday or the day before, that there are eighty odd vessels chartered now to take wheat from the eastern terminals in the months of May and June. Do the people who charter that space have to put a notice on the board in the Winnipeg Grain Exchange as to the amount of wheat and the vessels they have chartered?—A. No, sir.

Q. I thought through the Lake Shippers' Association they were compelled to do that?—A. No, sir.

Mr. McLEAN: These would not be lake shippers.

*By Mr. Perley:*

Q. I thought the lake shippers controlled that as well?—A. No; they simply control the loading of boats at terminal elevators at Port Arthur and Fort William.

Q. They do not have to post it on the board?—A. No. I had a wire the other day from a broker in Montreal stating that there had actually been 20,000,000 bushels of space booked for wheat from Montreal and Sorel for shipment before the end of May, and they expected some more to be added to that.

*By Mr. McLean:*

Q. A great deal of the wheat you sold in one form and another during the past winter will be shipped about the month of May?—A. A lot has been shipped already and more is going out.

Q. And a lot of the May option wheat sold would have to be converted into some other form. The May option has not been available yet?—A. They have secured cash wheat by buying it ahead of time of delivery on May option.

*By Mr. Ross:*

Q. The May option is good until the end of May?—A. Yes.

Q. If you contract to deliver wheat in May you have the whole month to make the delivery, as I understand it?—A. Yes.

Q. And if you buy you can have that wheat delivered to you any time in May up to the 31st May?—A. Yes, but you have to wait to the 31st May to enforce delivery.

*By Mr. Leader:*

Q. Mr. Coldwell, I think, touched on the point of selling futures. It would seem to me an opportune time to reintroduce the questions I asked you on Friday, April 24. If it is in order I would submit those questions. If it is not an opportune time, we can defer it to a later date.

The CHAIRMAN: Yes.

WITNESS: The suggestion the other day was that when the Committee was through with enquiring into our Board's operation they should, perhaps ask for some opinions. I would rather answer Mr. Leader's question then.

Mr. COLDWELL: Has Mr. Murray seen these questions? Perhaps he would like to give a considered opinion on them.

WITNESS: I think I would, on the first one. I was going to say that when the Committee is through with me, enquiring into our Board's operations, I have a statement which is not very long, dealing with the future. I opened to the Committee by reading a brief statement, and I would like to close in the same way if they wish me to do so.

[Mr. James R. Murray.]

Mr. LEADER: It is immaterial to me if the witness prefers to finish his statement first.

WITNESS: We are going on to-morrow morning, Mr. Leader. Would it be satisfactory to you if I answered your question then?

Mr. LEADER: I suggest that Mr. Murray finish his statement and take up my question in the morning.

The CHAIRMAN: Are there any further questions?

WITNESS: I have here a telegram from our Winnipeg office reading as follows:—

Canadian Press quoted you saying to-day United States has bought 45,000,000 this season from Canada of which 35,000,000 duty paid and balance milling in bond Stop Official record August first to April twenty-four shows 27,661,000 duty paid and 8,782,000 milling in bond. Stop Thought you would want to check this.

That makes 36,000,000 altogether. I think I had better check this with Dr. Grindley overnight, and we will get it correct on the record in the morning.

The CHAIRMAN: We will adjourn now until 10.30 o'clock to-morrow morning.

Whereupon the Committee adjourned at 5.45 o'clock p.m. until 10.30 o'clock a.m. on Thursday, April 30, 1936.









SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

# MARKETING OF WHEAT AND OTHER GRAINS

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

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THURSDAY, APRIL 30, 1936

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WITNESS:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1936



## MINUTES OF PROCEEDINGS

THURSDAY, April 30, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 10.30 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gardiner, Jacobs, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Pottier, Ross (*Moose Jaw*), Winkler.

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, was recalled.

On behalf of the Wheat Board, Mr. Murray expressed gratitude to the Canadian High Commissioner in London, to the Chief Trade Commissioner in Britain, and to Trade Commissioners for assistance rendered to the Board. He outlined the problems that lie ahead, and urged the formation of a fact-finding commission.

The examination of Mr. Murray was continued.

The Committee adjourned at noon until Friday, May 1, at 10.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*

MINUTES OF THE BOARD OF TRUSTEES

At a meeting of the Board of Trustees of the University of California, held at the University Administration Building, Berkeley, California, on the 15th day of February, 1920.

Present: The President, the Vice President, the Secretary, and the Trustees.

The meeting was called to order by the President at 10:00 o'clock.

The minutes of the previous meeting were read and approved.

The following report was read and approved:

REPORT OF THE SECRETARY

The Secretary reported that the Board had received from the State Board of Education a copy of the report of the State Board of Education for the year 1919-20. The report was read and approved.

The following report was read and approved:

REPORT OF THE VICE PRESIDENT

The Vice President reported that the Board had received from the State Board of Education a copy of the report of the State Board of Education for the year 1919-20. The report was read and approved.

The following report was read and approved:

REPORT OF THE PRESIDENT

The President reported that the Board had received from the State Board of Education a copy of the report of the State Board of Education for the year 1919-20. The report was read and approved.

The following report was read and approved:

REPORT OF THE TRUSTEES

The Trustees reported that the Board had received from the State Board of Education a copy of the report of the State Board of Education for the year 1919-20. The report was read and approved.

The meeting adjourned at 11:00 o'clock.

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 231,

OTTAWA, April 30, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government met at 11 o'clock, Hon. Mr. Euler, the Chairman, presided.

The CHAIRMAN: If the committee will come to order we shall proceed with Mr. Murray's evidence.

JAMES R. MURRAY, recalled.

WITNESS: Mr. Chairman, before referring to the questions that Mr. Leader wished me to answer, which I think was the last thing that was being discussed yesterday afternoon, I should like to refer to something that I have had on my mind for the last two or three days. I thought it proper that I should mention this, and I should like on behalf of our board, to give public expression to our appreciation of the assistance given to us by the High Commissioner in Britain, the Honourable Vincent Massey, who was of great assistance to Mr. Lamont when he was over there, and also the assistance given to us by the Canadian trade commissioners in several countries. Mr. Frederick Hudd, the chief trade commissioner in Britain was of very great assistance to Mr. Lamont when he was there.

The CHAIRMAN: I might mention these gentlemen are all officials of the Department of Trade and Commerce.

WITNESS: I thought that was such a well known fact, Mr. Chairman, that it was not necessary to mention it. I mentioned trade commissioners in other countries as well, and I have one illustration in regard to that that I should like to give. I have a letter here from Mr. L. D. Wilgress, addressed to the secretary of our board, dated March 10, 1935. He sends on to us an extract from a report from Mr. Yves Lamontagne, Canadian government trade commissioner at Cairo, Egypt, who is at present on a visit to Athens for the purpose of investigating the possibilities for the sale of Canadian wheat to Greece. This is the extract from Mr. Lamontagne's report:—

Discharging at two Greek ports first lot 40,000 tons Canadian wheat authorized by Greek government. Import merchants affirm that if Canadian government continue price policy there is every prospect of additional amount likely to exceed 100,000 tons through existing trade channels.

One hundred thousand tons would be almost 4,000,000 bushels. I cite that as one illustration, without going into any detail of what our board has received in the way of helpful information and service. Our board has received great assistance from the trade commissioners abroad, and I should like to make that public acknowledgment.

In regard to Mr. Leader's question, question No. 1 was: In your opinion, do you believe that dealing in futures is in the interest of the grain producer? Question No. 2 was: Do you believe that a future should be sold before the crop is assured? Before giving a direct answer to these questions, Mr. Chairman, I have a statement that was referred to late yesterday afternoon, which makes some suggestions and refers to what I think are some important points in connection with our future wheat policy. As it expresses the opinion of our board

on what perhaps might be the next or another step to be taken in regard to our wheat marketing problem, I should like to read it, and if it does not directly answer Mr. Leader's question, it might in a general way. Is that satisfactory?

The CHAIRMAN: If he desires to question you after that, and you proceed to answer, we can continue in that way.

WITNESS: The statement is as follows:—

#### NEED FOR FACT-FINDING COMMISSION

Until recent years our surplus wheat was absorbed into world trade and no one knew, except in the most general way, just how or where it went. The little consideration we gave to this question ten years ago is not sufficient now.

World wheat trade which averaged 721,309,000 bushels for the ten years 1920 to 1929 was large enough to absorb the surplus from average crops in exporting countries.

This situation no longer exists, and if wheat is to retain the position it has occupied in the production of our national wealth, we must wake up to the importance of the problem. I might interject and say that from 1926 to 1930 inclusive, the value of wheat exported was 32 per cent of the total Canadian exports. From 1931 to 1935 inclusive, it was 25 per cent; that is, wheat and flour.

World trade in wheat last year, including 26,000,000 bushels imported by the United States, was only 520 million bushels. This year, including perhaps 50 million bushels which may be imported by the United States, it will probably not be more than 520 million bushels. Excluding the United States this means an average for the two years of less than 500 million bushels of wheat taken by importing countries.

We cannot count on the United States continuing as an importer and they may in a few months again become exporters. Europe may not be as successful as in recent years in growing large crops, but no sensible person would advocate in dealing with this problem that our main dependence should be on Providence continuing to help us through crop failures in other countries.

Our problem for the future then is, briefly: normal crops on present acreage in exporting countries will give from 640 to 740 million bushels exportable surplus. The available market may be only 500 to 550 million bushels.

How can Canada continue to grow crops of 375 to 425 million bushels and fit into this picture without again piling up unwieldy and burdensome surpluses.

Can we, as a nation, tackle this problem intelligently? If we continue as we have for the past few years we will not do so.

Argument rages pro and con about the Pool selling policies; the alarm and resentment they are supposed to have created in importing countries and we continue the same argument in connection with the operations of the past few years.

We argue as to whether a Government Wheat Board or the open market is the best method of marketing our crop and the statement is made they cannot both exist at the same time.

Mis-information, some of it arising from ignorance, is freely promulgated. The public, both farmers and business men, are confused and indeed bewildered with masses of statistics, much of them wrong, quoted to support some particular point of view.

Follow debates reported in Hansard, evidence given before committees, speeches and statements to the public: the net result is the same, contradiction piled on contradiction.

Let me give one illustration.

[Mr. James R. Murray.]



Statements have been made recently in the House of Commons and the country by prominent people to prove that from 1930-31 to 1934-35 inclusive, the United Kingdom imported 40 million bushels more Canadian wheat than during the previous five years, and that the percentage figures showed the United Kingdom had imported 34 per cent of her wheat requirements from Canada in the last five years compared to 32 per cent in the previous five.

These people quoted the External Trade Branch of the Bureau of Statistics as their authority. These figures are the British Customs returns which previous to the Ottawa Agreements in 1932 were not correct because they did not include as Canadian the Canadian wheat imported by Britain through United States ports. They should know that the Bureau have, in their own publications, issued corrections of these figures.

The corrected figures show a directly contrary result. In millions of bushels Britain imported 53 million bushels less Canadian wheat in the last five years, 1930-31 to 1934-35, than in the previous five. Percentages in the last five years, 1930-31 to 1934-35 are 34.9 per cent Canadian wheat compared to 42.9 per cent in the previous five years.

Even these figures do not give the true picture about our position in the British market. In the years 1930-31 to 1934-35 Britain imported 135 million bushels less wheat grown in the United States from the United States than in the previous five years. Canada, instead of increasing her exports to Britain by making up at least part of this shrinkage in British imports from the United States, actually showed a decrease of 53 million bushels as mentioned above.

This is just a sample of the misleading publicity, propaganda or whatever you wish to call it that the country is subjected to and it is little wonder that hardly anyone knows the facts or what to believe.

Let us examine another and little considered angle of our problem. The idea is prevalent in Canada that Britain is and must continue to be the greatest market for our wheat. This is true in so far as any one country is concerned, but British wheat and flour imports for the past ten years averaged approximately 225 million bushels per annum. If we get 50 per cent of this market it only takes 112 million bushels of our surplus each year.

If we are to sell an average of 250 to 275 million bushels each year (this being the exportable surplus we would have from average crops on present acreage) the balance above what we may export to Britain, amounting to 140 to 165 million bushels, must go to Europe, the Orient and the United States. The United States is more likely to be one of our competitors in exporting wheat. From 1925-26 to 1929-30 our wheat exports to Europe averaged 155 million bushels yearly. For the five years 1930-31 to 1934-35, 103 million bushels yearly and in the year 1934-35 they dropped to 58½ million bushels.

Consider imports of Canadian wheat by Belgium, Holland and Switzerland:—

	Total Imports (bus.)	From Canada	Canada	From Argentine	Argentine
<i>Belgium:</i>					
1930 . . . . .	44,354,000	6,027,000	13.6%	10,470,000	23.6%
1932 . . . . .	46,645,000	8,336,000	17.9%	14,508,000	31.1%
1935 . . . . .	38,697,000	9,280,000	24%	22,655,000	58.5%
<i>Holland:</i>					
1931 . . . . .	28,413,000	2,940,000	10.3%	2,954,000	10.4%
1932 . . . . .	27,875,000	7,163,000	25.7%	7,081,000	25.4%
1935 . . . . .	19,446,000	3,560,000	18.3%	11,638,000	59.8%
<i>Switzerland:</i>					
1931 . . . . .	20,503,000	8,678,000	42.3%	1,882,000	9.2%
1932 . . . . .	19,157,000	10,086,000	52.7%	4,347,000	22.7%
1935 . . . . .	17,640,000	2,107,000	11.9%	8,056,000	45.7%

Is it generally realized that if we are to survive as a wheat exporter we must market more of our wheat in Europe and other countries than in Britain?

What are we going to do about it? Continue our profitless arguments or recognize this as a national problem that demands the best united effort we can produce.

In my humble opinion we need a new start and a new approach.

In the past, when troubles connected with the physical handling of our wheat became serious we had the problems thoroughly investigated by Royal Commissions, and progress resulted. The result is that to-day no country has better machinery for protecting the grower in the physical handling of his grain.

Our problem for years to come is to find the best method of placing our wheat surplus on foreign markets and I believe we need a Commission of outstanding men to examine it in all its aspects at home and abroad.

The reduction of our present burdensome surplus will not solve our wheat problem. Our problem is not one for western farmers alone. It is a challenge to bankers, railway men, manufacturers, wholesalers and every interest in Canada whose prosperity depends largely on our marketing the exportable surplus available from crops of about 400 million bushels of wheat.

We need a new starting point and a policy behind which we can forget our differences and make a united effort to develop and retain the markets for our present normal production of wheat.

We need to examine past policies for what we can learn from them so we can discard the bad and keep what is good.

We need an independent report on the statistics of our exports in order to sweep away the fog and confusion surrounding them.

We need an independent body to visit the buyers of wheat in importing countries and to come back and tell us what these buyers think of our product and our policies.

We need to find out if we have lost a share of markets that we might have had and if so why, and how we may regain them.

We need an authoritative answer that cannot be disputed to these things and finally, above all, we need some recommendation from an impartial body as to what is the best policy for us to follow in the international marketing of our wheat.

In short, we need an intelligent, impersonal analysis of our wheat marketing problem and we can get it only through investigation by a Commission of able men who have nothing but the national interest to serve.

Mr. LEADER: I do not think, Mr. Chairman, that Mr. Murray has answered my two previous questions. I want to make an observation just now following the statement which Mr. Murray has given to the Committee. I think it is a very comprehensive review of the situation with regard to the marketing of our grain at the present time. I was glad that Mr. Murray referred to the fact that there was a certain amount of confusion in the minds of the producers, the business men, and a great many other people throughout Canada in regard to the grain marketing business. It seems to me, Mr. Chairman, that there should not be such a complex system. It seems to me that the marketing of our grain is altogether too mysterious. I do not think it need be so; and when Mr. Murray says it is a great national problem and should engage the attention of everyone living in Canada I think he is on solid ground. It seems to me that with the experience we have had in the past and with the facilities that can be afforded by the Grain Exchange in the marketing of crop, and with the assistance of the highly trained grain men we have on our present Wheat Board—referring

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especially to Mr. Murray—we should be able to arrive at some plan that would operate more to the advantage of all concerned. And if we could only look beyond our little differences and get together, perhaps the selection of a committee as suggested by Mr. Murray might be in the interests of the Canadian people. In any event I think we must be prepared to undertake the work of solving our marketing problem.

Q. Mr. Murray, I think it was brought out in previous evidence that hedging operations were beneficial to those dealing in grain such as exporters, importers, millers, etc. My question was: In your opinion do you believe that dealing in futures is in the interests of the grain producers?—A. Mr. Leader, as long as I occupy the position I do on The Canadian Wheat Board I would prefer to answer that question by referring you to the opinions given by Royal commissioners who have investigated and given expression to their ideas on that subject, rather than to give my own opinion.

Q. Thank you, Mr. Murray. Evidence has been produced before this Committee that over a period of years it has been the custom to post October futures before there was any assurance of any crop, and my question is: Do you believe that the futures should be sold before the crop is assured?—A. There was discussion already, Mr. Chairman, in committee in regard to that matter, and I think I expressed the opinion—I do not know whether it was an expression of my opinion—that the delay last year in putting the October option on the board until August 15 had not facilitated the business of exporting grain from Canada. I believe that if that is correct, it naturally follows that that is too late to put it on. I think I also said I did not think it made much difference whether it was on in January, February or March; but after that it was a helpful piece of machinery for marketing and exporting our grain to have the October wheat on the board so that people would be able to transfer their hedges to more distant months. Putting it on in April, of course, is before the crop is assured, and putting it on in July is before the crop is assured. As long as you have the futures market I think you must contemplate, in order to give it a chance to function normally, that your October wheat must be on the board and traded in before your crop is assured.

Q. Thank you, Mr. Murray. I might add, as I said, that I have an open mind on this subject, but many producers have remarked that posting our October in January, say, does not facilitate the selling of our grain, but that it would prevent a certain amount of speculation, and I go so far as to say that that was in the interests of the producers. My third question has been apparently answered. The fact was brought out that the new Board inherited from the McFarland Board and the Wheat Producers 175,780,000 bushels of futures. My question is: What amount of futures has been sold up to date? We have been told how many futures were sold up to the last day of January, but we have not got the information in regard to how many of these futures were sold up to the present day. Can you give the figures of how many futures have been sold up to date?—A. I can, if the Committee wishes me to do so.

Mr. LEADER: I believe, Mr. Chairman, that the Committee took exception to that during the investigation, and I am not going to press Mr. Murray to answer the question.

The CHAIRMAN: Then if nobody does, we will regard that as a closed book.

*By Mr. Leader:*

Q. My final question is: Has the Board sold for October delivery?—A. No.

*By Mr. Deachman:*

Q. What is "speculation" in regard to the grain trade? How do you define speculation?

Mr. McLEAN: Growing grain.

WITNESS: I think Mr. McLean has given you a good answer there: "Growing grain." So many different individuals give their own ideas on that definition that I would rather not interject my own.

*By Mr. Deachman:*

Q. Mr. Leader spoke of reducing or increasing speculation, but my thought was that somebody must carry the grain between the date of threshing and the point of consumption. The carrying of that grain involves risk?—A. Yes.

Q. There is a risk which must be carried. Do you alter the form of the carriage risk in any way by changing the system of handling grain?—A. No. You take the risk out of one hand and put it into someone else's hand.

Q. But you increase the risk because under the open market system the risk tends to be taken by those who are skilled in taking it?—A. It is done by people whose business it is to do it.

Mr. COLDWELL: Is it not rather that a lot of people take the risk who are unskilled, and the public suffers tremendous losses thereby?

Mr. DEACHMAN: I think that is relatively small compared to the other condition.

WITNESS: My idea is that there is a tendency to exaggerate the "tremendous losses" to the public.

*By Mr. Coldwell:*

Q. I was referring to the evidence adduced last year?—A. There are losses. Of course, if you have a wild bull market, as sometimes happens, the public come in freely with the desire to get something for nothing, and they generally lose; but that is not confined to speculation in grain futures. The man who wants something for nothing in this world generally finds that he gets nothing for nothing. A lot of us were taught and a lot of us still believe that if you want to get something in this world you will get it only by the sweat of your brow.

*By Mr. McLean:*

Q. Is not that out of date?—A. It is not out of date. There is some elemental truth in it that may not be popular for a period, but it has an extraordinary way of coming back and remaining.

*By Mr. Coldwell:*

Q. My observation is that the people who have sweated the least are the ones who have accumulated the most; I recall that the Winnipeg Grain Exchange millionaires used to reside along a certain street in Winnipeg a few years ago?—A. I am not one of the millionaires.

Q. I did not infer that?—A. I know. That is quite obvious.

*By Mr. Perley:*

Q. Dealing further with Mr. Deachman's question, speculators, commonly so called, can trade on either side of the market, either short or long?—A. Yes.

Q. Is it not a fact that the speculators range about ten bulls to one bear, and generally the bear wins in the long run?—A. I could not agree that that is a fact, because I do not know that it is a fact.

Q. Usually if the farmer goes in to speculate he takes the long side, does he not?—A. The farmer is on the long side of the speculation in regard to the price of grain from the minute that he threshes his crop.

Q. Take the case of the farmer who threshes and delivers his grain to the elevator and sells it and buys the May. Is he speculating?—A. He is not speculating any more than if he kept that wheat in his granary. Might I add

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that when selling his cash wheat in the fall and buying the May option, as Mr. Perley suggests, he sells his cash wheat at a price relative to the May, at a difference under the May, which is less than the cost of carrying his wheat in his granary would be to him. He has simply utilized the open market machinery to carry his wheat for a period at less cost to himself than if he kept it in his granary.

*By Mr. Ross:*

Q. With regard to the point about speculation, you referred to the number of bulls and bears in the market. For every trade made on the short side there must be somebody who is taking the long side, must there not?—A. It does not necessarily follow that someone has taken the long side. Someone, of course, has to buy the wheat that is sold, but it may be somebody who wants to use it.

Q. I realize that; but there cannot be a sale made unless there is a buyer there to take it?—A. That is correct; but that buyer may not be the somebody taking the long side; it may be somebody who wants to use that wheat.

*By Mr. McLean:*

Q. And the seller may have the grain and is not going short?—A. Yes; but Mr. Perley was speaking of a speculator.

*By Mr. Perley:*

Q. To make my point a little clearer for Mr. Ross, a broker gets an order from say fifty small men to buy a thousand each. That might be taken up by one sale?—A. Yes.

Mr. ROSS: And he may get fifty shorts taken up by one long.

Mr. PERLEY: Certainly. I think the rule is, Mr. Ross, and the records will prove it, that the ratio is about ten to one.

WITNESS: I have never heard of such a record being produced before any Royal commission investigating this kind of thing.

*By Mr. Perley:*

Q. A farmer sells 10,000 bushels of cash wheat at a dollar a bushel, for argument's sake, and gives an order to buy ten May. He receives a cheque for say 75 cents a bushel or maybe 80 cents a bushel and leaves the 20 cents balance as a margin. The wheat goes down 15 or 20 cents, and in the meantime he has used the cash he received in the first instance, and is called upon for more margin. In many cases then he loses his wheat?—A. He loses his option.

Mr. ROSS: He would have lost the same thing on the wheat if he had it.

Mr. PERLEY: Certainly, but he is in the position that he has expectations.

WITNESS: Of course, Mr. Chairman, that has all been investigated by commissions, and they have said various things about it, but while I occupy my present position I would rather not express opinions freely. However, I was reminded, when Mr. Perley was speaking about the farmers, of a farmer I knew in southern Alberta who in 1932 produced over 50,000 bushels of wheat. He sold a large part of his cash wheat in the fall and kept some of it at home in his granary, more than he needed for seed in the spring of 1933. He sold his options in the following July at over 90 cents a bushel, and he sold his cash wheat that he had kept on the farm somewhere up around the same figure. He did not leave himself in the position of margins running out, or anything like that. He was able to carry his wheat and so was much more fortunate, for instance, than Mr. Ross was—I know he will not mind my referring to his statement that he sold his wheat in the fall of 1932 for 25 cents a bushel.

Mr. PERLEY: Mr. Ross should have waited for the fixed price.

Mr. Ross: I was in the position of many other farmers in western Canada who had commitments to meet, and was forced to sell to meet the commitments.

The CHAIRMAN: I would like to make one or two observations. When the committee met after its organization and after the steering committee had had some discussion I made the statement to the committee that we felt we might proceed in a certain manner: First of all, to examine into the operations of the Wheat Board through the present witness, Mr. Murray, and after that examination had been concluded we might then enter upon a general survey of the whole question of wheat, including methods of marketing and anything else that is cogent to the whole question of wheat, which question is of such importance not only to western Canada but to the whole country.

I think we have pretty well arrived at the point where our examination of Mr. Murray as to the operations of the Wheat Board since last August has been completed. This morning we are getting into the field of discussing the merits of the whole wheat problem. I have no objection to the committee doing that, because our reference was wide enough to cover such discussion. After the steering committee had considered the mode of procedure it was felt, as indicated in my remarks to the committee the next day or perhaps on the same day, that the committee itself could make that survey. Since then the steering committee has had another meeting or perhaps two, and I think it was pretty well the unanimous opinion of the members of that steering committee that while a complete survey should be made of the wheat problem there was some doubt expressed by one or two members at least as to whether this was the opportune time. There was an entire unanimity of opinion that rather than have this committee go into that whole extensive matter it might be better handled by a commission. Mr. Murray in his statement comes to the same conclusion and makes a certain recommendation to the committee, namely, that the whole matter might be referred to a Royal Commission. My own opinion is, if I may express it without casting any reflection whatsoever on any members of the committee, that a Royal commission could handle the matter better than even this intelligent and competent committee. I do not think it is necessary for me to go into the reasons but to be frank I think there is always, whether rightly or wrongly, apt to be a suspicion on the part of the public, and perhaps particularly the public of western Canada, that a committee consists of members who have their political beliefs and prejudices, and perhaps even a desire to obtain kudos in the public mind by means of publicity and so on—I hope I am not offending anybody—and because of that fact I think there would be more confidence in the public mind if the whole investigation were carried by a man or men who could command the complete confidence of the farmers of western Canada and the people of eastern Canada, and who could make a survey and a report which would deal with the matter from an unprejudiced point of view. I think it would deary a little more confidence. What we want, I certainly think, is to have the investigation made so that it is not open to any suspicion of any kind.

In the second place, with the session so far advanced as it is I question whether a committee of this kind could make as complete a survey and report to parliament in time for action, and I do not suppose that the committee would care to sit after parliament adjourned.

Now, it seems to me that we have arrived at the second phase of our work, and that is the discussion of the ways and means as to how the whole wheat question should be dealt with. I think we have come to the point where the committee should decide whether we want to continue our investigations or whether we desire to submit the matter to a royal commission or a body of that sort. If we settle that this morning it would be satisfactory. It happens that there is a meeting of the Cabinet at noon, at which Mr. Gardiner, Mr. Crerar and myself would like to be present; and while the committee can proceed with-

[Mr. James R. Murray.]

out us quite well, possibly you could come to your decision on that point before 12 o'clock. I say that in the hope that the committee will have no thought that I am trying to restrict the discussion in any way.

Mr. PERLEY: What does this committee propose to do with respect to a report on the proceedings up to date? As I understand it we have been considering the first order of reference?

The CHAIRMAN: I respectfully suggest that when it comes to the matter of making the report a smaller committee should draw it up and submit it to the general committee, and that, I suppose, would have to be done in camera, but that is for the committee to decide. It is open for discussion now.

Mr. PERLEY: I think possibly you are right, that a smaller committee should draw the report; but I suggest that the whole committee might meet in camera once, because we might have a statement to make. I want to make my position clear. I think possibly this committee was set up by reason of a certain statement made in the House.

The CHAIRMAN: That was one reason.

Mr. PERLEY: I would like to make a statement as to what I think we have accomplished in clearing up the situation, but I do not think it would be wise to make it in public. I would rather make it with the whole committee meeting in camera. Then I think it would be wise to set up a smaller committee to draw the report. Following that, after the report has been tabled, it would be more or less a matter of government policy as to the appointment of a royal commission.

The CHAIRMAN: I may say that the government has had no intention to dictate to the members of the committee, and have said nothing as far as the members of the committee are concerned with regard to what their report shall be. After the committee makes a certain report with regard to the method of procedure in the future it becomes distinctly a matter of government policy, and the government has to take the responsibility of coming to a decision in that regard. There is nothing more in the mind of the government as to the course to be followed. I think we should get an unbiased view of the members of the committee in regard to that matter and incorporate it in the report, and then it is for the government to decide on its policy afterwards.

Mr. COLDWELL: We all agree on one thing, that the wheat situation is the gravest situation that Canada faces, and the point of disagreement is as to the method of meeting it. We could investigate this matter for a long time, for there are still two or three very distinct schools of thought. One group of the committee undoubtedly believes that what we might call the *laissez faire* method of open marketing is the best system, and another group in the committee probably believes that a controlled system of marketing is the best system, and we might question witnesses on those two points without limit and still have the same fundamental points of view, because of the cleavage in general thinking. The only difficulty I see with regard to the appointment of a royal commission is as to the impartiality of that royal commission. Governments have appointed men on a number of occasions who were regarded as impartial, but because of the background of the men themselves the general public did not regard those commissions as impartial. I think that in the appointment of such commission it might be well to have more than one man, and to have several men with different fundamental ideas, because the consensus of opinion of a commission would, I believe, command more respect.

The CHAIRMAN: May I ask you, Mr. Coldwell, from which body, a Royal commission properly appointed, or a committee of this kind could one expect to obtain an unbiased report on the merits of the case?

Mr. COLDWELL: I answer unhesitatingly, a Royal commission. A body of this description is fundamentally unfitted to arrive at an unbiased conclusion.

The CHAIRMAN: I am inclined to agree with you.

HON. MR. CRERAR: In other words, Mr. Coldwell, you think it might be impossible to reconcile your point of view with Mr. Deachman's?

MR. COLDWELL: Yes.

MR. PERLEY: I would like to make one reference to something Mr. Murray said in reading his statement. He said there were many misleading statements made in the House of Commons and on the public platform when quotations with respect to statistics were being used. I would like to make this comment, that generally these quotations are taken from the Bureau of Statistics, and that Mr. Murray should not blame public men—

The CHAIRMAN: I do not think he was blaming anybody.

WITNESS: It merely happens that statistics from various sources do not agree.

MR. MCLEAN: Statistics cannot lie!

MR. PERLEY: Mr. Murray says statistics do lie.

WITNESS: No. I think I might say, in justice to the Bureau of Statistics, that necessarily I had in mind in quoting those figures—leaving the House of Commons out of the matter—that they were used in western Canada in a speech in February at which there were a large number of farmers present. They had been printed and broadcast fairly well throughout western Canada by a gentleman who is just as familiar with the grain business as any one of our Board and who has been longer in the business than any one of our Board. He had the same access that any one of our Board had to the correct facts which were available and could have been obtained from the Bureau of Statistics, because the correction of those figures is embodied, as I said, in the preliminary trade report of the Bureau of Statistics. So the only conclusion I could come to was—I would not say it was done deliberately, but the figures that were put out were incorrect—that someone whose figures would be accepted by the people in western Canada and all throughout Canada, was very careless in not getting the facts and figures that were available in the Bureau of Statistics. There was some question in the committee the other day in regard to these figures which were passing between myself and Mr. Bennett, and I would like to file with the committee a statement made up in our Wheat Board office by our secretary, who used to work in the Bureau of Statistics, pointing out how these errors happen, and also a statement obtained since from the Bureau of Statistics which confirms absolutely the figures that I have used. I would like to file the whole book, but unfortunately I have only one copy left and there are no more copies of this preliminary trade report available at the Bureau of Statistics. The preliminary trade report is correct, let me say, because the final report was referred to the other day and these figures and this correction are not in the final report. So I think in justice to the Bureau of Statistics, in view of what Mr. Perley said, that I should make that statement. It is not a case of the Bureau of Statistics having given wrong figures to anybody. It is a case of whoever got the figures failing to avail himself of the information that was in the Bureau of Statistics.

The CHAIRMAN: May we regard that point as being pretty well cleaned up?

MR. PERLEY: Yes. He practically exempts every one but one party on this occasion.



WITNESS: The statements are on record, whether made in the House or outside the House. The statements are as follows:—

April 27, 1936.

## MEMORANDUM

### RE UNITED KINGDOM IMPORTS

Import trade figures throughout the world have commonly been compiled on the basis of country of consignment, rather than country of origin. For example, Canada imports large quantities of cocoa and coffee from the United Kingdom and although it is well known that these products are merely consigned from the United Kingdom and do not originate there, yet the ordinary trade figures credit such imports to the United Kingdom.

Much the same situation exists in wheat imported into the United Kingdom although the discrepancy between consignment and origin is not so clear-cut since wheat is grown in both the United States and Canada, and each country ships wheat overseas via the other country's ports.

Previous to November, 1932, the shipment of Canadian wheat to the United Kingdom via United States ports was much greater than the shipment of United States wheat to the United Kingdom via Canadian ports. It follows, then, that there was a larger amount of Canadian wheat shipped to the United Kingdom credited to the United States than there was of United States wheat credited to Canada. A method of correcting the "raw" import figures by adjustment is outlined by the Dominion Bureau of Statistics and confirmed by the United Kingdom trade authorities in the one year, 1931, that a special compilation of origin rather than consignment was made.

Since November, 1932, several factors have operated to make the United Kingdom import statistics more reliable in determining the origin of wheat:—

1. The Empire preference requiring payment of duty of about 6 cents per bushel on non-Empire wheat effectively separates the wheat of the two countries.
2. Shipments of Canadian wheat to the United Kingdom through the United States in the usual way including transshipment are hindered.
3. As a result of a succession of poor wheat crops in the United States, 1932-1935, the export movement of United States wheat has fallen to negligible levels.

Taking the calendar years 1924 to 1933, the following annual additions to the United Kingdom imports of wheat from Canada are needed in adjustment:—

	Bushels
1924 . . . . .	14,955,000
1925 . . . . .	29,620,000
1926 . . . . .	16,382,000
1927 . . . . .	16,740,000
1928 . . . . .	24,389,000
1929 . . . . .	17,541,000
1930 . . . . .	13,099,000
1931 . . . . .	5,403,000
1932 . . . . .	2,100,000
1933 . . . . .	subtraction of 154,000 bushels

These are the corrections shown by the figures published in the Condensed Preliminary Report of the Trade of Canada, 1934. They show clearly that necessary upward revision in the earlier five years are much

greater than in the later. When these are taken into account, the volume and percentage of the United Kingdom imports originating in Canada were both lower in the last five crop years than in the 1925-26 to 1929-30 period.

## MEMORANDUM

## RE: UNITED KINGDOM IMPORT STATISTICS

The figures giving British imports of Canadian wheat for the ten years 1925-26 to 1934-35 used by Mr. Bennett in the House of Commons on February 10, 1936 (Hansard, page 58), are British Customs import statistics, which are as follows:—

UNITED KINGDOM IMPORTS			
Wheat Only			
	Total	From Canada	Per Cent from Canada
1925-26.. . . . .	181.3	67.1	
1926-27.. . . . .	199.4	62.9	
1927-28.. . . . .	199.8	67.4	
1928-29.. . . . .	192.5	69.9	
1929-30.. . . . .	190.1	43.2	
Total.. . . . .	963.1	310.5	32.2
1930-31.. . . . .	207.6	52.8	
1931-32.. . . . .	229.4	58.9	
1932-33.. . . . .	204.1	102.9	
1933-34.. . . . .	200.1	68.7	
1934-35.. . . . .	188.6	65.4	
Total.. . . . .	1,029.8	348.7	33.7

These British Customs figures are incorrect from 1925-26 to 1931-32, in that a proportion of Canadian exports from the United States ports are credited to the United States, and the error is much more severe during the 1925-26 to 1929-30 period than during the past five years, owing to the fact that the Empire preference came into effect in November, 1932, and necessitated the separation of Canadian and United States wheat on entering the United Kingdom. On page 20 of the Condensed Preliminary Trade Report, 1934, the Dominion Bureau of Statistics gives the corrected figures for British imports of Canadian wheat by calendar years. These figures are shown on the following table, along with total imports into the United Kingdom:—

	Total U.K. Imports (British Customs figures)	From Canada (Revised)	Per Cent from Canada
1926.. . . . .	179.7	82.9	
1927.. . . . .	206.1	76.8	
1928.. . . . .	193.3	100.9	
1929.. . . . .	208.6	68.3	
1930.. . . . .	195.6	61.9	
Total.. . . . .	983.3	390.8	39.7
1931.. . . . .	222.9	55.9	
1932.. . . . .	197.2	89.6	
1933.. . . . .	209.8	84.9	
1934.. . . . .	191.6	66.6	
1935.. . . . .	188.9	69.9	
Total.. . . . .	1,010.4	366.9	36.3

These figures show that the United Kingdom took 23.9 million bushels less of Canadian wheat from 1931 to 1935 than during the preceding five calendar years, and that the Canadian percentage dropped from 39.7 per cent to 36.3 per cent.

[Mr. James R. Murray.]

Adjusting these figures to a crop year basis by using the same method of adjustment employed by the Dominion Bureau of Statistics on page 20 of the Condensed Preliminary Trade Report, 1934, the following are the corrected figures:—

	Total U.K. Imports (British Customs figures)	From Canada (Revised) (Million bushels)	Per Cent from Canada
1925-26 . . . . .	181.3	97.0	
1926-27 . . . . .	199.4	89.1	
1927-28 . . . . .	199.8	81.6	
1928-29 . . . . .	192.5	86.4	
1929-30 . . . . .	190.1	58.9	
Total . . . . .	963.1	413.0	42.9
1930-31 . . . . .	207.6	63.0	
1931-32 . . . . .	229.4	60.0	
1932-33 . . . . .	204.1	102.0	
1933-34 . . . . .	200.1	68.7	
1934-35 . . . . .	188.6	65.4	
Total . . . . .	1,029.8	359.1	34.9

It will be noted from the preceding table that during the crop years 1930-31 to 1934-35, the United Kingdom imported 53.9 million bushels less Canadian wheat than during the five crop years from 1925-26 to 1929-30. It will also be noted that the Canadian percentage of British imports dropped from 42.9 per cent to 34.9 per cent.

(NOTE: The difference between the crop year figures and the calendar year figures is due to the fact that the crop year figures commence five months prior to the calendar year figures and therefore covers an earlier period of time).

#### CANADA'S SHARE OF WORLD TRADE

The following table shows world shipments of Wheat and flour (Broomhall's figures from the Corn Trade Year Book), during the ten-year period from 1925-26 to 1934-35, along with Canadian exports of wheat and flour (Customs figures as published by the External Trade Branch of the Dominion Bureau of Statistics):

	World Shipments (Wheat and Flour) (Million bushels)	Canadian Exports (Wheat and Flour)	Per Cent of Canadian Exports of World Shipments
1925-26 . . . . .	667.6	325	
1926-27 . . . . .	814.4	293	
1927-28 . . . . .	792.8	333	
1928-29 . . . . .	928.1	408	
1929-30 . . . . .	612.9	186	
Total . . . . .	3,815.8	1,545	40.5
1930-31 . . . . .	786.5	259	
1931-32 . . . . .	769.9	207	
1932-33 . . . . .	614.9	264	
1933-34 . . . . .	523.6	195	
1934-35 . . . . .	526.8	166	
Total . . . . .	3,221.7	1,091	33.9

The above table shows that Canada's percentage of world trade in wheat and flour declined from 40.5 per cent from 1925-26 to 1929-30, to 33.9 per cent during the past five years. This decline again illustrates the impossibility of an actual increase or a percentage increase in our exports to the United Kingdom during the past five crop years, as compared with the five years from 1925-26 to 1929-30.

March 24th, 1936.

IMPORTS OF WHEAT INTO THE UNITED KINGDOM  
(Based on United Kingdom, United States and Canadian Records)  
(Years ended December 31, 1924 to 1933)

—	1924	1925	1926	1927	1928	1929	1930	1931	1932	1933
(In Thousands of Bushels)										
Total Imports into United Kingdom.....	219,185	180,794	179,678	206,147	193,345	208,632	195,580	222,914	197,189	209,759
From Empire Countries.....	111,861	99,689	88,790	97,178	98,644	75,199	79,235	95,047	132,507	140,460
Per Cent of Total Imports....	51.03	55.14	49.42	47.14	51.00	36.06	40.41	42.64	67.20	66.96
From Foreign Countries.....	107,324	81,105	90,888	108,969	94,701	133,433	116,345	127,867	64,682	69,299
Per Cent of Total Imports....	48.97	44.86	50.58	52.86	49.00	63.94	59.59	57.39	32.80	33.04
From Canada.....	72,369	55,397	66,583	60,072	76,544	50,756	48,867	50,587	87,450	85,065
Per Cent of Total Imports....	33.01	30.64	37.07	29.14	38.58	24.33	24.94	22.69	44.35	40.35
From Argentina.....	44,841	22,326	22,212	36,311	45,545	84,706	28,352	38,703	38,484	46,111
Per Cent of Total Imports....	20.46	12.35	12.37	17.61	23.61	40.60	14.48	17.37	19.51	21.98
From Australia.....	20,293	30,438	17,148	27,697	19,102	23,885	23,731	43,493	45,017	54,662
Per Cent of Total Imports....	9.26	16.84	9.55	13.44	9.88	11.45	12.09	19.47	22.82	26.06
From British India.....	18,323	13,672	5,030	9,360	2,886	264	6,238	899	.....	.....
Per Cent of Total Imports....	8.36	7.56	2.80	4.54	1.49	0.13	3.18	0.40	.....	.....
From Russia.....	1,406	2,362	4,233	4,591	152	.....	34,939	54,004	6,113	10,741
Per Cent of Total Imports....	0.64	1.31	2.36	2.23	0.07	.....	17.96	24.24	3.10	5.12
From United States.....	56,598	49,484	58,208	66,489	44,170	41,563	39,267	20,984	8,653	9
Per Cent of Total Imports....	25.82	27.37	32.40	32.25	22.85	19.92	20.07	10.60	4.38	.....
United Kingdom imports of wheat from United States.....	56,598	49,484	58,208	66,489	44,170	41,563	39,267	20,984	8,653	9
United States exports of wheat to United Kingdom.....	34,091	17,100	37,897	42,580	14,222	21,772	23,113	13,996	5,460	66
Excess United Kingdom imports of wheat over United States exports (Canadian wheat).....	22,507	32,384	20,311	23,909	29,948	19,791	16,154	6,988	3,193	(a) 57
Exports United States wheat to overseas Countries via Canada.....	50,349	18,426	26,197	47,794	37,062	17,064	17,682	13,597	8,443	1,641
Proportion exported to United Kingdom (United States wheat)	7,552	2,764	3,929	7,169	5,559	2,250	3,065	1,580	1,093	154
<i>Adjusted Figures</i>										
From Foreign Countries.....	126,816	129,309	105,172	113,918	123,033	92,740	92,334	100,455	134,607	140,306
Per Cent of Total Imports....	57.86	71.52	58.52	55.26	63.63	44.45	47.17	45.04	68.27	66.89
From Foreign Countries.....	92,369	51,485	74,506	92,229	70,312	115,892	103,246	122,459	62,582	69,453
Per Cent of Total Imports....	42.14	28.48	41.47	44.74	36.37	55.55	52.83	54.96	31.73	33.11
From Canada.....	87,324	85,017	82,965	76,812	100,933	68,297	61,966	55,990	89,559	84,911
Per Cent of Total Imports....	39.84	47.02	46.17	37.26	52.20	32.73	31.67	25.12	45.40	40.48

(a) Excess United States exports of wheat over United Kingdom imports.

NOTE.—The adjusted figures of wheat imports into United Kingdom from Empire and foreign countries and from Canada, 1924 to 1933, have been computed by adding the difference between the excess of United Kingdom imports of wheat from United States, and United States exports to United Kingdom (Canadian wheat) and the amount of United States wheat shipped to United Kingdom via Canada, to the United Kingdom imports from Empire countries and Canada, and deducting the same amount from United Kingdom imports from foreign countries.

That the difference between United Kingdom wheat imports from the United States and United States wheat exports to the United Kingdom represents Canadian wheat is borne out by a special compilation made by the United Kingdom showing imports of wheat into the United Kingdom: (1) by Country of Origin; (2) Country of Purchase; and (3) Country of Consignment, for the year 1931. In this year, the only year for which statistics are available on this basis, the difference between imports of wheat from Canada based on (1) Origin, and (2) Consignment (6,246,000 bushels) approximately agrees with the difference between United Kingdom wheat imports from the United States and United States wheat exports to the United Kingdom (6,983,000 bushels).

[Mr. James R. Murray.]

Mr. DONNELLY: Certain charges were made in the House of Commons against the Wheat Board and the committee was asked to investigate those charges. We have investigated them, and in my opinion we are perfectly satisfied that we are in a position to come to a conclusion in that regard. As far as I can see there is nothing more along that line to be done. The one question that looms up now in the minds of all of us is, how to best market our wheat in the future. That is the big question confronting us. We have had many commissions in Canada investigating the marketing of our wheat, but never have we had a commission to go abroad and study the world markets. In my opinion a commission ought to go out into the markets of the world and study them, and look for markets and tell us how to secure markets. In my opinion that is the most effective type of commission we can have.

The CHAIRMAN: Is it your thought that instead of having the commission investigate the whole situation they should actually go out and find markets?

Mr. DONNELLY: No; but to investigate in order to be able to tell us how to find markets.

Hon. Mr. CRERAR: Would that include the most efficient methods of marketing, too?

Mr. DONNELLY: Yes, the whole field. I think we as a committee here are not in a position to do that sort of thing. There are too many of us. The committee is too large and too unwieldy, and there are many factors which prohibit us from entering into that field at all. I am absolutely in favour of having some kind of Royal commission appointed. I will leave it to the government to select unbiassed men. I believe there are some good men still available who can go and make an unbiassed investigation of the markets.

The CHAIRMAN: Do you think this government can make that choice?

Mr. DONNELLY: I hope so.

Mr. McLEAN: I do not think we shall have much trouble in drafting a report as to what has already been done. That report will be drafted in camera. However, I find in looking at the order of reference this committee was set up to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government, and upon all matters pertaining thereto. There is a very important question yet to be looked into, and that is the question of other grains. I do not know whether the committee is satisfied with the work we have done thus far with regard to wheat. I am. I have noticed, however, questions in the Press and individual farmers have asked questions and questions have been asked in the House of Commons about the marketing of oats, particularly. I think that should be investigated before this committee makes its final recommendation to the government.

Mr. ROSS: Should it not be made part of the Royal commission?

Mr. McLEAN: I think it should be investigated to some extent by this committee before being turned over to the Royal commission.

The CHAIRMAN: Does it not fall within a survey of the whole situation?

Mr. McLEAN: I think this committee could quite well investigate it and turn it over to the Royal commission to improve upon it in the future; but if you leave it to a Royal commission set up to commence operations this summer, probably other grains would be forgotten, and a year from now you would be no farther ahead. It seems to be a matter of record as to what has happened in connection with other grains. We know that grain has been held until the value has been eaten out of it, and nobody got anything out of it; and we have reason to believe that gambling to a large extent has been carried on in some of these grains, with large consequent loss to the farmers of this country. I think that is a situation that ought to be ventilated here, anyhow, whether it can be finally cleaned up or not.

The CHAIRMAN: I raise no objection to that; but the paramount question here is the matter of wheat, and what we are going to do in the future.

Mr. McLEAN: I admit that; but other grains are very important as well.

Mr. ROSS: I think the only proper way to do it is to appoint a royal commission.

Mr. McLEAN: I would not check the royal commission from cleaning up the wheat satisfactorily, but if the evidence is available we should have it in regard to the other grains. We might be able to make a preliminary report along that line.

Mr. COLDWELL: As far as the marketing methods are concerned, that we have been discussing, they would apply to other grains as well as wheat; they would apply to grains generally.

Mr. McLEAN: Unquestionably.

Mr. ROSS: If we are going to have a royal commission they might as well look into the whole thing.

Mr. DEACHMAN: What I should like to see is a comprehensive study of marketing during the last few years, including this whole proposition of stabilizing wheat. I may be approaching it with some prejudice; but I am prepared to say as far as I am concerned, I have grave doubts whether the methods employed in the past few years have resulted in any gain whatever to the producer of wheat.

The CHAIRMAN: Don't you think that a royal commission in canvassing the merits of the ways of the disposing of wheat, will go into past operations?

Mr. DEACHMAN: Precisely.

Mr. MACMILLAN: Would not that be one of their apparent functions?

Mr. DEACHMAN: I consider that is the most important function that should be performed, and before we investigate the problem of finding different marketing methods, that should be done.

The CHAIRMAN: That is the only way they can make an intelligent finding of what should be done.

Mr. DONNELLY: Whether we have the open market, handling by stabilization, or government control.

Mr. DEACHMAN: We have had government control or government operation in connection with wheat for several years, and I think a thorough examination by a competent commission should be made. This committee is certainly not competent to do that, and if it were done it would be highly advantageous.

Mr. ROSS: Are we through with the witness?

Mr. FAIR: From what ranks have the royal commissions been appointed in the past?

The CHAIRMAN: I think Judge Turgeon was appointed a royal commissioner in 1923, and then Sir Josiah Stamp—I do not know whether he had any colleagues or not—was appointed in 1931. I am informed that Judge Brown was associated with Sir Josiah Stamp.

Mr. PERLEY: Sanford Evans and Mr. Stoneman made an inquiry.

Mr. FAIR: Do you think it would be beneficial to have producers, who are very much interested in this question, represented on the commission?

The CHAIRMAN: That might be a matter to incorporate in the report, and it will then be a matter for the government to consider, as to how the commission should be composed.

Mr. COLDWELL: I think men representing several viewpoints should be on the committee.

The CHAIRMAN: We might consider incorporating that in the report.

[Mr. James R. Murray.]

Mr. COLDWELL: That is something to report.

The CHAIRMAN: Quite.

*By Mr. MacMillan:*

Q. I should like to ask Mr. Murray a few questions. Mr. Murray, this advisory committee that you referred to the other day, which was abolished apparently on your recommendation, did it come into existence simultaneously with the McFarland operations of the wheat?—A. I am not certain that they were appointed the same day or not, but just about the same time.

Q. How many members were on that committee?—A. Seven.

Q. Were any composed entirely of farmers?—A. No, there were four gentlemen belonging to the—the four farmer representatives were all directors of some of the pool operations, and there was Mr. Sydney T. Smith—

*By Mr. McLean:*

Q. Of the grain exchange?—A. Of the Reliance Grain Company; Mr. Shortt the general manager of the Lake of the Woods Milling company and Mr. McKee from Vancouver. He is in the exporting business in Vancouver.

*By Mr. MacMillan:*

Q. What were the functions of the advisory committee?—A. I would rather get the act to answer that. Section 6, subsection 1 of the act says:—

The governor in council may appoint during pleasure an advisory committee to advise the board, which committee shall consist of not more than seven members of whom four shall represent wheat producers.

I think that is all it says about their duties.

Q. I suppose the advisory committee would meet when the board would ask it its opinion on certain matters, if they wanted something new?

The CHAIRMAN: They met once a month.

WITNESS: Subsection 3 of section 6 provides:—

The board may call meetings of the advisory committee to be held at such time and place as the board may decide, but not less than once in each month.

*By Mr. MacMillan:*

Q. The members of the committee were not paid a salary, but they were paid their disbursements, that is all?—A. Subsection 2 of section 6 provides that:—

The members of the advisory committee shall not receive any salary but shall be paid their necessary travelling and living expenses and an honorarium of ten dollars per day for each day of absence from their homes while travelling to, attending and returning from the meetings of such committee.

*By Mr. McLean:*

Q. There is no obligation on the board, under the Act, to take the advice of this advisory committee?—A. To take their advice?

Q. Yes.

Mr. MACMILLAN: It would be an absurdity if their advice was not taken. What would be the purpose of the committee?

WITNESS: It is not stated in the Act that they must take the advice of the board.

Mr. DEACHMAN: They would give it serious consideration.

*By Mr. MacMillan:*

Q. In view of the fact there was a cabinet committee you thought that it was not necessary to have an advisory committee. The cabinet committee would serve the function of the advisory committee?—A. My opinion would have been the same, sir, if we had been dealing with the Minister of Trade and Commerce where we would have been responsible to the cabinet committee.

*By Mr. Donnelly:*

Q. Do you know how often this advisory committee met?—A. I think once a month.

Q. Did it meet once a month?

MR. MACMILLAN: Under the statute they were to meet once a month.

WITNESS: I do not know that for sure. I am pretty certain it is correct.

*By Mr. Perley:*

Q. Just before we finish with Mr. Murray I should like to make this statement, because of the statement made by Mr. Donnelly a few moments ago with respect to what we have heard here. So far as I am concerned the situation has not been satisfactorily cleared up, with respect to the sales on the 13th of December.

The CHAIRMAN: Has not been?

MR. PERLEY: No, as far as I am concerned, but it may be as far as the committee is concerned. I say that for this reason: we expected to have the offers and the acceptance of the offers produced. And I think we ought to have the written rule or regulation with respect to the arrangement that was made, and I think the fact that the arrangement was made on the 10th to come into effect on the 11th, and cancelled again on the 20th—it was in operation only nine days—is proof that the arrangement was not satisfactory, or it was made for some purpose or other. Owing to the statement that Mr. Donnelly made, I want to make that clear now.

WITNESS: Mr. Chairman, there is no doubt whatever the arrangement was made for a purpose, and it accomplished its purpose, which was, to instil confidence in the exporters, for the reasons that I stated. As far as the records are concerned, as a result of Mr. Bennett's expressed desire to get copies of our minutes, they have been sent for, and will be here from Winnipeg tomorrow, and will be available to go on the record.

*By Mr. Perley:*

Q. But not the copies of offers or acceptances?—A. I mentioned, Mr. Chairman, when the arrangement was made there was provision for a firm of auditors to be used. The auditors' report is here. I mentioned when the auditors investigated they made firms send to England, France, Belgium and other countries for the actual contracts that had been made with the buyers abroad. Having examined all these documents and so on, they reported to us there were 503,000 bushels of wheat which was doubtful in their minds that it came under our arrangement; and we have debited back the grain firms to whom we had sold that quantity  $2\frac{3}{4}$  cents a bushel, and have collected it from them, making, in other words, the price of their wheat that day  $89\frac{7}{8}$  instead of  $87\frac{1}{8}$ .

The CHAIRMAN: I gather you are not satisfied as yet that the full explanation has been given, and will not be satisfied until you see those documents?

MR. PERLEY: No.

The CHAIRMAN: They cannot be here until to-morrow.

[Mr. James R. Murray.]



Mr. PERLEY: I asked for clearing sheets and the name of certain brokers that have been used. That was refused me. It is a matter for the committee to decide whether they wish to press it or not. If you do not wish to press it, it is all right with me.

The CHAIRMAN: We want to have it all cleaned up.

Mr. ROSS: Mr. Perley could not be very well satisfied. I hold in my hand a copy of part of a speech made by Mr. Perley in regard to the transactions of December. This speech was made in western Canada. Mr. Perley can tell me whether it is correct or not. In this speech he says that the new board bought 23,000,000 bushels over one quarter of a cent above the previous day's closing, instead of taking advantage of the—

Mr. PERLEY: Sold, not bought.

Mr. ROSS: Sold 23,000,000 bushels at over one quarter of a cent above the previous day's closing instead of taking advantage of the full 3 cent increase. Now, he says they took a loss of the three cents. Mr. Murray has given us figures here, if I remember correctly, of the amount of wheat sold at a quarter of a cent over, and it was about 7,000,000 bushels.

Mr. PERLEY: About 8,000,000 bushels.

Mr. ROSS: Instead of 23,000,000 bushels.

Mr. PERLEY: That statement was made, based on reports that were prevalent in the press at that time, and from information that I have received also from the grain exchange members. Although it is not absolutely correct in the figures—it was corrected the next day, I think by Mr. Gardiner in which he said it was 8,600,000 bushels. The first figures evidently, were incorrect, but of course not to the same extent. What I said was based on similar reports that were prevalent with respect to the offers and acceptances.

The CHAIRMAN: Would you accept it now instead of 23,000,000 bushels?

Mr. PERLEY: Yes.

The CHAIRMAN: It was 8,000,000 bushels.

Mr. PERLEY: That was accepted by the committee previously.

Mr. DONNELLY: That was just a loss leader.

Mr. PERLEY: I could take the stand that the wheat might have been sold at more than three cents above, if they had sold little that day.

The CHAIRMAN: That is a matter of opinion.

Mr. PERLEY: It might have gone up three cents the next day. In fact a good many members of the grain exchange who have been there for 30 years think that Mr. Murray could have sold a lot of this wheat at ten cents additional.

The CHAIRMAN: No one can prove it.

Mr. PERLEY: It would not have affected the amount that has since gone into export by one single bushel.

Mr. MACLEAN: The trouble in the past has been wheat has not been sold. Mr. Murray thinks it is his duty to sell wheat.

Hon. Mr. CRERAR: In any case that would be a matter of judgment, would it not?

Mr. PERLEY: Yes. I have said that that is the considered judgment of a good many members of the grain exchange.

Hon. Mr. CRERAR: There is one point we are expected to inquire into, and that is the complaint or charge referred to by Mr. Bennett in his speech on the address in reply to the speech from the Throne. It was also evidently referred to by Mr. McFarland in his address at Calgary, that shorts had been allowed to cover, and the implication there is that the wheat board showed an

undue friendliness to certain interests in the grain trade in permitting them to do that. That point I think should be cleared up. I take it from what you say you still maintain the view that you originally held on that point. Am I correct in that?

Mr. PERLEY: I say it has not been satisfactorily cleared up, because evidence has not been produced here that we expected would be produced to show that the board was justified in giving them 22,000,000 bushels of wheat that day. I am referring to the offers and acceptances.

The CHAIRMAN: I take it you will not be satisfied until you see those records?

Mr. PERLEY: I take it that I have to be satisfied with the ruling of the committee.

The CHAIRMAN: There has been no ruling on that. You said a moment ago that you were not satisfied on that point and would not be until you saw those records.

Mr. PERLEY: That is so. When are the auditors' statements going to be produced?

The CHAIRMAN: They are here.

WITNESS: It was filed.

Mr. McLEAN: The witness gave us the names of the firms to whom the 8,000,000 bushels were sold in the pit?

Mr. PERLEY: He did not give us the names of certain brokers used. That makes quite a difference. Certain brokers may have got a certain portion of the wheat, not exporters at all.

Mr. McLEAN: The names of the exporters are there.

Mr. COLDWELL: You did find 500,000 bushels, approximately, for which you made a subsequent collection?

WITNESS: The auditors did, yes sir.

Hon. Mr. GARDINER: I think if I may say so, that is the only correction that has been made in the figures that I used in regard to Mr. Perley's speech. The correction that has been made in the figures is really the correction spoken of, the 500,000 bushels that were found afterwards.

Mr. COLDWELL: I think the misunderstanding arose out of the press report of the statement that you have made, that 23,000,000 bushels had been sold. I remember taking that meaning out of it, and making the correction myself at a later date.

WITNESS: May I make a comment in regard to Mr. Perley's remarks? Mr. Perley made reference to brokers, Mr. Chairman. The committee will remember that I stated that we would be perfectly willing, in fact I said, very pleased, to give the names of brokers we had used, provided the same information was given in regard to brokers used by our predecessors. Now, as Mr. Perley has mentioned the opinions of members of the grain exchange who have been members for thirty years, may I say that there are not many members who have been members for over thirty years, so that narrows down the search. Perhaps I should not use that word, but it narrows it down to a person in arriving at the names, if they did not know them before, of some of the parties from whom Mr. Perley gets these things.

You will remember, Mr. Chairman, and the members of the wheat committee of the cabinet will remember, I think, in some of the discussions I had with your committee about the time our board was appointed, I forecast to you that within three months from the time we started to operate, no matter what we did, you would hear criticism, and that criticism would not all come from the farmers of western Canada; that undoubtedly reports would reach you from members

[Mr. James R. Murray.]

of the trade in Canada and in other countries, that that fool wheat board was doing something they should not do. There is no board, unless it was composed of archangels, who could handle this problem, and even if it were archangels who were handling this inheritance that was turned over to us, they could not handle it without having criticism. And if I may say so, without intending offence to any of Mr. Perley's friends who have been expressing their opinions to him, it would have been perfectly satisfactory to me, as I think you gentlemen of the wheat committee of the cabinet know, if anybody else but me had been given the job. Some of the gentlemen who had so impressed Mr. Perley with the soundness of their judgment in regard to what should have been done were, it might as well be stated for the record, whole-hearted supporters over a period of some years of the policy of holding wheat for higher prices, even though our prices were 25 cents to 30 cents over the Argentine, and more than 20 cents over the Australian. These same gentlemen who advocated that policy in the press, advocated it through some of those who expressed the opinions to Mr. Perley, and as far as our board is concerned, frankly they do not carry much weight. There is one other thing in regard to the clearing sheets. Our clearing sheets are on the way down here. It is clear to the committee, I am sure, and it has been clear to me during the days that I have sat here, and it was clear to me before, that Mr. Perley's particular concern is about what happened to the shorts. They have been such a fine thing to have to talk about in the country, and particularly the west, for over a year. Now, you are not going to get any information from our clearing sheets that will do you any good in finding out about the shorts. If the committee wants to get the information that will show whether there were certain firms short millions of bushels before the 13th, and covered these millions on the 13th, or thereafter, they must get the figures from the clearing house. Our clearing sheets will not help your committee in any way, shape or form, although they are on the way down here.

The CHAIRMAN: May I interject this: I would say that what the committee is particularly concerned with at the moment is not whether this Wheat Board used good judgment in making that big sale of wheat away back in December, but whether they showed undue favour to certain persons, whether they did something that is sinister. That is what you are concerned with, Mr. Perley. If you feel that these papers are going to throw any light on that subject there is only one thing to do, as I see it, and that is to meet again to-morrow when the papers are at hand to enable the committee to form some judgment in regard to the matter.

Mr. PERLEY: Very well. I would like to reply to Mr. Murray, who has been a little personal in some of his statements. I just casually said: "The members of the Grain Exchange in the past thirty years. . ." I might have said twenty or twenty-five years. I will amend that statement and say within the last ten years, involving possibly members of his Board and possibly one of the presidents.

WITNESS: It is always easy to sit on the side lines and criticize when you have not the responsibility.

*By Mr. McLean:*

Q. With further reference to the statement made by Mr. Perley a little while ago to the effect that this arrangement you had made with the exporters was cancelled after ten days—

Mr. PERLEY: It was.

*By Mr. McLean:*

Q. —my understanding is that that arrangement was not cancelled at all but was modified to the extent that you do not now guarantee the spread of price.

You guarantee that there will be wheat available at a reasonable relation to the closing price of the day before?—A. No definite figure.

Q. The guarantee is not within a quarter of a cent?—A. That is correct; but we have followed the same policy in selling the wheat so far as the exporter is concerned.

Q. Your policy has not been changed?—A. It has to this extent, that if some day we took the notion, and there was a war in Europe and the cables were strong and the market opened two cents higher, we could without breaking our word in any way demand that two cents; but it is extremely unlikely, no matter what the circumstances are, that we would do so.

*By the Chairman:*

Q. You are free to use your judgment?—A. Yes.

*By Mr. McLean:*

Q. You have changed the limit of a quarter of a cent?—A. We leave it open.

The CHAIRMAN: Is it worth while calling a meeting this afternoon?

Mr. PERLEY: I suggest that we wait until the sheets come down.

The CHAIRMAN: That will not be this afternoon.

Mr. McLEAN: In the meantime, what about these other grains that we are under obligation to consider?

The CHAIRMAN: We might go on with that subject to-morrow morning. Shall we meet to-morrow morning at ten-thirty?

Mr. PERLEY: I suggest that the sitting in camera be held only when drawing the report.

The CHAIRMAN: Could the committee make any decision as to whether Mr. Darby and Mr. Fowler could be released, or will their presence be required in connection with this investigation to-morrow morning?

Mr. PERLEY: When the clearing sheets come, Mr. Chairman, and the committee decides to go into the matter further, it may involve calling thirty or forty witnesses.

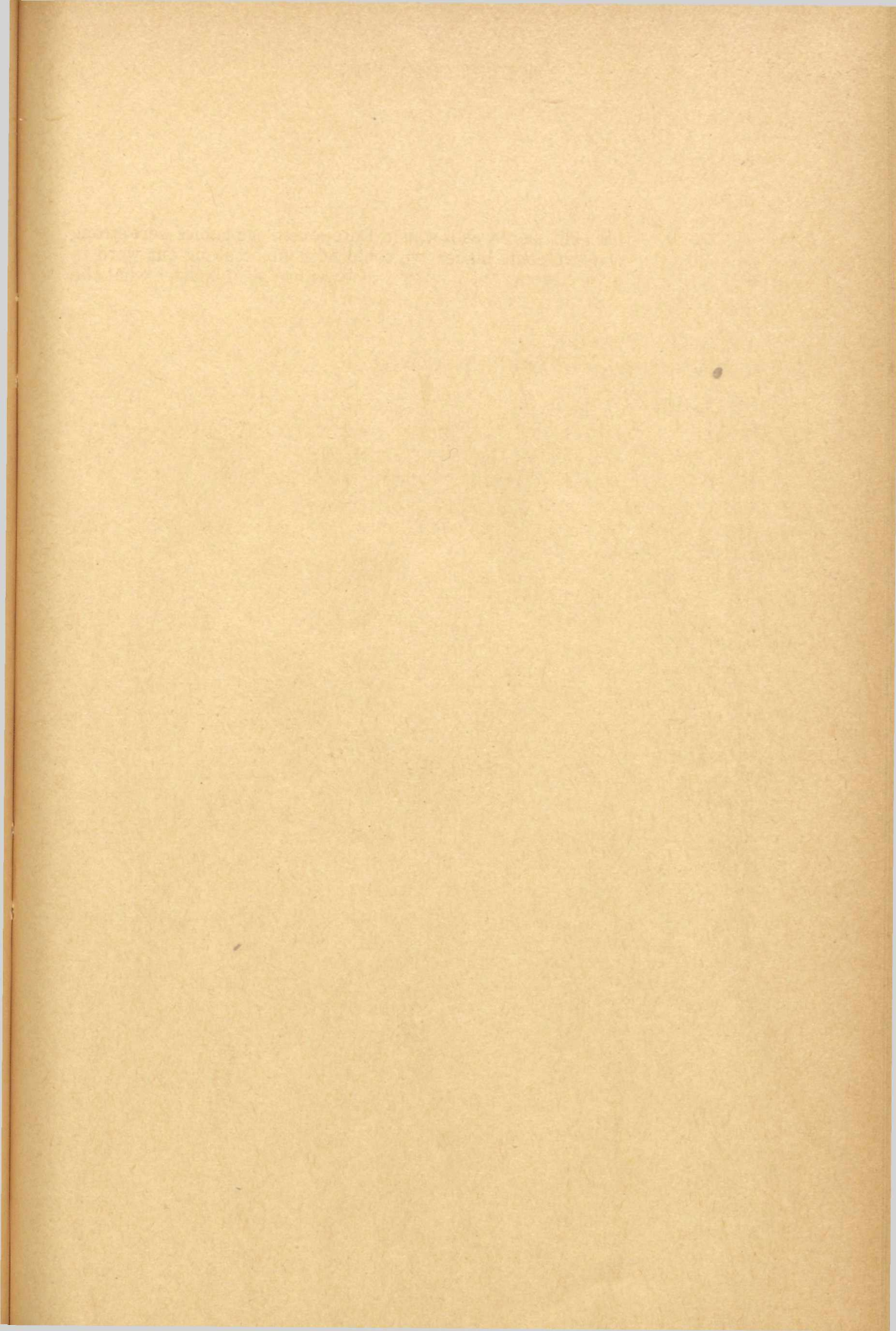
The CHAIRMAN: Does that apply to Mr. Darby of the Grain Exchange as well?

Mr. PERLEY: I do not know.

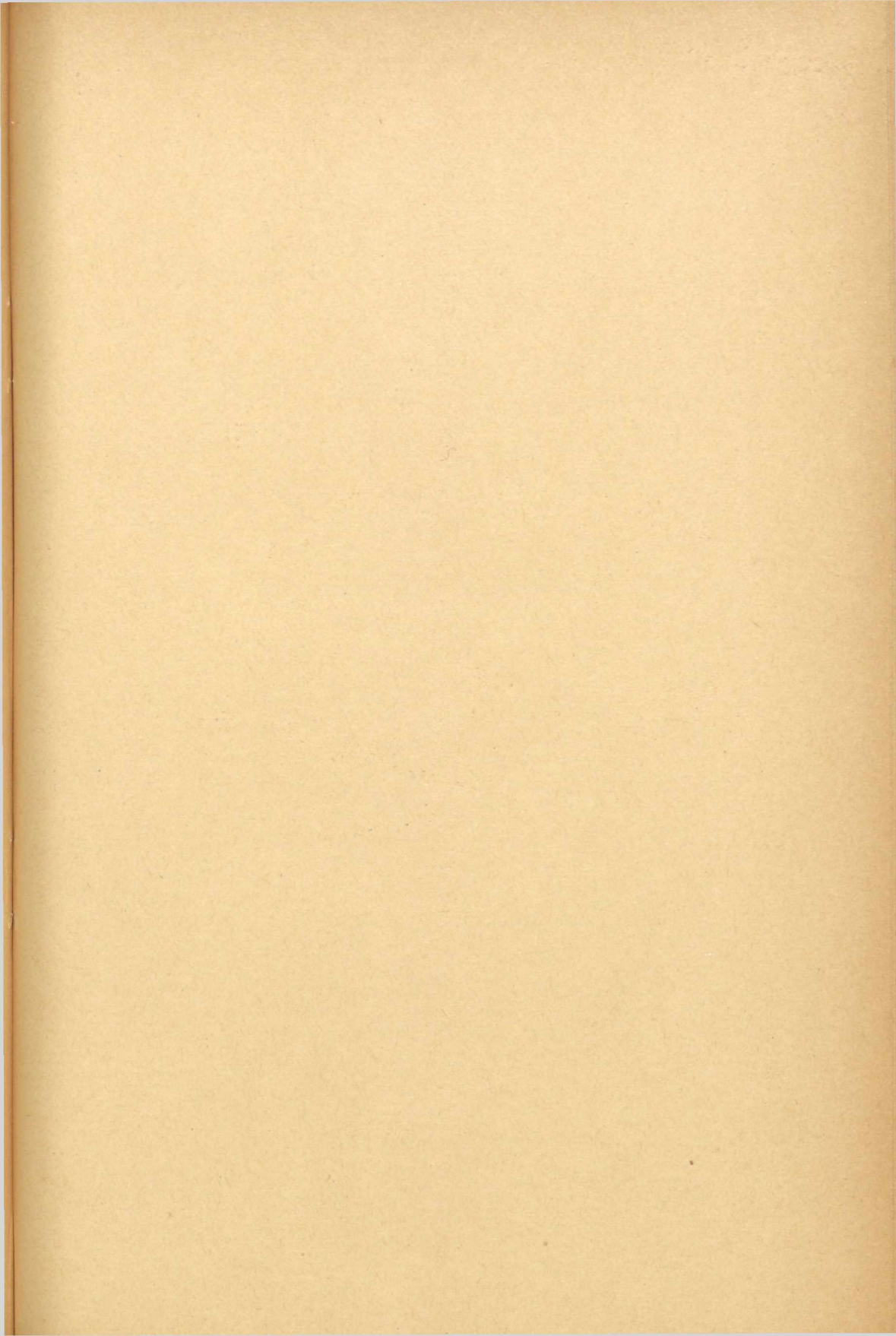
The CHAIRMAN: Perhaps he would like to remain, anyway.

We shall adjourn now until 10.30 to-morrow morning.

Whereupon the committee adjourned at noon until 10.30 a.m. on Friday, May 1, 1936.















SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

MARKETING OF WHEAT AND OTHER GRAINS

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

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FRIDAY, MAY 1, 1936

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WITNESS:

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.

EXHIBITS:

- 16—Winnipeg Grain and Produce Exchange Closing Sheets— Canadian Co-operative Wheat Producers Limited—December 9-31, 1935.
- 17—(1) Canadian Wheat Board minutes of meetings, December 9, 10 and 11, 1935;
- (2) Suggestions made by Exporters and discussed with Wheat Board, December 11, 1935;
- (3) Reply to above suggestions.

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY



## MINUTES OF PROCEEDINGS

FRIDAY, May 1, 1936.

The Special Committee on the Marketing of Wheat and other Grains under Guarantee by the Dominion Government met at 10.30 a.m. Hon. Mr. Euler, the Chairman presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Leader, MacKinnon (*Edmonton West*), MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. Ross requested that two corrections be made in the printed proceedings. viz:—

Page	Line	
209	23	Change "each" to "cash."
214	8	" "thought" to "bought."

*Ordered,* That the above corrections be made.

Mr. JAMES R. MURRAY, Chief Commissioner, The Canadian Wheat Board, was recalled and further examined. He filed:—

Exhibit No. 16.—Winnipeg Grain and Produce Exchange Closing Sheets—Canadian Co-operative Wheat Producers Limited. December 9-31, 1935.

Exhibit No. 17—

- (1) Canadian Wheat Board minutes of meetings, December 9, 10 and 11, 1935;
- (2) Suggestions made by Exporters and discussed with Wheat Board, December 11, 1935;
- (3) Reply to above suggestions.

The question having arisen as to the desirability of calling Mr. John I. McFarland as a witness, Mr. Gariépy moved that the sub-committee appointed to name witnesses should decide whether or not Mr. McFarland be called. The question being put, it was declared lost.

The Committee adjourned at 1.10 p.m. until Monday, May 4, at 10.30 a.m.

JOHN T. DUN,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

House of Commons, Room 231

Ottawa, May 1, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government met at 10.30 o'clock.

Rt. Hon. Mr. BENNETT: Mr. Chairman, I very much regret I was absent from the committee yesterday. I had to leave early to attend a funeral and did not get back until the evening.

Mr. ROSS: May I have a couple of corrections recorded?

The CHAIRMAN: Yes.

Mr. ROSS: About the middle of page 209:—

“They had no connection with *each* grain transactions?” should read:

“They had no connection with *cash* grain transactions?”

Then at page 214 there was an exchange between Mr. Perley and myself, and I said:

“But, Mr. Perley, if he *bought* one bushel—” not “*thought*.”

Mr. PERLEY: That would be a new way of acquiring wheat!

The CHAIRMAN: Are those all?

Mr. ROSS: Yes.

The CHAIRMAN: Mr. Perley wanted copies of the sales sheets from the clearing house.

WITNESS: I have the clearing house sheets here from December 9 to December 31, sir.

The CHAIRMAN: You just want those filed?

Mr. PERLEY: Yes, it would be impossible to look them over now.

The CHAIRMAN: They will be filed. (*Exhibit 16*)

Mr. Murray's examination was fairly well completed yesterday, but possibly some members of the committee desire to continue to examine him this morning. If so, do so now.

WITNESS: Mr. Bennett asked to have the minutes of the Board sent here, particularly in reference to the question of the agreement with the exporters. These are copies of the minutes of December 11. I find there is not a minute covering the discontinuance of that arrangement with the exporters.

The CHAIRMAN: Does anybody desire to ask Mr. Murray any questions?

*By Mr. McNiven:*

Q. The other day you stated that the English miller was influenced in his purchases of grain by the price. Is that true of the Scottish miller? A. Oh, I think it would be true of any miller.

Q. Last summer, about a year ago now, I heard the president or general manager of the Scottish Co-operative state that all during the depression they had paid a premium for Canadian wheat? A. I think that is correct; and of any miller who bought Canadian wheat for the major part of the time. Of course, the Scottish Co-operative have one brand of flour, I think it is called

Minnesota Patent, that they have made for over forty years. It is made out of practically 95 to 98 per cent of Northern wheat, called Canadian now. It got the name originally when they used to buy the hard wheat from Minnesota. That is sold by them as their best brand of flour, and I understand that they continuously use at least 95 per cent of our Canadian wheat in that brand of flour. They have three other brands of flour in which the major part of the content is Canadian flour. As far as I know they are the only millers in the old country doing that, at least putting out a brand of flour composed practically altogether of Canadian wheat.

Q. He further stated that they were using No. 1 hard wheat and would use it entirely if they were able to get it? A. Well, he of course would know better in regard to that than any of us in this country should know.

Mr. McLEAN: The Scotch are superstitious and like to get the best, if it does not cost them too much.

*By Mr. McNiven:*

Q. Is not that a fine tribute to the quality of the Canadian product, that the Scottish Co-operative are paying a premium for it? A. Yes, and it indicates there is a market there for that particular kind of flour.

Q. Is there anything the Canadian exporter could do to induce a similar attitude on the part of the English miller? A. Well, keeping our wheat on competitive prices will help to do it, but I do not think we could ever hope for the English miller generally to make all his flour out of almost altogether Canadian wheat.

Q. This gentleman further enlarged on this fact, that they were determined to keep the Scottish loaf at a premium as they were going to produce the very best in the way of a loaf that they could, and they thought the best way of maintaining their reputation was by the use of Canadian wheat?—A. We find our reports from Scotland over the past few months have indicated that most of the Scotch bakers baking bread use a mixture of flour that does not run more than 70 per cent Canadian. We have only found, if I remember correctly, one baker who is making bread out of 100 per cent Canadian flour or flour made like that Scottish Co-operative Minnesota Brand.

*By Mr. Leader:*

Q. You stated that a British concern, namely, the Scottish Co-operative Wholesale, is using almost entirely a Canadian product?—A. No; I do not think I put it in that way. They are making one brand of flour of Canadian wheat.

Q. Does it strike you as peculiar that they designate their flour by the name "Minnesota Brand," which signifies an American product instead of a Canadian product?—A. They gave it that name originally, I understand when they were getting the hard wheat first from Minnesota. I might state for the information of the committee that we tried to get the board of directors of the Scottish Co-operative, since the first of January, to change that name and to give that brand of flour some designation that would indicate that it is made practically altogether from Canadian wheat. They refused to do so. We thought for a while that we were going to get them to agree. Some of the officials were prepared to agree, but they finally decided against it. In their literature, their catalogues, and so on, they do mention that that brand of flour is made of I think 98 per cent Canadian wheat.

Q. I think your action was commendable, and I would advise you to press it still further; because if they are making it from a Canadian product it is an advantage to the Canadian wheat growers to have it advertised in that way?—A. Yes.

[Mr. James R. Murray.]



*By Mr. Coldwell:*

Q. Is it not also true that the co-operative societies of Great Britain are anxious to see co-operative societies established all over the world, and their friendliness towards the co-operative movement in Canada helps in some degree—  
A. Might I answer that part of your question?

Q. I was going to say in support of what was said a few moments ago that the co-operative societies of Great Britain were instrumental in assisting the Australian pools to a very great extent financially for the same reason?—A. I have no doubt Mr. Coldwell is correct in saying that the co-operative societies over there are anxious to see a growth in the number of co-operative societies throughout the world, but I can state definitely that as far as our Board is concerned we have not seen that anxiety translated into a desire to pay us one-eighth of a cent per bushel more for wheat than they can buy wheat for anywhere else, and I might state this: We have been talking about the price at which our Board sold wheat. We had very pointed protests during the month of January, as late as the end of January, that our prices on some of our Canadian grades of wheat were too high as compared with prices of other wheats, protests direct from the English Co-operative Wholesale Society or the wholesale societies over there. Some of those protests came direct to myself. They were not among those who thought we were giving our wheat away then.

Q. Of course, I happen to know that they are business institutions and run their co-operative societies on business lines, but I also know from actual discussions with some of their directors that they are anxious to foster trade between their co-operatives and our co-operatives, and would be glad to consider direct trading relationships. I happen to know that from discussion with some of their directors several years ago, when they were here?—A. I might quote a comment made by another prominent official connected with one of the co-operative wholesale societies over there in regard to Canada's new wheat policy. He said Canada's new wheat policy suggested a return to sanity. He said that Scottish mills always used much Canadian, but the price differential was becoming a heavy obstacle to the use of Manitobas. They speak of our wheat over there as "Manitobas."

*By Mr. McNiven:*

Q. This gentleman in making the statement did not indicate anything of a sentimental nature. He did indicate that by the use of Canadian wheat they got a greater food value than by any other combination they could use—A. You are referring to Regina?

Q. Yes?—A. I think there is a different market in Scotland.

Q. Than there is in England?—A. For bread, than there is in England. The people possibly like a different type of bread. You were mentioning that it had better food value. Perhaps the Scottish people are better judges of value for their money than the English, I do not know.

Q. I said it was not a question of sentiment but of value, and that declaration was a real tribute to the quality of Canadian wheat?—A. I have heard our Canadian millers say that there are some parts of England where there is a much better market for Canadian flour than there is in other parts. In other parts they have no market for Canadian flour. They cannot put it in and build a steady trade there, indicating that even in England there are some districts where the people will not buy shall I say a quality product. Perhaps they prefer to buy a cheaper product.

*By Mr. Ross:*

Q. In connection with the point that Mr. McNiven brought out, is it not a fact that millers all over the world endeavour to keep flour of a constant kind, a

constant quantity of protein in the flour, and they never like to change? They want to keep the same quality of flour all the time, and therefore if for any reason part of the grain they have been using in the mix for that flour is raised to an exorbitant premium over the other grains they may be forced to change the kind of flour that they have been milling for some time, very much against their will?—A. I have been told that.

Q. The reason I say that is this: I know at least one of our Canadian mills mills a very high protein flour, and they have kept that throughout the years even though at times they have to pay quite a high premium for the high protein wheat that goes into that flour. Now, if they are placed in the position where they have to pay a very large premium for high protein wheat they are put to a great disadvantage in keeping the flour on the market and pushing its sale?—A. I think the Department of Trade and Commerce as long ago as 1931 found on the Continent that millers there had changed the mix they had been accustomed to and had swung over to a heavier use of Argentine wheat and the Department from their inquiries anticipated difficulty in getting them to swing back to the use of more Canadian in their mix. I think that is on record in Hansard from the then Minister of Trade and Commerce.

Q. My point is that they do not like to change the quality of their flour. They like to keep that constant?—A. I have been told that that is the attitude of the miller generally.

Q. And if they have to change and get the public used to that flour it is hard to change back?—A. Yes.

*By Mr. Winkler:*

Q. You said that our Canadian wheats had gone below the best soft grades in the matter of price from time to time in the last twenty years. Have you any record of the number of times that has occurred?—A. No; I have not got a complete record of it. I had some record with me, but I do not think I have it here, showing that back as far as 1923 there have been times when our wheat c.i.f. Liverpool, our No. 2 Northern c.i.f. Liverpool, has been under Australian.

Q. And last year is it not true that the preponderance of grain in Canada was of lower grades than usual, very much lower in quality?—A. Do you mean in the 1935 crop?

Q. Yes?—A. Yes, sir; but we had very heavy stocks carried over of old wheat, which was mostly high grade.

Q. Did you not find that the low grade sold more readily than the higher grade, as a rule?—A. The best demand this year has come from No. 3 Northern, No. 4 wheat and No. 5 wheat.

Q. Have you any idea of the relative price of the best softer grades last year as compared with our Canadian grades this year? I mean what grade of Canadian wheat would bring the best price this year as compared to the best grade of soft wheat c.i.f. Liverpool, as a rule?—A. Of course, our grade that would bring the best price is No. 1 hard.

Q. But this year our Northern grade brought better prices than soft grades, did they not, for a while?—A. Than Australian wheat?

Q. Yes?—A. Yes.

Q. Which grade would compare in price as a general rule with the Australian wheat this year?—A. Well, when we make a comparison of prices for many years it has been customary to compare No. 2 Northern Atlantic with Australian, but I do not know. I think what you have in mind, Mr. Winkler, is which of our grades, considering its milling value, is the most closely on quality with Australian.

Q. No. I mean more for price, because when it comes to milling quality it depends, I believe, on what the consumers generally want, and I believe that our Canadian grains, although they have the highest protein content, are not

[Mr. James R. Murray.]

always in greatest demand apparently on account of colour; a high protein flour is usually darker than the softer grades, and for that reason it is not so well regarded in spite of the fact that the other grain has not the same sustaining qualities. I meant from the standpoint of price last year which grade would compare with the best Australian grades?—A. Well, a year ago our No. 2 Northern was 20 cents over them. Just now it is about on parity. It has been, as mentioned before the committee, below in the last week or two.

*By Mr. Senn:*

Q. I do not suppose, Mr. Murray, you can tell us what the difference in the cost of a loaf of bread would be even if there were a twenty cent premium?—A. No; I could not.

Q. It would be a very small amount, would it not?—A. I have no idea, sir.

Q. It requires only a very small amount of flour to make a loaf of bread?

—A. I do not know how many loaves of bread you get from a barrel of flour.

*By Mr. McNiven:*

Q. Is your Board charged with the responsibility of finding markets for grain or are you limited to the use of the existing facilities?—A. The use of the existing facilities would not relieve us of the obligation of trying to find markets. The wording of the Act is—

Rt. Hon. Mr. BENNETT: To offer continuously wheat for sale in the markets of the world through the established channels.

WITNESS: It is Section 8, clause (b):—

8. (b) to sell and dispose of from time to time all wheat which the Board may acquire, for such price as it may consider reasonable, with the object of promoting the sale and use of Canadian wheat in world markets;

That is, I think, the only place in the Act where what you mention appears.

*By Mr. McNiven:*

Q. If the Scottish Co-operative wanted to buy direct 10,000 bushels of wheat from you would you sell it to them?—A. The Scottish Co-operative have their own office and membership in the Winnipeg Grain Exchange.

Q. But any miller?—A. No; I would sell to him through an exporter.

Q. You would not sell to him direct?—A. No.

Q. Why?—A. Well, we think that Section 8, clause (i) would preclude our doing that. That clause says that we are to utilize and employ without discrimination such marketing agencies, including commission merchants, exporters, etc.

The CHAIRMAN: What about the man who sells direct?

Rt. Hon. Mr. BENNETT: I may say there is an entire difference of opinion on that point that the witness has sworn to so certainly. That is not what was in the mind of those who prepared the bill. Clause (b) covers it. The rest of it is subsidiary to clause (b). They were not compelled to use the subsidiaries, and could make direct sales if they desired. That is what was in the minds of the committee who prepared the bill last year.

WITNESS: On that point I think we have followed the same procedure as was followed by our predecessors.

*By the Chairman:*

Q. What about the Canadian millers?—A. They are members of the Winnipeg Grain Exchange and buy their wheat there.

*By Mr. MacKinnon:*

Q. Would you like to be relieved of the restrictions imposed on you by this legislation?—A. Oh, I think our Board would attempt to operate under any kind of an Act we were given to operate under. If we thought we could not, we would make way for somebody else to do it.

*By Mr. Coldwell:*

Q. When we were discussing the matter of December 13 a short time ago, were we to understand that millers to whom grain was sold at that particular time were not actual millers but were middlemen acting on behalf of the millers?—A. We did make sales to millers.

Q. If they were members of the Exchange, yes; but there were no direct sales made to millers not members of the Exchange apart from agents?—A. You mean, for instance, an English miller?

Q. Yes.—A. No, sir.

*By Mr. McLean:*

Q. I suppose if English or other millers wanted to buy directly from you there was no trouble in directing an agency to deal with them direct?—A. Perhaps what I said yesterday about sales to Greece is in point. I think I mentioned that we had a cable inquiry which came through the Department of Trade and Commerce, which was immediately given to all exporters operating out of the Winnipeg market. Some of them got in touch with their offices in Paris and other places, and business resulted shortly thereafter.

Q. In most cases these millers spoken of will have connections with exporters, which would be more economical and convenient for them than to establish separate agencies of their own in Winnipeg would be?—A. Yes. Of course, the point that this discussion raises is the point whether it would better in the marketing of Canadian wheat to do away with all these gentlemen and let a wheat board or whatever machinery you have here for handling Canadian wheat establish its agencies in Britain, France, Holland, Belgium, and every other country in the world where we might be able to sell wheat. I filed a list of the countries which I understand are covered by the exporters operating in this market. It will be on the record.

*By Mr. Ross:*

Q. The point there is this: If any miller from any part of the world wanted to buy wheat flat from you, you would sell it to him?—A. We would see he got it.

Rt. Hon. Mr. BENNETT: He said No, a moment ago.

WITNESS: I said we would not sell him direct. I say now we would see he got it.

*By Mr. Coldwell:*

Q. Is Mr. Lamont over in the old country now?—A. No, sir; he has not been there for more than two months.

Q. Has he been recalled by the Board?—A. He was sent over only as a temporary missionary. We had no intention of keeping him there permanently.

Q. And you thought his work was done?—A. Yes.

*By Mr. McNiven:*

Q. During the last two or three years there has been a phrase frequently used throughout Canada: "There are no markets." Do you believe that is a fact?—A. No; I do not believe it is a fact that there are no markets. I think it is true, Mr. McNiven, in fact there is no doubt about it, that the markets for Canadian wheat in the past few years were more restricted than they were ten years ago or even seven or eight years ago.

[Mr. James R. Murray.]

Q. There is a Canadian miller who is shipping flour to seventy-seven different countries, and he describes it in some cases as a mere trickle, as low as fifteen barrels to one particular country. Now, is there anything your Board could do or the Department of Trade and Commerce could do, or that the Government could do, in order to increase those sales?—A. Well, I think the Canadian millers, Mr. McNiven, would tell you that they have received considerable assistance from the Wheat Board and from the Department of Trade and Commerce during the last few months. One instance I will cite: Freight rates to the West Indies. Our Canadian millers used to have just about 90 per cent of the British West Indies market for flour, but in the last year or two it has dropped to where they were down to about 50 per cent. After discussions that we had with them and requests that they made, we accompanied them in discussing the matter with the Department of Trade and Commerce and other departments of the Government, and as a temporary measure put in force for at least six months to see how it would work out, freight rates have been reduced from Maritime ports to the West Indies, and I understand from the millers that that is going to be of great assistance to them in recapturing that market.

*By Mr. Donnelly:*

Q. Why did we lose 50 per cent? To whom did we lose it?—A. The British miller took most of it.

Q. Why?—A. He was able to do so because of buying his wheat a great deal cheaper than the Canadian millers could buy theirs.

Rt. Hon. Mr. BENNETT: That is not the reason the millers gave.

WITNESS: Mr. Bennett says that is not the reason the millers gave, but that is the reason they have given to me.

Rt. Hon. Mr. BENNETT: I am not referring to the Canadian millers. It is a question of exchange. Business is carried on in the West Indies on the basis of the pound, as Dr. Donnelly knows.

WITNESS: I wonder what the exchange situation has been in the last two years. Have we not been on a basis of \$4.85 to \$4.90 for the past couple of years?

Rt. Hon. Mr. BENNETT: It is up to \$5. That is the reason we are not selling our flour.

WITNESS: A year ago it was up around \$4.90 and we were not selling it.

Mr. DEACHMAN: Would there not be an advantage in selling to the West Indies on the basis of the exchange at the present time?

Rt. Hon. Mr. BENNETT: Yes.

Mr. DEACHMAN: And for some time?

Rt. Hon. Mr. BENNETT: Yes.

*By Mr. Deachman:*

Q. Did not the pool formerly sell direct to Europe?—A. I think they had agencies; they did sell some direct and sold through exporters here.

Q. Did Mr. McFarland cancel that when he came in?—A. Yes, Mr. McFarland, when he started in in the fall of 1930, cancelled that arrangement.

Q. Do you know why?—A. I think he stated that publicly; I would rather let that record speak than speak from memory. I think his statement—I do not remember it clearly so I had better not try to repeat it. In any event, he closed the offices in London because, I think he said, it was creating some antagonism over there.

Q. That is my recollection?—A. Yes, it is my recollection.

*By Mr. Fair:*

Q. Do you think that statement is correct?—A. I was not in Mr. McFarland's position at the time. I would be willing to take his word for it.

*By Mr. Deachman:*

Q. But you accepted the other position of selling through the exporters?

Rt. Hon. Mr. BENNETT: Not direct.

WITNESS: Yes, our understanding was that that was our duty under the Act, and I think I am correct in stating that that is what the Wheat Board in existence ahead of us did. If that is not in accordance with the Act we certainly would like to be advised of it. The only suggestion I would have to make would be that the committee should consider seriously, if that is not in

Rt. Hon. Mr. BENNETT: That was not said.

The CHAIRMAN: I do not think so.

WITNESS: Maybe I misunderstood it, so it is quite unintentional.

Rt. Hon. Mr. BENNETT: What was said was: There is power within the Act for the Board to sell direct if it so desires.

*By Mr. Fair:*

Q. What is your objection to selling direct, or have you any objection to it?—A. I stated that our Board, sir, has understood that our duty was to use the established channels. There is a provision in the Act:—

“8. (j) . . . 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.”

Any Board could open offices again such as were closed by Mr. McFarland in the fall of 1930.

*By the Chairman:*

Q. Do you regard the existing arrangements as satisfactory?—A. If the committee wants my opinion as to whether our Board or any other Board would market more Canadian wheat abroad by taking that course, I would say I would not.

Rt. Hon. Mr. BENNETT: The Chairman's question was: Do you regard the present arrangements for the sale of wheat through what are spoken of as established channels as satisfactory?—A. I have not give much consideration to whether it is satisfactory or the best method, or whether a better one could be devised. I think the committee all know our Board were put in there to do a chore, and we have been busy doing it without having much time to think about whether the Act could be improved, changed, and so on.

Rt. Hon. Mr. BENNETT: Would it be possible, Mr. Chairman, for the witness to answer that question which you asked him?

The CHAIRMAN: I think it would be.

Rt. Hon. Mr. BENNETT: So do I.

WITNESS: May I have the question again?

*By the Chairman:*

Q. I asked you whether you regarded the present method of selling wheat through the established channels as satisfactory?—A. In view of my previous

[Mr. James R. Murray.]

answer, would it be fair under the circumstances for the witness to ask for a little time to answer an important question like that?

Q. I am not going to press it.

*By Mr. Deachman:*

Q. Would distribution direct be more expensive? That is the ultimate test, I imagine?—A. I could not answer that. You could run offices. If the Wheat Board had an office and never did business with anybody else except through its office, it would cost less probably than keeping up a lot of offices. Whether they would sell as much Canadian wheat is another question. Immediately you are going to run up against—and I think this had something to do with Mr. McFarland's decision to close up the pool offices abroad—the established trade of importing countries. If they are not going to get a chance to sell your wheat to the millers they are going to be the salesmen for wheat from other countries.

*By Mr. Leader:*

Q. You stated a moment ago that Mr. McFarland had recalled the overseas agents that had been appointed by the former Wheat Board?—A. Just the one office.

Rt. Hon. Mr. BENNETT: The London office.

The CHAIRMAN: Not the Wheat Board's but the Wheat Pool's.

Mr. LEADER: Yes.

Q. I wanted to bring out the fact that as your Board had sent Mr. Lamont over to the Old Country as an emissary or agent you have reverted to the policy of the former Wheat Board?—A. No; that is not correct. You will find in the instructions given to Mr. Lamont, which are on the record, that he was told he could advise the trade over there that we were going to use the established channels of trade; that we did not propose to do business direct.

Rt. Hon. Mr. BENNETT: May I point out that under the statute it was proposed that the Wheat Board might sell from its offices here direct if it so desired, but it was not to establish offices unless the Board itself thought that the established channels were costly. Section 7, clauses (a) and (b) reads:—

(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.

Then the clauses to which the witness has referred deal with the use of established channels. Finally, in clause (j) of section 8, they are to continue to use those channels unless the other method is thought to be desirable. I think that is the whole sequence of the situation before the committee.

The CHAIRMAN: They have the option, if they regard the present method as unsatisfactory, of changing it.

Rt. Hon. Mr. BENNETT: May I ask the witness a few questions?

The CHAIRMAN: Yes.

*By Rt. Hon. Mr. Bennett:*

Q. You took over this position on the 9th December?—A. Yes.

Q. And on the 10th you held a meeting of your Board as indicated by the minutes?—A. The 10th or the 11th?

Q. The 11th, but it is referred to in the minutes of the 10th?—A. Yes.

Q. You concluded on the 10th that you would have the Board apply for membership in the Winnipeg Grain Exchange?—A. Yes.

Q. And also for membership in the Winnipeg Grain and Produce Exchange?

—A. Yes.

Q. The record you have produced (*see Exhibit 17*) is a correct transcript of the minutes of the 11th December, 1935?—A. Yes.

Q. The minutes of the 11th December read:—

The Canadian Wheat Board met on Wednesday, December 11, 1935, at 11 a.m., with the following members present: J. R. Murray, Chief Commissioner; G. H. McIvor, Assistant Chief Commissioner; Dean A. M. Shaw, Commissioner.

*Chairman:* J. R. Murray.

*Membership on Winnipeg Grain Exchange.*

Pursuant to the decision of the Board as recorded in the minutes of December 10, 1935, to apply to the Winnipeg Grain Exchange for registration of the Canadian Wheat Board as a member of the Winnipeg Grain Exchange in the name of Mr. J. R. Murray, the Board agreed to purchase a membership from the Canadian Co-operative Wheat Producers Limited, for the sum of \$6,250.

That is, you acquired the membership that the Canadian Co-operative Wheat Producers Limited owned for \$6,250?—A. Yes.

Q. And the Wheat Board became registered as a member of the Winnipeg Grain Exchange and you were the executive officer who was empowered to act?—A. Yes.

Q. And with respect to your membership in the clearing house, the following appears in the minutes:—

Pursuant to the decision of the Board as recorded in the minutes of December 10, 1935, in which the Board agreed to take out a membership in the Winnipeg Grain Produce Exchange Clearing Association, Limited, the Board agreed to purchase a membership from Canadian Co-operative Wheat Producers, Limited, for the sum of \$5,000.

That records the transaction whereby you purchased from the Canadian Co-operative Wheat Producers, Limited, a membership in the Clearing House for \$5,000?—A. Yes.

Q. And those two transactions were carried out and the Board is now a member of the Grain Exchange and the Clearing House?—A. Yes.

Q. Have you the minutes of the 10th December with you?—A. Yes.

Q. All the minutes should have been here?—A. Not necessarily all of them; there are some items in some of the minutes dealing with the matter of salaries, for instance.

Q. Is the meeting of the 10th December the first meeting you had of the new Board?—A. No, sir; the 9th December.

Q. The 9th December?—A. Yes. Would you care to have the minute of that meeting, too? (*Exhibit 17.*)

Q. Yes. So far as the 10th December is concerned, the record is:—

The Board agreed to make application to the Winnipeg Grain Exchange for registration of the Canadian Wheat Board as a member of the Winnipeg Grain Exchange, in the name of Mr. J. R. Murray. The following application was forwarded to the Council of the Winnipeg Grain Exchange.

Then follows the application, which reads:—

TO THE COUNCIL OF THE WINNIPEG GRAIN EXCHANGE:

The undersigned *J. R. Murray* a member of the Winnipeg Grain Exchange (hereinafter called the "member") and the undersigned *The Canadian Wheat Board* hereby apply under the provisions of the By-laws

[Mr. James R. Murray.]



of the Winnipeg Grain Exchange to have the said Board registered with the Secretary of the Exchange on Certificate of Membership No. subject to the right of the Council at any time to rescind any resolution recognizing the membership of the said Board.

The undersigned jointly and severally agree with The Winnipeg Grain Exchange that the said Board will faithfully observe and be obligated by all the By-laws, Rules and Regulations now existing or hereafter adopted by the Exchange in so far as they may be properly applied to such Board.

The member further agrees with the Exchange that the certificate of membership issued to him shall be a security and guarantee for the faithful performance by the said Board of all business transactions with members of the Exchange, and shall be subject to all liabilities and penalties in respect thereof, as if such transactions had been made and entered into with such member.

Dated at Winnipeg this 10th day of December, 1935.

J. R. Murray,  
(Signature of Member)

THE CANADIAN WHEAT BOARD,

J. R. Murray,  
Chairman.

C. B. Davidson,  
Secretary.

Executed in the presence of  
G. H. McIvor.

And with respect to the Clearing House the entry is:—

The Board agreed to take out a membership in the Winnipeg Grain and Produce Exchange Clearing Association, Limited, and decided to ask the Federal Government to guarantee to the Association the due payment of all sums of money which are now or shall at any time hereafter be owing to the Association by the Board.

The meeting adjourned at 12.00 noon.

C. B. Davidson,  
Secretary.

J. R. Murray,  
Chairman.

WITNESS: Would you read the minute of the 9th December also, Mr. Bennett? (*Exhibit 17.*)

Rt. Hon. Mr. BENNETT: Yes:

The Canadian Wheat Board met on Monday, December 9th, 1935, at 2.45 p.m., with the following members present:

J. R. Murray, Chief Commissioner  
G. H. McIvor, Assistant Chief Commissioner  
Dean A. M. Shaw, Commissioner

CHAIRMAN: J. R. Murray

*Meeting with Executive of Canadian  
Co-operative Wheat Producers, Ltd.*

The Executive of Canadian Co-operative Wheat Producers, Limited, consisting of Mr. L. C. Brouillette, Mr. P. F. Bredt, Mr. George Bennett, along with Mr. Marsh Porter, Counsel, met with the Board to discuss the basis upon which holdings of Canadian Co-operative Wheat Producers

Limited are to be taken over by the Board. During the discussion the delegation was advised that the basis upon which the Board takes over the holdings of Canadian Co-operative Wheat Producers Limited, is a matter entirely between Canadian Co-operative Wheat Producers Limited and the Federal Government. The delegation agreed that the Board had taken a satisfactory position.

*Further Business:*

The Board discussed matters pertaining to the general work of the Board.

The meeting adjourned at 4.30 p.m.

C. B. Davidson,  
Secretary.

J. R. Murray,  
Chairman.

Q. So that those documents I have read (*Exhibit 17*) of the meetings of the 9th, 10th and 11th, are the relevant documents under which your Wheat Board became members of the Grain Exchange of Winnipeg?—A. Yes.

Q. And of the Clearing House?—A. Yes. Might I explain, for the information of the committee, why it was necessary for the Board to do that?

Q. I think you can do that a little later. Be good enough to say, Mr. Murray, whether or not at that time you were a member of the Grain Exchange?—A. Yes.

Q. That is what is meant in the application:—

The undersigned J. R. Murray a member of the Winnipeg Grain Exchange (hereinafter called the "member")...

That refers to your existing membership in the Exchange?—A. Yes.

Q. Were you a member of the clearing house also?—A. No.

Q. Your company was, I take it?—A. Yes.

Q. Some question was raised in one of the papers the other day that you were loaned by your company for a year to the Board?—A. Yes.

Q. Because a communication came to me stating that there must be some error in what had taken place here inasmuch as that in a recent issue of a directory you appeared as vice-president and general manager of the Albert-Pacific Grain Company?—A. Yes, the Board of Directors of the Alberta-Pacific Grain Company were good enough to give me leave of absence until August 31 next, upon the understanding that if I wished to continue with the Wheat Board after that they would fill my place permanently; they would not hold it open.

Q. No action of that kind has been taken yet?—A. It is not yet August 31.

Q. So that matter is still as it was. There has been no change recently. That is correct?—A. Yes.

Q. Did the Federal Government guarantee to the clearing House the account of the Wheat Board?—A. Yes, and saved a lot of money for the Wheat Board by doing so.

Q. Obviously it was a desirable thing to do or it would not have been done?—A. I often wonder why it had not been done three or four years previously. There was \$30,000,000 margin up costing the country something over one per cent interest.

*By Mr. McLean:*

Q. That money was put up in one lump sum?—A. On deposit in different banks; and you are allowed on deposits in regard to Clearing House balances a certain rate of interest, but they charge a higher rate—

[Mr. James R. Murray.]

*By Rt. Hon. Mr. Bennett:*

Q. The net difference between the amount allowed on deposit and the amount paid has been between three-quarters per cent and one and a quarter per cent during the past few years, Mr. Murray?—A. A little more, because on the amount up you pay interest on the daily balance; at least, that is the arrangement made. You are only allowed interest every six months.

Q. I thought it was every month?—A. No.

Q. At any rate, in accordance with the suggestion the Federal Government gave the guarantee to the clearing house?—A. Yes.

Q. And you entered on your duties under the Act to the best of your ability?—A. We could have done our duties without being members, but it would have cost us more.

Q. Having got started, you had a meeting with the representatives of the shippers and exporters of Winnipeg?—A. Yes.

Q. That is recorded in the minute of the meeting of the 11th December in the following terms (*Exhibit 17*):

*Meeting with Shippers' and Exporters' Committee:*

The Board met with a committee representing shippers and exporters, consisting of the following:

R. C. Reece  
S. T. Smith  
H. Gauer  
George Matheson

As a result of the discussion, the Board agreed to make wheat available to exporters in sufficient quantity to cover their over-night acceptances during the first ten minutes after the opening of the market, at not more than  $\frac{1}{4}$ c. over the previous day's close.

That is a correct transcript of the arrangement to which you referred the other day?—A. Yes.

Q. Then on page 2:—

A complete summary of the discussion between the Board and the Shippers' and Exporters' Committee is contained in Memorandum No. 1 in the files of the Board.

Then in turning over to Memorandum No. 1 (*see Exhibit 17*) I read the following:—

No. 1. The Board agree with the exporters that it is desirable that a proper parity be maintained between Canadian wheat and other competing wheats, in order that Canadian wheat may secure the maximum percentage that can reasonably be expected of the international wheat trade.

No. 2. The Board are willing to agree to the second suggestion made by the exporters committee; namely, that the Board will make wheat available to exporters in sufficient quantity to cover their over-night acceptances during the first ten minutes after the opening of the market, at not more than  $\frac{1}{4}$ c. over the previous day's close, provided that exporters will agree that the Board should have the right at any time they so desire, to have an independent auditor's check-up to insure that no unfair advantage has been taken of the Board in connection with this matter. Now, you will observe, Mr. Murray, that that refers to the second suggestion made by the exporter's committee. Were those suggestions in writing?—A. Yes.

Q. Would you be good enough to let us have them?—A. I have just one copy. Shall I read it?

Q. No. I would like to use it to ask you some questions about it first?  
—A. Very well, sir.

Q. The suggestions you have produced (*see Exhibit 17*) are the suggestions made to your meeting on the 11th December, of which I have been reading part of the minutes?—A. Yes.

Q. The suggestions made and discussed with the Wheat Board dated December 11, 1935, are as follows:—

No. 1. That they should maintain a closer relationship with competing grain, such as offerings from Argentine, Australia, etc.

No. 2. Make wheat available in pit during first ten minutes of market, at not over  $\frac{1}{4}$ c. per bushel over previous close, in amounts sufficient to enable exporters to cover business done.

No. 3. Work only through the Trade, as close to primary markets as possible.

No. 4. Selling of grain now east of the lakes to be confined to c.i.f. basis through Shippers and Exporters on this side of the Atlantic. Coupled with this was the suggestion that offices which the Board have in the East, should be discontinued.

While you were answering the questions propounded to you a moment ago I did not interrupt to point out that you had an office in Montreal?—A. Yes.

Q. Was that office in existence when you took over your duties?—A. Yes.

Q. And the request was that it should be discontinued?—A. Yes.

Q. Has it been discontinued?—A. Yes.

Q. Then:—

No. 5. That grain Shippers and Exporters in Winnipeg be permitted to buy grain now east of the lakes direct from the Board, at a concession of  $\frac{1}{4}$ c. per bushel under c.i.f. brokers prices.

Have the grain shippers and exporters in Winnipeg been permitted to buy grain in any part east of the lakes direct?—A. Not on that basis.

Q. No, no?—A. Yes, we have sold most of the grain we had east of the lakes to exporters and shippers.

Q. Direct?—A. Yes.

Q. At no concession?—A. My recollection of that is not certain. Is not that a request that a quarter of a cent instead of one-eighth should be granted?

Q. I will come back to that. Then:—

No. 6. It was suggested to the Board, that in so far as stocks which they now own east of the lakes are concerned, and having in mind wheat which has been put forward by Shippers, Exporters and others, that the Board should maintain fair competitive prices and take into consideration carrying charges as the season progresses.

Then:—

After a full discussion with the Board, your committee is able to report as follows:—

No. 1. The Board agree with the Exporters that it is desirable that a proper parity be maintained between Canadian wheat and other competing wheats, in order that Canadian wheat may secure the maximum percentage that can reasonably be expected of the international wheat trade?—A. I think that is the same as the memorandum—

Q. Only this is somewhat fuller. I will mention that in a moment?—A. I see.

Q. Then:—

No. 2: The Board are willing to agree to the second suggestion made by the exporters committee, namely, that the Board will make wheat available to exporters in sufficient quantity to cover their overnight acceptance during the first ten minutes after the opening of the market,

[Mr. James R. Murray.]

at not more than  $\frac{1}{4}$ c. over the previous day's close, provided that exporters will agree that the Board should have the right at any time they so desire, to have an independent auditor's check-up to insure that no unfair advantage has been taken of the Board in connection with this matter.

No. 3: The Board felt that as navigation was now closed, that there was no urgency as far as this point was concerned.

That is the point of working only through the trade. Then:—

They desire that this be left open until later, possibly in the spring?

—A. I do not think that is the point.

Q. Yes; "Work only through the Trade, as close to primary markets as possible." Then:—

No. 4: The Board consider that exporters have not, up to this time, suffered seriously from the policy that has been followed by the Board, and at the present time are not, therefore, prepared to commit themselves further than to say that for the time being the policy followed will be similar to what has existed.

The Board feels it necessary for the present at any rate, to maintain its office at Montreal, which is the only office it has in the east.

No. 5: The Board will defer giving a final answer to the question of making an allowance to shippers of  $\frac{1}{4}$ c. instead of the existing  $\frac{1}{8}$ c. until they have an opportunity to discuss this point with the c.i.f. brokers.

No. 6: The Board are prepared, in so far as possible, not to compete unfairly in business with the exporters' own stocks of wheat that they now have east of the lakes. The Board consider it would assist in the working out of this problem if each shipper with stocks of wheat in the east, would furnish for the confidential use of the Board, the amount and position of their stocks, with the shipper's asking price.

I take it, Mr. Murray, that this is the report prepared by the Committee for the shippers and exporters in the Grain Exchange?—A. I think it is copied mostly from the document in our minutes.

Q. But it is their document, not yours?—A. This one?

Q. Yes?—A. Yes.

Q. That is the document from which I have just read. I have read paragraph No. 2 of the Memorandum referred to in the minutes. I shall, as the result of that, read paragraph No. 3 as it appears in your minutes:—

No. 3. The Board consider that exporters have not, up to this time, suffered seriously from the policy that has been followed by the Board, and at the present time are not, therefore, prepared to commit themselves further than to say that for the time being the policy followed will be similar to what has existed.

The Board feels it necessary for the present at any rate, to maintain its office at Montreal, which is the only office it has in the east.

When was the Montreal office closed?—A. I think at the end of March, 1936; I am pretty certain it was exactly at the end of March, 1936.

Q. Then paragraph No. 4:—

No. 4: The Board will defer giving a final answer to the question of making an allowance to shippers of  $\frac{1}{4}$ c. instead of the existing  $\frac{1}{8}$ c. until they have an opportunity to discuss this point with the c.i.f. brokers.

It was discussed with the c.i.f. brokers?—A. It was not discussed formerly at a meeting because the c.i.f. brokers' answer would be obvious; they would object.

Q. Did you give effect to their objection?—A. It was left at the one-eighth of a cent.

Q. Is it still that?—A. Yes.

Q. Then:—

No. 5: The Board are prepared, in so far as possible, not to compete unfairly in business with the exporters' own stocks of wheat that they now have east of the lakes. The Board consider it would assist in the working out of this problem if each shipper with stocks of wheat in the east, would furnish for the confidential use of the Board, the amount and position of their stocks, with the shipper's asking price.

By that I take it the stocks of wheat at Port Colborne and at other points in eastern Canada stored in ships and in elevators and possibly in the United States—I asked you as to that?—A. Yes.

Q. In one position there was some stored in the United States at Buffalo, was there not?—A. I do not know whether there was some belonging to exporters or not. The information in regard to that was given to Mr. McIvor by the exporters.

Q. Then so far as that is concerned it is apparent that the exporters had in hand stocks of wheat in eastern positions, whether in ships, elevators or otherwise?—A. Yes.

Q. And they asked you to not, as they considered, unfairly compete with them?—A. Yes.

Q. And you agreed that you would not?—A. Yes.

Q. Have those stocks been liquidated?—A. Which stocks?

Q. The stocks of the exporters in the east?—A. I do not know.

Q. You do not know as to that?—A. No.

Q. Do you know the amount of wheat in eastern points belonging to exporters? Did they give you the information?—A. I do not know that they all gave it, but some of them did.

Q. To continue with the minutes of December 11, on page 2 the following appears:—

*Sending representative overseas:*

The Board agreed to send Mr. Cecil Lamont to the United Kingdom. Instructions given to Mr. Lamont are contained in Memorandum No. 2 in the files of the Board.

I take it, Mr. Murray, that that is the memorandum (*Exhibit 3*) you produced the other day and which was read?—A. Yes.

Q. Then:—

*Division of Sales:*

The Board agreed that for the present, two thirds of current sales of wheat would be credited to the holdings taken over from Canadian Co-operative Wheat Producers, Limited, and one-third to wheat delivered to the Board by producers. The foregoing division of sales is to be effective from December 10th.

Does that arrangement still continue?—A. No, that has been changed. The reason for making the two-thirds and one-third was that roughly two-thirds of the wheat we got was old wheat and one-third was 1935 crop. When I say "old wheat" I mean the old Canadian Co-operative Wheat Producers Limited wheat.

Q. You refer to the wheat and contracts for wheat owned by Canadian Co-operative Wheat Producers Limited?—A. Yes.

Q. Then:—

*Powers granted to the Chief Commissioner:*

The Board agreed that the Chief Commissioner shall have power to employ on behalf of the Board such persons as he thinks suitable, and no person shall be employed without the approval of the Chief Commissioner.

[Mr. James R. Murray.]

The Chief Commissioner shall have the power to dismiss any person employed by the Board.

The meeting adjourned at 3.15 p.m.

That reads more like a statement that used to be made in another place. That is the end of the minutes for that day. Your Board was now on its way to discharge its duties. Prior to that date there had actually been sold by the primary producers of the country 63,000,000 bushels of wheat which had not come into the possession of the Wheat Board?—A. Yes.

Q. Or the Canadian Co-operative Wheat Producers Limited?—A. Yes.

Q. In other words, it had gone into other channels than the Canadian Co-operative Wheat Producers Limited or the Board?—A. It had been marketed and practically all of it would have been sold.

Q. Did part of it come into the hands of the Producers, so far as you know?—A. Of the producers?

Q. The Canadian Co-operative Wheat Producers Limited?—A. (No response).

Q. Did any part of the 63,000,000 bushels which had been marketed by primary producers pass into the hands of the Canadian Co-operative Wheat Producers Limited, as far as you know?—A. No; I would not think there would be any got into their hands. I do not suppose they took any delivery on the October option; if they did, they might get some delivery on the 10,000,000 bushels they bought last fall, but I do not think so. I do not think they would get any.

Q. We will leave that for a moment. Yesterday you referred to the fact that you had ascertained that the Canadian Co-operative Wheat Producers Limited, not the Canadian Wheat Board, cleared something like 10,000,000 of options in the pit during the period prior to your taking over your duties?—A. I read from the records which were secured as the result of Mr. Ross's question several days ago.

Q. Mr. Ross's question seems to have been fairly well anticipated, because I have heard a good deal about it in various street gossips during the last few weeks?—A. I am glad you anticipated it.

Q. How many people have you told that to?—A. What?

Q. That you discovered that these people had bought 10,000,000 bushel?—A. To everybody who was in the room.

Q. How many before that?—A. I do not know.

Q. Had you talked it over with Mr. Ross?—A. When?

Q. Before you gave your evidence here yesterday?—A. Yesterday?

Q. Yes?—A. Yes.

Q. Now, Mr. Murray, I have in my hands (*Exhibit 16*) the documents that went through the clearing house with respect to those purchases and every one indicates that the purchase was made by the Canadian Co-operative Wheat Producers Limited, and not one of them by the Wheat Board?—A. Which purchases?

Q. The 10,000,000 bushels?—A. All made by the Wheat Producers. That is what was read into the record yesterday.

Q. Was it? Read it. Now, sir—A. Now, just let us read the record.

Q. No, we won't just now. There was not a single bushel of wheat bought by Mr. John McFarland from the time of the creation of the Board up to the time you took over in the pit, as far as you know?—A. Well—

Q. As far as you know?—A. The records show it.

Q. So far as you know?—A. I took your word for it, and read it from the record yesterday, and I refused to express an opinion on it.

Rt. Hon. Mr. BENNETT: Mr. Chairman, here is a man in possession of all the records of this enterprise. He comes here and talks about a man who is not

present and who now, clearly, will have to be called and asked whether or not on these records as representing the Wheat Board he bought a single bushel of wheat.

WITNESS: He was in a dual capacity. It was stated yesterday that it was the Canadian Co-operative Wheat Producers Limited.

*By Rt. Hon. Mr. Bennett:*

Q. Exactly. They were the people to whose credit the purchases went?—A. And also the obligation to the debit of the Canadian Government.

Q. You are not concerned about that. Your business is this: On these records did the Canadian Co-operative Wheat Producers Limited buy that wheat or not?—A. I am glad to have you tell me my business, but I did not know it was a Dr. Jekyll and Mr. Hyde act. I simply read from the record.

Q. You will not get away with it that way. As a gentleman said the other day, there is no reason why we should have a lecture after each question?—A. Is there too much competition?

Q. You may think you are clever?—A. No; I do not, sir.

Rt. Hon. Mr. BENNETT: Mr. Chairman, I ask this witness a question on the records of which he is the custodian: Did the Canadian Wheat Board buy in the pit a single bushel of wheat?

The CHAIRMAN: I think the witness can fairly be asked to answer that question. I do not recall yesterday that Mr. Murray or anybody else ever suggested anything else than that the purchases were made by Mr. McFarland representing the Canadian Co-operative Producers Limited and not the Wheat Board.

Rt. Hon. Mr. BENNETT: I was not here, but I read the evidence very carefully.

Mr. ROSS: I asked those questions. Might I say a word? I did not say "Wheat Board" yesterday.

The CHAIRMAN: I do not think it was ever stated that the Wheat Board bought the 10,000,000 bushels.

Rt. Hon. Mr. BENNETT: How could the question of illegality or legality come up if the purchases were made by the Canadian Co-operative Producers Limited?

Mr. McLEAN: Whose money?

Rt. Hon. Mr. BENNETT: It is not a question of money, but whether the purchases were made by one entity or another. The question of how it was financed can speak for itself; it is beside the issue.

The CHAIRMAN: Your question is whether the purchase of 10,000,000 bushels mentioned yesterday was made by the Wheat Board or by the Canadian Co-operative Wheat Producers Limited through Mr. McFarland?

Rt. Hon. Mr. BENNETT: Yes.

The WITNESS: I read it into the record yesterday—

*By Rt. Hon. Mr. Bennett:*

Q. Can you answer my question?

Mr. GARIÉPY: Let the witness answer. I think the witness should be allowed to complete his answer before there is another question put.

Rt. Hon. Mr. BENNETT: The answer must be at least responsive to the question. The witness says: "I read it into the record yesterday" but I want an answer.

The CHAIRMAN: I think when the question was asked yesterday Mr. Murray answered it by quoting from the records. You were not present, Mr.

[Mr. James R. Murray.]



Bennett. If his answer was made by quoting from the records, I think it would be fair to consult the record of the proceedings.

Mr. GARIÉPY: The witness has the right to answer in his own way.

Rt. Hon. Mr. BENNETT: No, he has not. He has the right to make his answer responsive to the question, and when I ask him a question that can be answered by yes or no, he should not deliver a lecture.

The WITNESS: Is the witness limited to answering yes or no? If that is so, I hope nobody will ask if I have stopped beating my wife, to use an old example.

The CHAIRMAN: The purpose of this committee is to get at the facts. I am not desirous of favouring anyone. I want the facts. If the witness read the records into the record of the proceedings yesterday it seems to me that is a complete answer.

Mr. McLEAN: These statements were made by the witness not yesterday but the day before yesterday, and Mr. Bennett has had as much opportunity as anybody else to read the record in that time. I have it in my hand.

Mr. Ross: At page 206 of the transcript of the proceedings I asked:—

Q. Can you give me the purchases and sales by Mr. McFarland for the Board or the Co-operative Wheat Producers Limited from the inception of the Board on August 14 to December 7 when you took over the Board?

The CHAIRMAN: What is the answer?

Mr. Ross: A. These are the statements that I sent to Winnipeg for as the result of your question the other day, Mr. Ross. I have a letter here from Mr. Aitken, the acting treasurer, dated April 24:—

Please find enclosed a statement showing the purchases and sales for the period from August 14 to October 31, 1935. This is a correct statement compiled from the books of Canadian Co-operative Wheat Producers Limited.

The CHAIRMAN: Which showed purchases of 10,000,000 bushels.

Mr. Ross: Later on Mr. Murray read from those records and showed the purchases and sales.

The CHAIRMAN: Does it show that the purchases were made by Mr. McFarland as manager of the Canadian Co-operative Wheat Producers Limited or as chairman of the Wheat Board?

Rt. Hon. Mr. BENNETT: Quite obviously Mr. McFarland did not go down into the pit and buy this wheat. If you will just read the question put by Mr. Ross you will see exactly what it endeavours to infer. Look at it (p. 206):—

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.

Q. And the next question is fairly well answered by the legal opinion in the ordinary course of business using the existing machinery of the trade could the board acquire futures in exchange when making cash sales?—A. Yes.

Q. Was Mr. McFarland the manager or selling agent for the Canadian Wheat Producers Limited at the same time as he was chief commissioner of the wheat board?—A. Yes, he was last fall; at least. I understand so.

Q. Was Mr. McFarland handling the grain for the Co-operative Wheat Producers Limited under Dominion Government guarantee?—A. Yes, the guarantee of the Co-operative Wheat Producers' bank account was in effect last fall, was in effect up to March 31 this year.

Q. Until what date did he hold the dual position?—A. As far as I know until he retired from the Wheat Board.

Q. Can you give me the purchases and sales by Mr. McFarland for the Board or the Co-operative Wheat Producers Limited from the inception of the Board on August 14 to December 7 when you took over the Board?—A. These are the statements that I sent to Winnipeg for as the result of your question the other day, Mr. Ross. I have a letter here from Mr. Aitken, the acting treasurer, dated April 24:—

Please find enclosed a statement showing the purchases and sales for the period from August 14 to October 31, 1935. This is a correct statement compiled from the books of Canadian Co-operative Wheat Producers Limited.

You asked as of December 7. There is a more voluminous statement, and in looking over it to check in regard to the date October 31 I find that apparently there were not any after October 31. Shall I read this statement to the Committee?

Q. Please?—A. If the Committee do not mind, rather than read the detail, would it be satisfactory if I read the daily totals and just indicated about the price? I think it will give the information.

Q. Yes. Before you start, have you the monthly totals?—A. They can be added up. This statement shows the amounts sold at different prices on each different date, but I will give the daily figures:—

And he gives them. My point is this: Mr. McFarland is brought into this enquiry for the purpose, apparently, of making it appear that he is doing something. It is open to a very simple explanation which I am not going to offer, but which Mr. McFarland will offer when he is brought here, because you will have to bring him here now.

Q. Mr. Murray, in the records of your Board is there any record of 10,000,000 bushels of wheat being acquired at any time in the pit or any other wheat acquired in the pit?

The CHAIRMAN: The record states—

Rt. Hon. Mr. BENNETT: I am just asking that question, Mr. Chairman.

Mr. McLEAN: The witness stated two days ago—

Rt. Hon. Mr. BENNETT: Mr. Chairman, may the witness answer the question and not a member of the committee?

Mr. McLEAN: The question was answered two days ago.

The CHAIRMAN: I think Mr. Bennett may ask the witness whether there is anything in the records as to purchases in the pit.

Mr. McLEAN: This matter was thrashed out two days ago.

The CHAIRMAN: I think all members of the committee have the right to ask questions.

Mr. McLEAN: When they get the chance!

Mr. ROSS: When they get the chance!

WITNESS: I was about to answer the question when Mr. Bennett interrupted me. The answer I was going to give was: It is on the record yesterday that I said it was the Canadian Co-operative Wheat Producers Limited. At the top of page 207 of the transcript of the proceedings Mr. Perley asked:—

Q. On whose account?  
and I answered:—

A. Canadian Co-operative Wheat Producers.

And there is not in the Wheat Board books previous to December 2 any record showing that there is an obligation on the Wheat Board in connection with this wheat.

[Mr. James R. Murray.]

*By Rt. Hon. Mr. Bennett:*

Q. Then it would be correct, Mr. Murray, to say that so far as your Board is concerned, the Canadian Wheat Board, there is not in its records any indication in any way, shape or form that Mr. McFarland or anybody else acquired in the pit 10,000,000 bushels or any other quantity of wheat after the Board came into being?—A. Not on the Wheat Board books.

Q. And the purchases to which you have referred yesterday or the day before yesterday were purchases made by the Canadian Co-operative Wheat Producers Limited?—A. Yes.

Q. And the sales, the sheets for which you have produced, were sales made through—A. No; those do not cover that stuff at all.

Q. But the sale of the 14,000,000 bushels?—A. Those sheets do not cover that. The document was filed the day before yesterday. Are these the documents I filed this morning.

Q. Yes?—A. Those are for December.

Q. Then the 14,000,000 sales were sales made through the Clearing House in the usual way?—A. You do not make sales through the Clearing House; they were made in the market.

Q. Very well, made in the market, and went through the Winnipeg Produce Exchange in the name of Canadian Co-operative Wheat Producers Limited?—A. Yes. All the Wheat Board business up to the time we came in went through the Clearing House in the name of the Canadian Co-operative Wheat Producers Limited because that was the membership they used; the Wheat Board did not have one then.

Q. You must remember, Mr. Murray, that the Canadian Co-operative Wheat Producers Limited was the only agency that was in being dealing with wheat so far as the Government was concerned until the Wheat Board began to function. I think you realize that?—A. Yes; they were appointed on the 14th. They started to function some time later.

Q. I was going to point out to you that necessarily the Board could not function merely by men being appointed. I think you and I as business men would agree that that is so. There had to be certain preliminary steps taken that everyone knew of, I take it, Mr. Murray, in Winnipeg. You were then engaged in the grain trade and you knew what was going on as well as anybody else when you saw the appointments and when you knew the Board could not function until the price was fixed?—A. They could function in some respects. They might have taken over the Canadian Co-operative Producers Limited wheat.

Q. The attitude taken by the Canadian Co-operative Wheat Producers Limited was from the inception that they had to deal with the Government, was it not?—A. I do not know.

Q. Those records show?—A. Oh, no, sir. That minute says that is the attitude the new wheat board took, not the attitude that the Canadian Co-operative Wheat Producers took. You see, there was some question about the deal that had been made between the Canadian Co-operative Wheat Producers and the Government in regard to taking over the wheat, and we did not want to get mixed up in it in any way.

Q. This minute reads in part:—

During the discussion the delegation was advised that the basis upon which the Board takes over the holdings of Canadian Co-operative Wheat Producers Limited, is a matter entirely between Canadian Co-operative Wheat Producers Limited and the Federal Government. The delegation agreed that the Board had taken a satisfactory position?

A. They were advised of the position of our Board.

Q. That is from your minute. The executive of the Canadian Co-operative Wheat Producers Limited consisting of Mr. L. C. Brouillette, Mr. P. F. Bredt,

Mr. George Bennett, along with Mr. Marsh Porter, Counsel, agreed that the Board had taken a satisfactory position?—A. No; that is the position the Board took.

Q. That they took?—A. No; I was there and I know.

Q. Here is your minute, signed by you:—

The executive of Canadian Co-operative Wheat Producers Limited, consisting of Mr. L. C. Brouillette, Mr. P. F. Bredt, Mr. George Bennett, along with Mr. Marsh Porter, Counsel, met with the Board to discuss the basis upon which holdings of Canadian Co-operative Wheat Producers Limited are to be taken over by the Board. During the discussion the delegation was advised—

A. Advised by us.

Q. Certainly:—

—that the basis upon which the Board takes over the holdings of Canadian Co-operative Wheat Producers Limited, is a matter entirely between Canadian Co-operative Wheat Producers Limited and the Federal Government. The delegation agreed that the Board had taken a satisfactory position?

A. Yes. You see, they wanted us to take some part in it. There was some lack of agreement between them and the Government, and they wanted us to get into the picture, and we told them in plain words that we did not want to get mixed up in it at all, that it was a matter between them and the Government, and they agreed that that was a perfectly fair way to leave it.

Q. That is what I say?—A. It is clear now.

Q. Yes, it is clear that it was a mutually satisfactory discussion. You stated your position and they agreed that that was satisfactory, is that fair?—A. Yes.

Q. Now, so far as taking over ultimately is concerned, you got possession of the wheat and contracts of the Canadian Co-operative Wheat Producers Limited in the manner that has been mentioned in Parliament in consequence of the Government finally saying they would have to use their powers to get it, and they got it. That is fair?—A. Really that wheat was made available to us practically at the time we started to operate.

Q. But the final action was the action taken by the Government to see that you got the necessary documents for that purpose?—A. Yes.

Q. Did you begin to get new crop as soon as you took over?—A. It was coming in every day—well, wait a minute—yes, we were getting some all the time.

Q. Now, Mr. Murray, apparently you followed last year's discussion in the committee and unanimously they concluded that, first, there would be a fixed price for grain, and a fixed price was given of 87½ cents?—A. Yes.

Q. You have seen the records of the advisory committee that met about that time, have you not?—A. No, sir.

Q. Are you aware of the fact that an effort was made to secure a higher price than 87½ cents as the fixed price?—A. I heard the street corner gossip, but I did not pay any attention to that.

Q. Have you looked through the files of your enterprise?—A. Of the Advisory Board?

Q. Yes, the files of your own Board as having possession of the minutes of the Advisory Board?—A. I have never looked over the old minutes at all.

Q. Then I cannot ask you very much about that except to say that apart from what you have heard on the street and by rumour you have no knowledge of the fact that an effort was made to secure a higher price than 87½ cents?—A. No.

[Mr. James R. Murray.]

Q. Do you regard 87½ cents as too high a price?—A. I would rather not express my opinion.

Q. It is important?—A. I do not think it is important to have my opinion before this committee on something that happened last August.

Q. Do I understand that in your opinion the Board should continue its operations or not? (No response.)

Mr. Ross: It is a matter of Government policy.

WITNESS: That is a pretty tough one!

The CHAIRMAN: The witness may answer if he wishes, but I do not think he can be compelled to do so.

Rt. Hon. Mr. BENNETT: I am one of those in the unfortunate position of having a very limited experience in the practice of my profession, and usually I have had a judge to whom I could appeal. I realize that this is a case where my rights are determined by an adverse majority.

The CHAIRMAN: I do not think that is fair.

Rt. Hon. Mr. BENNETT: I cannot force the witness to answer anything.

The CHAIRMAN: The Chairman of this committee is not a lawyer. It is a matter of opinion whether the question should be pressed, especially with regard to something that took place before the witness took office.

Rt. Hon. Mr. BENNETT: There are two questions involved. I left that question, out of deference to your view, and then I went to the next question: In your opinion should this Board be continued?

The CHAIRMAN: That is the question to which I refer. If the witness cares to answer it, well and good.

Mr. Ross: Has he the right to answer that question? Has any man in charge of a department of the Government the right to give an opinion on the policy of the Government?

The CHAIRMAN: I do not think the committee would object to his answering if he so desires.

WITNESS: I think I would like to answer it. I do not want to answer it Yes or No, however. I made a recommendation to this committee yesterday that in order to get a new start in the handling of our wheat problem in Canada there should be a commission of unbiased, independent men appointed to look into the problem in all its phases, and I think that until such a commission can examine the problem and report to the Government and the Government can, as the result of that determine a policy, the Wheat Board should be continued. That is my opinion.

*By Rt. Hon. Mr. Bennett:*

Q. You have raised an issue that I shall have to ask you a question or two about: Before you gave your evidence regarding a commission yesterday is it correct to say that you had antecedently discussed the matter with various people?—A. My opinion as long ago as last June was that that should be done.

Q. But did you?—A. Yes, I have discussed it over a year with a lot of people.

Q. Over a year?—A. Yes—well, not quite a year.

Q. Hardly. All right, just leaving it for the moment there and leaving our purchases as they are, I am now coming to the few days after the 11th. On the 11th you had entered into an arrangement which you say you felt as a matter of honour bound to observe, that you were going to make wheat available to the exporters:—

. . . that the Board will make wheat available to exporters in sufficient quantity to cover their overnight acceptance during the first ten minutes after the opening of the market, at not more than ¼ cent over the previous day's close. . . .

That arrangement you felt in honour you were bound to maintain until such time that you gave proper notice of its cancellation, is that fair?—A. Yes.

Q. Now, that being so, Mr. Murray, you learned early on the morning of the 13th that the Argentine had fixed a price of 90 cents for wheat?—A. Yes.

Q. That you would regard as a very important factor in the wheat market of the world?—A. Yes.

Q. And in fact it transpired that that was so?—A. Not as important as some people thought.

Q. Well, the immediate effect in the Winnipeg Grain Exchange was what?—A. The market opened three cents higher.

Q. And under a rule of the Grain Exchange, of which the Wheat Board was a member, it was impossible for it to rise higher than three cents?—A. Yes.

Q. When did that rule become effective?—A. I am not sure of that date.

Q. I would not ask you for a moment to give me a date?—A. It was a good many months before that.

Q. Some months before that?—A. Yes; I think that is undoubtedly true. I know it had operated in the market previously to prevent fluctuation up or down of more than three cents.

Q. And it is fair to say that the purpose of the enactment of that rule was to prevent violent fluctuations in value?—A. Yes.

Q. You recall that in one day there was a drop in the market in Winnipeg of nine cents?—A. I do not remember the particular day; I have seen fluctuations of far more than that.

Q. But during the last few years, about the very time that the discussion took place about the bear raid there was a great drop in values in one day and two days?—A. No; there was no nine cent drop then. The last fluctuation as big as that would be around July, 1933.

Q. What was the drop in price then?—A. I think there was as much as nine or ten cents in one day.

Q. It was later than that that the Grain Exchange passed a rule that business would stop,—that is a fair way to put it—at a three cent fluctuation?—A. No; not that business would stop.

Q. But that no business would be carried on at a greater fluctuation than three cents?—A. That is right.

Q. That being so, the three cent rule prevented wheat going up beyond that figure. Do you remember what wheat went to on the thirteenth with a three cent maximum increase in price?—A. 89 $\frac{7}{8}$ .

Q. The Chicago Board of Trade rule is a five cent basis, is it not?—A. Yes.

Q. And that has been in force since the Congressional investigation?—A. I do not know.

Q. Some time after that?—A. I do not know.

Q. But it has been in force for some little while?—A. Yes.

Q. Prior to your Exchange putting into operation the rule of three cents?—A. Not my Exchange.

Q. The Winnipeg Grain Exchange?—A. I believe it was prior to that.

Q. This rule is still in force?—A. Yes.

Q. And when you found on the morning of the thirteenth that wheat could not rise beyond three cents over the night's close you found yourself supplying the requirements of a great many people on the basis of a three cent rise?—A. We sold a lot of wheat in the unit on the three cent rise.

Q. And was it not apparent at that time from world conditions that the next day would probably see a further increase in price?—A. We thought it would.

Q. How much did you sell during the first day in the pit?—A. I think it was over 11,000,000 bushels.

*By the Chairman:*

Q. On the thirteenth?—A. Yes.

[Mr. James R. Murray.]

*By Rt. Hon. Mr. Bennett:*

Q. Yes, on the thirteenth. Knowing, of course, from what world reports indicated, that wheat would on the fourteenth increase in price?—A. No; we did not know that. I have stated already that world conditions indicated that there was not any more wheat or any less wheat because of the Argentine government's action on price.

Q. You indicated yesterday and the day before that it was known to those who were keeping themselves familiar with world movements that there was a short crop in the Argentine?—A. Yes.

Q. And likewise in Australia?—A. No; it was just about the same as the year before.

Q. Not a large crop?—A. Well, it was not a short one.

Q. A medium crop in Australia? A. I think so.

Q. I will try to meet your wishes in that regard?—A. I think that is fair.

The CHAIRMAN: You can get together once in a while.

Rt. Hon. Mr. BENNETT: Yes, occasionally. It may take me the rest of my life to finish this, but I am going to do it. You need not have any worry about that.

Q. Knowing this, on the fourteenth what was the price of wheat on the Winnipeg Grain Exchange, the maximum price? You have given it, but I want it for the purpose of continuity in this question?—A. The market opened—May wheat?

Q. Yes?—A.  $89\frac{5}{8}$  to  $9\frac{1}{4}$ ; the high point was  $90\frac{3}{4}$ ; the low point was  $89\frac{3}{8}$ ; the close was  $89\frac{5}{8}$  to  $\frac{3}{4}$ .

Q. And the next day?—A. The 16th: Opening 90 to 90; high  $90\frac{1}{4}$ ; low  $88\frac{1}{4}$ ; close  $88\frac{1}{4}$ .

Q. And the 17th?—A. Opening  $88\frac{5}{8}$  to  $\frac{3}{8}$ ; high  $89\frac{1}{8}$ ; low,  $89\frac{3}{8}$ ; close  $88\frac{5}{8}$ .

Q. What day was that?—A. The 17th.

Q. Could you give the 18th and 19th. The 20th is the day on which the arrangement was terminated?—A. 18th: Opening,  $88\frac{7}{8}$ ; high,  $89\frac{1}{8}$ ; low,  $88\frac{5}{8}$ ; close,  $88\frac{7}{8}$  to  $\frac{7}{8}$  split. 19th:  $88\frac{7}{8}$  to  $\frac{3}{4}$ ; high,  $89\frac{5}{8}$ ; low,  $88\frac{1}{2}$ ; close,  $89\frac{1}{8}$  to  $\frac{1}{2}$  split. 20th: Opening  $89\frac{3}{8}$  to  $\frac{1}{4}$ ; high,  $89\frac{3}{8}$ ; low,  $88\frac{7}{8}$ ; close, 89 to 89 split. Then the 21st—

Q. It was on the 20th, was it not?—A. The prices a few days later got lower than they were on the 20th; they got considerably lower in the next week, or at any rate about a cent lower.

Q. At any rate, on the 20th you gave notice to the shippers and exporters that the arrangement that had prevailed from the 11th to the 20th was terminated?—A. The guarantee they had was terminated, but the business they handled as far as protection was concerned was the same after that.

Q. You undertook I think you said, that you would sell wheat in the pit to meet any business they might desire to effect?—A. Yes.

Q. And you continued to do so?—A. Yes.

Q. Did you have any understanding that the business offering in the pit would be on the basis of a quarter of a cent?—A. We had no understanding, but our practice, as stated—you may not have been here—was that it was sometimes at the previous day's close, sometimes one-eighth over and sometimes one-quarter, and on one occasion three-eighths over; and we have occasionally given exporters wheat if there was not sufficient in the pit.

Q. If the offers by your Board were not sufficient in the pit to meet requirements, the offers were filled?—A. Yes, they would telephone.

Q. Sometimes one-eighth and sometimes one-quarter and on one occasion three-eighths spread?—A. The highest I recollect is three-eighths.

Q. I wanted to get to the 20th. Be good enough to give me the sales that you made from the 11th to the 20th. I think your have them there before you?—A. No.

Q. Put them together as part of the transaction.

Rt. Hon. Mr. BENNETT: We got into some discussion about that the first day, Mr. Chairman, but this will put it all together, the price at which they opened—

Mr. McLEAN: They are on pages 45 and 46.

WITNESS: I am not sure what file they are in now.

*By Rt. Hon. Mr. Bennett:*

Q. Then I will put it this way— A. I have got them. What dates?

Q. We will take the dates from the 11th to the 20th. You have them in a memorandum?—A. Yes:—

	Date	Bushels	Average price
December	11 . . . . .	581,500	87.28
"	12 . . . . .	1,776,000	86.88
"	13 . . . . .	22,025,445	88.77
"	14 . . . . .	2,934,827	89.90
"	16 . . . . .	2,263,000	89.80
"	17 . . . . .	2,523,077	88.64
"	18 . . . . .	2,713,391	88.84
"	19 . . . . .	3,072,332	89.06
"	20 . . . . .	1,109,707	89.16
"	21 . . . . .	813,000	88.80

The next week was Christmas week. You will notice for four days the total was 1,289,264 bushels with an average price of 88.29.

Q. Yes, the sales fell off. You were good enough to say yesterday that you had no knowledge of the position of various traders on the Winnipeg market, whether they were long or short?—A. Yes.

Q. And in making these sales of wheat you had no interest in whether they were protecting themselves or what they were doing. That was not a matter of concern to you?—A. In the sales we made in the pit.

Q. The sales that were made during those days?—A. As to the sales we made to the exporters, of course what they were doing was a matter of concern to us.

Q. That is, that they were not speculating?—A. That it was against export business.

Q. You gave them these concessions, because it was against export business?—A. Yes.

Q. Export business outstanding on their part or business being created from day to day?—A. Business created.

Q. By cable?—A. Yes.

Q. Or otherwise?—A. Yes, or otherwise.

Q. And you directed that auditors, in accordance with the arrangement, should make some enquiry regarding these matters?—A. Yes.

Q. And in the document dated 6th March, 1936, which you realize is a great many months after this transaction, we find these words:—

As instructed by you on 17th December, 1935, we made an investigation of the transactions related to the May wheat which the Board cleared with certain firms at 87½ cents on 13th December, 1935.

That related to the operations of the 13th, and the auditors' report says: ".... which the Board cleared with certain firms at 87½." The information which you have just given to this committee is that the average price was 88.79 as against 87.5, which you see is a difference of 1½ cents?—A. 87.5?

Q. 87.125. What is the explanation of that?—A. The average price read to you on our total sales.

[Mr. James R. Murray.]



Q. On the 13th?—A. Yes, that is the average of a certain amount sold at  $87\frac{1}{8}$  and a certain amount at  $87\frac{7}{8}$ .

Q. The auditors say in their first paragraph:—

...we made an investigation of the transactions related to the May wheat which the Board cleared with certain firms at  $87\frac{1}{8}$  cents on 13th December, 1935.

I am asking for the explanation of the discrepancy between those two statements?—A. Between which two statements?

Q. You have indicated to this committee that your Board on the 13th December sold 22,025,445 bushels and that the average price received was 88·79 cents per bushel, and you stated that in accordance with the agreement you had entered into on the 11th December with the shippers and exporters you should have the right, if you so desired, to have the auditors check up to ensure that no unfair advantage was taken of the Board in connection with this matter, and I observe from the first three lines of the auditors' report that your Board instructed them that they were to make an investigation of the transactions relating to the May wheat which the Board cleared with certain firms at  $87\frac{1}{8}$  cents on 13th December, 1935?—A. The certain firms being the exporters.

Q. I am asking for an explanation of this discrepancy. Your answer\* was that it affected certain exporters?—A. All the exporters we gave wheat to at  $87\frac{1}{8}$ .

Q. This auditors' report is confined to the 13th December, 1935?—A. Yes.

Q. Which one of the commissioners gave the instructions, you or Mr. McIvor or Dean Shaw?—A. To whom?

Q. To the auditors?—A. The three together.

Q. I would judge that from the way it reads. And you instructed them to make investigation of the transactions relating to May wheat which the Board cleared at  $87\frac{1}{8}$  on the 13th December, 1935, and I ask you why the figure of  $87\frac{1}{8}$  appears there?—A. Because that is the price  $\frac{1}{4}$  cent over the previous day's close at which we had sold May or given May wheat to the exporters.

*By the Chairman:*

Q. According to your agreement?—A. Yes.

*By Rt. Hon. Mr. Bennett:*

Q. I really find that a little difficult to understand in looking at the papers. On the 12th December, which is the day before, you sold 1,776,000 bushels at an average price of 86·888, and you suggest that if we add a quarter to that, namely, ·25 cent, we have substantially  $87\frac{1}{8}$ . Is that the explanation of it?—A. Our average price for the day before that we sold at has nothing to do with adding ·25 cent.

Q. Then your arrangement with these firms was that you should add ·25 cent to the closing price?—A. Not more than ·25 cent.

Q. And you did add ·25 cent?—A. Was the day before  $\frac{7}{8}$  split.

Q. I am asking you. I have only the average prices?—A. Yes,  $\frac{7}{8}$ ; 7 and  $\frac{1}{8}$  is  $\frac{1}{8}$  split over.

Q. That explanation, I think, makes it clear that you fixed it at  $87\frac{1}{8}$  cents. The auditors continue:—

A considerable period of time has elapsed between the date of the receipt of our instructions and the date of this report, and in this connection a word of explanation is necessary. The delay has been unavoidable and was caused by the fact that we had to await the receipt from the United Kingdom and European countries of sales contracts, sales confirmations and other documents confirming sales which we had required to be procured for our inspection.

Then proceeds the operative part of the report:—

The total wheat cleared according to your list amounted to 8,683,000 bushels, but of this total, Canadian flour milling companies received directly or through their representatives on the grain exchange, 711,000 bushels on the basis of export acceptances, particulars of which we are informed, were submitted to the Board direct, leaving 7,972,000 bushels which were cleared with various grain companies.

Now, having regard to the fact that on that day you sold over 22,000,000 bushels and you had deals only to the extent of 7,972,000 bushels, who got the balance?—

A. The copies of the Clearing House sheets there that have been produced will give you the figures.

Q. They had nothing to do with exporters, necessarily?—A. No, not necessarily.

Q. So, so far as we are concerned, the arrangement which you made and which you have very clearly indicated you felt as a matter of honour bound to carry out, and I think properly so having made the arrangement, was to fix the price of  $87\frac{1}{8}$ , which is an addition of  $\frac{1}{4}$  cent to the closing price?—A.  $\frac{1}{8}$  split, actually.

Q. And as the result the settlement involved provision being made for a total of 8,683,000 bushels of which over 711,000 bushels your Board dealt with directly, having to do with domestic business?—A. I think it was all Canadian millers.

Q. And that left the export business on that day, the 13th as to which we have the auditors' report, at 7,972,000 bushels, and the total of the sales that day amounted to 22,025,445 bushels, and if we take the whole including the milling we have 8,680,000 bushels, leaving between 13,000,000 and 14,000,000 bushels as to which you cannot say who got it?—A. It shows on the records, our Clearing House sheets

Q. It shows who bought it?—A. Yes.

Q. But whether or not it was for the purpose of protecting those who had sold wheat for future delivery at a low price or high price you do not know?—A. It was not for the purpose of protecting anybody as far as we were concerned; it was for the purpose of selling wheat at  $89\frac{7}{8}$ .

Q. Now, the sheets that have been produced indicate the names of the brokers who make the settlements in the Clearing House?—A. No; the names of the brokers or people who act as our agents in selling it in the pit. I can find it for you.

Q. The paper which I hold in my hand is headed: "Winnipeg Grain & Produce Exchange Clearing Association Limited." I thought it was the Wheat Board sold it?—A. I think probably the transfer had not been completed of the Clearing House sheets.

Q. On the 13th?—A. I think probably that is the explanation.

Q. It does not show that you sold the wheat but that the Canadian Co-operative Wheat Producers Limited sold this wheat?—A. I know we sold it. That is an office record. We were taking over the Canadian Co-operative Wheat Producers Limited membership in the Clearing House, and until such time as they had been transferred to us we could not clear in the Clearing House in our own name, but having all the staff and everyone in our office it was just the same.

Q. The document produced shows that the wheat was sold by Canadian Co-operative Wheat Producers Limited on December 13, 1935—A. It was sold by the Wheat Board.

Q. The Wheat Board at that time had taken possession of the Canadian Co-operative Wheat Producers holdings and contracts?—A. Yes.

The CHAIRMAN: I beg your pardon?

[Mr. James R. Murray.]

Rt. Hon. Mr. BENNETT: He says they had taken the seat but that they had not begun to operate.

WITNESS: No. I say I think probably it had not been transferred; the record will show.

*By Rt. Hon. Mr. Bennett:*

Q. You told me it has been transferred since?—A. Certainly.

Q. Leaving that out, I notice that all the sales made by the enterprise at that time were of May wheat?—A. Yes.

Q. That is, what they bought was the right or contract to have wheat delivered to them in May?—A. Yes.

Q. When we refer to the firms dealing with export business, how do you differentiate in this long list between those that are the firms mentioned in the instructions you gave to the auditors and the firms mentioned in the sheet?—

A. Might I have a look at the list?

Q. Yes. I should not say "differentiate," but how do you distinguish?—

A. The  $87\frac{1}{8}$  price as compared with  $89\frac{7}{8}$ ; they are all here.

Q. Then when I read that document, wherever I see the price  $87\frac{1}{8}$ , that is to some one representing a firm dealing with export wheat?—A. Yes; I would think that is right.

Q. I want to be sure about that, because that becomes important? (No response.)

*By Mr. Donnelly:*

Q. For the Canadian millers?—A. Yes.

*By Rt. Hon. Mr. Bennett:*

Q. They had 711,000 bushels which, as Dr. Donnelly properly points out, would also be in that category. Strange to say, the first sale on this sheet is the Robin Hood at  $89\frac{7}{8}$ , and that is a Canadian mill?—A. Of course, those are not necessarily in order.

Q. It does not follow that they came in that sequence?—A. No.

Q. The next is Stoddart buying 697,000 bushels at  $87\frac{1}{8}$ . That is an export?—A. Yes.

Q. And P. & H., which I would think means Parrish & Heimbecker for 4,000 bushels. That is export business?—A. Export flour.

Q. Export business?—A. Yes.

Q. And Canada Atlantic, 98,000 bushels at the same price. What is the Canada Atlantic?—A. A small export firm. They do an export business; they do other business as well.

Q. And Continental is the next, buying 1,095,000 bushels at the same figure?—A. Yes.

Q. That is one of the largest exporters?—A. Yes.

Q. And Bunge, 703,000 bushels; that is another large exporter?—A. Yes.

Q. Reliance, 668,000 bushels; that also is said to be an export item. Then Robin Hood, 8,000 bushels at the same figure. That may be domestic flour or export?—A. No, not domestic.

Q. Flour for export?—A. Yes. We refused to give it to the millers at  $87\frac{1}{8}$  against their domestic business.

Q. The next items down to the Alberta Pool purchased at  $89\frac{1}{8}$ , covering Dreyfus, Maple Leaf, Norris, J. R. & Sons (James Richardson & Sons), Scottish Co-operative, Tilt, Cargill, N. Bawlf Grain, Lake of the Woods, Robin Hood and Alberta Pool. All those are at  $87\frac{1}{8}$ . Then follow a large number of firms at  $89\frac{7}{8}$ . Now, the effect of that, to put it shortly, was to give an advantage to those people of upwards of two cents a bushel over the people who bought beside them on the very same market. That is clear?—A. Yes.

Q. Now, I observe that among those who bought wheat at  $89\frac{7}{8}$  were brokers. Mr. Tooley is a broker, is he not?—A. Yes.

Q. And Mr. Hunting is a broker?—A. Yes.

Q. I do not know who "Progressive" is nor who these various other people are.—A. Progressive do brokers' business.

Q. It is a brokerage firm?—A. I think so.

Q. They were paying for the wheat they bought, according to the figures I see, roughly  $2\frac{3}{4}$  cents higher than the price paid by these other people. I suppose you have no knowledge as to what firm Mr. Tooley represents?—A. He represented us. Those are the brokers' names who sold the wheat for us in the pit that day.

Q. This one here was bought by the Canadian Co-operative Wheat Producers Limited and the figure you gave me was what they sold?—A. No; it was sold, not bought, by them.

Q. Sold by them?—A. Yes; and his name appears on the purchase end. That is the way the clearing is done. What is the quantity there in his name?

Q. 420,000 bushels, I think?—A. He had orders to sell that quantity for us in the pit that day and we would clear it with him in one amount and he would clear it to the people he sold it to, and the final buyer of it, whom no doubt you will be interested in, might be able to furnish other records than ours.

Q. The final records of the purchases would be in the Clearing House?—A. Yes. You could trace it through the Clearing House, or you could trade it from Mr. Tooley's records.

*By Mr. Perley:*

Q. Did you not have any idea who he was operating for?—A. He was operating for us on the second transaction.

Q. You say you gave him instructions to sell that and he sold it and sold it again?—A. No. We do not know who bought the wheat from them in the pit.

*By Rt. Hon. Mr. Bennett:*

Q. To proceed with the auditor's report:—

All the grain companies showed us evidence that they had acted upon communication received from their principals, associated offices, branch offices or correspondents by telegraph, cable or in two instances by telephone (later confirmed by telegram) at or before the opening of the Market on the morning of 13th December.

Some of the companies also showed us the original cable acceptances or copies of the original cable acceptances decoded received by their representatives in New York, Montreal and Vancouver.

In addition to the above, all of the companies presented to us evidence of various kinds of the fact that their purchases of the May Future had been made against export sales effected."

Then he summarizes the evidence and says:

	Bushels
Copies of sellers confirmations with buyers names.....	2,197,943 20
Sales reports of European offices with buyers names.....	274,278 00
Confirmation of purchases received from associated companies in Europe .....	264,343 00
Sales contracts signed by buyers (includes some certified copies of contracts) .....	2,993,354 20
Confirmations signed by buyers.....	1,599,002 40
	<hr/>
Wheat cleared on account of United States Mills.....	7,328,921 20
Wheat asked for in error and later returned to the Board at 87½c. ....	258,000 00
	<hr/>
	127,000 00
	<hr/>
Total to be accounted for.....	7,713,921 20
	7,972,000 00
	<hr/>
	258,078 40

### *Difference*

With reference to the above summary we wish to confirm the comments made to you verbally from time to time:

1. The difference of 258·078 bushels has not been accounted for to our satisfaction.

2. Among the sales contracts produced for our inspection there were contracts covering some 96,000 bushels which are included in the above totals, the terms of which were such that we are not quite satisfied that they covered export sales of Canadian Wheat.

3. The wheat futures cleared on account of United States Mills covered, as reported by these mills, sales of flour made overnight 12th/13th December, 1935, equivalent to approximately 101,000 bushels to cover export sales and 157,000 bushels to cover United States domestic sales.

After a careful examination of all telegrams, confirmations, contracts and other documents confirming sales, we are satisfied that export sales of Canadian Wheat in store in Europe, in store in the United States, in transit to Europe or for subsequent shipment to Europe, amounting to 7,232,921·20 bushels (i.e. 7,328,921·20 less 96,000) were effected on the 12th/13th December to independent European buyers, to independent United States buyers or to the European offices of firms locally represented.

And as a matter of fact it would be correct would it not, Mr. Murray, to say that during recent years the largest purchases of our wheat by firms of banker-brokers now have representatives in Winnipeg?—A. I do not know about the “banker-brokers” part of it.

Q. I mean firms that are well known as being financial men dealing with wheat as a commodity in connection with their far-flung enterprises?—A. They have been big exporters of our wheat.

Q. They have been represented locally in Winnipeg?—A. Yes.

Q. During the last how many years?—A. I do not remember, but quite a number of years, I think over ten; maybe longer than that.

Q. But, Mr. Murray, they have been taking an increasing percentage of Canadian business in the Winnipeg Grain Exchange during recent years?—A. That is the general impression, although I think in 1934 a Canadian firm was the largest shipper of Canadian wheat.

Q. I beg your pardon?—A. I think in 1934 a Canadian firm was the largest shipper of Canadian wheat. I do not know, but I have heard it so stated.

Q. But some of that wheat also— —A. Would be sold to them in their New York office.

Q. Yes, I was going to say that. You were dealing yesterday and the day before with the question of men who sold wheat for future delivery at a price lower than the market price?—A. No.

Q. I was asking you some questions about it?—A. Not about people who sold wheat for future delivery at lower than the market price.

Q. I thought we were talking about people who were taking a chance on there being—take it this way, people who bought wheat at the then market price believing that at the date of delivery under the contract the price of wheat would be lower than the price they paid for it?—A. No. If anybody believed that the price of wheat would be lower than the price they paid for it, they would not buy wheat.

Q. That is the way you put it. I do not see how you can answer my first question in the way you did?—A. You said we were talking about people who sold wheat at less than the market price believing that the price would go lower.

Q. Yes?—A. I have never found anyone willingly selling wheat at less than the market price.

Q. The then market price?—A. Of course, you can take those words of mine and interpret them—

Q. Describe to this committee what you mean by a "short sale"? Even though it takes a long time we are going to get it?—A. Say May wheat is 85 cents. Sell 10,000 bushels May wheat. You will be short 10 May at 85.

Q. What is involved in that?—A. You have sold 10,000 bushels of the May future or the May option at 85 cents, and you have until the last day of May to buy it in or to deliver it.

Mr. PERLEY: You would put up a margin on it.

Rt. Hon. Mr. BENNETT: It does not make any difference.

Q. In other words, he bought 10,000 bushels of May wheat at the market price for delivery at a future date?—A. He sold it.

Q. That is what I say?—A. No. You said at less than the market price.

Q. No, believing he was going to sell it at less than the market price?—A. He has already sold it.

Q. We will make it so clear that there will be no misunderstanding: Unless he is able to fill that contract for less than 85 cents he has not made money?—A. That is right.

Q. If by market fluctuation in the price of wheat he is able to buy wheat at a lesser price than 85 cents so as to make delivery of it in accordance with the terms of his contract he has made some money?—A. Yes. Of course, he would not make delivery when he buys it. If he is short at first and buys it later he has another open contract; one offsets the other.

Q. With respect to the sales you made through your brokers on the 13th, were any options bought back by your enterprise?—A. Were any options bought back?

Q. You do not like the word "bought"?—A. I do not mind that. In connection with any sales we made, what?

Q. You put your man down in the market on the 13th and told him to sell wheat?—A. No; there were none bought back. I see what you mean. Does the clearing House sheet show that? That would be against exchange for cash wheat, sold against cash sales.

Q. This clearing sheet is headed: "Bought by Canadian Co-operative Wheat Producers Limited, December 13, 1935." The reason I direct your attention to the language on this sheet that goes through the clearing house is because it says: "Bought by Canadian Co-operative Wheat Producers Limited." That refers,

[Mr. James R. Murray.]

I take it, to the form of slip or sheet that you put through the clearing house in carrying out the transaction that you gave us an illustration of some days ago of 100,000 bushels?—A. Yes, that stuff is bought against sales of cash wheat.

Q. It was on December 13 that, the clearing house sheet shows you bought some 1,485,000 May wheat from Peerless, Continental, Stoddart, Reliance, Ogilvie, Pioneer Grain, Western, Alberta Pool, Norris, James Richardson & Sons, Canada Atlantic, Tilt and Robin Hood, and you bought May options and you paid for them some at 89 $\frac{7}{8}$ , some 86 $\frac{7}{8}$  and some at 87 $\frac{1}{4}$ , and so on. Now, that sheet that you produced here as a clearing house sheet shows what I tried vainly to suggest to you the other day, namely, a purchase by your enterprise of May wheat?—A. Complementary to a sale of cash wheat.

Q. Yes, but I have beside me the sales statement of the Canadian Co-operative Wheat Producers Limited?—A. No; it is our statement.

Q. It is the one you make to them?—A. Yes.

Q. It is a copy of what you pass in to Mr. Fowler?—A. Yes.

Q. And it is part of the machinery he mentioned the other day?—A. Yes.

Q. And when you gave the illustration of the 100,000 bushels cash wheat I said they were two separate transactions. You may say they were complementary one to the other, but they represent a buying and selling transaction?—A. They represent the one transaction confirmed on the one broker's note.

Q. I notice on the first page you produced these words:—

Write names and month of grain plainly  
Keep each month distinctly separate

WINNIPEG GRAIN AND PRODUCE EXCHANGE  
CLEARING ASSOCIATION LIMITED

Bought by Canadian Co-operative Wheat Producers Ltd.

Date December 13th, 1935.

OF WHOM BOUGHT

Peerless.. . . . .	19
Continental.. . . . .	224
Continental.. . . . .	37
Stoddart.. . . . .	75
Stoddart.. . . . .	75
Reliance.. . . . .	37
Peerless.. . . . .	18
Ogilvie.. . . . .	38
Pioneer Gr.. . . . .	100
Western.. . . . .	5
Alta. Pool.. . . . .	218
Norris.. . . . .	104
Reliance.. . . . .	274
J. R. & Sons.. . . . .	8
Can. Atlantic.. . . . .	48
Can. Atlantic.. . . . .	80
Tilt.. . . . .	50
Tilt.. . . . .	50
Robin Hood.. . . . .	25

1485 May

Then following are the prices for each purchase, running from 89 $\frac{7}{8}$  to 86 $\frac{7}{8}$ , and then it states the close at 89 $\frac{7}{8}$ , the debits being none at all and the credits being \$25,841.25. That is all I have before me. I understand you to say that

this is a copy of the document which represents the transactions as you delivered, the original of the document to the Clearing House?—A. They are only part of the transactions. The other part of the transactions, as I have endeavoured to explain for days, is the sale of the cash wheat at the same time; the total of that is 1,485,000 sales of cash wheat amounting to 1,485,000 of that future taken in exchange.

Q. Where on these sheets is the record of that?—A. Of the cash wheat?

Q. Of the sale of 1,485,000 bushels?—A. Of cash wheat.

Q. I read to you what you sent to the Clearing House and you tell me that this is only part of the whole transaction?—A. The Clearing House has nothing whatever to do with the cash wheat transaction.

Q. But that paper you have handed to me shows your transactions on the 13th?—A. No; it does not show all our transactions on the 13th. If you will even look at the legal opinion given—

Q. You think I am questioning your legal right to do it, but I am not?—A. No; but I do not want any misunderstanding about this on the record. If you will look at the legal opinion given by Mr. Burbidge and confirmed by Mr. Williams you will find a reference to—

Q. To the word "customs"?—A. Yes, in connection with the sale of cash wheat. If the committee wishes it produced I can get the original broker's note or some document that will show that our Wheat Board sold on this date 1,485,000 bushels of cash wheat and took this amount wheat in exchange.

Q. The only difference between you and myself, Mr. Murray, is this: I asked for a certain document and that is produced as the record of the 13th December, and on the first page I open I find that you say that you actually bought 1,485,000 bushels of wheat through the brokers named, and I ask where the complementary evidence of the transaction is, thinking it would be on those papers. You say it would not necessarily be there?—A. I think if you will look up the record you will find—I do not know whether it was yourself or Mr. Perley—that you asked for our clearing sheets as of that date, and here they are.

*By Mr. Perley:*

Q. As far as the clearing house is concerned, that would offset against your sales, your position in the clearing house would affect your balance?—A. Excuse me.

Q. I say on the opposite of the ledger in the clearing house it would help to balance up your position in the clearing house? (No response).

The CHAIRMAN: Gentlemen, it is now one o'clock.

Mr. Ross: May I say a word? Mr. Bennett in what he said here this morning inferred that apparently I was trying to bring out some things against Mr. John McFarland. I asked for certain records to be brought before this committee. Neither Mr. McFarland nor anybody else is a pet of mine. I want all the records brought here in connection with the handling of wheat by the old Board or the new Board, and if I can get any information from any source whatever in regard to that I am going to ask questions thereon in this committee. I have asked for the sales and purchases of wheat by the Canadian Co-operative Wheat Producers Limited and by the Board, and I was endeavouring to find out what wheat Mr. Murray's Board eventually had to take over, and I have found out from those records that some 10,000,000 bushels of wheat that were purchased in the pit by Canadian Co-operative Wheat Producers Limited had to be taken over by the new Board.

Rt. Hon. Mr. BENNETT: That is absolutely incorrect, for they sold 14,000,000 bushels; they took over 4,000,000 less.

[Mr. James R. Murray.]



Mr. Ross: If they had not bought in they would have taken over 10,000,000 less. They made a sale of 14,000,000 bushels, and that was good business; but when they bought 10,000,000 bushels in the pit they took on 10,000,000 bushels more for the new Board, and nobody can dispute it.

Rt. Hon. Mr. BENNETT: I think we agree that Mr. McFarland should be brought here.

The CHAIRMAN: If you so desire.

Rt. Hon. Mr. BENNETT: I am not saying I desire it.

The CHAIRMAN: Or if the committee desires. Is it the wish of the committee that Mr. McFarland should be called?

Rt. Hon. Mr. BENNETT: He is in Victoria.

Mr. GARIEPY: It is all right to call him if Mr. Bennett wants him called.

Rt. Hon. Mr. BENNETT: Mr. Bennett wants nothing.

Mr. GARIEPY: Mr. Bennett wanted this committee.

Rt. Hon. Mr. BENNETT: I say that any committee which would take the evidence it took yesterday concerning Mr. McFarland at least should afford the man so assailed an opportunity to come here and make his explanation.

Mr. Ross: I object. Nobody has been assailed.

The CHAIRMAN: If Mr. Bennett makes a motion that Mr. McFarland be called and the committee carry the motion Mr. McFarland will be called. I do not know that the chairman should take it upon himself to call Mr. McFarland without the desire of the committee being expressed.

Rt. Hon. Mr. BENNETT: There must be some reason why the evidence was given, about which we have heard a great deal in the streets. It now transpires that this wheat was bought by the Canadian Co-operative Wheat Producers Limited. When it is said: "Mr. McFarland sold 14 and bought 10, and thereby increased the burden which had to be carried, and the reason I do not know," I say that Mr. McFarland is the only one who can give the reason, and I ask the members of the committee whether they consider that is a decent way to treat a man who has been a public servant.

The CHAIRMAN: I have no possible objection to Mr. McFarland being called. Perhaps I am not sufficiently familiar with the duties of a chairman, but I suggest that unless you desire to leave it to the steering committee there should be an expression of opinion by the members of the committee as to whether they desire a witness to be called. Since Mr. Bennett has suggested that Mr. McFarland be called I do not think it would be inappropriate for him to make a motion to that effect, or for some other member of the committee to do so.

Rt. Hon. Mr. BENNETT: The endeavour is to precipitate this matter into a political discussion, and that is the reason I am not making any motions in this committee.

The CHAIRMAN: I have not in mind that you are the leader of the opposition or that Mr. Ross is a member of the liberal government.

Mr. Ross: Mr. Chairman, before we go on with that, I want to deal with a remark made by Mr. Bennett.

The CHAIRMAN: Who makes the motion?

Rt. Hon. Mr. BENNETT: I make no motion of any kind before this committee.

The CHAIRMAN: Will the committee be prepared to leave it to the sub-committee?

Mr. GARIEPY: I move that this matter be referred to the sub-committee of five.

The CHAIRMAN: As to the witnesses to be called?

Mr. GARIEPY: Yes, including Mr. McFarland.

Mr. ROSS: I want to deal with a remark made by Mr. Bennett. He said Mr. McFarland was assailed.

Rt. Hon. Mr. BENNETT: Well—

The CHAIRMAN: There is a motion before the committee. Perhaps you are speaking to that motion.

Mr. GARIEPY: I make that motion.

The CHAIRMAN: It has been moved that the sub-committee decide upon the witnesses to be called.

Mr. DONNELLY: After all, the members of this committee are the ones who should decide who should be called as witnesses, and we have to take the responsibility. If anybody desires that Mr. McFarland be called I say here is the place to make the motion, and the members of the committee can vote upon it. I do not think it is proper to put the responsibility upon the shoulders of two or three men. This is the whole committee. Will somebody make a motion?

The CHAIRMAN: There is a motion before the committee that the sub-committee be charged with the duty of calling witnesses. All in favour of the motion to leave the matter to the sub-committee signify. I see five in favour and six contrary. The motion is lost.

What is the next step? We cannot possibly meet this afternoon.

Hon. Mr. CRERAR: Are you prepared to make a motion that Mr. McFarland be called, Mr. Bennett?

Rt. Hon. Mr. BENNETT: I have already stated that in view of the way in which that examination was conducted and the obvious inference therefrom, and also in view of the discussions that have occurred in various places throughout the country I will not make any motion with respect to the matter. I want to see exactly what the sense of decency of my fellow Canadians may be with respect to Mr. McFarland.

Hon. MEMBERS: Oh, no!

Hon. Mr. CRERAR: The best way to test that is to move a motion that Mr. McFarland be called.

Rt. Hon. Mr. BENNETT: You heard what I said.

Hon. Mr. CRERAR: I heard it. If you will make a motion that Mr. McFarland be called I will support it.

Hon. MEMBERS: So will I.

Rt. Hon. Mr. BENNETT: I am not making any motion in this committee after what took place the other day.

The CHAIRMAN: When shall we meet again? We cannot meet this afternoon because the Budget is coming down. Monday is not a very good day to meet. Shall we meet on Tuesday morning or would the members of the committee prefer to meet on Monday morning.

Hon. MEMBERS: Monday morning.

The CHAIRMAN: Then we shall adjourn until Monday morning next at ten-thirty o'clock.

Whereupon the committee adjourned at 1.10 o'clock p.m. until 10.30 o'clock a.m. on Monday, May 4, 1936.

SESSION 1936  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

**MARKETING OF WHEAT AND OTHER GRAINS**

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 9

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MONDAY, MAY 4, 1936

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WITNESSES:

- Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board.  
Mr. A. E. Darby, Secretary, Winnipeg Grain Exchange.  
Mr. Frank O. Fowler, Manager, Winnipeg Grain and Produce Exchange Clearing Association.

EXHIBITS:

- 18—Letter, dated April 24, 1936, to Mr. J. R. Murray, c/o Chateau Laurier, Ottawa, from Mr. Aitken, Acting Treasurer of The Canadian Wheat Board, respecting trading cards, August 14-October 7, 1935, showing purchases of October and May options made in pit.  
19—"Canada's Trade Structure in Relation to Marketing of Wheat," compiled by The Canadian Wheat Board and dated March 14, 1936.



## MINUTES OF PROCEEDINGS

MONDAY, May 4, 1936.

The Special Committee on the Marketing of Wheat and other Grains under the Guarantee of the Dominion Government met at 10.30 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariépy, Gardiner, Leader, MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Pottier, Ross (*Moose Jaw*), Senn, Winkler.

Mr. Leader requested that two corrections in the printed proceedings be made, viz.:—

Page	Line	
229	36	Change "I" to "they."
229	37	Insert "not" after "was."

*Ordered,* That the above corrections be made.

Mr. James R. Murray, Chief Commissioner, The Canadian Wheat Board, was recalled and further examined. In the course of the examination, Mr. A. E. Darby, secretary, Winnipeg Grain Exchange, was recalled to answer a question or two, after which Mr. Darby retired.

Mr. Murray retired.

Mr. Frank O. Fowler, manager, Winnipeg Grain and Produce Exchange Clearing Association, was recalled and further examined.

Mr. Fowler was discharged.

Mr. Murray was recalled and further examined. He filed:—

Exhibit No. 18.—Letter, dated April 24, 1936, to Mr. J. R. Murray, % Chateau Laurier, Ottawa, from Mr. Aitken, Acting Treasurer of The Canadian Wheat Board, respecting trading cards, August 14-October 7, 1935, showing purchases of October and May options made in pit.

Exhibit No. 19.—"Canada's Trade Structure in Relation to Marketing of Wheat," compiled by The Canadian Wheat Board and dated March 14, 1936.

Mr. Murray was discharged.

Mr. A. E. Darby was discharged.

The Committee adjourned at 1 p.m., until 3.30 p.m.

The Committee met in executive session at 3.30 p.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Beaubier, Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gardiner, Leader, MacMillan (*Mackenzie*), McLean (*Melfort*), McNiven (*Regina City*), Perley (*Qu'Appelle*), Ross (*Moose Jaw*), Senn, Winkler.

Mr. McLean drew attention to a mistake in the printed proceedings, viz.:—

Page	Line	
209	13	" 400,000 " should be changed to " 600,000."

*Ordered,* That the correction be made.

*Ordered,* That Exhibit No. 19, filed this morning by Mr. Murray, be printed into the record.

It was the opinion of the Committee that the sub-committee appointed to determine the scope of the inquiry should draft a report for presentation to the committee, and that, for this purpose, the sub-committee should have power to add to its number.

The Committee adjourned, to meet at the call of the Chair.

JOHN T. DUN,  
*Clerk of the Committee.*

## MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 231,

OTTAWA, May 4, 1936.

The special committee appointed to investigate and report upon the marketing of wheat and other grains under guarantee by the Dominion Government met at 10.30 a.m., Hon. Mr. Euler, the Chairman, presided.

The CHAIRMAN: If the committee will come to order we shall proceed.

Mr. ROSS: Mr. Chairman, at the last meeting of the committee, I called attention to two errors in the printed proceedings at pages 209 and 214. Since then, I have seen the transcript of the shorthand notes of that meeting, and I notice that in each case the word complained about was correctly taken and transcribed by the reporter. Therefore the errors must have occurred at the Printing Bureau.

J. R. MURRAY, recalled.

Right Hon. Mr. BENNETT: Mr. Chairman, I have another appointment presently and so may not now be able to conclude what I desire to ask Mr. Murray.

Q. I want to remove any possibility of doubt as to your understanding with shippers and exporters. Be good enough to state what is the present arrangement between shippers and exporters so far as supplying grain to meet sales made over night is concerned?—A. The present arrangement is that we will have wheat available for sale to them to cover their hedges.

Q. That is, available on the day succeeding the day they make the sales?—A. Yes.

Q. That is, on this Monday after the closing of the exchange sales may be made to exporters only, or to others as well?—A. To mills.

Q. To mills or exporters—limited to them?—A. Between the close of the market to-day and the opening to-morrow.

Q. And on the opening to-morrow the wheat will be available to meet the sales thus made?—A. Yes.

Q. It is limited to mills and exporters, you say?—A. Yes.

Q. And by mills you mean Canadian mills, I take it?—A. No.

Q. By mills you mean flour mills, I should say, first?—A. Flour mills.

Q. Secondly, does that mean only Canadian flour mills?—A. No; there are I think three large United States mills who have agents in Winnipeg, and it would apply to them for the export of flour made out of Canadian wheat.

Q. Would it apply to the representatives, for instance, of Rankin's mills in England?—A. They have no representatives here.

Q. But have they not brokers who buy wheat on the exchange for them in Winnipeg?—A. No; I think they buy from exporters here.

Q. So far as you know they make no direct purchases in the pit?—A. Not as far as I know.

Q. You are quite clear on that, are you?—A. What is that?

Q. That neither Rankin's nor any of the British mills make purchases direct from the pit?—A. The Scottish Co-operative do; they have their own office in Winnipeg.

Q. And the British Co-operative, Mr. Alexander's company?—A. They have an office in Montreal.

Q. Do they make purchases directly from the pit?—A. Not directly; they may through agents.

Q. Through brokers?—A. I imagine so.

Q. So far as you know the other English mills do not, you say?—A. I imagine they would.

Q. I thought you said the other English mills did not?—A. No, I did not say they did not; I said I thought they bought the bulk of their wheat from exporters on this side.

Q. That is from the class of grain dealers that you call shippers and exporters?—A. Yes.

Q. Do I gather that they do not make direct purchases from the pit so far as you know?—A. I do not know whether they do or not.

Q. Then you have no knowledge of the fact that they do?—A. Not definite knowledge.

Q. Your company, the Alberta-Pacific, was an exporter at times?—A. No.

Q. Not at any time?—A. No.

Q. It never sold except through the intermediary of a third person?—A. They never sold—

Q. Except through an intermediary, through a third party?—A. Since the fall of 1930 they have sold all their wheat in terminals or f.o.b. terminal at Vancouver; they have not exported any wheat.

Q. They sold it direct to the purchasers abroad and not through exporting agents?—A. No; they have never exported wheat since the fall of 1930.

Q. There is no misunderstanding about that being the limitation imposed upon the purchases made by the shippers and exporters of wheat? To-morrow morning the limitation placed upon their purchases of wheat would be (a) that it must be to export to any country in the world, or (b) for Canadian mills, or (c) for certain United States mills.—A. I do not just understand what you mean by the "limitation." There is no limitation on anyone purchasing wheat if we have it for sale in the pit.

Q. But you have made it quite clear that those who sold after the close of the market to-day wheat for export could buy it in to-morrow morning at an increase of what price?—A. Since December 20 there has been no definite understanding as to the limitation, as to the difference in price I should say.

Q. I thought you said that you informed them that you would make available on the market the next morning at the opening of the exchange wheat at a price of  $\frac{1}{8}$  to  $\frac{1}{4}$  over what the closing sale of the day before was?—A. No. We would have wheat for sale in the pit, but there was no definite figure of  $\frac{1}{8}$  or  $\frac{1}{4}$ .

Q. No understanding at all?—A. No, sir.

Q. Certainly I gathered that from what you said the other day?—A. No understanding; but I think I stated that our custom has been since then to have it in the pit either at the previous day's close or  $\frac{1}{8}$  over or  $\frac{1}{4}$  over, and in some cases  $\frac{3}{8}$  over.

*By the Chairman:*

Q. The definite arrangement was concluded on the 20th?—A. Yes.

*By Mr. McLean:*

Q. Since December 20?—A. Yes.

*By Right Hon. Mr. Bennett:*

Q. There is no minute of that?—A. No.

Q. And there are no letters written or minutes of any understanding since the 20th?—A. No, sir.

[Mr. James R. Murray.]



Q. But every day since then wheat has been made available at an increase over the previous day's close at various rates but not exceeding  $\frac{3}{8}$  cent?—A. I am speaking from memory, but I think  $\frac{3}{8}$  is the most. Sometimes we have had it at less than the previous day's close.

Q. What would bring that about?—A. Oh, if there was a very weak cable.

Q. You have told us what your policy was from the inception of your plan to get rid of wheat in December last. What has been the spread between Chicago and Winnipeg or at least the spread between May wheat in Winnipeg and the United States during the months of December, January and February?—A. I would have to look that up. I think I have some figures here.

Q. You notice that on Saturday it was nearly 20 cents?—A. Between Winnipeg and—

Between Chicago and Winnipeg?—A. May wheat?

Q. Yes, 97 and 77 with fractions in both cases?—A. I have not paid as much attention to Chicago May wheat as I have to July and September. Their May wheat down there is old crop and the market talk for some time has been that there has been a shortage in the May wheat.

Q. Shortage in the May wheat in Chicago?—A. Yes. I think Chicago May is selling at a very big premium over their July. I have those figures here.

Q. Give them roughly? It used to be a 10 cent spread for May wheat. It struck me, when I saw it the other night, that 20 cents was a wide spread, and I was going to ask you for the explanation of it?—A. I do not think their May is a fair comparison with ours. In January Chicago May wheat at the beginning of the month closed at \$1.02 $\frac{1}{4}$  and we closed our May at 89. Their July closed on the same day at 91 $\frac{1}{8}$  and our July at 90.

Q. Now, Mr. Murray, the Finance Minister on Saturday— —A. I have the figures of April 8 here.

Q. Take that then, that is enough for my purpose; the trend of April 8? —A. I better take the May and July both.

Q. Yes, please?—A. I better take May first, the Chicago May wheat 1.01 $\frac{5}{8}$  to  $\frac{3}{8}$  at the close; Winnipeg 83 $\frac{3}{8}$ . July, Chicago 94 to 93 $\frac{7}{8}$ ; Winnipeg 84 $\frac{5}{8}$ . I think Chicago is a good deal lower since then.

Q. Ninety-seven, and a fraction, I think was the May wheat on Saturday. That is my recollection of what the papers said?—A. You see, the April 1st or 2nd figures come into the comparison. Take on the July wheat; April 2nd, Winnipeg July 81, Chicago 83 $\frac{7}{8}$  and  $\frac{3}{4}$ . The spread there is about 2 $\frac{3}{4}$  and 3; and on the 18th it is widened out to 10 cents, which they were over us.

Q. Mr. Murray, have all the contracts and cash wheat taken over from the Co-operative Producers Limited been liquidated?—A. No.

Q. You will remember the Minister of Finance referred to a loss in connection with taking over the wheat in December from the Producers Limited. You will recollect that the guarantee was against ultimate loss alone?—A. I do not know the reference the Finance Minister made.

Q. You don't? I thought perhaps you heard the budget speech?—A. No, I wasn't up there.

Q. At any rate, are you aware of the fact that the guarantee given the wheat producers was against ultimate loss?—A. Yes. In a general way.

Q. Yes? And the ultimate loss could not be determined until the contract had been liquidated or the wheat sold?—A. No.

Q. I understand that the other day the Finance Minister referred to a loss of \$170,000 in connection with oats. Are you familiar with that?—A. No.

Q. No part of that loss arose since you took over; in connection with oats? —A. No.

Q. Are you familiar with the transactions carried on by Wheat Producers Limited for the Saskatchewan government in connection with oats?—A. No, sir.

Q. You know nothing of that?—A. I have heard something about it.

Q. I mean, you had nothing to do with it?—A. No, sir.

Q. You are not familiar with the liquidation of oats on the one hand, or the acquisition of them on the other?—A. No, sir.

Q. That was done before your time?—A. Yes.

Q. Whatever loss may have been incurred it is a loss that is referable to a period anterior to the date you took over?—A. Well, I don't know—

Q. I did not say you. They are sales, from what the Minister of Finance says, on which there was a loss. You say, any loss there is is a loss which was created before you took over?—A. I do not know anything about that at all.

Q. I say, you do not know anything about that at all?—A. No.

Q. You do not know anything about that at all. July wheat appears, Mr. Murray; Trade at Chicago closed at  $86\frac{1}{4}$ ; July wheat  $86\frac{1}{4}$ , May  $97\frac{5}{8}$ , September  $84\frac{3}{8}$ ; and in Winnipeg May  $77\frac{7}{8}$ , July  $78\frac{3}{8}$  and October  $80\frac{1}{8}$ . These are the figures, at least, as they appear in the newspaper this morning. The spread between July at Winnipeg and July at Chicago being apparently something like 8 cents (disregarding the fractions), and 20 cents on May. You say the rumour is that there has been a short interest in Chicago?—A. In the May.

Q. In the May wheat, yes?—A. Yes.

Q. In your experience since 1912 have you had any short transaction?—A. Have I had any short transaction?

Q. In your business as a grain dealer?

The CHAIRMAN: I hardly think that is a fair question.

Right Hon. Mr. BENNETT: It is not any reflection on him. It might be that it is an improper question. I was merely asking as to his knowledge of there being such a thing.

The CHAIRMAN: Do you care to answer, Mr. Murray?

WITNESS: I do not think I have any objection, but I do not see what his purpose is. If Mr. Bennett wants to know if I have knowledge of short transactions in the market, I suppose anyone trading in the pit has.

Right Hon. Mr. BENNETT: That is all I wanted to ask you.

*By Right Hon. Mr. Bennett:*

Q. I am not saying that you, J. R. Murray, had transactions; I am saying, you are familiar with the fact that short transactions have taken place in Winnipeg during the last ten or twelve years?—A. Yes, sir.

Q. Have you knowledge as to the extent of these short transactions at any one period?—A. No, sir.

Q. You were secretary for a while, but that would not give you any additional information?—A. No.

Q. So that, apart from the fact that you have knowledge that grain is dealt in by shorts on the Winnipeg exchange, you could not give me any further information?—A. Perhaps I should not even say that I have knowledge.

Q. Well, that is just exactly— —A. Because, it is generally—well, anyone in connection with the grain market knows that there are bulls and bears and there are times when people are supposed to be bearish on the market and "short" on the market; and there are times when they are said to be bullish, or "long" on the market.

Q. Now, as a former secretary of the Winnipeg Grain Exchange, how could you discover what the short position was at any one time?—A. You could get it by sending a questionnaire to all the members, and you would probably have to follow that up with an auditor's check.

[Mr. James R. Murray.]

Q. Well, unless you had knowledge beyond the Dominion of Canada, would that serve your purpose? Your questionnaire would have to go a long piece, wouldn't it?—A. I think you would have to have an auditor's check to follow up.

Q. Yes, and the auditor's check would necessarily have to have knowledge of transactions outside of this country entirely?—A. I do not know that it would to determine if there was a short position in Winnipeg market, I do not think it would.

Q. Well then, within the Dominion of Canada information could be obtained to indicate the short position on the Winnipeg market?—A. I think so.

Q. Yes. Is it true that hedging operations take place in other markets with respect to transactions in Winnipeg?—A. I think so.

Q. Yes. Would it be equally correct to say that hedging transactions take place in the Winnipeg market in respect to wheat and other grains on other markets of the world?—A. I think so.

Q. I think you told me that the four exchanges with which you are most interested would be at Buenos Aires, Liverpool, Chicago or Minneapolis, which or both?—A. I do not think I said the ones in which I would be most interested. Did not that arise in connection with some question as to the influence that outside markets have?

Q. I am talking about exchanges in which we are interested that might be selling hedges, for instance, against Winnipeg transactions.—A. Well, my recollection of it is that that reference to other markets was in connection with some question about—

Q. The factors influencing prices?—A. I think so.

Q. I put it to you now with respect to the other phase of our grain trade?—A. Oh, a trader anywhere in the world might have operations known as spreads in the trade, between the Winnipeg market and any of these other markets.

Q. An equally in any of these other markets the same might be said with respect to the Winnipeg market?—A. Well, that is really what I said a moment ago.

Q. Yes; I want to make it perfectly clear. Now, the great firms that you referred to the other day consist of four, Bunge, Dreyfus, and Continental Grain. What is the other one of which we have some knowledge? There is a fourth one, is there not?—A. No, I don't think so.

Q. It is well known, of course, to all of us that they operate extensively at Buenos Aires?—A. I think they operate all over the world.

Q. And they have direct representatives in Winnipeg?—A. Yes.

Q. On the pit in Winnipeg is a fair way to put it?—A. They are on the trading floor there.

Q. Now I put to you this: Is it not true, as a result of the knowledge that has come to officers of the exchange, they have hedged in foreign markets with respect to Winnipeg transactions, and that Winnipeg has been used to hedge foreign transactions?—A. By these firms?

Q. Yes.—A. I don't know that.

Q. I will leave out "firms". Perhaps it is unfair to say that to you, but we will put it this way: Is it not known that extensive hedging operations abroad or in foreign countries have taken place with respect to Winnipeg Grain Exchange transactions, and that on the Winnipeg Exchange hedging transactions take place with respect to operations in various exchanges in wheat?—A. I do not know that extensive ones have.

Q. We will not be technical, but transactions extensive or otherwise?—A. I think some one representing the exchange would be in a better position to answer that than I would.

Q. I see. You feel that it would be more or less hearsay in your case, what somebody told you rather than what you yourself know. Is that the idea,

Mr. Murray?—A. Well, I think, aside from that, the question may be more fairly answered by someone representing the exchange than by the chief commissioner of the wheat board.

Q. You see we are relying upon your large experience as a grain dealer rather than your experience as chief commissioner of the grain board.

The CHAIRMAN: He is here as chief commissioner of the grain board.

WITNESS: Of course, Mr. Bennett, in one's large experience as a grain dealer, I suppose, one is much like people in other lines of business. We spend most of our time trying to attend to our own business, not the other fellow's.

*By Right Hon. Mr. Bennett:*

Q. Yes. In attending to our own business, the fact that hedges may be held abroad with respect to Winnipeg wheat transactions, has something to do with the transaction of our own business, has it not? The general market position of the large dealers on the Winnipeg exchange has something to do with your business as a grain dealer, has it not Mr Murray? It has something to do with the business of the grain dealer on the Winnipeg exchange, the Canadian grain dealer?—A. I am not sure that it has. I am not sure that my mind is quite clear—

Q. I only ask you that question in consequence of your saying, like most men, you are trying to attend to your own business; but in the business of dealing in grain, one of the factors, I put to you, that you have to keep in mind to enable you to do that business as well as you know how, is the market position from day to day, which may be determined by the extent to which hedges may be held abroad with respect to the wheat transactions in Winnipeg, and to the extent to which hedging operations in Winnipeg may have to do with business abroad?—A. No; as a grain dealer, I would not be interested in the market position of other people, unless—

Q. I do not mean individually?—A. Well, firms.

Q. The aggregate?—A. Firms individually or in the aggregate, unless I was speculating in the market for my firm or individually. If I was speculating I would be interested in trying to estimate or guess the aggregate market position of other dealers; but as an elevator operator I would not be.

Q. Not as an elevator operator, but as a seller of grain, an exporter?—A. As an exporter, I do not know whether I would be, unless I was taking a market position too.

Q. That is sufficient for my purpose, unless you were taking a market position too. Now, you told us you saw several hundred fellow members of the exchange, some of whom reside in Canada, and some out of Canada?—A. I think the secretary of the exchange gave that.

Q. I should have put it that way, but you were here at the time he gave evidence. Some of them live in Canada, and some of them out of Canada, but those who are floor traders you probably pretty well know in Winnipeg?—A. I know quite a few of them, yes.

Q. It is known whom they represent in a general sort of way?—A. An active floor trader represents anyone that gives him an order.

Q. I was just going to come to that; that is the reason I asked the question. And they get orders. There may be half a dozen buying for the same outfit at the same time.—A. Yes, sir.

Q. That is part of the policy of those who buy, is it not, Mr. Murray? The general policy of the large buyer is that he distributes his business widely, sometimes very widely?—A. Well I do not know that he does all the time.

Q. No, exactly.—A. As a matter of fact I would think it a poor buying operation to distribute it too widely. If you had six brokers in there at the same time, trading, buying wheat for you, you would create—

Q. Precisely.—A. —a wrong idea in the market.

[Mr. James R. Murray.]

Q. And this is exactly what is sometimes done for that very purpose?—A. That is your statement, Mr. Bennett "That is what is done"; it is not mine.

Q. I am asking you, is it not sometimes done for reasons that are fairly obvious, knowing the way in which the grain trade is handled?—A. I have not got knowledge of it.

Q. Since 1912 you have no knowledge of it?—A. That a buyer of wheat will scatter—

Q. The large operators?—A. Large operators?

Q. Such as the three we have mentioned?—A. I don't know how they conduct their business.

Q. That is a fair way to put it; you don't know how they conduct their business. They conduct it as they think best. They are large buyers at least, they are bankers and financial men and everything else that is associated with the sale and distribution of grain. You know that, I take it?—A. That is the general understanding in the trade.

Q. Now, one word more. I have settled the oat question. You know nothing about that? I have settled the question that you have not completely liquidated contracts and the cash wheat of the co-operative producers, and that the ultimate loss cannot be determined until that is done. We are agreed on that, are we Mr. Murray?—A. The ultimate loss, yes. In regard to the oat question Mr. Bennett, that you say I know nothing about—

Q. I want to be fair with you, that you know of your own knowledge, if you like me to put it that way?—A. That is right.

Q. Do you know from the records anything about it?—A. I have seen some of the records that deal with it.

Q. But they were not the records over which you have control, or were they?—A. No, sir.

Q. They were the records of the Wheat Producers Limited?—A. Yes.

Q. And therefore you have no information you can give to us about that?—A. No; there are other people—

Q. Quite so.—A. —who would inform you much better than me.

Q. It is hearsay, so far as you are concerned? Now, that settles that, up to a point. I am not going to go over the 13th, Mr. Murray with you, as I am not sufficiently informed technically. Mr. Perley wants to ask some questions about that. Before I leave that matter I want to have no misunderstanding about the condition under which wheat can be bought. Since the 20th of December you say there is nothing in writing, no minutes of your board that covers that matter?—A. No, sir.

Q. None whatever?—A. No, sir.

Q. To whom?—A. At least, I am told from Winnipeg there is no minutes, and I was told that when I sent for the minutes the other day. I thought there was, but there is not.

Q. If there is you have no knowledge of it?—A. There is not any, I am sure.

Q. I am asking you to whom you would indicate your intention of trading in the manner you have indicated?—A. Since the 20th?

Q. Yes.—A. On the morning of the 20th we discussed it on the board, and there was a meeting called.

Q. You discussed it on the board. What does that mean, "Discussed it on the board"?—A. Our wheat board, and there was a meeting called then of the shippers and exporters.

Q. By the exchange?—A. No, at the request of our board. The exchange allowed us to use the council room for the meeting. I went to the meeting representing our board, and told all the shippers and exporters of the—

Q. That is all the exporters and shippers that were gathered there?—A. Well, as far as I know they were all gathered. They have—I do not know

whether they call it an association, but they have some such organization, and the request for a meeting was directed to Mr. George Mathieson, their secretary. As far as I know, they were all there.

Q. What number would that be?—A. Somewhere around 15, I would think.

Q. Mr. Murray, you have no memorandum as to what you said to them?—

A. No, I don't think so; I have a pretty good recollection.

Q. Have you had a meeting with them since?—A. No, sir.

Q. Of a similar kind? Has there been any modification or variation of that arrangement as communicated to them that day?—A. No, we have had no meeting with them since.

Q. And there has been no modification or variation of the arrangements then made?—A. No; the arrangement then made was that they had no more protection, simply that we would have wheat available.

Q. Quite so; I follow that quite clearly. Now, have you substituted for your May hedges later contracts?—A. Yes, we have switched from—

Q. I did not like to use the word "switched" lest it might not be accurate. Have you switched your May options to another option?—A. Yes.

Q. Have you enabled the members of the exchange to do so with their contracts?—A. It was with the members of the exchange that we made the transaction.

Q. You remember that we directed your attention to the letter (Exhibit 7) that was posted on the exchange, and which was in these words:—

For some time it has been customary for every branch of the trade who are interested in transferring their hedges on cash grain from one month to another to depend entirely on those in charge of the government wheat operations to give them all or a substantial part of the spread desired.

The Canadian Wheat Board will continue, as far as they are able to do so, co-operating with the trade in spreading as well as other marketing operations. The board will continue to handle cash wheat and futures in a normal way. The next spread will be July/October, and we wish to suggest to the trade that they should consider if it is desirable for them to continue depending blindly on the board for all or any particular part of this spread.

Our sole purpose in drawing this to your attention now is to give all the time available to the trade for any necessary adjustment of the hedging operations, particularly in connection with "out of position wheat."

Our board will appreciate your posting this as a notice for the information of all members of the exchange and their out of town clients.

Yours very truly,

*Chief Commissioner.*

Q. What is meant by "out of position" wheat?—A. Wheat at Vancouver, Churchill, Prince Rupert, anywhere east of Fort William and Port Arthur.

*By Mr. Ross:*

Q. In mills?—A. In mills in the east. Of course, if it was in mills in the west it could be shipped to Port Arthur or Fort William.

Q. When you speak of "out of position" wheat you cover mills and wheat in bond, do you not?—A. On that point, there might be a different interpretation between two different men. One man might talk of "out of position" wheat and mean wheat that could not possibly within reason be shipped to Fort William and Port Arthur to apply on contracts, and another man might include all wheat not then actually in store in Fort William and Port Arthur.

[Mr. James R. Murray.]

Q. I would take it that it meant wheat hedged in Winnipeg and out of position?—A. Yes.

Mr. McLEAN: The letter is printed on pages 59 and 60 of Volume No. 3 of the Minutes of Proceedings and Evidence, and the words "out of position" appear therein.

*By Right Hon. Mr. Bennett:*

Q. Having seen this notice to the exchange, I suppose you know it was actually posted on the board?—A. Yes, it was sent to the New York Produce Exchange and the Montreal Board of Trade and the Vancouver Exchange as well.

Q. Was it sent to Chicago?—A. No.

Q. Because they have their agents in Winnipeg who would know about it as soon as it was posted?—A. We do not—

Q. You do not bother about that. Nor Minneapolis either?—A. No. We sent it to the places where we thought there were people interested in shipping our wheat.

Q. Let us see what it means. The first paragraph reads:—

For some time it has been customary for every branch of the trade who are interested in transferring their hedges on cash grain from one future month to another, to depend entirely on those in charge of the government wheat operations to give them all or a substantial part of the spread desired.

What does that mean?—A. I cannot do better than describe it by saying it means just what it says.

Q. And you say "it has been customary for every branch of the trade." What do you mean by "every branch of the trade?"—A. Country elevator men, terminal elevator men, millers and exporters, anybody in the grain business.

Q. ". . . who are interested in transferring their hedges on cash grain from one future month to another. . . ." Illustrate that, if you please, so that there will be no misunderstanding by members of the House of Commons as to what is meant?—A. Could I take one example?

Q. Take the illustration?—A. A country elevator owning 3,000,000 bushels of wheat in country elevators hedged in May.

Q. Instead of saying "hedged in May" would you mind putting it with relation to a contract and what he hedged? "Hedged in May" to a man who comes from a city constituency or somewhere else might not be clear. There are 3,000,000 bushels in his elevator and it is hedged?—A. Hedged in May.

Q. That means he has a contract for delivery of 3,000,000 bushels of wheat in May?—A. A contract to deliver.

Q. Yes, a contract to deliver 3,000,000 bushels in May?—A. Yes.

Q. And at a fixed price. Would that be right?—A. He sold it at varying prices in the first place.

Q. But he has these contracts, as you say, outstanding for the delivery of 3,000,000 bushels of wheat in May at varying prices?—A. He sold it originally at varying prices; he sold it as he bought it in the country; he probably sold some of it for October and December first of all, and he bought the October and sold the May.

Q. I gathered from what you said that all the transactions up to the time you were talking the other day would be May options, May contracts?—A. I said that is what we held.

Q. Perhaps we will confine ourselves to you for the moment as we go along. The letter (Exhibit 7) says:—

For some time it has been customary for every branch of the trade who are interested in transferring their hedges on cash grain from one future month to another. . . .

That means that the country elevator man who had contracts for 3,000,000 bushels of May wheat was going to exchange it for a contract for the delivery of wheat in some month later than May?—A. That is what he would want to do; he would want to buy his May wheat and sell July wheat.

Q. Or October wheat?—A. He might want to do that.

Q. The two months that he could exchange it for under present regulations would be July and October?—A. Yes.

Q. That is, the grain exchange at Winnipeg would only at the present moment deal in contracts later than May for delivery in July and October?—A. The grain exchange would not deal in the contracts.

Q. The grain exchange deal only in contracts for that period, those two months?—A. Those are the only months that are being traded in on the exchange.

Q. When you say (Exhibit 7):—

. . . it has been customary for every branch of the trade who are interested in transferring their hedges on cash grain from one future month to another, to depend entirely on those in charge of the government wheat operations to give them all or a substantial part of the spread desired.

What does that mean? Does that mean they had to depend on McFarland's board?—A. To transfer their hedges to a future month, yes.

Q. To depend entirely on those in charge of the government wheat operations?—A. I do not think it says they had to; it says it had been their custom to do so.

Q. Yes, "it has been customary." That is the way in which it is put. That would mean that the Wheat Producers were almost solely, the way this is put, in charge of the determination of switching from May to a later month?—A. No. This letter does not mean that the Wheat Producers were in a position to determine that. It means what it says, that it has been customary for the trade to depend on them to do it.

Q. But at the end of it you say: "to give them all or a substantial part of the spread desired"?—A. Yes.

Q. That was the fact, that they had to depend on them for that. If they could not get it from them what would they have to do?—A. Go in and buy it in the pit, try to.

Q. Try to buy it in the pit?—A. Yes.

*By Mr. Ross:*

Q. Or deliver the wheat?—A. Yes.

*By Right Hon. Mr. Bennett:*

Q. Or what?—A. Or deliver the wheat which, of course, is pointed out already in the evidence to be almost impossible considering the total amount of the holdings.

Q. I beg your pardon?—A. Or deliver the wheat, which is almost impossible, considering the total amount of the holdings.

Q. Then (Exhibit 7):—

The Canadian Wheat Board will continue, as far as they are able to do so, co-operating with the trade in spreading as well as other marketing operations.

Now, by using the words "in spreading as well as other marketing operations" you mean that your board will, so far as you are able, assist these operators in switching their contracts if they wanted to do so?—A. As far as we are able and desirous of doing it ourselves, yes.

Q. What do you mean by the last words "desirous of doing it ourselves"?—A. That comes in under the "able" part of it, to me.

[Mr. James R. Murray.]



Q. Then:—

The Board will continue to handle cash wheat and futures in a normal way.

What does "in a normal way" mean?—A. I am sure it meant in this case that it was a polite way of telling them that we were not going to run a corner in wheat.

Q. Then:—

The next spread will be July/October,—

That is clear—"and we wish to suggest to the trade

that they should consider if it is desirable for them to continue depending blindly on the Board for all or any particular part of this spread.

What does that mean, in ordinary terms?—A. It was a suggestion to them that they should consider whether it was good business for them to have wheat in Vancouver or any other "out of position" place, and wait until the last minute and then come along and expect the board to take care of them.

Q. That is what is meant by "depending blindly on the Board"?—A. Yes, going to sleep on their own job.

Q. Then:—

Our sole purpose in drawing this to your attention now is to give all the time available to the trade for any necessary adjustment of their hedging operations, particularly in connection with "out of position" wheat.

You have explained what is meant by "out of position" wheat. Why do you think it necessary to direct attention to this being your sole purpose, in thus advising the trade?—A. Well, even the letter as it was written caused a little concern, shall I say, in some quarters. People who had "out of position" wheat wondered just what was involved in it, and it was because we expected that there would probably be about fifty-nine different opinions as to what was intended that we stated what our sole purpose was.

Q. But that was not referable to "out of position" wheat only, Mr. Murray?—A. It is referable to exactly what it says.

Q. But it does not in any sense limit it to "out of position" wheat. Look at the first paragraph and look at the second one and you will observe that "out of position" is not mentioned until you get to the third paragraph. The first two paragraphs deal with all the wheat regardless of where it is. The last four lines of the second paragraph says:—

(Exhibit 7.)

The next spread will be July/October, and we wish to suggest to the trade that they should consider if it is desirable for them to continue depending blindly on the Board for all or any particular part of this spread.

And in the third paragraph you say:—

Our sole purpose in drawing this to your attention now is to give all the time available to the trade for any necessary adjustment of their hedging operations, particularly in connection with "out of position" wheat.

Now, reading this, it is quite clear that it was not limited to "out of position" wheat, Mr. Murray?—A. What is covered in it is just what it says.

Q. Please answer the question. Does this refer to "out of position" wheat?—A. I do not think I have to try to read something into a letter that was written for the world to see.

Q. You see what I am trying to get at?—A. No, I do not. If I did I think I would be a lot better off.

Q. Perhaps that is true. Is there anywhere apparent in that letter that it is limited to "out of position" wheat?—A. No.

Q. It therefore applied to all wheat whether "out of position" or otherwise?—A. Yes.

Q. Now, having regard to that fact, can you tell me how much wheat was "out of position"?—A. At the date of this letter?

Q. Yes. You fix the date as being about what?—A. March 26, I think.

Q. Yes. The date is not on this copy?—A. March 26.

Q. Yes, it is dated that, and the one I have was posted on the board a couple of days later. What was the amount of "out of position" wheat then?—A. I have no idea, at that date.

Q. Have you any idea about what it was at this time?—A. No; we could get it. We could get the visible supply in Canada and what was in store at the head of the lakes.

Q. I do not want to interrupt you just now?—A. It is not interrupting me I would like to get the information for you. The visible supply on March 28, which is the closest date I can get to that, was 208,000,000 bushels, and stocks in Fort William and Port Arthur around that date—I have not got them for exactly the same day—were about 42,000,000. Oh, no. On April 3 they are about 45,000,000. That is the closest day I have on that. About something over 160,000,000 would be "out of position."

Q. That means that 160,000,00 bushels of wheat was stored in terminal elevators and country elevators and at Vancouver, Prince Rupert and Churchill, and afloat and in buildings in the east?—A. Between Canadian lake ports and the Canadian sea-board and other positions. Those figures are approximately correct.

*By Mr. Donnelly:*

Q. The farmers might have some, too?—A. No.

Right Hon. Mr. BENNETT: That would hardly be so in this case, from what he said. He gave reasons that I thought were conclusive.

Q. Mr. Murray, to what extent did you substitute July contracts for May contracts up to date?—A. I would have to check that up.

Q. To what extent did you substitute October contracts for May contracts up to date?—A. I would have to check that up, too. I could say offhand, so far as October is concerned, that it would be a very few million; I think I made the statement the other day that I do not think it would be more than a guess, five or six.

Q. You can satisfy yourself on that point. As to the extent to which you substituted contracts for July delivery for outstanding contracts for May delivery you are going to give me presently?—A. I do not know whether that might not cause a little difficulty. I am thinking about its effect so far as revealing the quantity we have got is concerned.

Q. Well, you see you gave a statement as to the extent of your contracts for delivery in May?—A. As at the end of January.

Q. I am not asking how many you still hold and continue to hold, but how many bushels you substituted for delivery in July instead of May?—A. Yes, but I can see where if that were given it might reveal some information as to the amount of wheat we are holding. However, the wheat board have no objection to giving the information.

Q. I confess that I do not know, but I should not think that would have a serious effect on the position—

The CHAIRMAN: I think that might be left to the judgment of the chairman of the wheat board, if to disclose the amount of wheat he still has on hand would prejudice his position.

WITNESS I think I could answer Mr. Bennett. Would it serve your purpose if I said it was over 100,000,000 bushels?

[Mr. James R. Murray.]

*By Right Hon. Mr. Bennett:*

Q. Yes. I have no desire to ask you the detail if it is in any sense to affect your operations. At what spread?—A.  $1\frac{3}{8}$ ; not all of it, but what was done finally was done at  $1\frac{3}{8}$ . Some was done at a narrower spread in the pit.

Q. What does that mean, when we speak of a spread of  $1\frac{3}{8}$ ?—A. We sold May wheat, using the figures to illustrate it, at 80 cents and bought July wheat at  $81\frac{3}{8}$ .

Q. A spread of  $1\frac{3}{8}$  means that you agreed to buy something in the future at a slightly higher price than you had agreed to buy at for May? That is a fair way of putting it, is it not?—A. Yes.

Q. And in a broad way, without getting into exact detail, it has to do with carrying charges and interest on money?—A. Yes.

Q. There are other considerations which are problematical?—A. The only considerations I think are the cost of carrying, interest on storage.

Q. You now have contracts calling for delivery in July instead of May?—A. Yes.

Q. And that means that until the 31st day of July the option contracts can be satisfied by the delivery of wheat under them?—A. Or be satisfied by our selling them to somebody.

Q. That is just what I was going to ask you. If you want to sell them then you can sell them to somebody else who takes your place under the contract?—A. Yes, sir.

Q. There are only a few million bushels outstanding of October, so far as you can recall. I will take your word.—A. I did not say there were only a few million outstanding. I said that we had only around two million.

Q. Yes, a few million?—A. Mind you, I might perhaps add this to that, my knowledge of that is over two weeks old now.

Q. At a certain date you had (a) real wheat, and (b) contracts for the delivery of wheat in May, and (c) contracts for delivery in small quantities at subsequent dates—I will not say wholly in October, subsequent dates. Does that cover it?—A. Yes.

Q. And for that you substituted, you "switched" your contracts so that you had (a) cash wheat; (b) you have contracts under which wheat may be delivered up to the 31st day of May (that is, this month); (c) contracts under which it may be delivered up to the 31st of July; (d) and small quantities deliverable in October or subsequent months. We will put it that way. That is the position, is it, Mr. Murray?—A. I do not know whether we have any along in May or not.

Q. You do not know. That is the only point I was anxious to clear up.—A. If you stated the second one as you did but just left out the May it would be correct I think.

Q. Yes. As far as you remember there would be no May wheat left?—A. I think not.

Q. Although delivery may be made up until the 31st day of May, as you explained the other day?—A. Yes.

Q. To that extent did—perhaps you prefer me not to ask that?—A. Well,—

Q. I get the point. I see, the question would run to the other point. Why did you regard it as desirable, in view of navigation opening and general conditions, to switch from May to July?—A. Well, if we did not we would start getting delivery of some wheat probably early in May.

Q. Yes?—A. And all the exporters and other people would be out of position, would all be throwing fits.

Mr. PERLEY: They would have the jitters.

WITNESS: Well, they would have been. They are in a position where it is known that a government agency owns a tremendous amount of wheat.

Mr. BEAUBIER: It would embarrass them.

WITNESS: They made contracts you see, they could not deliver them.

*By Right Hon. Mr. Bennett:*

Q. I suggest this, that the action taken would relieve them from embarrassment?—A. As it has many times in the past.

Q. Yes. But, wait, we will get the answer to the question.—A. That is a fair answer, is it not?

Q. No. We will come to that. I am going to deal with that fully. They were relieved from embarrassment?—A. No. I think that is not a fair way to put it. They were kept in a position where they could continue doing business in Canadian wheat.

Q. At any rate, the result was that they would be free from the embarrassment to which you referred a moment ago when you said they would begin to throw fits?—A. Well, I could imagine this; when you talk about them throwing fits—

Q. Don't imagine they throw fits, because you don't have to imagine it at all?—A. Oh, I don't know. I have not had practical experience with fits.

Q. You have seen them in the fit stage?—A. It takes very little stretching of the imagination to see this, that if a board acting for a government are not going to handle the business in a reasonable way so as to facilitate business there would have been a large delegation waiting on the government.

Q. I see. They then probably would have ceased to have thrown fits?—A. Of course, they had had some experience in that respect in previous years.

Q. Yes. Was the action taken similar to the action taken in previous years?—A. Yes, sir.

Q. Was a uniform adjustment made in previous years on switching?—A. I think so. To the best of my knowledge.

Q. To the best of your knowledge?—A. I think it was just the same. Some of it was done in the pit, and then when there was finally a big lot left it was done on a uniform basis; that is, as to price.

Q. At a price?—A. As to price, on a uniform basis. It was not always on a uniform basis as to different branches of the trade getting the same percentage of what they wanted.

Q. Quite so, and is that so in this case?—A. Yes.

Q. So that so far as that is concerned, if as you said the other day the action taken by the Producers was calculated to relieve the short interests from embarrassment, the action taken by you in March, since, had the same effect?—A. Yes, if there were such people to be relieved.

Q. If there were such people?—A. Yes.

Q. You referred the other day to the fact that such people did exist. Sometimes I wonder if they belong to an extinct species, after listening to some people. And then like a refreshing breath comes the admission that they really do exist.—A. I have sometimes wondered, Mr. Bennett, in the last ten days, if it was known what a short was.

Q. Yes. Well, Mr. Murray, I have heard you say that frequently.—A. No, sir, excuse me.

Q. Oh, yes. I have heard you say that frequently.—A. I don't think so.

Q. You started with an unfortunate misuse of the word in an article which appeared in a magazine. Many times you have pointed out that probably most of us did not know what a "short" was.—A. What is that?

Q. You started out with a reference to it in an article which appeared in a magazine, and I believe you admitted that your use of the word in that article was wrong. From that time on you have been trying constantly to remind us that we did not know what a "short" was?—A. I do not think so.

[Mr. James R. Murray.]

Q. Then, you have been very restrained; and the last ten days you have been greatly wondering whether we did know what it meant?—A. I did not say I wondered greatly. I think I said, I sometimes wondered in the last ten days.

Q. You have been wondering at some times during the last ten days whether we knew what shorts were, but you very patiently restrained yourself from stating any opinion about it.

*By Mr. Perley:*

Q. If this switching had been done in the pit could it not have been done on a much narrower spread than  $1\frac{3}{4}$ ?—A. It might.

Q. If it had of been it would have saved some money wouldn't it?—A. It is going to be done in the pit, since this letter was written. I think it might have been done perhaps on the average on a narrower basis.

Q. How often is the record of prices in the pit kept; there is a man in the pulpit, so to speak, he keeps a record does he not of the price changes? How often does he keep the record?—A. I would not want to answer that definitely. Mr. Darby might be able to give that. He is here. Would it be all right for me to ask him?

MR. PERLEY: Yes.

WITNESS: Mr. Darby, how often is the record kept in the pit? Is it every five minutes?

MR. DARBY: Changes in price are recorded as soon as they are heard.

MR. MURRAY: Then, it is continuous?

MR. DARBY: It is practically a continuous record.

*By Mr. Perley:*

Q. So that you would be able to tell from the record of changes each day what the average spread was during a given period?—A. Certainly.

Q. Well, if the board had hesitated a little, or if it had all been done in the pit, would it not have resulted in more competition between "shorts," if we want to use that term, for the wheat they would have bought, say May, if they had had to get that first, and taken July on a narrower spread?—A. Of course, you can't examine that in a very practical way, Mr. Perley, unless you know how much the "shorts" represented and how much the board had for instance.

Q. Well, the board would have it all?—A. Let me make my point with some hypothetical figures. If there were shorts for we will say 5,000,000 bushels, and the board had 55,000,000 bushels, and the shorts got satisfied on their 5,000,000 bushels, but the board have 50,000,000 bushels, what are they going to do with that?

Q. In this operation it happens to be them, the other fellows, who have the large quantity?—A. You mean, the "shorts" had more than the board.

Q. There was no object in the board appearing in it at all. It was only to accommodate the other fellow that the operation was carried out?—A. That is not correct, Mr. Perley. That is not correct. The board was very interested, having bought a lot of May futures, representing contracts for wheat. The board is pretty interested in carrying that to July at a reasonable cost, and at the same time not doing anything to interfere with the reasonable movement of Canadian wheat.

RT. HON. MR. BENNETT: Mr. Chairman, as I told you, I have to go at 12 o'clock. There is one thing which I feel obliged to you to point out; that is, that the record in connection with Mr. McFarland was certainly open to very grave misunderstanding. The heading, for instance, in one of the leading newspapers of western Canada published in Regina, the *Regina Leader-Post*, states: "Ross charges McFarland exceeded authority." Then follows a story saying that McFarland bought wheat. Mr. McFarland bought no wheat for the board

at all. He bought wheat for the Wheat Producers and not for the board. That I think has been made abundantly clear by the evidence we have since heard; but, unfortunately a different impression has been given by this statement.

The CHAIRMAN: If there was any misunderstanding I think it has been abundantly cleared up.

Rt. Hon. Mr. BENNETT: It just shows you the truth of a statement by a famous author, of whom you are a great admirer; "Deny a rumour and give it immortality."

The CHAIRMAN: I mentioned to the committee this morning that Mr. Fowler of the clearing house is very anxious to get away, and he indicates, properly, that his evidence would take up but a very short time. Perhaps we could deal with him before twelve o'clock?

Rt. Hon. Mr. BENNETT: If he would, you might call him now.

The CHAIRMAN: Mr. Murray is retired for the moment.

Witness retired.

The CHAIRMAN: Mr. Fowler, if you will please come forward.

FRANK O. FOWLER recalled.

*By Rt. Hon. Mr. Bennett:*

Q. You have been already sworn?—A. Yes.

Q. You are custodian of the records of the clearing house, as we call it?—A. Yes.

Q. Will your records show the various transactions between the early part of December and the 20th of December in the exchange?—A. Well, I would like to know what you mean; in futures?

Q. You see, I used the broad term. Would your records show the various transactions in the Winnipeg Grain Exchange?—A. In futures?

Q. Futures is not the only business you do?—A. Yes, it is.

Q. You have nothing to do with cash wheat at all?—A. Not now.

Q. Since when?—A. We used to clear the cash sales, but we don't do it any more.

Q. You don't do that now?—A. No.

Q. But you, of course, do have a record of the transactions when cash wheat is deliverable in contracts?—A. We simply notify the party who is long, and have them call at the office and pay for it and take it away. We do not know anything about it any more than that.

Q. Then, let us have it clear, that your clearing house could not provide any information for this committee with respect to transactions other than balances of futures between December 5 and 20?—A. That is right.

Q. That is true?—A. Yes.

Q. Then your bought sheets, the sheets that were produced the other day, were duplicates of the originals filed with you, as I understand it. Is that right?—A. Yes.

Q. And your records indicate sales made for future delivery?—A. Sales and purchases of them.

Q. And purchases?—A. Yes. Just the balances. Our records show what each individual—

Q. I hold in my hand Exhibit No. 16 which was produced by Mr. Murray as a copy of the closing sheet from your clearing house, in the name of the Canadian Co-operative Wheat Producers Limited, the firm name, dated December 9, 1935. Wheat "long," "short" and "month." 169,000 bushels—that would be "long" I take it. 820,000 bushels "short"?—A. Yes.

[Mr. Frank O. Fowler.]

Q. For May wheat. Now, that is the entry on that closing sheet?—

A. Yes.

Q. What does that mean, in terms which a novice like myself can understand?—A. Well, it means that they bought from different traders in the pit 169,000 bushels, and they sold 820,000 bushels.

Q. Yes. Why do you describe the one as “long” and the other as “short”?—A. Well, for convenience we have to have some designation for the purchaser and long and short was the quickest and easiest.

Q. Bought and sold. That is the way it is done. And on these sheets, after the price is fixed and you debit 850,000 you strike a balance, and then you show upon your previous day's close, 174,915 long bushels of wheat, 87½ previous close, and 87¼, and the price. Then, “open to next session,” you merely show the balance?—A. That is the balance.

Q. The record shows that is the balance. That is the balance of 174,264 bushels and the price of it?—A. Yes, 174,000,000.

Q. Pardon me, 174,264,000?—A. That is the record we keep from every trader, and our sheets have the balance. We have just as many boughts as we have solds, and they do balance both as to money and wheat everyday.

*By Mr. Ross:*

Q. Mr. Fowler asked Mr. Bennett a question as to whether that was wheat bought in the pit. Might this be exchanges for wheat sold?—A. There might be some of those in there, but I could not tell.

*By Rt. Hon. Mr. Bennett:*

Q. Perhaps you have answered a question I was going to ask you. Can you, from the information which you have at your disposal, indicate the extent to which any persons dealing through your clearing house, were long or short on the market?—A. You mean without having any wheat to deliver on it at all, actually short?

Q. Yes.—A. I could not tell; I have no means of telling. I wanted to tell the committee that. That was why I asked the chairman. I wanted to tell the committee. I could see from the trend of the questions that had been asked by different members of the committee, plainly that our records would not help them out in the information they wanted, respecting the longs and the shorts in the market. I was going to tell them that the only way they could get the information is to do what I did in 1934 for the grain exchange. They asked me to analyze the position in the fall of 1934 for three different days, and I did so. I took my staff and I sent out a questionnaire to all members of the clearing house, because I knew they would give me the information, and we analysed it. We made them reply to the questions in such a way that we could distribute all the purchases and sales; and we distributed them and balanced them and gave them to the exchange.

Q. Would you be able to do that, Mr. Fowler, accurately without having access to documents and records which are outside of this country altogether?—A. No.

Q. That has been by difficulty in trying to follow it from the start.—A. You would have to take an auditor—if you want to be absolutely sure and accurate you would have to take an auditor, send him out to our office, and we will give him the foundation to start from, and then he would have to examine and question every member wherever he is, unless he was advised that he did not need to. He could then make them produce the necessary evidence to convince him whether it was a real short or against a hedge of some wheat. You could not get that from me or from my office if you moved the whole office down here.

Q. I gathered from what you said, one might not be able to get it in Canada?—A. If it was a member trading in our exchange, the exchange could compel that member to get the information, or they could expel him from the exchange.

Q. The information is not available in Canada?—A. It might not be, I don't know.

Q. I want to be clear on that, as I had the same view as one of our friends had here a few years ago, that we might start in and make an investigation through your office and know the whole story?—A. No.

Q. From you say now, Mr. Fowler, we would not be able to do so, and so far as accuracy is concerned, we could not be absolutely accurate unless our auditors actually had access to the books of the people that might be outside this country altogether. I notice some of the cables and telegrams that are sent from Europe and other places, but accurate knowledge with respect to these matters depends on the accuracy of the result?—A. Really, when it comes to the final analysis you would have access to the records, or else get information attested to from them; that is the only way.

Rt. Hon. Mr. BENNETT: I think that is all.

*By Mr. Ross:*

Q. Before Mr. Bennett leaves, I should like to say that I did not hear him very well when he was reading from the paper. I should like to know what he read from.

Mr. BENNETT: I was reading from a paper published in Regina, the *Regina Leader-Post*. The quotation I read appears under large block letters, and is as follows:—

Ross charges McFarland exceeded his authority.

The whole story is that McFarland bought wheat, but the purchases were made in the name of the Canadian Wheat Producers Limited.

Mr. Ross: My contention, no matter what the newspapers say, is that for the Canadian Wheat Producers Limited, Mr. McFarland or his agents purchased ten million bushels of wheat in the pit, which later was handed over to the wheat board, and therefore increased the holdings of the wheat board by ten million bushels.

Rt. Hon. Mr. BENNETT: Of course, the answer is that the very days he bought he sold, and that he sold 4,000,000 bushels more than he bought. That is the answer. Whether it is convincing to the man who desires to make this statement or not, I do not know.

The CHAIRMAN: That is hardly pertinent to the questions asked this witness.

Mr. Ross: It is pertinent to the matter that is before this committee.

The CHAIRMAN: That is quite all right. I do not want to interrupt you. We have a certain witness here, and these questions are not questions that may be directed to him, but may be taken up later.

Mr. McLEAN: If there are any statements to be made, now is the time to make them.

The CHAIRMAN: All right, go ahead.

Mr. Ross: Mr. Chairman, in connection with what Mr. Bennett says about selling wheat and at the same time purchasing wheat, may I say that he went to great pains the other day to prove that the board had no right to purchase wheat in the pit. Now, although Mr. McFarland was not purchasing for the wheat board at that time, as the records clearly show, nevertheless these purchases made by Mr. McFarland did add to the amount of wheat taken over by the board later. It matters not what he sold in the pit. When he sold

[Mr. Frank O. Fowler.]



fourteen million bushels that was sold, and the board did not have to take it over. They were out of it. But, when he bought 10,000,000 bushels more, it increased the amount that the board had to take over later. That is what I had to say, and I still stand by it.

Rt. Hon. Mr. BENNETT: I would expect the hon. gentleman to stand by it, Mr. Chairman. If a man buys 10 dozen of anything, and sells 12, he has sold two dozen more than he bought. But apparently if we apply the arithmetic of the hon. member for Moose Jaw to this transaction Mr. Murray has been working for some time on the wheat board, he has not sold any wheat.

Mr. ROSS: Not at all, Mr. Chairman.

Rt. Hon. Mr. BENNETT: He bought a lot of May options, but sold no wheat.

Mr. ROSS: He took May options in exchange for cash wheat.

Mr. BENNETT: There is nothing to prove that is not what Mr. McFarland did.

Mr. McLEAN: No; he made purchases in the pit.

Rt. Hon. Mr. BENNETT: 63,000,000 bushels of wheat that were sold by farmers before the wheat board came into existence during that period of time—all right, that does not make any difference.

Mr. McLEAN: No; the board was in existence.

Rt. Hon. Mr. BENNETT: The board was not organized until September.

Mr. ROSS: According to the act, Mr. McFarland could not buy wheat in the pit for the board.

Rt. Hon. Mr. BENNETT: It is perfectly clear from the statute.

Mr. ROSS: But he did buy wheat in the pit for Canadian Wheat Producers, and then turned it over.

Rt. Hon. Mr. BENNETT: He sold before he turned it over.

Mr. PERLEY: There is no evidence he had other cash wheat for delivery.

Rt. Hon. Mr. BENNETT: The wheat Mr. Murray took over was 4,000,000 bushels less than it was the day before Mr. McFarland bought.

Mr. ROSS: Four million bushels?

The CHAIRMAN: I am afraid you gentlemen will never agree on the matter. In a sense, it is out of order.

Rt. Hon. Mr. BENNETT: Excuse me, Mr. Chairman, I have to leave.

The CHAIRMAN: Are there any further questions?

Mr. PERLEY: I have a question or two to ask Mr. Fowler.

*By Mr. Perley:*

Q. The broker in the exchange gets an order either to buy or sell. Does he clear that in his own name, or in the name of the firm from whom he gets the order?—A. It depends on the arrangement between the broker and the principal. Sometimes they do and sometimes they do not. The broker may not be a member of the clearing house.

Q. Well, if he is a member is all the trading he does in the pit cleared in his name that day?—A. It might be, or he might give up the name and the principal clear.

Q. He may be employed by two or three different parties in one day? For instance, one of these brokers takes an order to buy 100,000 bushels of wheat, and he consummates that order; then he later on gets an order to sell 100,000 bushels and he consummates that. In his clearing sheet, how would his trades show?—A. The principal might instruct him to clear it in his own name, or turn over his card to the principal, and the principal clear it.

Q. Well then, he could do something more or less under cover in that way, could he not?—A. I don't know.

Mr. PERLEY: I do not know that I have anything further to ask Mr. Fowler.

*By Mr. Fair:*

Q. Mr. Fowler, can you tell us approximately how many persons are employed in the grain exchange?—A. Employed, Oh, goodness no. I know how many I have in my office. I have understood that the number was somewhere around 1,500 or 2,000; that is, in the building. I do not know how many are employed.

*By Mr. Coldwell:*

Q. Would you include commission agents in that?—A. Brokers' commission agents?

Q. In the 1,500 you mentioned?—A. No, clerks and everything else.

*By Mr. McLean:*

Q. Would that include the inspection department?—A. Yes—I don't know anything about that.

*By Mr. Perley:*

Q. It would not include the fellows sitting around in the brokers' office?—A. They are pretty scarce just now.

*By Mr. Fair:*

Q. Could you tell us what the commission is that the brokers receive, and does it vary when wheat is selling at 40 cents a bushel, or \$1.50 a bushel?—A. I do not know anything about commissions. I have heard about that, but I do not know that definitely.

Q. I believe we were told here it is 25 cents a thousand bushels; would that be correct?—A. Well it varies on what the commissioner is asked to do. If a commission broker is asked to sell futures, he has a certain charge; if he is asked to sell cash wheat, he has a certain charge. It varies, I believe, on what the nature of the commission is.

Q. The price at which wheat is selling has nothing whatever to do with the commission? It is done on that basis?—A. I understand so.

Q. Every time a trade is made, that means a little more expense added to the cost of wheat?—A. Yes, but it is very slight.

Q. I wonder where it comes from, whether it comes from the brokers' pocket or the producers'?—A. It comes out of the producers', no doubt. I want to tell you one thing, there is no business in the world that is conducted on as close a margin as the grain business.

Q. I found that out from the producers' standpoint.—A. You can get your business done cheaper than in any other line of business in the world.

Q. Why have so many producers gone broke, then?—A. I cannot tell you why.

*By Mr. Coldwell:*

Q. Has any estimate ever been made of the total cost of operating the grain exchange clearing house in any one year? I have never seen an estimate; I was wondering if an estimate had been made.—A. No, I do not think so. It would be very hard to make.

Mr. FAIR: It would be very interesting, Mr. Fowler.

Mr. DEACHMAN: It would be interesting also to have an estimate of the service rendered and the cost without it.

Mr. ROSS: And the cost of working it right.

[Mr. Frank O. Fowler.]

WITNESS: It all depends on whether you want the open market, or whether you want to encourage a centralized selling agency. I have been on both ends of the string. I have grown wheat; I have handled wheat; I know both ends of it, and I want to tell you—

*By Mr. Perley:*

Q. Were you ever short?—A. I have been short, too.

*By Mr. Fair:*

Q. Your experience has been it is far more profitable to farm the farmer than to farm the land?—A. No, I would not say that. I do not think there is anybody who has been able to farm the farmer. I have never run across him.

MR. DEACHMAN: You are in the grain business, are you not Mr. Perley?

MR. PERLEY: Yes.

MR. DEACHMAN: Perhaps you can tell us your experience of farming the farmer.

MR. PERLEY: I always tried to give them a square deal.

WITNESS: Most people do that, too.

MR. PERLEY: My instructions to my agent were at least to be fair with the farmer in weights and everything else, and I may say as an independent dealer I often cut the commission fees and the elevator charges to the farmer. Of course, that was from the standpoint that I wanted to get wheat. There was an awful lot of objection made to that by the trade.

The CHAIRMAN: Any further questions?

*By Mr. Senn:*

Q. The cost at the clearing house of a bushel of grain is infinitesimal?—A. I think it is a little less than that! Our regular charge is one-half cent for every one thousand bushels and, as I explained to you the other day, we have an arrangement whereby we retain 10 per cent on our capital and divide the balance of the earnings and return it to the members in proportion to the amount they contribute. So that we are giving service at cost except the 10 per cent.

Q. And the one-half cent per thousand bushels that does come out of the farmer is not going to change the price of grain very much?—A. It is all a part of the elaborate machinery for marketing, and I do not think it can be done any cheaper.

Q. I do not think so?—A. No.

*By Mr. McLean:*

Q. Does that one-half cent provide the machinery to guarantee to the farmer that if he makes a business transaction it will be carried through, that he will have his contract carried through or be compensated if it is not carried through?—A. It provides \$600,000 odd as security for fulfilment of all contracts that come into the clearing house. We might not have that particular trade, you see, but anything that comes to the clearing house has that capital behind it as security for the fulfilment of the contracts.

Q. In practice that means that contracts will be carried out?—A. We have never had an instance when they were not, with the exception of once, and that cost us about \$32,000; we had to fill them; the contracts were carried out.

*By Mr. Donnelly:*

Q. You guarantee to fill them?—A. Yes, we fill them. We give the security to all the members.

The CHAIRMAN: Any further questions? If not, is the committee willing to discharge Mr. Fowler.

Witness discharged.

The CHAIRMAN: Does any member desire to recall Mr. Murray this morning?

Mr. PERLEY: Yes. Mr. Murray had better come back.

J. R. MURRAY, recalled.

The WITNESS: Mr. Chairman, before Mr. Perley asks any questions, so that the matter might be made entirely clear, may I say that Mr. Bennett in questioning Mr. Fowler about these clearing house sheets commented on this account long 169,000 bushels and asked if that was bought in the pit, and Mr. Fowler's answer was: "I think it would be" or "might be." Later Mr. Ross asked a question as to whether that might not be exchanged or bought in exchange for cash wheat. That is the fact. That 169,000 bushels shown on the sheet for December 9 is 169,000 bushels of May options taken back in exchange at the same time that that quantity of cash wheat was sold. There was not one bushel of it bought in the pit; it was all in connection with a cash grain transaction.

*By Mr. Donnelly:*

Q. Is it not so marked on the records?—A. Not on the clearing sheets, no.

*By Mr. Perley:*

Q. While we are on Mr. Ross's question about Mr. McFarland, I am inclined to believe that Mr. McFarland's operation up to September 6 when the price was fixed was a stabilization operation. After that is it not possible that his purchases were an exchange, that he gave up the cash and took the option?—A. Mr. Chairman, I do not know anything about what his operations were—

Q. You said it was not, I think?—A. Might I finish, Mr. Perley.

Q. Yes?—A. This arose out of some remarks made in the committee some time last week, as the result of which and of questions asked I sent to Winnipeg, and I am advised that when these records came down the accompanying letter said they were purchases made in the pit and had no connection with cash grain transactions. I do not know anything further about them than that.

Mr. PERLEY: I think that is the impression Mr. Ross has.

Mr. ROSS: Absolutely.

*By Mr. Perley:*

Q. The only way we can tell about that is to have the clearing sheets for those purchases?—A. The clearing sheets will not tell you that.

Q. If we had Mr. McFarland here he could tell us whether it was an exchange or not. That is the only way we can find out?—A. No. The records of the Canadian Co-operative Wheat Producers Limited and the Canadian Wheat Board will show that.

Q. Whether it was an exchange proposition?—A. Yes.

Q. Is it possible for us to get the record?—A. The record sent down to me shows it was in the pit.

Q. We should have the records of the cash sales?—A. Yes. The accountants know whether purchases like that are against cash sales or not, and when

[Mr. James R. Murray.]

they say they are not I take it that it is an accurate statement. For instance, I have secured some statements here in connection with those clearing sheets (Exhibit 16) as the result of references made to them on Friday, on the 13th.

Q. I propose to ask a few questions?—A. Very well, sir.

Q. Now, of course Mr. McFarland was taking a lot of wheat after September 6 from the farmers in the country? They were delivering wheat, and it is possible that he could be selling that wheat and taking options, and the references to the export clearances are already on the record, showing that the export clearances were quite heavy in that period after September 6: 2,000,000 bushels, 2,900,000, 2,800,000, over 2,000,000 every day?—A. Every day?

Q. Every week?—A. Yes.

Hon. Mr. CREER: Assuming that those were stabilizing operations, was there any need for stabilizing operations after the prices was fixed at 87½ cents on September 6?

Mr. PERLEY: No; I will admit that. The only way I can see of clearing it up is for the committee to ask Mr. McFarland to come here. I do not think we should allow anything in the nature of a charge against Mr. McFarland to go on the record of the proceedings without the committee taking steps to have it cleared up.

*By the Chairman:*

Q. I think you said that from the records it was shown that the purchases in the pit for Mr. McFarland or for the Wheat Producers of 10,000,000 bushels were not in exchange for cash wheat?—A. I said the records show that; that is the advice I had from the accounting department.

Q. Mr. Perley has intimated that perhaps purchasers of wheat from the producers, from the farmers, might be set off against that 10,000,000 bushels, is that possible?—A. You cannot set off a purchase against a purchase.

*By Mr. Perley:*

Q. He could sell the cash wheat and take the option. That is what you have been doing?—A. Yes.

The CHAIRMAN: I want to have it cleared up whether there is any explanation of the purchase of the 10,000,000 bushels.

*By Mr. Ross:*

Q. This thing specifically states that that is not what was done?—A. I think I read the letter. I do not wish to be put in the position that I am making any statement about Mr. McFarland's operations at all. I have done my best when before the committee not to make any statements about him. I think my foot did start to slip one day under a little clash or comment on an opinion that was being expressed, but I read the letter the other day, I think, that accompanied these documents, a letter signed by the acting treasurer, Mr. Aitken, who has been with the Canadian Co-operative Wheat Producers Limited and the Wheat Board for several years and is in charge of the records. I can file the letter. (Exhibit 18).

*By the Chairman:*

Q. I merely wanted to clear up in my mind, with respect to what you state the records show, namely, that the 10,000,000 bushels were bought in the pit against which there were no sales of cash wheat, whether the explanation suggested by Mr. Perley is a possible explanation?—A. Not as I understand it, it could not be. The last paragraph of this letter of April 24, 1936, reads:—

These purchases of options have no connection with any cash grain transaction but were outright pit purchases.

*By Mr. Deachman:*

Q. What position is occupied by the man who wrote that letter?—A. Acting Treasurer of the Canadian Wheat Board.

Q. So we have the statement of the Acting Treasurer?—A. Mr. Findlay, as you know, was treasurer of the Canadian Co-operative Wheat Producers Limited and of the Wheat Board. He had to go away on an extended leave of absence on account of break-down in health, and Mr. Aitken stepped into his position as the next man to him in the office.

*By Mr. Perley:*

Q. And you do not think the purchases can be offset against the sales made by Mr. McFarland from the 14th August to the 16th October. Those are the dates?—A. That covered down to December 1; there was nothing after the 16th October.

*By Mr. Ross:*

Q. There would be no reason to purchase anything. Did not the Wheat Producers or the Board hold a tremendous amount of wheat anyway on the long side?—A. I do not think it is up to me to answer that question.

The CHAIRMAN: Did you file that letter?

Mr. McLEAN: I think it was printed the other day.

The WITNESS: I think I read it.

*By Mr. Perley:*

Q. Just a few questions about that period between the 10th and 20th. We understand an arrangement was made that you would fill the contracts at one-quarter of a cent over the previous close. At whose suggestion was that meeting of the 10th with the exporters held?—A. The Wheat Board's.

Q. Your suggestion?—A. Yes.

Q. Were the representatives of Bunge and Dreyfus and the Continental Company there?—A. The exporters elected their own committee. The names of the committee are on the record. I have forgotten now all of them.

Q. Could you let us know if the representatives of these three firms were there, and who they were?—A. My recollection is that none of their representatives were on the committee. The names of the committee are on the record.

Q. I think it is important that we have the names of the committee who were at that meeting?—A. They are on the record, Mr. Perley. I am not just sure where I have them in my file.

Mr. DEACHMAN: We have had this examination three times by Mr. Bennett and twice by Mr. Perley.

Mr. PERLEY: Following the reviewing of the clearing sheets, Mr. Deachman. That is the reason I am asking these questions.

The WITNESS: They are in these minutes. I can get them in just a second. The names are: R. C. Reece, S. T. Smith, H. Gauer and George Matheson. That committee was appointed by the exporters themselves.

*By Mr. Perley:*

Q. To meet you to discuss these arrangements?—A. To meet our board, yes.

Q. To make these arrangements?—A. To make the suggestions to us.

Q. Who made the suggestion of a quarter of a cent?—A. The committee.

Q. The committee did, to you?—A. Yes.

Q. And you accepted that?—A. Yes, with the proviso about the audit; they did not suggest that.

[Mr. James R. Murray.]

Q. You stated to Mr. Bennett this morning that these three large companies have offices or are doing business in every country in the world?—A. I understand so.

Q. And they have offices in the Argentine. Is it possible that their representatives in the Argentine would have had a little advance information with respect to what was likely to happen and what the government was likely to do and did do on the 13th?—A. I do not know what would be possible, but if I might mention trade comment at the time, trade comment at the time was that it was an amazing thing that this move was kept secret from everybody in the way it was until the last moment.

Q. I think it is fair to assume that these fellows who are on the job and not sleeping on the job as you stated a while ago no doubt would know what was likely to happen?—A. If they had known ahead what was going to happen they would be long.

Q. If they were short that day they would have been anxious to cover?—A. If they had known ahead of time they would not have been short.

Mr. DEACHMAN: If they had had a little fore-knowledge they would have remained short until yesterday. Instead of being short they were simps or saps!

Mr. PERLEY: I do not think they were so very simple.

Q. Let us come back to the auditor's statement which has been tabled here as an exhibit (Exhibit 12), dated March 6. I made a reference in the House on the 13th February, I think, to this particular deal, and referred to these offers and acceptances and said that when the investigation which had been promised took place we would ask to have them produced. Now evidently the offers and acceptances have not been produced, and at least you were not satisfied until we had the auditors' statement of March 6, is that correct?—A. I do not understand your question.

Q. I referred to the fact that the wires had been hot between Winnipeg and Liverpool on that morning, and said certain offers and acceptances had to be produced, and it was stated at page 191 of Hansard that we would get them and a lot more, too. Now, we have not been able to get them, but we have the auditors' statement in their place dated March 6, is that correct?—A. Of course, I have nothing to do with any statements in Hansard. As far as our Board is concerned we put people we believe to be competent auditors to work. They took time enough at it to do it thoroughly. Their report is here, and I suppose the auditor could appear before the committee if the committee wished.

The CHAIRMAN: Have not all the records been produced that were asked for in the committee?

Mr. PERLEY: The offers and acceptances have not been produced, but in their place the auditors' statement has been produced. In the early part of the proceedings of the committee I asked for the offers and acceptances.

The CHAIRMAN: You asked for those documents. Have they been produced?

Mr. PERLEY: No.

WITNESS: I never understood that there was any such thing asked for.

Mr. PERLEY: I asked for the offers and acceptances and the auditors' statement has been produced, I presume to take the place of the offers and acceptances I asked for.

The CHAIRMAN: Are you satisfied with that?

Mr. PERLEY: I am coming to that.

Q. The auditors' statement is dated March 6, 1936, and states:—

The delay has been unavoidable and was caused by the fact that we had to await the receipt from the United Kingdom and European countries of sales contracts, sales confirmations—

They would be offers and acceptances—

and other documents confirming sales which we had required to be procured for our inspection.

Now, the third and fourth paragraphs of that report are important, too.

The third paragraph reads: "All the grain companies showed us evidence that they had acted upon communications received from their principals, associated offices, branch offices or correspondents by telegraph, cable or in two instances by telephone (later confirmed by telegram) at or before the opening of the market on the morning of 13th December." Now, there must have been some. These were the wires that I had reference to, and I think they should have been produced?—A. Mr. Chairman, there have never been any such documents in the possession of the Wheat board.

Q. They must be in the possession of the auditors. They say here very definitely—A. Yes, certainly. They satisfied themselves in regard to it. Whether they still have them or not I do not know.

Q. They say in the first paragraph, delay has been unavoidable, because of the difficulty of getting them; and it is evident from the third paragraph that there was a lot of communication by telegraph, cable and even telephone. The point I wish to make in that connection, Mr. Chairman, is that I think the statements which I made in the House have been substantiated by the auditors' report, that there were wires on the 13th between Winnipeg and Liverpool and these firms and their head officers, getting offers and acceptances.

The CHAIRMAN: The letter would speak for itself. If you want us to have this evidence produced we will have to get the auditors here.

Mr. PERLEY: I do not want to hold the committee up, but I think it is plain from the two paragraphs read from that letter that there were wires somewhere, or offers and acceptances.

The CHAIRMAN: The letter will speak for itself. If you want to have these communications produced in evidence we will have to call the auditors. Mr. Murray says he is not in a position to furnish it.

Mr. PERLEY: I won't press that now unless we decide to call other witnesses, and the committee is held up.

*By Mr. Perley:*

Q. I want to go back to the 13th again. In the clearing house sheets (Exhibit 16) we see the names of several men who are registered in your membership book as brokers. For instance, Mr. Tooley, Mr. Fowler and Mr. Saunders; just to mention three. It shows that on the 13th you sold to Mr. Tooley 670,000 bushels. Here it is in two different places; on the third sheet and the last sheet?—A. How much did you say, Mr. Perley?

Q. 670,000?—A. That is right, sir.

Q. Then, Mr. Fowler got 155; Mr. Parker got 625; and Mr. Saunders got 200. Is that right?—A. I haven't checked them all. I have no doubt they are correct.

Q. I have taken from the full period; that is from the 10th to the 13th. There are five brokers whom I have mentioned got 6,395 thousand. That is clear. The sheets show you sold these men that much?—A. But they sold themselves that much.

Q. Then, you employed them as brokers?—A. Yes, sir.

Q. Then, they in turn just traded in their names?—A. Yes. That question was asked to Mr. Fowler. I think it was you who asked him about the clearing.

Q. Your clearing sheets show that the sales were made to these men?—A. The same question was asked to Mr. Fowler; when a broker acting for a principal makes sales how they clear them, whether they gave the name of

[Mr. James R. Murray.]



the party they sold to or not. The reason it is cleared in that way is, say a broker sells 200,000 bushels of wheat for us and sells it to 10 different parties all at the same price, it is a lot easier for us to clear it in one amount of 200,000 sold to that broker than to clear 10 different lots.

Q. Then, in order to find out who Mr. Tooley or these men are acting for we would have to have their clearing sheets?—A. To find out whom they sold to. You would get it from their records.

Q. We would have to get it from their records?—A. Yes, sir.

Q. I understand that Mr. Saunders had 200,000 each day. Was that a coincidence, or how does that happen?—A. That was an order that he had. It was a standing order over a certain period of time.

Q. He could sell for you each day 200,000?—A. His order was to feed that 200,000 into the pit each day in small lots scattered throughout, from the beginning to the close of the market.

Q. Well, then, there is no way we could tell the disposition of this 6,400,000 some odd total that these three or four brokers—or four or five of them—unless we had their clearing sheets here?—A. You would have to get it from them.

Q. That would be quite a lot of work. It would hold the committee up for some time. The idea I had was that possibly they were working for Dreyfus, or Bunge or someone like that?—A. When we gave them an order to sell wheat they were working for us. To arrive at what you want you would have to get it from their records.

Q. They were more or less operating in a dual capacity that day?—A. Not necessarily.

Q. Did you pay them a brokerage fee?—A. Yes, sir.

Q. Well now, the auditors' statement shows that eventually they found out that they were in a difficult position—can you give us the amount of that?—A. 503,000 bushels I think was the total.

Q. Could you give us the names of who were the guilty parties, so to speak?—A. I could, but I do not know whether the committee would think it was the fair thing to do; just for this reason, Mr. Perley, that they will be branded as guilty parties, and intentionally so, and I would not want to brand them as that.

Q. Could you just tell us what kind of a settlement you made with them?—A. 2 $\frac{3}{4}$  cents a bushel.

Q. That would be about \$15,000 wouldn't it?—A. No, not at that 2 $\frac{3}{4}$  cents. It would be something over \$13,000.

Q. It would be around \$13,700. Well, there is a term used, some of these large firms do business either buying or selling "under cover." I suppose that is what these brokers were doing?—A. Yes.

Q. That is what is usually meant?—A. Some of them do not have their own men actually trading in the pit. They are on the trading floor but they do not actually trade in the pit.

Q. I do not know that I have very much more, Mr. Chairman, I was just going to ask Mr. Murray whether a system of marking grain for the farmers in which brokers were used "under cover," whether that would get a better price for the farmer?—A. Of course, the broker is there doing business for everybody and anybody, and nobody knows who he is getting orders from. Take a private wire house, they have traders in the pit some days selling a lot of wheat, and people guess as to whether it is Chicago selling, or the Wheat Board selling. They do not know, it is just guess work.

Q. Mr. Tooley in these nine days I gave, from the 10th to the 20th, got 2,435,000 bushels. It would help some of the shorts out if he was operating for

them; at least if he was handing it over to them?—A. Of course, he is considered, I think it is fair to say, one of the best and most successful brokers in the pit, one of the best traders in the pit.

Q. A broker who is not asleep on his job?—A. He is known as that throughout the trade.

Mr. SENN: He would not be doing anything wrong if he did buy for the shorts.

Mr. PERLEY: No.

WITNESS: He does I know act for exporters at times in filling their requirements in the pit.

Mr. PERLEY: Always ready to take orders, I would think, from anyone.

WITNESS: Yes, and then able to execute them well too; as many other brokers there do.

Mr. PERLEY: It might be of interest for the committee if we could have Mr. Tooley's clearing sheets, also Saunders and the others; just to trace the disposition of the wheat that he received from the board. However, I think that there would not be enough connection to hold up the committee to have Mr. Tooley come.

The CHAIRMAN: Are there any other questions?

WITNESS: There is one statement here which I would like to file with the committee. It has no connection with our operations, or anything like that, but it might be of interest to the committee.

The CHAIRMAN: What is it about?

WITNESS: It deals with Canada's trade structure in relation to the marketing of wheat. (*Exhibit 19, printed as an appendix to this day's evidence.*)

The CHAIRMAN: If there are no further questions we will discharge Mr. Murray.

Witness discharged.

The CHAIRMAN: Do the committee wish to proceed?

Mr. McLEAN: Are there any more witnesses to be called?

The CHAIRMAN: Does any one propose any other witnesses?

Mr. PERLEY: Unless some member of the committee thinks Mr. McFarland should be brought here to clear up this charge. I do not think it is fair for us to leave him under a cloud that way. However, if the committee is satisfied with the evidence given this morning that clears it up.

Mr. COLDWELL: You mean, Mr. McFarland was not acting for the Wheat Board?

The CHAIRMAN: That is thoroughly established more than once in the evidence.

Mr. PERLEY: I think some statement should be made with regard to the charge which has appeared in the western press. It is giving people a wrong impression and it should be corrected.

The CHAIRMAN: Mr. Perley, I think it has been abundantly shown in the evidence before the committee that Mr. McFarland did not purchase 10,000,000 bushels for the Wheat Board as chairman of the board. I think that is clear, absolutely.

Mr. SENN: Is there not a further assumption that the wheat was purchased on account of the Wheat Producers, that 10,000,000 bushels was handed over afterwards?

The CHAIRMAN: I think it is abundantly clear that that was not purchased on account of the Wheat Board.

[Mr. James R. Murray.]

Mr. SENN: There is the implication there that when the wheat was acquired by the board there was a profit accruing to the Wheat Producers.

Mr. McLEAN: He bought some of that wheat on behalf of the Wheat Producers at a dollar. It was turned over I think at a lesser figure.

Mr. SENN: If there was any insinuation or suggestion that a profit was made for the Wheat Producers I think it should be refuted.

The CHAIRMAN: I do not think that ever arose.

Mr. PERLEY: Taking all the transactions together there is a profit in it.

The CHAIRMAN: I do not think the matter of profit or loss was even hinted at.

Mr. SENN: I just wanted to be sure that that was not the assumption intended by some of the evidence.

Mr. ROSS: That is not the assumption. The point is this: Mr. McFarland did purchase 10,000,000 bushels of wheat in the pit which later came to the Wheat Board. Mr. McFarland did have all kinds of May options on hand with the Wheat Producers Limited, and he sold 14,000,000 bushels of these in the pit, which he had a perfect right to do.

Mr. PERLEY: And, on all his transactions it shows a profit.

Mr. ROSS: Yes, but when you put the one against the other you find this, that he had wheat to sell—May options—for Canadian Wheat Producers Limited, he did sell them; but he purchased in the pit 10,000,000 bushels, and that 10,000,000 bushels added to the final amount that he turned over to the Wheat board to the extent of 10,000,000 bushels which he otherwise would not have had to turn over if he had not bought these 10,000,000 bushels.

Mr. PERLEY: Well then, Mr. Chairman, it seems to me that we may have to go into it and see if he got a fair price for all the wheat bought and sold in August, and in September and October as well.

Mr. ROSS: It is all in the record.

Hon. Mr. CRERAR: If the price was fixed on September 6th there was no occasion for Mr. McFarland to carry on any stabilizing operations, and operations were carried on after that date; for the Wheat Producers, I agree. Now, if you or Mr. Bennett wish to call Mr. McFarland, the committee expressed its opinion the other day that it would be glad to hear him; but if you do not wish to call him I do not know that it is up to any other member of the committee to call him.

Mr. PERLEY: I do not wish to delay the work of the committee, but I think we should not leave Mr. McFarland under a charge of this kind, that he exceeded his authority.

The CHAIRMAN: I think you admitted that yourself.

Mr. PERLEY: I said that possibly he had, but I said the man should have a chance to clear it up.

The CHAIRMAN: If you feel that way, and if you will make a motion that he shall be called, we will put it to the committee and let them decide.

Mr. DONNELLY: Mr. McFarland must be aware of what has been taking place in this committee, no doubt he has seen something of it in the press. Has Mr. McFarland expressed any wish to you that he should be called?

The CHAIRMAN: No, he has not.

Mr. DONNELLY: It is up to him.

The CHAIRMAN: It is 1 o'clock now. Is it the wish of the committee to meet this afternoon?

Hon. Mr. CRERAR: I think we should, it would settle our course.

Mr. McLEAN: If there are no other witnesses to be called I would be glad to suggest that the chairman name a sub-committee to prepare our report.

The CHAIRMAN: Whatever may be the composition of the sub-committee appointed to prepare our report, I think we should put in that report some sort of a recommendation as to what course should be taken with regard to the further examination of the whole wheat situation; whether we want to go on with a Royal Commission, or whether this committee wants to look into it further. I think that is very important.

Mr. PERLEY: I would suggest another meeting of this committee in camera before you appoint the sub-committee to prepare our report.

The CHAIRMAN: I think that should be done. Shall we meet this afternoon at 3:30? I think it is important that the sub-committee should have some instruction from this committee as to how the further investigation should be carried on.

Mr. PERLEY: As far as I know that will be satisfactory.

The CHAIRMAN: Mr. Darby has not yet been relieved from attendance before this committee. If it is agreeable to the committee we will relieve him from further attendance.

Mr. Darby discharged.

The committee adjourned at 1 o'clock p.m. to meet again in executive session at 3:30 o'clock p.m. this day.

APPENDIX

EXHIBIT No. 19

Filed by Mr. Murray

CANADA'S TRADE STRUCTURE IN RELATION TO THE MARKETING OF WHEAT  
COMPILED BY THE CANADIAN WHEAT BOARD

March 14, 1936

I. Where Canada's Wheat is Marketed

*Preliminary Note.*—Canadian trade statistics are very inaccurate in respect to the "destination" of wheat exports as between the United Kingdom and countries of Continental Europe, the error lying in the fact that a large volume of wheat is shown as going to the United Kingdom, whereas its actual destination is Continental Europe. The External Trade Branch of the Dominion Bureau of Statistics has given consideration to this inaccuracy in Canadian export statistics and as a result has published revised figures showing actual Canadian exports to the United Kingdom.<sup>1</sup> The following table shows the revised export figures on a calendar year basis from 1925 to 1934 (thousand bushels):—

1925 . . . . .	85,017	1930 . . . . .	61,966
1926 . . . . .	82,965	1931 . . . . .	55,990
1927 . . . . .	76,812	1932 . . . . .	89,559
1928 . . . . .	100,933	1933 . . . . .	84,911
1929 . . . . .	68,297	1934 . . . . .	66,646
Average 1925 to 1929..	82,805	Average 1930 to 1934..	71,814

These figures show that the volume of Canadian exports of wheat to the United Kingdom declined during the five years from 1930 to 1934, as compared with the five years from 1925 to 1929, in spite of the fact that the United States exported slightly over 100 million bushels less wheat to the United Kingdom from 1930 to 1934 than from 1925 to 1929.

By crediting Continental Europe<sup>2</sup> with wheat which was cleared from Canada to the United Kingdom but which was diverted before arrival in the latter country, and accepting Canadian export statistics as published by the Dominion Bureau of Statistics for the Orient and "Other Countries," the following distribution of Canadian wheat exports is obtained (see Appendix<sup>1</sup> for statistics by years 1925 to 1934):—

	Average 1925 to 1929	Average 1930 to 1934	Decline 1930 to 1934 as compared with 1925 to 1929
	(Million Bushels)		
Continental Europe.. . . .	157.7	107.8	43.9
United Kingdom.. . . .	82.8	71.8	11.0
Orient <sup>3</sup> .. . . .	15.9	9.6	6.3
Other Countries.. . . .	10.4	9.0	1.4
Total.. . . .	<u>260.8</u>	<u>198.2</u>	<u>62.6</u>

<sup>1</sup>See Condensed Preliminary Trade Report, 1934, page 20.

<sup>2</sup>Throughout this memorandum Continental Europe includes the Irish Free State and Malta.

<sup>3</sup>Throughout this memorandum The Orient refers to China, Hongkong, Japan and Korea.

Applying the same method as that used by the Dominion Bureau of Statistics in revising export figures to the United Kingdom on a calendar year basis, and following the same method of distributing exports among other markets as

used in the preceding table, the following table shows a *crop year* distribution of Canadian exports from 1925-26 to 1929-30 and from 1930-31 to 1934-35. (See Appendix (2) for statistics by years from 1925-26 to 1934-35).

	Average 1925-26 to 1929-30	Average 1930-31 to 1934-35	Decline 1930-31 to 1934-35 as compared with 1925-26 to 1929-30
	(Million Bushels)		
Continental Europe.. . . . .	155.0	103.3	51.7
United Kingdom.. . . . .	82.6	71.8	10.8
The Orient.. . . . .	16.4	9.1	7.3
Other Countries.. . . . .	11.1	9.0	2.1
Total.. . . . .	265.1	193.2	71.9

The foregoing table clearly shows the importance of the Continental European market for Canadian Wheat. During the five years from 1925-26 to 1929-30, Continental Europe imported an average of 155.0 million bushels, as compared with an average of 82.6 million bushels of Canadian wheat taken by the United Kingdom. During the five years from 1930-31 to 1934-35, Continental Europe took an average of 103.3 million bushels of Canadian wheat as compared with 71.8 million bushels of Canadian wheat imported by the United Kingdom.

It will be noted from the above table that while exports of Canadian wheat to all areas shown in the table declined during the five years from 1930-31 to 1934-35, as compared with the five years from 1925-26 to 1929-30, the largest decline took place in the case of Continental Europe. The unfortunate showing of Canada in 1934-35 was largely due to a violent contraction in Canadian exports to Continental Europe, when Canadian exports to that area amounted to only 58.4 million bushels as compared with an average of 103.3 million bushels for the preceding five years, and an average of 155.0 million bushels from 1925-26 to 1929-30.

The foregoing figures are sufficient to illustrate the necessity of Canada improving her export position in respect to wheat by securing a greater volume of sales to Continental Europe. While some improvement may be expected in exports to the United Kingdom, to the Orient and to other countries, a return to the levels of 1925-26 to 1929-30 in exports to these countries would not solve our wheat problem while our trade with Continental Europe remains at such a low point.

The following table shows average exports of Canadian wheat to various markets from 1925-26 to 1929-30 and from 1930-31 to 1934-35, and for the crop year 1934-35:—

	Continental Europe	United Kingdom	Orient	Others	Total
	(Million Bushels)				
1925-26 to 1929-30.. . . . .	155.0	82.6	16.4	11.1	265.1
1930-31 to 1934-35.. . . . .	103.3	71.8	9.1	9.0	193.2
1934-35.. . . . .	58.4				

It is noted from the above table that during the past ten years over 50 per cent of Canadian wheat exports have gone to Continental Europe. The table also shows the extremely small exports of Canadian wheat to Continental Europe during 1934-35.

With these facts in mind, it is essential that Canada recognize the importance of Continental Europe as a market for her wheat, and direct attention to securing more satisfactory trading relationships with this market.

## *II. Canada's General Trade Position*

The table on the following page shows Canadian trade balances with (a) The United Kingdom, (b) Continental Europe, (c) The Orient, (d) Other Countries, (e) All Countries.

It will be noted that Canada has consistently maintained a favourable trade balance with the United Kingdom, Continental Europe and the Orient—areas which on the average, take over 95 per cent of Canadian wheat exports. In other words, our sales of wheat and other products to these areas are not off-set by purchases of commodities (but are partially off-set by invisible items which are too intangible to be considered in trade negotiations).

It will be noted that Canada does the bulk of her buying from, and in general has an unfavourable trade balance with "other countries," which are relatively small importers of Canadian wheat. The United States is the largest supplier of commodities imported into Canada and is included in "other countries."

Over the past ten fiscal years, it is apparent that Canada has used her favourable trade balance with large wheat importing countries to off-set unfavourable trade balances with "other countries" and particularly with the United States.

## CANADIAN TRADE BALANCES (1)

(Compiled from Canadian Trade Returns as published by the Dominion Bureau of Statistics)

	United Kingdom			Continental Europe			The Orient			Other Countries			Total—All Countries		
	Ex-ports to	Im-ports from	Balance	Ex-ports to	Im-ports from	Balance	Ex-ports to	Im-ports from	Balance	Ex-ports to	Im-ports from	Balance	Ex-ports to	Im-ports from	Balance
							(Million Canadian Dollars)								
1926.....	508	164	+344	136	60	+76	61	14	+47	610	690	-80	1,315	927	+388
1927.....	447	164	+823	152	78	+74	46	18	+28	607	771	-164	1,252	1,031	+221
1928.....	411	186	+225	161	86	+75	49	17	+33	607	820	-213	1,228	1,109	+119
1929.....	430	194	+236	209	92	+117	69	17	+52	655	962	-307	1,364	1,266	+98
1930.....	282	189	+93	122	95	+27	49	17	+32	667	947	-280	1,120	1,248	-128
1931.....	219	149	+70	89	75	+14	30	15	+15	462	668	-206	800	907	-107
1932.....	174	106	+68	77	51	+26	24	10	+14	301	411	-110	576	579	-3
1933.....	184	86	+98	71	35	+36	19	6	+13	200	279	-79	474	406	+68
1934.....	228	105	+123	72	34	+38	20	6	+14	259	288	-20	579	434	+145
1935.....	274	112	+162	57	37	+20	23	7	+16	306	366	-60	660	522	+138

(1) Excluding coin and bullion and re-exports of foreign merchandise.



The following table shows Canada's trade balance with the United Kingdom, Continental Europe and the Orient, combined. These countries constitute 95 per cent of the Canadian market for wheat.

	Exports to	Imports from	Balance
	(Million Canadian Dollars)		
1926.. . . . .	705	238	+467
1927.. . . . .	645	260	+385
1928.. . . . .	621	289	+333
1929.. . . . .	708	303	+405
1930.. . . . .	453	301	+152
1931.. . . . .	338	239	+ 99
1932.. . . . .	275	167	+108
1933.. . . . .	274	127	+147
1934.. . . . .	320	145	+175
1935.. . . . .	354	156	+198

It will be noted from the above table that Canada, over the past decade, has had a very large favourable trade balance with the most important wheat importing countries. While this favourable balance has decreased in recent years, it is still very substantial.

Prior to 1930, Canada's trade structure was based upon triangular trade—credits established in Europe being used to offset debits in the United States. With the economic depression, triangular trade has suffered a marked decline in favour of direct trade and this tendency presents a serious problem for Canada, in that she has never traded on a reciprocal basis with wheat importing countries.

Continental European countries have been, and are, experiencing severe economic and financial stress and under these circumstances have sought to limit imports in so far as their exports were curtailed and they had pressing financial obligations to meet abroad. It is only natural under these circumstances, that Continental European countries should look with concern at their unfavourable trade balance with Canada. A sharp shrinkage in the Canadian favourable trade balance with Continental Europe since 1930 is worthy of note.

The conclusion may be drawn from the above analysis that Canada's trade structure, with its favourable trade balance with countries which purchase 95 per cent of Canadian wheat, does not assist the problem of successful marketing of Canadian wheat under existing conditions. The situation points to the necessity of adjustments which will be dealt with later.

### III. Imports into Canada

The table on the following page shows imports into Canada from

- (a) The United Kingdom
- (b) Continental Europe
- (c) The Orient
- (d) Other countries (mainly the United States)
- (e) All countries

It will be noted that the total Canadian imports declined from \$1,248,273,000 for the fiscal year 1930 to \$433,798,625 in the fiscal year 1934 and \$522,431,153 in the fiscal year 1935. It is recognized, however, that price changes are reflected in import statistics as well as the volume of trade.

It will be noted that the percentage of total Canadian imports obtained from Continental Europe and the Orient have remained relatively stable over the past decade, while the percentage obtained from the United Kingdom has increased largely at the expense of "Other Countries."

It will be noted that Canada, in the fiscal year 1935, obtained 7.1 per cent of her total imports from Continental Europe, an area in which Canada sold

over 50 per cent of her wheat from 1930-31 to 1934-35. It will further be noted that in the fiscal year 1935, Canada obtained 70·1 per cent of her imports from countries which, during the past five crop years, purchased an average of 9 million bushels of Canadian wheat.

The decline in Canadian imports from Continental Europe during the past five years is shown in this table. It will be noted that during the past three fiscal years, *Canadian imports from Continental Europe have averaged about \$35,000,000, against which we expect Continental Europe to purchase over 150 million bushels of Canadian wheat.* In fact, it is essential that they do so if Canada is to have any chance to raise and market wheat crops of 400 million bushels.

## VALUE OF CANADIAN IMPORTS

(Value of Imports reflects commodity prices as well as volume of imports.)

Fiscal year ending March 31st	From United Kingdom	Per cent of Total Imports	From Continental Europe	Per cent of Total Imports	From Orient	Per cent of Total Imports	From others (Mainly U.S.)	Per cent of Total Imports	Total
	\$	%	\$	%	\$	%	\$	%	\$
1926.....	163,731,210	17.6	59,623,430	6.4	13,658,505	1.5	690,315,587	74.5	927,328,732
1927.....	163,939,065	15.9	77,995,291	7.6	17,634,253	1.7	771,323,896	74.8	1,030,892,505
1928.....	186,435,824	16.8	85,719,707	7.7	16,520,824	1.6	820,280,111	73.9	1,108,956,466
1929.....	194,041,381	15.3	92,433,309	7.3	17,421,474	1.4	961,782,927	76.0	1,265,679,091
1930.....	189,179,738	15.3	95,406,681	7.6	16,775,288	1.3	946,911,875	75.8	1,248,273,582
1931.....	149,497,392	16.5	74,577,523	8.2	14,988,107	1.7	667,549,673	73.6	906,612,695
1932.....	106,371,779	18.4	51,024,295	8.8	10,376,915	1.8	410,730,915	71.0	578,503,904
1933.....	86,466,055	21.2	34,908,883	8.6	5,982,173	1.5	279,026,633	68.7	406,383,744
1934.....	105,100,764	24.2	34,087,006	7.9	6,266,623	1.4	288,344,232	66.5	433,798,625
1935.....	111,684,875	21.4	37,108,093	7.1	7,439,630	1.4	366,018,555	70.1	522,431,153
Average wheat purchases from Canada from 1930-31 to 1934-35 (million bus.).....		71.8		103.3		9.1		9.0	193.2

#### IV. *The Problem of Marketing Canadian Wheat*

The foregoing analysis serves as a background for a discussion of the problems that must be faced in marketing Canadian wheat.

Owing to crop disasters in Canada, United States and the Argentine, Canada may be able to reduce her surplus during the present crop year from 215 million bushels on July 31, 1935, to say, 125 million bushels on July 31, 1936. Assuming that Canada is successful in reducing her carryover next July even lower than 125 million bushels, the wheat problem in its larger aspects will not be solved. What of the future?

An average crop in Canada on 1935 wheat acreage will yield 400 million bushels. What are our prospects of marketing an average crop in addition to a carryover of say, 125 million bushels at the end of the present crop year?

Leaving accumulated surplus stocks out of the picture, a crop of 400 million bushels in Canada will yield a surplus of 290 million bushels for export. Are markets available for 290 million bushels of Canadian wheat?

To successfully market 290 million bushels (including flour), Canada would have to have the following markets:

	Million Bushels
United Kingdom.....	100
Continental Europe.....	158
The Orient.....	15
Other Countries.....	17
	290

Canada can market 100 million bushels of wheat in the United Kingdom providing total British imports average 225 million bushels and Canada secures 45 per cent of that market—a somewhat higher percentage than she secured on the average prior to 1929.

Experience shows that the Oriental market is very uncertain and that Canada will do well to average 15 million bushels in that market, even if existing exchange difficulties are overcome. The market for Canadian wheat in "Other Countries" consists largely of flour trade with a large number of countries, none of which import in large volume. Exports to "Other Countries" during the present crop year are greater than usual owing to sales to the United States. The United States, however, is importing wheat this year owing to a series of crop disasters, and normal yield will return the United States to a net exporting position.

A reasonable survey indicates that at the best the United Kingdom, the Orient, and "Other Countries" provide a market for about 132 million bushels of Canadian wheat and flour. Markets for Canadian wheat over and above this amount must be secured in Continental Europe—markets for 155 to 160 million bushels of wheat and flour. Any failure to secure a continental market of these proportions will result in the accumulation of further surpluses in Canada with all the consequences of such a situation.

#### *Canada's Present Position re Continental European Market*

On page 2 of this Memorandum it is shown that from 1925-26 to 1929-30, Canada marketed an average of 155 million bushels of wheat in Continental Europe. During the past five crop years Continental Europe took an average of 103.3 million bushels of Canadian wheat—an average annual decline of over 50 million bushels. In addition, Canada marketed about 13.5 million bushels of wheat in the form of flour in Continental Europe from 1925-26 to 1929-30, as compared with about 4.4 million bushels during the past five crop years.

During 1934-35 Canada marketed 62 million bushels of wheat and flour in Continental Europe—about 100 million bushels less than the amount required to look after an appropriate share of the Canadian exportable surplus in an average year. During 1935-36 there will be a noticeable improvement in Canadian exports to Continental Europe but this increase will be mainly due to the harvesting of a very small crop in the Argentine.

#### *The Necessity for Governmental Action*

Trade relations between countries are determined by governmental policies and therefore the problems raised in this memorandum may be properly referred to the Federal Government. The data presented on pages 3 to 7 of this memorandum show conclusively that Canada's trade relations with Continental Europe have been and are such as to militate against the sale of Canadian wheat. Canada has not in the past, and is not trading on a reciprocal basis with Continental Europe. Canada has endeavoured to sell large quantities of wheat to industrial countries of Continental Europe and has purchased the greater part of her import requirements from countries which take only a small amount of Canadian wheat. During the past five years, through tariff action, Canada has curtailed imports from Continental Europe, thus further limiting the ability of these countries to absorb the wheat surplus which has existed in Canada.

The only way in which Canada can re-establish her wheat trade with Continental Europe under existing conditions is to facilitate the exchange of commodities and the establishing of mutually advantageous credits.

In order to sell the necessary volume of Canadian wheat in Continental European countries, Canada should increase her imports from Continental European countries by at least \$100,000,000. This would place Canada on a reasonable trading basis with these important markets for Canadian wheat.

## CANADIAN EXPORTS OF WHEAT

(Bushels)

	1925	1926	1927	1928	1929
United Kingdom.....	172,069,589	182,926,150	183,145,578	236,953,638	122,237,576
Adjustment.....	87,052,589	99,961,150	106,333,578	136,020,638	53,940,576
Revised Figure.....	85,017,000	82,965,000	76,812,000	100,933,000	68,297,000
Continental Europe—					
Belgium.....	7,336,975	9,460,014	8,158,788	15,271,674	13,448,141
Denmark.....	775,577	506,786	621,705	912,047	2,123,074
France.....	2,463,667	3,255,739	3,247,588	4,747,578	6,083,659
Germany.....	4,334,601	5,203,775	10,606,513	14,918,625	9,489,806
Greece.....	980,615	1,778,959	1,410,247	6,143,438	3,956,909
Italy.....	4,448,758	7,881,588	13,801,096	14,144,378	6,577,869
Latvia.....	39,100			19,000	
Netherlands.....	6,786,237	9,879,110	10,685,641	24,431,118	9,508,024
Norway.....	717,260	763,397	897,268	1,498,815	1,436,529
Portugal.....		679,015	464,029	3,840,860	829,017
Roumania.....	180				
Spain.....	101,000			2,611,478	556,748
Sweden.....	1,345,405	781,354	1,495,961	2,485,529	1,630,290
Switzerland.....		576,716			
Turkey.....				7,874	44,970
Irish Free State.....	1,260,778	1,332,060	744,608	1,417,376	482,597
Malta.....	33,332	76,036		293,109	
Czechoslovakia.....					
Finland.....					
U.S.S.R.....			1,354	491,519	859,100
Yugoslavia.....					
Total.....	30,623,485	42,174,549	52,134,798	93,234,418	57,026,733
Adjustment.....	87,052,589	99,961,150	106,333,578	136,020,638	53,940,576
Revised Total.....	117,676,074	142,135,699	158,468,376	229,255,056	110,967,309
Orient—					
China.....	3,652,885	4,571,459	3,441,716	3,485,644	7,165,880
Japan.....	6,513,036	10,331,279	7,047,951	16,977,291	16,258,991
Hong Kong.....					3,334
Korea.....				34,000	
Total.....	10,165,921	14,902,738	10,489,667	20,496,935	23,428,205

(NOTE.—This table is prepared from Canadian export statistics, on a calendar year basis, as compiled by the Dominion Bureau of Statistics. The adjustment in the United Kingdom figures is made on the basis of statistics furnished by the Dominion Bureau of Statistics, based upon the method published in the Condensed Preliminary Trade Report, 1934.)

CANADIAN EXPORTS OF WHEAT

(Bushels)

Average 1925 to 1929	1930	1931	1932	1933	1934	Average 1930 to 1934	1935
179,466,506	131,501,283	107,388,175	140,234,539	121,043,260	113,959,349	122,825,321	123,876,920
96,661,706	69,535,283	51,398,175	50,675,539	36,132,260	47,313,349	51,010,921	53,893,920
82,804,800	61,966,000	55,990,000	89,559,000	84,911,000	66,646,000	71,814,400	69,983,000
10,735,118	9,995,779	14,167,114	18,465,633	14,714,141	11,538,199	15,776,173	7,458,813
987,838	222,665	732,897	2,218,197	2,144,229	1,552,032	1,374,004	974,751
3,959,646	6,698,227	18,807,676	17,184,440	11,261,501	7,899,009	13,370,171	1,814,867
8,910,664	5,210,445	5,713,863	7,534,144	8,798,453	2,675,873	5,986,557	281,324
2,854,034	5,956,292	4,008,501	618,008	513,782		2,219,317	
9,370,738	11,789,622	5,798,143	3,653,009	2,132,049	1,355,315	4,945,230	122,733
11,620							
12,258,026	6,936,750	9,270,688	16,023,927	16,480,250	5,227,397	10,787,802	1,846,580
1,062,634	813,469	1,346,830	2,171,527	2,187,262	1,335,183	1,570,854	1,708,468
1,162,584	679,466	278,133	160,533			223,626	
36					8	2	
633,845	16,923		1,095,518			222,490	
1,547,708	1,819,773	1,727,211	2,461,673	1,229,255	327,681	1,513,119	306,986
115,343		39,997	4			8,000	
10,569							
1,047,484	386,104	717,451	735,457	1,936,978	2,677,012	1,290,600	2,336,264
80,495	259,586	379,296		138,133	58,800	167,163	244,533
					2		
		40,508		190,900	123,333	70,948	471,916
270,395	254,213		1,285,074		13,866	310,631	
				36		7	
55,038,797	51,039,324	63,028,308	73,607,144	61,726,969	34,781,710	56,836,691	17,567,235
96,661,706	69,535,283	51,398,175	50,675,539	36,132,260	47,315,349	51,010,921	53,893,920
151,700,503	120,574,607	114,426,483	124,282,683	97,859,229	82,095,059	107,847,612	71,461,155
4,463,517	3,506,373	6,433,081	6,156,829	3,468,556		3,912,968	37,200
11,425,710	6,902,391	6,976,352	6,425,792	4,185,005	3,797,849	5,657,478	2,235,368
667	933	33			50	203	183
6,800							
15,896,693	10,409,697	13,409,466	12,582,621	7,653,561	3,797,899	9,570,649	2,272,751

## CANADIAN EXPORTS OF WHEAT (Continued)

(Bushels)

	1925	1926	1927	1928	1929
Other Countries—					
Bermuda.....		33	220	30	30
Br. Honduras.....				17	
Br. St. Settlements.....	23				
Br. South Africa.....	318,417	347,906	405,292	2,069,051	678,470
Br. India.....				813,926	1,000
Barbados.....			2	9	27
Jamaica.....	1,900	1,728	2,530	2,200	2,939
Trinidad.....			8		
Other B. W. Indies.....		16	34	13	55
Gibraltar.....		261,333		32,338	42,000
Newfoundland.....	108	8,023	106	166	50
New Zealand.....	11,943	82,633	5,726	36,783	115,335
Argentina.....		1,838			
Bolivia.....					
Brazil.....		502,858			
Chile.....	6	290		12	
Colombia.....	7,500	67,084	407,310	540,835	458,333
Egypt.....					
French Africa.....		43,149	259,935		
Guatemala.....					
Honduras.....					
Mexico.....		210,068	1,338	398,496	20
Morocco.....			135,436		
Nicaragua.....			5,000		
Panama.....					
Peru.....	185,100	402,437	335,339	130,667	178,662
Philippines.....					
Portugese Africa.....				3,733	
Salvador.....					
Southern Rhodesia.....					
St. Pierre and Miquelon.....		22		75	190
Syria.....				53,194	
Venezuela.....					
Alaska.....					
Ceylon.....					
United States.....	8,960,554	8,183,559	7,733,906	10,662,025	6,775,964
Ecuador.....					
Br. Guiana.....					
Total.....	9,485,551	10,112,977	9,292,182	14,743,570	8,253,075
GRAND TOTAL.....	222,344,546	250,116,414	255,062,225	365,428,561	210,945,589



CANADIAN EXPORTS OF WHEAT (Continued)

(Bushels)

Average 1925 to 1929	1930	1931	1932	1933	1934	Average 1930 to 1934	1935
63	88	193	153	250	192	175	164
3					3	1	
5							2,053
763,827	2,611,321	4,247,341	640,394	26,846	1,664,192	1,838,019	23,867
162,985							
8	19	36	30	20	69	35	30
2,259	2,280	3,966	4,506	5,907	6,822	4,696	7,327
2	16	73	76	105	212	98	249
24	3	21	14	51	50	28	11
67,134							
1,691	286	107	423	1,936	1,745	899	1,129
50,484	117,245	144,336	137,499	214,956	83,279	139,463	72,283
368							
		76,829	93,334	255,384	172,116	119,533	
100,572	205,333			279,070	2,285	97,338	
62		1,344	37,100	73,733	18,433	26,122	1,867
296,212	596,365	524,236	219,307	139,900	181,000	332,162	174,249
		5,592				1,118	
60,617	54,133	497,346	88,563	56,000	82,613	155,731	67,200
			9,143			2,371	
	8			350	2,361	76	
121,984		18,667		373			
27,087				55	3,417	4,428	1,000
1,000				9		2	
			332				15,867
246,441	940,333	514,429	512,166	390,717	227,249	62	
				666	865	516,979	
	1,867	14,062		29,883	78,308	306	913
747	200	333			23,250	24,824	80,195
					7,466	4,757	59,163
57	214	982	311	217	469	1,493	9,334
10,639						439	400
	33,600					6,720	
					93	19	
8,463,202	10,247,752	4,949,770	52,100	374,643	12,817,608	5,688,375	21,438,434
							13
							10
10,377,471	14,811,063	10,999,663	1,795,451	1,851,071	15,374,097	8,966,269	21,955,765
260,779,467	207,761,367	194,825,612	228,219,755	192,274,861	167,913,055	198,198,300	165,672,671

## EXPORT OF CANADIAN WHEAT BY REGIONS

## REVISED TRADE STATISTICS

(Bushels)

	1925-26	1926-27	1927-28	1928-29
United Kingdom.....	198,402,001	185,345,710	201,732,699	209,571,743
Adjustment.....	101,402,001	96,245,710	120,132,699	123,171,743
Revised figure.....	97,000,000	89,100,000	81,600,000	86,400,000
Continental Europe—				
Belgium.....	10,749,600	8,103,587	12,223,681	16,577,716
Denmark.....	607,373	585,619	789,373	2,410,499
France.....	3,008,538	4,278,897	3,052,604	7,238,839
Germany.....	4,928,339	7,748,896	12,503,521	14,693,724
Greece.....	1,651,413	1,375,521	3,887,173	7,057,061
Italy.....	8,630,666	12,030,759	8,231,806	15,571,311
Latvia.....	39,100		19,000	
Netherlands.....	9,851,546	7,571,044	18,514,583	22,121,680
Norway.....	965,135	683,455	1,178,627	1,959,818
Portugal.....	572,567	570,477	652,017	4,017,860
Roumania.....				
Spain.....	101,000		524,947	2,643,279
Sweden.....	1,166,711	944,736	2,340,045	2,174,414
Switzerland.....	576,716			
Turkey.....				52,844
Irish Free State.....	1,645,317	837,135	1,086,827	904,169
Malta.....	72,035	37,333		293,109
Czechoslovakia.....				
Finland.....				
Yugoslavia.....				
Total.....	44,566,057	44,767,459	65,004,204	97,716,323
Adjustment.....	101,402,001	96,245,710	120,132,699	123,171,743
Revised Total.....	145,968,058	141,013,169	185,136,903	220,888,066
Orient—				
China.....	7,689,834	3,942,860	1,262,687	9,131,370
Japan.....	12,927,933	7,948,715	10,435,913	22,700,487
Hong Kong.....				3,334
Korea.....			34,000	
Total.....	20,617,767	11,891,575	11,732,600	31,835,191

(NOTE.—This table is prepared from Canadian Export Statistics as published by the Dominion Bureau of Statistics. The adjustment in exports to the United Kingdom is made on the basis of the method used by the Dominion Bureau of Statistics on a calendar year basis and published in the Condensed Preliminary Trade Report for 1934.)

EXPORTS OF CANADIAN WHEAT BY REGIONS

REVISED TRADE STATISTICS

(Bushels)

1929-30	Average 1925-26 to 1929-30	1930-31	1931-32	1932-33	1933-34	1934-35	Average 1930-31 to 1934-35
195,007,552 46,107,552	180,011,941 97,411,941	135,117,943 72,117,943	101,564,154 41,564,154	156,461,736 54,461,736	114,858,191 46,158,191	100,688,352 35,288,352	121,738,075 49,918,075
58,900,000	82,600,000	63,000,000	60,000,000	102,000,000	68,700,000	65,400,000	71,820,000
9,474,389 111,732	11,225,795 900,919	13,390,621 490,398	15,312,093 1,773,331	17,511,631 2,257,217	12,124,433 1,511,323	9,565,812 1,227,663	13,580,918 1,451,986
4,478,360	4,411,448	14,261,316	20,360,114	12,223,736	8,662,324	4,619,226	12,025,343
4,623,477	8,899,591	6,082,843	4,236,700	10,501,736	6,217,111	212,000	5,450,078
4,000,282	3,594,290	5,213,404	1,261,107	845,790			1,464,060
6,657,077	10,224,324	11,583,565	2,223,902	2,930,501	2,090,389	948,243	3,955,320
	11,620						
3,879,335	12,387,638	9,348,997	9,179,121	17,616,333	13,707,703	1,982,646	10,366,960
775,590	1,112,525	1,036,507	1,283,756	2,779,640	1,414,873	1,681,518	1,639,259
679,466	1,298,477	278,133	160,533				87,733
					8		2
	653,845		1,095,518				219,104
223	1,325,226	1,264,848	2,920,963	1,526,625	576,542	361,204	1,330,036
1,609,383	437,220	39,997	4				8,000
	10,569						
438,296	982,349	540,420	569,839	1,459,737	2,490,889	2,263,265	1,464,830
112,000	102,895	452,216	74,666	82,133	114,800	188,533	182,470
					2		
			40,508	134,400	133,833	109,500	83,648
					36		7
35,839,610 46,107,552	57,578,731 97,411,941	63,983,265 72,117,943	60,492,155 41,564,154	69,869,479 54,461,736	49,044,266 46,158,191	23,159,610 35,288,352	53,309,755 49,918,075
81,947,162	154,990,672	136,101,208	102,056,309	124,331,215	95,202,457	58,447,962	103,227,830
605,001 5,242,684 933	4,526,350 11,851,146 853	7,266,442 7,585,561	3,800,561 7,212,351 33	7,792,969 4,239,402	357,333 4,081,296 50	37,200 3,266,530 150	3,850,901 5,277,028 47
	6,800						
5,848,618	16,385,150	14,852,003	11,012,945	12,032,371	4,438,679	3,303,880	9,127,976

## EXPORTS OF CANADIAN WHEAT BY REGIONS—Con.

(Bushels)

	1925-26	1926-27	1927-28	1928-29
Other Countries—				
Bermuda.....	33	200	30	30
British Honduras.....			17	
Br. St. Settlements.....				
Br. South Africa.....	244,864	365,230	546,554	2,130,542
British India.....				813,926
Barbados.....			11	9
Jamaica.....	1,850	2,518	1,990	2,619
Trinidad.....		8		
Other B. W. Indies.....	16	26	21	55
Gibraltar.....	261,333		11,994	38,544
Newfoundland.....	8,111	45	249	
New Zealand.....	11,943	88,359	4,450	93,071
Argentina.....	1,838			
Bolivia.....				
Brazil.....	303,505	199,353		
Chile.....	296		12	
Colombia.....	60,919	256,990	446,866	567,954
Egypt.....				
French Africa.....		303,084		
Guatemala.....				
Honduras.....				
Mexico.....	210,068	1,338	52,334	346,182
Morocco.....		135,436		
Nicaragua.....		2,500	2,500	
Panama.....				
Peru.....	402,457	280,017	185,989	253,529
Philippines.....				
Portugese Africa.....				3,733
Salvador.....				
South Rhodesia.....				
St. Pierre and Miquelon.....		22	75	41
Syria.....				53,194
U.S.S.R.....		1,354	412,445	938,174
Venezuela.....				
Alaska.....				
Ceylon.....				
United States.....	10,464,041	7,624,566	8,432,330	10,060,239
Ecuador.....				
Total.....	11,971,254	9,261,044	10,097,887	15,301,442
Grand total.....	275,557,078	251,265,788	288,567,390	354,424,699

EXPORT OF CANADIAN WHEAT BY REGIONS—Con.

Bushels

1920-30	Average 1925-26 to 1920-30	1930-31	1931-32	1932-33	1933-34	1934-35	Average 1930-31 to 1934-35
	63	134	210	257	173	158	186
	3				3		1
704,822	798,402	3,702,686	3,297,819	149,170	27,743	1,658,730	1,767,230
1,000	162,985						
27	9	57	29	20	57	38	56
2,480	2,291	3,334	4,398	5,360	7,369	6,526	5,397
	2	61	48	115	173	228	125
	24	8	24	54	11	51	30
24,000	67,134						
132	1,707	204	193	1,606	2,291	380	935
131,263	65,817	111,247	153,667	170,835	184,233	47,238	133,444
	368						
		64,285	31,211	126,934	316,180	59,053	119,533
	100,572	205,333			281,355		97,338
	62	1,344	18,667	18,433	73,733	18,433	26,122
467,273	360,000	618,577	315,141	193,917	148,233	208,250	296,824
		5,592					1,118
	60,617	551,479		88,563	138,613		155,731
8	2		5,224	4,269	333	2,028	2,371
				373			75
	121,984	18,667			2,139	1,333	4,428
	27,687						
	1,000			9			2
			332				66
380,755	300,505	951,343	309,331	529,899	410,234	3,332	440,828
				167	1,031	914	422
1,867	1,120	6,562	7,500	8,417	56,842	91,394	34,143
		200	333		9,085	33,330	7,590
						14,933	2,987
16,933	3,414	308	967	275	273	601	485
	10,639						
	270,395	254,213	1,115,741	169,333	13,866		310,631
33,600	6,720						
					93		19
						7	1
7,306,166	8,777,468	8,087,578	4,473,293	304,976	218,814	15,076,098	5,632,152
						13	3
9,070,326	11,140,391	14,583,192	9,734,128	1,772,982	1,892,877	17,223,068	9,041,249
155,766,106	265,116,212	228,536,403	182,803,382	240,136,568	170,234,013	144,374,910	193,217,055



SESSION 1936

HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON THE

# MARKETING OF WHEAT AND OTHER GRAINS

UNDER GUARANTEE BY THE DOMINION GOVERNMENT

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MINUTES OF PROCEEDINGS AND FINAL REPORT

No. 10

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THURSDAY, JUNE 11, 1936

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OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1936





## MINUTES OF PROCEEDINGS

THURSDAY, June 11, 1936.

The Special Committee on the Marketing of Wheat and other Grains under the Guarantee of the Dominion Government met in camera at 10.30 a.m. Hon. Mr. Euler, the Chairman, presided.

*Members present:* Messrs. Bennett, Coldwell, Crerar, Deachman, Donnelly, Euler, Fair, Gariepy, Leader, MacMillan (Mackenzie).

The Chairman, for the sub-committee appointed to draft a report for presentation to the House, submitted a draft report, which was considered and amended.

*Ordered,*—That the draft report, as amended, be presented as a unanimous report.

The Committee adjourned.

JOHN T. DUN,  
*Clerk of the Committee.*



## REPORTS TO THE HOUSE

### SECOND AND FINAL REPORT

THURSDAY, June 11, 1936.

The Special Committee appointed to investigate and report upon the Marketing of Wheat and other Grains, and upon all matters pertaining thereto, begs leave to present the following unanimous

### SECOND AND FINAL REPORT

Pursuant to the Resolution of the House of Commons of March 18, 1936, your Committee held ten sessions and heard and examined under oath three witnesses, namely,—

Mr. A. E. Darby, Secretary,  
Winnipeg Grain Exchange;

Mr. F. O. Fowler, Manager,  
Winnipeg Grain and Produce Exchange Clearing Association;

Mr. J. R. Murray, Chief Commissioner,  
The Canadian Wheat Board, Winnipeg, Man.

Mr. Darby described the constitution and membership of the Winnipeg Grain Exchange and the handling of grain from the producer to the exporter.

Mr. Fowler stated the functions, rules and regulations of the Winnipeg Grain and Produce Exchange Clearing Association.

Mr. Murray, Chief Commissioner of the Canadian Wheat Board, explained fully the operations of the board since its appointment on December 3, 1935. He was examined closely and at length on the operations of the wheat board since the latter took office in December until the end of January, 1936, with particular reference to the following:—

- (a) To what extent, if any, the board had favoured exporters of grain and Canadian millers in the sales policy it had adopted.
- (b) To what extent, if any, speculative interests alleged to be short in the Winnipeg market had been permitted to cover their transactions in the large sales made in the month of December, 1935, immediately following the higher price fixed by the Argentine government for Argentine wheat.

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.

The committee further gave general consideration to the whole problem of the production and marketing of Canadian wheat and other facts pertaining to the wheat problem. Because of the gravity of this problem, and because your

committee has neither the time nor the facilities to make a comprehensive survey of the situation, we recommend the appointment by the government of a Royal Commission to make a complete survey of the production, grading and distribution of Canadian grain, including the methods of marketing by,—

- (a) the producers themselves through co-operative and stabilizing effort;
  - (b) the agency of a government wheat board and the powers such a board should possess;
  - (c) the open market or competitive method;
- and, further, to inquire into the general effect of mixing, if any, and of selection for protein content by millers and exporters.

This would involve not only a full examination into the methods referred to above, but also into the conditions which obtain in world markets; what effect, if any, these methods have had upon European purchasers, and, generally, what measures should be taken to retain and enlarge markets for Canadian wheat, and products of wheat and other grains, throughout the world.

A printed copy of the proceedings and evidence taken, together with the exhibits filed, accompanies this report.

All of which is respectfully submitted.

W. D. EULER,  
*Chairman.*















