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

Minutes of proceedings and
evidence.

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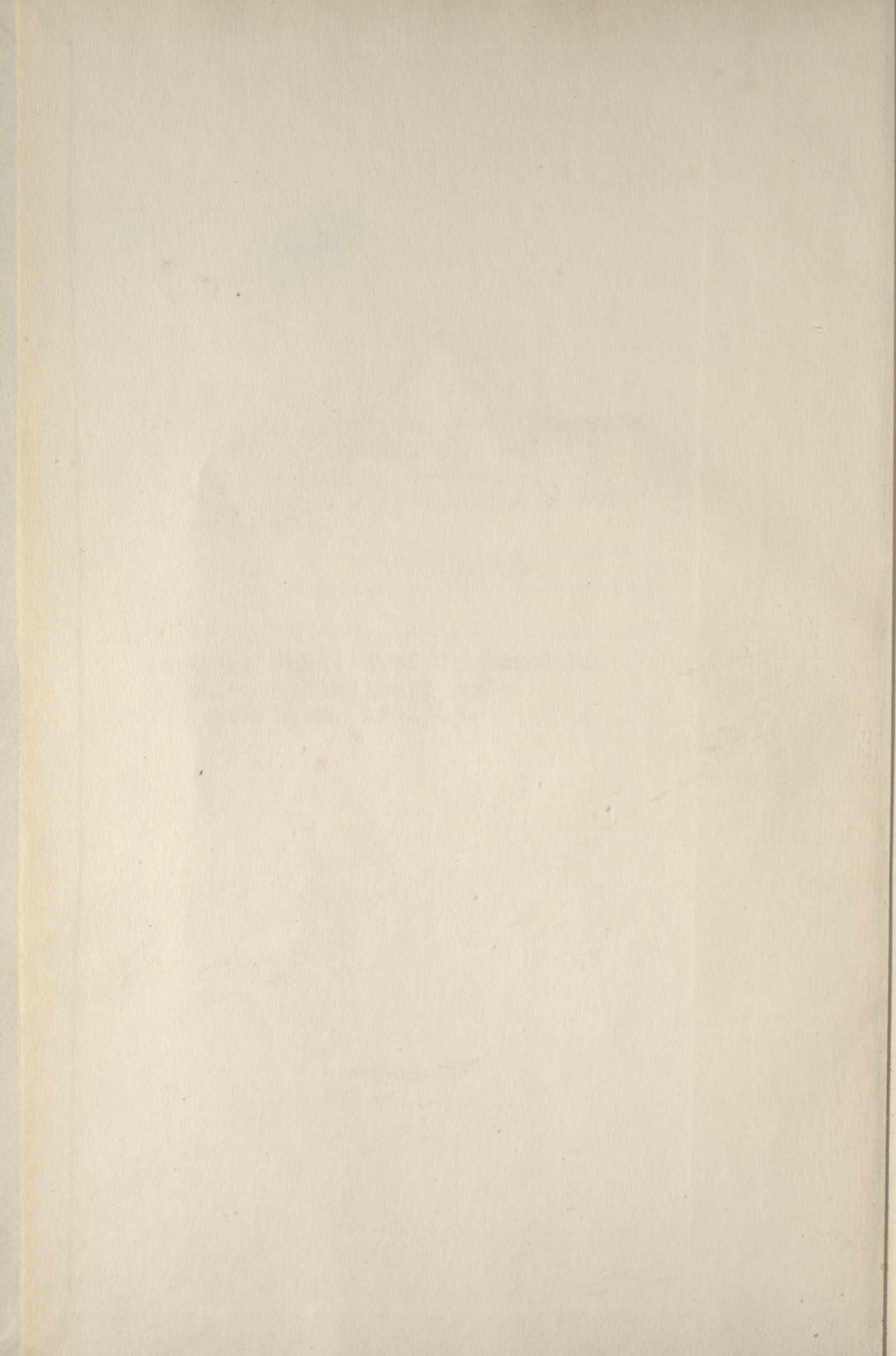
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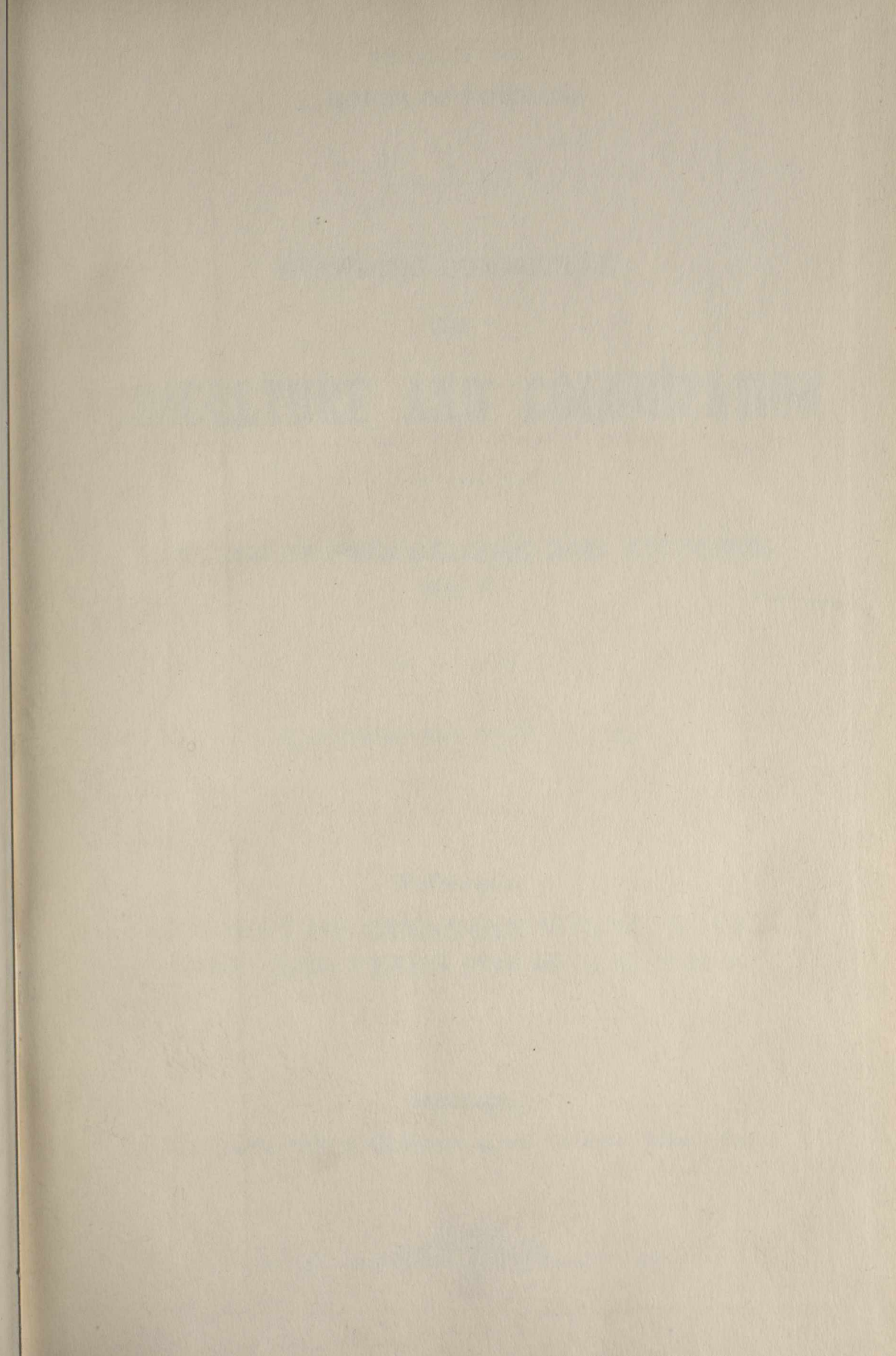
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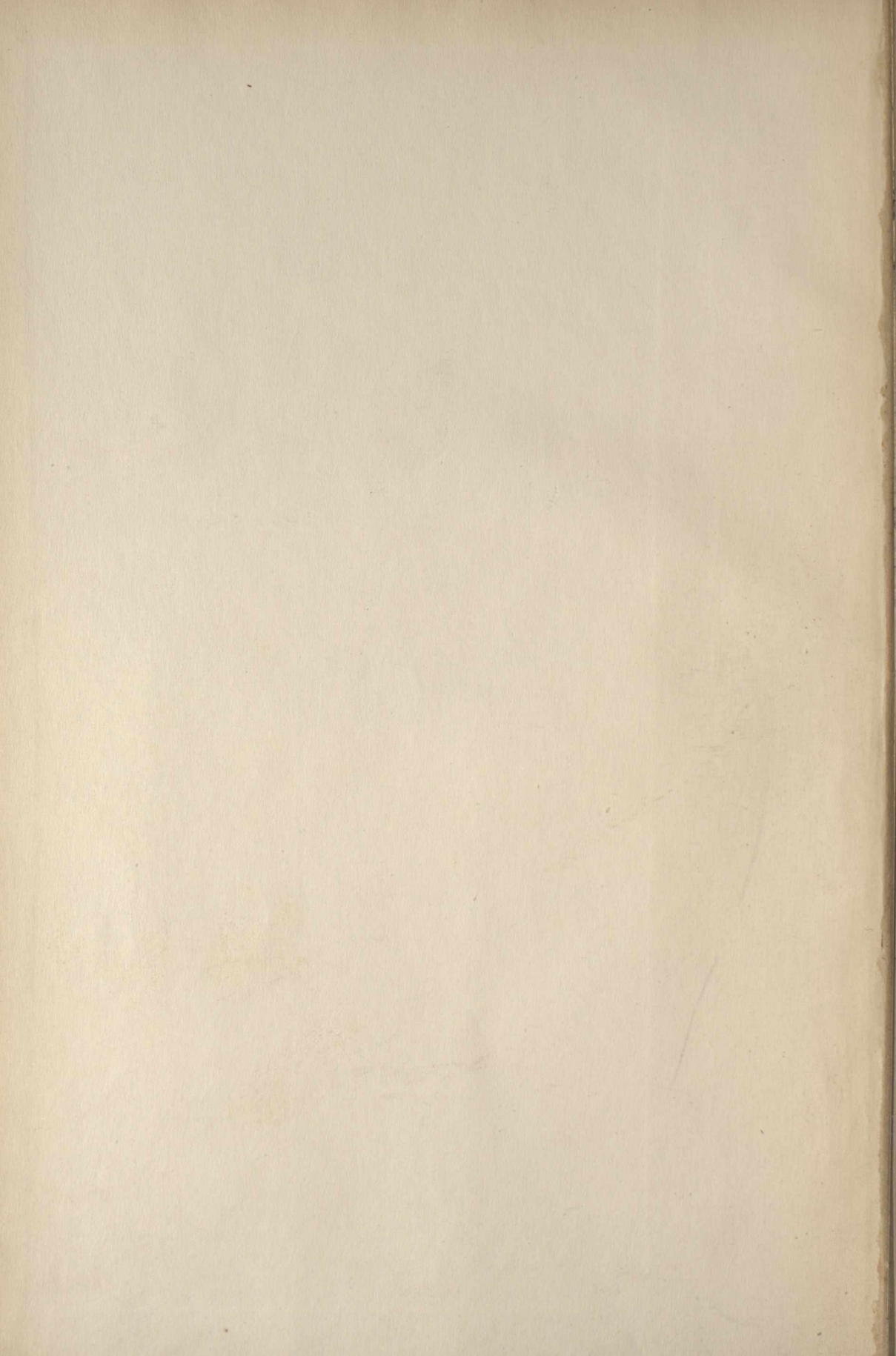
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SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 1

WEDNESDAY, MAY 13, 1942

Reference
**REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41**

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board

ORDERS OF REFERENCE

HOUSE OF COMMONS,

THURSDAY, February 19, 1942.

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

Messrs: Authier, Aylesworth, Bertrand (*Prescott*), Black, (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Cloutier, Cruickshank, Davidson, Dechene, Desmond, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Gardiner, Golding, Hallé, Hatfield, Henderson, Lafontaine, Lalonde, Lapointe (*Lotbiniere*), Leader, Leclerc, Leger, Lizotte, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*) Matthews, Mullins, Nielsen (Mrs.), Perley, Poirier, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Rowe, Senn, Soper, Sylvestre, Turgeon, Tustin, Ward, Weir, Wright—60. (Quorum 20.)

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

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

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

THURSDAY, March 26, 1942.

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

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

FRIDAY, March 27, 1942.

Ordered,—That the name of Mr. Graham be substituted for that of Mr. Turgeon on the said Committee.

Attest.

ARTHUR BEAUCHESNE,

Clerk of the House.

WEDNESDAY, May 13, 1942.

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

Ordered,—That the quorum of the said Committee be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto.

Attest.

C. W. BOYCE,

For Clerk of the House.

REPORTS TO THE HOUSE

WEDNESDAY, May 13, 1942.

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

FIFTH REPORT

Your Committee requests:—

1. That it be empowered to sit while the House is sitting.
2. That the quorum be reduced from 20 to 15 members, and that Standing Order 63 (1) (f) be suspended in relation thereto.

All of which is respectfully submitted.

W. G. WEIR,
Chairman.

MINUTES OF PROCEEDINGS

WEDNESDAY, May 13, 1942.

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

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Clark, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Ferron, Fontaine, Furniss, Graham, Hatfield, Henderson, Lafontaine, Lalonde, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews Mullins, Perley, Poirier, Quelch, Rhéaume, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Sylvestre, Tustin, Ward, Weir, Wright.—45.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board: Mr. George McIvor, Chief Commissioner; Mr. C. Gordon Smith, Assistant Chief Commissioner; Mr. W. Charles Folliott, Commissioner; Dr. T. W. Grindley, Secretary; Mr. R. C. Findlay, Comptroller; and Mr. C. B. Davidson, Statistician.

The Order of Reference was then read by the Clerk and the minutes of the previous meeting were read and adopted.

The Clerk of the Committee was instructed to swear all the officials of the Wheat Board and this was done, with the exception of Mr. Davidson.

The Report of the Steering Committee was presented by the Chairman and was adopted.

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

Resolved—That the Committee do report to the House and ask that it be given leave to sit while the House is sitting and that its quorum be reduced from twenty to fifteen.

On motion of Mr. Douglas (*Weyburn*),

Resolved—That the Committee reconvene this day at 4 p.m., if permission to sit is granted by the House.

On motion of Mr. Donnelly,

Resolved—That the Clerk of the Committee do write and invite Hon. R. B. Hanson, M.P., Leader of the Opposition, to attend before this Committee.

Discussion followed, and on the question being put it was passed in the affirmative: Yeas, 25, Nays, 8.

Mr. George McIvor, Chief Commissioner of the Canadian Wheat Board, was recalled and examined on the operations of the Board.

At 1 o'clock, p.m., the Committee adjourned to meet again at 4.00 p.m. this day.

Afternoon Session

The Committee resumed at 4.00 p.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Golding, Graham, Henderson, Leclere, Leger, McCubbin, McNevin (*Victoria, Ont.*), Mrs. Nielsen, Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Tustin, Weir, Wright.—26.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the same officials of the Canadian Wheat Board as were in attendance at this morning's sitting.

Mr. George McIvor, Chairman of the Canadian Wheat Board, again took the stand and was further examined.

Motion:

Mr. Diefenbaker moved, seconded by Mr. Ross (*Souris*)—That all letters and communications which have passed between the Cereals Division and the British Government with the Department of Trade and Commerce and/or the Wheat Board in reference to the continuance of the present system of marketing wheat be produced before the Committee.

After discussion, Mr. Diefenbaker agreed that his motion should stand for further consideration.

The Committee adjourned to meet again on Thursday, May 14, at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 13, 1942.

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

The CHAIRMAN: Gentlemen, the members of the Wheat Board are present and will give evidence and answer questions from time to time. At the earlier session of the committee Mr. George McIvor, the Chief Commissioner, was called and sworn. What is the committee's pleasure with respect to the other witnesses?

Mr. DIEFENBAKER: I suggest that they should all be sworn.

The CHAIRMAN: I think we should call all the members of the Wheat Board and swear them now so that they will always be available. May I therefore introduce to the committee the remaining members of the Canadian Wheat Board: Mr. George McIvor, Chief Commissioner; Mr. C. Gordon Smith, Assistant Chief Commissioner; Mr. W. Charles Folliott, Commissioner; Dr. T. W. Grindley, Secretary; Mr. R. C. Findlay, Comptroller, and Mr. C. B. Davidson, Statistician.

I ask the clerk to swear these gentlemen as witnesses. (Whereupon the aforesaid witnesses were duly sworn.)

The CHAIRMAN: Having disposed of these preliminaries I propose that we get under way. When I showed Mr. McIvor the suggested agenda he said he thought, after perusing it, that if he were permitted to give a general statement as to the Wheat Board's method of operation and the manner in which it actually handles wheat and other matters that are partially covered in this proposed agenda, he might be able to clear up a lot of questions in the minds of many of the members. It is understood, of course, that these witnesses will be called before the committee to give any evidence they desire. What is the committee's reaction in that regard? That is, having regard to the order of reference that has been made and having regard to the suggested agenda which the steering committee has submitted to this committee, would this committee in turn be prepared to permit Mr. McIvor to come forward and make a general statement of the Wheat Board's modus operandi. (Agreed.)

Mr. GEORGE McIVOR called.

The WITNESS: Mr. Chairman, Hon. Mr. MacKinnon, and gentlemen: I do not know whether I can qualify for that ten dollar word that Mr. Weir used a moment ago (modus operandi) but in discussing this matter with one or two members there was a feeling that if we could give an outline of the Board's method of operation it might serve the purpose of clearing up the picture in respect to the method of handling wheat under the conditions that existed during the period of time to which this inquiry is directed. I recall to mind a few years ago appearing before the Saskatchewan Pool delegates, and after spending a whole afternoon on the subject of futures, I asked if there was anyone else who had any questions to ask, and somebody got up and said the whole thing was just as clear as mud as far as he was concerned!

You gentlemen are very familiar with the Canadian Wheat Board Act. This Act was as the result of the committee meetings of 1935. The Act

was set up providing for the handling of wheat by the Canadian Wheat Board. It charges the Board with a number of very important duties. It says:—

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

- (a) to receive and take delivery of wheat for marketing as offered by the producers thereof;
- (b) to buy and sell wheat: Provided that no wheat shall be purchased by the Board except from the producers thereof;
- (c) to store and transport wheat;
- (d) to operate elevators, either directly or by means of agents, and subject to the provisions of The Canada Grain Act or any other statute or law, to pay such agents commissions, storage and other charges, remuneration or compensation as may be agreed upon, with the approval of the Board of Grain Commissioners;
- (e) to pay to producers delivering wheat at the time of delivery or at any time thereafter as may be agreed upon such fixed price per bushel, according to grade or quality or place of delivery, as may be determined by the Board with the approval of the Governor in Council; and to issue to such producers when such wheat is purchased certificates indicating the number of bushels purchased, the grade, quality and the price, . . .

In the case of No. 1 Manitoba Northern, the price is 70 cents. Now, of course under the change in the Act that price will be 90 cents.

Going back to the country operations of the Board, the Board must provide according to this Act by means of agents or otherwise the facilities for producers to deliver their wheat to the Board, and that is done by means of a handling contract. Now, as I understand the question of the handling contract will come up later on in the proceedings, it is not my intention at this stage to deal with the terms of this handling contract. That no doubt will be dealt with fully later on. We are also required to pay to producers through these agents a fixed price for wheat, and that price in the case of No. 1 Northern this coming year will be 90 cents; up to the present time it has been 70 cents. We are required to make that payment on the basis of either Fort William or Vancouver, whichever has the lowest freight rates with regard to the shipment of wheat.

As you all know, No. 1 Northern is not the only grade of wheat; there are a lot of other grades. The Board must fix a spread for the other grades in what they can determine as closely as possible to be the proper relationship between the grades. That is a very difficult task, and it is a case of judgment. You have to get some idea about the grades there are in the crop and then you have to try to project the position twelve months ahead to endeavour to get some idea of what the proper price equivalent should be between one grade and another. That is a very difficult task. Sometimes we err on the high side and sometimes we err on the low side, because there is no way in which we can determine twelve months ahead as to what those grades will actually bring in the market.

Then having provided the means for the receipt of the wheat at country points through a handling contract the wheat is then held in country elevators subject to orders from the Board. That is a very important point, because I think the impression has been left with some people that the elevator companies

take that wheat in and ship it when it suits them. That is not the case. The Board order that wheat forward to the head of the lakes when there is a market and when it can be taken care of at the head of the lakes, or to the mills or to interior government elevators or to other points.

Now, the elevator companies, and included are the pools and united grain growers, make reports to the Canadian Wheat Board as to the amount of wheat they receive as agents of the Board on behalf of the producer—

Mr. DOUGLAS: Weekly?

Mr. McIVOR: Daily.

Mr. ROSS (*Moose Jaw*): The elevator agent when he took in that wheat issued a certificate?

The WITNESS: A participation certificate, yes.

Mr. SENN: As an easterner may I ask this: You say that the basis of the price is at Fort William, and that the price to the producer would be much lower. Could you give us an idea of the range between the producer's price and the price at Fort William.—A. Well, if it is satisfactory I would prefer to deal with that when the handling contract comes up. I could give it to you now, but I think we can cover the whole range at that time.

The wheat is shipped under instructions from the Board by the elevator companies either to Fort William, Vancouver, or the interior government elevators or mills, depending upon where the Board requires it. Now, when it reaches Fort William the elevator companies are paid; and again, I would like to deal with the mechanics of how that is done when the elevator handling contract is dealt with.

This wheat then is available for sale, and it is sold to the exporters or the millers or somebody who is in the market for wheat, and almost invariably a future is exchanged. I want to make that point very clear because there have been some discussions on it. The future is exchanged for the same quantity that is sold. In other words, it is the custom of the Board to dispose of its wheat at Fort William and take back the same quantity of wheat in a forward position in the form of a future.

By Mr. Graham:

Q. You get money for it?—A. Yes, we are paid for the actual cash wheat.

By Mr. Perley:

Q. That is after it is in Fort William and ready for export.—A. Yes.

By Mr. Wright:

Q. What is the extent of the future contract, for one month or for six months?—A. The future contracts might be October, November, December, May or July.

Q. What is the determining factor as to which method you adopt?—A. Probably it would be related to the time of the year in which the cash wheat is sold.

By Mr. Donnelly:

Q. It would depend on the futures the man held?—A. No; not necessarily, Dr. Donnelly. That would be a matter of the Board deciding what future they wished to exchange.

By Mr. Perley:

Q. When you sell the cash wheat to an exporter you buy back futures?—A. We exchange.

Q. You exchange another future?—A. We sell the cash wheat and take back in exchange a similar quantity of futures.

By Mr. Diefenbaker:

Q. How many times is that process continued through the year?—A. I will be glad to deal with that later on.

Q. I wonder if you could answer that question now?—A. No; I won't answer it now, I will deal with it later on. I am dealing entirely with the mechanics of the operation.

By Mr. Perley:

Q. To get it clear, the daily report shows certain agents in the country having bought 2,000 bushels of wheat for account of the Board, and you get your report the next morning?—A. Yes.

Q. Do you not sell a future then?—A. No, sir; not necessarily.

Q. It just remains in the elevator until you order it out, and there is no future contract until it is at Fort William?—A. No; that does not altogether apply. You might dispose of it and take back the futures if it is sold to a mill.

Q. That is the same thing.—A. No; it is not the same thing. If you sold to a mill you would be selling wheat for forward shipment and exchanging a future; and in the other case you would be sending it to Fort William and exchanging a future.

By Mr. Ross (Souris):

Q. You do not purchase futures to cover the daily purchases of grain through the country?—A. No.

Mr. GRAHAM: I suggest that the best interests of the committee would be served by permitting the witness to complete his statement.

The CHAIRMAN: Yes, that is what I intended when I made the first suggestion.

Mr. DIEFENBAKER: I would like to say I think that is the correct procedure, but I did not appreciate the type of answer Mr. McIvor gave to me: "No; I won't answer it now." That is hardly co-operative, I suggest.

The WITNESS: I shall be very pleased to change the word "won't" to the word "prefer". I assure you I did not intend the word "won't" to convey a refusal to answer your question.

Mr. DIEFENBAKER: Thank you very much.

The CHAIRMAN: Proceed, Mr. McIvor.

Mr. McIVOR: The wheat is at Fort William and the Board disposes of this wheat to exporters or millers or others, and they exchange futures. The wheat is shipped down, probably to eastern Canada, perhaps to Montreal or to Port Colborne, or to Toronto, or to the Bay Ports, and it is held in readiness for sale either to the market overseas or to the domestic mills. Under the present conditions the chief buyer of wheat is the Cereals Import Committee of the Ministry of Food, and their method of purchasing is by what might be termed block contracts in the futures markets. That is, they might buy, say, 40 million bushels of October wheat and a similar quantity of December wheat and a similar quantity of May wheat, whatever suits them in regard to their shipments.

Now, on our books there is a sale made to the Cereals Import Committee of the Ministry of Food for this quantity of wheat; and remember that in the meantime the wheat has been sent forward to the seaboard or to a saleable position by exporters. The exporters are offering daily to the Cereals Import Committee quantities of wheat: No. 1 Northern, No. 2 Northern, No. 3 Northern, whichever the case may be. The Cereals Import Committee accept these offers if they see fit and advise the Board to give up on their behalf futures which have been sold to the Cereals Import Committee and which are shown on the books of the Wheat Board as a sale to the Ministry of Food. That fixes the price for the actual sale of the cash wheat; in other words it is the basis of the price; the price is based on the original sale price of the futures.

Now, an agent in Montreal (and I want to make it clear that this man is purely an agent of the Cereals Import Committee for the purpose of looking after the loading of the steamers) gets word of the boats that are coming in to load this wheat from the Cereals Import Committee and he informs the exporters of these boats, and the exporters load the wheat in accordance with the contract that they have made with the Cereals Import Committee. That, in brief, deals with the method employed by the Cereals Import Committee for the handling of the wheat.

You have also a considerable quantity of business to neutral countries, probably 30 million or 35 million bushels a year. These neutral countries direct their enquiries to the various exporters. The exporters offer the wheat, and it is sold to them under present conditions probably f.o.b. the steamer at the seaboard.

Also you have along the line the flour mills who are engaged in the business of milling wheat for shipment to the Ministry of Food and to others, and they purchase wheat either in an eastern position or at Fort William and move it down to the eastern position, and they grind it into flour and make their offers to the Cereals Import Committee. In the case of flour also the Cereals Import Committee instruct the Wheat Board to give up the futures, which are their futures that they have purchased, to the flour mills, and by so doing the price is fixed.

Now, I think, in a general way that gives an outline of the mechanics of the operation, Mr. Chairman.

The CHAIRMAN: I am sure the committee is grateful to Mr. McIvor for his explanation of the procedure that is followed in carrying the wheat through from the producer to the actual purchaser of it or the man who is going to use it. Are there any questions you desire to ask?

Mr. PERLEY: Should not Mr. McIvor be permitted to finish any other phase he intends to deal with, before questions are asked?

Mr. DOUGLAS: Would it not be better for Mr. McIvor to make his whole general statement now?

The WITNESS: I have nothing more to say unless you desire that I should outline the mechanics.

The CHAIRMAN: Mr. McIvor has nothing further to add with respect to this particular phase. I presume that the other matters that will be dealt with will be discussed when we call them on the agenda.

By Dr. Donnelly:

Q. Have the Cereals Import Committee any representative in this country who sells futures to them? A. They are sold to them by the board.

Q. They contact you direct?—A. Yes.

Q. And do the mills here contact you in the same way to buy their futures, or do they buy them in the open market, or how?—A. In regard to cereals?

Q. Local mills?—A. Local mills buy their futures in the open market.

Q. Do the Cereals Import Committee come to you and buy their futures from you?—A. Yes.

Q. And when they buy their wheat they exchange those futures for the wheat they have taken, just the same as the local elevator companies?—A. Yes.

Q. And they deal in practically the same way, you might say, as the local mills? The local mills govern the price of their flour entirely on what they pay for their future wheat.—A. That is right; that is the basis of their price.

Q. They know what the price of flour is going to be five or six or ten months from now because they have all these futures that they have bought up and are going to mill and make into flour?—A. You are referring now to domestic business?

Q. Yes?—A. The customary procedure is for them to offer out their flour to the bakers, and so on, and then they cover their futures. Then after they make a sale of the flour they exchange those futures probably with the Wheat Board for actual wheat.

Q. They go out in the country and sell the flour at a price based on the futures?—A. Yes.

Q. And in the same way the price of flour in England is governed by what the Cereals Import Board pay for their futures in this country?—A. Plus the cost of getting it over to England.

Q. Yes, but that is the governing factor in putting it up and down, coupled with the cost of putting it over there?—A. Yes.

Q. And that is the same thing as happened years ago in the elevators in the country: When the elevators years ago were running ordinarily the Grain Exchange or the elevator companies would buy in so much today, and the next morning they would wire to their representative on the Grain Exchange that they had bought so much wheat, and then they would sell the wheat?—A. They would hedge it.

Q. And this is practically the same thing? It helps to keep the spread between cash wheat and futures wheat down.—A. The policy of the mills in the old days to which you refer probably would be to buy the wheat in the pit at the same time that the elevator companies on behalf of the farmers would be hedging it. Very likely that would be part of the buying—

Q. And originally the necessity of having the Grain Exchange, as was illustrated by the Stamp Commission, was to help the farmer because a farmer would sell his wheat today and might not be able to deliver it for two months to the elevator company, so they would say: "By two months it will go up 10 cents or 15 cents, and I have to have a spread between cash wheat and future wheat."—A. I was not in the trade in the old days, but I am told that in the old days before the futures market there was a wider spread than that which prevailed after the futures market was established.

Mr. DOUGLAS (*Weyburn*): Is Dr. Donnelly giving us a brief for the Grain Exchange or is he examining the witness?

By Mr. Ross (Moose Jaw):

Q. You said that between 30,000,000 and 35,000,000 bushels of our wheat was sold by exporters to neutral countries?—A. Yes.

Q. And about 50,000,000 bushels for domestic consumption?—A. About 45,000,000 for human consumption.

Q. For human consumption?—A. Yes.

Q. Have you any figure on the amount of wheat delivered that is used otherwise?—A. Of wheat delivered?

Q. Yes?—A. I will get that figure for you, Mr. Ross.

Q. What I want is the amount of wheat actually sold to the Cereals Import Board and the amount of wheat sold to us.—A. The Cereals Import Committee or the British Ministry of Food are purchasing practically all of their supplies from Canada, and the total amount that they purchase over the year in the form of wheat and flour would be somewhere around 200,000,000 bushels; they are purchasing practically all their wheat from Canada at the present time.

Q. If the figure is 200,000,000 bushels for the Cereals Import Board, the balance would be between 80,000,000 and 100,000,000 bushels of wheat sold in Canada for all purposes?—A. Probably 100,000,000.

Q. Pretty nearly a proportion of one-third and two-thirds?—A. Yes.

By Mr. Leger:

Q. Could you explain how it is that before the war firms in New Brunswick could buy flour from England cheaper than from Canadian mills?—A. Well, I am not sure what the reason would be, but I know that prior to the war there

was some very cheap wheat sold by France and other countries to Great Britain at very much lower than our prices and it was a different quality of wheat. I do not know whether that is the reason. What type of flour would it be, ordinary hard wheat flour?

Q. I could not answer that.—A. (No response).

By Mr. Donnelly:

Q. Would it not be on account of the freight rates?—A. Frankly I am not sure of the explanation.

By Mr. Senn:

Q. You mentioned the word "exporter" a number of times. What is the status of the exporter? Does he come in as the middleman between the board and the British Cereals Import Board?—A. He purchases the wheat at the head of the lakes and transports it to the seaboard and sells it to the British Cereals Import Committee.

Q. Is it necessary to have an importer in there?—A. The British Imported Cereals Division of the Ministry of Food have already stated that they are very satisfied with the present system and want the present machinery maintained.

By Mr. Diefenbaker:

Q. Would that be in the form of a letter?—A. Well, I think it was a cable.

Q. That is the one that was tabled in the house?—A. Yes.

By Mr. Perley:

Q. At the outset in 1936 did not the British Cereals Import Committee or whoever acted for the British government then suggest that they close the market?—A. In 1936 they were not in existence.

Q. I mean as soon as the war broke out, in 1939?—A. No; I do not think so.

Q. That is, as soon as the war broke out when they closed the market in Great Britain did not they ask that the market in Winnipeg be closed?—A. They were very well satisfied.

Q. For a time did not they ask it to be closed? Mr. Euler gave us to understand in the house that for about three months they were pressing for the market to be closed in Winnipeg, and then there was some arrangement made whereby they were satisfied?—A. You may have to ask Mr. Euler for the answer to that question.

Q. You ought to know. You were in charge of the board?—A. I have nothing to do with closing the market.

Q. You were operating for the Canadian Wheat Board?—A. Yes, but the question of policy involved in closing the market is not in my field.

Q. Was there not a representation by the British government during the fall of 1939 to close the market?—A. I do not know.

Q. Is there any correspondence with respect to that period?—A. I do not know.

Mr. PERLEY: Does the minister know?

Hon. Mr. MacKINNON: I have no such correspondence. No such request was brought to my attention, nor do I know that there has been any such request. I want to be very definite on that. I never heard that such a request was made in any way.

Mr. PERLEY: Mr. Euler was the minister at the time, of course.

The CHAIRMAN: Where did Mr. Euler indicate that?

Mr. PERLEY: In the house, in answer to myself.

Mr. DONNELLY: In the fall of 1939?

Mr. PERLEY: It may have been during that winter session. I think I can find it in the record.

By Mr. Diefenbaker:

Q. In any event, Mr. McIvor, you swear that the matter was never brought to your attention?—A. I do not recall it.

Q. That is so important that you would remember it?—A. No; I do not know that I would.

By Mr. Perley:

Q. Could not that part of the cable be given to us?—A. It was given to you in the house, was it not?

Q. No; other than the statement of the minister. There were other matters in the cable of a confidential nature.—A. I think the cable was read into *Hansard*.

By Mr. Donnelly:

Q. Would they be sending cables to you, Mr. McIvor, or would they go to the minister?—A. They would go to the minister. To what cable do you refer, Mr. Perley?

By Mr. Perley:

Q. When we asked the minister with respect to the price he said this information was in a cable that contained other matters of a confidential nature which he could not reveal.—A. You asked me, Mr. MacKinnon, to cable on behalf of the government, and the reply was directed to me?

Hon. Mr. MacKINNON: That was during my tenure of office. I thought you were asking about some cable that arrived in 1939.

Mr. PERLEY: I was asking about the first three months after the war. I asked Mr. McIvor if he recalled that when the British government closed the market they suggested that the same thing take place in Winnipeg.

The WITNESS: As far as I am aware there was no such request made by the British government.

By Mr. Perley:

Q. Then you say there is no representative of the British Cereals Import Committee in Canada except the shipping agent?—A. Yes.

Q. I suppose you do not care to give his name?—A. Oh, yes: Thomson and Earle.

Q. The man's name is Mr. Gowans, is it not?—A. Yes.

Q. And he is the forwarding agent?—A. He is the shipping and forwarding agent.

Q. I thought there was another gentleman there. Have not the British government a direct representative in Montreal looking after shipping for the Ministry of Shipping?—A. As far as the Cereals Import Committee are concerned the man who looks after their shipping is Mr. Gowans of Thomson and Earle.

Q. He is the forwarding agent who is supposed to get the wheat?—A. Yes.

Q. But is there not another man who looks after the shipping business and informs him where the ships are?—A. I think so; I think the British Ministry of Shipping have an agent in Montreal.

Q. But he has nothing to do with futures or anything like that?—A. No.

Q. Why is it necessary to have any futures trading or exporters in it at all?—A. Well, strictly from the standpoint of the operations it is apparently much more satisfactory to the British Ministry of Food; and certainly from the standpoint of the Wheat Board it is more economical.

Q. Then when Mr. Gowans gets the information that there are ships from the representative of the Ministry of Shipping he has to get the wheat, and you say he has to instruct you or somebody else to buy some futures?—A. No. I did not say that.

Q. Then where does he get the wheat from?—A. I said that in the first instance the Canadian Wheat Board sells the Import Cereals Division of the British Ministry of Food a round lot of wheat.

By Mr. Ward:

Q. On the open market?—A. No; direct. Now, the exporters carry the wheat from Fort William to the seaboard, and they offer the various grades of wheat overnight to the Import Cereals Division of the Ministry of Food. The Import Cereals Division make their purchases as they see fit, and they tell the Wheat Board to give to these exporters part of the futures which have already been sold to the Import Cereals Division, thereby reducing the quantities of their purchases.

By Mr. Perley:

Q. Who deals for the British Cereals Import Committee in these futures?—A. They deal direct.

Q. With whom?—A. With the Wheat Board.

Q. Then you must have somebody clearing a trade through the clearing house representing that sale?—A. Yes, but the British Import Cereals Division have nothing to do with that. They merely tell us to give these futures up to the exporters from whom they purchased their cash wheat.

By Mr. Wright:

Q. And if there is a difference in price, what happens?—A. They pay us the difference.

The CHAIRMAN: May I suggest that each member speak a little louder.

By Mr. Perley:

Q. Coming back to the flour mills, you say the Imported Cereals Division instructs the Wheat Board to give up the futures to the mills?—A. That is right.

Q. In sufficient quantity to grind flour to fill an order to Britain?—A. The mills already probably have put their wheat in saleable positions in eastern Canada, in a grinding position in eastern Canada, and they grind the wheat into flour and offer it overnight to the Overseas Imported Cereals Division; and when they purchase the flour from the mills they tell the Wheat Board to give to the mills the amount of wheat against which they have ground the flour.

Q. Then they practically hold all the wheat that the Wheat Board have? They can instruct the Wheat Board to give the wheat to Tom, Dick, or Harry, exporters, mills, or anybody else?—A. They would not instruct the Wheat Board to give it to anybody except those from whom they purchased the actual wheat or flour; there would be no object in doing so.

Q. If the mill had wheat that they purchased from the Wheat Board and made a sale of flour to the British people and did not require wheat from the Wheat Board and ground their own, what about that?—A. Do you mean that they would have it unhedged?

Q. I mean they have bought wheat and possibly have it unhedged. The millers independently of any board have their own wheat.—A. They probably have the wheat on hand and have it hedged on the futures market, say at Port Colborne?

Q. Sold for future delivery, that is the hedge?—A. Probably No. 1 Northern wheat on hand at Port Colborne, which they have hedged into May, and they would be making their offers overnight to the Imported Cereals Division and the Imported Cereals Division would accept, say, 2,000 barrels of flour—

Q. In that case, then, they sell their hedge and they are selling their wheat in flour. Now, as I understand it, they should not do that. The miller is in a different position from the ordinary exporter in hedging in the sale of flour?—A. No; the mechanics are exactly the same.

Q. He sells the flour to the British people, and it requires so many million bushels of wheat to grind the flour. What is the first deal the miller makes after that?—A. It all depends on whom he is dealing with—

Q. He has not any wheat at all?—A. Do you mind if I finish. If you are talking about the Imported Cereals Division the miller has no wheat, we will say, using your own illustration, but the Wheat Board have on hand millions of bushels of futures which are owned by the Imported Cereals Division because they have purchased those figures from the Board. They say to the miller: "We want to buy 10,000 barrels of flour," and the price is fixed, the basis is the futures price. The miller takes back from the Imported Cereals Division through the Wheat Board, because the Wheat Board have this wheat on hand for the Imported Cereals Division, an equivalent quantity of wheat against the flour that was sold. Now, to go back for a moment and perhaps clear up the question you have asked: The miller has probably already shipped down to his mill at Port Colborne four million, five million or ten million bushels of wheat against which he has a hedge in the May future. So that after he has sold his flour to the Imported Cereals Division he is even on that particular quantity of flour he has sold because he has got back his future which was the property of the Imported Cereals Division to the extent of the amount of flour he has sold.

Q. I cannot understand that exactly either, because I think if the miller has his own wheat he could grind it without having to deal in futures at all. The Imported Cereals Division of the Board are forcing the miller into trading.—A. Not at all. The Imported Cereals Division of the British government have contracted ahead to buy a certain quantity of wheat.

Q. Contracted with whom?—A. With the Wheat Board in the futures market. They do not, to my knowledge, buy wheat outside of that contract. They have already arranged that contract, probably with their treasury and other officials. That fixes the basis of their prices. And in trading with the miller they would say to the miller: "Now, we have already fixed the basis of the price of this wheat."

Q. What do they say to the miller: "We want you to grind our wheat?"—A. No; they do not say that at all. They say: "We have already fixed the basis of the price of this wheat. We want you to take from the Wheat Board a certain quantity of futures which fixes the price for the actual flour they sell."

Q. In other words, the miller is now a grister for the British government.—A. No.

Q. They tell him where to get the wheat.—A. Oh, no.

Q. He is just a grister.—A. Oh, no; he is not.

By Mr. Ward:

Q. Would any milling company buy one million bushels of wheat from the producers without hedging if they could? A.—I am sure their banker would not let them, Mr. Ward.

By Mr. Ross (Moose Jaw):

Q. Mr. McIvor, suppose the Cereals Import Board purchased 10,000 barrels of flour from a miller in Canada, they can either have the wheat delivered by the

Board to that miller, or they can get the Board to trade back futures against wheat held by the miller in a similar position.—A. Would you mind asking that question again, please?

Q. If a miller had no wheat at all the Imported Cereals Division could ask your Board to deliver sufficient wheat to the miller to be ground and shipped overseas for them?—A. In the first place the wheat we have for them are futures. Say we sold them May futures and they are the purchasers of May futures, we are under their instructions to wait until May and get delivery of wheat on the futures and turn it over to any mill that the Imported Cereals Division directs, but that is not the way they want to handle their business.

Q. They handle it altogether on futures?—A. Yes.

By Mr. Perley:

Q. Mr. Ward substantiates exactly what I said, that the millers are now gristers for the Board or the Imported Cereals Division. They have to grind that wheat.—A. No.

Q. Under ordinary circumstances here is the miller who offers flour for sale over night or at any time, and he gets an acceptance of an offer which requires say one million bushels of wheat to be ground?—A. Yes.

Q. Does he not in ordinary times immediately or the next morning after he gets acceptance of that order by cable give some broker an order to buy one million bushels of wheat, and as the broker buys the futures he then gets another broker to get the cash wheat for him, and as he gets the cash wheat he exchanges the futures?—A. Under ordinary conditions?

Q. Yes. A.—Yes.

Q. Then explain why we have to have this different system now?—A. Because the Imported Cereals Division prefer to buy their wheat in a round quantity in the form of futures and instead of going into the pit, as you suggested in your illustration, daily or forcing the miller to go in there to cover his flour sales, they tell the Wheat Board to give up to the miller a certain quantity of wheat which fixes the basis of the price of the flour they buy.

By Mr. Ross (Souris):

Q. Wheat futures?—A. Yes.

By Mr. Perley:

Q. Then that eliminates the first option trading of the miller?—A. Not necessarily. A miller may have already shipped and probably would have shipped his wheat forward to his mill and had it hedged in the futures market.

Q. He is not grinding his own wheat in this case?—A. No; but he is putting his wheat in position where he offers it for sale to anyone whether it is the Imported Cereals Division or Portugal or anybody else. He is a miller.

Q. He has not enough wheat to fill this order?—A. He may have.

Q. He may have not?—A. One mill cannot fill the whole quantity that the wheat board has sold, but he has enough actual wheat apparently in position to fill.

Q. His own wheat?—A. Yes, he has the wheat purchased and hedged in the Winnipeg market.

Q. Then why has he to accept it from the Board?

Mr. Ross (*Souris*): He exchanges it.

By Mr. Perley:

Q. He insists on getting rid of the Board's wheat?—A. Oh, no. Let us say he has purchased one million bushels of No. 1 Northern and he has exchanged it for May, has purchased No. 1 Northern and given up the May: He has the wheat at Port Colborne. He does not know what orders he is going to get, whether

they come from the Imported Cereals Division or who they come from, and the Imported Cereals Division give him an order for a sufficient quantity of flour to use up that one million bushels, we will say, and they say to him: "You take from the Board one million bushels of futures," which closes out his futures position. You sell to the Imported Cereals Division the equivalent to one million bushels in the form of flour, which disposes of his actual wheat; so that so far as that transaction is concerned that is finished.

Q. Take the wheat he has at Port Colborne?

The CHAIRMAN: His own wheat or Board wheat?

Mr. PERLEY: What the witness said he has hedged.

Q. He takes a contract for a neutral exporter of flour and does not want to use that wheat?—A. After he accepts the contract for neutral business he then purchases an additional quantity of wheat and moves it forward to his mills from Fort William to take care of his neutral business. When he has purchased that quantity of wheat he is short in the May futures against that quantity, and he makes an exchange when he purchases the actual wheat. He sends his trader into the pit and buys in an equivalent amount to cover his sale to the neutral countries. He is not exchanging with the Board unless we sold it.

By Mr. Ross (Souris):

Q. The first deal does not go through, does it?—A. In the first deal he probably purchases from the board to fill this neutral business 300,000 bushels of No. 1 Northern wheat and gives back to the board 300,000 bushels of May futures, and the board may elect to sell out that 300,000 bushels of May futures the next day if they think it is good business; but in the meantime in order to cover his position, having made a sale of flour he would enter the market and buy in 300,000 bushels of futures.

Q. If we get to the end of May and the board is already sold out and they have not any futures, what happens? They could not give the futures to the miller?—A. But they have already disposed of that 300,000 bushels, on the illustration you gave. They have sold out the 300,000 bushels on the market.

Q. I cannot see it. There is one future deal you certainly can eliminate.—A. How?

Q. The miller's deals in exporting his flour.—A. But the Import Cereals Division say they prefer to purchase futures in round lot quantities from the board.

Q. Then it is just an exchange? It does not go through the clearing house?—A. It goes through the clearing house.

Q. How many brokers would you use in the transaction?—A. I do not know; we use a lot of brokers.

Q. You can tell us that later?—A. Yes.

By Mr. Wright:

Q. How many brokers are paid commission from the time the wheat leaves the farmer's hands until the time the Import Cereals Board finally gets the actual wheat in their hands, and what is the amount of each one of those brokerages or commissions?—A. We have those figures, Mr. Wright, that we shall come to later.

By Mr. Donnelly:

Q. I asked you to present those figures?—A. Yes.

The CHAIRMAN: Those figures are being kept in mind. If the members of the committee have any further questions to ask this gentleman, it would be preferable to do so now.

By Mr. Douglas (Weyburn):

Q. I would like you, Mr. McIvor, to take that general movement of the wheat again and explain one or two things that are not clear to me. I understood that when the wheat comes to the head of the lakes, the Wheat Board sell it, sell cash wheat?—A. Yes.

Q. On the open market?—A. We would sell it through a broker to whoever wishes to buy it.

Q. On the exchange?—A. Yes.

Q. And take futures for it?—A. Yes, exchange it for wheat futures.

Q. Who owns the wheat when the wheat is sold?—A. The actual wheat is owned by the purchaser and he has a hedge in the futures.

Q. You said this wheat would be sold to exporters, millers, and others. What did you mean by that?—A. Well, you might have a man who is not actually an exporter, but just a shipper of wheat for use in Ontario or something of that nature.

By Mr. Ross (Souris):

Q. Or a terminal elevator operator?—A. Yes, or a terminal elevator operator in eastern Canada may purchase this wheat and put it in his own elevator.

By Mr. Douglas (Weyburn):

Q. And it is bought to some extent by speculators.—A. The actual wheat?

Q. Yes.—A. No; it is not likely that they would buy the actual wheat; a speculator might possibly buy the futures.

Q. When the Wheat Board get an order from the Import Cereals Division to dispose of a certain number of futures, as I understand it the Import Cereals Division really buy the actual wheat through the exporters?—A. Yes.

Q. And all the Wheat Board does is turn the wheat future over to the exporters so that they can dispose of that wheat?—A. Yes.

Q. And the Wheat Board take these futures in exchange for the cash wheat, but there is only a percentage of the wheat sold to the Imported Cereals Division?—A. Yes.

Q. You have not sold all the wheat the Wheat Board has taken delivery of?—A. Yes.

Q. Assuming there is no demand for the May futures the Wheat Board has taken, what happens when May comes? Do you take delivery of that wheat?—A. We might, or might switch it into a further futures contract.

Q. How often would that happen before the wheat was finally disposed of?—A. I do not know, Mr. Douglas; that would depend entirely on the demand. We have to carry so much wheat. There is only a limited demand. I do not know how often it would be done.

Q. Looking at it from a layman's point of view am I clear that the Wheat Board sell this wheat which originally is their wheat and for which they paid the producer, sell the cash wheat and take a contract for future delivery, and when that contract is up they sell it and take another futures contract and that might continue indefinitely for a considerable period of time?—A. We might, or we might take delivery of the wheat in the future position; it is a question of saving money. I will illustrate it to you:

By Mr. Donnelly:

Q. You have a list of all your dealings in futures there?—A. Yes.

Q. Which you will give to the committee later on. I would like to give you an illustration if I may: The Wheat Board have actually wheat on hand, we will say, on the 1st October.

By the Chairman:

Q. Delivered to it from the grain companies?—A. Delivered from the producers through the grain companies.

By Mr. Douglas (Weyburn):

Q. Which you have not sold?—A. Yes, to the extent of several hundred million bushels.

Q. That means that you do not sell all the wheat that comes to the head of the lakes?—A. We sell the actual wheat; but let us, for the sake of the illustration say we have all the actual wheat on the 1st October: we know that we have to carry the bulk of that wheat over until May because there is not a market; there is no way of disposing of it, and we know, for the sake of the illustration, and using a round figure here, that it is going to cost us 6 cents per bushel to carry it in storage and pay interest. The actual wheat must be stored in elevators, and we have to borrow money from the banks, having already paid for the wheat. Now, the relationship between the October future and the May future is 5 cents; in other words, the May future is at 5-cent premium over the October future. From the standpoint of good business it is far better for the board to dispose of that actual wheat on the 1st day of October in exchange for similar wheat in May in the form of a future than to carry it for that period, because on one basis we are paying 6 cents for carrying it and on the other basis it costs us 5 cents.

By Mr. Quelch:

Q. If you are going to lose money by holding it in storage, how does the person buying it make a profit?—A. You mean the other end of the deal?

Q. Yes.—A. The other end of the deal is simply this, that there is competition among elevator companies for wheat to store, and they would prefer to pay 5 cents a bushel, prefer to earn 5 cents per bushel for storage rather than not purchase it and perhaps leave their space empty.

By Mr. Douglas (Weyburn):

Q. To carry it one step farther, when we come to October you have disposed of this wheat in order to save the storage. It proves that 6 cents is too much?—A. That is fixed by statute.

Q. When you come to May and you find that some of that wheat has not been disposed of, the futures having been disposed of, what does the Wheat Board do, take delivery of the wheat or take the July futures or October futures?—A. In the meantime we have probably sold—

Q. Say 70 per cent?—A. —some of the May futures, but we are speaking of the balance. We would make the best deal we could from the standpoint again of the benefit to the board. If we knew that we had to carry the bulk of that wheat into July and could transfer it to July at a saving, we would transfer it into July; in other words, at less cost than if we took delivery and carried it into July, again going back to the original illustration. And the situation would be that we would elect at that time as to whether we were going to take delivery or to transfer it into July, and it would depend on what was the most beneficial from the standpoint of the board.

Q. It is possible, then, that a bushel of wheat could be sold or a waggon-load of wheat could be sold by the Wheat Board at Fort William and a future contract taken, and if that future had not been disposed of to the Cereals Import Committee you might take another future in May, July and October. In other words the board merely keep on selling and buying futures?—A. No. I would like to answer that question in this way: In some cases, as far as we are concerned, if it is better business to take delivery of the wheat or to hold the actual wheat we would hold it, but if we can switch it to the futures market at a saving we would do that rather than hold the actual wheat.

Q. But it is possible that under some circumstances you would, without ever actually taking the wheat, continue for a period of time selling these futures and buying them back rather than taking the actual delivery of the wheat if the wheat were not sold?—A. There has been a good deal of discussion about this “buying back” business. I would rather say we would exchange it.

Q. You might continue to exchange it for a considerable period of time?—A. Yes.

Q. In that event the Wheat Board does not own the wheat at all, it only holds the futures?—A. We hold a contract for future delivery.

Q. Then on that basis what wheat does the Wheat Board actually store? We have the Wheat Board report here with large sums for storage. If the Wheat Board always disposes of the wheat at the head of the lakes and takes futures, what wheat is being stored by the Wheat Board?—A. Probably country elevator stocks and the wheat that we have not disposed of and taken futures for. As I said earlier, probably we would be carrying some actual wheat and carrying some futures.

Q. That is wheat that is in the process of being sold as quickly as you can dispose of it on the market?—A. Yes.

Q. It is not the policy of the board to hold that wheat any length of time?—A. No.

By the Chairman:

Q. At each period when you have wheat on your hand you are able to sit down and figure out how you can have that carried to a future period to the best advantage?—A. Yes.

Q. And you may carry it as actual wheat or as futures?—A. Yes.

By Mr. Douglas (Weyburn):

Q. But even if you had some of the terminals at the head of the lakes full, and had no immediate demand from the Imported Cereals Committee you would still sell that cash wheat and move it out from the head of the lakes to wherever the purchaser wanted to take it?—A. If you did not have a demand from the Imported Cereals Division of the Ministry of Food the exporters are constantly moving wheat to the seaboard to have it in position to dispose of it when the demand materializes.

Q. When the Imported Cereals Division come and buy from your board wheat futures, what is the basis of the price?—A. That is a matter of negotiation.

Q. Is it related at all to the market and the price which those futures were bought for on the market?—A. Not necessarily. All factors are taken into consideration.

Q. In other words, the open market actually does not set the price at which you dispose of that wheat?—A. It does not actually set the price, that is correct; but you always consider the open market price and other factors.

Q. But it is not the determining factor?—A. It is one of them, but not necessarily the determining factor.

The CHAIRMAN: Mr. Douglas, may I interject a question here?

Mr. DOUGLAS (*Weyburn*): Yes.

By the Chairman:

Q. Do circumstances arise when storage conditions are such that your ability to make a good deal to hold wheat as a future is limited? For instance, if the storage facilities were filled up at the head of the lakes and the grain companies that wished to store grain down there were unable to store it, there would be a greater likelihood of your being required to carry actual wheat than being able to sell it as a future?—A. That is right.

By Mr. Douglas (Weyburn):

Q. You said that this system of handling the wheat in the futures market was quite satisfactory to the British Ministry of Food, and that it was more economical to the Wheat Board. When you say it is more economical to the Wheat Board have you reference to this matter of storage?—A. Yes.

Q. But it costs you less to take a contract for future delivery than it does to pay the storage rates?—A. Yes.

Q. Is that the only reason?—A. Of course, this question is a matter of government policy, and you are discussing now the question of the futures market versus some other system of handling wheat.

Q. Would it be fair to put it this way, that the only reason it is more economical is because the spread between futures and cash wheat is less than storage charges, and if the storages charges were less it would not be more economical?—A. I do not know that that necessarily follows, because supposing you did reduce the storage charges, you might reduce the spread.

Q. Mr. Quelch, I think, asked a question on that point. He said the man who takes it for less than storage is not taking it for his health. He wants to carry the wheat for the purpose of making something out of it?—A. (No response).

By Mr. Ross (Moose Jaw):

Q. In that case it is a question of half a loaf being better than none—A. (No response).

By Mr. Douglas (Weyburn):

Q. Following up the idea of it being more economical in your opinion, Mr. McIvor, what is the advantage to the producer who sells this wheat to the board of handling it to the futures market?—A. What is the advantage to the producer?

Q. Yes, who sells the wheat to the board?—A. I think the advantage in dollars and cents is very substantial provided there was payment, Mr. Douglas. If there was an over-all payment the advantage to the producer would be substantial in dollars and cents. If the government are paying the bills it reduces the government bill.

By Mr. Ross (Souris):

Q. Where is the saving made? Who really carries the futures and takes up the slack and the loss in this transaction if you save that much money.—A. The elevator companies take it. If you closed the market you would have one statutory storage rate all over Canada.

Q. But the elevator companies are more responsible for the future trading than anybody else?—A. No; I do not know that I would agree with you. I am inclined to think that some of the elevator companies would rather have the futures market closed because they get the statutory rates; I do not know.

By Mr. Donnelly:

Q. On page 219 of the Banking and Commerce Committee of 1934, Mr. McFarland was on the stand and was asked about this very matter, as to how he carried his wheat. Do you agree with what he said:—

No, we are not carrying the actual wheat; we are carrying some futures. If you carried the actual wheat, the expense of carrying it would be far, far heavier than to carry it in the form of futures, or options. Take a twelve month term, in carrying actual physical wheat it would

cost you around 15 or 16 cents a bushel. By the method which we have adopted in carrying it, it has cost around about 10 cents per bushel, but remember we can always get delivery in that way, whenever we want it.

At that time the difference was between 15, or 16 cents and 10 cents. That has been reduced, I presume, at the present time on account of the carrying charges being down.—A. Yes.

Q. Do you agree with what Mr. McFarland said?—A. As a matter of fact, as you probably know, I was associated with Mr. McFarland for a number of years in the capacity of his assistant, and I know that that was his opinion, that he could carry wheat far cheaper through the futures market than actually taking delivery of the wheat and carrying the actual wheat.

By Mr. Douglas (Weyburn):

Q. Might that not be a reflection on the heavy storage charges permitted under the statute?—A. (No response).

By Mr. Donnelly:

Q. Is it not a fact that because of the storage charges having been reduced at the present time that spread between carrying actual wheat and carrying futures has been narrowed up?

Mr. Ross (*Souris*): It still exists.

By Mr. Donnelly:

Q. What do you say?—A. Yes, but it has been narrowed up. The storage charges are fixed by statute. You have two classes and types of elevator organizations. You might have some type of terminal elevator that can store wheat cheaper and demonstrate that they can do it because they buy the actual wheat at less than the actual storage charges.

Q. Then you have country elevators?—A. I do not know what their situation is. I do want to say this, however, that the producers in the elevator business have said this is the lowest possible way in which you can carry wheat. Whether they would venture that opinion at another time I do not know.

By Mr. Perley:

Q. One factor would be how often they switched the options?—A. No.

Mr. DOUGLAS (*Weyburn*): Some of the financial reports would not substantiate that.

The CHAIRMAN: Will somebody move that we adjourn to meet again at four o'clock this afternoon?

(Motion made and carried.)

The committee adjourned to meet again this afternoon at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4.05 o'clock p.m.

The CHAIRMAN: Well, gentlemen, we can proceed with our afternoon meeting. May I suggest this, after questioning Mr. McIvor, who is still on the stand, that each person who wishes to question him would develop the questions and proceed to carry through until they have completed their point, and that there be no interruptions except in so far as someone might

wish to clarify a question; in other words, that each person who wishes to do so take the witness in hand and bring out what information they may wish in that particular regard, instead of having a whole lot of questions coming from different ones at the same time. I think by proceeding in that way we probably will get the points brought out that are wanted. There is plenty of time to do it, and if we will proceed in that manner we will be more orderly than we would be if we had a lot of questions coming from different people at the same time. I am going to suggest that Mr. McIvor, if he wishes to, may remain seated; and I declare the meeting open. Anyone who wishes to start questioning him is at liberty to do so now.

By Mr. Donnelly:

Q. Mr. McIvor, this morning when you were under examination you dealt with the methods that you used in handling wheat. Do you remember, at the last meeting—that is not the last one to-day; I refer to the one that was held some time ago, before the recess—I asked you to bring down a detailed statement of your operations on the exchange in respect to spreading and brokerage charges and so on that you had paid; have you that list?—A. Yes, sir, I have.

Q. Could I have a copy of it, just to look at?—A. Yes.

Q. This covers all your operations from 1938 down to July, 1942, does it?—A. Down to the July future 1942; spreading operations.

Q. This I notice covers the bushels, 1,212,364,000; is that not right, the total amount?—A. Yes.

Q. You have a copy there?—A. I have not a copy in front of me.

Mr. PERLEY: That covers what period?

Mr. DONNELLY: From October of 1938 down to July of 1942; that is the spreads.

The WITNESS: I am sorry, Dr. Donnelly, I have just the one copy.

By Mr. Donnelly:

Q. Now, in this you have marked out the average spread, have you not?—A. Yes, sir.

Q. And you also have the number of days that it is spread over, for so many days—one month, two months, three months—whatever time it was?—A. Yes.

Q. And then you have what it has cost you, your full carrying charges, marked down here in each case for these—I don't know how many spreads you had—one, two, three, four, five, six—there are thirty-two or thirty-three operations made there?—A. What it would have cost?

Q. Yes, you have the full carrying charge?—A. Yes.

Q. And interest at 3 per cent; and then you have marked here the difference between what it cost you and what it would have cost you had you put it in an elevator and carried it in elevators in the usual way?—A. Yes, sir.

Q. I notice for that 1,212,364,000 bushels that the difference in spread has been \$10,842,712.28?—A. Yes, sir.

Q. What do you men by that?—A. That is the saving.

Q. That is what you saved?—A. Yes.

Q. By carrying it in the manner in which you did you made a saving to the people of the Dominion of Canada of \$10,842,712.28?—A. Yes, sir.

Q. Less brokerage; there is a certain amount paid out for brokerage fees?—A. Yes, sir.

Q. I notice that you indicate the total brokerage as being \$606,182; making a net saving altogether of \$10,236,530.28. In other words, not only did you find the handling of wheat through the ordinary channels to be more convenient, but it has saved the people a great amount of money, has it not?—A. Yes.

Q. Now, who would have got that money had you put it in the elevators and carried it, as Mr. Hanson suggested it should have been carried, at the former charge of one-thirtieth of a cent a bushel or the present charge of one-forty-fifth of a cent a bushel?—A. The elevator companies.

Q. The elevator companies?—A. They would have got the storage charges, and the banks—

Q. Would get the interest?—A. Yes.

Q. In other words, the country would have lost that much more money; \$10,000,000 more?—A. Yes.

Q. So that by using the Grain Exchange you have saved the country \$10,000,000 more?—A. Yes.

Q. Don't you think that is an argument why you should keep the grain exchanges open?

Mr. QUELCH: On the basis of the present storage.

Mr. DONNELLY: The basis of the present storage, the present basis is—this was one-thirtieth of a cent in 1940; and then it was changed to one-forty-fifth of a cent from 1940 on; before that the charge was one-thirtieth of a cent per day, which was the usual charge.

By Mr. Donnelly:

Q. Well now, we heard a lot of complaints about the Grain Exchange, and apparently this is one argument to support the contention that the Grain Exchange should be kept open.—A. It is a very substantial saving for the country. There is no question about that.

Q. I think that this statement should be printed as an appendix to our proceedings for to-day in order that we may look more closely at the figures and be sure as to what the charges have been and what the savings have been, because it has been very considerable. I know that to myself it has been an eye-opener as to what can be done. Just in line apparently with what Mr. McFarland has said, and with what the committee has said?—A. That is right.

Q. That they could carry wheat cheaper by using the facilities of the Grain Exchange than by ordinary storage. Well, if our elevator companies are going throughout the country and asking that the Grain Exchange be closed probably it might be that they want the storage; don't you think so?—A. Yes.

Q. It looks to me as though that is one of the reasons why we hear this furore about wanting the Grain Exchange closed.

Mr. QUELCH: Do the line elevators ask that?

Mr. DONNELLY: Yes, some others do, too. I have heard for the last thirty years, since I have been growing wheat, that the Grain Exchange should be closed; and I have never heard anyone yet who could give me any sound reason why it should be; no one who could give me any good reason.

Mr. ROSS (*Souris*): Could you give us the names of any such elevator companies?

Mr. DONNELLY: Yes.

Mr. ROSS (*Souris*): Who?

Mr. DONNELLY: Well, I have heard the pool elevators say that.

Mr. QUELCH: The line elevators as a whole have asked that they be closed.

Mr. ROSS (*Souris*): Can you tell me what elevators are making such a request?

Mr. DONNELLY: I know that I have heard such complaints made on the platform, when I have been there, and they have told me time and time again that it should be closed; but I have never had any of them tell me yet why it should be closed; they made merely the general statement that it should be closed without giving any reason.

Mr. ROSS (*Souris*): You never heard any of the North West Line Elevator Association elevators making that statement?

Mr. DONNELLY: Suppose they have not, what of it?

Mr. ROSS (*Souris*): You are making a statement, and you should give names of companies.

Mr. PERLEY: Can you name any others?

Mr. DONNELLY: I do not see why they should not—

Mr. PERLEY: Just name another one.

An Hon. MEMBER: He has named the pool elevators.

Mr. DONNELLY: As a matter of fact, I just dealt with this matter just the same as I dealt with it with the pool people on the platform; they made the statement and I asked them why, and they were unable to tell me any reason why, except that they say they should be closed. I have never yet had anyone to tell me why it should be closed.

Mr. GOLDING: Do you mean that?

Mr. DONNELLY: I mean, if they were closed it would be a good thing for them because of this \$10,000,000.

Mr. GOLDING: Oh, they were the ones that wanted them closed.

Mr. DONNELLY: We need not get into an argument about that, that is another question altogether.

The CHAIRMAN: Gentlemen, the reporter can only get down one of these items at a time. Will you please bear that in mind.

By Mr. Donnelly:

Q. With regard to these brokerage charges you say here that you paid \$606,182 in brokerage charges; how many brokers was this amount paid to?—

A. There were over ninety.

Q. Do you pay it to the brokers?—A. We actually issue the cheques, and what I want to make perfectly clear is, we are dealing now in connection with these spreads, we actually issue the cheques to the brokers, but the brokerage is calculated in the spread.

Q. Now, how are these men selected, picked out?—A. Well, it is largely a matter of efficiency, with this proviso; that in regard to this spreading about which we are speaking, and due to the fact that the other end of the deal pays the brokerage, we issue the cheques, but the brokerage is calculated in the spread. They name the brokers; but we make this provision, that no broker is to get more than 300,000 bushels, and the reason for that provision is that one broker should not get all the business; that the brokerage should not be coralled by one individual if he was particularly close to a certain source.

Q. It is divided among them?—A. Yes.

Q. And the man who makes the deal names the brokers that they want it divided among?—A. Yes, he does; but it is subject to that provision, that with regard to one particular transaction 300,000 bushels is the limit that any one broker can get.

By Mr. Ross (Souris):

Q. Your board in buying grain does it through the brokers?—A. I am dealing only with this question of these spreads, Mr. Ross. I want to make that clear. I want to make my language very clear this afternoon. I will be perfectly willing to deal with the other.

Q. I don't understand that; you do the nominating of these brokers?—A. In regard to the spreads that we are discussing now, the brokers are nominated by the other end of the deal and they pay the brokerage. We issue the cheques, but the brokerage is calculated in the spread; and the reason we do it that way is to prevent the brokerage going into one channel and other brokers being left out.

By Mr. Donnelly:

Q. At the present time, is the Grain Exchange closed in England?—A. Yes.

Q. Do they pay any brokerage charges to anyone in England?—A. They have a system of compensation worked out there; I have not the exact details, but it is based, as I recall it, on the three-year earnings, prior to the war, of the companies. And they have a method of taking care in this compensation system of those men of a similar character to those brokers in Winnipeg.

Q. And it is quite practical that these men would be doing what the brokers do?—A. The brokers in most instances institute the business. They perform a very useful service for the board.

Q. They are like the real estate agent, the go-between?—A. Yes. In other words, you deal with them as a group of brokers. They perform a very useful service in the machinery of what is known as the open futures market system; and further than that the Wheat Board directs the board to use brokers.

Q. It is part of the machinery that you are supposed to use?—A. Yes, it is part of the machinery that we are supposed to use.

Q. Now, suppose we had at the present time all our terminal elevators practically filled at the head of the lakes, would it be harder for these brokers to get a good deal?—A. Yes.

Q. And seeing that we have about 100 million bushels—we had to build 50 millions this past year—of extra storage there. Having that 50 million extra storage, does that enable you or the brokers to get a better deal in the handling of futures or trading in futures?—A. It is the old case of the law of supply and demand, Dr. Donnelly. If you have a greater supply of wheat than there are storage facilities to take care of it, your bargaining power is weakened. If you have a larger supply of storage than the available supplies of wheat, your bargaining power is greater.

Q. In other words, empty storage is not much good to an elevator company?—A. No.

Q. It does not make very much money for them. The only way to make money is to have it filled up?—A. Yes.

Q. Though they are willing to make a deal some time to carry it at less than the ordinary storage because they are going to get something out of it, is that right?—A. Yes.

By Mr. Evans:

Q. In following up the using of brokers in transactions of transferring the wheat, if you had not been making use of the present system would you have to set up some system of your own to transact that business?—A. Well, my own personal views are if you do not use the facilities of what is described by Judge Turgeon as the open market futures system, you would have to set up a monopoly in the handling of wheat, where the government would be the only people that would handle wheat.

By Mr. Perley:

Q. Is not that practically the case now? You have to have a permit to deliver to the board, and then there is the quota system.—A. Only on account of the fact that you may have a limitation of storage facilities, plus the fact you are working under the limitation of deliveries in the country. I just want to make this point clear, that the use of the quota system in the country does not apply only to board wheat; it applies to wheat going to the board and wheat going into the open market.

By Mr. Quelch:

Q. Is it fair to say, then, that the board finds it cheaper to sell the wheat and buy futures than to pay storage charges?—A. To exchange the actual wheat for futures, yes.

Q. In all probability we can believe that the people who buy this wheat do so because they can store wheat cheaper than the Wheat Board?—A. No, I do not think that is necessarily the fact. The Wheat Board is bound by the statute. That is the rate under the statute—

Q. Well, then, now, as conditions are to-day— —A. May I just continue that, Mr. Quelch? A lot of these people who make these exchanges with us are not elevator companies in the sense of the word that they operate elevators as a public facility for the storage of wheat. There are elevator companies also who purchase wheat and carry it in their elevators, particularly in eastern Canada. There are certain elevator companies in eastern Canada who own boats and move their wheat in their own boats and carry it in their own facilities. That is, purchase the wheat outright, exchange it for futures, and carry it hedged in their elevators until such time as it is disposed of.

Q. Do you not believe that under conditions as they are to-day the statutory charges could very well be lowered and still leave the elevators very sound protection?—A. I think as a question that should be properly directed to those in charge of the storage rates.

Q. Has a survey ever been made of the total storage facilities with a view to estimating what the total cost would be of taking them over and see what saving there might be in storage facilities to the board if that were done?

Mr. DONNELLY: There would be a loss.

Mr. QUELCH: Not under present conditions of storage.

The WITNESS: I do not know if any such survey has been made, Mr. Quelch.

Mr. QUELCH: I wonder if the minister knows of any.

Hon. Mr. MACKINNON: I do not happen to know of any.

By Mr. Quelch:

Q. Do you not think if such a survey were made, so far as the loss is concerned it would depend upon the interest paid to carry it? The government is borrowing money now at rates of $1\frac{1}{2}$ per cent. If the rate was 5 per cent it might lose money; but if the rate was $1\frac{1}{2}$ or 1 per cent I believe we could show a substantial profit, at least for the duration of the war, and a lot of elevators would more than pay for themselves before the end of the war at the present storage rate.—A. Just on that point, Mr. Quelch, I do not want to deal entirely with the question of storage. I want to get back again to what I said this morning, in so far as the farming business is concerned, it is the whole elevator system. They have said to the board that the handling contract under which they operate is the absolute minimum contract.

Hon. Mr. MACKINNON: On which they can afford to carry it.

By Mr. Quelch:

Q. Have they a statement of figures to prove the soundness of that contention?—A. No. Usually these handling contracts are arrived at ahead of the handling of the crops. You understand, we are dealing with all of the elevator companies ahead of time and that is the statement that they have made to us.

Q. I can understand that it would be an entirely different situation in peace time when a number of the storage facilities are partly used; but at the present time we are using the full capacity and there should be a substantial reduction in interest during the war.—A. They have made that statement to us since the war.

By Mr. Ross (Moose Jaw):

Q. Are they using the full capacity to-day?—A. No.

The CHAIRMAN: I think we can recall this. We went out checking on the storage facilities a few years ago, and the government even intervened and

extra additional storage facilities were built at the head of the lakes. That indicates that a survey of the storage requirements had been checked to some extent, at least.

Mr. QUELCH: Has a survey been made with regard to the storage facilities in so far as the cost of taking them over is concerned?

The CHAIRMAN: I do not know if that was considered. The question was to get the facilities, and in order to get the facilities, particularly those annexes, some consideration it appears was necessary to be given to those who were going to acquire them. That would indicate what the position of those actually handling grain was with regard to the charges already in existence. Has anybody else any questions to ask?

By Mr. Ross (Souris):

Q. I should like to ask a question with regard to the matter of brokerage. You said there were ninety brokerage firms paid brokerage fees and that others were nominated at the end of the deals?—A. Yes.

Q. Were they paid on a basis of bushels handled for the board or did you strike an average?—A. First of all I want again to say that the brokerage is calculated in the spread and paid by the other people. We issue the cheque. It is part of the spread; and the arrangements that are made for the paying of brokerage is if we make a spread with some particular company it might be made through one broker or it might be made direct with the company; but in the bulk of the cases it would be made with one particular broker. The rule that we follow is in order to provide that the brokerage is properly distributed we only pay a limit of 300,000 bushels to each individual broker and they nominate the brokers.

Q. In a given period?—A. Yes.

Q. What proportion of that 300,000—A. In regard to every transaction?

Q. Each transaction.—A. Yes.

Q. But there might be many transactions in one crop?—A. Yes.

Q. I still do not understand how each broker would be paid, on what basis. How often are they paid?—A. Once a month.

Q. There would be a great variation in the cheques issued to these brokers?—A. Yes.

By Mr. Diefenbaker:

Q. What is the variation?—A. Well, in regard to this particular—we are discussing now the question of spreads, Mr. Diefenbaker.

Q. Yes, but at the moment I am asking you what is the spread between the cheques and the brokerage?—A. If you do not mind I should like to answer the question in this way. We are discussing the question of spreads and the limitation of the amount that is paid to any individual broker is 300,000 bushels.

Q. How much does that mean in dollars?—A. \$75.

Q. That is the amount that you pay to any one broker in a month?—A. No, in a transaction.

By Mr. Ross (Souris):

Q. How much would you pay a broker in a month in a number of deals?

By Mr. Perley:

Q. What is the size of the transaction?—A. I was going to go on and illustrate the transaction, if I might.

By Mr. Diefenbaker:

Q. Possibly, Mr. McIvor, if you would answer just this one question it would be better. I find, and I say it with all due respect, you are always illustrating but seem to fail to answer the questions that have been asked directly. What is the smallest amount that has been paid to any broker under this head per month and the largest amount during the period of operation?—A. I do not know.

Q. Well, now, where would we get that information?—A. From Mr. Findlay.

Q. You have no idea at all, as chairman of the board, as to the largest amounts that are paid any one broker or the smallest amounts?—A. I am quite free to confess that I do not know, Mr. Diefenbaker.

By Mr. Ross (Souris):

Q. Can you give us the average in an exact transaction?—A. I again want to make it very clear that I am dealing now with the question of spreads which was raised by Dr. Donnelly. Brokerage is paid by the other end of the deal. The limit of brokerage is 300,000 bushels per broker.

Q. On one transaction?—A. On one transaction. That transaction might be a million bushels, and on that particular transaction there might be 300,000 paid to John Jones or there might be a hundred thousand paid to Jim Smith—I am speaking of bushels now. The other end of the transaction would say to the board, we want 300,000 paid to John Jones, 100,000 paid to Jim Smith; but for the purpose of a proper distribution of the brokerage, the limit of brokerage that can be paid to any one broker on that particular transaction is 300,000 bushels.

Q. What you mean to say is if the Cereal Import Board buy a quantity of wheat from you—A. Well, I am dealing with spreads.

Q. You said the other end of the deal. What do you mean by "the other end of the deal," the nominated brokerage companies?—A. The other end of the spread.

By Mr. Perley:

Q. I should like to make that clear to the committee. What do you mean by spread? It is the spread from May to July. It is not the original sale of the wheat. It is just the spread from May to July.—A. Yes.

Q. It has nothing to do with the cash wheat at all?

Mr. Ross (*Souris*): It is futures.

By Mr. Perley:

Q. I wish to come back to the statement. Evidently Dr. Donnelly has reviewed it and we cannot question you on it offhand. You say you traded in 1,212,000,000 bushels. That is for the three years, was it—the crop years 1938, 1939 and 1940?—A. There is the statement there.

Q. Oh, well, I have not time to study it. That was over the three-year period, was it?—A. The dates are there, Mr. Perley.

Q. Is this 1,212,394,000—and Dr. Donnelly read that too—for the three crops?—A. If you let me have the statement, I can give you the exact dates.

Q. You said from the 1st of October, 1938, to the 31st of July, 1941.—A. The 31st of July? Taking in the position from October futures—taking October futures from October, 1938, to July, 1942, the transactions involve those futures months to that period.

Q. That is only three crops though?—A. Well, it is three and a half really. It is almost four crops.

Q. Well, I cannot see how you can deal in the 1942 yet. You are into July, true enough, but you are not in 1942.—A. It is October, 1938, to July, 1942.

Q. Yes, but of course this report only goes on the 1940 crop.—A. Well, if you want it taken on the basis of the 1940 crop, we could get you the figures from October, 1938, to July, 1941.

Q. What was the crop in each one of those years? Have you got that amount with you?—A. The amount of the crop?

Q. Yes.—A. I can get it.

Q. The average is 300 and some odd million each year. What would be the average?—A. Well, in 1940 it was over 500 million.

Q. I know, but what would be the average?—A. I can get you the figures. I have not them here.

Q. How much did you trade in each year? That is what I want to get at.—A. The figures are here. We will be glad to give you any breakdown of the figures you want, of the total figures, October, 1938, to July, 1942.

Q. Give us a breakdown of the trading in October options, 1938.

By Mr. Donnelly:

Q. Some of it would be the same wheat over twice?—A. Yes.

By Mr. Perley:

Q. Give us October, 1938.—A. October, 1938? There are three different transactions. There was 400,000 bushels spread; there was 636,000 bushels and there was 38,359,000 bushels.

Q. What is the last one?—A. 38,359,000.

By Mr. Donnelly:

Q. Would you trace that 38 million through?—A. Yes. The 38 million was a transfer from October to May, a switch from October to May. The average spread at each switch was shown there at 3.1748. Had we carried that wheat—there is 212 days—it would have cost us 8.0467.

Q. So you saved how much?—A. Our gross saving was \$1,868,000, and after deduction of brokerage was \$1,849,000.

By Mr. Perley:

Q. You made a statement that you used ninety brokers. Those are just pure option brokers. Let us get the cash brokers. Do you use cash brokers?—A. Yes.

Q. How many cash brokers?—A. I am not sure how many.

Mr. FOLLIOTT: Twenty-five or twenty-six.

By Mr. Perley:

Q. Then you use ninety option brokers and twenty-six cash brokers. Is that it?—A. Yes.

Q. How many brokerage firms are there altogether, licensed?—A. That is all.

Q. What?—A. That is all.

Q. That is all on the Grain Exchange that are licensed?—A. Yes.

Q. Do these brokers acquire these trades in your name?—A. In our name, yes; the trades are cleared in our name.

Q. Do you have to guarantee their credit?—A. No. There is no credit involved. They just give up our name and the trades are cleared through the clearing house and we pay them 25 cents a thousand.

Q. You have an understanding with the clearing house with respect to John Brown who, say, is the broker employed, that anything he trades is okay, and then he switches to your name. Is that it?—A. No.

Q. The clearing house accepts the trades that he clears in your name?—A. No. What he does is this. When he puts through a trade for the Wheat Board, he gives up the name of the Wheat Board.

Q. What understanding have you with the clearing house and this man?—
A. He is not involved with the clearing house at all. He just puts through the transaction and the transaction is cleared direct from the Wheat Board to the other end of the deal.

Q. Say that during the day in the pit he trades in several million more than he clears in your name. Where does the clearing house get off in that case?—
A. That would be his concern, not ours.

Q. But the clearing house have to know?—A. No, they do not have to know.

Q. They do not know how much you have allowed him to trade in or what guarantee is made?—A. What he does is simply to notify us. We agree with him that he can put through a certain trade, and he notifies us that it has been done, and we clear it through the clearing house that day.

Q. All right. If it is a sale, what about the broker that bought it?—A. It clears to the other end from the clearing house.

Q. As far as you are concerned?—A. Yes.

Q. You have no understanding with the clearing house as to the guarantee of any credit or anything that these fellows trade in?—A. The only guarantee we have in the clearing house is the guarantee of the Canadian Wheat Board.

Q. There is no possibility of a man trading and clearing some of the trades in his own name, or if you traded with another broker so many millions—of course at the present time there is not much range in the price. There is practically no change at all to speak of now during trading hours; it is a quarter of a cent or something. But he could not possibly clear part of that trade if it was where it would show him a profit in his own name?—A. Not in our business.

Q. Anything he clears, the clearing house knows is for him?—A. Anything he clears for us—he does not clear in the first place for us. We clear ourselves. He notifies us of the amount of the transaction and we clear it directly through the clearing house.

Q. Well, could you give us the names of those ninety brokers?

Mr. Ross (*Moose Jaw*): Mr. Chairman, I do not think that is a proper question. These people are dealing with the Wheat Board, and dealing for others there. By using these people, the Wheat Board has been able to save large sums of money.

Mr. DOUGLAS (*Weyburn*): That is an assumption. Mr. Ross is not giving evidence.

Mr. DONNELLY: Not at all. There is no assumption at all in that. These are audited figures that he has given to us.

Mr. ROSS (*Souris*): There are many other things we have not got.

Mr. DONNELLY: It shows that by using the exchange as we have used it, we have saved \$10,000,000.

Mr. DOUGLAS (*Weyburn*): Or shows that our storage charges are too high.

By Mr. Ross (Souris):

Q. Where is the price of wheat frozen? There is an order in council freezing the price of wheat. At what point is it frozen?—A. 79¼ for the May and 80¾ for July.

Q. That is they are guaranteeing to take over the wheat from the trade at that?—A. Yes.

Q. For May wheat you pay the producer now how much?—A. For May?

Q. Yes.—A. We pay 70 cents plus the farm storage.

Q. Of 4 cents, is it not?—A. No. It is more than that. I think I can get that figure for you.

Q. On this chart you have put in here, issued by the board, it shows 74 cents from April 16 to May 1. Does that include your storage?—A. Yes.

Q. It is 74 cents.—A. You said in May?

Q. The 16th of April to the 1st of May and that is at the 1st of May?—
A. Yes.

Q. The new figure does not take place until the 2nd of May?—A. No.

Q. That is a difference of $5\frac{1}{4}$ cents you are allowing the trade?—A. No. We are not allowing the trade that at all.

Q. Why is there that difference? If I am a producer and I want to sell my wheat to you, I can only get 74 cents for it.—A. No. You can sell it in the open market and get $79\frac{1}{4}$.

Q. That is just the point I am making. You guarantee the open market that, but you only pay the producer 74 cents.—A. We are guaranteeing any holders of wheat $79\frac{1}{4}$ for a purpose, so that they would not be profiteering on the advance to the new price.

Q. That applies to the producer if he holds his wheat at the end of these crop years?—A. Yes.

Q. That would be the price with the farm storage?—A. Yes. He does not need to deliver to the board unless he wants to.

By Mr. Diefenbaker:

Q. In the allocation of the amounts to the various brokers under the head of spreads, who did you say you took your direction from—the other party to the spread?—A. Yes.

Q. Are those directions in writing?—A. No, I don't suppose they are. They may be.

Q. I beg your pardon?—A. They may be in some cases. We may have some letters. I think they would be largely verbally to our sales manager on the floor.

Q. Are there any that are in writing?—A. I do not know. I would have to look into that.

Q. Would you be able to get us that information by tomorrow morning?—
A. Yes.

Q. All right. Then there is the other question. We are just dealing with the one phase, brokerage charges arising out of the spread?—A. Yes.

Q. Will you be able to get us the information by tomorrow morning as to the largest amount received by any particular broker and the lowest during the period of your operations since the beginning of the war?—A. During which period?

Q. Well, as of the document before you, from October, 1938, until July of 1942?—A. Yes.

Q. Would you be able to give us the particulars of brokers who received those amounts?—A. Well, it is a question that is entirely up to the committee. As far as we are concerned, we distribute this brokerage on the most equitable and fair basis. Now, as to whether this committee wants the names of all these brokers so that they immediately become public property, is a matter for the committee to decide.

Q. Possibly, Mr. Chairman, before that could be decided we should have an answer from Mr. McIvor as to the degree of spread between the lowest and the highest?—A. Yes.

Q. That would give an indication, a very fair indication, as to how carefully the distribution was made among those entitled to it—the ninety option brokers and the twenty-six cash brokers.—A. That is right.

Q. If the disparity was very great, then of course one could carry on from there?—A. That does not necessarily follow. You have all kinds of brokers. You have got good brokers, indifferent brokers, and poor brokers. The judgment of the efficiency of a broker should be, under the Canadian Wheat Board Act, in the hands of the board.

By Mr. Donnelly:

Q. Do you pay this brokerage along the same lines as it was paid by Mr. McFarland and by Mr. Murray?—A. Yes.

Q. Did they select them in the same way?—A. Yes.

Q. And pay them in the same way you are doing?—A. Yes; according to our judgment of their efficiency.

Q. And you are doing it in the same manner as the old board did and as Mr. McFarland did?—A. Yes.

Mr. PERLEY: No, not exactly. He says he gets directions from the British Cereals Import Committee.

Mr. ROSS (*Moose Jaw*): No, he did not.

Mr. PERLEY: He mentioned the name of the Cereals Import Committee.

Mr. ROSS (*Moose Jaw*): No, he did not. He said at the other end of the deal.

The WITNESS: I said in regard to the purchase, that we got permission from the other party, the other end of the spread, as to how the brokerage would be distributed, with this provision, that not more than 300,000 bushels shall go to any one broker. I just want to say in that connection that there is not anything new about it, Mr. Perley. As a matter of fact, under the McFarland operations, brokerage was divided. Half of it was paid by the stabilization operations and half by the other end of the deal; and in that case or in both cases, the broker was selected by the other end of the deal.

By Mr. Perley:

Q. You have the broker, of course, on the other end of the deal; you have your broker selling and some fellow at the other end of the deal buying, for instance?—A. No, the same broker.

By Mr. Donnelly:

Q. If it were through James Richardson, what would it be?—A. If we spread a million bushels with the firm of Richardson and Sons, some broker would probably come to us and say that James Richardson and Sons are prepared to exchange May wheat for December wheat with the Wheat Board, or exchange December for May wheat with the Wheat Board, at 3 cents a bushel. The Wheat Board would examine the situation and if it were thought a profitable transaction from the standpoint of the board, the transaction would be put through. But under the provision that is laid down by the board, that one broker would not get the million bushels; he would get 300,000 bushels and the balance of it would be distributed by the Wheat Board on instructions from Richardsons who pay the brokerage.

By Mr. Wright:

Q. That is Richardsons would say as to the brokers it would be handled through?—A. Yes.

By Mr. Ross (Souris):

Q. And the amount they would handle?—A. Yes.

By Mr. Wright:

Q. A moment ago you said there were good brokers, indifferent brokers and poor brokers and the board had to use their own judgment. The board is not able to use their own judgment?—A. Not on the spread transaction.

Q. Not on the spread transaction?—A. No. But it naturally follows that a good broker, who is energetic and who is working to get his transaction through, will get more brokerage than another broker who is indifferent to the transaction and not working.

By Mr. Douglas (Weyburn):

Q. When does the board select a broker?—A. We would select him on any sales that we made outright.

Q. Cash wheat?—A. Cash wheat and future sales that we would make.

Q. Does the board sell futures on the open market?—A. On any futures that we would sell, and on any cash wheat that we would sell—

Q. Does the board ever sell futures on the open market?—A. Yes.

Q. Why would they sell futures on the open market?—A. Well, because we think the price is satisfactory.

Q. May I get that straight? You explained this morning why you should sell cash wheat—in order to secure futures. You explained why you should sell futures to the Import Cereals Division. But when you come into the open market and sell futures, what is the explanation for that?—A. Well, there might be an order from Portugal or from a domestic mill in the open market for wheat.

Q. Would they not do as the Imported Cereals Division do, go and buy from you futures?—A. No.

Q. They buy them in the open market?—A. Yes, that is right. What would happen is they would buy the actual wheat from the exporter. He would offer it f.o.b. seaboard and they would buy actual wheat from the exporter and he would cover his sale in the open market.

Q. Would your sale of futures of wheat be to the exporter?—A. No.

Q. Why would you not sell cash wheat and keep your wheat futures?—A. Well, under the open futures system, practically all the buyers of cash wheat must have it hedged. Their bank requires that it be hedged. So that instead of buying cash wheat from the board and going into the pit and selling out futures, they exchange futures for the cash wheat.

By Mr. Perley:

Q. Take the Richardson fellow. Mr. Richardson's firm sells, say, 1,000,000 bushels of wheat. The board buys the option. That is cleared. Does Richardson clear that in his own name—that is to say, selling in the October and switching it into the May? How do they deliver wheat to you?—A. I am not clear as to your question. You say the board would buy 1,000,000 bushels of cash wheat?

Q. No. Mr. Richardson sells a million of option wheat. He has bought wheat, for instance, in the country.—A. Yes?

Q. And this trade goes through and you do not know what wheat he is dealing in at all. It is done in the pit?—A. We have nothing to do with that.

Q. Just a moment. He sells you an option. You are selling options, are you not?—A. I want to get your question clear. You say he buys one million bushels in the country?

Q. No, he sells you a million bushels?—A. What does he do?

Q. When May comes, I am asking you if he delivers on his sale the one million bushels to the clearing house?—A. He may if he is short the May.

Q. Yes.—A. That is his privilege.

Q. If they said, "Here, you have to take it, Mr. Board, on your trade"—how about that?—A. If we are long in May, we would take delivery.

Q. You have got to take it. Now, let me come back to Britain. You stated there was no more open market in Britain, but they divided their business there among their brokers on the basis of their records of the business they had done in peace time, so to speak, possibly over a period of three years. What about those men that they select, the brokers over there? How do they deal with the Wheat Board?—A. They do not.

Q. All right; they deal with what?—A. The British government pay compensation to these men based on their operations, as I understand it, for three years.

Q. Who do they get in touch with in Canada?—A. These people act as agents of the various exporters in Canada. But that is not part of their compensation. The British government pay compensation.

By Mr. Rennie:

Q. For doing what? For nothing?—A. Well, I am told that they do perform some services in regard to the movement of wheat into ports and that sort of thing, but I am not just sure as to the nature of the services.

By Mr. Ross (Souris):

Q. The idea is to try to keep their trade intact while the war is on?—A. That is right.

By Mr. Perley:

Q. Could we not do the same thing in Canada, close our markets and use these 116 in the same way as they are doing in Britain?—A. It could be done.

Q. If you want to give them a meal ticket?—A. It could be done.

Q. It is the same thing in the end, but it is a little different way of doing it.

Mr. Ross (*Souris*): A more intricate method of the same thing we are trying to do in Canada.

Mr. DONNELLY: If they had carried it on in the old way instead of the way we have been told it has been carried on during the last three years, we would have lost \$10,000,000.

By Mr. Ross (Souris):

Q. On this basis it is a fact that you do not pay any money at all for storage on actual wheat? The Wheat Board does not pay the elevator companies anything for the storage of actual wheat. Is that right?—A. No. They have wheat. They have actual wheat in their elevators and they have it hedged, we will say, in the May. That is their wheat. They have paid cash for it. They bought it from us and paid cash for it.

Q. You do not pay any actual storage at all. It is all handled through futures, everything?—A. No; they have the actual wheat in their elevators, and they have it hedged, we will say, into May. It is their wheat; they have paid cash for it.

Q. You do not pay any actual storage at all?—A. Not on the weekly spread.

By Mr. Donnelly:

Q. You pay storage in the country elevators?—A. Yes, we pay plenty of storage on the actual wheat in the country elevators, and some storage in the terminals; but the moment the spread is made our storage charges stop because we deliver the actual wheat to them.

Q. That spread is the carrying charge, the storage?—A. Yes.

By Mr. Quelch:

Q. Do you know what percentage of wheat was delivered to country elevators and what percentage to other organizations in 1941?—A. In 1941?

Q. Yes.—A. I will get those figures for you.

Q. Will you please get them for 1939, 1940 and 1941?—A. Yes.

The CHAIRMAN: Any other questions?

Mr. DIEFENBAKER: Now we have come to the question of the brokerage charges, and we might as well inquire into those and get some information about them or be refused. Take exhibit "C"; it is not paged.

The CHAIRMAN: Mr. Diefenbaker, are you dealing with the report?

Mr. DIEFENBAKER: I am going to ask about this matter of brokerage charges which has been discussed. We might as well understand where we are going.

The CHAIRMAN: The only point I was going to make was that we have tried to arrive at some precise method of procedure, and I think Mr. Findlay will deal with the financial statements, with Mr. McIvor to assist him. I was hoping to finish up with the general operations of the Board and then proceed to the next item on the agenda. Can we clear up the matter of general procedure in the handling of grain before we proceed to the details?

Mr. QUELCH: Will you deal with the farmers' quota now or later?

The CHAIRMAN: Later, I think. I will make it a point to keep that in mind. I understand you desire to discuss it.

Mr. DIEFENBAKER: If the Chairman would furnish us with a copy of that agenda we would know exactly what order has been determined upon, but I want it distinctly understood that if the witness is allowed to stand down he will be recalled later.

The CHAIRMAN: The witness and the remainder of the Board will be here.

By Mr. Ross (Moose Jaw):

Q. I do not know whether you intended to give the information later, but I think it would be well if you were able to explain to the committee the exact operations that are gone through with wheat from the time it is taken into the country elevator until it lands in Liverpool or in England, explaining the different transactions in connection with it?—A. I tried to cover that matter this morning. Perhaps Mr. Ross would like to ask some questions?

By Mr. Perley:

Q. Take 2,000 bushels of wheat delivered to a country elevator who is your agent, and also take lots of 200 bushels delivered—

Mr. ROSS (*Moose Jaw*): Take any amount.

Mr. PERLEY: It is a matter of classification.

Mr. ROSS (*Moose Jaw*): This is going to come up under the contract later on. I want to get a short explanation, first of all, of the delivery of the wheat by the farmer to the country elevator and from the country elevator to Winnipeg or Fort William, and from there how it is handled by brokers until it reaches Great Britain. Take a carload.

The CHAIRMAN: I do not think it is necessary to discuss here the difference between a 200-bushel lot and a 2,000-bushel lot. That has to do with the elevator agreement. Perhaps Mr. McIvor could follow a carload throughout.

By Mr. Ross (Souris):

Q. A carload of wheat stored in a country elevator for two months?—
A. Do you want to deal both with a carload and a wagonload?

By the Chairman:

Q. Take a carload lot.—A. The situation in regard to a carload lot of wheat at country points is that a producer who hauls in his wheat has the option of selling it outright or selling it to the Board. He delivers his car to the elevator and instructs the elevator company to ship the car to the head of the lakes. First of all I shall deal with a special bin case: a car is delivered at the head of the lakes and the inspection is checked by the company that is handling it when it goes through the terminus, in the case of Fort William or Winnipeg, and the company gets a warehouse receipt for the car. It might be 2,000

bushels. That warehouse receipt is delivered to the Wheat Board by the company. Just to go back for a moment, under the handling contract there is provision made for the handling of special bin wheat. They would charge him for the handling of that car $1\frac{3}{4}$ cents which is the charge in country elevators plus a 1 cent service charge. He would have to pay the freight on dockage if there was dockage, and the inspection and weighing charges, and any bank exchange with respect to the cost of getting the money to the country elevator.

By Mr. Fair:

Q. Would you explain what that service charge includes?

The CHAIRMAN: Can we leave that until we deal with the elevator agreement?

The WITNESS: I think that is the best place to deal with it, sir.

By the Chairman:

Q. Proceed.—A. The car is delivered to the Wheat Board and a participation certificate is issued by the company handling the car to John Brown, if that is the firm's name, which says, in effect, that he has delivered 2,000 bushels of wheat to the Wheat Board and is entitled to participate in any payments in the future, if there are any.

Then the Wheat Board takes this car of wheat (this is cumulative; there would be a number of cars of wheat) and would dispose of that and 50 or 100 other cars, perhaps a total of 200,000 or 300,000 bushels, to an exporter or a shipper or a miller, whoever happened to be in the market. They would sell the actual wheat at what they considered the proper relationship between, we will say, the wheat and the nearest future, and they would exchange that carload of wheat for 2,000 bushels of futures, again dealing with the case of 2,000 bushels.

By Mr. Douglas (Weyburn):

Q. You used the term "exchange" but you actually pay for the wheat outright?—A. We pay the farmer.

Q. You sell the cash wheat for cash and receive a full amount of money for that?—A. Yes. The point I want to make clear to the committee is that that transaction does not increase the amount of wheat that the board have on hand. It is an exchange. The actual wheat is exchanged for futures; it does not increase or decrease it.

Q. It is really a sale and a purchase?—A. It is an exchange. You can call it a purchase and sale, but in effect it is an exchange of wheat in position for a contract in the future for a similar quantity; but it does not increase or decrease the amount of wheat the board holds.

Q. It need not be the same party that you carried on the transaction with?—A. It would be if the exchange were made with an exporter like Richardson.

Q. You would sell the cash wheat and take the future from them?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Or you might sell it to an elevator company?—A. Yes, we would sell it where we can get the best price for cash wheat.

By Mr. Douglas (Weyburn):

Q. But it is important to take the futures from the same people that you sold the cash wheat to?—A. Yes.

By Mr. Perley:

Q. You employ a broker in one case to exchange the cash wheat for the option?—A. We would employ one broker, a cash broker, and he would dispose of the cash wheat; and on the broker's note it would say: "Exchange to May wheat" at such and such a price.

By Mr. Douglas (Weyburn):

Q. What commission would be paid?—A. One-sixteenth of a cent on that particular transaction.

By Mr. Quelch:

Q. The cash wheat price is generally about the price paid?—A. I beg your pardon?

Q. The price at which you sell would be slightly higher than the board's price?—A. It is now, yes. You mean the board price of 70 cents as against what we can get now?

Q. Yes.—A. Yes.

Then to go on with the transaction as far as the board is concerned I want to again say that if the board did nothing else in regard to these operations and took no action at all their position would remain unchanged. If they carried that position through to the following May they would have wheat delivered to them on the May future, if they did not go further and exchange it into a July position.

By Mr. Douglas (Weyburn):

Q. Or they may have sold it in the meantime?—A. That is what I am coming to. But in the meantime we would be endeavouring to sell wheat if we could do so, and if we thought it was good business to do it; and to the extent we sell wheat that would reduce the quantity of wheat being sold by the board, but in that case instead of selling the cash wheat which we had received in the first instance we would have sold out the future which we had exchanged for the cash wheat, the reason for the exchange being that it saves us money rather than carrying the cash wheat. Now, then, Mr. Richardson—we were dealing with the exporter—takes that wheat—and just remember that he has exchanged with the board cash wheat, he has sold May futures and purchased cash wheat, and that puts him in a position then where he has wheat at Fort William and he is short in the clearing house; he has sold in the clearing house the same quantity of May wheat.

By Mr. Perley:

Q. And you are long in the clearing house?—A. We are long in the clearing house. He loads that wheat into a boat and he sends it down to, say, Montreal, and under the conditions that apply at the present time the tonnage of the world is controlled largely by the British government—the British Ministry of Shipping. Now, in the meantime the Wheat Board have been negotiating, we will say, with the Imported Cereals Division of the Ministry of Food to sell a round lot of futures and, we will say, the transaction is being completed, and we will say that they sold 300,000 bushels of futures to the Imported Cereals Division. Mr. Richardson sends that wheat down to Montreal and through his agent he is sending out nightly cables—to his agent in London to whom he is sending nightly cables—he is offering actual wheat, wheat which he is shipping to Montreal to the Import Division of the Cereals Board. So they decide to purchase—we are talking about 300,000 bushels—they decide to purchase this 300,000 bushels and they say to Mr. Richardson: We will purchase this 300,000 bushels at a certain premium over May futures—we will say for illustration purposes that premium is 10 cents over, f.o.b. seaboard. That 10 cents is credited to the charges, the

cost of getting that wheat down to the seaboard. The Imported Cereals Division accept the offer of Richardson and they cable the Wheat Board: Give to Richardson's 300,000 bushels of our May futures. Now, remember that Richardsons have sent forward this 300,000 bushels to the seaboard and they are short in the clearing house; but getting back the 300,000 bushels from the Imported Cereals Division makes their position even in the clearing house, and they have sold the actual wheat, so in so far as that particular transaction is concerned they are cleaned up.

By Mr. Ross (Moose Jaw):

Q. Your 300,000 bushels long in the clearing house has been closed out by the 300,000 bushels short?—A. That is right. It means that the original purchase that has been made from the Wheat Board of 100,000,000 bushels—

By Mr. Graham:

Q. Incidentally, Mr. McIvor, Canada has sold to the ultimate consumer 300,000 bushels?—A. Yes.

Q. That is the real crux of that whole transaction, is it not?—A. Yes. The position of the Imported Cereals Division is reduced from 100,000,000 bushels to 99,700,000—reduced by 300,000 bushels. As these transactions go on, the quantity of wheat that the Wheat Board has sold to the Cereals Import Board is thereby reduced. The time comes when they can come to the board and say: We can make fresh contracts and make a new purchase. Now, then, the Imported Cereals Division through, presumably, the British Treasury pay the money to the exporter against his invoice and his ocean documents for this cargo of wheat.

By Mr. Perley:

Q. Pay to whom?—A. To the exporter. Now, I do not know whether there is anything more I can say.

By Mr. Wright:

Q. How does Richardson protect himself from the time he buys the wheat—the cash wheat from you—until he sells it?—A. He is protected by the exchange on the May; he is short in the clearing house.

By Mr. Douglas:

Q. He took future contracts from you?—A. He gave us them.

By Mr. Perley:

Q. Mr. McIvor, if this transaction did not take place until the end of May and you switched to the end of July—if you had not got an order from the Import Committee to take up all your futures you would have had to switch to July; is that it?—A. That has not happened, I do not think, as yet; we have given it up before we have reached that position; but if they had simply remained in the position where they had May futures long they would have arranged to take delivery on those futures from the clearing house.

By Mr. Ross (Souris):

Q. I think what Mr. Perley is getting at is this: your futures contract with the Cereals Import Board is not an ordinary contract as to exchange, but it is a deal made between you and the Cereals Import Board?—A. That is right.

Q. And there is no definite month; it is all delivered at—A. Oh, yes, there is.

Q. I say there is no one month?—A. No, there is a series of months.

By Mr. Perley:

Q. If it is not cleared that way between you and the cereal people—
—A. It is cleared when actually the transaction is completed, when the cash wheat is purchased.

Q. In the meantime how about Richardsons? They have to be clearing their trade.—A. They cleared at the same time that the Wheat Board did; they just cleared their position. Their position in the clearing house is short 300,000 bushels.

Q. In other words, it is just an exchange—an adjustment, is it not, really? You would not need to have a future at all if you adjusted your trade or dealt directly with the representative of the Wheat Board?—A. It is not an adjustment, it is a sale; it is a undertaking on their part to buy that quantity of wheat.

By Mr. Douglas (Weyburn):

Q. You never handle the wheat again from the time it leaves Fort William; Richardson handles the wheat; they are really your agents?—A. No, they are not our agents; they are the owners.

Q. They own the wheat, but they have safeguarded themselves by giving you futures, have they? Actually they are handling the wheat throughout?—
A. They are the owners of the wheat. They can do whatever they want to at Fort William.

The CHAIRMAN: Richardson or any other exporter.

The WITNESS: Yes.

By Mr. Douglas (Weyburn):

Q. They can do whatever they want; they are giving a future contract and selling it back in May.—A. They could ship the wheat to Newfoundland if necessary; they are not bound to sell it to the Cereals Board.

Q. In order to protect themselves?—A. Suppose they shipped it to Newfoundland and sold it they would have to go in the market and buy in 300,000 bushels.

By Mr. Ross:

Q. They would buy in 300,000 bushels and they could trade with you later?—A. Yes.

By Mr. Perley:

Q. Take this sale that is reported on page 2 of this report—120,000,000 bushels completed in the first 13 days of May: just follow that through; when would that be delivered?—A. I have just given an example of a similar sale.

Q. I know. You went back to the farmer delivering the wheat, say, in October, out in the country?—A. I went further than that. I said that the Import Cereals Division purchased 120,000,000 bushels through futures for future delivery—they purchased those—they belong to them; and they undertook to take delivery of the wheat if they did nothing in the meantime by making the purchases at those prices. Now, then, the wheat is sent forward from Fort William to the seaboard by the exporters, as Mr. Douglas mentioned, and when they purchase the actual wheat at the seaboard it is for the Wheat Board to give on their behalf to—we will say again Richardsons—the 300,000 bushels of futures which are against the cash actual wheat they have bought thereby reducing the quantity on hand.

Q. Well, if you have this wheat delivered in October and it went forward down to Fort William and you sold it for future delivery and then here again in May you have sold to the British people 120,000,000 in the first two weeks in May—that is futures?—A. Yes.

Q. Just follow that through. How did you deliver that when you have this other that you sold in October for May delivery?—A. Remember our original transaction in October was that we sold cash wheat, actual wheat, and we exchanged it for May, which makes us be the holders of May. When we sell the Cereals Import Board wheat for May delivery, we will say, we reduced the quantity of May that we have on hand because we have sold it to the Import Cereals Division.

Q. This sale in the first 13 days of May—you sold that wheat, you bought another future—made an exchange?—A. No, we just sold it.

Q. You did not deliver them 120,000,000 bushels of May?—A. I know we did not because they told us in the meantime to give this future progressively to the various exporters from whom they bought cash wheat.

By Mr. Donnelly:

Q. For future delivery?—A. Yes.

By Mr. McNevin:

Q. What would be your reaction to the suggestion that the wheat might be handled on the same basis as the bacon at certain set intervals in the course of the year? Those 25,000,000 tons were exported on that basis. Have you any idea why such a proposition would not be satisfactory in the handling of that wheat?

Mr. Ross (*Moose Jaw*): That would be great if you had sold wheat like that for bacon.—A. Answering your question, Mr. McNevin, I think our bacon that goes for export goes to the United Kingdom; does it not, practically all?

Hon. Mr. MacKINNON: Yes.

The WITNESS: Whereas wheat goes out in the form of wheat and flour to a lot of countries.

By Mr. Douglas (Weyburn):

Q. During war time?—A. About thirty or thirty-five million bushels goes in either the form of flour or wheat to neutral countries.

Mr. DIEFENBAKER: That would be about 5 or 10 per cent of the total amount.

Mr. Ross (*Souris*): Is that for the whole country?

By Mr. Diefenbaker:

Q. Of the actual amount you purchase during the course of a year, what proportion is sold to neutral countries?—A. If we, for example, took delivery during a crop year, a big year like 1940 of say 400,000,000 or 450,000,000 bushels, there would be about—yes, about 8 per cent to neutral countries; and there would be about 10 per cent home consumption; and the balance would be United Kingdom. The point is this: if you want to deal with the question of what percentage of the total Canadian exports—however, I do not think that was your question.

Mr. DIEFENBAKER: No, you have answered the question I asked.

The WITNESS: The percentage of total Canadian exports would be about 15 per cent.

By Mr. Ross (Souris):

Q. What would be the net sales to neutral countries compared with other countries?—A. The neutral countries get offers from the exporters just the same as the Old Country; but as to wheat or flour, whatever the case may be,

and they have no contracts such as the people on the other side have so they just enter the market and purchase the amount of futures to cover their sale in the open market, which we might sell in the open market; that would be a question of judgment.

The CHAIRMAN: The difference being that the British Ministry of Food comes into this country and makes an agreement with the Canadian government to protect themselves in a matter of price, whereas the rest of them are going into the open market and buying their wheat; is that not it?

The WITNESS: Well, I would put it this way; that the British Ministry of Food purchases their wheat forward for two reasons, as I understand it; one is the question of financing, it seems that under their system of financing that the British Ministry of Food must go to the Treasury Department—

Hon. Mr. MACKINNON: Over there.

The WITNESS: Over there, and set up a certain sum of money they wish to pay out for the purchase of wheat and bacon, and all that sort of thing. Now then, in order to have the amount in hand as to such requirements they want to fix the price so they can say this wheat is going to cost us approximately a certain figure. Now, that is one of the reasons; the other reason, I think, is for convenience in operation.

By Mr. Diefenbaker:

Q. Just following the suggestion of the chairman there; in consequence of the present system of operation does the British government get its wheat cheaper than otherwise it would?—A. I cannot answer that question.

Q. Would that be the tendency?—A. I do not know.

Q. Well then, why would not a system such as suggested by Mr. McNeven operate in so far as 85 per cent of the wheat is concerned?—A. They apparently don't think so, Mr. Diefenbaker; because they have made very strong representations that the market remain open.

Mr. DIEFENBAKER: Let us get these representations and close up a lot of argument.

Mr. PERLEY: If there are strong representations there must be some record.

Mr. DIEFENBAKER: If you will produce those that will end about 75 per cent of the present discussion.

The WITNESS: I think that is a point that has been very well covered.

By Mr. Douglas (Weyburn):

Q. They do trade on the open market and support their various operations; don't they buy directly from the board?—A. They buy futures from the board.

Q. They actually do not use the open market?—A. Yes, they do; because they buy futures from the board and those futures are cleared through the clearing house when they take up delivery of the wheat.

Q. They do not buy on the open market in the sense of the speculative market at all?—A. They do not enter the open market the same as they might.

Q. They don't go into the pit?—A. They don't go into the pit.

By Mr. Perley:

Q. When you sell 120,000,000 bushels of an order that is how many months supply for Britain; about six months?—A. Yes—I don't know what they will take this year.

Q. I meant, just approximately?—A. Well, this would be, probably 210,000,000 or 220,000,000 bushels.

Q. For 8 months?—A. Of that about thirty-five or thirty or thirty-one million would go to countries other than Great Britain; so that when you have taken that off you find that they have purchased about 7 or 8 months supply.

Q. Well then, at that set price these futures you have sold on the 13th of May, it says here, that sets the price for a 7 or 8 months supply?—A. That is right.

Q. In other words— —A. Subject to the variations in the case of the cash wheat. That is the basic price.

Q. You sold futures on that basis?—A. That is the basic price.

Q. Therefore, you base your futures on that; there are carrying charges and so on necessary; that really sets the price of wheat for that given period so far as the trade is concerned, and that practically applies to Canada, does it not?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Suppose wheat was purchased by exporters and it was forwarded on to the seaboard and the exporter sells either to the British Import Cereal Division or to anyone. He can sell to the miller or anybody.—A. Yes.

Q. He just simply closes out the transaction by going to the Grain Exchange for his futures later?—A. He has got in eastern Canada, we will say, four or five million bushels of actual wheat in various positions. Some will be at Halifax, some at St. John and some at the American ports, and he is sending out his offers nightly. Some of those offers may be directed to the British Import Cereal Division and some may be directed for shipment to Portugal or Spain or some other place.

By Mr. Douglas (Weyburn):

Q. Mr. Ross asked you a question and you said yes a moment ago. He said this exporter may sell to a neutral country or he may actually sell to the British Import Cereal Division; is that correct?—A. Yes.

Q. It is not— —A. The actual wheat he can sell.

Q. But he cannot make that sale unless you release the future contract?—A. Oh, yes. He goes into the open market and covers his position.

Q. No, the point is not clear. He cannot sell. I will put it the other way around. The Import Cereal Division will not buy from him unless you release futures?—A. In regard to the Import Cereal Division, yes, but in regard to the neutrals—

Q. I understood that you said yes when he included the neutral countries as well as the Import Cereal Division and others but as a matter of fact it does not apply to the Cereal Import Division.

By Mr. Ross (Moose Jaw):

Q. My question was this: the Canadian exporter of wheat puts the wheat to a forward position and he can then sell that wheat to anybody, either to a neutral country, a miller in Canada, or otherwise. If to the British Cereal Import Division of course it would go through the way Mr. McIvor described; but he can sell to anybody?—A. That is correct.

Q. That is cash wheat?—A. Yes.

By Mr. Ross (Souris):

Q. Does that set the price to the Cereal Import Division?—A. In relation to the price at which the Cereal Import Division originally—

Q. There is that difference between their purchases and the purchases for neutral countries.—A. Yes, the situation is that in regard to a neutral country when he makes his offer he goes into the market the following day and makes his purchase. He does not know exactly the night before exactly what he is going to pay. He may pay half a cent more than the market or half a cent less, depending on the market.

By Mr. Douglas (Weyburn):

Q. But in the case that he sells to the Import Cereal Division the price is set between them and is on the basis of negotiation; it has nothing to do with him or what he paid for the wheat?—A. The price of the futures is fixed, yes.

Q. That is correct?—A. Between us and the Cereal Import Division.

By Mr. Ross (Moose Jaw):

Q. The exporter does not know what that price is?—A. No.

By Mr. Wright:

Q. You said that the Cereal Import Division paid a premium to the exporter over May futures to cover his charges taking the wheat down?—A. Yes.

Q. Plus a commission. What is that commission?—A. I do not know; that commission would vary. What the Cereal Import Division does is this, as I understand it. They get a great many offers from a lot of exporters and they naturally would accept the cheapest offer, which makes for competition between exporting firms.

Q. How many exporting firms are there in Canada?—A. I would say approximately twenty.

Q. They are competing selling?—A. Yes.

By Mr. Douglas (Weyburn):

Q. Who pays the exporter?—A. Whatever profit he makes he adds it to his price on the actual cash wheat and the Import Cereal Division would receive offers from probably ten or twelve exporters and they would accept the cheapest, the idea being to limit the amount of profit as much as they can.

By Mr. Wright:

Q. If those exporters got together and said we will offer wheat at a certain price then they could get what they wanted to ask.—A. I think they are pretty keen competitors.

Q. We have no evidence to that effect. Unless you produce evidence here we have no evidence that they are keen competitors in the selling of wheat.—A. I am expressing a personal opinion and I think they are very keen competitors.

Q. Have you any figures to show they are keen competitors?—A. No.

By Mr. Quelch:

Q. Has the price paid by neutral nations for Canadian wheat been higher or lower than that paid by Britain?

The CHAIRMAN: I submit that is coming very closely to the question that was asked in the house the other day.

Mr. QUELCH: I am not asking the price; I am asking for a comparison between the prices.

The CHAIRMAN: I question very much whether the other question asked the other day is not involved in that.

Mr. DOUGLAS (*Weyburn*): Would not the witness be the best judge of whether or not he can divulge the information?

The CHAIRMAN: I want to indicate this to the committee. The witness here is here, of course, as an official of the government and as the chairman of the Wheat Board. In his position, of course, he is bound to give whatever evidence the committee requires. He can, of course, state whether he thinks it is in the interest of the Wheat Board or the general operations of the Wheat Board to give that evidence; but this committee must assume the responsibility

and recognize the distinction which, I think, should be maintained between the government policy with respect to a government operation and the details of the board's operation.

Mr. QUELCH: I am only asking the question to find what effect the differences in the method of purchasing wheat have upon the price, whether it raised the price or lowered it.

The WITNESS: May I just say something?

The CHAIRMAN: You can give whatever explanation you like.

The WITNESS: I have no objection to answering each question beyond this, that it would require detailed answers due to the varying positions and varying periods and it might be harmful. I will leave it to the committee to decide.

By Mr. Perley:

Q. Mr. McIvor, just on that point, this report gives a monthly statement with a chart showing the offers of the Canadian exporters.—A. I do not know what report that is, Mr. Perley.

Q. I think you have seen it.—A. What is the date of it?

Q. This one is dated January 24.—A. What year?

Q. They give the year 1941 right up to January 24, 1942. This gives the months of January, February, March, right through to January again, twelve months in the last year prior to—

Mr. ROSS (*Moose Jaw*): What are you speaking of, shippers' offers to the United Kingdom?

Mr. PERLEY: Yes. This shows the offers at seaboard, Saint John and the St. Lawrence ports, giving the months that they are open and the offer. Does that give the price at which the wheat was sold? Those are exporters selling wheat?—A. I do not even know what the figures are, Mr. Perley.

Q. You can look at this chart, if you like. That is the offer for each month that the Canadian exporters have been offering wheat at. I do not think they are selling it very much lower at Montreal. I am assuming you equalled that price.

Mr. ROSS (*Moose Jaw*): He has told you he does not want to tell you that.

Mr. PERLEY: Then I might ask the minister.

Mr. ROSS (*Moose Jaw*): These are seaboard prices that the exporter sells at; it is not the price the British Cereal Import Division buys at.

Mr. PERLEY: It is not?

Mr. ROSS (*Moose Jaw*): No.

Mr. PERLEY: I should like Mr. McIvor to explain what Mr. Ross has said. Why is it not?

Mr. DIEFENBAKER: Does not somebody else get a profit in between?

Mr. PERLEY: It must be lower; it would not surely be more.

Mr. DOUGLAS (*Weyburn*): I am not clear about that point.

The CHAIRMAN: Order, gentlemen.

By Mr. Douglas (Weyburn):

Q. I am not familiar with this set-up. I wonder if you can explain it a little more. Assuming that the Imported Cereal Division got in touch with you and decided to take a quantity of wheat at a negotiated price, say, for the sake of being specific, 85 cents, and told you that they have arranged with James Richardson, who have a quantity of wheat at Montreal; now, to whom do they pay this 85 cents?—A. The actual mechanics, Mr. Douglas, are these: it naturally follows that if the price was 85 cents and we gave up those futures to Richardsons at that price that the price would be disclosed immediately because Richardson would know that was the price, if it was 85 cents.

Q. But what happens?—A. So the method that is followed is this: the futures are exchanged at the closing market price of that date, and if the market was higher we would transfer to the Cereal Import Division the difference in dollars or sterling; and if it is lower they transfer to us in dollars.

Q. You would pay James Richardson, would you?—A. No.

Q. They hold the cash wheat?—A. Yes. The price that Richardson would get from the Imported Cereal Division would be the price at which the futures were exchanged on that date plus the shipping cost to the seaboard plus whatever profit they would make on the transaction.

By Mr. Perley:

Q. Mr. McIvor, there is no secret so far as this price is concerned when the trade is cleared through the clearing house?—A. Yes, there is, because it is not cleared through the clearing house at the price of the original sale, it is cleared at the daily price.

By Mr. Diefenbaker:

Q. When more is paid than is actually received you reimburse them for that amount?—A. No. I said, if the futures was exchanged at a price higher than that of the original sale to the British we would reimburse them; if it is exchanged at a price lower they reimburse us.

Q. And under what heading of your accounts do you set out the amount so paid?—A. You will have to ask Mr. Findlay that question.

Q. You say you do not know?—A. I am not familiar with it, Mr. Findlay is.

Q. You are not familiar; that is all I want to know. If you say you do not know that is the end of it.—A. I am always prepared to say I do not know.

The CHAIRMAN: Are there any other questions, gentlemen, along this general line?

Mr. DIEFENBAKER: Yes, Mr. Chairman. May I ask this in connection with the representations made by the British government referred to by Mr. McIvor? Before to-morrow morning I move that all letters and communications between the British government and the Department of Trade and Commerce or the Wheat Board requesting the continuance of the present system be produced before this committee.

Mr. ROSS (*Souris*): I would second that. I would like to ask further, in view of the remarks made this morning and also the statement made by the minister that certain things had been done before he was minister, if it is in order, that we add the ex-Minister of Trade and Commerce, now Senator Euler, to be brought before this committee and have this misunderstanding cleared up with regard to what transpired a few months before war was declared when the British government closed their exchange and intimated to us that they would prefer that we have our exchange remain open.

The CHAIRMAN: What is the ruling with respect to calling senators?

(Clerk explains procedure with regard to calling senators before House of Commons committees.)

Mr. GRAHAM: I must admit, as I have listened in the house and in this committee to repeated requests for disclosure of the price that we have received for wheat from the British government and in the light of the explanation of the Minister of Trade and Commerce with regard to that request, wherein he has stated that he has asked the permission of the British government to make the information available and their reply that they preferred that it be not made known, I am frankly astounded at the lack of recognition of Canada's relationship to Britain. I do not know the reasons, though I can easily think of a dozen reasons why Britain would not want that price disclosed.

Mr. DIEFENBAKER: No.

Mr. GRAHAM: Or the reasons that would dictate Britain's not wanting the price disclosed.

Mr. ROSS (*Souris*): It has nothing to do with the price. It is only as to keeping the Grain Exchange open. It has nothing to do with the price at all.

Mr. DIEFENBAKER: I am in entire agreement with what the minister has said. He has given his statement, and when he has given his statement, I accept it. This is not what I am asking for. I have made it perfectly clear, but apparently Mr. Graham did not follow me. I am asking for the production of all letters and communications between the British government and the minister, the Department of Trade and Commerce, or the Wheat Board, instructing them to continue the present system dealing in futures, and so on.

Mr. GRAHAM: I should like to hear that statement.

Mr. ROSS (*Souris*): I have faith in the minister and I would not try in any degree to find out what the price is. It is simply in regard to keeping the Grain Exchange open.

The CHAIRMAN: Would you write out your motion, Mr. Diefenbaker?

Mr. DIEFENBAKER: Yes.

Mr. EVANS: I think we should have the views of the minister on that.

By Mr. Douglas:

Q. While we are waiting, I should like to ask Mr. McIvor this question. Does the Wheat Board ever buy cash wheat in the open market?—A. Buy outright?

Q. Does it ever buy cash wheat at all?—A. No. The only way we would obtain cash wheat other than from the producer is delivery on futures.

By Mr. Donnelly:

Q. You buy from your agents in the country?—A. I want to make this exception, that under order in council 1803, we do buy cash wheat. If you want me to deal with that later, I shall be glad to do so.

By Mr. Douglas:

Q. That is, you do buy cash wheat by taking delivery of futures?—A. No. Under the order 1803, special powers were given to the board to prevent profiteering in the market. Under that order we do buy cash wheat, and I shall be glad to explain that when we come to it.

Q. I wish you would.

Mr. GRAHAM: In regard to the motion that has been made, may I say that I misunderstood the purpose of the motion. I must confess, as an individual member of this house—in view of the fact that Canada's relations with the mother country with regard to wheat have been largely left to the discretion and judgment of the Minister of Trade and Commerce—I should like very much before I vote on this motion, to be advised by the minister as to whether he thinks it is proper, fitting and wise, for that information to be given to this committee.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen, I have in mind at least one communication and possibly more. I see no reason why I should not bring those here unless the nature of the documents passing between the British government and the Canadian government or governmental agency makes them privileged documents or documents that we should not reveal without getting the permission of the British government. That is the whole point. Personally I do not see any reason why they should not be produced if we, continuing in good faith with the British government, have the right to produce them.

Mr. ROSS (*Moose Jaw*): You would have to get that permission.

Hon. Mr. MACKINNON: It has just been drawn to my attention, too, that the request I have in mind is included in an actual contract existing, and we could not give that part of it.

Mr. DIEFENBAKER: You could delete that.

Hon. Mr. MACKINNON: Would it not be possible, Mr. Chairman, for me to find out if it would be proper to submit these documents to the committee and at the same time keep faith with the British government?

Mr. ROSS (*Souris*): That is all we want.

Mr. PERLEY: There is only one document that deals with the matter, is there not?

Hon. Mr. MACKINNON: I think the information is in the nature of cablegrams.

The CHAIRMAN: Would it be satisfactory if the minister undertook to provide the information if he is allowed to do so?

Mr. GRAHAM: I think we should let the motion stand until the minister ascertains whether he can produce the information.

Mr. DOUGLAS: Could either the minister or the witness state whether or not the British government intimated that they would not continue to purchase our wheat if we changed our system of handling it and closed the futures trading market?

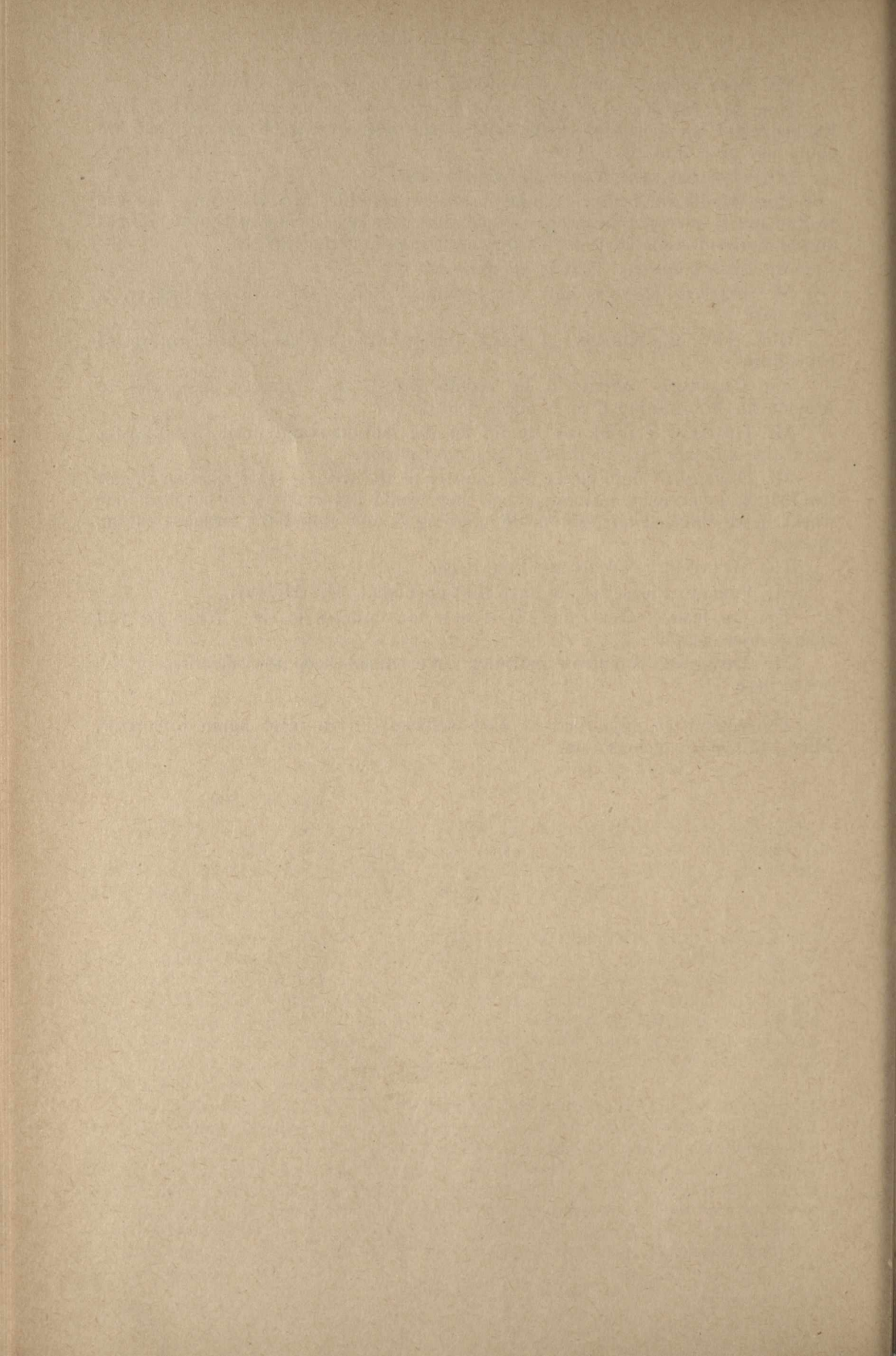
The WITNESS: Not to my knowledge.

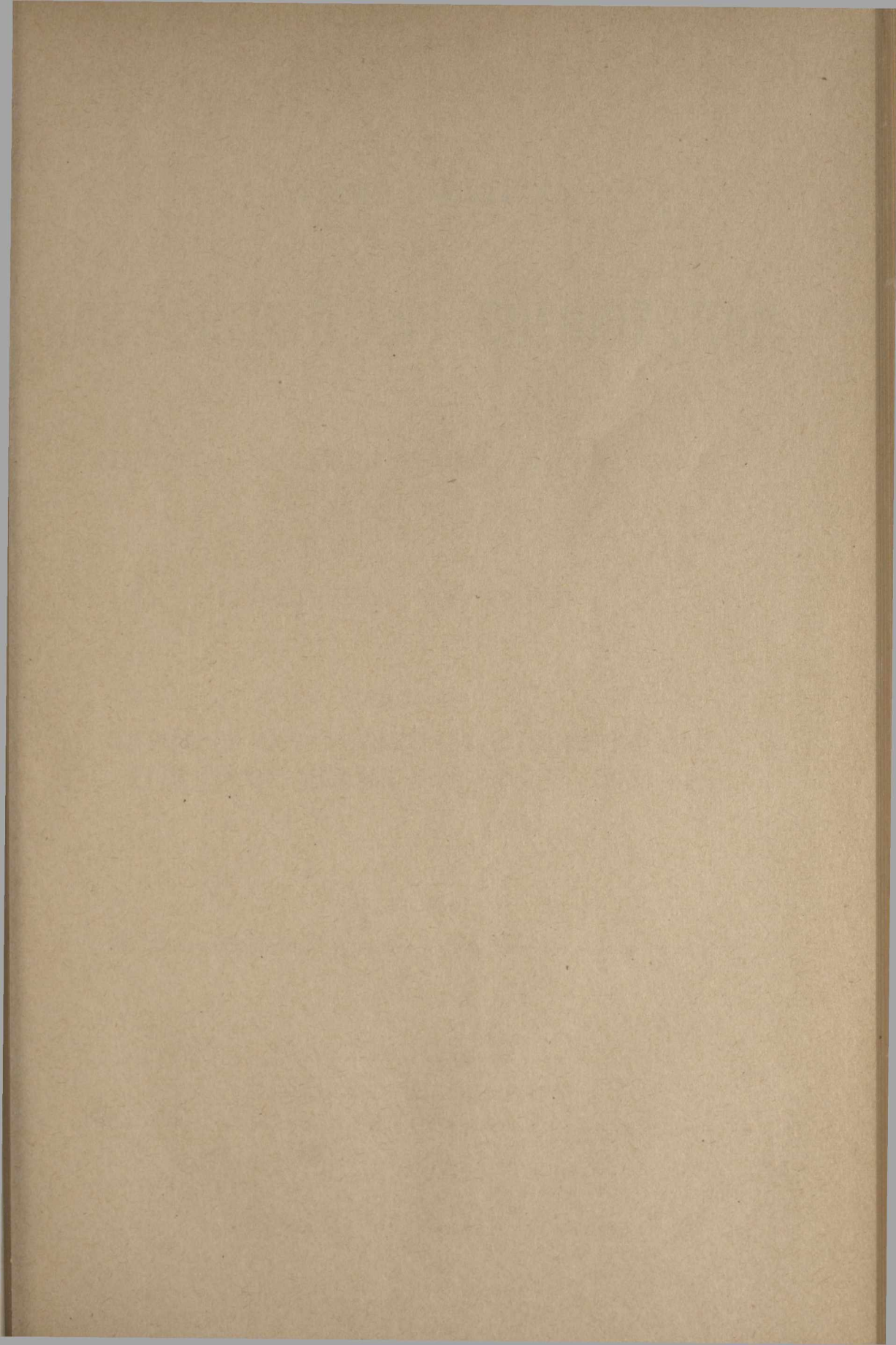
Mr. PERLEY: Please let me have that document, Mr. McIvor.

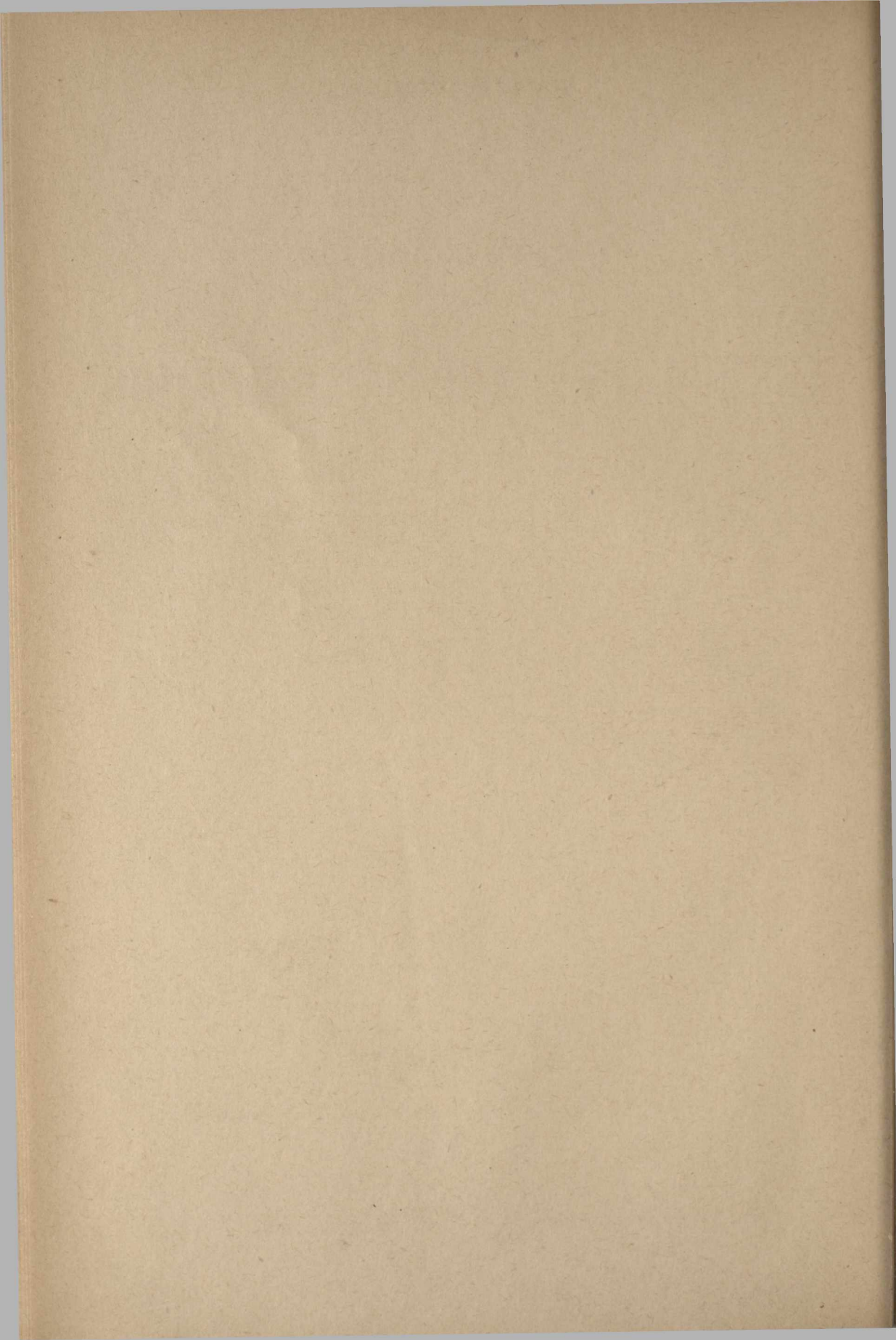
The CHAIRMAN: Gentlemen, it is now ten minutes to six. When do you wish to meet again?

Mr. DOUGLAS: Tomorrow morning. We cannot keep the members of the board here.

The committee adjourned at 5.53 o'clock p.m. to meet again tomorrow, May 14th, at 11 o'clock a.m.







SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 2

THURSDAY, MAY 14, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESS:

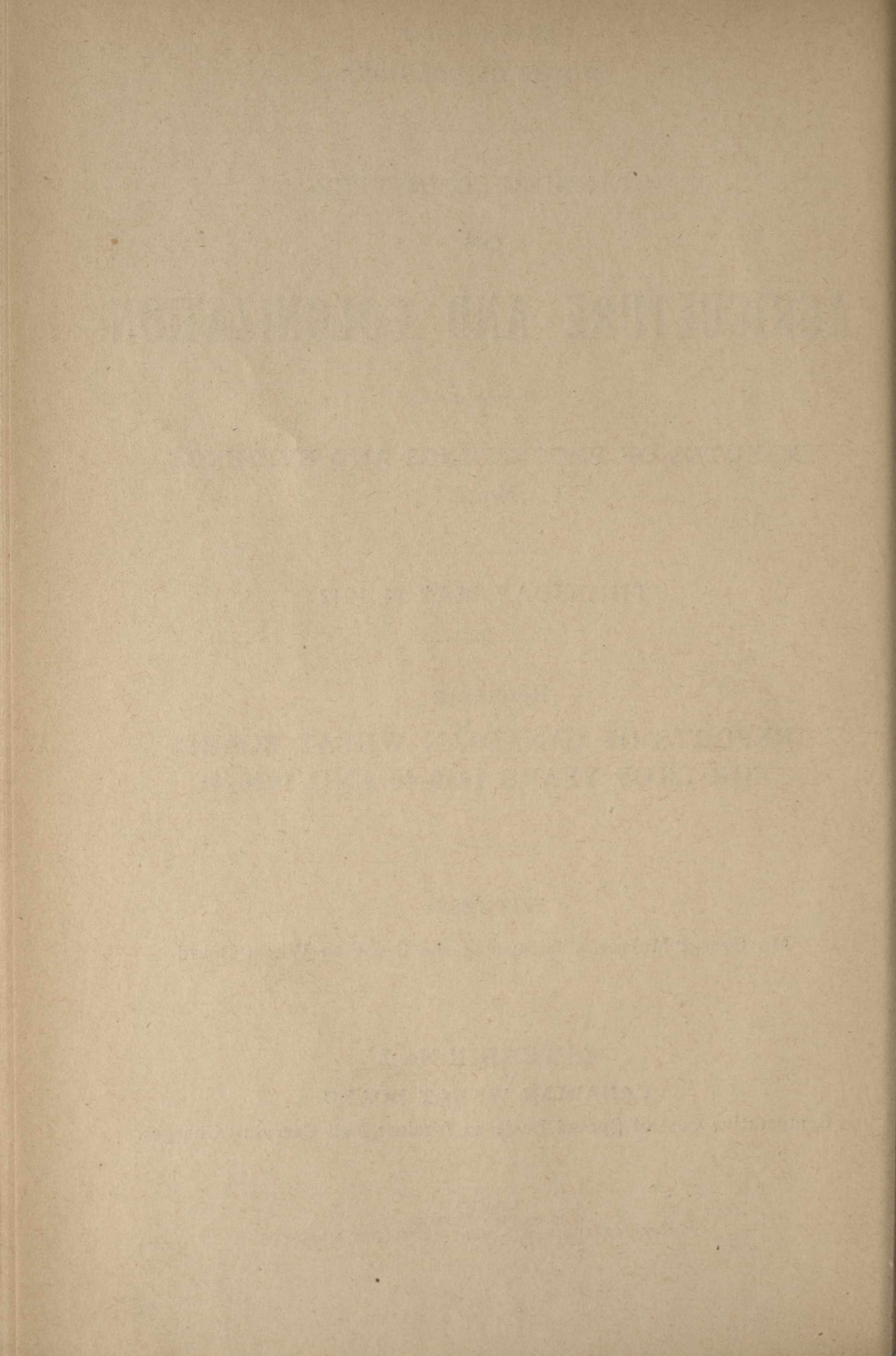
Mr. George McIvor, Chairman of the Canadian Wheat Board

APPENDIX No. I

CANADIAN WHEAT BOARD

Comparative Cost of Spread Basis, as Against Full Carrying Charges.

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



MINUTES OF PROCEEDINGS

THURSDAY, May 14, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Cardiff, Clark, Davidson, Diefenbaker, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Gardiner, Graham, Hatfield, Henderson, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McNevin (*Victoria, Ont.*), Matthews, Mullins, Perley, Rennie, Rheame, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Rowe, Senn, Soper, Ward, Weir, Wright—37.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:
Mr. George McIvor, Chairman of the Canadian Wheat Board;
Mr. C. Gordon Smith, Ass't Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

The Minutes of previous meetings held May 13 were read and approved.

Hon. Mr. MacKinnon addressed the Committee on the requests contained in the motion standing for consideration in the name of Mr. Diefenbaker; he also read a cable addressed to Mr. George McIvor, Chairman of the Canadian Wheat Board, from the British Government and signed by Mr. Hooker for Mr. Biddulph.

Mr. George McIvor was called to the witness stand and his examination continued. During this examination discussion took place and Mr. Diefenbaker, seconded by Mr. Rowe, moved the following:—

That the Board do produce to this Committee a complete record of all brokerage fees of all kinds, and commissions paid since the outbreak of war, the persons or corporations to whom such payments were made; the amounts paid to each, and the particulars of services rendered therefor respectively by each of the said persons or corporations.

Considerable debate took place and Mr. MacKenzie (*Lambton-Kent*) moved that the Committee do now adjourn.

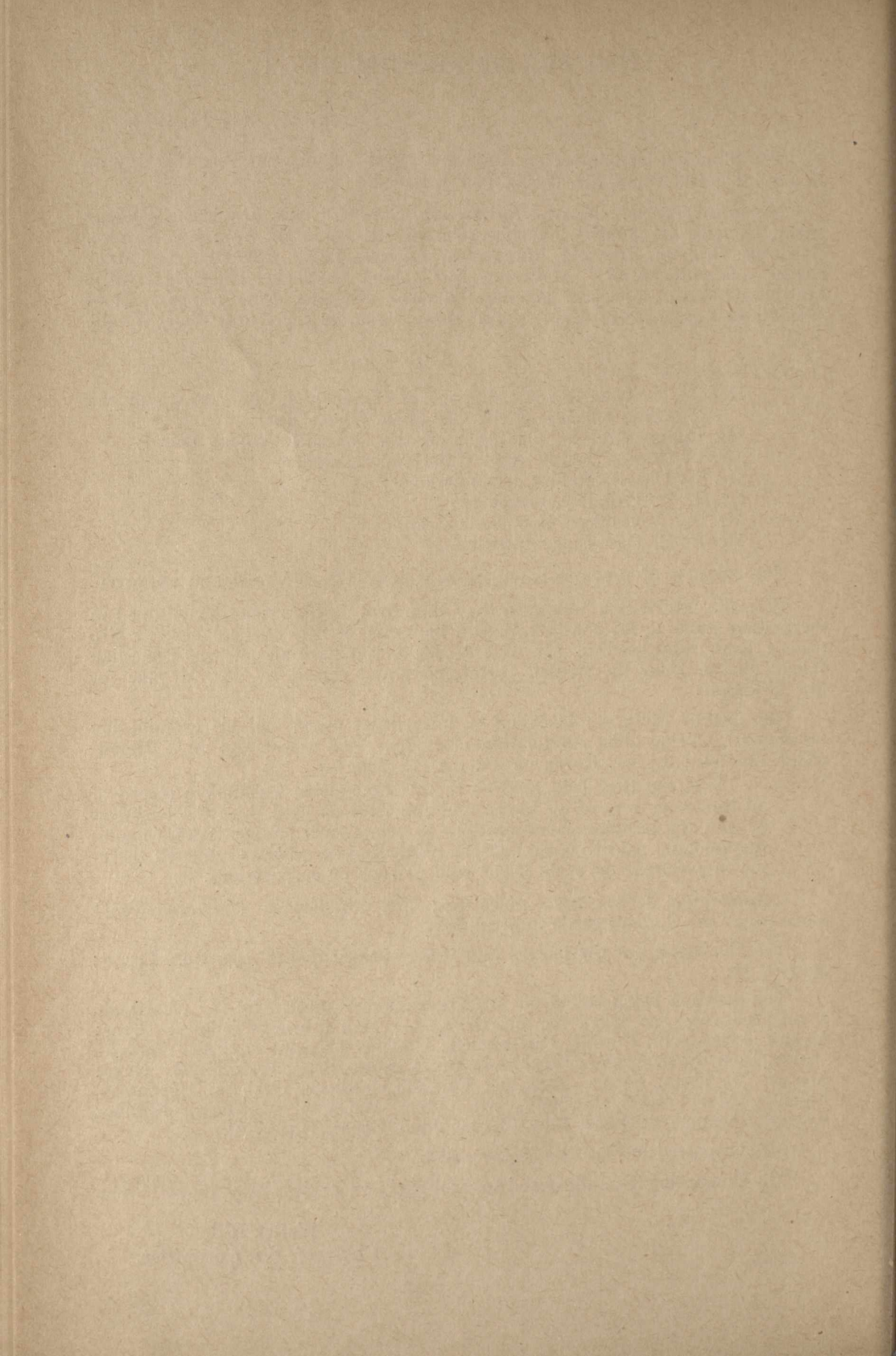
The Chairman put the motion and it was passed in the negative. For, 4; against, 12.

The question being called on Mr. Diefenbaker's motion by the Chairman, a recorded vote was asked for and the names were taken as follows: Yeas: Messrs. Aylesworth, Cardiff, Diefenbaker, Douglas (*Weyburn*), Fair, Hatfield, Perley, Ross (*Souris*), Ross (*Middlesex East*), Rowe, Senn, Wright—12. Nays: Messrs. Davidson, Evans, Fontaine, Furniss, Gardiner, Graham, Henderson, Lalonde, MacDiarmid, McCuaig, McCubbin, McGarry, Matthews, Mullins, Rennie, Rheame, Rickard, Ross (*Moose Jaw*), Soper, Ward—20.

Motion passed in the negative as above.

The Committee then adjourned to meet again on Friday, May 15, at 11 a.m.

Walter Hill,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 14, 1942.

The standing Committee on Agriculture and Colonization met at 11.10 a.m. The Chairman, Mr. William G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order I will ask the clerk to read the minutes of yesterday's proceedings.

(The Clerk of the committee read the minutes of yesterday's proceedings.)

The CHAIRMAN: What is your pleasure, gentlemen? (Motion to adopt the minutes duly carried.)

Gentlemen, arising out of yesterday's proceedings I think there was a suggestion made by Mr. Diefenbaker regarding the motion which he made but did not press with respect to a statement from the minister.

Hon. Mr. MACKINNON: Mr. Chairman and gentlemen: I can make what I may call a progress report. I have here a cablegram dated London, England, July 23, 1940, addressed to Mr. George McIvor, which reads as follows:—

Please transmit to government the following message dated 23rd July from Cereal Imports Branch Ministry Food quote This branch of the Ministry of Food is desirous that the Winnipeg futures market be kept open to enable the free movement of grain through normal trade channels stop It feels it is only by this method this country can secure shipment of the maximum quantity of Canadian grain and under present conditions hesitates to experiment with the delicate trade mechanism signed on behalf of the committee A. Hooker, Deputy Director, Cereal Imports unquote

and the cable is signed by Mr. Biddulph, the Commissioner of the Canadian Wheat Board resident in London, England.

Then in the House on June 9, 1941, Mr. Perley asked:—

Who is the representative of the Cereals Import Branch on the Winnipeg market?

and my reply was:—

There is no representative. I have repeatedly answered a similar question by the hon. member for Qu'Appelle. The cereals import committee have no representative in Canada. I quote from the telegram: "Cereals of course must be assured that the market remains open." "Cereals" means the Cereals Import Branch of the United Kingdom Ministry of Food."

That is all I have in my files here. We understand that there may be further communications apart from the actual contract itself in the Winnipeg files. We made arrangements to get an air mail letter off to Winnipeg last night to have these files gone over and this information secured and returned by air mail, but on account of the fog the plane did not leave, and there may be some delay in getting replies from Winnipeg. I understand, however, that part of the contract for the purchase of the wheat designates that the Winnipeg Grain Exchange is to remain open. That is all I can report to you now, gentlemen, but as soon as we receive word from Winnipeg the information will be transmitted to you.

Mr. PERLEY: Can you give us the date of the contract approximately?

Mr. GEORGE McIVOR: The annual reports refer to the dates up to that time.

Hon. Mr. MACKINNON: Chairman, we shall have that information within a day or two.

Mr. FAIR: What prompted the first cablegram read by the minister in connection with keeping the grain exchange open?

Hon. Mr. MACKINNON: I have no background to that at all. The cablegram speaks for itself.

Mr. FAIR: I do not think that cablegram would come out of a clear blue sky. There must have been some reason for it.

Hon. Mr. MACKINNON: There may have been other conversations, too.

Mr. DOUGLAS (*Weyburn*): A cablegram addressed to whom?

Hon. Mr. MACKINNON: To Mr. George McIvor under date July 23, 1940.

Mr. PERLEY: There was a six months' period before that.

The CHAIRMAN: I rise to get the committee under way again. There has been a good deal of discussion in the committee, and I wonder how far the committee should go in its examination of the representatives of the Wheat Board with respect to whether or not the grain exchange should remain open. I look at it this way, gentlemen, that leaving the grain exchange open and permitting it to operate is a matter of government policy. The Wheat Board Act sets up the policy under which the board shall operate and I doubt if the Wheat Board should be placed in the position of defending or otherwise the policy the government has embarked upon. Now, you may get all the information you wish with respect to the operations of the board, but so far as keeping the exchange open or otherwise is concerned, that is a matter of government policy which more properly, in my judgment, would come up in discussion in the House, rather than having the Wheat Board placed in the position of declaring one way or the other with respect to it. I think we should appreciate the position the Wheat Board is in, concerning a matter of that kind.

Mr. George McIvor is still on the witness stand. Are there any further questions?

Mr. DIEFENBAKER: Mr. Chairman, in connection with the statement you have just made, may I say this is not a question as to whether or not the Winnipeg Grain Exchange shall remain open. We are endeavoring to get information as to the circumstances connected with the use by the Wheat Board of the Winnipeg Grain Exchange.

The CHAIRMAN: The other matter has been interjected, probably inadvertently.

Mr. DIEFENBAKER: My reason for asking the question is that I understand the Wheat Board is not using the Winnipeg Grain Exchange as they did prior to the outbreak of war, and that is the reason for the request for information made yesterday, namely, for a list of all members of the grain exchange who have received brokerage either under the head of spreads or commissions, and also a record setting out what those commissions were paid for. Because if it should so transpire that the Wheat Board is utilizing the services of the Winnipeg Grain Exchange today in a way whereby preference is given to certain brokers to the detriment of others, we want to know it; and if it should not, we want to know that, too, in fairness to the Wheat Board. That is why I think we could shorten the proceedings here very much if the Wheat Board would give us a list setting out both cash brokers and option brokers, how much they received, and for what purposes they received it. That is what I intended to pursue whenever my opportunity to ask some questions arises. Certainly I have not intruded on the time of the committee. If we had that information, how much easier it would be for us, instead of

asking so many questions with regard to the matter. Give us the information, if there is nothing to hide. Yesterday Mr. McIvor said there had been no communication between the British government and himself, and surely he would remember that there had been.

The CHAIRMAN: Mr. Diefenbaker has raised two questions here. One is that the Wheat Board is not functioning properly and utilizing the facilities of the Winnipeg Grain Exchange in the same manner as that it did before the end of this crop year.

Mr. DIEFENBAKER: No; since the beginning of the war.

The CHAIRMAN: The other point is with respect to providing information as to how brokerage charges are distributed. I do not know what the Wheat Board has to say with respect to its operations or any change in policy with respect to its operation. Perhaps the Board can give that. I do raise a question with respect to the other matter which I think the committee should consider. I bring this up because it was brought up in a previous committee in 1936. I leave that question before the committee.

Mr. Ross (*Souris*): Shortly after the declaration of war one of the members of the Wheat Committee was in the old country, and presumably he discussed the matter of the operation of the Winnipeg Grain Exchange along with other matters, and so from that time the whole operation of the grain exchange and the procedure of the Wheat Board in connection therewith is relevant. I do not know where you can cut it off. Since that time a period has elapsed during which the present Minister of Trade and Commerce was not in office and cannot be held responsible. How you are going to decide that we must not discuss the operations of the Winnipeg Grain Exchange apart from the operations of the Wheat Board, I do not know.

Mr. Ross (*Moose Jaw*): I protested yesterday when this point came up. I was on the Wheat Committee in 1936 when the same information was asked for, and at that time the committee did not allow the information to be given because they thought it was not in the best interests of the handling of wheat in this country. I believe under the McFarland Board the same thing came before the committee between 1930 and 1935, although I was not here, and again the information was refused. I think there are many good reasons for refusing it. Before any information is given let me say I remember in 1936 the then chairman of the Wheat Board was asked whether it would be in the public interest to give such information, and he said No. I would like to have the word of the chairman of the present wheat board as to whether he thinks it is in the public interest to give this information before the committee proceeds further.

Mr. DOUGLAS (*Weyburn*): With reference to the matter of the Winnipeg Grain Exchange, I am not in agreement with you when you say that the Wheat Board Act sets out the policy and that the board operates under it. The Act does not stipulate the manner in which the wheat shall be bought or sold.

The CHAIRMAN: Yes, it does.

Mr. DOUGLAS (*Weyburn*): No. Section 7 reads in part:—

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;
- (g) generally to do all such other acts and things as may be necessary for the purpose of giving effect to the intent and meaning of this Act.

Mr. GRAHAM: Continue reading, Mr. Douglas. There is another clause there.

Mr. DOUGLAS (*Weyburn*): May I point this out—

Mr. GRAHAM: Read it all, please.

Mr. DOUGLAS (*Weyburn*): There are several clauses.

Mr. GRAHAM: There is one clause that says they must utilize and employ with discrimination the existing facilities.

Mr. DOUGLAS (*Weyburn*): The point I am making is that the policy is not determined by the Act, but by the present government, and that policy may be changed from time to time. This committee is seeking to determine what is the effect of using the futures trading market. There is no endeavour being made to ask the chairman of the Wheat Board to give his reasons for following a government policy, but this committee has the right to ask the chairman of the Wheat Board what is the effect of the government's policy, how it functions, and what advantages or disadvantages are accruing. That is within the purview of this Committee. You cannot lay the responsibility on the Wheat Board. The responsibility for policy lies with the government, but the effects of that policy are something that this Committee has the right to ask the Wheat Board about and I think we are within our rights in asking Mr. McIvor questions with respect to the effects of closing the grain exchange.

Mr. McNEVIN: I suggest that in our discussion on this matter we should avoid seeking definite commitments on policy with respect to the closing or leaving open of the grain exchange, because if we have only one customer for wheat and that customer definitely requests that the grain exchange be left open it is a waste of time and futile for us to build up a discussion on the question.

Mr. GRAHAM: I do not know that I heard all that Mr. Douglas submitted, but I would like to point out sub-section (i) of section 8, of the Canadian Wheat Board Act:—

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

- (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;

Obviously that section could not be disregarded or over-ridden by this Wheat Board or any Wheat Board that formerly sat. It would be governed by the Canadian Wheat Board Act, and therefore the grain exchange facilities and the different groups that operate under that grain exchange must be employed by the Board; they have no right to do otherwise. I thoroughly agree with the chairman of the committee that nothing should be introduced that is not within the reference. The reference, as you know, is merely for the purpose of considering the reports of the Wheat Board through certain years. There is no suggestion that we consider for a moment the provisions contained in the Canadian Wheat Board Act, and I submit that in the light of the statutory provisions we would be very unwise, particularly those of us who have the interests of the wheat growers at heart, to involve the Wheat Board in a controversy that we all know is of long standing. The closing or keeping open of the Winnipeg Grain Exchange has been a matter of controversy for some years in Western Canada, and the relationship of the Wheat Board in carrying out its duties to the producers is a very important matter; so I for one think we would be doing the whole of the wheat marketing system a real injury if we involved the Wheat Board in a controversy that excited further discussion. This question has been the subject

of more inquiries and royal commissions than any other matter in this country. I submit that we should stick to the terms of the reference and be careful not to involve the Wheat Board in this very controversial subject.

Mr. DIEFENBAKER: I have followed Mr. Graham with a great deal of interest, and in some matters I agree with him, but I think he failed to refer to the qualifying words of section 8 which do not permit of the discussion of just the matters we are endeavouring to bring out. Clause (i) reads:—

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

- (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;

That is exactly the reason for these questions. We want to know whether or not the Wheat Board is living up to the provisions of the statute and utilizing the brokerage firms and other facilities without discrimination. That is the whole essence of the matter, and that is why we want the information. Some 106 brokers who are members of the Winnipeg Grain Exchange have from time to time received commissions or brokerage by way of spread for certain transactions, whether real or nebulous, and we want to know the names of the brokers in the Winnipeg Grain Exchange who are in good standing, how much each of them has received, and how much service each of them has rendered for the monies paid. Our information—and I say this subject to the evidence that may come out—is that when the war broke out the members of the Winnipeg Grain Exchange did appeal to the government in regard to the condition they were in, a condition similar to that which existed in England after the closing of the exchange there; that the matter was submitted to the Wheat Board in Winnipeg, and in turn the question as to whether or not these men should receive payments for services real or nebulous was submitted to the Board; that later on a scheme was effected whereby payments were made to various brokers; that there is no equality or semblance of equality in the payments that are made; that the lowest amount paid per month runs between \$50 and \$75; and that very large sums have been paid to friends of the Wheat Board, or in any event that there has not been any equality of payment. That is why we want these records. If the chairman of the Board produces the records and they show that there is an equality or a reasonable semblance of equality in the amounts paid to the members of the grain exchange for similar services rendered, then the whole situation will be cleared up; and I shall be the first one to say that the information I have suggested could be brought out is in fact without foundation. We ask for the production of those records in order to ascertain whether or not the Wheat Board to-day is operating without discrimination and is utilizing and employing such marketing agencies as commission agents, brokers, elevator men, exporters and other persons with the degree of equality which those persons have the right to expect and which we, as members of this committee, have the right to ask the Wheat Board to observe.

Mr. DOUGLAS (*Weyburn*): With reference to what Mr. Graham has just said, surely he will be familiar with the rest of this section which substantiates the position I took at the outset. Section 8, subsection (i) says:—

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

- (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;

It may determine to what extent it will use these services, and therefore we have a right to know why they are using certain services.

Mr. GRAHAM: No; the clause is mandatory. They must use them in discretion.

Mr. DOUGLAS (*Weyburn*): Clause (j) says:—

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

(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;”

In other words, the Board has power, if it decides that the channels it is now using are not satisfactory, to use some other channels; and we have the right to ask if they considered that these channels they are now using are satisfactory and if they are not, why are they not using other channels. I will read clause (k):

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

(k) With the approval of the Governor in Council to make such investigations as from time to time it may deem necessary of the operations of the Winnipeg Grain and Produce Clearing Association and the Winnipeg and Vancouver Grain Exchanges in their dealings in wheat and other grains where such wheat and other grains are the subject of transactions affecting interprovincial or international trade, and for the purposes aforesaid the Board shall have, without the issue of any commission, all the power and authority conferred upon a commissioner appointed under the Inquiries Act, being chapter ninety-nine of the Revised Statutes of Canada, 1927, and shall from time to time report to the Minister the result of such investigations.”

I submit, Mr. Chairman, that they have not only power to decide what part of the established channels they shall use, but they have power to decide if those channels are not satisfactory and to establish their own channels, and power from time to time to investigate the Winnipeg Grain Exchange and report to the minister. Therefore I submit that we are quite in order in asking them why they use the established channels, why some other channels set up by themselves would not be more satisfactory, and what are the results of their investigations into the Winnipeg Grain Exchange. It is not established by statute that they have to trade in the futures market. There is not a line in Section 8 that requires them to use such services.

Mr. FAIR: May I point out that all the clauses in the Canadian Wheat Board Act were put there by parliament, and if we as a committee or as members of parliament find they are working to the detriment of that wheat board or the Canadian farmers and Canadians as a whole, we have every right to change them and insert such wording as will ensure that the Wheat Board and the grain exchange can be employed in the best interests of the people. Personally I am not satisfied, and it affects me in the pocket as it does not affect a good many others, that the grain exchange is rendering the service it should; and if the Wheat Board is able to sell large quantities of grain to the British Cereals Import Board as it does, it can do the same along other lines at a vast saving to Canada as a whole.

Mr. PERLEY: Mr. Douglas has referred to the Act and read practically all the important clauses. I had something to do with the framing of this Act, and

it was intended then that the powers granted to the Board should be for the purpose only of disposing of the futures held by MacFarland and turned over to this Board at that time.

With respect to the statement made by Mr. Ross, he is quite correct. In 1936 when we had that investigation I moved, just as Mr. Diefenbaker is moving today, for a list of names of brokers, and Mr. Ross will recall that I named them and he made a motion that they be not asked to vote. It is quite clear. Here is the evidence given by Mr. James R. Murray in answers to questions I put to him, appearing at page 161 of the Minutes of Proceedings and Evidence on Tuesday April 28, 1936. I asked him as to using the grain exchange:—

“Under the Act the board had no power to buy wheat other than from the producers thereof?”

and Mr. Murray answered:

“That point is quite clear.”

Then:

“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.”

I want to put it to Mr. McIvor in this way: He said yesterday they were using 116 cash brokers and option brokers, and that there were good and bad brokers. Now, this Act as Mr. Douglas has pointed out under clause (j) says that if in the opinion of the Board any existing agencies are not operating satisfactorily they may establish their own or other marketing agencies or channels. They have no open market in Britain. They are getting along under a system they have established. The government of Canada is behind this Wheat Board. Under the Act they issue permits for a person to trade. The farmer cannot deliver a bushel of wheat to anybody except under permit. They get 70 per cent of the wheat, and, as I say, they have the government of Canada at their back. Can they not become merchandisers of grain and get along without this grain exchange? Mr. McIvor has had a lot of experience in handling grain, and so has Mr. Ross of Moose Jaw. If a grain firm is strong enough they need not hedge wheat at all, and any Wheat Board with the government of Canada behind its back does not have to fiddle with hedges. They can merchandise this grain, and employ any system they desire just as they do in Great Britain. I would like to ask Mr. McIvor if he does not think that with the Dominion of Canada behind the Board and the powers they have to control the delivery of wheat, they could not set up an agency to get along quite well without the Winnipeg Grain Exchange.

Mr. GRAHAM: We do not want to get into a long-winded legal argument here, but I would like to reply to Mr. Douglas, Mr. Diefenbaker, Mr. Perley and Mr. Fair. Mr. Fair is quite right in stating that parliament or a committee of parliament can deal with the advisability of keeping open the grain exchange or closing it; but that is not the point. There is a confusion of ideas. Mr. Diefenbaker raises the point that the Wheat Board should be requested to disclose the manner in which they are using these agencies which the Act renders it mandatory that they should use in carrying out their operations, and with that point I thoroughly agree, provided it is advisable. That is not the point that Mr. Douglas and Mr. Fair and Mr. Perley are dealing with. They are dealing with the question whether this committee should consider the advisability of closing or using the grain exchange facilities. Mr. Douglas says that this Act obviously gives the Wheat Board that power, but I do not think any lawyer would agree with Mr. Douglas in his interpretation of this Act. When an Act like this is framed which imposes on the Wheat Board the duty of utilizing and

employing without discrimination the marketing agencies as it, in its discretion, may determine; and any lawyer knows it imposes the duty of utilizing these agencies. Then clause (j) says:—

It shall be the duty of the Board:—

- (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;

But again that does not give to the Wheat Board any right arbitrarily to say: "We are dissatisfied with the grain exchange." If I were a member of one of these marketing agencies such as commission merchants, brokers, elevator men, exporters and other persons engaged in or operating facilities, I would immediately move in the Courts of this country and insist that the Wheat Board shall before they take the step of setting up other facilities, show that they are not operating satisfactorily.

Mr. DOUGLAS (*Weyburn*): "In their opinion".

Mr. GRAHAM: You cannot exercise statutory opinion arbitrarily. You must have some ground. It would be proper to ask the Wheat Board if these facilities have operated satisfactorily.

Mr. DOUGLAS (*Weyburn*): That is what we are asking.

Mr. GRAHAM: I have in mind the suggestion that we should not enter into a long and costly investigation of something beyond our purview or without the reference, and I submit that any lawyer will agree with my interpretation of that Act.

Mr. DOUGLAS (*Weyburn*): I am not going to get into a legal argument with a lawyer, because I do not know anything about law; but I can read the English language, and the Act says:

It shall be the duty of the Board:—

- (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;

That is plain English, Mr. Chairman. The Wheat Board has it in its discretion to set up its own agency if it so chooses, and therefore we have the right to ask the Wheat Board why they are continuing to use the existing agencies and whether they are satisfied with them from the standpoint of the best interests of the producers of Canada and the people of Canada.

Mr. FAIR: I think we are quite within our rights in asking for information along certain lines with the intention and purpose of bettering the interests of the producers.

Mr. Ross (*Moose Jaw*): A while ago I was not protesting along the lines of this argument. I think it is quite proper for us to ask the Chairman of the Wheat Board if the facilities he is using in the trade are satisfactory or not. The point I am raising is in regard to the naming of certain brokers and stating the amounts of money they received when that information was refused before a former committee, because the Chairman of the Wheat Board at that time said it was not in the public interest to give that information. There are many other things done in the same way.

Mr. FAIR: Two wrongs do not make a right.

Mr. ROSS (*Moose Jaw*): Who says it is a wrong? I am asking the Chairman of the Wheat Board to tell us whether he thinks it is in the public interest or not to give this information. For instance, we have a Victory Loan Committee, and commissions are given to bond salesmen throughout the whole country. Is that information given? It is not.

Mr. DOUGLAS (*Weyburn*): It should be.

Mr. ROWE: It may be, yet.

Mr. ROSS (*Moose Jaw*): My question to Mr. McIvor is: Do you think it is in the public interest that Mr. Diefenbaker should be furnished with the names of the brokers and the amounts paid to each?

Mr. SENN: Can you give any reason why it is not in the public interest?

Mr. ROSS (*Moose Jaw*): Yes, I think I could; but I think Mr. McIvor can give all the reasons, whereas I might give only one or two. These people are dealing on the Winnipeg Grain Exchange all the time, and will be dealing there again. One broker is not as good as another, as everybody knows.

Mr. PERLEY: Are they not all agents of the Wheat Board?

Mr. ROSS (*Moose Jaw*): Supposing they are. One broker may be a good broker for a certain kind of transaction and another broker may be a good broker for another kind of transaction; and one broker may be able to handle bigger trades better than another broker.

Mr. ROSS (*Souris*): Why should we not know that?

Mr. ROSS (*Moose Jaw*): I am asking the chairman of the Wheat Board if it is in the public interest to give this information. You know as well as I do that if this information is given out they will say: "This fellow made so much and I only made so much," and you are going to cause controversy there, and also show by giving the figures out, who the brokers are who are making the bigger trades for the Wheat Board, which is something that may not be in the interests of the country.

Mr. ROSS (*Souris*): Why not?

Mr. ROSS (*Moose Jaw*): Because to-day when all the brokers are being used by the Wheat Board and nobody knows who are making the bigger trades for the Wheat Board it is hard for the grain men on that floor to find out just exactly what the Wheat Board is doing with wheat at a certain time; but if they can spot the men that are making certain deals in the trading, then they can get a pretty good idea of what the Wheat Board is doing all the time, which is not in the interests of the country.

Mr. DIEFENBAKER: Before the chairman of the Wheat Board answers that question I would like to point out that much was made of the necessity of having Mr. Hanson here, and it was stated yesterday that the reason he was wanted here was for the purpose of explaining where he got the information upon which he based certain questions asked in the House, and we objected on the ground of principle, that once you get to the position of calling a member of the House of Commons to produce the name of his informant that would complete the control of the members of the House to the extent that no member would get any information. Let me read what Mr. Hanson read at page 1508 of Hansard. I refer to this because Mr. Ross of Moose Jaw stated that one broker is not as good as another, and one broker may be better able to handle bigger trades than another. What transactions are these men carrying out? They have the same purchaser for the portions sold in Canada to the millers.

Mr. ROSS (*Moose Jaw*): Oh, no.

Mr. DIEFENBAKER: You can answer later on.

Mr. ROSS (*Moose Jaw*): I say that statement is not correct.

Mr. DIEFENBAKER: You can challenge me later and show that it is not. I now quote from page 1508 of Hansard:—

I want now to deal with another matter, which is a by-product of this illegal method of operation.

Mr. Hanson said that dealing in futures and continuing to deal in futures was not in accordance with the terms of the Wheat Board Act. Mr. Perley pointed out that dealing in futures was permitted in certain circumstances by Mr. Murray. Mr. Hanson said it was illegal. His opinion was that of a lawyer. The Wheat Board, however, produced the opinion of two other lawyers. We shall never get anywhere in deciding whether it is legal or illegal, because lawyers always have difficulty in agreeing.

The second point is that the farmers in western Canada have the right to know what is being done with their monies and the money of the people of Canada. What about brokerage fees of \$389,236.78 in 1940? What about brokerage fees of \$546,013.54 from 1939 to July 31, 1941? That commission came out of the farmers' wheat ultimately, as part of the expenses. We want to know who is getting that money, because Mr. Hanson went on to point out:—

I should like to know what these items mean.

Since when was it not in the public interest for members of parliament to know what is being done with the monies voted by parliament and expended by an administrative body? The matter is covered by the order of reference:—

2. (5) A complete breakdown of storage, insurance, interest, brokerage and commissions.

What kind of breakdown would you have if it is not shown to whom the money was paid and the services rendered? All that is stated is that some \$500,000 has been paid out.

Then Mr. Hanson says:—

I have reason to believe that the Canadian Wheat Board, with the knowledge and consent of the government, is dispensing very large amounts of compensation to those who, partly because of the war, and partly because of the Wheat Board's operations, are deprived of opportunities to earn brokerage charges in normal open market trading, and there was an admission made to that effect yesterday, I would point out—"and that large annual amounts are paid to individuals who do nothing, or next to nothing, to earn them."

Those were the two matters that were to be discussed in this committee. Furnishing the information asked will do no one any harm. Since when was it not in the public interest to know that somebody arbitrarily hands out to "A" and "B" large amounts of money, calling it brokerage, and the like, and to "E" and "F" \$50 or \$75 a month instead of the several hundreds of dollars a month paid to "A" and "B"? When was it not in the public interest for us to know why these people are preferred? Is it because they are superior in ability? If we have that explanation, that will be acceptable and there will be no harm done. What harm would there be in the members of the committee learning that there are certain ones believed by the Wheat Board to have higher intelligence and ability, and that they are preferred for that reason? The idea generally prevails, however, and I say this advisedly, that preferences are given to certain individuals for reasons that are dictated entirely by efficiency.

Hon. Mr. MacKINNON: Could you suggest what those reasons are?

Mr. DIEFENBAKER: I am not here to suggest reasons, sir, but to find out what the reasons are. I move that the Wheat Board do produce to this committee a complete record of all brokerage fees and commissions paid since the

outbreak of war, the persons or corporations to whom such payments were made, the amounts paid to each of such persons or corporations, and finally, the particulars of the services rendered respectively by each of the said persons or corporations.

Mr. ROWE: I second that motion.

Mr. GRAHAM: Does that motion replace your motion of yesterday?

Mr. DIEFENBAKER: There was no motion yesterday in that regard. We were discussing it generally. Yesterday there was a motion in regard to the production of certain correspondence and the minister and Mr. McIvor kindly produced what they had this morning.

The CHAIRMAN: Who seconds the motion?

Mr. ROWE: I second the motion.

The CHAIRMAN: I will ask the clerk to read the motion presented by Mr. Diefenbaker and seconded by Mr. Rowe.

The CLERK: Moved by Mr. Diefenbaker, seconded by Mr. Rowe:—

That the Board do produce to this Committee the complete record of brokerage fees of all kinds and commissions paid since the outbreak of war, the persons or corporations to whom such payments were made, the amounts paid to each, and the particulars of services rendered therefore respectively by each of said persons or corporations.

The CHAIRMAN: Does the committee understand the motion? Is there any discussion?

Mr. ROSS (*Moose Jaw*): Yes. While Mr. Diefenbaker was speaking I interrupted to say there were others. In the evidence given by Mr. McIvor here yesterday he stated that this spreading, which was, I believe, just part of the brokerage that was paid, was part of a saving of 10 million dollars spoken about yesterday, and that the brokerage in that regard was actually distributed by the Wheat Board but was paid by the elevator companies who purchased the wheat.

Mr. DIEFENBAKER: Then why is it charged in the Wheat Board account?

Mr. ROSS (*Moose Jaw*): He said yesterday in his evidence that it was distributed by them on behalf of the elevator companies who purchased that wheat, and that in these cases it was the elevator companies who named the brokers who were to handle the deal but the Wheat Board did put one restriction on, and that was that no broker was to be paid on more than 300,000 bushels in any transaction. That is the information we got yesterday from Mr. McIvor before the committee. Therefore the major part of these commissions was not paid by the farmer or by the government or for the account of the Wheat Board—

Mr. PERLEY: That is funny!

Mr. ROSS (*Moose Jaw*): It is not funny at all!

Mr. PERLEY: Who paid it?

Mr. ROSS (*Moose Jaw*): If we had stored the grain in the ordinary way without that spreading we would have paid not only that commission but much more.

Mr. PERLEY: How many times did they buy and sell the crop?

Mr. FAIR: What does the producer swallow?

Mr. ROSS (*Moose Jaw*): I do not care what he swallows. I am taking the evidence of the chairman of the Wheat Board. I admit that if storage rates were reduced those charges might not be so high for the handling of grain; but if you cut the storage rates again you would have the same condition, that if a man has an empty elevator and he cannot get a full amount of storage for the

filling of the elevator and he can get a part and that part will cover more than his cost of handling, he is going to take it at a reduced rate, and you could thereby save although you cut the rates on the storage. Anybody in the grain trade knows that. You have not been fighting this game as long as I have.

Mr. DOUGLAS (*Weyburn*): You have not got very far with it.

Mr. ROSS (*Moose Jaw*): We have got a lot farther than you would think.

Mr. DOUGLAS (*Weyburn*): On which side?

Mr. ROSS (*Moose Jaw*): Never mind. That is a very smart remark from a very smart little fellow, but he has never yet done anything for the western farmer. When he has done something it will be time enough for him to talk, not now.

Mr. PERLEY: Is that all going down on the record?

Mr. ROSS (*Moose Jaw*): I asked the chairman of the Wheat Board to give us his opinion as to whether it was in the public interest and the best interests of handling wheat by the board that the information requested by Mr. Diefenbaker be given to this committee, and before any vote is taken on Mr. Diefenbaker's motion I would like to have a reply from the chairman.

The CHAIRMAN: Would not the committee like to have that information from the chairman of the Wheat Board?

Mr. DOUGLAS (*Weyburn*): If we are through with political speeches, we might get that information.

Mr. ROSS (*Moose Jaw*): Then you stop making them.

The WITNESS: Mr. Chairman, the matter of whether these names shall be given or not and the amounts paid to each individual must be settled by this committee, not by the Wheat Board; but I think I am in duty bound to point out the implications of that kind of situation, and I have prepared here a memorandum with regard to this particular point, which I would like to read:—

Under the terms of the Canadian Wheat Board Act, the Board is duty-bound to use brokers in connection with its operations.

I just want to refer for a moment to a statement made by Mr. Perley. He said the Canadian Wheat Board Act directed the Wheat Board to use the facilities of the trade only in disposing of the old carry-over from the Canadian Co-operative Wheat Producers, Limited.

Mr. PERLEY: The futures held by Mr. McFarland and taken over. The original Act empowered them to dispose of those futures.

The WITNESS: I was here with the Canadian Wheat Board and acted, as Mr. Perley knows. Mr. Perley was the vice-chairman of the committee, and I had a number of discussions with the then Prime Minister, the Hon. Mr. Bennett on this question. The only thing I am going to say in regard to Mr. Perley's remarks is this: The first Wheat Board is the board that was set up by the government of the day under the chairmanship of Mr. McFarland. They had the responsibility under the Act of disposing of the wheat received from producers in the 1935 and 1936 crop seasons, and in addition they had an added responsibility of disposing of the amount of wheat taken over from the Canadian Co-operative Wheat Producers Limited.

By Mr. Perley:

Q. Cash wheat and futures?—A. Yes.

Q. Can you give us the amounts of each?—A. That was seven years ago, and I cannot remember the amounts.

Q. Very well.—A. I was the sales manager for that board working under the instructions of Mr. McFarland, and may I say with regard to Mr. Perley's

point that the wheat received from producers from the 1935-1936 crop season was disposed of by the McFarland board and futures exchanged. That in itself, I think, is sufficient to indicate that Mr. Perley's statement is not correct.

Q. Pardon me. Mr. McFarland went off the board about the 1st December. There had been an election?—A. That is right.

Q. He had disposed of a portion of futures, I do not think all, and not all of the cash wheat?—A. But I am saying Mr. McFarland's board, and I am sure Mr. McFarland would confirm what I say, received wheat from the producers from the 1935-36 crop season and sold the actual wheat and exchanged futures.

By Mr. Ross (Moose Jaw):

Q. The same as you are doing now?—A. Yes.

Mr. PERLEY: Oh, no. The evidence is here. All the futures he handled amounted to \$10,000,000, and it was shown in the evidence that that was for Canadian Co-operative Producers Limited.

Mr. DIEFENBAKER: Mr. McFarland has said otherwise.

By Mr. Douglas (Weyburn):

Q. That is up until he left office in December, 1935?—A. Yes, because I was in charge of the operations myself.

Q. And do you say that had to do with the 1935 crop?—A. The 1935-36 crop.

Q. And was not a clean-up from prior operations?—A. That is right.

Now, with regard to the question that has been raised under the terms of the Canadian Wheat Board Act, the board is in duty bound to use brokers in connection with its operations. To continue:—

Brokers are expressly named in the Act, and for this reason alone the Board utilizes the services of brokers in the customary manner. In addition, the Board utilizes the services of brokers because it is to the advantage of the Board to do so.

The Board also recognizes that brokers as a group render a service quite aside from their individual operations. As a group they play an essential part in the operations of the futures market. As long as the futures market is helpful in marketing of grain, brokers have a collective value to the Board and all other organizations engaged in the marketing of wheat or any process in connection with the marketing of wheat. In connection with the value of brokers as a group to the operations of the Board, it has been the practice for some time to use the influence of the Board in the direction of the widest possible distribution of brokerage among brokers operating on the Winnipeg market. This policy is carried out to the greatest possible extent, while at the same time recognizing the superior efficiency of the services rendered by individual brokers. This policy has been carried out by the Board on the basis that it did not increase the total amount of brokerage paid, but did affect a distribution of brokerage which would be most helpful as far as the whole market is concerned. The total amount of brokerage paid under this policy was exactly the same as if one broker or two or three brokers had done all the brokerage business of the Board; a situation, however, which would be very detrimental to the market and to the operations of the Wheat Board in that market.

There are many misunderstandings in regard to the operations of the futures market and in regard to the payment of brokerage. For the information of the committee I have filed a statement showing the spreading operations of the Board during the three years from August 1,

1938, to July 31, 1941. This statement illustrates the use of the future market by the Canadian Wheat Board, and incidentally, illustrates the origin of over 75 per cent of all the brokerage resulting from board operations.

Between 75 and 80 per cent of all futures brokerage in respect of Board operations is incurred in respect to spreading operations. This brokerage is figured in the spread. It is paid to brokers nominated by the companies paying such brokerage subject only to the Board's restrictions on any one spreading operation not more than 300,000 bushels may be allocated to any one broker.

By Mr. Perley:

Q. Pardon me, did you say not more than 300,000 bushels to any one broker?—A. Yes.

Q. In one day could a broker handle 300,000 bushels of 1,000,000 bushels?—A. 300,000 bushels in any one transaction.

Q. What do you mean by "in any one transaction"?—A. It might be 1,000,000, 2,000,000 or 3,000,000.

By Mr. Douglas (Weyburn):

Q. Could he handle more than one transaction?—A. Oh, yes.

By Mr. Perley:

Q. According to a report that appeared in the *Ottawa Journal* on the 29th April, 1942, you showed 5,750,000 bushels?—A. Did the Wheat Board sell that?

Q. Yes, export sales of Canadian wheat.

The CHAIRMAN: Perhaps Mr. McIvor might be permitted to finish his statement.

Mr. PERLEY: The witness is explaining that no more than 300,000 bushels may be allocated to any one broker in any one sale.

The WITNESS: Mr. Perley's explanation of that statement he is reading from is not correct. I would ask him to read that the Wheat Board sold 5,750,000 bushels of wheat on that day. Mr. Perley said the Wheat Board sold it.

By Mr. Perley:

Export sales of Canadian wheat, estimated at 5,750,000 bushels on Wednesday and worked to the United Kingdom, boosted the total for April well over the 40,000,000-bushel mark, and possibly to 42,000,000 bushels. Wednesday's business was reported to be all wheat.

The month's total is the largest since January, 1941, and is one of the largest, if not a record, worked to any one country in a single month.

And it went to the United Kingdom.—A. I would like to say, Mr. Perley, that when you raised that question I was dealing with the matter of spreading operations. That is a sale. I want to confine my remarks for the moment, if I may, to the question of spreading operations.

Q. Could you use one broker to-day on 300,000 bushels and then, the day after to-morrow, use the same broker again?—A. Oh, yes. You could use the same broker several times in one day. To continue:—

These transactions could easily be worked out on the basis of increasing the spread, thereby letting the trade pay the brokerage; in which case the brokerage would not show on the books of the Board at all. On the other hand, the Board prefers to include the brokerage in the spread, to collect the brokerage from the trade as a whole and to distribute the brokerage in a manner which will be most helpful to the market as a

whole. If private companies both paid and distributed the brokerage on these transactions, there is the possibility that a few brokers would get a very large share of the brokerage business. In operations of this kind the whole futures market is involved and the Board thinks it advisable to see that brokerage is paid in accordance with the best interests of the market as a whole.

The Board has been asked to give a statement of the amount of brokerage paid to individual brokers by the Canadian Wheat Board. In regard to this request I have a list of brokers and the amount of brokerage which they received in connection with Wheat Board operations. The board is prepared to make this information available, but it will have to be on the responsibility of this committee. There are 85 futures brokers and 24 cash wheat brokers operating on the Winnipeg Grain Exchange. As I have indicated the Board is using these brokers to very great advantage. The Board is using these brokers from day to day, and is trying to be impartial in the payment of brokerage and at the same time use its best judgment as to how brokerage should be paid and recognize efficiency and capability on the part of individual brokers. To make public the amount of brokerage paid to each individual broker would have repercussions far beyond the confines of this committee. It would have an adverse effect upon the Board's operations in the futures market and the relationship of the Board with the brokers used in connection with Board operations.

In addition, as I have already pointed out, a large percentage of brokerage is paid by the grain trade, including farmer-owned companies, and the Board's function is merely one of distribution. I am sure that the committee will appreciate the danger of misinterpretation being placed upon such a statement of brokerage payments—not by the committee, but by those who would detach details of such a statement from the explanations made before this committee.

I might add that this matter came up in connection with the 1936 Select Special Committee of the House, and that committee did not press for a statement of brokerage paid to individual brokers.

The CHAIRMAN: The matter is before the committee.

Mr. GRAHAM: Before we vote on that question I think we should consider the opinion Mr. McIvor has just given us. I do not think there is one of us who fails to realize the problem that the marketing of our Canadian wheat has constituted in this country since 1930. As already indicated, not only has the government and the House of Commons almost endlessly debated the matter, but it has been the subject of inquiry by parliamentary committees and royal commissions on more than one occasion. I want to make this point clear to the members of the committee, that not only has the marketing of our Canadian wheat constituted a difficult task but it continues to be so, and in all likelihood, although we hope not, it will continue to be a very real problem for Canada during and possibly after the war. Mr. McIvor has had a long association with this task. He is a public servant whose duty is a very onerous one, as we all know. He was with Mr. McFarland's board and was a member of the Murray Board, and now he is chairman of the present board. I think we all know human nature, since we are all members of parliament, and we know or can imagine the task the Board has in dealing with a considerable number of brokers, 85 of one class and 24 others. I feel strongly, in view of the opinion Mr. McIvor has given and his refusal to accept the responsibility of reversing the opinion of Mr. McFarland when he appeared before the former committee and refused to disclose the information now sought, (and that committee agreed that it should not be given) that we should not ask Mr. McIvor to furnish that

information now. Realizing the immensity and importance of the task that had to be discharged by this public servant, I submit that since we can easily secure the total amount of commissions paid, and check whether the Board has paid too much commission and, if necessary, have an auditor affirm that the Board has paid out no monies other than it would have to pay out by way of commission or brokerage, we should not ask for further information. We can satisfy ourselves as to the honesty of the board's administration; but when it comes down to the matter of distribution I can see the difficulty Mr. McIvor outlines, and I for one will not assume the responsibility of going against his advice.

Mr. Ross (*Souris*): Mr. McFarland was not chairman of the other inquiry. Mr. Murray was the chairman, I think. I will admit that the matter of futures trading is a little mystic to me, and I cannot follow it the whole way.

Hon. Mr. MacKINNON: You are not alone!

Mr. Ross (*Souris*): That may be; but I do not see why we cannot merchandise this wheat as well as we can merchandise bacon and other essential products during the war. The argument of Mr. Graham and others simply intensifies the mystery and creates more suspicion. I must admit that I have become suspicious since I have delved into it, long before I was a member of parliament and also since. I am willing to admit that in all probability there is a good reason why we should not demand to know the price at which we are selling our product to Great Britain at this time, but I cannot see why we should not get the details of the transactions within this country, as to the method of handling our product. If you are going to vote in this committee that we do not get this information on these brokerage people, certainly you are going to add to the suspicion amongst the producers in this country. I have not heard any reason advanced by Mr. McIvor, Mr. Graham, or others, why we should not have that information. Certainly the public to-day desire to know in detail how their product is being handled, and it is a matter about which there is more suspicion than about anything else in the entire trade. Surely we can vote to get that much information for the people of this country, and endeavour to clear up the mysterious business of handling their product.

Mr. Diefenbaker: I do not think this is a matter that should be decided in a few minutes; but if this committee takes it upon itself to deny us the opportunity of securing the answers to the points Mr. Hanson placed before parliament, then the explanation thus far given by Mr. McIvor can only add to the suspicions as to the circumstances connected with the payment of brokerage charges. He says the Board distributes the brokerage in the best interests of all concerned, or words to that effect. Surely the committee has a right to know, and there has never been a denial of this, whether certain members of the grain exchange are getting brokerage fees running into thousands of dollars for doing little or nothing, and in many cases merely participating in what appears to be a book entry, while others are receiving regular monthly payments of \$50 and \$75; I think \$50 is the low level, whether they do anything or not. Surely the farmers of this country have the right to know what is being done with their wheat? Surely the members of the House of Commons representing the people of Canada have the right to know how this sum of \$548,378.88 is made up. It is set out in exhibit "E", the Canadian Wheat Board Act. Mr. Graham says: "Well, we can easily figure up whether or not it was properly earned." I would like to know how? Is there any record here to show the futures transaction? Every time there is a futures transaction and an exchange of options there is some more profit to the brokerage firms engaged for the purpose, or certain of them. So that almost \$550,000 has been expended in brokerage and clearing association charges. We would like to know how those charges are made up, so that the producer may ascertain whether or not the wheat is being properly handled. He has participation certificates. What good

are those certificates, if what should come to him is being used up in brokerage fees paid, with or without discrimination, largely to certain corporations? What possible harm is going to be done to the public interest of this country if it is found that certain old established firms in the city of Winnipeg, who have been members of the grain exchange for years, are getting \$50 per month while certain others are getting amounts many times \$50 a month? I asked Mr. McIvor yesterday whether he would tell us what the low and the high were, and he expressed a willingness to do so. There has been no suggestion today that he is willing to do so. He comes here with a written statement, apparently prepared last night. I am going to ask the members of this committee not to decide this question too quickly, nor even to decide that information that should be known is to be denied to us. I will even go thus far: Will the chairman of this Board give us a record, to start with, on the amounts paid, without giving us the names of those to whom those payments were made? There cannot be anything not in the public interest in that regard.

Q. Give us the figures showing that one man received \$6,000 and another received \$10,000 and another received \$12,000, and give us the lowest strata, those who were paid \$50 per month; and then we will be in a position to vote intelligently on this matter? Surely there can be no denial there? If you give us particulars of the amounts without giving the names of the companies, Mr. Graham's argument disappears, and we will ascertain how much the companies received and how many there are in the \$50 per month class and so on, and we shall also learn why it is, if my information is correct, that about 75 per cent are in the \$50 per month class, and about 16 per cent are in the "king" row, although doing no greater service than those who receive the \$50 per month? (No response).

Mr. DIEFENBAKER: I am going to appeal to this committee not to vote on this question from a partisan standpoint, but for the reason that today people are commencing to worry about why it is that when any question is asked about the expenditure of money members of parliament are denied the breakdown, especially when in the setting up of this committee the agenda states that there shall be a complete breakdown of storage, insurance, interest, brokerage and commissions?

Mr. GRAHAM: Suppose you were convinced that the giving of this information would make the task of the Wheat Board more difficult in marketing our Canadian wheat, would you insist on that information being given?

Mr. DIEFENBAKER: I always try to be frank, and I try to come to conclusions based on the evidence placed before me, but there has not been a word suggested here that it would do any harm.

Mr. GRAHAM: But if you were convinced that the giving of this information would make the task of the Wheat Board more difficult, what would your attitude be?

Mr. DIEFENBAKER: I say: "Give us the amounts without the names." It is very easy to convince oneself of a thing if one desires to do so; but we have a responsibility here. This committee was set up and this question was submitted to the committee:—

"2. (1) How many bushels of wheat has the Board purchased directly from the producers from July 31, 1938 to date?"

and so on.

This committee was set up to get this information. Now, are we to be denied the information we have asked for and that the committee was set up to obtain? I think the people of Canada have a right to receive this information now.

Mr. ROWE: If I were convinced that this information was going to injure or embarrass the administration of the Canadian Wheat Board I would feel inclined to support Mr. Graham's contention, but I have heard nothing this morning either from the chairman of the Board or from the other speakers in support of that contention that would lead me to believe that it would embarrass the board; and after listening to similar arguments for 15 to 20 years in this House I am convinced that one of the chief reasons for all our trouble is because of the withholding from the producer of sufficient information and thus rendering him suspicious as to where you are taking this money that the hon. member for Moose Jaw intimated you could take out of the thin air.

Mr. ROSS (*Moose Jaw*): Oh, no. The farmer is no fool.

Mr. ROWE: I have dealt with farmers as long as my friend, and the farmers are my friends, too! After listening to Mr. Diefenbaker, who says we can find out the total cost of brokerage and decide whether we have had value for it or not, I am in agreement with him.

Mr. GRAHAM: That can be secured.

Mr. ROWE: How can you secure it? We are getting into strait-jackets all along the line with controls, restrictions, regulations, boards and commissions; and if there is one thing that the farmer and producer of any class of products to-day is concerned about, it is he spread between himself and the ultimate consumer. Personally I am convinced that one of the reasons there is so much suspicion in the atmosphere about the handling of Canada's great wheat production has been the withholding of the very information that this Board now asks should be withheld. After listening to the chairman of the Board, who says we must have the widest possible distribution of advantages to brokers in order to carry out as far as possible a spreading of the services rendered by them, 75 per cent to 80 per cent is unspread; that not more than 300,000 bushels may be allocated to any one broker at any one time although it may be many times during the same day; that 85 per cent of the brokers handle futures and 25 per cent handle cash wheat. Now, if there is nothing wrong, if it is being fairly and equitably distributed, then surely not by the widest stretch of imagination or in the light of anything that has been said here this morning can there be any sound reason why this information could not be given to us? If there is anything wrong, it should have been given long ago. The fact that the chairman of the Board in 1935 or before that time thought it was not in the interests of the public to furnish that information should not influence us now. Mr. McIvor says we shall have to take the responsibility of withholding this information from the people of this country, so that we can live again for another period of years with the same suspicions that have been created because it was withheld before. I cannot conscientiously support the withholding of this information. Personally I have no real reason to believe that everything is not fairly and equitably distributed. I have no real reason to believe that somebody is getting more than he should for the services he renders, nor that some fellow getting \$50 a month should get more; and therefore I hope that when the information is given the wheat growers of western Canada will at least be satisfied that the members of the Agricultural committee in the House of Commons are not holding back information which they believe is in the interests of somebody else as well as themselves. I think we should have a clearer course in the future, and that it would render the task of the chairman of the wheat board easier and his record more creditable having regard to the service he will render to the farmers he is serving if he will furnish the information requested.

Mr. WARD: I have lived in western Canada for 45 years, and have worked among farmers all my life. I want to say now that there is great deal more suspicion in the minds of some of the members of this committee, and in the mind of the Hon. Mr. Hanson when he made that statement on the floor of the House, than there is in the minds of the farmers of western Canada. To those members of this committee who have not been engaged in growing wheat for the last 25 years it might be of interest to state that suspicion did exist in the minds of the farmers of western Canada for a long time, and for excellent reasons: From 1900 to 1905 or 1906 there would be daily a spread of 20 cents between street and track prices, and I have known the spread to be as high as 28 cents. The farmer was being robbed of about 26 cents at least, because he did not have a carload of wheat or lived too far from the elevator or siding to load a car. Well do you recall the first farmers' meeting held in the Dauphin district in 1902. I happened to be in attendance, and we had some sound reasons for complaint at that time; but at this moment we are making a mountain out of a molehill, out of a flea!

Mr. DIEFENBAKER: We are making a mountain out of a flea?

Mr. WARD: Certainly in the light of what the farmers of Western Canada have passed through in the last 40 years, there can be very little of which to complain. One is amazed when one thinks of what has been developed not by the agricultural committees at Ottawa or by members of parliament on the floor of the House but by the farmers themselves over a long period of years; they have continued to improve and improve.

Mr. ROWE: Why not keep on improving?

Mr. WARD: The \$500,000 referred to here so often is infinitesimal—I am not minimizing the importance of it—in comparison with what has happened in the past. I venture to say that 35 years ago more money was stolen from the farmers in one day in the sale of their wheat than the \$500,000 we are discussing to-day. The reason I refer to this matter as I do is because I wonder if we are just playing the game that members of parliament are expected to play. We are at war, and much more important matters should be occupying the attention of the members of this committee. If we work it out mathematically probably it would represent a very small fraction of one cent per bushel of grain that has been marketed in western Canada in any one year. We do not need to go back far to remember when there was a spread of 5 cents, 6 cents and 7 cents between the street and track prices, within the last ten years, and to-day it is down to about one cent.

Mr. McIVOR: Four cents.

Mr. ROWE: Even so, why not let us know about the distribution of the \$500,000?

Mr. WARD: I am not minimizing the importance of the issue before this committee, but in conclusion I do want to say there is far more suspicion in the minds of a few members of parliament than there is in the minds of the farmers of western Canada. The farmers have full confidence in our pooling system.

Mr. WRIGHT: Have they confidence in the Winnipeg Grain Exchange?

Mr. WARD: That came out before. Always I have opposed the Winnipeg Grain Exchange, and formerly I have characterized it as a blood-sucking vampire. I have no love for the Winnipeg Grain Exchange. I will say, however, that prior to the option market there was a day when the traders, justified or not, were taking anywhere from 10 cents to 20 cents a bushel from the farmers because of the risk of carrying the grain. I gave evidence before the Sir Josiah Stamp Commission which toured Canada. I was president of the United Farmers of Manitoba at the time, and I recall dealing with the Winnipeg Grain Exchange,

and also recall that afterwards Sir Josiah Stamp said that in his judgment, looking at it without prejudice, he believed the Winnipeg Grain Exchange, or the option market as he referred to it, had operated in the interests of the producers; that the producers had received a longer price over a long period of years because of the existing of the option market.

Mr. PERLEY: Did he state in his report how often he had bought and sold in a year: 41 times?

Mr. WARD: Yes, he did. I do think, however, that we are spending a lot of time here without benefit. When Mr. Diefenbaker suggests that we should not be in a hurry does he mean that he should sit here all summer getting nowhere? I have confidence in Mr. McIvor and his board and believe they will handle the grain in the best interests of the producer; and I think we should have Mr. McIvor's statement placed on the record where it can be studied.

Mr. FAIR: I am glad Mr. Ward made the admission he has just made, namely, that the farmers in the past were skinned every day. The fact that they are not being skinned to the extent they were 25 years ago is no reason in the world why they should be skinned at all. The fact that the farmer is being skinned means many others are being skinned, because they thrive on agriculture. After all, it is the farmer's money that maintains the 109 brokers on the Winnipeg Grain Exchange. The farmers are supporting those fellows, and what are they getting in return? To those who claim that the Winnipeg Grain Exchange should be kept open I would say: Why not have an exchange for automobiles, or farm machinery, or several other things, so that gambling can exist in those categories? Why is not an exchange operated in the interests of those fellows? Simply because they are organized, and will not stand for the skinning the farmer has stood for in the past. I feel sore about this, because I have been robbed of thousands of dollars by the Winnipeg Grain Exchange as the result of the practices carried on in the past. Perhaps some of you do not know that elevator agents have been approached by their superintendents and verbally informed that their operation of the scale must take care of their wages at the end of the month! I happen to know that, although they do not put it in print. They do put a lot of other things in print that can be given a number of interpretations, but this particular matter is not put in print; it is given verbally by the superintendents of the elevator agents. When you have absolute stealing like that going on as far as the agents are concerned, you can bet your life several other steals are going on farther up the line, and I therefore think this committee should receive the information requested. As far as I am concerned if we are denied information of this kind, which after all concerns the farmers' money, we might as well close the committee and let the Wheat Board go back to selling wheat.

Mr. RICKARD: As an Ontario member I have listened with interest to the discussion. In reference to the motion made by Mr. Diefenbaker, may I ask what difference it is going to make to the producer or the consumer whether or not we know what these brokers have been getting? Is it going to put any money in the hands of the producer or the consumer if we do ascertain what each individual broker receives out of these transactions? I do not think so. I do not see that it makes a bit of difference to the consumer or the producer. The only effect it would have would be to show up what one man gets in excess of what another man gets in such transactions. I have an open mind on this thing, and would like to see everything brought out that should be brought out; but I do not see how we are going to get any real value out of such an investigation for the man we are working for, namely, the producer. If you can show me that the producer is going to get something out of it I shall be willing to vote for this motion, but at present I cannot see it.

Mr. Ross (*Souris*): In answer to the last speaker, I think the amount of money mentioned is of vital interest to the producers. Mr. Ward referred to the findings of the Sir Josiah Stamp Commission. Later, another investigation was conducted by the Hon. Mr. Justice Turgeon, who pointed out that he could not see where the grain exchange could render a useful purpose in time of war; and the exchange is concerned with the handling of the producers' products. I am sorry to say that the people down in my part of the province are not as satisfied as they appear to be in Mr. Ward's riding, and I want all the detailed information I can get. I want a return as to the amount received by these brokers showing the cost of handling the producers' product. I have not heard of the cost of handling the producers' product coming from any other source than the hard work of the producers.

The CHAIRMAN: This is probably as important a motion as will come before the committee, and there is a principle involved in it. I agree with the member who stated that the committees of parliament are entitled to all the information they can get. An item appears in the Wheat Board's report indicating the amount of money paid on this particular item. The Wheat Board has disclosed the total number of persons participating in that amount of money. Well that's good. The next step has been to request disclosure of the names of the individuals who have received that money. The only point that arises in connection with it is the effect that such disclosure may have on the Board's relations with these brokers, and on the conduct of its business in the future. No doubt there is going to be a controversy over this matter. If the information is denied to this committee there will be some who will claim they were not permitted to obtain all the information they desired. On the other hand, there will be some who are personally affected, and I think all of us can visualize what will happen once these names are disclosed. They will appear in the press, and they will be placarded here, there and everywhere. The important point, as I see it, is the effect of disclosure on the Wheat Board's relationship with these brokers and the conduct of its business. They have utilized the facilities of these brokers in the past, and I presume that during the immediate future at least they will continue to do so. Mr. Diefenbaker suggested some time ago that this was a very important feature of our procedure, and that it should not be dealt with and disposed of with any undue haste or lack of proper consideration. I have not seen the list of names of these brokers to which Mr. McIvor referred; I do not know who they are; nor do I know who received larger amounts or smaller amounts, or whether they rendered the services that some people think they should have rendered for the amounts they received. Again, gentlemen, I am not sure that we can judge whether individually they have given value or not. Following what Mr. Diefenbaker has suggested, I am prepared to propose that we adjourn the committee now and dispose of the motion when we meet again.

Mr. PERLEY: I am going to read into the records some of the reasons why the Grain Exchange in Winnipeg should be closed, because the buyers do not have to use these broker at all.

The CHAIRMAN: There is a motion before the committee.

Mr. DOUGLAS (*Weyburn*): Mr. Diefenbaker made a suggestion that was not put to the chairman of the Wheat Board.

Q. Would you be prepared, Mr. McIvor, to give the amounts of money paid, without stipulating the persons to whom they were paid? If so, that would give us some idea of the distribution of the money without giving any other information.

Mr. DIEFENBAKER: That is just for the time being?

Mr. DOUGLAS (*Weyburn*): Yes.

Mr. DIEFENBAKER: There is no finality about it.

By Mr. Douglas (Weyburn):

Q. Are you prepared to give that information?—A. Mr. Chairman, if this information is required by this committee, may I state that as far as our Board is concerned we prefer not to give it piecemeal. The committee must decide, as I see it, whether they will receive the information including the names, or otherwise. From the standpoint of the Board we do not want to give a lot of information which will enable somebody—and it is quite obvious that somebody will—to point to broken “A” and put some sinister meaning into the fact that he is broker “A”. As far as the Board is concerned, as I said in my statement, the information is here, and it is a matter that is entirely in the hands of the committee. I cannot add anything to what I have stated.

Mr. DOUGLAS (*Weyburn*): I understood the witness yesterday to say he was prepared to give the highest and lowest amounts paid.

The WITNESS: That arose out of a question put by Mr. Diefenbaker. I did say I would be prepared to give the highest and the lowest, and naturally if we give all the information the highest and the lowest will be included.

By Mr. Diefenbaker:

Q. Have you changed your stand since yesterday?—A. We have considered the matter, and we as the Board feel that we have distributed this brokerage fairly, having in mind the efficiency of brokers; and that we have discharged our responsibility under the Wheat Board Act. Some of you gentlemen may feel that you are more competent to judge as to whom brokerage should be paid than we are. That must of necessity be a matter of opinion. But we do report to the government what we are doing, and we feel that the brokerage has been fairly distributed under the existing conditions.

Mr. DIEFENBAKER: That is what we want to know.

Mr. DOUGLAS (*Weyburn*): That is not the answer. The question was asked of Mr. McIvor yesterday, and he said that he was quite willing to give the information. Now Mr. McIvor says the Board distributed this money fairly, and he intimates that the members of the Board are in the best position to know; and I grant that they are in the best position to know what brokers should receive the business. The fact remains, however, that this committee of the House of Commons is charged with the responsibility of watching the expenditure of the money of the people of Canada, and the committee has a right to know what it is that the members of the Board consider to be a fair distribution. We can only judge whether or not it is a fair distribution after we learn what the top and bottom figures are. If the Board has decided in the meantime that it is not in the public interest to disclose that information, that is another question.

The CHAIRMAN: As I understand, the Board feels that if any information is to be given it should all be given.

Mr. DOUGLAS (*Weyburn*): Mr. McIvor has not said that.

The CHAIRMAN: Yes, he has.

Mr. DOUGLAS (*Weyburn*): If the chairman took that meaning from his remarks, I did not.

The WITNESS: Frankly, in considering this matter our Board felt that the giving of the highest and lowest figures would not satisfy certain members of this committee, and our view is that if the committee decides that the figures must be given, then all the figure should be given.

Mr. DOUGLAS (*Weyburn*): May I ask Mr. McIvor whether, if the committee should decide not to ask for all the information, he would be prepared to give the highest and lowest figures?

The CHAIRMAN: I would think the matter had been settled as far as this committee is concerned. It would be implied that no information would be given and no names would be disclosed.

Mr. DOUGLAS (*Weyburn*): I am not asking about the names but about the highest and lowest amounts, which has nothing to do with this motion.

The CHAIRMAN: I will ask the clerk to read the motion again. (Whereupon the clerk read the motion).

Gentlemen, you have heard the motion. Is there any further discussion?

Mr. MACKENZIE: I do not believe this matter should be decided in any political mood. I think we should vote on this motion after luncheon.

The CHAIRMAN: Is there a motion to adjourn?

Hon. MEMBERS: Question!

Mr. MACKENZIE: I move that we adjourn and vote on the motion after luncheon.

Mr. ROSS (*Middlesex*): I have pleasure in seconding that motion. I think that within a very few years there is going to be a bomb dropped on Mr. McIvor's mechanics, and that there will be a different type of trading altogether. At the same time I hope that Mr. McIvor will not suffer thereby.

The CHAIRMAN: Gentlemen, it has been moved by Mr. MacKenzie, seconded by Mr. Ross of Moose Jaw, that the committee adjourn. What is your pleasure?

Hon. MEMBERS: Question!

Mr. DOUGLAS (*Weyburn*): The House will be sitting this afternoon, and I doubt if we shall ever have as good an opportunity as now.

Mr. ROSS (*Souris*): I do not think we should meet this afternoon.

The CHAIRMAN: There is a motion before the committee, that we do adjourn now.

Mr. CARDIFF: As an eastern member of this House I am interested only in the fact that we in eastern Canada have to pay anywhere to \$24 to \$30 per ton for—

The CHAIRMAN: Excuse me, Mr. Cardiff. The motion before the committee is a motion to adjourn.

All in favour of the motion please signify by raising your hands.

The CLERK: The motion to adjourn is lost.

The CHAIRMAN: All those in favor of Mr. Diefenbaker's motion please signify by raising your hands.

Mr. PERLEY: Can we not have a recorded vote on this motion?

The CHAIRMAN: It was not asked for.

Mr. PERLEY: I will ask for it now.

The CHAIRMAN: Then we shall wait until the clerk has counted the votes.

Mr. ROSS (*Souris*): I think we should have a recorded vote.

The CHAIRMAN: Do you press for a recorded vote?

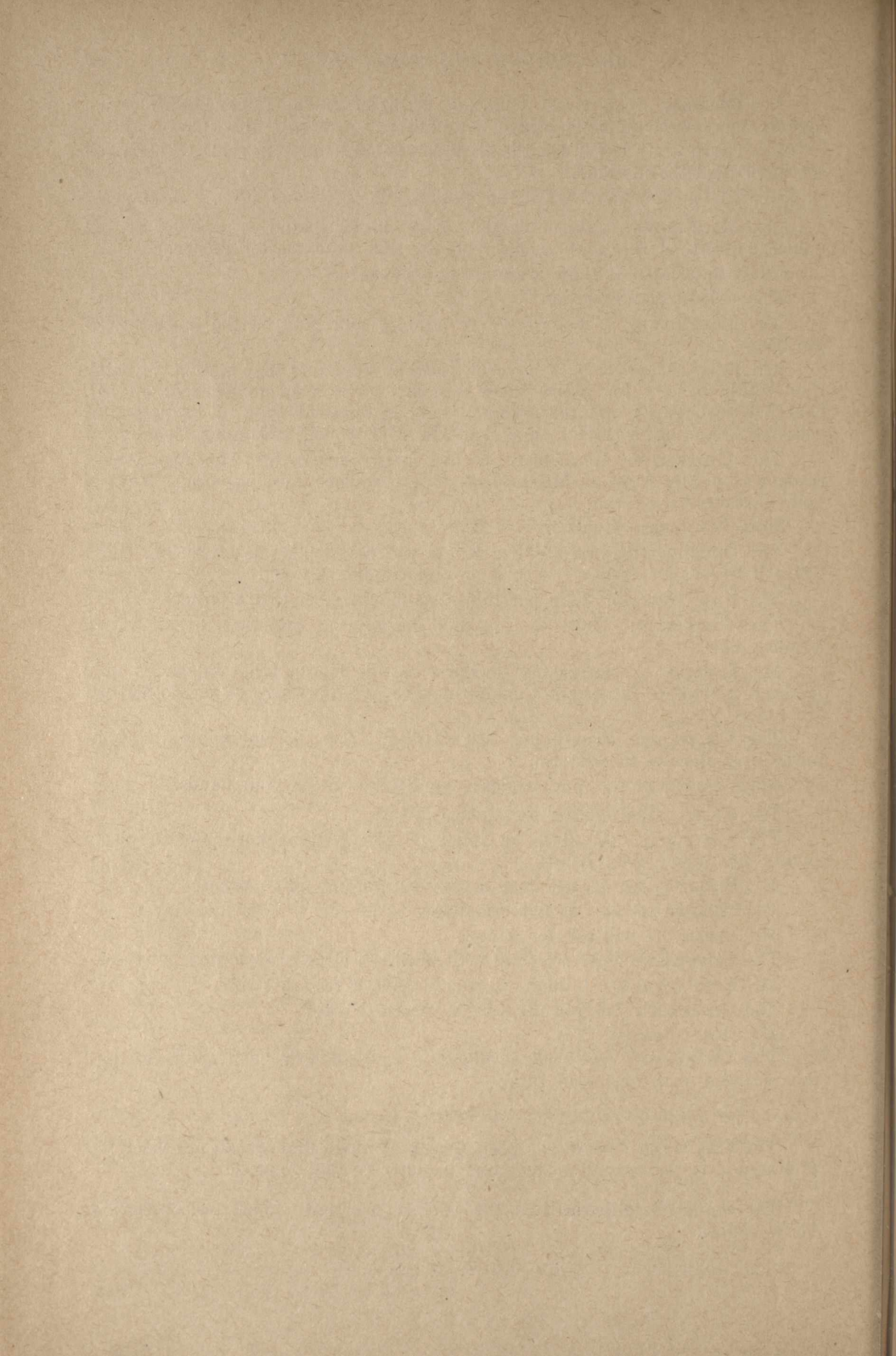
Mr. ROSS (*Souris*): Yes.

The CHAIRMAN: Very well, members of the committee will not leave until the recorded vote has been taken.

On division the motion was lost.

The CHAIRMAN: There has been a request made that we do not meet this afternoon. Is the committee prepared to agree to that request?

The committee adjourned at 1:15 o'clock p.m. until tomorrow morning at 11:00 o'clock.



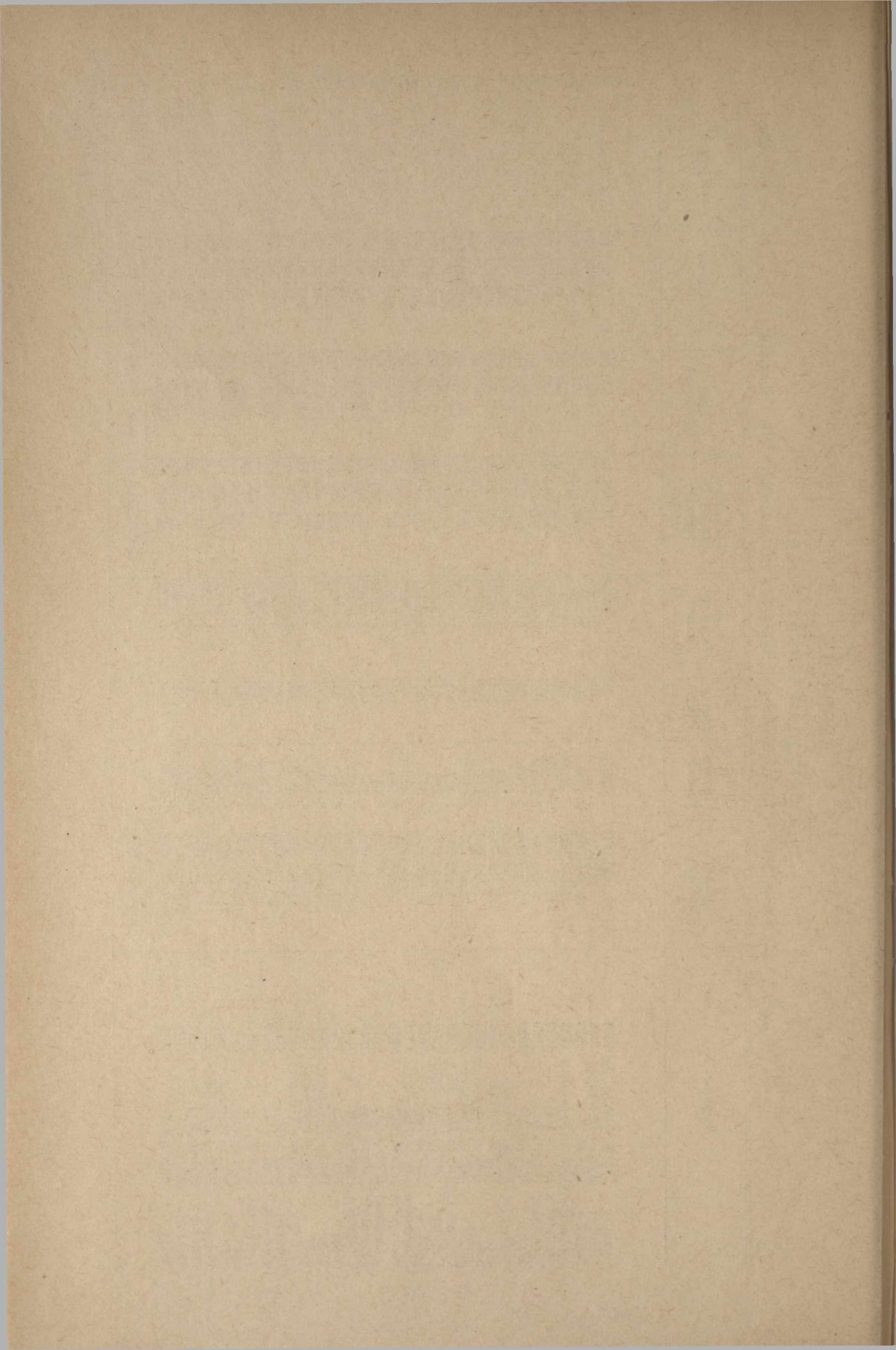
APPENDIX

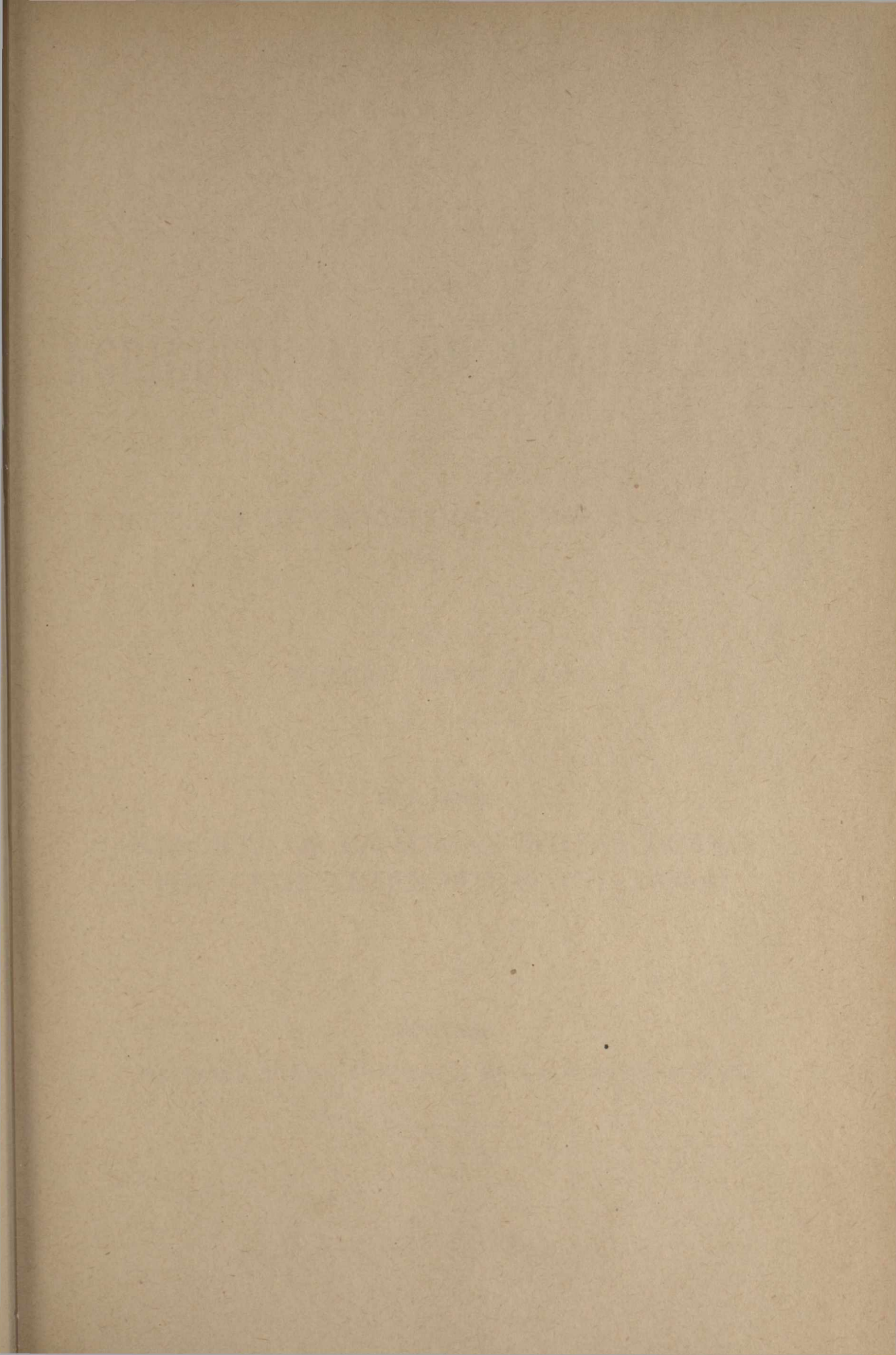
THE CANADIAN WHEAT BOARD

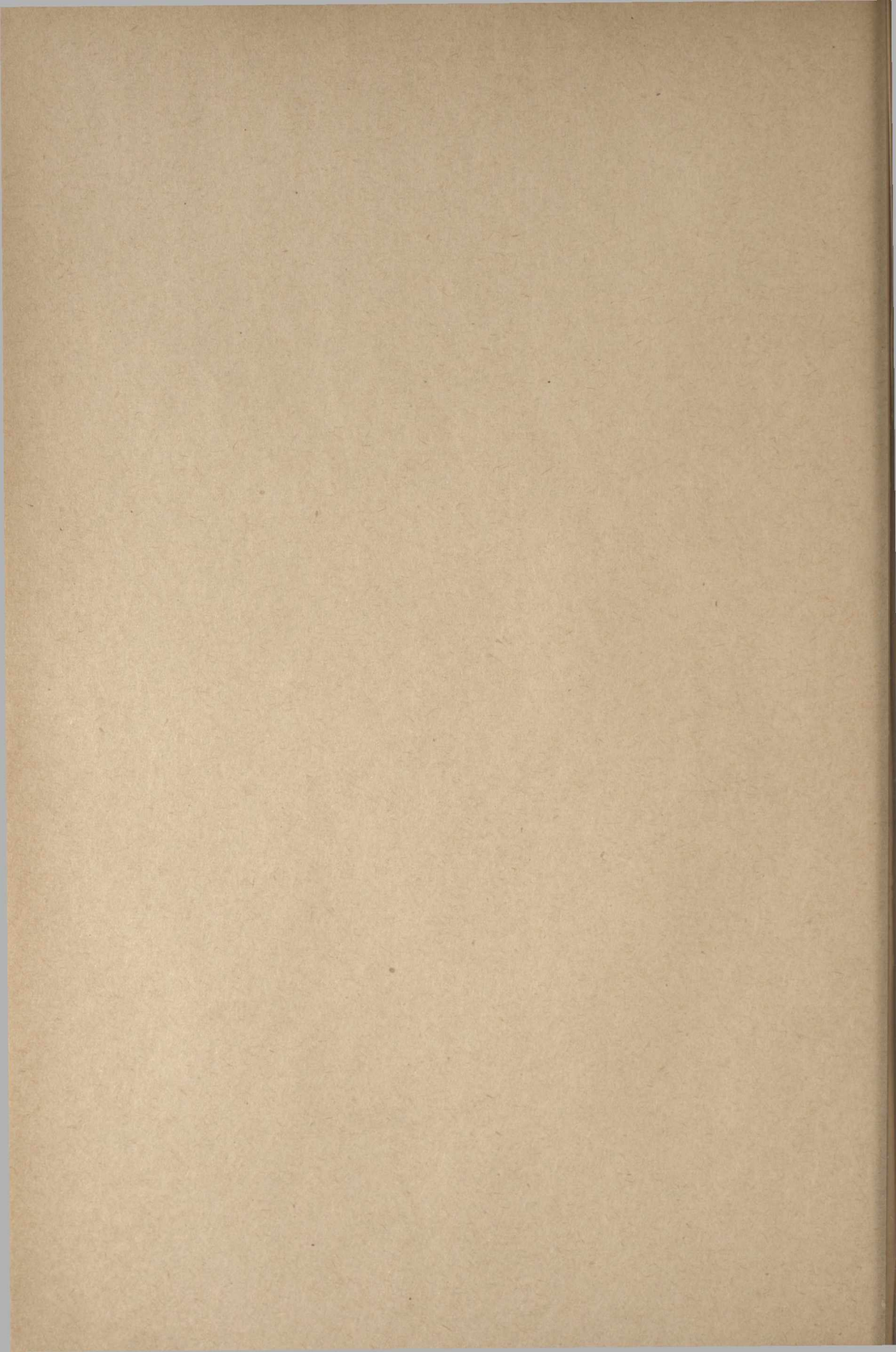
COMPARATIVE COST OF SPREAD BASIS—AS AGAINST FULL CARRYING CHARGE

| Spreads | | | Spread Bushels | Average Spread | No. of Days | Full Carrying Charges Interest 3% | Difference Spread Vs Carrying Charges | Less Brokerage | Net Saving | Basis |
|--------------------------------|-------------|-----------|----------------|----------------|-----------------|-----------------------------------|---------------------------------------|----------------|------------|-------|
| | | | | c. | | c. | | | | |
| October 1938 to November 1938 | 400,000 | (.015625) | 31 | 1-17665 | \$ 4,769.10 | \$ 200.00 | \$ 4,569.10 | 3 Northern | | |
| October 1938 to December 1938 | 636,000 | | 61 | 2-31535 | 14,725.63 | 318.00 | 14,407.63 | " | | |
| October 1938 to May 1939 | 38,359,000 | 3-1748 | 212 | 8-0467 | 1,868,812.12 | 19,179.50 | 1,849,632.62 | " | | |
| November 1938 to December 1938 | 1,058,000 | (.31261) | 30 | 1-1313 | 15,276.57 | 529.00 | 14,747.57 | " | | |
| November 1938 to May 1939 | 12,991,000 | 3-25713 | 181 | 6-82551 | 463,568.25 | 6,495.50 | 457,072.75 | " | | |
| December 1938 to May 1939 | 6,196,000 | 3-19097 | 151 | 5-66628 | 153,370.21 | 3,098.00 | 150,272.21 | " | | |
| May 1939 to July 1939 | 62,540,000 | .83091 | 61 | 2-31409 | 927,580.77 | 31,270.00 | 896,310.77 | " | | |
| May 1939 to October 1939 | 4,169,000 | 2-1053 | 153 | 5-80421 | 154,207.56 | 2,084.50 | 152,123.06 | " | | |
| July 1939 to October 1939 | 14,438,000 | .96801 | 92 | 3-46365 | 360,320.50 | 7,219.00 | 353,101.50 | " | | |
| July 1939 to November 1939 | 1,811,000 | 2-74378 | 123 | 4-63075 | 34,173.03 | 905.50 | 33,267.53 | " | | |
| July 1939 to December 1939 | 32,787,000 | 2-66163 | 153 | 5-76021 | 1,015,931.42 | 16,393.50 | 999,537.92 | " | | |
| October 1939 to November 1939 | 4,080,000 | 1-489 | 31 | 1-20277 | (11,678.18) | 2,040.00 | (13,718.18) | " | | |
| October 1939 to December 1939 | 20,829,000 | 1-629 | 61 | 2-36674 | 153,663.86 | 10,414.50 | 143,249.36 | " | | |
| October 1939 to May 1940 | 13,603,000 | 5-6424 | 212 | 8-22541 | 351,496.00 | 6,804.00 | 344,692.00 | " | | |
| November 1939 to December 1939 | 4,184,000 | .964955 | 30 | 1-16366 | 8,313.82 | 2,092.00 | 6,221.82 | " | | |
| November 1939 to May 1940 | 19,558,000 | 5-140 | 181 | 7-02077 | 367,841.00 | 9,779.00 | 358,062.00 | " | | |
| November 1939 to July 1940 | 25,000 | 7-25 | 242 | 9-38689 | 534.22 | 12.50 | 521.72 | " | | |
| December 1939 to May 1940 | 66,521,000 | 4-435 | 151 | 5-93002 | 994,502.25 | 33,260.50 | 961,241.75 | " | | |
| December 1939 to July 1940 | 3,421,000 | 6-1272 | 212 | 8-32559 | 75,206.92 | 1,710.50 | 73,496.42 | " | | |
| May 1940 to July 1940 | 121,504,000 | 1-3439 | 61 | 2-45072 | 1,344,830.57 | 60,752.00 | 1,284,078.57 | " | | |
| May 1940 to October 1940 | 5,860,000 | 2-45033 | 153 | 5-46911 | 176,865.35 | 2,930.00 | 173,935.35 | " | | |
| July 1940 to October 1940 | 88,017,000 | 1-7007 | 92 | 2-8681 | 1,027,510.46 | 44,008.50 | 983,501.96 | " | | |
| October 1940 to December 1940 | 14,675,000 | 1-55303 | 61 | 1-70212 | 21,878.96 | 7,337.50 | 14,541.46 | " | | |
| October 1940 to May 1941 | 60,381,000 | 5-79012 | 212 | 5-91558 | 75,754.00 | 30,190.50 | 45,563.50 | 2 Northern | | |
| December 1940 to May 1941 | 15,147,000 | 4-17668 | 151 | 4-23052 | 8,155.14 | 7,573.50 | 581.64 | " | | |
| December 1940 to July 1941 | 5,304,000 | 5-86482 | 212 | 5-93955 | 3,963.68 | 2,652.00 | 1,311.68 | " | | |
| May 1941 to July 1941 | 108,073,000 | 1-60084 | 61 | 1-72343 | 132,486.69 | 54,036.50 | 78,450.19 | " | | |
| July 1941 to October 1941 | 109,683,000 | 2-48939 | 92 | 2-61156 | 133,999.72 | 54,841.50 | 79,158.22 | " | | |
| October 1941 to December 1941 | 127,165,000 | 1-58754 | 61 | 1-71152 | 157,659.17 | 63,582.50 | 94,076.67 | " | | |
| October 1941 to May 1942 | 8,383,000 | 5-6712 | 212 | 5-94826 | 23,225.94 | 4,191.50 | 19,034.44 | " | | |
| December 1941 to May 1942 | 128,124,000 | 4-13485 | 151 | 4-23983 | 134,819.52 | 64,212.00 | 70,607.52 | " | | |
| May 1942 to July 1942 | 112,137,000 | 1-15287 | 61 | 1-73158 | 648,948.03 | 56,068.50 | 592,879.53 | " | | |
| | | | 1,212,364,000 | | \$10,842,712.28 | \$606,182.00 | \$10,236,530.28 | | | |

AGRICULTURE AND COLONIZATION







SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

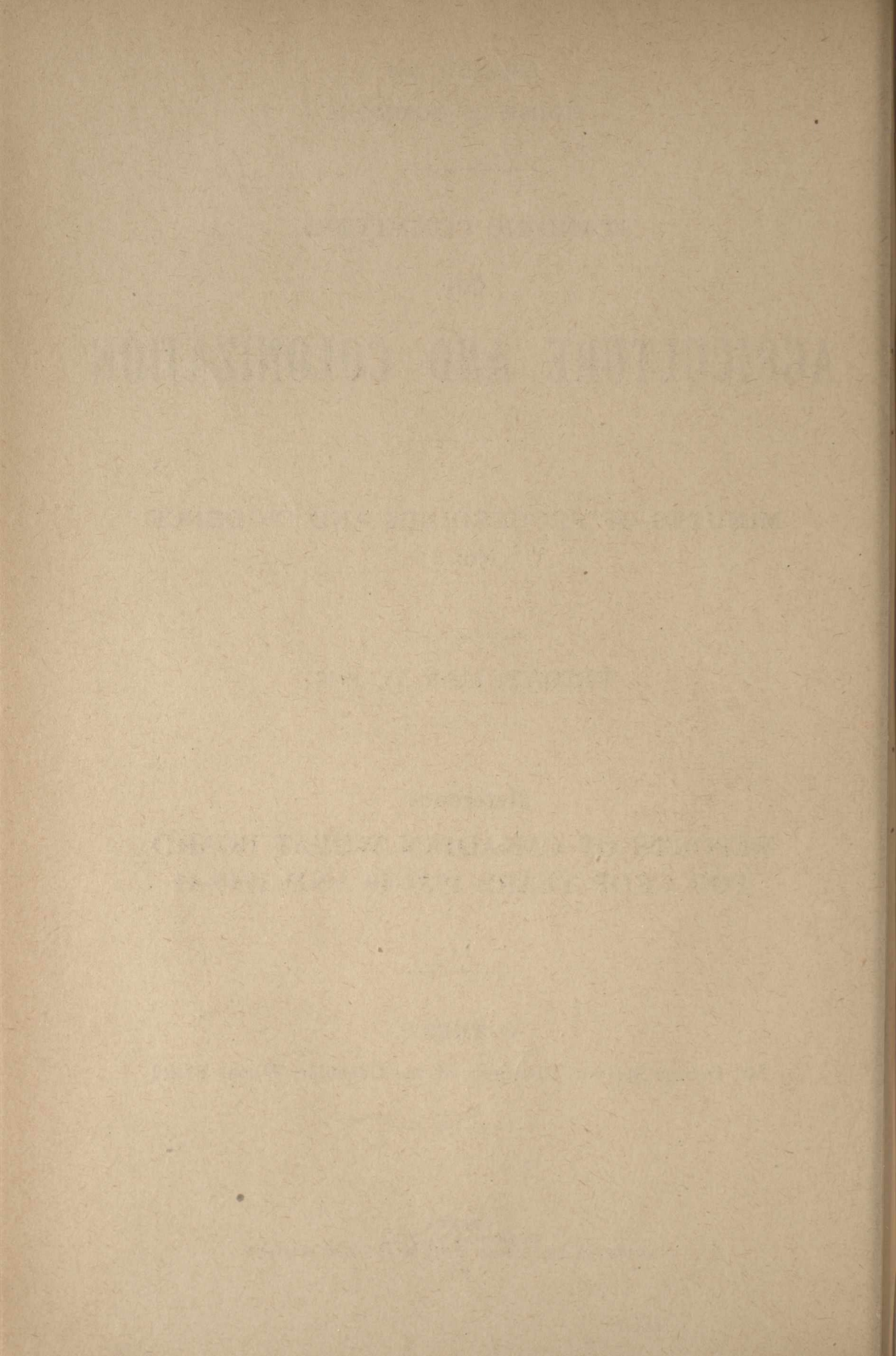
FRIDAY, MAY 15, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESS:

Mr. George McIvor, Chairman of the Canadian Wheat Board



MINUTES OF PROCEEDINGS

FRIDAY, May 15, 1942.

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

Members present: Messrs. Bertrand (*Prescott*), Cardiff, Clark, Cruickshank, Diefenbaker, Donnelly, Douglas (*Weyburn*), Douglas (*Queens*), Evans, Fair, Fontaine, Furniss, Henderson, Lafontaine, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright.—31.

In Attendance:

Hon. J. A. MacKinnon, Minister of Trade & Commerce, and the following officials of the Canadian Wheat Board:—

Mr. George McIvor, Chairman of the Board;
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

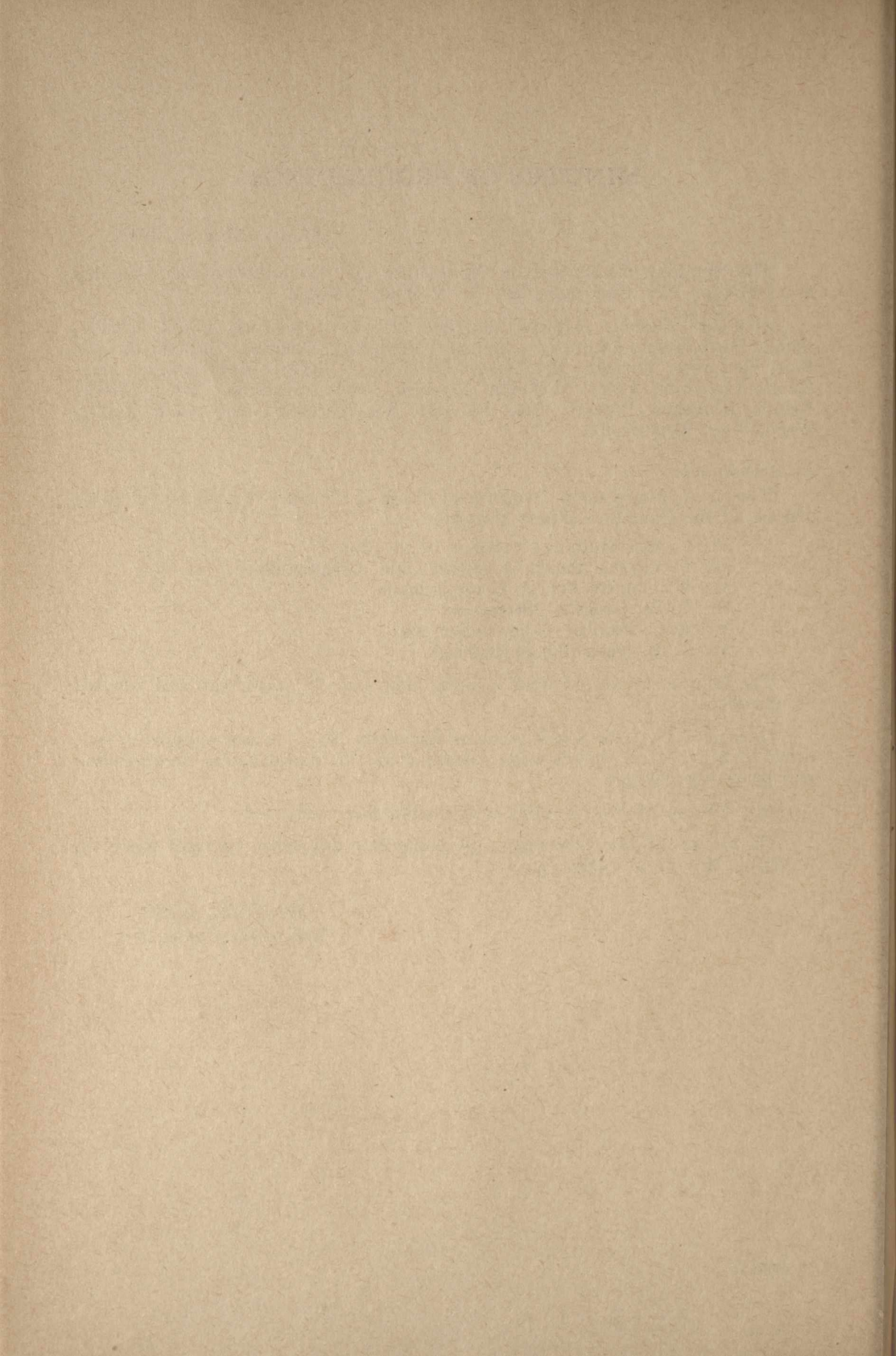
The minutes of the previous meeting held May 14, were read and adopted as amended.

Ordered,—That the Clerk print as Appendix No. 1 to the minutes of evidence of May 14, the information furnished by the Wheat Board on spreading and brokerage charges.

Mr. George McIvor recalled and examination continued.

On motion of Mr. Donnelly,—the committee adjourned to meet again on Monday, May 18 at 11.00 a.m.

WALTER HILL,
Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 15, 1942.

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

The CHAIRMAN: Gentlemen, if you will come to order I will ask the clerk of the committee to read the Minutes of yesterday's proceedings.

Mr. DONNELLY: Mr. Chairman, I have before me the report of the proceedings on May 13th, and on page 19 I suggested that the statement handed to us by Mr. McIvor in connection with the board's dealings in futures or their spreads should be added to this report as an appendix. I see that it is not added and I move accordingly that it should be added.

Mr. Ross (*Souris*): I will second that motion.

The CHAIRMAN: Probably it was my fault. I understood the arrangement was to include it as an exhibition with the documents in the custody of the clerk. Do you wish to have it printed?

Mr. DONNELLY: Yes.

The CHAIRMAN: Very well. Now the clerk will read the Minutes of the last meeting. (Whereupon the clerk read the Minutes of the last meeting, which were duly adopted.)

The CHAIRMAN: Gentlemen, I assume that we shall resume where we left off yesterday. Mr. George McIvor is still before the committee, and members are at liberty to question him.

Mr. GEORGE McIVOR, recalled.

Mr. WRIGHT: Mr. Chairman, Mr. Donnelly gave us a review of the chart which is being placed in our proceedings proving that by dealing over the Winnipeg Grain Exchange the board had saved \$10,000,000 above what they would have had to pay if they had had to pay storage charges. As a farmer of western Canada and a producer of wheat it has always seemed strange to me and also to a great many other farmers, that despite all these savings being made there is no other country in the world where the farmers receive as little of the consumers' dollar and the consumers' spread than in western Canada. There is a greater spread in Canada between the price that the farmer receives for his wheat and what the consumer pays for it. . . .

Mr. DONNELLY: What part of Canada?

Mr. WRIGHT: Western Canada. Despite the fact that these people between the producer and consumer are saving so much money, as Dr. Donnelly stated, there is no place in the world where the farmer receives as little of the consumers' dollar. I would like to ask the chairman of the wheat board with regard to the difference in commissions and brokerages from the time the wheat leaves the producer until it reaches the consumer.

Q. The elevator company buys that wheat from the producer and pays for it with its own money?—A. Yes.

Q. When you buy the wheat they deliver the wheat to you at the head of the lakes and you pay them for the wheat?—A. Yes.

Q. In cash?—A. Yes.

Q. And you pay them their carrying charges plus interest on the money they have borrowed from the banks to pay the producer for that wheat?—A. Yes.

Q. What is the rate of interest?—A. The rate of interest is 4½ per cent.

Q. And when you are holding that wheat you borrow money from the banks?—A. When we have the wheat delivered to us?

Q. Yes.—A. Yes.

Q. And you pay 1 per cent?—A. 3 per cent.

Q. And the wheat you hold you immediately resell to the elevator companies again so that they may store it?—A. No; that is not altogether correct. We would sell it to the people we could get the best price from, and it might be terminal elevator, a shipper, an exporter, or a mill.

Q. But the terminal elevators would be the people who would take the largest quantity of it because they have to store it for a considerable period of time under our present set-up, when there is so much wheat in Canada?—A. The bulk of our wheat at the head of the lakes would be sold to millers, shippers and exporters for the purpose of forwarding it to an eastern position.

Q. You have not money invested for any considerable time?—A. We have money invested in some of it because we cannot sell it all.

Q. I am referring to what you do not sell?—A. Yes?

Q. Do you pay storage on that wheat or sell an option on it?—A. The actual wheat we cannot sell we pay storage on, and are charged the statutory storage charges by the elevator companies, and we pay the banks 3 per cent interest.

Q. Then the shippers and exporters buy most of the wheat from you?—A. The shippers, exporters and millers.

Q. And they have to borrow the money from the banks to pay you for the wheat?—A. Yes.

Q. And that is then added to the extra price which they have to charge the British Imported Cereals Division when the final deal is made between them?—A. All the costs are added.

Q. What interest do they pay?—A. I do not know; there would be varying rates of interests.

Q. And you would have to pay that in your final deal?—A. No.

Q. It is included in the spread?—A. Yes; but we calculate the interest rate that we would have to pay if we carried the wheat.

Q. 3 per cent?—A. Yes, 3 per cent.

Q. When the Imported Cereals Division take this wheat over from the exporters at the seaboard they pay the exporters the May option plus their carrying charges down to the seaboard?—A. They pay the actual cost of the wheat f.o.b. the seaboard, that is the actual offering price.

Q. That is a premium over the option that the exporter holds?—A. Probably. Let us take the case of wheat in May that is put forward to the seaboard; they would pay the May basis, whatever that was, plus the cost of transportation and other charges.

Q. The interest would be in those other charges?—A. Yes.

Q. And yet you people do not know what that interest is?—A. We know that as far as we are concerned we calculate 3 per cent; we know what we would have had to pay if we had carried the actual wheat.

Q. Then the interest paid is an actual 3 per cent from the time you take the wheat over from the elevator companies until it finally gets into the hands of the Imported Cereals Division?—A. It would be either 3 per cent or better than 3 per cent.

Q. How much better than 3 per cent?—A. I do not know, because we simply make a spread and calculate the spread on the basis of the storage plus 3 per cent interest; and if we can better the carrying cost by selling the cash wheat and exchanging it for futures, we would make the spread.

Q. It seems to me that we are entitled to know how much more than 3 per cent we are paying on that money?—A. You are paying less than 3 per cent.

By Mr. Donnelly:

Q. While you have it, you pay 3 per cent?—A. We have wheat at Fort William in December. We know what the storage rate is; we know what interest rate we would have to pay the bank; and therefore we know what it would cost us to carry that wheat from December to May. If we can better that in the spread by the costs of carrying we would spread the wheat into May rather than carry it from December to May.

By Mr. Wright:

Q. I understand that; but you sell the cash wheat to those exporters?—A. Yes.

Q. And they have to borrow the money from the banks to carry that wheat?—A. Yes.

Q. Well, if they pay you less then they must make it up in storage? They carry it because they hope to make something on it, not for the benefit of their health?—A. They do hope to make something on it.

Q. Or they would not stay in business?—A. Yes.

Q. So that interest they pay is a direct charge against the people of Canada at the present time?

Mr. DONNELLY: No.

Mr. WRIGHT: Yes, because there is nobody else pays it. The people of Canada to-day pay the difference.

Mr. DONNELLY: No; the people of England are paying for it.

Mr. WRIGHT: No; we are giving it to England.

Mr. PERLEY: All these charges are based on the seaboard price.

By Mr. Wright:

Q. The difference is made up between what the Imported Cereals Division pay you for the crop and what the export people selling it to you offer, and you have to make it up; and if there are interest and carrying charges enough to make that greater than the original deal you have to make up the difference?—A. In the first place, we sell the wheat in the form of futures to the Imported Cereals Division basis Fort William. That is the basic cost of the wheat. The exporter puts the actual wheat on to the seaboard and makes an offer to the Imported Cereals Division. He adds to his basic price all his charges including the lake freight, interest, storage and all other charges. The people of Canada do not pay those, the buyer pays them.

Q. But we are giving the wheat to Great Britain to-day?—A. That is another problem.

Q. So we are paying them?—A. I do not think this discussion should become involved with the gift. Under the gift probably we are paying them.

By Mr. Donnelly:

Q. The man buying for the Imported Cereals Division may lose money on it?—A. He could.

By Mr. Wright:

Q. He cannot stay in business and lose money on it, and if he is making money on it, it is being paid by the people of Canada.—A. He takes the risk as to whether he is going to make a profit or not.

By Mr. Perley:

Q. You are allowing your agents 3 per cent interest?—A. We are paying the banks 3 per cent interest on any wheat we carry in terminals.

Q. The agent pays for the wheat?—A. Yes.

Q. And he borrows the money from the bank?—A. Yes.

Q. And what interest does he pay the bank?—A. I do not know; that is his problem.

Mr. DOUGLAS (*Weyburn*): 4½ per cent.

Mr. PERLEY: He does not pay as much as he is charged, or he would not have anything to do with the business.

Mr. ROSS (*Moose Jaw*): Does that not come into his contract?

By Mr. Perley:

Q. If he has to pay the bank more than he receives from the buyer he will go out of business?—A. He pays the bank an interest rate and assesses his charges on the top of the Fort William price and makes an offer to the Imported Cereals Division.

The CHAIRMAN: Do you wish to put further questions to the witness, Mr. Wright?

By Mr. Wright:

Q. I wanted to pursue that point to see if I could find out what charges there were against the wheat and what interest was charged by these people, because we are paying it and we are entitled to know about it and about the commission the exporter receives for handling that wheat?—A. The exporter might own a terminal elevator in eastern Canada and might be quite willing to put that wheat forward and store it for a time in the terminal elevator until the Imported Cereals Division is ready to purchase it, and he may store it at less than the actual statutory charges.

Q. But not less than the actual cost?—A. No; less than the actual statutory charges. It is his wheat, and he can store it wherever he desires.

Q. And the same people who might handle that wheat from the time the elevator company buys the wheat from the farmer might also be interested in a brokerage firm, and might also have a terminal elevator and be an exporter and lake shipper, and might handle that grain right straight through the whole process? How many commissions or brokerage fees would they receive provided they are the same company?—A. In the first place, I do not think that the same people would handle it right through.

Q. I am putting it hypothetically: if they were the same people?—A. I will give you an answer: One of the biggest exporters is the Saskatchewan Pool Elevators, Export Division. They purchase wheat at Fort William and ship it forward to the seaboard and sell it to the Imported Cereals Division. They might purchase it from the wheat board. They act the same as any other exporter. They hope, when they buy the wheat, to make a profit between the buying price and the seaboard price. They take the risk.

Q. I am not interested in the risk. I am interested in the number of brokerages paid on that wheat from the time it leaves the farmer's hands until it reaches the Imported Cereals Division?—A. If you had asked your question in that way I would have given you the answer in regard thereto. What happens is that the farmer, as I said the other day, takes in a carload of wheat to a country elevator.

Mr. PERLEY: Deal with the pool.

By Mr. Wright:

Q. It does not matter. The pool is just a handling concern the same as any other company?—A. Owned by the farmers.

Q. That does not matter?—A. They charge the farmer on a carload lot of wheat, which was the unit we were dealing with the other day.

Q. I know what the handling charges are. I want to know the brokerages?—A. You have asked me for the charges from the time the farmer delivers his wheat until it reaches the Imported Cereal Division.

Q. Very well, proceed, please?—A. They pay $1\frac{3}{4}$ cents to handle it through the elevator and pay a one cent service charge, and it is delivered to the wheat board.

By Mr. Donnelly:

Q. The first commission is the one cent per bushel that the elevators get for selling the wheat to you?—A. For delivering to us.

Q. That is the service charge?—A. Yes.

By Mr. Wright:

Q. Proceed?—A. That is $2\frac{3}{4}$ cents so far.

Q. Yes?—A. When the board sell the actual cash wheat there is a $\frac{1}{16}$ of a cent charge; that means that we have sold the cash wheat and exchanged it for May, probably. That is $\frac{1}{16}$ of a cent.

Q. Is that two $\frac{1}{16}$ ths of a cent?—A. No. $\frac{1}{16}$.

By Mr. Douglas (Weyburn):

Q. To whom is that paid?—A. To a cash broker, who would not be the Saskatchewan Pool. The position is that the cash wheat has been sold and exchanged for May, and when the board sells the May they pay 25 cents per thousand bushels to a futures broker for selling the May. If they carried the May and switched it into July they would pay 25 cents per thousand bushels for the sale of the May and 25 cents per thousand bushels for exchange to July.

Q. Do the board have to put up ahead?—A. No. When the wheat is loaded at Fort William the exporter who buys wheat from the board—and in this case he is the Saskatchewan Pool, both an elevator company and an exporter—puts that wheat down to the seaboard. He has paid for it, remember, paid for it outright. He goes to his bank and borrows money to pay for it. I do not know what interest rate he pays, but I do know that when we sell him the cash wheat and exchange it for May we do it at a better rate. He puts his wheat down to the seaboard, and when he makes an offer to the Imperial Cereals Division in England he adds his charges to the Fort William cost and offers the wheat f.o.b. the steamer at the seaboard plus whatever profit he can make. The profit is largely governed by the competition between exporters. That is all I can tell you about that transaction.

By Mr. Ross (Moose Jaw):

Q. If Mr. Wright does not mind my interjecting, you say the exporter sells the wheat and makes what profit he can make. That really has no bearing on the actual price at which you have sold the wheat to the Imported Cereals Division?—A. No.

Q. In other words, it is to-day's option that is traded, and if they have paid a wider spread to the exporter in Canada that is their affair; it does not come out of the amount the farmer will receive for his wheat?—A. No.

By Mr. Wright:

Q. It does come out of the amount the farmer will receive for his wheat, because for example if the original agreement with the Imported Cereals Division is 90 cents, and the exporter sells the wheat to them and adds charges enough that brings it to, say, 87 cents?—A. No; it does not work that way.

By Mr. Ross (Moose Jaw):

Q. That is the question I asked you to make clear, Mr. McIvor?—A. What happens is that if our original price to the Imported Cereals Division is 90 cents—I wish it was—the charges are added to that price; and the price named at the seaboard, if it was 90 cents, would be 90 cents plus charges to the seaboard.

By Mr. Douglas (Weyburn):

Q. Who pays the charges?—A. The Imported Cereals Division.

Q. So the Cereals are paying more than 90 cents?—A. If Cereals were paying 90 cents, Fort William basis, they would be paying on top of the 90 cents the charges from Fort William.

Q. Who pays whatever profit is made?—A. The Cereals.

Q. That is my point. And naturally what the Cereals are paying is the price agreed upon with you plus whatever charges or profit the exporter may make?—A. Yes.

Q. So actually the amount being paid for the farmer's wheat is 90 cents plus $3\frac{1}{2}$ cents, or $93\frac{1}{2}$ cents?—A. Yes, if the cereals price was 90 cents, Fort William basis and if the charges to seaboard were only $3\frac{1}{2}$ cents, they would be higher.

Q. And, naturally, what is coming back to the farmer,—

Mr. PERLEY: Will come back in a participating certificate!

By Mr. Douglas (Weyburn):

Q. As I understand the original purpose of the Wheat Board Act it was to bring back as much as possible of what is received for the farmer's wheat to the farmer? $3\frac{1}{2}$ cents per bushel has gone to the exporter either in profit or charges?—A. No. In fairness to the exporter I think I should say that the charges are the big item, particularly the lake freight. I would not like to leave a wrong impression by using the word "profit" plus charges; the profit would be fractional.

By Mr. Donnelly:

Q. About what do the profits amount to?—A. I do not know.

Q. A fraction of a cent?—A. Yes.

By Mr. Wright:

Q. Do not futures have to be cleared back again through the clearing house to complete the deal?—A. Yes.

Q. And there is a charge there (no response).

By Mr. Ross (Moose Jaw):

Q. 25 cents per thousand?—A. No. You are referring to the clearing house charges?

By Mr. Wright:

Q. Yes.—A. I am not sure. Mr. Findlay, what is the clearing house charge?

Mr. FINDLAY: One-half cent per thousand bushels.

By Mr. Wright:

Q. The Cereals pay that?—A. No; we pay that.

By Mr. Diefenbaker:

Q. Mr. McIvor, you have mentioned the various transactions and the commissions paid, and the other day you mentioned that any advantage in the price ultimately would go to the farmer under the participation certificates?—A. Yes.

Q. When was that system first introduced?—A. In the days of the McFarland Board.

Q. And it was discontinued for a while, was it not?—A. In the crop years 1936-37 and 1937-38 the system was not discontinued but there was an order in council to the effect that unless the market went down below 90 cents the board would not be operating.

Q. Then it has been in effect since 1938?—A. What?

Q. The system of issuing participation certificates?—A. Since 1935.

Q. But following the operation of the order in council?—A. Yes.

Q. I think this is a matter that the farmers would be interested in finding out. Having regard to the prices received, expenses, commissions and so on paid, take the 1939 crop: Would there be any amount payable to the farmer on his participation certificate if all the outstanding 1939 wheat were sold to-day at present prices, having regard to the commissions and storage charges that have been piled up in the past three years?—A. I would say no; but I would prefer you to ask Mr. Findlay that question.

Q. You are the chairman of the Wheat Board?—A. Yes; but I want to point out that while it is perfectly true that I am the Chairman of the Wheat Board we have various departments who handle the various aspects of the work.

By the Chairman:

Q. May I interject a question? The discontinuance of the use of the participation certificates was never effected?—A. No.

Q. The whole point is that the board did not buy wheat?—A. No.

By Mr. Diefenbaker:

Q. I appreciate that. And so as to the 1939 crop your opinion is that there would be nothing coming to the farmer on his participation certificates?—A. That would be my opinion.

Q. Now, take the 1940 crop, is your answer the same?—A. I would not like to make any answer on the 1940 crop because I do not know.

Q. Having regard to the present price, were you able to sell it and completely get rid of your 1940 crop, and having regard to storage charges, so on, would there be anything coming to the farmer?—A. I do not know.

Q. After listening to you, Mr. McIvor, I am impressed with the mystery of the farmer receiving any information about his wheat and the price to which he is entitled. You say you have no idea about it?—A. No. You asked your question having regard to to-day's price, and I would have to sit down and make a calculation.

Q. Would not an approximate calculation be apparent to you?—A. No.

Q. Well, will you make the calculation?—A. Mr. Findlay will give it to you.

Q. Have you sold all of the 1940 wheat?—A. No.

Q. Did you give any instructions to any brokers to go into the market and buy wheat in April, 1942, and credit it to the 1940 crop?—A. No.

Q. Were any cheques for brokerage issued to any brokers in Winnipeg to purchase wheat in April of 1942 and apply it to the 1940 crop?—A. No.

Q. Your cheques have on the face of them the year of the crop to which they refer, have they not, speaking of the cheques that are issued for brokerage charges?—A. Yes, I think they have.

Q. And the stamp that appears on the cheque, giving the year 1939, 1940 or 1941, represents the year in reference to the transaction in wheat?—A. I want to point out that any purchases we made in April, 1942, or May, 1942, were under Order in Council No. 1803, which gave the board that authority.

Q. Were purchases made?—A. Yes.

Q. In March and April?—A. In April and May, I think.

Q. Were the cheques issued as though they referred to the 1940 crop?—A. You will have to ask Mr. Findlay that question.

Q. You do not know that?—A. No.

Q. If they were, you have no idea of it being done?—A. No.

Q. And it would be contrary to your wishes, because you have told us there were no purchases made to your knowledge in March and April, 1942, on the 1940 account?—A. No. I did say, however, that there were purchases made under the Order in Council which gave the board that authority.

Q. Were the purchases made under the Order in Council for the 1940 crop?—A. They were made under the Order in Council passed in March, 1942.

Q. Look it up and see if there was any authority to make the purchases under the 1940 crop?—A. Have you a copy of that Order in Council?

By Mr. Donnelly:

Q. Was this the freezing order?—A. Yes. Do you want me to read the Order in Council?

By Mr. Douglas (Weyburn):

Q. Just read the portion that gives the board authority in so far as the year is concerned?—A. It reads:—

“2. In order to effect the adjustment recited in this Order, the Canadian Wheat Board is empowered,

- (a) to prohibit further contracts;
- (b) to order present contracts to be closed;
- (c) to fix terms of adjustment of the same;
- (d) to fix terms for adjustment of unhedged cash wheat holdings;
- (e) to buy wheat from persons other than producers at such prices as the Board deems fair and just; and
- (f) to order any grain exchange, trading association, or person to do or refrain from doing any act, as the Board may deem desirable;

3. (a) The Canadian Wheat Board is empowered to enter into ordinary commercial banking arrangements on its own credit, and to borrow money on the security of such wheat delivered to the Board, and the Governor in Council may authorize the Minister of Finance to guarantee advances made to the Board or to make loans or advances to the Board on such terms and conditions as may be agreed upon:

(b) The Board may pay out such moneys for the purchase of such wheat as aforesaid and also for expenses of the Board in connection with administration of these regulations;”

Q. Were you short any 1940 wheat in March and April?—A. No.

Q. How much wheat did you purchase from the market in March and April of this year?—A. I will get that information for you.

Q. Could you give me approximately the amount, because it's so difficult if we have to go back and forth, for the months of March, April and May?—A. I do not know what the amount is.

By Mr. Perley:

Q. Could you give us the position?—A. We can give you the exact amount. I will have to get that for you.

By Mr. Diefenbaker:

Q. You told us that there is no hope to speak of that the 1939 participation certificates will realize anything? You promised to get us the figures and prices as to whether or not the 1940 participation certificates will yield anything to the farmers, and I would like you at the same time to let us know on the present basis whether or not there would be any prospect with regard to the 1941 crop?—A. Are you not going beyond the order of reference in regard to this inquiry?

Q. You are always hedging. You do more hedging around here than you do on the market. (No response.)

Mr. DONNELLY: That is not fair.

By Mr. Diefenbaker:

Q. If it is not within the terms of the order of reference, very well; but it is surprising that you had to be the one to point that out. (No response.)

Mr. Ross (*Moose Jaw*): May I point out that if the chairman of the wheat board would bring down the figures Mr. Diefenbaker asks for we would be able to tell the price that the wheat had been sold at to the Imported Cereals Division.

The CHAIRMAN: The views of the committee and the minister have been that no steps should be taken that would disclose those figures. So far as Dr. Donnelly's statement that he asked to be included in the record is concerned, that was under the other order of reference when dealing with the Canada Wheat Board Act. I desire to point out that distinction.

Mr. Ross (*Moose Jaw*): My point is that Mr. McIvor has said he will bring down certain figures for Mr. Diefenbaker, and my contention is that Mr. McIvor and nobody else has any right to bring those figures to this committee or anywhere else if they are going to disclose by deduction the amount of money that is paid per bushel for wheat by the Imported Cereals Division.

Mr. DIEFENBAKER: Before you make a ruling on that, Mr. Chairman, may I say I find it very difficult to understand the attitude of some members of this committee. We cannot get any information. First, we were denied yesterday information that should be available, and I bow to that ruling; but I would point out that it is very strange that everything about this wheat dealing is a mystery and we cannot get any information. Again to-day we are denied information. Surely, Mr. Chairman, the very fact that this information is being denied us leads one to believe that there are reasons why it is being denied, reasons other than public policy. I make that statement deliberately. I did not ask for figures and I did not ask for details. I asked the chairman of the wheat board to tell us whether on the basis of present prices there would be any return on the 1941 participation certificates. I did not ask him to give particulars, but to compute it himself and let us know. That would not reveal anything.

Hon. Mr. MacKINNON: Mr. McIvor could give us his opinion in a general way.

Mr. DIEFENBAKER: He said he would figure out whether the farmer would be entitled to anything, and that reveals nothing. I protest, and wish to say that if we cannot get any information here, if everything we ask in regard to the matters that were brought before parliament are to be denied us, there can be no purpose to this committee. We are not trying to find anything other than what the farmers are entitled to learn. I did not ask for particulars. I asked Mr. McIvor to examine those figures and tell us whether or not on the basis of the 1941 crop and present prices there is going to be any return to the farmer. That reveals nothing.

Mr. DONNELLY: If Mr. Diefenbaker will refer to exhibit "C" of the report of the Canadian Wheat Board for the crop year 1940-1941 he will see there that the stocks of wheat on hand, valued on the basis of closing market quotations, 31st July, 1941, basis in store Fort William, Port Arthur or Vancouver, amounted to so much, and that based on that there was a loss of \$4,443,300.94. These reports are available for these years, and any man can read them. They are public property.

Mr. DIEFENBAKER: Then why should Mr. McIvor refuse to give us the information?

Mr. DONNELLY: Why should you suggest there is something crooked and underhand about this whole thing? I have sat on this committee for four or five years, and I know that when Mr. McFarland came before the board he refused to produce up-to-date records of all kinds, and the same thing happened in the case of Mr. Murray. Mr. McIvor was with both of these gentlemen, and he has been carrying on this business as it was carried on when he was

with those gentlemen. Why impute that there is anything underhand or crooked about the matter? I wonder if this man's mind is warped to the point that he believes everybody is crooked! It begins to look like that. Let us have a showdown on this thing!

Mr. DIEFENBAKER: A showdown! A showdown on what?

Mr. DONNELLY: On who is crooked or what is crooked.

Mr. DIEFENBAKER: I do not want to get into an argument about crookedness. Personalities should not enter into this discussion at all.

Mr. DOUGLAS: And the doctor is a general practitioner, not a psychiatrist.

The CHAIRMAN: Yesterday the decision was made with respect to a certain matter, and the committee took full responsibility for its action. So far as the matter that has arisen here this morning is concerned, I recognize that Mr. Diefenbaker is a very shrewd cross-examiner. I do not see exactly what he is driving at, but I think we are in duty bound as a committee to recognize the request of the British government not to disclose the price at which they are purchasing wheat in this country. Now, if whatever revealed through Mr. Diefenbaker's method of cross-examination should bring out that information, I do not think it would be in accordance with the declaration of the minister yesterday with regard to the request of the British government.

Mr. DOUGLAS: I submit that nothing has been said by the chairman of the wheat board or by anybody else to show that the information Mr. Diefenbaker has asked for would reveal the figure at which the Canadian wheat is being sold to the British government. If we have got to the position in this committee that we can only extract vague evasions rather than answers to questions we might as well adjourn. If the chairman of the wheat board can give some valid reason why this information should not be revealed, I am prepared to listen to it; but I am not prepared to listen to another member of the committee jumping up on every occasion and trying to stop the information from being given.

Mr. ROSS (*Moose Jaw*): No doubt those remarks are directed to myself, but my point is simply that if the information Mr. Diefenbaker asks for can be used to deduce the price of wheat to the British Cereals Import Board, it is improper to give it.

Mr. PERLEY: May I enter into this matter in answer to Dr. Donnelly? He referred to what Mr. McFarland was requested to reveal. I have the report of the committee that dealt with that matter on June 18, 1935, when the Hon. Mr. Ralston asked for the amount of wheat acquired or disposed of during each month, each week or day, naming certain periods, and the month of July of that year was set out. He further said:—

“I want to say it is apparent that the Order in Council does not contain any limitation.”

Mr. DONNELLY: And did he get the information?

Mr. PERLEY: Yes, he did. The report appears on page 305, when every day for the month of July was given. 15,000,000 bushels he had to buy on one day. He answered it verbally.

Mr. GRAHAM: A reference was made yesterday to the 1936 report. That particular inquiry was into the matter of the board going into the pit for the purpose of stabilizing the buying and selling of wheat speculatively to support the market. That matter has never come up under the Murray Board or the McFarland Board, and Mr. Perley should be fair.

Mr. PERLEY: I was answering Dr. Donnelly, who referred to this report.

The CHAIRMAN: Mr. McIvor will enter into the discussion now.

The WITNESS: Mr. Chairman, Mr. Diefenbaker apparently has the impression that I am sitting here trying to hide the work of the wheat board. I want to point out that my understanding of the previous committee meetings was that the information given to the committee would be limited to July 31, 1941, subject to this provision, that if the board could in their judgment give any further information which would not be detrimental they would do so. Am I clear on that?

By Mr. Diefenbaker:

Q. Yes.—A. Now, dealing—and I would like to discuss this with my colleagues—with the 1939-1940 crops, my personal opinion is that the question asked by Mr. Diefenbaker can be answered. He asked if all the wheat of those two crops could be sold at the present time would there be anything coming to the farmers?

Q. Yes. Is there anything wrong about that?—A. Do you mind if I go on?

Q. Fine.—A. To deal with the 1941 crop, however, is a very different matter, and I would immediately say that the information with regard to the 1941 crop should not be given unless the committee wish to reverse their previous decision.

The CHAIRMAN: The order of reference, of course, is that the information regarding the crop years 1939-1940 and 1940-1941 be referred to this committee, and if we get beyond that we are beyond the order of reference.

Mr. DIEFENBAKER: Yes.

Mr. DOUGLAS (*Weyburn*): The other day I asked Mr. McIvor if the board ever bought cash wheat other than from the producers or through these elevator company contracts, and he said at the time "No" and then he mentioned this Order in Council. May I ask him to explain the activities of the board under the Order in Council, and whether or not they have bought cash wheat from others than producers, by virtue of the powers of this Order in Council.

The WITNESS: I think Order in Council No. 1803 is in the reference. If you want to get that Order in Council now I suppose we can deal with it.

The CHAIRMAN: I thought we would deal with those Orders in Council later?

Mr. DOUGLAS (*Weyburn*): This affects the whole question of trading.

The CHAIRMAN: I think the orders in council bring in an entirely new feature. I do not know the mechanics of the matter any more than any other member of the committee.

By Mr. Wright:

Q. Would not the 1939-1940 and 1941 crops all be in the same wheat pool?—

A. No; they are kept separate.

By Mr. Douglas (Weyburn):

Q. Do you prefer to deal with the Order in Council later?—A. I am satisfied to leave it to the chairman.

Q. Could you give the information as to what wheat we have on hand of back crops, not necessarily specific amounts? For instance have we wheat from the 1938 crop or the 1939 crop or the 1940 crop?—A. I do not think, Mr. Douglas, that we should go beyond the order of reference in that regard.

Q. Then, 1938, 1939 and 1940?—A. Mr. Findlay will give you that information when he deals with the accounts.

Q. Would it be safe to say that we have a considerable amount of wheat from the crop years 1938 and 1939?—A. Now?

Q. Yes?—A. Do you wish to go beyond the order of reference?

The CHAIRMAN: The order of reference is to the end of the crop year 1941.

By Mr. Douglas (Weyburn):

Q. I can see no objection to the committee what stores of wheat you have on hand at the end of a given period with respect to past crops?—A. We discussed

that whole thing at previous meetings, and I was perfectly satisfied to leave it to the judgment of the committee, and the committee decided not to go beyond July 31, 1941.

Q. Then as at the end of July, 1941, what do you say?—A. It is all in the reports.

Q. The position outlined by you, Mr. McIvor, to Mr. Wright when dealing with the passage of wheat from the producer to the Imported Cereals Division is based on a continuous movement of wheat. Now, we have on hand a considerable amount of wheat from past years. What is the position with reference to that wheat which was exchanged by the wheat board for futures, wheat that has not moved out of the country? Has that wheat continued to move? Has the board continued to trade in futures on that wheat, and if so, how often would those wheat futures change hands, referring to the 1937 and 1938 wheat, if it is held for two or three years?—A. I wonder if you would deal with that when you come to deal with the financial statements? We shall have to deal with all that anyway, and we are just going around in circles.

Q. Certainly I do not want to go around in circles. Mr. McIvor gave a statement this morning with reference to brokers charges that would be paid in the event of the wheat moving straight through from the producer to the ultimate consumer. Now, a large amount of wheat in Canada has not moved straight through, is that correct?—A. Yes.

Q. In the event of wheat being in Canada over a period of two or three years,—and there has been wheat that stayed in Canada that long—A. Yes.

Q. How often would that wheat change hands, and how many brokerage charges would have to be paid in Canada for that wheat while it stayed in Canada for a period of two or three years?—A. Under the statement which is going to be printed you have the total brokerage up to July, 1942.

Q. With all the switches that were made I want to know how often the wheat would change hands, and how many times brokerage charges would be paid on it?—A. That would all depend. Take, for example, the 1939 wheat: we were receiving delivery of wheat for 1939, some of which we still have on hand, and we would probably switch that wheat from October, 1939, to May, 1940. The next transaction would probably be from May to July, and the next transaction probably from July to October, then October to May.

Q. You missed December.—A. Ordinarily the spreading is done direct from October or December through to May.

Q. So you make a switch about three times a year?—A. Yes.

Q. And each time you would exchange your futures?—A. Yes, but the other party would be paying the brokerage.

By the Chairman:

Q. In some of those periods under certain circumstances you might take delivery of the wheat?—A. Yes.

By Mr. Douglas:

Q. And in some circumstances you might sell the futures before the time of delivery if it were advantageous to do so, or you might dispose of the futures a few days after you purchased them?—A. We might; but with the present position and heavy stocks of wheat in Canada it would be unlikely.

By Mr. Perley:

Q. If all the other brokers had decided they were going to clean up the May wheat or March, what would happen?—A. Would they want to go short to May?

Q. No. Whatever position they happened to be in, if they wanted to change it?—A. There is nothing to prevent them.

Q. I have bought and sold the May half a dozen times in the first half of the year, and I have taken delivery of it in May and also delivered it in

May, so the board cannot take the position that they are only going to do a certain thing with respect to this wheat as long as they are dealing with 90 brokers and I do not know how many exporters' firms?—A. There is nothing to prevent any broker trading as the market suits him, but he is not acting on behalf of the board if he does that.

By Mr. Douglas:

Q. What I want to establish, Mr. McIvor, is that this wheat retained in the country will be switched probably three times a year, and it can be switched oftener?—A. Yes, but as to any wheat from the 1939 crop, any futures we may have on hand for the 1939 crop, the chances are that it probably has been switched three times a year.

Q. Yesterday you said in your evidence that you used the brokers because you found it was in the interests of the board so to do?—A. Yes.

Q. And you said in another place that you are using the brokers because they were specifically mentioned in the Act and it is also specifically mentioned in the Act, clause (j) of Section 8, that if you do not find the present facilities satisfactory you can set up your own facilities, and the reason you have not set up your own facilities is because you have found the present trading quite satisfactory?—A. Yes.

By Mr. Perley:

Q. Referring to page 15 of the report of the Canadian Wheat Board with respect to the crop year 1940-1941, the balances on hand in the different months for the 1939 and 1940 crops are shown, and for the months of June 1940 there appears the figure of 223,297,901 bushels. Is not that cash wheat?—A. Mr. Perley, at the previous meeting when the question of accounts was discussed, I particularly requested that Mr. Findlay should deal with the accounts.

Q. Can you not read this report?—A. Yes, I can read it; but you are asking me for expert evidence with regard to the accounts.

Q. No; I am asking you what futures you had on that date?—A. What date?

Q. June, 1940. The balance on hand of the 1940 crop is shown at page 15, and for the months of June the figure is 223,297,901 bushels. That is cash wheat. It deals with cash sales and cash wheat. What options did you hold on that date?—A. Referring to June, 1941?

Q. At page 15 of the report the balance on hand of the 1940 crop in the month of June is shown as 223 million odd bushels. (No response.)

Mr. ROSS (*Moose Jaw*): That is the crop year for 1940?

Mr. PERLEY: Yes, it is the year 1941.

Q. What do you say?—A. I will see if I can get information for you from Mr. Findlay. If you will turn to exhibits "C" and "E" you will get the information there. Mr. Findlay says he has not the information as of June 30.

The CHAIRMAN: May I point out that these are rather complicated matters to deal with. Does the committee wish to deal with those financial statements now?

Mr. WRIGHT: I would like to ask another question, Mr. Chairman.

Mr. PERLEY: Read the options — —

The CHAIRMAN: Mr. McIvor points out that he would rather have Mr. Findlay deal with this feature of the matter. Perhaps Mr. Wright could complete what he has to say, and then the committee might agree to call Mr. Findlay.

Mr. PERLEY: I had only one more question to ask with reference to the options, and Mr. McIvor can answer this question:

Q. Referring to the statement Dr. Donnelly has evidently reviewed with you, since his questions are very easily answered in the affirmative, mention is made of the futures up to the 1st July, 1942. Have you any May futures or have you cleared all your futures into July, because this is the month of May? (No response).

Q. Here is the point: All the wheat that you have of 1939, 1940 and 1941 is now in the July futures is it, or is there some in May?—A. I presume so. This statement deals with the spread.

Q. But it is up to the 1st July, 1942?—A. Yes.

Q. How much May have you there and how much July?—A. We are going beyond the 31st July, 1941.

Q. Dr. Donnelly tabled that?—A. This deals entirely with the spreads, and the understanding was, as I recall, that any information the board felt they could give beyond July 31, 1941, they were quite within their rights to give.

The CHAIRMAN: Yes, the order of reference deals with the matter up to the end of the crop year 1941, and the statement referred to by Mr. Perley was requested by Dr. Donnelly when the amendment to the Canada Wheat Board Act was before the committee; and apparently that statement has been produced. That is what Mr. Perley and Dr. Donnelly have been referring to recently. I submit that so far as this order of reference is concerned, the board should not be obliged to go beyond it.

Mr. PERLEY: In reply to that may I say Dr. Donnelly used this statement to substantiate an argument of \$10,000,000 saved by that system. Now, his whole argument is of no use if we cannot use that statement or get some information from it. It deals up to July, 1942, and Dr. Donnelly tabled it evidently with Mr. McIvor's acquiescence. I want to ask Mr. McIvor if all the options he is holding are now in July or is there a portion in May?

The CHAIRMAN: This statement was produced in answer to another question entirely.

Mr. PERLEY: Then if Dr. Donnelly will delete all of the arguments he has thus far made, very well.

Mr. ROSS (*Souris*): Mr. Chairman, you are not suggesting that a certain member of this committee can use a statement to prove an argument and another member cannot use the same statement to prove another argument? He counted 32 transactions to prove an argument that there was a saving of \$10,000,000 and you made no objection to him using that statement up to a given point this year. Now something just as relevant to the matter arises and you object to another member of the committee using exactly the same statement that Dr. Donnelly quoted from?

Mr. PERLEY: I am asking, with respect to that statement, what amount of options are held in May and in July.

The CHAIRMAN: That is not the question Dr. Donnelly was asking at all.

Mr. WRIGHT: He used that information to prove his point.

Mr. ROSS (*Moose Jaw*): You can use that information to prove any point you like.

Mr. DIEFENBAKER: That is exactly what I have been objecting to. I have no doubt that after Dr. Donnelly thought the matter over he realized that he went far too far a while ago in his heat — —

Dr. DONNELLY: Not a bit.

Mr. DIEFENBAKER: "Not a bit"!

Mr. DONNELLY: I went no farther than you went.

Mr. DIEFENBAKER: That is fine. That is the attitude that has been adopted right along. Apparently we are to be denied information which is made available to government members of the House.

Mr. ROSS (*Moose Jaw*): That statement should be withdrawn.

Mr. DONNELLY: That is not fair.

The CHAIRMAN: So far as the order of reference is concerned, apart from whether the chairman of the wheat board is able to furnish the information or not, it was decided by a vote in committee. I submit that we are bound by the order of reference. The information which Dr. Donnelly has been referring to, and which has been referred to by others was procured before the order of reference was passed, of course.

Mr. PERLEY: Not secured, but asked for and produced after this session started.

The CHAIRMAN: Are there any further questions?

By Mr. Wright:

Q. You still hold some 1939, 1940 and 1941 wheat?—A. Yes.

Q. What is the determining factor as to which crop you will sell wheat from?—A. It is the relation of one quantity to another, Mr. Wright.

Q. You sell a proportion from each?—A. A proper ratio from each crop.

By Mr. Donnelly:

Q. Have you got rid of all the 1938 crop?—A. Yes.

Q. You just have the 1939 and 1940 crops?—A. And 1941. Mr. Chairman, Mr. Quelch the other day asked for the percentage of wheat handled by the board in the three years from 1938-1939 to 1940-1941. These percentages are:—

| | |
|---------------------|--------------|
| 1938-1939 | 100 per cent |
| 1939-1940 | 81 per cent |
| 1940-1941 | 87 per cent |

Yesterday I made the statement, in answer to a statement made by Mr. Perley, that the McFarland Board had actually sold wheat from the 1935 crop in exchange for futures. The statement Mr. Perley made, as I recall, was that the Canadian Wheat Board Act was enacted only for the purpose of dealing with the old wheat of the Canadian Co-Operative Wheat Producers. Mr. Perley questioned my statement.

By Mr. Perley:

Q. Pardon me, they would dispose of the futures and the cash wheat?—A. Yes, from the old Canadian Co-Operative Producers. You questioned my reply and I want to read from the proceedings of the Turgeon Grain Commission of 1938 at page 103. The title at the head of the page is:—

“Mr. McFarland’s Operations under the Canadian Wheat Board Act, 1935.”

Then it goes on:—

“Mr. McFarland started his operations under the new Act on September 12 by making sales on the futures market. In the four month period August to November, country deliveries amounted to 167,475,000 bushels, of which the Board received 102,766,855 bushels (Exhibit 428). Net sales during the same period amounted to only 12,577,668 bushels. While considerable quantities of cash grain were sold (34,960,668 bushels), futures were acquired in exchange to the extent of 34,778,000 bushels.”

By Mr. Perley:

Q. Of course, there was an argument later on as to whether or not he had the power to do that, and I think the evidence showed that he did some of that cleaning up in the deal with old Saskatchewan Co-operative Wheat Board or pool that he took over.—A. The report is very clear, Mr. Perley.

By Mr. Fair:

Q. I have been wondering for some time how many employees have been engaged on the Winnipeg Grain Exchange, including brokers and their assistants?—A. Do you mean the total number of employees in the Winnipeg Grain Exchange building?

Q. Yes?—A. I do not know how many there would be.

Q. Can you tell me approximately? (No response.)

By Hon. Mr. MacKinnon:

Q. Hundreds?—A. I imagine there are thousands.

By Mr. Perley:

Q. Referring to the exporters, there are how many exporters?—A. There are about 20.

Q. How many have interior elevators and terminal elevators?—A. I shall have to make a calculation.

Q. I have a list of the members of the exchange, if it will help you?—A. Will you give me your list.

Q. Yes?—A. Thank you. I can give you the information later.

Q. Can you give me offhand how many exporters there are that have not terminal elevators or interior elevators?—A. I will give you that, too.

Q. The firms known as the "Big Three" are Dreyfus, Banks and Continental?—A. Dreyfus is now Laval.

Q. To what extent do they figure in export transactions?—A. Their business has been considerably reduced since the war, particularly since the invasion of the continent by the Nazis. Prior to the war they had a very big business on the continent, relatively more than the so-called straight Canadian exporters, so I would say that their percentages are away down from what they were prior to the war.

Q. Could you indicate what percentage of the export business they were doing just prior to the war?—A. If you do not mind I will ask Mr. Smith. Mr. Smith, can you give me approximately the exports handled by the "Big Three" prior to the war?

Mr. SMITH: No.

By Mr. Perley:

Q. If Mr. Smith is coming before the committee you can get that information from him. There are one or two American firms exporting?—A. Yes, they are Canadian companies, but branches of American companies.

Q. The Saskatchewan Pool, of course, is one of our main export companies?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. Are the United Grain Growers in the export business now?—A. Not now.

By Mr. Wright:

Q. Have the English companies any export firms in this country?—A. Export buying agencies?

Q. Yes?—A. Prior to the war the Co-operative Wholesale Society had an import office in Montreal, and they handled a lot of wheat through that office, but whether they are operating now, I do not know. I do know that they are not operating in regard to the Imported Cereals business, so far as offers are concerned.

Q. The Rank Milling Company in the old country have no interest in the export firms in this country?—A. Not to my knowledge.

Mr. QUELCH: Is Mr. McIvor coming back again?

The CHAIRMAN: He will still be here.

Mr. QUELCH: I wondered if Mr. McIvor could define the basis upon which the farmers' delivery quota was established in 1941? I am not criticizing the quotas, because generally speaking, I think they were fair, but the common understanding in the first instance was that they would be based on the percentage of the yield of the farmers' basic wheat acreages, and later on it was decided to take an average of the farmers' basic wheat acreages in any one district and where a farmer's production was above the average his quota was reduced, and vice versa, where his production was below the average it was increased.

The CHAIRMAN: Would you let that question stand until later?

Mr. QUELCH: Perhaps Mr. McIvor would make a note of it?

The WITNESS: I have made a note of it. Mr. Perley, with regard to your question as to the exporters with elevators and without elevators, I have here a list of the exporters with elevators.

By Mr. Perley:

Q. Give me the number first?—A. Six.

Q. And without elevators?—A. Seven. I gave you a figure of 20, but I was wrong; there are 13 exporters altogether. These are the exporters who have offices in Canada, and there are other exporters who deal with Canadian wheat who have no offices in Canada but who have offices in New York.

Q. Of those 13 how many are purely Canadian firms?—A. Six.

Q. And they are?—A. The Saskatchewan Pool, Richardson's, Reliance, Parrish & Heimbecker, K. B. Stoddart,—and I want to make it clear in the case of K. B. Stoddart, that they have an office in Great Britain but their office here is the Canadian company—and Hallet & Carey. The other companies are Canadian companies, but subsidiaries.

Q. The others of the 13?—A. Yes.

Q. Could you tell us to what extent or proportion you use those six Canadian firms as compared with the whole, or which one of the six gets the largest amount of business?—A. I do not know. They purchase their wheat and ship it, and I do not know who would get the largest percentage.

Q. You do not know who would get the largest percentage of your business?—A. No.

Q. I suppose it depends on which had the best connection in the old country?—A. That has a lot to do with it.

Q. Have these export firms all got representatives in the old country at the present time?—A. Yes. Mr. Folliott says that in his opinion it is safe to say that Reliance and Richardson's are the two largest shippers.

Q. The two largest shippers that the wheat board deals with?—A. Yes.

Q. They are both good Canadian firms. Have the board got a representative in Britain at the present time?—A. Yes.

Q. Who is that?—A. A. R. V. Biddulph.

Q. Is there any particular member of your board who represents the British Cereals committee?—A. No.

Q. Mr. Smith does not?—A. No; he is a member of the board.

Q. Is there any particular member of the board who deals with the representatives in Montreal, Gowan and the representatives of the shipping interests?—A. No.

Q. How do you get in touch with Gowan and the shipping fellows?—A. We have very little to do with Gowan. If he wants any information he calls us upon the telephone, but he does not necessarily need to keep in touch with the board because his job is to keep in touch with the exporters.

Q. You get instructions from the Imported Cereals Division to deliver futures for wheat?—A. We get instructions from the Imported Cereals Division to turn over futures, and those instructions come by cable from Mr. Biddulph in London.

Q. To turn it over to some of these exporters?—A. Yes.

Q. Who does the forwarding agent Gowan get in touch with?—A. He is notified by the Imported Cereals Division that certain boats are coming in, and he gets a list of the sales that the exporters have made to the Cereals and loads the boats in accordance with his instructions and best judgment.

Q. So flour might be loaded into these boats as well as wheat?—A. Yes.

Q. And in getting the flour he would deal directly with the millers or the export firms.—A. It would be the millers.

Q. He could not do that overnight? I suppose he has to take quite a little time in getting shipments ready?—A. I think the millers generally try to get their flour stocks down to the seaboard to take care of loading on instructions from Mr. Gowan.

Q. And, of course, if they have orders from people and have secured the wheat from the board, they naturally expect when they take the order to get it as soon as possible to a shipping point?—A. I would think so.

Q. The evidence you have given this morning refers only to about four trades in futures?—A. Where do the four come in?

Q. Go back to what you stated yesterday. The elevator in the country is your agent?—A. Yes.

Q. He takes in wheat from day to day and reports daily to the board, and they pay for it?—A. Yes.

Q. And then that wheat remains there until you order it out?—A. That is right.

Q. And in the meantime do they draw on you from time to time?—A. No.

Q. I see in one of your statements here that you had a liability with the grain firms or your agents of \$140,000,000 at one time?—A. Yes.

Q. That would be more than the value of one crop, would it not?—A. Oh, no.

Q. \$145,000,000?—A. No.

Q. Well, at the end of the crop year?—A. The value of the 1940 crop would be closer to \$250,000,000.

Q. How often do you make advances to the elevator fellows?—A. On wheat in the country?

Q. Yes.—A. We do not.

Q. It is all arranged with the banks?—A. Yes. They make their arrangements with the banks. All we do is pay the interest and carrying charges.

Q. And they report to you daily?—A. Yes.

Q. And when do you hedge that grain?—A. Oh well, we would order the wheat forward to Fort William. We do not hedge in the ordinary way. We would dispose of it just as soon as we could, and probably exchange it for a future and dispose of the future.

Q. What arrangement have you with the clearing house?—A. We have an arrangement with the clearing house that we do not have to put up any original margin.

Q. You just pay a clearing house fee?—A. Yes.

Q. And the board of governors of the grain exchange have to know who are trading for you, what brokers are trading for you, do they not?—A. No.

Q. Can they go in the pit and trade in any amount?—A. As long as they are members of the exchange in good standing, yes.

By the Chairman:

Q. Are they all licensed?—A. Yes.

By Mr. Perley:

Q. And they get a credit in the clearing house for the number of bushels they trade in?—A. They arrange a credit in the clearing house.

Q. Just as I might establish a credit with the bank for so many thousands of dollars, they are permitted to trade in so many millions of bushels?—A. Yes.

By Mr. Diefenbaker:

Q. How many members of the board are members of the Grain Exchange?—A. All of us.

Q. All members of the board?—A. Yes.

Q. Have you any representatives in the board, executive officers and the like, besides the members?—A. Yes, we have a sales manager.

Q. What is his name?—A. Mr. Pethick; and we have an assistant sales manager, Mr. Brooking, who is a member of the Exchange.

Q. And no others?—A. No.

Q. You yourselves never go into the pit to trade?—A. No.

Q. They would likely know for whom you were trading?—A. They would have a pretty good idea.

Q. The idea of switching these brokers around is to keep your trades under cover? You do not use them all on the one day?—A. No.

Q. But do not most of the brokers have a good idea as to who the other are trading for?—A. They do a lot of guessing; sometimes they are right and sometimes they are wrong.

Q. They would know about the orders in the country?—A. Yes, they would probably make a very good guess.

By Mr. Diefenbaker:

Q. In the last two months have you equalized the payment of brokerage charges among the brokers trading on the Exchange?—A. I said yesterday that if brokerage was to be given to the committee, it would all be given.

Q. You refuse to answer that question, too?

The CHAIRMAN: I think that was settled yesterday.

Mr. DIEFENBAKER: No; only particulars of names. So we are denied the right to ask a question about brokerage?

The CHAIRMAN: That was settled yesterday.

By Mr. Diefenbaker:

Q. Has there been any change in the last two months in the distribution of brokerage among the brokers on the Exchange in order to equalize payments?—A. We try to equalize them as much as we can.

Q. Has there been any change in that attitude in the last two months?—A. There has been no change in the policy of dealing with brokers in, not the last two months but the last two or three years.

Q. Has there been any equalization of the amounts paid to brokers within the last two months, or has any order gone out from you to that effect?—A. Our instructions to our sales manager are to take care and look after the brokers in regard to our sales on as equitable a basis as possible having in mind efficiency, value to the board, and any other considerations which in his judgment should receive his attention.

Q. But you will not furnish us with the high and the low?

The CHAIRMAN: I think the committee decided that question yesterday—

By Mr. Ross (Souris):

Q. When was the present policy of dealing with brokers established?

The CHAIRMAN: May I finish? I was saying that when Mr. McIvor and the members of the board appeared here yesterday and said that if information in detail was to be given with respect to the operation of brokerage they would prefer to give all or none, the committee decided that the details would not be given. I think that should be all-inclusive.

The WITNESS: I would like to answer Mr. Ross' question: The policy regarding the distribution of brokerage was first established by Mr. McFarland under the stabilization operations.

By Mr. Ross (Souris):

Q. On the same basis exactly?—A. Practically the same principle of paying brokerage was carried from the McFarland Board through the Murray Board to the present Board.

Q. You said the policy had been established two or three years ago, or had not been changed for two or three years?—A. You or Mr. Diefenbaker asked about the policy of the present board, and I went back to the days when the present board was established, when I took over in 1938.

Q. But the other day you said that you had established a new policy in dealing with the brokers during the war?—A. I did not say that. When did I say that?

Q. There was some mention made the other day about the system developed in the old country, and I said: "Indirectly that is now what is carried out in this country?" and I understood you to say "Yes". Apart from that you said the present policy has been in operation for two or three years, and I think that is significant.—A. In order that there may be no misunderstanding about the matter, I will say that in regard to the payment of brokerage the principle of payment of brokerage (and to a very substantial extent the details), was established by Mr. McFarland under the stabilization operations, and carried on from the McFarland Board into the Murray Board and from the Murray Board into the present board.

Q. No change in the policy has been made in regard to the brokers?—A. No.

The CHAIRMAN: No change in the general principle.

Mr. ROSS (*Souris*): I am not talking about principle but about policy.

The CHAIRMAN: What is the difference between principle and policy?

By Mr. Ross (Souris):

Q. You made it evident on the stand on Wednesday that in the matter of paying the brokers the payments were made on a monthly basis varying from \$50 upward?—A. No. I would like that evidence produced.

By Mr. Perley:

Q. I think I stated something about the market being equalized in the old country, and you made the statement that the Cereal Imports selected certain brokers or men of that character to do their work for them based on the business for three years of peace time. I then made the remark that it was practically what is being done here, someone selecting the brokers, except that the market is not equalized.—A. No; there is a difference in principle, Mr. Perley. In England, as I understand it, brokerage is paid to the brokers based on their earnings for the three years prior to the war. The market is closed, but there is some basis struck having regard to their earnings for the three years prior to the war. In Canada the market is open, and brokers are used by the board along the lines I have outlined. The principle of using brokers in that way was first established in the stabilization operations of 1935.

Q. In other words, the market is open here and the brokers are here, but there is no business for them other than the board's business, and the board has decided it will use 116 brokers?—A. There is business other than the board's business.

Q. Very little?—A. You say there is no business?

Q. Mighty little other than the business of the board, having regard to the system of quotas and permits. (No response.)

The CHAIRMAN: There is all the coarse grains business.

By Mr. Donnelly:

Q. You might find a broker operating only since 1938, or probably he operated only two or three days and left the city?—A. I know one gentleman who has made bitter complaints about not getting enough brokerage, and he spends about six months of the year in Victoria.

Q. A gentleman like that would not get much brokerage, because he is not there?—A. No; he is not there.

The CHAIRMAN: Now we are getting down to a discussion of details that the committee decided it would not ask for.

By Mr. Ross (Souris):

Q. Yesterday you said there was a limit of 300,000 bushels in any one deal?—A. Yes, on spreads.

Q. When did you set up that regulation?—A. I think within the last two years.

By Mr. Perley:

Q. These two brokers, Brooking and the other man . . . —A. Pardon me, they are not brokers, but employees of the board; they are the sales manager and assistant sales manager.

Q. Do they go in the pit?—A. No.

Q. And you have no special brokers that go in the pit daily?—A. No.

By the Chairman:

Q. You may use any one you send in there?—A. Yes.

By Mr. Perley:

Q. And there is no margin put up in any of these trades?—A. The board's account is guaranteed in the clearing house under an Order in Council.

Q. But these other brokers have not any margin at all?—A. That concerns them and the clearing house; that is their business, not ours.

By Mr. Diefenbaker:

Q. Do not the rules provide for putting up a certain amount?—A. Yes, they do.

Q. And is that amount put up by the brokers appointed by you to deal for the board on the Exchange?—A. No; they have to put up margin on any trades they may make on their own account or on behalf of their own customers.

Q. But not on behalf of the wheat board?—A. No.

By Mr. Ross (Souris):

Q. How long is it since the other end of the deal, as it was termed, of nominating the broker has been in force?—A. Back in the time of the McFarland board the policy was that each side should pay half, and they nominated the brokers and we made the payments.

By Mr. Perley:

Q. If you buy a future you have to sell it?—A. No. In those days the stabilization operations paid half and the other side paid half, and now the other side pay it all.

By Mr. Fair:

Q. Taking into consideration the cost of that transfer. (No response.)

By the Chairman:

Q. What is your guarantee of the reliability of the brokers you deal with? Are they licensed?—A. Yes, they are members of the Grain Exchange in good standing.

By Mr. Diefenbaker:

Q. Before you make payment have they to produce brokerage slips signed by themselves?—A. I am not sure of the system Mr. Findlay follows. He is the man responsible for the payments.

Mr. DIEFENBAKER: Mr. Findlay, is a brokerage slip required?

Mr. FINDLAY: Yes they produce a card every day.

By Mr. Perley:

Q. In a trade in the pit your broker would okay a slip to the other fellow and the other fellow would okay a slip to your broker?—A. Yes.

By Mr. Diefenbaker:

Q. Are there any payments made for brokerage without brokerage slips being completed?—A. I think you had better ask Mr. Findlay that question.

Mr. FINDLAY: No.

By Mr. Perley:

Q. Could any of the trades be made along the line Mr. Diefenbaker suggested where slips might be signed but the trade was not made in the pit? For instance I can come into your office and put through a deal and sign a slip there, but it did not go through in the pit in the ordinary way?—A. All trades are made on the floor of the Exchange; it might not go through the pit.

Q. They are made in the offices of the Exchange, are they not?—A. No; on the floor of the Exchange.

Mr. Ross (*Moose Jaw*): It would not be legal for them to do that would it? (No response.)

By Mr. Perley:

Q. How about the fellow who is operating the clock?—A. Mr. Perley, the only trades not made on the floor of the Exchange might be spreads, and cash wheat might not be sold on the floor of the Exchange.

Q. But they have to be cleared?—A. Yes, the futures trades.

By Mr. Diefenbaker:

Q. Did you give any authorization to Mr. Folliott or anyone else, or was it discussed by the board on May 4, 1942, to double the minimum amounts payable to brokers from \$50 to \$100 per month?—A. Well, Mr. Diefenbaker, we do not pay them \$50 to \$100 per month.

Q. I will just ask you this: Was there any instruction given by your board that the regular \$50 payment paid to certain brokers was to be doubled on May 4, 1942?—A. Mr. Pethick, who is our sales manager, once a month brings in his recommendations regarding brokerage. It is quite possible that that may have happened if we had a sufficient amount of brokerage to distribute.

Q. But did the board on May 4, 1942, authorize the increase to any brokers from \$50 to \$100 per month, \$50 being the amount they had received for several months?—A. I will have to check on that.

Q. If such a thing did go through the board, you would know that as chairman of the board?—A. I am just checking on it.

Q. You have no knowledge of it?—A. I would not like to say that. I would like to point out to you something that probably you do not know: This board is operating in millions of bushels and millions of dollars, and it would be impossible for me to answer every question in detail.

Q. I appreciate that, and I also appreciate how annoyed you were at the statement Mr. Hanson made in the House in regard to brokerage, and I asked you— A. You say you appreciate how annoyed I was?

Q. You showed it by your attitude, I thought?—A. Did I?

Q. I am not answering you. I am asking you was there a meeting of the board about the first week in May authorizing an increase or not?

The CHAIRMAN: I do not like to interrupt, but I put it up to the committee again as to whether or not we disposed of this brokerage matter yesterday and whether we are going to continue the discussion of it? Again I point out, Mr. Diefenbaker, that this particular matter happened in 1942, and the order of reference is as to 1941. I am in the hands of the committee in matters of this kind. I do not know what the answer of the witness will be.

By Mr. Ward:

Q. Mr. Diefenbaker referred to a guarantee of \$50 per month. To what does that refer?—A. I would like to find that out.

Mr. DIEFENBAKER: I would like to find out. I was denied the opportunity of proving that.

By Mr. Donnelly:

Q. Did you ever guarantee the brokers \$50 a month in the past? (No response.)

Mr. Ross (*Moose Jaw*): We voted on that yesterday, and now Mr. Diefenbaker insists, and insists and insists, although the committee voted against him. It is now a question whether Mr. Diefenbaker is running the committee or the chairman.

Mr. DIEFENBAKER: I asked yesterday for the names of the brokers and that request was denied. Now I am asking for information as to the system employed, which is one of the matters submitted to this committee. You denied me the right to ascertain the names and particulars, but there was nothing in that motion that denied my right to ask questions based on brokerage without asking for the names or the amounts.

The WITNESS: Mr. Diefenbaker, I want to say to you that so far as the monthly distribution is concerned there is no set figure per month that any broker will receive. Secondly, the board meet once a month and survey the amount of business that has been done, and the distribution is made on that basis. There is no fixed amount per month distributed.

By Mr. Diefenbaker:

Q. Was there a survey made on or about the 1st of May whereby those who had heretofore been receiving \$50 per month were increased to \$100 per month? A. There were no brokers receiving \$50 per month, no fixed amount of \$50 per month.

Q. There were certain brokers who received \$50 per month?—A. No; they may have for a time, but there was no guarantee on the part of the board to pay any broker \$50 per month.

By Mr. Ross (Souris):

Q. Upon what basis do you make that distribution?—A. The amount of bushels.

Q. The exact amount of bushels in dollars and cents, and the brokers get their cheques for a given amount of bushels?—A. Yes.

By Mr. Wright:

Q. Whether they have actually done business in regard to those options or not?—A. Yes.

By the Chairman:

Q. So much money comes in from earnings, and you distribute it among the brokers?—A. Yes.

By Mr. Donnelly:

Q. According to the advice you receive from your men?—A. Yes. There is nothing new in the point you have raised, Mr. Wright. I said in my state-

ment yesterday that we dealt with brokers collectively, although every broker might not put through a particular transaction. There is nothing new in raising the point that a broker who has not actually put a transaction through may get a cheque.

By Mr. Wright:

Q. I realize that; but I do not think any broker should be paid except for the actual business he does?—A. If you carry your argument through you would say that the board under the Act is charged with the responsibility of dividing up that 1,000,000 bushels and giving it to ten brokers or to one broker, even if they felt that by giving it to ten brokers instead of one broker they were going to injure their position in regard to that sale? I do not think so.

Q. If you are going to divide the money among the brokers?—A. There is no more money paid out if you use ten brokers or ninety brokers.

By Mr. Ross (Souris):

Q. You say there are cheques issued to the brokers without any direct service being rendered?—A. There are cheques issued to brokers where they might not have put through a particular deal; it was put through by other brokers and dealt with collectively.

By Mr. Ross (Moose Jaw):

Q. In other words, you are pooling the brokerage amongst the brokers?—A. We are dividing it in accordance with our instructions under the Act.

By Mr. Perley:

Q. And do you think it requires ninety option brokers and 25 cash brokers to sell a crop of wheat?—A. No; but under the Act whether there were ninety or nineteen you would still have to pay the same amount of brokerage out.

Q. But it does not necessarily say you have to give fifty of them a meal ticket, guaranteeing them so much a month. (No response.)

Mr. Ross (*Souris*): Mr. Chairman, I think it is very evident now that although you have been trying to rule us out we have been in order in trying to discuss brokerage to some extent. We have had the admission from the chairman of the board that some men have received cheques without rendering any services.

The CHAIRMAN: Not without rendering any services.

Mr. Ross (*Souris*): Yes.

The CHAIRMAN: Not on a particular trade made on a particular day.

Mr. DIEFENBAKER: As allocated at the beginning of the month.

By Mr. Ross (Souris):

Q. The broker is paid at the end of each month?—A. He might be, or he might be paid in the middle of the month.

Q. And most frequently at the end of the month?—A. Yes.

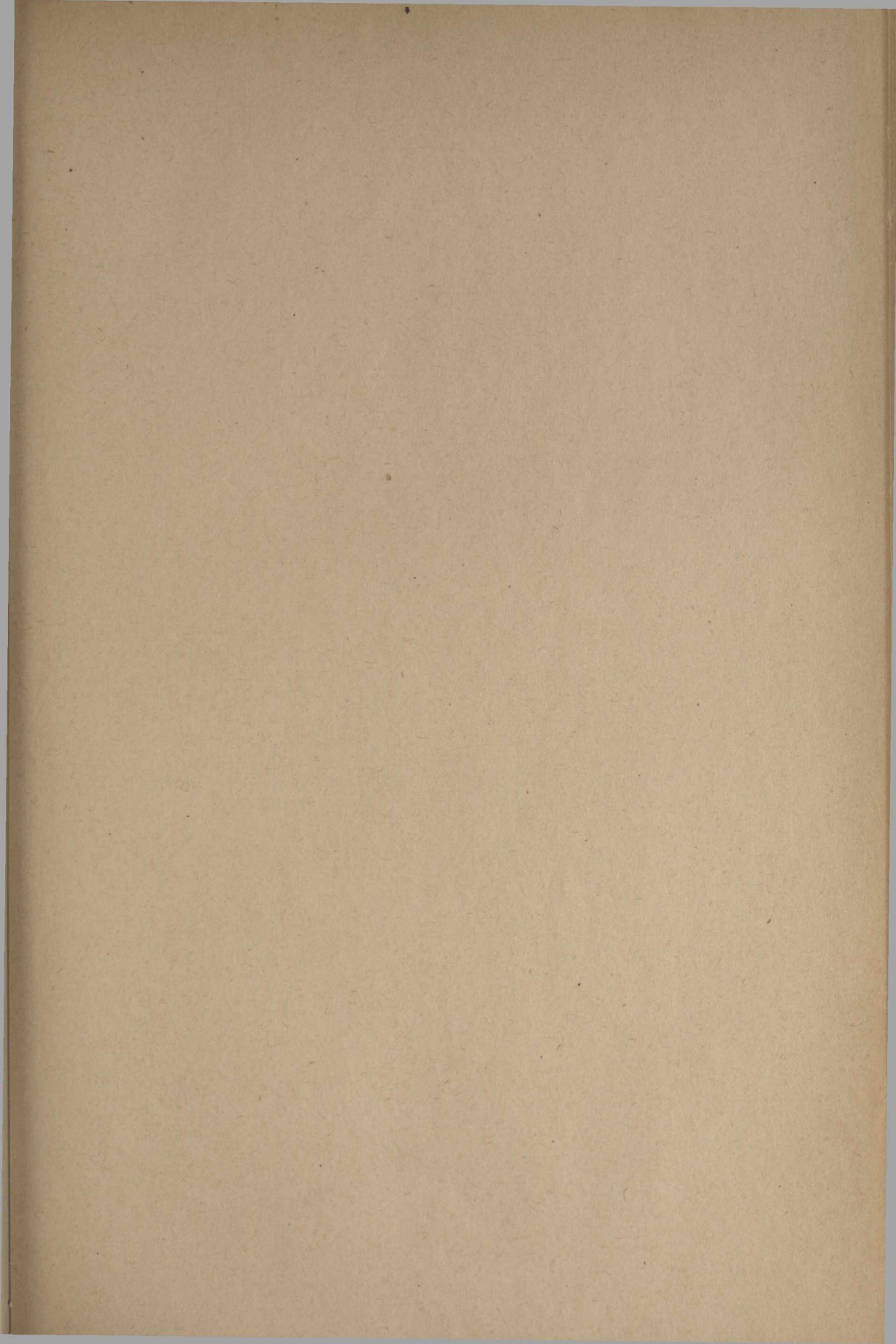
Q. You would not care to say what the maximum cheque would be that is issued to a broker?

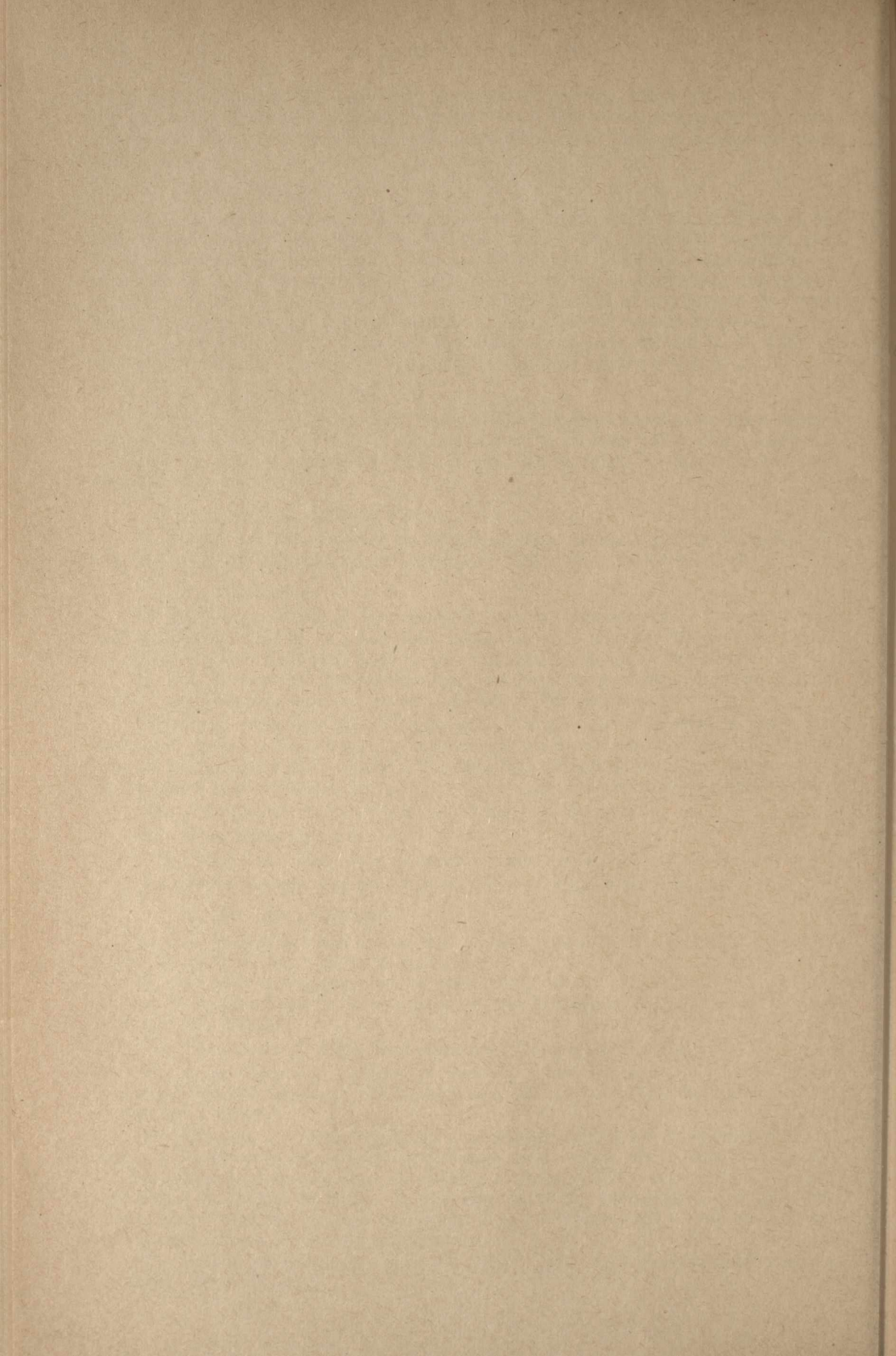
The CHAIRMAN: I think that item was dealt with yesterday.

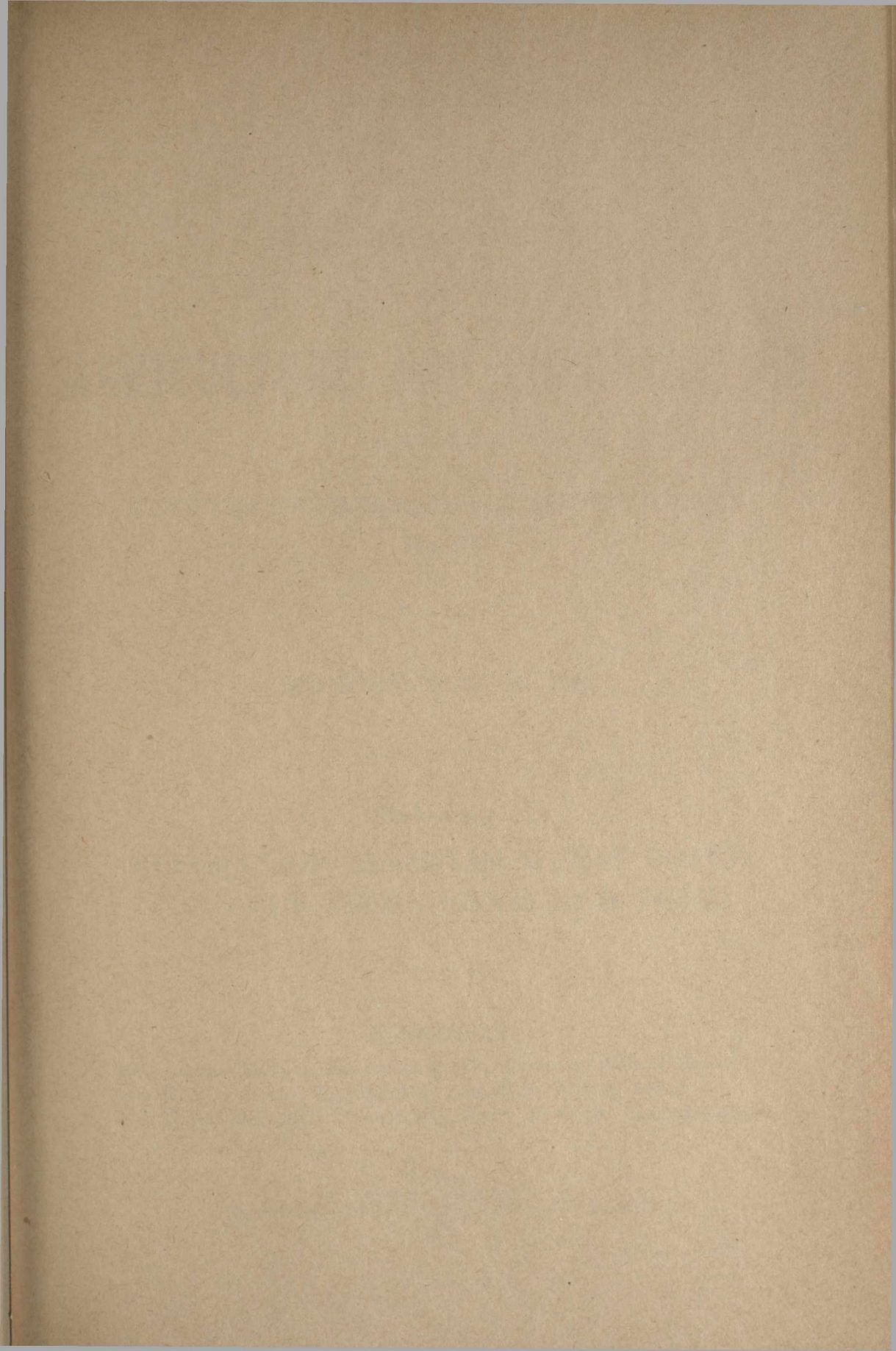
Mr. Ross (*Souris*): I submit it was not. You can look up the resolution. We asked for the names of the brokers and the amount of brokerage paid, and it was voted down.

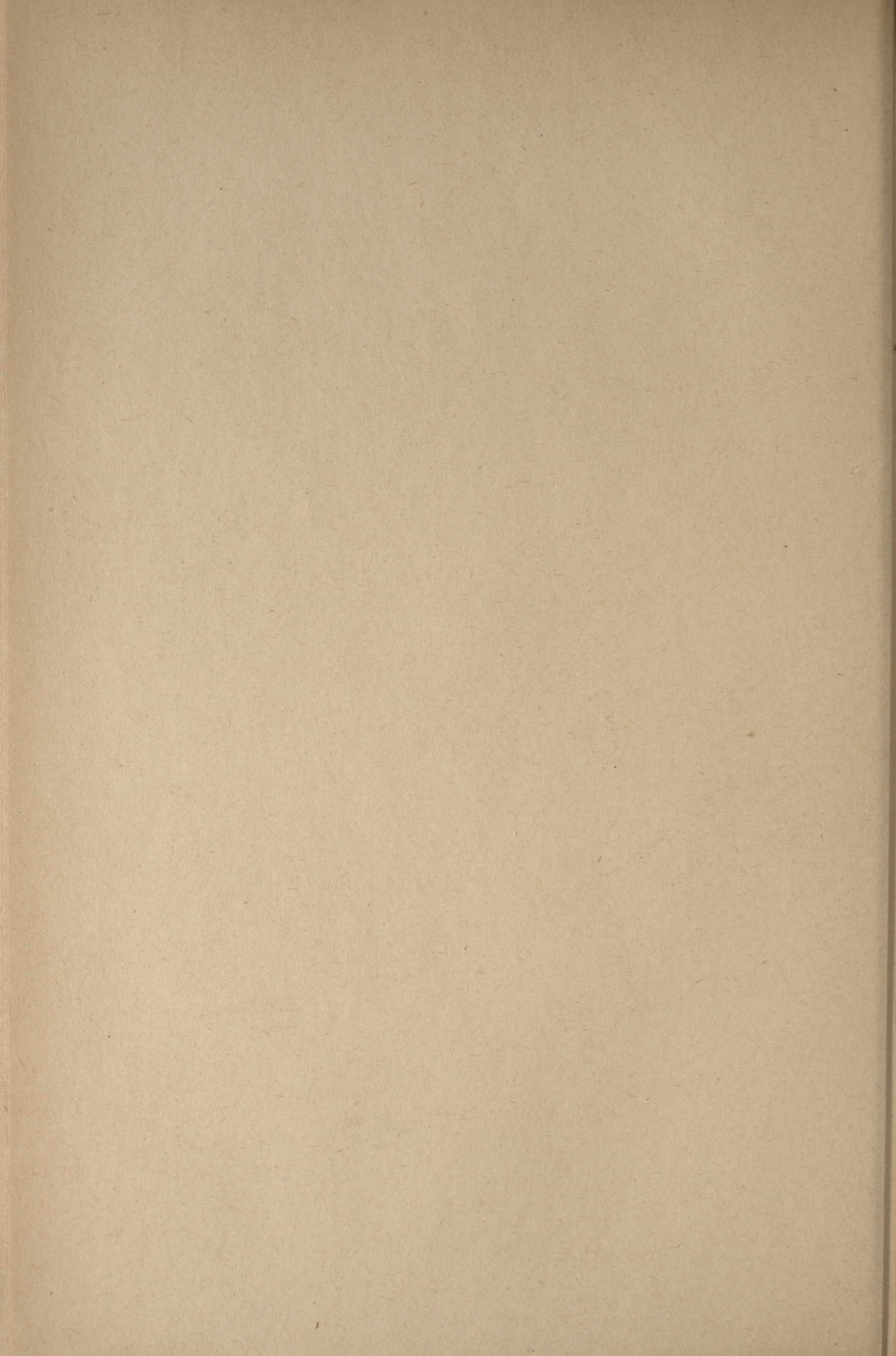
The CHAIRMAN: That resolution was brought about by a considered statement of the wheat board officials that if they were to give any details with respect to any amount of money that the brokers received, they would prefer to give the whole statement or none. It was put up to the committee, and the committee voted that the information be not given. I think such a vote on the part of the committee includes the whole matter.

The committee adjourned at 1:00 o'clock p.m. until 11.00 o'clock a.m. on Monday, May 18, 1942.









SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

MONDAY, MAY 18, 1942

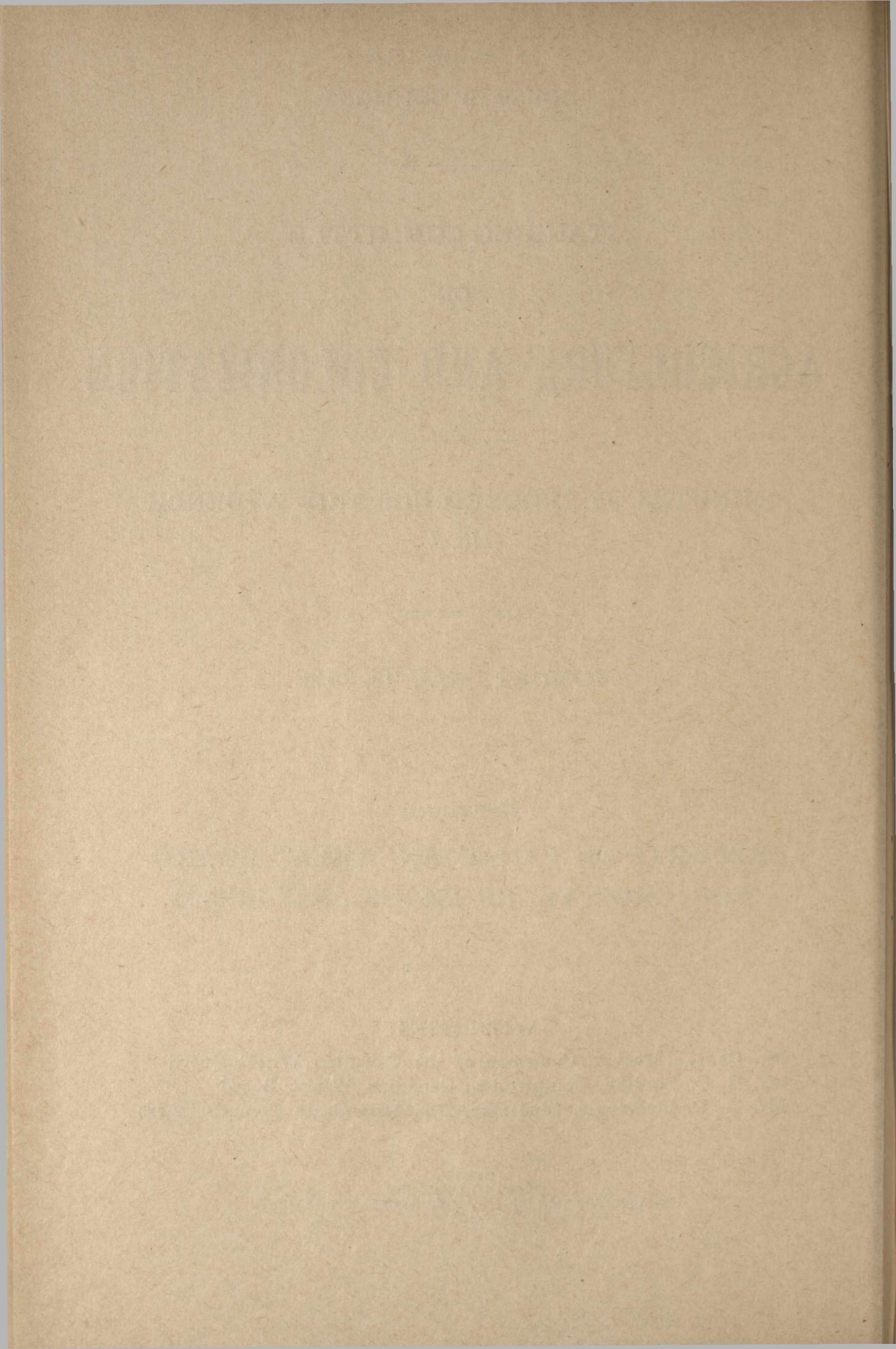
Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board
Mr. R. C. Findlay, Comptroller, Canadian Wheat Board
Mr. D. G. McKenzie, Chairman, Board of Grain Commissioners

OTTAWA
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PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1942



MINUTES OF PROCEEDINGS

MONDAY, May 18, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Clark, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Ferron, Furniss, Gardiner, Golding, Henderson, Leger, Mackenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, Matthews, Nielsen (Mrs.), Perley, Rennie, Ross (*Souris*), Ross (*Moose Jaw*), Senn, Soper, Ward, Weir, Wright.—27.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:
Mr. George McIvor, Chairman of the Canadian Wheat Board;
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller; and
Mr. C. B. Davidson, Statistician.

The minutes of the previous meeting held on Friday, May 15, were read and adopted.

The Clerk of the Committee read the letter sent on instruction of the committee to Hon. R. B. Hanson, M.P., Leader of the Opposition, and his reply.

Ordered that the same be filed.

The chairman informed the committee that Hon. Mr. MacKinnon had some further information to give to the committee, and Mr. MacKinnon then read a cable he had received from the Imported Cereals Division of the British Government, signed by Mr. Hooker, Deputy Controller of the Cereal Division.

Mr. George McIvor was recalled and further examined.

Witness retired, subject to recall.

Hon. Mr. Gardiner, Minister of Agriculture, in attendance as a member of the committee, answered questions regarding the prices on agricultural products and his interviews with Mr. Rank, Chairman, and Mr. Hooker, Deputy Director of the Imported Cereals Division, during his visit to England in 1940-41 in regard to the closing of the Winnipeg Grain Exchange.

Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board, was then called and examined. During his examination he answered many questions which had been asked by the committee during Mr. McIvor's examination.

Ordered,—That the Canadian Wheat Board file with the Clerk of the Committee copies of the various agreements existing between the Elevator Companies and the Board.

Mr. George McIvor was recalled to answer some questions put to Mr. Findlay.

On motion of Mr. Evans the committee adjourned to meet again at 4 p.m.

AFTERNOON SESSION

At 4 p.m. the Committee resumed its session. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Donnelly, Douglas (*Weyburn*), Furniss, Fair, Golding, Henderson, Leger, MacDiarmid, McCuaig, McGarry, Perley, Rennie, Ross (*Souris*), Senn, Soper, Ward, Weir, Wright.—19.

In attendance: Hon. J. A. MacKinnon, Minister of Trade & Commerce and the same officials of the Canadian Wheat Board who were in attendance at this morning's sitting.

Mr. R. C. Findlay was recalled and further examined.
The witness retired.

Mr. McIvor was also called and further examined and retired.

Mr. Perley moved,—

That the Wheat Board produce the clearing sheets for the 120,000,000 of futures to the United Kingdom from May 1 to May 13, 1941.

Passed in the negative: For, 4; against, 14.

Mr. Folliot then explained the method of sale of the 120,000,000 bushels of wheat sold to the British Government.

Moved by Mr. Douglas (*Weyburn*),—

That the Secretary be instructed to get in touch with those firms who have leased government-owned terminal elevators with a view to receiving from them the amount of money received by them from storing grain in these elevators during the two years 1939-40 and 1940-41.

Passed in the negative: For, 5; against, 10.

Mr. D. G. McKenzie, Chairman of the Board of Grain Commissioners, was called and explained to the Committee the relationship between the Grain Board and the lessees of the Terminal Elevators.

Mr. McIvor was again recalled regarding the agreement between the Board and the line Elevator Companies.

Hon. Mr. Crerar, Minister of Mines and Resources attended the sitting and answered questions regarding his visit to Britain in 1939.

The Committee then adjourned to meet again on Tuesday, May 19, at 11.30 a.m.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 18, 1942.

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

The CHAIRMAN: Gentlemen, if you will come to order, we will have the clerk of the committee read the minutes of the last meeting.

The clerk read the minutes which, on motion of Mr. Ross, seconded by Mr. Rennie, were duly adopted.

Mr. DOUGLAS (*Weyburn*): Mr. Chairman, I notice that in the printed evidence of Thursday, May 14, and having reference to the vote taken, it merely states, "On division the motion was lost." That is a recorded vote. Why is the recorded vote not set down in the evidence?

Mr. DIEFENBAKER: It is at the beginning.

Mr. DOUGLAS (*Weyburn*): It is in the clerk's minutes, but it is not in the record of the evidence.

Mr. ROSS: It is on the first page.

Mr. DOUGLAS (*Weyburn*): Oh, yes. Thank you very much.

The CHAIRMAN: The clerk also has a reply from Mr. Hanson's office with respect to the motion as made by the committee some time ago. Perhaps we should have the clerk read that now.

The CLERK OF THE COMMITTEE: On May 14, 1942, in accordance with your request I wrote the following letter:—

HON. R. B. HANSON, M.P.,
Leader of the Opposition,
House of Commons,
Ottawa, Canada.

SIR,—I have been instructed by the Standing Committee on Agriculture and Colonization of the House of Commons, now investigating the Reports of the Canadian Wheat Board for the years 1939-40 and 1940-41, to invite you to be present during any of its proceedings.

Yours respectfully,

(Sgd.) WALTER HILL,
Clerk of the Committee.

Within an hour or two I received the following letter from Mr. Hanson's office:—

WALTER HILL, Esquire,
Clerk of the Standing Committee on Agriculture and Colonization,
Committees Branch,
House of Commons,
Ottawa.

DEAR SIR,—I am directed by the Honourable R. B. Hanson to acknowledge with thanks receipt of your letter of even date which reads as follows:—

I have been instructed by the Standing Committee on Agriculture and Colonization of the House of Commons, now investigating the Reports of the Canadian Wheat Board for the years 1939-40 and 1940-41, to invite you to be present during any of its proceedings.

Yours faithfully,

(Sgd.) R. A. BELL,

Private Secretary.

The CHAIRMAN: A question arose the other day with respect to the attitude of the British Ministry of Food with regard to keeping open the Grain Exchange. I think Mr. MacKinnon has some further information with respect to that matter. Does the committee wish to have that on the record now to keep the record complete in that regard?

Some hon. MEMBERS: Yes.

Hon. Mr. MACKINNON: Mr. Chairman, you will remember that last week I read into the record a cablegram from the British Ministry of Food asking for an undertaking that the Winnipeg Grain Exchange futures market would be kept open. I also read part of a cable reiterating that request and stated that there were further documents that I proposed looking through. We had these documents brought here from Winnipeg, but there was not much new or anything new, as a matter of fact, that was not contained in the original telegram I had quoted, although there are several references to the fact that the futures market be kept open. It occurred to the members of the wheat board and myself that it might be a good idea to bring this matter up to date, so we decided to cable to our representative there to make inquiries. We despatched the following cablegram:—

Ottawa, May 15, 1942.

Biddulph
Mansaskalb
London

Agricultural Committee of House of Commons in session here now and Minister of Trade and Commerce read into record your cable of July twenty-third, nineteen forty, to me expressing Cereals desire that Winnipeg futures market be kept open Stop Some members of committee questioned whether this expresses present view of Imported Cereals Division Ministry Food and minister requests that you ask them to cable me the present official view of Ministry Food regarding Winnipeg futures market Stop Would appreciate reply by Monday morning eighteenth May

McIVOR

We received the following reply on the 16th:—

GEORGE McIVOR
Chateau Laurier
Ottawa

Answering yours fifteenth Ministry Food official reply follows, quote Reference Biddulph's request from your minister would say that the Imported Cereals Division of the Ministry Food are of the same precise opinion as that expressed in our cable of twenty-third July nineteen forty. In fact our experience of the last two years more than confirms our original view. Signed on behalf of the committee, A. Hooker, Deputy Director Imported Cereals Division

UNQUOTE
MANSASKALB

That, Mr. Chairman, brings up to date the record in this regard.

Mr. PERLEY: Mr. Chairman, may I just state here that as far as I was concerned I was interested in what had taken place before the 23rd of July, 1940. It has always been in my mind that at the very outbreak of the war was when the main suggestion came from the British authorities to close the Grain Exchange. I would ask the minister whether he can bring down anything or all the correspondence or cables or records prior to the 23rd of July, 1940. That would be in Mr. Euler's time.

Hon. Mr. MACKINNON: Mr. Chairman, I am under the impression that I directed that these records be sought after and that there are no such records of such a request. I am not positive about that and I will be very glad to look it up.

Mr. PERLEY: There is another matter to which I would refer. Two of our ministers went overseas prior to the 23rd of July, 1940, Mr. Crerar and Mr. Gardiner. I think both of them would have some interesting information that might be given with respect to what was desired over there and particularly with respect to the price that was offered for our wheat for the duration of the war. I wonder if Mr. Gardiner, who is a member of this committee, later on might make a statement or agree to be questioned with respect to what took place over there at that time. The same could be done with Mr. Crerar. I think they carried on the negotiations with respect to the prices of wheat and bacon and all that. No doubt agreements were discussed and possibly we can get some information prior to the 23rd of July from either one of these gentlemen if they would care to allow themselves to be questioned.

Hon. Mr. MACKINNON: I will be glad to undertake to do just what you have said.

The CHAIRMAN: Shall we allow that matter to stand? We might save time if we did.

Mr. McIVOR is still before the committee. If there is any further question which the committee wishes to direct to him I suppose it is in order to proceed to do so. Now, I think perhaps the committee would like to get at the other phases of the inquiry as early as possible. Are there any further questions to be asked Mr. McIVOR?

By Mr. Wright:

Q. You stated that it was very hard for the Wheat Board to determine the spread between the different grades that are sold?—A. Yes, sir.

Q. Who finally sets these spreads, and how are they set?

The CHAIRMAN: Mr. Wright, might I just interrupt here: I think we are going to deal with that when we come to deal with the elevator spreads. Will that be satisfactory?

Mr. WRIGHT: I suppose it would.

The CHAIRMAN: As I understand it that comes under the agreement made with the elevators to handle board wheat.

Mr. WRIGHT: I see.

Mr. PERLEY: Mr. Wright is dealing with the spreads in the grades, not the spreads in the futures.

By Mr. Wright:

Q. The Cereal Import Board, I suppose, would be the people who would decide what they would pay between the different grades?—A. On the amount of wheat that they would buy.

Q. Yes; and on what would be the spread between the grades on the market at the present time?—A. The spreads are established by the demand in the various grades relative to the higher grades.

Q. At least their demand would establish the spreads between the three high grades; would it not?—A. Plus whatever other demand there would be for the other grades relative to the No. 1 Northern, yes.

The CHAIRMAN: Can we leave that and deal with it under the agreement with the elevator companies for handling board wheat?

Mr. WRIGHT: That is satisfactory.

The CHAIRMAN: Are there any other questions?

Mr. DIEFENBAKER: Would it be possible, Mr. Chairman, after we have heard from the Treasurer and the Custodian of Documents for us to recall Mr. McIvor?

The CHAIRMAN: Quite so; the board will all be here.

Mr. DIEFENBAKER: There is just one question I wanted to ask.

By Mr. Diefenbaker:

Q. The Cereal Import Board is a member of the Winnipeg Grain Exchange, is it not?—A. No, they are not.

Q. Is there anyone representing them in Winnipeg on that Grain Exchange?

—A. No.

By Mr. Douglas (Weyburn):

Q. What official of the board will deal with this Order in Council P.C. 1803?

—A. Mr. Findlay and I will deal with it.

Q. At some later date?—A. Yes.

Mr. McIVOR: There is just one question that was asked by Mr. Diefenbaker respecting the possibility of payments on the participation certificates on the 1939 and 1940 crops; the answer is, it is quite apparent from the figures given in the annual reports for 1939-1940 and 1940-1941 that if all the wheat of these crops could be sold at the present market price there would be no payments possible on the 1939-1940 crops.

Hon. Mr. MacKINNON: The Hon. Mr. Gardiner is here now and he has said that he would be very glad to speak on the matter which was brought up just a moment ago.

The CHAIRMAN: Would you like to direct your question to Mr. Gardiner while he is here, Mr. Perley.

Mr. PERLEY: Yes, I would.

Honourable J. G. GARDINER, Minister of Agriculture, called:

By Mr. Perley:

Q. Mr. Gardiner, before you came in, Mr. MacKinnon, Minister of Trade and Commerce, read into the record a cable received from Britain dated the 16th of May, I think. It was in reply to one from Mr. McIvor asking with respect to their position over there and whether or not they were of the same opinion with respect to the Grain Exchange remaining open and the situation remaining as it was as of July, 1940. Some reference was made to the fact that you had been over there, and it was intimated that you would be able to give the committee some information as to the discussions which you had with the officials over there during the spring or winter of 1940, whenever it was.—A. It was in October of 1940 that I was there.

Q. Would that be prior to July 23rd?—A. No, it would be after July 23rd, 1940. I had to go there about the beginning of October and was there, got there on the 2nd of November.

Q. Well, I thought maybe you would like to give the committee some information with respect to the discussion you had *re* prices of grain and prices of bacon at the time when you discussed that. Just generally could you give

us some information as to what happened in your discussion with respect to grain and the price of wheat that they were willing to pay for that period?—A. Well, I did state to the house when I came back in November of 1940, the facts with regard to the matter, not dealing with this particular question specifically. I stated that I went over there for the purpose of discussing the agreements that were to be made in connection with the sending over of foods that Britain required; now, that included bacon, cheese, eggs and all other commodities of that kind. And I stated to the house that I had no authority, or that no authority was given me, to negotiate any deal in connection with wheat; but that I was asked to discuss the wheat position with the Cereal board, and I did that. The two men with whom I discussed the matter on a number of occasions were Mr. James Rank and Mr. Hooker. Mr. James Rank is chairman of the Cereals board, which is a board set up by the Food ministry; and Mr. Hooker is the vice-chairman. They were the two men with whom I discussed it particularly; and this particular question was discussed at a dinner that I invited them to in the room at the hotel, and we discussed it at some considerable length. They took the position that they did not wish to have the Grain Exchange closed. I argued in favour of closing it with the object of getting their viewpoint with regard to it, but knowing fully why they did not wish it closed. They were very decided in their views. I tried to take the position that it might be in order to avoid prices here being affected by the fact that it was not open, as compared with the price that might exist on the Chicago exchange; but they took the position that that was not their reason at all, that it was easier for them to carry on their transactions in connection with wheat with the exchange open than it would be with it closed, and that they desired to have it open. Now, that is the substance of the conversation.

Q. Was there any discussion about prices?—A. Oh, yes, I discussed prices very fully with them.

By Mr. Ross:

Q. I don't suppose they explained the reasons for the closing of their own exchange?—A. Of course, Mr. Hooker was one of the big officials of their own exchange, and they did discuss that. I discussed it with them; but what they were most concerned about was the matter of dealing with the grain as between Winnipeg and the Atlantic coast from which shipment is made; and they argued that it was much easier for them to handle the grain and much more satisfactory to have it done as it is. As a matter of fact, I suggested ways and means of doing what they decided to have done through the exchange otherwise than by having the exchange open; but still they persisted that they wished to have it open.

By Mr. Donnelly:

Q. Did you ever at any time make any statement after you came back that the exchange was going to be closed?—A. No.

Q. I was told on the platform there by one of the pool officials that you had definitely made the statement that the Grain Exchange was going to be closed; is that so?—A. No, I never at any time made any such statement.

Q. And that Mr. Crerar when he came back said substantially the same thing; the inference given was that Mr. Crerar was the one who really was going to have it closed.—A. The Hon. Mr. Crerar was over there the year before I was.

Q. I understood the Hon. Mr. Crerar was there after you were?—A. No, no; Mr. Crerar was there in the fall of 1939 right after the war was declared, as a matter of fact.

Q. Then, they were wrong on both occasions. Mr. Sproule made the statement on the platform with me that you went over there and came back and

said you were going to close the exchange; and someone else made the statement at the same time that Mr. Crerar went over there and came back and said that the government wasn't going to close it at all?—A. Mr. Crerar was over there in the fall of 1939, and he had I think exactly the same experience as I had myself in discussing it with them, and he came back and made much the same report. As I say, Mr. Crerar was over there the year previous to the time I was over; and when he came back he made much the same report as I made myself when I came back.

Mr. DONNELLY: I was dealing with this statement that was made on the platform when I was there.

By Mr. Perley:

Q. Did you meet the British Minister of Food?—A. Yes, I met him every day I was there.

Q. Was there any discussion with him about the price of wheat as compared with the price of bacon, or any suggestion that if you would ease up on your demand for a better price for bacon they would give us a better price for wheat?—A. No. The general impression was that they were giving as much for our wheat as they ought to give, and it was always related to what they were paying for wheat elsewhere.

By Mr. Fair:

Q. What is the position of Mr. Rank?—A. He is the head of the Rank Milling Organization in Great Britain; Spillers, Ranks and the Co-operatives, handle most of the wheat business in Britain.

Mr. McIVOR: Rank is the general manager.

By Mr. Fair:

Q. Who is Mr. Hooker?—A. Mr. Hooker?

Mr. McIVOR: Mr. Hooker is the managing director of Pim and Company, one of the largest grain companies in England. The Cereals Import Committee is composed of all branches of the trade including the Co-operatives.

The WITNESS: Yes, that is quite right. Mr. Rank is the chairman.

Mr. PERLEY: They have no representatives in Canada at all.

By Mr. Douglas:

Q. I would like to ask you, Mr. Gardiner, did the British officials intimate that if the government persisted in closing the Exchange it would affect their purchases of wheat from Canada?—A. No; they do not discuss matters in that way. They are traders and simply sit and discuss the matter from the point of view of their own needs and where they can get supplies from. I would say they dealt with us very favourably as compared with what they might have had to pay had they purchased elsewhere.

Q. That is partly in their own interests because it is easier to get the wheat from here, the distance being shorter?—A. As a matter of fact, it was a matter of meeting them, and nothing else. They simply said: "This is all we can do."

Q. I have reference to the closing of the open market. They never intimated that they would refuse to buy our wheat if the open market were closed?—A. No; they did not say that. I do not know whether they would give us the same consideration in the matter of price if it were closed.

By Mr. Wright:

Q. In other words, they did not take into consideration the welfare of the people who are producing the wheat when they are buying it? They simply take into consideration the fact that they can buy it elsewhere cheaper?—A. No; they said they were paying us much more than they would have to pay elsewhere, and I can verify that up to a point. They take the position: "We

are giving you so much more than we would have to give anybody else, and we are giving it to you because we are fighting together and are prepared to go much further with Canada."

By Mr. Donnelly:

Q. Do not you think we should comply with the wishes of our only customers?

Mr. PERLEY: Not our only customer.

The WITNESS: I do not think you need answers to some of the other questions if you think the whole thing through. Britain is dealing with us very favourably as compared with what she could get wheat for from some other countries, and she has to be a little careful in that, the same as any other country would have to be. They have asked us not to insist on too much information.

By Mr. Donnelly:

Q. Would you mind naming certain other countries she could get wheat from?—A. Argentina.

Q. And the United States. (No response.)

By Mr. Senn:

Q. If it is true that they have given us consideration in the matter of wheat, it had no bearing on the price obtained for bacon, for example?—A. Yes, it did have some bearing on the price. Take cheese, for example, which is a better illustration: as I reported to the House when I came back, we asked Britain to increase the price on cheese. She then was paying us 14 cents, and she said: "The only price we can pay you on cheese is a price that compares favourably with what we are paying New Zealand. We will go back and figure the last cent we can give you, and still be fair to New Zealand"; and they figured it out at 14.04 cents per pound and gave us another .04 cents per pound at Montreal, and would not go a nickel beyond that because they said it would not be fair to the other people they were dealing with if they gave us any more. And we added 1 $\frac{3}{4}$ cents ourselves to bring it up to 16 cents. Britain did give us more than she would have been compelled to pay others.

Q. If you did get more for wheat than England would pay to other countries, that did not influence the price you got for bacon?—A. No. There's really no relationship between the two at all.

Q. You did not make any concessions in the price of bacon because of the higher price you received for wheat?—A. No; the bacon price of 1940 as against 1939 was based upon the price of feed grain. That is, when we went over in 1939 we represented to them that feed grains would likely go up during the year 1939-40. They did not. When we went back in 1940 they said: "Well, your costs of production did not go up to the extent you thought they were going to. We could have bought bacon at a lower price in the United States during all that time." And they insisted on a lower price for the 1940 bacon just on its own merits and not on anything else at all.

The CHAIRMAN: Perhaps bacon is not wheat, but it is an interesting sideline and is part and parcel, no doubt, of the whole thing. Mr. Perley, you had a question you desired to ask the witness?

By Mr. Perley:

Q. There is one respected representative of the British Board in Winnipeg. Apparently they have no direct representative, but they deal with the board and the board knows what is going on with regard to orders for flour, wheat, and so on. Therefore is not the board working in a dual capacity?

Mr. McIVOR: No, sir; we are not.

Mr. DIEFENBAKER: In view of the fact that Mr. McIvor has now answered my question in regard to the probability of the farmer getting a further return

on his participation certificates for the 1930-40 crops,—I would like Mr. McIvor to give us a breakdown of the indicated saving of \$10,236,530 between October 1938 and July 1942. I would like a statement showing how that amount is made up by years, showing what was the saving attributable to the year 1938-39, 1939-40, 1940-41 and 1941-42.

Mr. DONNELLY: By dealing in futures?

Mr. DIEFENBAKER: Yes.

Mr. DONNELLY: We had better wait until that appendix arrives, when you will see it all plainly marked out.

Mr. DIEFENBAKER: It is only a matter of four years, and Mr. McIvor can give it to us.

The CHAIRMAN: That calculation will be made later.

By Mr. Perley:

Q. At the last meeting there was a question about the exporters, and you made the statement, Mr. McIvor, that the Reliance and Richardson firms had done most of the exporting. Can you give us the figures as to the comparative amount of exporting done by the seven Canadian firms?—A. I have not that information, Mr. Perley.

By the Chairman:

Q. Can we get it, Mr. McIvor?—A. It is not available from our records.

By Mr. Perley:

Q. Mr. McIvor, your records would show how much wheat or futures you delivered to those firms under the direction of the Cereals Import Committee? Your offers are accepted and you get direction to deliver so much to those different firms?—A. I think we could get that information up to the 31st July, 1941.

Q. That is as far as I want it. You can get the division in that way?—A. I want to point out that the committee are asking for information with respect to dealings between Canadian exporters and the Cereals Import Committee.

Q. Of course, under the direction of the Cereals Import Committee you deliver the wheat to the exporters, or the futures?—A. We turn over the futures.

Q. I want that breakdown, and the amount you delivered to each one of these seven firms?—A. I think we can get that for you.

Q. You mean, Mr. McIvor, that the amount of export business these different firms might do would be determined by their negotiations with the Cereals Import Committee and not necessarily through anything you would have to do with it?—A. Yes.

Q. Under the direction of the Cereals Import Committee you deliver the futures to them?—A. Yes.

Q. So the board knows the whole story?—A. I am pointing out that that is what you are asking for.

Q. Is that not the complete story?—A. No.

Q. Is there somebody else, then, representing the Cereals Import Committee?—A. No.

Q. Then why is it not the complete story?—A. It is possible that the exporters may be doing business and buying futures in the market for countries other than the United Kingdom.

Q. You would not have anything to do with that?—A. No.

Q. As far as your board is concerned how much did you deliver to the seven firms?—A. I think we can get that information.

Mr. PERLEY: It will be satisfactory if that information is available when Mr. McIvor is on the stand again. I would like to say I have not quite concluded because I desire to read into the records some of the evidence taken by the Turgeon Commission with respect to the stand taken by the British

importing firms, and other large firms over there with respect to the closing of the Winnipeg Grain Exchange in peacetime, before the war broke out, the extent they used the Exchange for hedging purposes or dealings in futures, and what effect it would have on the producers in Canada if the Winnipeg Grain Exchange were to close. Now, I do not know whether it is necessary to do it at this stage, but when Mr. McIvor is on the stand again before we conclude I propose to point out that there was evidence taken by the Turgeon Commission when they were overseas to the effect that certain importers and grain dealers over there did not think it was necessary to carry on the Exchange. I think it would be more so at the present time. They closed their Exchange and this war is on.

Mr. ROSS (*Moose Jaw*): Did they give any evidence as to whether the exporters should be cut out too?

Mr. PERLEY: There was evidence taken with respect to that.

Mr. ROSS (*Moose Jaw*): And the importers?

Mr. PERLEY: Certain witnesses over there said they had used the Exchange and that it was of some advantage, but the majority of the witnesses heard over there stated, I think, that it would not affect the producers in Canada to any extent, and said as, a matter of fact, that it would be all to the benefit of the producers if it were closed, and as far as they were concerned over there it would be another nuisance out of the way, so to speak, and another market less to watch, and so on. My point is that if that is some of the evidence given with respect to peacetime dealings it ought to apply more so in wartime when the market is closed.

Mr. DONNELLY: Can you give me the reference in Mr. Justice Turgeon's report?

Mr. PERLEY: I can give you the page number of the evidence.

Mr. DONNELLY: Does not Mr. Justice Turgeon refer to it in the report?

Mr. PERLEY: No; he did not refer to that important part of the evidence, as to the effect of closing the Exchange.

Mr. ROSS (*Moose Jaw*): He could not have thought it was important.

The CHAIRMAN: Shall we call Mr. Findlay and let Mr. McIvor stand down for the time being? (Agreed).

Mr. R. C. FINDLAY, called

The CHAIRMAN: I introduce to the committee Mr. Findlay, who is Comptroller of the Canadian Wheat Board office in Winnipeg.

By the Chairman:

Q. How long have you been with the Wheat Board? A. Since its inception.

Q. Were you also with the board at the time of Mr. McFarland's chairmanship? A. Yes.

Q. And also at the time of Mr. Murray's chairmanship? A. Yes.

By Mr. Ross (Moose Jaw):

Q. Originally what business were you in? A. Before I joined the Saskatchewan Pool I was in the auditing business.

By Mr. Donnelly:

Q. When did you join the pool? A. 1928 or 1929.

Q. When did you leave the pool? A. When the wheat board commenced operations in 1935.

Q. Were you working for the pool or on the stabilization operations with Mr. John I. McFarland?—A. I worked with the Saskatchewan pool until 1930 when I went to the Canadian Co-Operatives, and I continued there until the

wheat board started; I was all through the period of the stabilization operations.

Q. With Mr. McFarland? A. Yes.

Q. You were working with Mr. McFarland? A. Yes.

Q. On the stabilization board? A. Yes.

Q. Between 1930 and 1935? A. Yes.

Q. And then you went over with Mr. McFarland to the wheat board? A. Yes.

Q. And then with Mr. Murray into the wheat board? A. Yes.

Q. And now you have gone with Mr. McIvor? Yes.

By the Hon. Mr. Gardiner:

Q. Were you actually a member of the board for a while? A. Yes.

The CHAIRMAN: Perhaps Mr. Findlay can commence to give whatever information he has prepared after listening to the discussion which he thinks the committee ought to have, and then he will be available to answer any questions that may arise.

Mr. WRIGHT: Is Mr. Findlay going to give us the details of the agreements with the elevator companies and the board?

The CHAIRMAN: Perhaps Mr. McIvor will give that.

Mr. PERLEY: I think we should have the agreements tabled so that we shall have an opportunity to study them. The reports of the committee's proceedings are a little slow in coming out, and we do not have the opportunity of studying them. I think copies of those agreements with brokers or agents should be tabled.

The CHAIRMAN: Copies are available in Ottawa, I think.

Mr. PERLEY: Will the minister see that they are all tabled?

Hon. Mr. MACKINNON: There is no reason why not?

Mr. McIVOR: No.

Mr. PERLEY: Perhaps they could be tabled at the next sitting of the committee.

The CHAIRMAN: The standard agreements made with the different elevator companies are available.

Mr. PERLEY: And also agreements with exporters and the leases between any of these companies and the minister's department.

The CHAIRMAN: Proceed, Mr. Findlay. I think the first question is with regard to the total quantity of wheat delivered by the producers.

By Mr. Perley:

Q. Over what period?—A. From August 1, 1938. I have the figures here by crop years, if you wish them:

1938: 292,360,029-50. That is 30 pounds.

1939: 342,388,146-10.

1940: 395,357,242-50.

The combined total is: 1,030,105,418-50.

By Mr. Douglas (Weyburn):

Q. Would you have at the same time the amount sold in the open market by the producers?—A. Yes.

Q. Please put that alongside of the figures you have given?—A. Net sales of wheat acquired from producers and sold by the board:

1938: 292,360,029-50.

1939: 227,556,576-45.

1940: 141,643,879-35.

The combined total is: 661,560,486-10.

The next question, Mr. Chairman, was with regard to futures exchanged against cash wheat sales. I will give you those figures by crop years:

1938: 277,576,000-00.
1939: 347,081,000-00.
1940: 111,896,000-00.

The combined total is: 736,553,000-00 bushels.

By Mr. Perley:

Q. That is an exchange of futures for the cash wheat?—A. Yes.

Q. Take the year 1938, how many times was that spread into the different months before it was completely disposed of?—A. The 1938 crop—

Q. Give me each year?—A. I could not give it to you by each year. The 1938 crop was not closed out until 1940, I would say, and I am speaking from memory only when I say probably four or five times.

By Mr. Ross (Souris):

Q. That is four or five times all told?—A. Yes, spread, probably moved from one option month to another.

By Mr. Douglas (Weyburn):

Q. Five times in two years?—A. Yes.

Q. On what date was the cash wheat of the 1938 crop disposed of?—
A. Some time in July, 1940.

By Mr. Donnelly:

Q. This information is all in your balance sheets?—A. Yes, all the figures are there.

By Mr. Perley:

Q. How about the 1939 crop? How often would it be switched in the different months, and what was the final date of the disposition of the cash grain?—A. We have not completed the 1939 crop yet.

Q. There is some of that wheat on hand?—A. Yes.

Q. How many times have the options been switched in the 1939 crop?—
A. Again I have to guess. I would say perhaps seven or eight times.

Q. Why was it switched oftener than the 1938 crop?—A. The marketing period has been longer, to begin with. The 1938 crop was marketed in two years, and the 1939 crop is still open.

Q. And how many times in 1940?—A. Four or five times, I think.

Q. The cash wheat you have on hand at the present time would be in this statement at page 15?—A. Yes.

By Mr. Donnelly:

Q. In carrying the wheat under Mr. McFarland, Mr. Murray and Mr. McIvor, they all used the futures market on the Grain Exchange?—A. Quite so.

Q. Why did they do that?—A. It was considered the desirable thing to do.

Q. Did they think it was cheaper?—A. Yes, quite.

Q. Or just for convenience?—A. Because it was cheaper. I do not think anybody would indulge in spreading operations unless that was the cheaper way to handle the wheat.

Q. Even though you paid the commissions, it was cheaper?—A. Yes.

By Mr. Ross (Souris):

Q. That is, cheaper in comparison with paying the actual storage rates?—
—A. Yes, the carrying charges.

By Mr. Donnelly:

- Q. The storage rates were reduced and still they made money?—A. Yes.
 Q. We asked for them to be reduced further? (No response).

By Mr. Diefenbaker:

Q. There has been a recent reduction in carrying charges in the United States?—A. I do not know.

Q. Can you give us the figures in connection with the storage? Do you know what the allowance for storage is in Pacific Coast Terminals?—A. Yes, 1/60th of one cent per bushel to-day.

Q. And in addition to that there is payment of interest to cover the investment of the terminal company during the time it is holding the wheat?—A. If you own wheat that is in storage there you pay interest on the investment of course.

Q. It is $\frac{1}{2}$ cent per bushel for thirty days, which is 1/60th of a cent per day?—A. Yes, plus interest.

Q. What is the rate in the case of the interior elevators? (No response).

The CHAIRMAN: Perhaps those are questions we had better ask the Board of Grain Commissioners?

Mr. DIEFENBAKER: The witness seems to be able to answer.

Q. What do you say?—A. It is the same in the interior elevators, I think.

By Mr. Perley:

Q. 1/45th?—A. No; it is 1/60th.

By Mr. Diefenbaker:

Q. What about the Fort William and Port Arthur terminals?—A. That is 1/45th.

Q. And what about the terminals east of the Great Lakes?—A. That varies; they all have their own tariffs.

Q. Between what amounts would it vary?—A. Substantially the same as in the west.

By Mr. Donnelly:

Q. It would be less during the winter than during the summer?—A. Yes, it varies.

By Mr. Diefenbaker:

Q. Between what ranges?—A. Generally speaking, about 1/45th.

Q. What is the lowest and what is the highest?—A. I do not remember if any go as low as 1/60th or not; I believe they do; they all have their own individual tariffs.

Q. The fact that in a period of four years there has been an alleged saving of \$10,236,530 on the transactions referred to by Mr. McIvor would lead you to believe that the storage fees were too high, would it not?—A. No; I do not think so.

Q. Do you think they are proper?—A. Yes, that is my opinion.

Q. Then how is it there is such a saving if it is not in the storage?—A. The saving comes in spreading your futures, whereby you are able to do it at less than the full carrying cost.

Q. The fact that you are able to save ten million dollars odd indicates, does it not, that storage is too high?—A. No. I may say in a year such as this past year the experience shows that the companies probably made money. Taking it over a period of years I do not know that that would be correct.

Q. You have the records showing the amounts received by the various companies renting elevators from the government?—A. No; I have not.

Q. Who has those records?—A. The Board of Grain Commissioners.

The CHAIRMAN: I hope you will ask your question again of the Board of Grain Commissioners, because it comes under their jurisdiction.

By Mr. Douglas (Weyburn):

Q. The people who take this cash wheat in exchange for future contracts in turn must store this wheat?—A. The people who buy it?

Q. Yes?—A. Yes.

Q. And apparently they can store it for less than is being paid at the present time for storage charges?—A. No; they would have to pay the ordinary tariff rate.

Q. You are not suggesting that they store wheat for less than the regular storage charges and make up the difference themselves?—A. They may, on the theory that half a loaf is better than no bread.

Q. Then they do not pay the whole storage charge?—A. Yes.

Q. They store the wheat for less?—A. As far as I know there is no variation from straight tariff rates.

Q. The people who buy this wheat have to store it?—A. Quite.

Q. They do not carry the wheat for their health, and they must be able to carry this wheat for less than it is carried by the people who are storing wheat for the board or they would not take it, would they? (No response.)

The CHAIRMAN: Is not the point this, that these people are either owners or operators of terminal elevators in which there is a certain amount guaranteed to them provided they can keep their houses filled? And if they cannot do that it is to their advantage to get half a loaf instead of the whole loaf to carry it.

By Mr. Douglas (Weyburn):

Q. They do have to carry that wheat which they buy?—A. Referring to exporters?

Q. Referring to anybody that the board sells cash wheat to?—A. If they carry it they have to pay the full storage rate and interest on their investment.

Q. And your suggestion is that they do it for less than the board would pay if it were carrying the wheat?—A. No; you have to pay the full tariff charges if you carry cash wheat.

By Mr. Wright:

Q. They would have to pay it themselves?—A. In many cases, yes.

By Mr. Douglas (Weyburn):

Q. When they take cash wheat and the spread is less than the storage the recompense they receive is less than the storage would be?—A. Yes.

Q. Therefore they are carrying the wheat for less than storage?—A. Yes.

Q. And yet they are not losing money? (No response.)

Mr. DONNELLY: Some of them are.

By Mr. Douglas (Weyburn):

Q. They would not take delivery of the wheat if they did not have some hope of making something on it?—A. No; they have a reason for taking it, either that they have it sold, or can store it.

By Mr. Donnelly:

Q. Who sets the storage charges?—A. The Board of Grain Commissioners.

Q. And do our wheat board not make arrangements to have the charges set at less than the charges set by the Board of Grain Commissioners?—A. Yes.

Q. But these charges are set by the Board of Grain Commissioners as the maximum charges—A. Yes.

Q. And the wheat board endeavors to have our elevators carry it for less?—
A. Yes, they endeavor to make the most favorable contract they can.

Q. And when they buy these futures in these elevators it is with the idea that they are going to fill their elevators and get something out of carrying the wheat rather than nothing?—A. I would, if I were a terminal elevator company.

By Mr. Douglas (Weyburn):

Q. What percentage of those carrying wheat for the board carry it below the maximum?—A. I do not understand your question. What percentage of them would be willing to carry wheat at less than the tariff rate?

Q. No, what percentage of them do?—A. Practically all of them do at times.

Q. What would they receive for carrying this wheat?—A. Are you dealing with carrying the cash wheat or are you dealing with cash wheat and futures?

Q. I am dealing with cash wheat?—A. Cash wheat alone?

Q. Yes?—A. They would get a 45th of a cent per bushel per day.

Q. They never carry it for less?—A. No.

By Mr. Ross (Souris):

Q. With regard to the saving of \$10,000,000 is there a degree of speculation in that? You do not deal direct with the elevator companies but with the brokers in arranging these spreads?—A. It is done through the brokers.

Q. Is there a degree of speculation in regard to the saving you can make? Is it a gamble?—A. No, and I say that very definitely. You know before you make your spread that you are going to save money, or you do not.

Q. The broker is taking a gamble when he makes that arrangement?—A. I do not think so. It is a straight business proposition.

By Mr. Perley:

Q. The argument is that the board by spreading in this way is passing the buck, and the other fellow carrying the cash grain saves money by getting it into the futures?—A. Yes.

Q. If \$10,000,000 can be made by the board by doing that, why does not the other fellow save the \$10,000,000?—A. Not being the other fellow, I cannot tell you.

Q. \$10,000,000 is quite a good profit. Why is it that you can sell the cash wheat to the other fellow so readily and have him carry the load? While we are on that, I would like to ask this question: there are elevators at Sorel, Quebec, Montreal and Three Rivers, and they have different rates and carrying charges. Who sets those?

The CHAIRMAN: I think that comes under the Board of Grain Commissioners.

By Mr. Perley:

Q. That is the whole thing, they pass the buck. (No response).

Mr. DONNELLY: What are the rates set by Board of Grain Commissioners?

By Mr. Perley:

Q. There are different rates in different terminals?—A. Yes.

Q. Your board has some cash wheat?—A. Yes.

Q. And you do find the rate is a different rate in the different terminal elevators I have mentioned?—A. Yes.

Q. How do eastern terminals arrange the rates with the board?—A. We would pay exactly what the tariff rates are in each case.

By Mr. Douglas (Weyburn):

Q. The maximum?—A. Yes.

By Mr. Perley:

Q. Are there any elevators in Sorel, Montreal and Quebec, with whom you negotiate different rates? It is not the same rate in all of them?—A. No.

Q. Who arranges that?—A. I do not know whether the terminal companies do or not, and I am not sure if it comes under the jurisdiction of the Board of Grain Commissioners.

By Mr. Donnelly:

Q. I think the Board of Grain Commissioners set all the charges in all these terminals?—A. I think they have to approve of them.

By Mr. Perley:

Q. Why should they vary in the eastern terminals?—A. I do not know.

By Mr. Donnelly:

Q. The winter charges are entirely different from the summer charges?—A. (no response).

By Mr. Perley:

Q. As I understand, some of these elevators base their rates on various factors. For instance, one of the considerations would be their harbour dues. The different elevators I have mentioned have harbour dues, and some of the harbour dues are altogether different. For instance, Three Rivers and Sorel are different, and they certainly base their storage charges on such things as that. My point is this: could not the board make special arrangements and effect a saving in the carrying charges from that standpoint alone?—A. They might.

Q. But they do not do it? Is that the point?—A. If they move wheat down east the supposition would be that it is the desirable thing to do.

Q. Can you give us the amount of wheat they have in the eastern terminals at the present time, and how much there is in each terminal?—A. Speaking from memory, I do not think we have any.

Q. It has been shipped out?—A. Shipped out as sold.

Q. Is there very much there in the winter time?—A. Last winter?

Q. Yes.—A. Not much.

Q. Then the board does not use those eastern terminals?—A. Oh, I am sorry. I overlooked the fact that we have wheat stored in Three Rivers and Sarnia.

Q. And of the crops of 1938-1939 and 1939-1940, can you give us the amount we have in those two places?—A. I think it is around 3,000,000 bushels each in Three Rivers and Sarnia.

Mr. DOUGLAS (Weyburn): Was the witness going to make a general statement? If so, I think we should let him make it in order to get the whole picture.

By Mr. Ward:

Q. Are the terminal rates set by the board not maximum rates, and then is there not a degree of competition as between the various terminal elevators, to get the wheat?—A. Yes, the grain trade is a highly competitive business.

Q. And the rates are maximum rates?—A. Yes.

Q. But the board always pays the maximum rate? Any wheat owned by the board and stored by the board would pay the maximum rate?—A. Yes, the tariff rate.

Q. You do not attempt to bid off one group against another and get the lowest possible rate, but you pay the maximum rate?—A. We pay the tariff rate.

By Mr. Douglas (Weyburn):

Q. If the witness wants to make a statement perhaps he should be allowed to do so.

The WITNESS: The next question was with regard to open futures contracts as at July 31, 1941:

- 1938: Nil.
- 1939: Long futures, 79,450,300-00.
- 1940: Open futures sales contracts: (28,833,000-00).

By Mr. Douglas:

Q. That is what you exchanged or what you held?—A. What we held on July 31, 1941. The combined total is long position of 50,617,000-00.

I think the next question has regard to storage charges and interest, and so on. I do not know what breakdown I can give you as to carrying charges except to split them as between storage and interest. For the country carrying charges the figures are:

| | |
|------------|------------------|
| 1938 | \$ 6,386,756.14 |
| 1939 | \$ 10,431,956.70 |
| 1940 | \$ 18,040,858.30 |

The combined total is.....\$ 34,849,571.14

By the Chairman:

Q. That is country elevator storage?—A. Yes.

By Mr. Wright:

Q. What proportion of that was interest?—A. The breakdown of that is:—

COMBINED

| | |
|-----------------|----------------|
| Storage | Interest |
| \$27,739,569.41 | \$7,120,001.73 |

By the Chairman:

Q. Is that the interest for the full period?—A. For the entire period from August 1, 1938.

By Mr. Wright:

Q. Mr. Findlay, if the board guaranteed the funds of the line elevator companies, would they not be able to obtain that money from the banks at the 3 per cent at which you obtain your money instead of 4½ per cent as they are paying at the present time?—A. I do not think they can get the money at the same rate of interest. It is always considered an element of risk by the banks with regard to wheat carried in the country. You all know there was quite a lot of trouble with country stocks in the last year or two with mites and one thing and another, and the banks were afraid of that.

Q. Has there been any attempt to get the banks to do that?—A. Every year; that is an annual battle.

Q. But they never agreed to do it?—A. We got the rates reduced.

Q. But has there been any attempt to get the banks to loan the elevator companies money at the same rates at which they loan the board money?—A. We discussed that from time to time, but personally I would be afraid to do so.

The CHAIRMAN: From the board's point of view, you would be afraid?

The WITNESS: Yes.

By Mr. Donnelly:

Q. Would it be a good thing for the board to go throughout the country backing notes?—A. No.

Q. And that is what the board would be doing is it not?—A. Yes. As to terminal storage I will have to give you that by each individual year.

By Mr. Perley:

Q. You are not dealing with any of these exhibits?—A. No; but you will find all the figures in those exhibits:—

| | |
|------------|-----------------|
| 1938 | \$ 2,271,506.85 |
| 1939 | 8,233,577.35 |
| 1940 | 2,284,729.40 |

By Mr. Donnelly:

Q. These are terminal storage figures?—A. Yes. The first statements I gave you referred to country storage.

By Mr. Ross (Souris):

Q. How do you get your great variation between the last two years?—
A. In the amounts?

Q. Yes.—A. Variation in the quantities carried.

By Mr. Douglas (Weyburn):

Q. This is wheat owned by the board and stored at the terminal elevators?—
A. Yes.

Q. What rates are paid to the terminal elevators?—A. 1/45th.

Q. Some of these terminal elevators are government elevators that have been leased to companies?—A. I believe so, yes.

Q. Can we get later on the figures of all these different government-owned elevators and the amounts paid to them?—A. To each individual one?

Q. Yes.—A. I don't know.

The CHAIRMAN: Do you mean to separate the amount the wheat board has paid to the government-owned elevator as against what others have paid?

Mr. DOUGLAS (*Weyburn*): No.

The CHAIRMAN: Or the earnings of the elevators themselves?

Mr. DOUGLAS (*Weyburn*): No, the amounts paid by the board to the government-owned elevators but leased to private concerns for operation.

By Mr. Ross (Souris):

Q. Can you break down by years for the last two years the amounts you have paid to each of these elevators?—A. Yes, we can. I do not know whether it is a desirable thing to do or not. With regard to the remarks Mr. Douglas has just made, that is an old friend of mine every year. We cannot tell you how much storage each individual terminal makes. Only the terminal companies can tell us that.

Q. You can tell the amount the board pays them all?—A. Yes, with one proviso, that any storage we pay to the Lake Shippers Clearance Association we do not know necessarily to whom it goes.

Q. But as to the actual carrying charge you make the payment direct to the elevator?—A. No; not necessarily.

By Mr. Donnelly:

Q. Take the elevator of the Canadian National at Port Arthur. You might have had a very small amount in carrying charges. Most of it may be carried as futures?—A. Yes.

Q. And you would get a small amount of the income by that elevator?—
A. The storage charges follow the warehouse receipts. That is, if we sell grain to-day and we have, we will say, 15 or 16 days' storage due on it, we allow that to the buyer; he pays it, we do not. The ultimate holder of the warehouse receipts pays the storage.

Q. And after the 15 days, after it comes to you until it is held you have to pay the same amount of storage?—A. Yes.

Q. And after it is held you do not know where it is carried?—A. No.

By Mr. Douglas (Weyburn):

Q. The point is that here are specific amounts of money paid in three years for storage to terminal elevators. Could we not get that broken down at least for a couple of years as to the amount paid to each individual elevator owned by the government?—A. Yes, you can get that; I do not think the figures would be of any value for the reason I have tried to tell you, namely, that the storage follows the warehouse receipt. If I brought a statement I cannot say that the Alberta Pool Terminal got so much of that storage. We did not pay that storage. We allowed it to whoever bought the wheat and they paid it.

By Mr. Perley:

Q. The only information of any value as to the storage on the crop would have to be secured from these firms who store the grain in government elevators or elevators leased to private individuals?—A. I would say if you wanted to know how much storage any particular terminal elevator company made in any one year there is only one place you can get it, and that is from the terminal company; nobody else can give it to you.

By Mr. Douglas (Weyburn):

Q. I think that is information we ought to have. We could secure from each company renting a government-owned terminal elevator a statement of their total storage receipts for these two crop years?

The CHAIRMAN: Perhaps that can be kept in mind.

Mr. DOUGLAS (*Weyburn*): You can make a note of it.

The CHAIRMAN: There may be sufficient information with regard to what you have in mind coming to hand through the inquiry of the Board of Grain Commissioners.

The WITNESS: And the question as to interest: do you want it broken down by banks or in total?

By the Chairman:

Q. Is this interest on grain stored in terminal elevators?—A. Interest on bank advances.

By Mr. Donnelly:

Q. You have given us the cost of carrying wheat if you paid for storage in the country, and you have given us what it costs for storage at the terminals?—A. Yes.

Q. Can you give us what it has cost you for all these hedges so that we can get the whole picture, and what you paid in the way of storage, because hedging is storage?—A. Quite. We have futures but not hedges.

Q. But what has it cost each year to carry it in the way of futures?—A. It varies.

Q. You have not the amount added up for each year, have you?—A. No; but I would say it would run from 6 to 9 cents; it varies with different years.

Q. I want the total amounts: say in one year it has cost \$10,000,000 and in another year \$15,000,000?—A. I understand. If you will look at the statement Exhibit "C" for the 1940 crop you will find an item there: "Transfer of futures to deferred months."

Q. \$26,000,000 odd?—A. That is the total carrying charge. The figure I have reference to is \$196,876.25.

By Mr. Perley:

Q. That is for that year?—A. Yes.

By the Chairman:

Q. Will you state that in terms so that the record will show exactly what it is?—A. Yes, that is the cost of transferring futures from the nearby to the deferred months.

Q. That is the broker's fee?—A. No; that is the market spread between the future months.

Q. That is the loss on the spreading?—A. It is not a loss; it is the cost of transferring the future itself from the October month to the May month.

By Mr. Douglas (Weyburn):

Q. Paying the spread between the two?—A. Yes; and if you had cash wheat instead of the future you would be paying this freight storage and interest.

By Mr. Perley:

Q. I do not think that is very clear. It cost \$196,000 for transferring futures to deferred months. How much grain would be involved in that? How many bushels would be involved in that item?—A. It might be anything.

Q. I beg your pardon?—A. It might be anything. It varies from time to time. I cannot tell you that figure. That would apply for the whole year, for instance—for the crop year.

By Mr. Douglas (Weyburn):

Q. For instance, in Exhibit "C" of the previous year, you will notice there it is \$5,098,000. That is a tremendous difference.—A. Yes.

Q. Do you switch any more futures for the one year than another?—A. I think the explanation for that is largely that a much bigger percentage of the wheat was still back in the country in 1941.

Q. In 1941?—A. Yes.

Q. If I may go back to what I said in the first place that this was for paying the spread between cash wheat when you disposed of it for the future contract, may I ask does that include that cost as well as switching futures from May to October?—A. No. It is merely the difference between one future month and the other.

Q. This does not include the spread you would have to pay off between cash wheat and futures. You would have to pay on that too, would you not?—A. I am afraid I do not understand your question.

Q. When the wheat board takes delivery of wheat at the head of the lakes and disposes of cash wheat, let us say, at 71 cents and takes in exchange future contracts for May wheat at 74 or 75 cents, what would that few cents be? There would be the spread which of course has been paid in lieu of storage and interest?—A. Yes.

Q. What is that charged at? Is that charged up to this item?—A. No. It is right in that item of transfer.

Q. That is what I mean.—A. Yes.

Q. It is to pay for the transfer of cash to futures and from this switch to futures?—A. No. This relates entirely to futures. It has nothing to do with cash wheat—this one item we are discussing at the moment.

By Mr. Wright:

Q. It would be just a switch from futures to July?—A. Yes.

By Mr. Perley:

Q. Let me see if I can follow out Mr. Douglas' idea. Now you have sold cash and bought the May. The next transfer is from the May to the July. Possibly the first transaction might have been from December to May, May to July.—A. Yes.

Q. So the cost of these transfers is what is given. It has nothing to do with the cash wheat at all?—A. Nothing to do with the cash wheat.

Q. Will you break it down? How much might there be between each month, December to May and May to July, following this up? Break down this \$196,000. Just illustrate how it is made up. It has nothing to do with the cash. You have transferred futures, as it says, to deferred months.—A. That is right.

Q. Why is there that cost there other than brokerage fees?—A. No, no. Please do not bring brokerage into it, because it has nothing to do with it.

Q. All right. Give us a breakdown of the \$196,000.—A. There is not any breakdown I can give you more than I have already said. It is the spread, the market spread, between one future month and another, which is the equivalent of the carrying charge.

By Mr. Douglas (Weyburn):

Q. I think Mr. Findlay and I are saying the same thing only he is using technical language and I am a layman and probably not saying the thing properly. But let me follow a bushel of wheat through. The wheat board have a bushel of wheat at the head of the lakes. They dispose of the cash wheat and they take—say they are disposing of it in December and take May futures. The spread between the cash wheat, when they disposed of it, and the May futures would be charged up to this item?—A. No, Mr. Douglas.

Q. All right. Go on, then. Then when May comes they decide to exchange this to say October?—A. Yes.

Q. That would be charged to this item?—A. Yes.

Q. And then in October they decide to switch to December again and that would be charged to this item?—A. That would appear in it.

Q. It is only when you have switching of futures?—A. That is all. Nothing more.

Q. To what item in the financial statement will the transfer from cash wheat to futures be charged up? I have reference to the first transfer that is made when they first dispose of cash wheat and take futures.—A. I think I get your point. If the board make a sale—let us take for illustration our own quantity of wheat to-day and say one million bushels. If the board sell one million bushels of wheat to-day—

By Mr. Perley:

Q. Cash wheat?—A. Cash wheat. And in exchange they take one million bushels of futures, the money for the cash wheat to-day goes into the bank. I mean, we receive payment and we surrender the documents. The futures we actually carry. We will assume, for illustration, that the exchange of futures is to May. That would be the logical future.

Q. Yes?—A. We will carry that future if it is not sold out in the meantime.

Q. But you have your one million bushels of May wheat now.—A. Well, we have exchanged our cash wheat.

Q. All right. You are long a million May.—A. Yes.

Q. At say—give us a figure, just for argument's sake, to carry us along. Shall we say 75 cents?—A. Well, that is fair enough, I think.

Q. Now you have switched it to July.—A. No.

By Mr. Douglas (Weyburn):

Q. Before you switched it, there is the spread between what you received for the cash wheat and your futures. What is that chargeable to? That is the only point I was trying to get. I wanted to find out as to whether or not those transfers are included in this one item.—A. I would like very much to help you, but I am afraid I am a little bogged down in just what it is you are trying to get at. It is two entirely different transactions.

By Mr. Perley:

Q. You have got one million of cash wheat on the 1st of December?—
A. Yes.

Q. And you have sold it at 70 cents, say, for argument's sake.—A. Quite.

Q. And you buy December. No, you sold May cash at 70 and you have—
—A. Bought May futures.

Q. You bought May. No, this wheat maybe you have got along in September. However, coming along, we will take it into the May. You bought May at 75, say. That is quite a wide spread at 75. You got your money for the 70, the cash wheat, and you have got into the May. Now comes along May and you are spreading again. That is, you sell your May and buy July at 77?—A. Yes.

Q. At 77; that is a two-cent spread there. That is the last trading month of that crop year?—A. Yes, until October comes on the board.

Q. In those two years you say it cost you for transferring this to future months \$196,000 for that year's crop, 1940?—A. Yes.

Q. Then the cost there is what? You say, it is the difference between those two options, May and July?—A. Between any two option months.

Q. Of course, if you were on the open market there might be a fluctuation there. You might have to take it in or transfer it on a wider spread than that. It is more or less a speculation, is it not?—A. No.

Q. Once you have sold cash and got into the option, after that you are speculating. That is practically what you are doing.—A. No. I do not like the word "speculation". It is a certainty. You know whether you are going to make money by doing it or not. It is not speculation.

By the Chairman:

Q. If you were not going to make money, you would carry cash wheat.
—A. Yes.

Mr. PERLEY: If the July did not happen to be 77 cents which is the figure we have used for the sake of argument, you might be out of luck.

By the Chairman:

Q. Could you not take wheat back?—A. Then I would say that we would carry cash wheat.

By Mr. Perley:

Q. But you have sold the cash wheat. You have taken the chance. You have done with that, and you have got it into the future.—A. Unfortunately, we always had a lot of cash wheat to carry.

Q. You have sold your cash and taken the futures. You have bought the future. What if somebody delivers the future to you or to the clearing house? You have cleared that trade through the clearing house and you are long in the clearing house 75 million of wheat.—A. Yes?

Q. What if somebody delivered to the clearing house and the clearing house said to you, "Mr. Board, we will deliver that one million bushels to you."—A. It pays us. That is exactly what they would do if we had the oldest futures.

Q. Yes, I understand that. The man that has been long for the longest in the clearing house takes delivery first.—A. Yes.

Q. What if the board is in that position, that you had one million bushels delivered to you?—A. I beg your pardon?

Q. I say if the clearing house called you up and said, "Here, we are going to deliver a million bushels on the 1st day of May", they would have the privilege of doing it?—A. Yes.

Q. You would not be able to switch this. That deal would be through?
—A. That deal would be through. We would exchange our futures when we took the cash wheat.

Q. You would sell cash wheat again and buy futures?—A. We might, yes.

Q. It is more or less a gambling game.—A. I do not agree with you, Mr. Perley. I am sorry.

Q. Well, all right.—A. I cannot. I had it out with one committee before, and I guess I have to do it again.

By Mr. Douglas (Weyburn):

Q. I want to ask one more question about this item of futures transfer in the 1939 crop. The cost is \$5,098,655 for such transfer. Would there be any way of finding out how many bushels of wheat would be involved in that and over what period of time?—A. Well, it would be over a period of two years. What the total amount involved would be, do you mean?

Q. The total number of bushels they would handle.—A. Yes. They might be dealing with the same bushel two or three times.

Q. Would there be any way of knowing how many bushels were actually carried for that amount of money, so you could know how much it was costing per bushel to carry that by means of the futures market? A. It would be difficult to establish. I can get for you the total bushelage spread, yes.

Q. To make it simpler I imagine the board itself has worked out what it cost it per bushel to carry it on an average, to carry a bushel of wheat to the futures market instead of carrying cash wheat. Would it have worked that out? A. Yes. I think already I have suggested it would run from 6 to 9 cents.

Q. Can you get the specific amount in any one year? A. I might be able to get that; I do not know that the figure would have any value, but I will be glad to get it for you.

Q. It seems to me it would have a lot of value. It has been constantly said in this committee both by members of the committee and witnesses that it is a lot cheaper to carry through the futures market. The board must know what it costs in the futures market as compared with storing. A. Each time you contemplate making a spread through one future month to another it is a very easy thing; you know exactly what it is going to cost you to carry the cash wheat, 1/45th of a cent per bushel per day plus interest. If you can make a spread in the future month whereby you are going to save, for instance, a cent a bushel, then it is good business to do it.

Q. I think you have said that no attempt at any time has been made to get the elevator companies to carry it for less than 1/45th of a cent a bushel in arriving at what it would cost to carry the futures market? A. Well, in each and every year before the elevator agreement is agreed upon we battle with the elevator companies and try to endeavour to get the best contract we can.

By Mr. Wright:

Q. What percentage of your total crop would you say you carry in the form of futures and what percentage in cash?—A. It varies.

Q. What would be the probable variation? A. It varies considerably. The last two or three years have been abnormal and we have had much heavier country stock, for instance, than we would have had in the 1935 crop.

Q. I mean, what is delivered to you at the head of the lakes. What percentage of that do you carry in futures and what percentage in cash? A. Generally speaking, there would be a bigger percentage of futures than cash.

By Mr. Douglas (Weyburn):

Q. You would not have that in a rough percentage? Would the percentage be something like 60-40? A. It varies so much I would hesitate to give you the figure in percentages. For instance, at July 31st, 1941, 1935 and 1939 crop we had cash wheat of 35,318,000 bushels; we had futures of over 76 million.

By Mr. Donnelly:

Q. You have seen the statement that Mr. McIvor gave us, have you not? A. Yes.

Q. From that statement you can calculate the amount that it has cost us for futures trade entirely and what it has cost us to carry wheat, can you not?
A. Per year?

Q. Yes. A. Yes.

Q. It is just a case of mathematics to figure out what it cost to carry wheat from that table? A. Yes, that is correct.

The CHAIRMAN: Would the members of the committee wish to have anything else? Does the committee wish to have any particulars with respect to this item of interest?

By Mr. Douglas (Weyburn):

Q. This interest will deal with the 3 per cent you pay? A. Yes.

Q. Not the 4½? A. No. I gave you a breakdown of that, in the carrying charges, and that is 4½ per cent.

Q. This is the 3 per cent you pay on the cash wheat which you hold? A. Yes.

Q. If we had the total I think that would be all right.

By the Chairman:

Q. The total by years? A. Do you want it by years or do you want it combined?

Q. You could give it both ways. A. The combined total is \$6,474,093.28.

By Mr. Douglas (Weyburn):

Q. The '38 crop? A. No. That is the total combined. 1938, \$3,097,583.71; 1939, \$2,604,210.03; 1940, \$772,299.54. That is divided over, what we call, the seven lending banks.

The CHAIRMAN: Are there any further questions?

By Mr. Douglas (Weyburn):

Q. This is paid by the board to the banks for money advanced to purchase cash wheat at the head of the lakes from the elevator companies? A. Yes, to pay all necessary charges in connection with it.

Q. Has the board made any attempt thus far at all to see whether the Bank of Canada would consider financing this crop, using the services of the lending banks? A. No.

By the Chairman:

Q. That is, the wheat board has not? A. And I doubt very much whether they would consider it.

By Mr. Douglas (Weyburn):

Q. If the Bank of Canada would consider it? A. Yes.

Q. No attempt has been made to find out? A. No.

The CHAIRMAN: Not so far as the wheat board is concerned. Any further questions?

By Mr. Perley:

Q. Mr. Findlay, you are going to continue with the general statement now? A. I think we dealt with everything pretty much, did we not? I think we have pretty well covered the question.

Q. Will you take Exhibit "A" for a few minutes?—A. Which report?

Q. The 1940; the item of liabilities to agents for wheat purchased from the producer but not yet delivered, \$145,000,000; can you give us a breakdown on that?—A. Yes.

Q. This is the 31st of July, 1941?—A. I cannot give you a breakdown by grades, no. That is the liability which we owe to the elevator companies for wheat which they have purchased from the farmers and paid for.

By the Chairman:

Q. At that date?—A. At that date.

By Mr. Perley:

Q. Well, if you have not paid them they have not delivered the wheat?—A. No, they have not.

Q. Is not that a large amount for a crop year, 31st July, 1941; that is the 1940-1941 crop?—A. It is a very sizable amount. These are the facts, nevertheless; that is what we owe.

By Mr. Evans:

Q. That would be wheat in storage in the country elevators at that date?—A. Yes.

By Mr. Perley:

Q. Isn't that a large amount for the end of a crop year?—A. It is a large amount.

Q. Could you not give us some sort of a breakdown?

By the Chairman:

Q. Why would it be held there and not shipped forward to terminal elevators?—A. That was largely a question of congestion, particularly in that particular crop year.

By Mr. Perley:

Q. That would be the 1940 crop?—A. No, no.

Q. That is a very good volume, it must have been 1939?—A. 1939 and 1940.

Q. And that apparently is all back in the country elevators, as you say; could you give us a breakdown of the amount owing some of these firms, and break it down that way?—A. No, I could not.

Q. Could you say what would go to the Saskatchewan pool, for instance?—A. You mean, to what extent the various companies were interested?

Q. Yes.—A. No, I could not give you that.

The CHAIRMAN: Your question is, Mr. Perley, in effect, how much of this money is being carried by any particular company or companies?

Mr. PERLEY: Yes, sure.

By Mr. Perley:

Q. What interest are you paying; 3 per cent, is it not?—A. Four and a half per cent.

Q. I thought you were getting it at 3 per cent?—A. We are paying 3 per cent on our own borrowings.

Q. I know, and you allow the elevators 4½ per cent?—A. They pay 4½ per cent, yes.

By the Chairman:

Q. The board has the authority to require this grain to be moved out of these country elevators as and when it wants to?—A. Yes.

Q. What is the reason for this large amount being allowed to pile up; was it congestion at the head of the lakes?—A. I would say, definitely; in that particular year it was.

By Mr. Ross (Souris):

Q. We were discussing this brokerage question back a while ago and Mr. McIvor when he was here before us stated that you had been more or less following a pooling policy in operation between the brokers and the exchange, these brokers that were engaged. I presume you as treasurer would issue the cheques to these brokers. Can you say on what basis these cheques are issued, and what you receive to honour as a demand for payment of these cheques to the various brokers? Can you explain that set-up to us now?—A. Yes. We receive a statement once a month from all the brokers in which they charge us for their brokerage fees.

By Mr. Douglas (Weyburn):

Q. And they charge you on the basis of the number of bushels they have handled on behalf of the board?—A. Yes.

Q. Is it purely on the basis of the number of bushels handled?—A. Quite, yes.

Q. And it is on account of services rendered?—A. Yes.

By Mr. Ross (Souris):

Q. You do not issue a cheque until you have the demand from the broker?—A. I am afraid we would be in trouble with the auditors if we did.

Q. I was just asking as to what you actually did?—A. We would not issue a cheque without a statement.

Q. Covering exactly their transactions in futures?—A. Yes.

Q. Why would Mr. McIvor say it was on a pooling basis?—A. Mr. McIvor was explaining about the policy; I am dealing with the method of accounting which is entirely different.

Q. Yes; but I do not see where there is any pooling in connection with your answer; it does not appear in the statement.—A. I am sorry if I gave you that impression. Somebody asked me a definite question as to what system we had for the payment of brokerage.

Q. Yes, I did; and what was the policy. Now, as I think Mr. McIvor said, there was a pooling basis established during the last three years; but I do not see where there is any pooling in connection with your statement which you are giving now?—A. I think I would prefer to have you argue that out with him.

By Mr. Douglas (Weyburn):

Q. Just so we will be clear about this: the broker sends in to you a statement of the actual number of bushels handled or transferred on behalf of the board?—A. Yes.

Q. And you pay that brokerage based exactly on the amount of bushels that they have handled on your behalf?—A. Yes, that is correct.

Mr. DOUGLAS (*Weyburn*): That is plain enough.

The CHAIRMAN: Can we go on with the statement?

By Mr. Ross (Souris):

Q. That is very definite; you have never issued cheques to these brokers without their statements, actually on their futures?—A. I am definite on that point.

By Mr. Perley:

Q. How does this tie up with the idea that no one company was to handle more than 300,000 bushels on any one transaction. That is what Mr. McIvor told us the other day, that no one company with respect to any one transaction will be allowed to handle more than 300,000 bushels?—A. If any one broker handled 300,000 bushel for the board that would reflect itself in this statement at the end of the month and we would pay him accordingly.

By Mr. Ross (Souris):

Q. In your opinion there is no system operating amongst these brokers?—
A. Oh, no, I never suggested any such thing.

Q. I am just asking your opinion on this matter.—A. I am dealing with the actual figures as they are and explaining the position. Mr. McIvor was the man who dealt with policy.

Q. I mean, in so far as you are concerned, you are the man actually responsible for these disbursements as far as you can say——A. For the payments, yes; not for the policy.

Q. I am not asking you about policy, I am asking you about the details.—
A. I would not issue a cheque until I was satisfied that that money was due and payable.

The CHAIRMAN: Are there any further questions on this statement?

Mr. PERLEY: There are a number of questions we wanted to ask Mr. Findlay but I was going to suggest that we defer them until Mr. Diefenbaker gets back. We want to go into these financial statements in a little more detail than we have this morning; and also with respect to the export phase of the situation. I do not know whether it was you or he who Mr. McIvor said would give us a breakdown on the export business through the different firms, and as to the amount of futures that have been handled.

Mr. McIVOR: May I deal with that question now?

Mr. DONNELLY: Mr. Chairman, it is one o'clock.

The CHAIRMAN: Let's get Mr. Perley straight here: You have an explanation which you would like to have made on that, Mr. Perley; is that right?

Mr. PERLEY: Yes, but I really would have liked to have had one or two other members of the committee here.

The CHAIRMAN: We want to keep the record complete.

Mr. PERLEY: Mr. Diefenbaker when he went away said he would be back shortly, that he had other questions to which he wanted to get answers.

The CHAIRMAN: All I wanted to do was to get your question clarified and then we will see if we can get an answer to it.

Mr. McIVOR: The question that was asked by Mr. Perley this morning, as I understand it, is that he wants the Wheat Board to give him a list of the futures given out to the various brokers on behalf of the Cereals committee; is that clear?

Mr. PERLEY: Yes, all right, go on.

Mr. McIVOR: These futures are owned by the Cereals committee and the committee instruct us to give up various lots of futures.

Mr. PERLEY: Just a minute, you say these are owned by the Cereals committee?

Mr. McIVOR: They are sold to the Cereals committee by the Wheat Board.

Mr. PERLEY: By the Wheat Board?

Mr. McIVOR: Yes, in the first instance. The Cereals committee instruct us to give up to these various exporters various quantities of futures. You are asking us to give this information, to make available to this committee the information and the instructions of the Cereals committee on the giving up of their futures; that is the question you have asked?

Mr. PERLEY: Yes.

Mr. McIVOR: I do not see that we can do that without taking the matter up with the Cereals committee and obtaining their authority.

Mr. PERLEY: Well then, the Cereals Import Committee must have had representatives in this exchange here to clear these futures?

Mr. McIVOR: No, not at all.

Mr. PERLEY: What is that?

Mr. McIVOR: They send us cables every day.

Mr. PERLEY: You say that they bought futures in the first place; that they bought these futures?

Mr. McIVOR: I said in the first place that these futures were sold to the Cereals committee by the Wheat Board. They are the property of the Cereals committee.

Mr. PERLEY: Yes.

Mr. McIVOR: By daily cables they advised the Wheat Board to give up these futures to the various firms.

Mr. DOUGLAS (*Weyburn*): They clear the futures themselves.

Mr. McIVOR: Yes. I do not feel that we can, without breach of confidence with the Cereals committee, give you their names; not without their permission.

Mr. DOUGLAS (*Weyburn*): And these are not paid in the clearing house at all?

Mr. McIVOR: Oh, yes.

Mr. DOUGLAS (*Weyburn*): You say that you sell to the Cereals Import Committee; sales were made by the board of so many million bushels?

Mr. McIVOR: Yes.

By Mr. Perley:

Q. That is the record in the clearing house. Cleared in whose name?—A. Cleared through the exporters on instructions from the Cereals Import Committee.

Q. But how is the trade cleared. Are the first sale of futures, on that day?—A. It is not cleared that day, but later on when they actually buy the cash wheat.

Q. Then it is just an arrangement?—A. It is not an arrangement, it is a sale.

Q. All futures, trades, have to be cleared in the pit.—A. They are cleared eventually.

Q. Eventually?—A. Yes, when they buy the cash wheat. I made that perfectly clear the other day in answer to Mr. Douglas' question with regard to the disposal of cash wheat. These futures are the property of the Cereals Import Committee; they purchased them.

Q. But they are never cleared?—A. They are cleared eventually.

Q. It is just an adjustment?—A. No; it is a sale, a definite sale.

By Mr. Wright:

Q. An agreement to sell?—A. No; it is a sale.

By Mr. Perley:

Q. It is not done in the pit in the open?—A. It is done direct with the Cereals Import Committee.

Q. In the pit?—A. No; the Cereals Import Committee instruct us to give these futures up when they purchase the cash wheat. You asked to whom are futures given up, and I say they are owned by the Cereals Import Committee who purchased them from the board and told us by cable to give up these futures to the various exporters. You go further, and want to know what exporters these are given up to, and I say, as these futures are owned by the Cereals Import Committee we should ask their permission before we give that information.

Q. I am trying to find out how much export business is done by Richardson, Reliance and the others you have named?—A. I know what you want.

By the Chairman:

Q. You have nothing to do with that?—A. No.

By Mr. Perley:

Q. It is just a matter of agreement to sell so much wheat to the Cereals Import Committee?—A. No; we have made a sale.

Mr. DOUGLAS: I would like to raise the question raised when Mr. Findlay was answering questions. I move that the secretary secure from the government-owned leased elevators a statement of the amounts paid to them by the wheat board for storage in the last two years.

The CLERK: The motion you made before was to this effect:—

That the secretary obtain from firms operating government-owned elevators the amount paid to them by the wheat board for storage in the last two years.

Mr. DOUGLAS: Mr. Wright is suggesting that we should ask them also what they pay the government for the lease of the elevator, or we can secure that information from the minister.

The CHAIRMAN: So far as the agreements with the terminal elevators are concerned we will get that from the Board of Grain Commissioners as to whether or not they may also show the amount of earnings on any particular lot of grain any company may have secured that may be outside of their record.

Mr. DOUGLAS: I want their annual earnings from that particular source.

The CHAIRMAN: If you will hold your motion until we meet again I will ask the Board of Grain Commissioners what information they have on that particular point.

The committee adjourned at 1.04 p.m. to meet again at 4.00 p.m.

AFTERNOON SESSION

The committee resumed at 4:00 p.m.

The CHAIRMAN: If the committee will come to order, Mr. Findlay is still before you. Has anyone any further questions to ask him?

Mr. WRIGHT: Mr. Findlay was going to give us the agreements with the grain handling firms.

The CHAIRMAN: Mr. McIvor was going to deal with those. I am not sure whether or not they have the copies over here yet. That can come up under the item on the agenda about agreements with elevator companies, I think.

Mr. PERLEY: Has Mr. Findlay any further general statement to make?

The CHAIRMAN: No.

By Mr. Wright:

Q. There is an item in Exhibit "A" of the Report for the crop year 1940-41:—

Advance without interest received from the Department of Finance, Ottawa, and applied on the bank loans of 1938 Crop Account, under the authority of Order in Council P.C. 1678, dated 25th April, 1940, \$52,000,000.00 "

Just what is that?—A. That was a payment of a sum of money advanced to us by the Department of Finance. It was used to pay off a large part of the deficit on the 1938 crop. I may say that since then the balance of the 1938 crop has been paid off.

By Mr. Perley:

Q. Have you given us the complete breakdown on the net surplus of the operation on that statement Exhibit "A": "\$24,809,988.42"?—A. Yes, that was the surplus arising from marketing operations of what we termed the old wheat that was taken over.

Q. \$24,809,000 of a surplus?—A. Yes.

Q. Of which \$8,000,000 was transferred to the Department of Finance?—A. Yes.

Q. Leaving \$16,809,000 and a credit of \$4,902,309.36 to the credit of the board? It was not disbursed at all?—A. No.

Q. That is the last item?—A. No. That is merely the net result of the operations of the old wheat and the 1935 and 1936 crops.

Q. Just before we adjourned we heard the statement of Mr. McIvor. I was going to ask him with respect to the amount of business given to the different export companies?—A. Yes.

Mr. PERLEY: That is Reliance and Richardson. Mr. McIvor said they would not give that statement until they referred the matter to the British authorities. Is that the understanding, Mr. McIvor?

The CHAIRMAN: I think the committee should deal with that as a committee. Would you make a motion as to what you have in mind in that regard.

Mr. PERLEY: I just asked the question as to how much business has been given to Reliance and the different exporters, to break down the business distributed among the exporters.

Q. Is it on a similar basis to what they do with the brokers, or how is it?—A. Well, from what I understood of Mr. McIvor's statement this morning the board has not anything to do with the manner in which these people may do business for the Cereals Import Committee, and so far as they have any jurisdiction as to the allocation of any amount of business these firms may do, it does not come under them.

Q. He can tell us how much wheat they delivered to the Reliance people and Richardson to fill any orders they had from the Cereals Import Committee? (No response.)

The CHAIRMAN: I suppose so. I suppose their records would show it but I question the wisdom of our having the right to disclose business of that character between two other institutions.

Mr. PERLEY: Mr. McIvor said this morning that he was going to see if he could get permission before he gave that information.

Mr. DONNELLY: Does Mr. McIvor give the business to these import brokers or is it the Import Board of England who ask the brokers to get so much wheat for them?

Mr. McIVOR: The Cereals Import Committee instruct us to give up futures against cash wheat purchases. It is entirely in the control of the Import Board.

Q. And you do not have anything more to do with it except to hand it over?—A. No.

Mr. PERLEY: Will Mr. McIvor give us information as to how much he pays over?

Mr. WARD: What does Mr. Perley expect to gain by getting this information? Will it change the aggregate cost in any way?

Mr. PERLEY: Possibly not. It is just to get the information as to how much business our Canadian firms do, and how they get the business.

Mr. DONNELLY: You have a record of how much wheat is shipped to England.

Mr. PERLEY: Can we not get a statement as to how much the different exporters exported from Canada?

The CHAIRMAN: I looked back at the Farm Implement inquiry conducted here and to the statement made by a minister in the House this afternoon, where the policy has been not to disclose business done with individual firms.

Mr. DONNELLY: I do not know that the board has the right to give that information, as to the business done with individual firms. If the Englishmen give that business to a certain broker and ask him to get so much wheat for them, I do not see that we have the right to expose his business deals.

Mr. SENN: He is dealing with a commodity that belongs to the producers.

Mr. PERLEY: It is a matter for the committee to decide.

Mr. ROSS (*Souris*): Following Mr. Donnelly's question, I thought Mr. McIvor said quite definitely that there was a set price for wheat, and now he says during this discussion that he asked the Import Board to handle their futures

Mr. McIVOR: No. May I again explain that, Mr. Chairman?

The CHAIRMAN: Yes.

Mr. McIVOR: The Cereals Import Committee purchase from the exporters their cash wheat. They purchase from those exporters that quote the most favourable prices. They have already prior to these purchases being made purchased round lots of futures from the wheat board. As they purchase their cash wheat, they cable from London to the wheat board requiring us to give the equivalent amount of futures to the various firms from whom they purchased their cash wheat. As I said this morning in my opinion this concerns the Cereals Import Committee and the exporters, and I think it would be highly improper for us to give that information without communicating with the Cereals Import Committee.

Mr. ROSS (*Souris*): They purchase this cash wheat from the exporters, and how do you arrange between the cash price that the board are receiving and the exporters?

Mr. McIVOR: I said the other day that they adjusted the price. If the price happened to be higher we pay them the difference, and if the price is lower they pay us the difference by cable transfer; and the reason for that is that the price is not disclosed by following that method.

By Mr. Senn:

Q. Mr. McIvor, does the Cereals Import Committee pick the exporter they wish to deal with?—A. Yes, they purchase from the lowest seller.

By the Chairman:

Q. Mr. McIvor, the exporter goes after the business?—A. Yes.

By Mr. Perley:

Q. He makes an offer and they accept it. You say the futures are held by the board on account of the Cereals Import Committee?—A. No. Again I say, Mr. Perley, that the futures are sold by the board to the Cereals Import Committee in round lots and they show on the books of the board as a sale to the Cereals Import Committee.

By Mr. Douglas (Weyburn):

Q. Not to the exporter?—A. No. And the Cereals Import Committee when they purchase their cash wheat instruct the board to give these futures up to the exporters on their behalf. And I illustrated that the other day by saying if they sold 100,000,000 bushels in futures and purchased a cargo of 300,000 bushels and instructed us to give up 300,000 of futures, that would reduce their position to 99,700,000 bushels.

By Mr. Senn:

Q. What I do not know about this matter would fill quite a big book, but I would like to know if possible where the exporters get their cash wheat?—A. I gave an explanation of that the other day, too, and made it as clear as I could; but perhaps I did not make it clear enough. The fault may be mine. I said that in the first instance they purchased the cash wheat at Fort William and moved it down to the seaboard and offered it to the Cereals Import Committee f.o.b. the steamer at the seaboard.

Q. They purchase the cash wheat from the board?—A. Yes, or anybody else who may be a seller of cash wheat.

Mr. PERLEY: With regard to that sale of futures which is mentioned, this 120 million bushels for the first thirteen days of May, what you have outlined now is how the Cereals Import Committee of the United Kingdom converted that future into cash wheat, is it not?

Mr. McIVOR: Yes.

Mr. PERLEY: How long did that take?

Mr. McIVOR: That all depends on the amount of cash wheat they brought and the rate they bought it at; probably five or six months.

Mr. PERLEY: And in the meantime there is not any of these trades cleared back through the clearing house, as you said this morning.

Mr. McIVOR: I think I used the words, "They were cleared eventually." They are cleared as they purchase the cash wheat.

Mr. PERLEY: What I want to get at is this. This report says these futures were sold in the first thirteen days of May, and you say they were cleared eventually. Explain to us how you can make a trade in those thirteen days and not clear them the day the trade is made. The clearing house has to balance sales and purchases, does it not?

Mr. McIVOR: Yes.

Mr. PERLEY: You cannot be long or short. How can you make this sale of futures in those thirteen days there and not clear them? You say, "They are cleared eventually"?

Mr. McIVOR: Well, it is not cleared through the clearing house until actually the cash wheat is sold.

Mr. PERLEY: That is just what I was coming at this morning. I said it was just an adjustment.

Mr. McIVOR: It is not an adjustment at all. It is a sale.

Mr. PERLEY: All right. Leave it there. That is fine.

Mr. McIVOR: If a sale of futures to the British government of 120 million bushels at a certain price is an adjustment, then I agree with you. But it is not an adjustment. It is a sale.

Mr. PERLEY: It is an adjustment as far as that is concerned.

Mr. McIVOR: It is a sale to the biggest buyer in the world.

Mr. PERLEY: But these are consummated or cleaned up from time to time. Adjustments are being made. It is just the same as a mutual agreement. They never have cleared that amount on those days.

Mr. McIVOR: That does not make any difference. What is the obvious point there?

Mr. PERLEY: I want to get the position of the clearing house. Will you provide us with the clearing sheets, showing the disposition of this 120 million bushels.

Mr. McIVOR: That is exactly the same thing, only in another way.

Mr. PERLEY: All right. Can we have the clearing sheets produced?

Mr. McIVOR: As I said this morning, this is the business of the Cereal Committee and those exporters from whom they purchased. If your committee wants the wheat board to ask the Cereal Committee to disclose this information, we will have to ask that. But as I say, it is the business of the exporters and the Cereal Import Committee.

Mr. PERLEY: Well, here is a report and it states that in the first thirteen days of May, 1941, you sold 120 million bushels of futures, one of the largest sales ever consummated. Now I should like to have the clearing sheets produced for those sales.

The CHAIRMAN: Are you proposing that as a motion or what, Mr. Perley?

Mr. PERLEY: Yes, sure.

The CHAIRMAN: Would you be good enough to write it out so the committee will have it?

Mr. PERLEY: The reporter has got it.

The CHAIRMAN: You write it out.

Mr. McCUAIG: Will the production of these sheets put any money in the farmers' pockets?

Mr. McIVOR: Frankly, Mr. Chairman, I think that the Cereal Committee will think you have gone a fairly long way. That is my frank opinion. We would have grave doubts about asking for any information that concerned their business in England.

Mr. McCUAIG: I do not think we should embarrass these people unless it is going to be of some benefit to those whom we wish to help. If we are only on a fishing trip, we might as well close up the committee.

Mr. PERLEY: We are not on a fishing trip at all. That has been an insinuation which has been made quite often here. We are only trying to get an explanation of this statement.

The CHAIRMAN: Are you proposing a motion, Mr. Perley?

Mr. PERLEY: I am proposing a motion that the wheat board be asked to produce the clearing sheets for the period of the first thirteen days of May, 1941, for the sales of 120 million bushels.

The CHAIRMAN: Have you got it written out?

Mr. PERLEY: I will have it written out in a minute.

Mr. DONNELLY: May I speak to the motion, Mr. Chairman? Mr. McIVOR said that it is going to embarrass the Cereals Import Committee. The British Cereals Import Board is the only customer we have today, practically, for Canadian wheat. It is the only market we have left. Surely we as producers wanting to sell them our wheat should not do anything here that is going to embarrass, interfere with or hurt our market over in England. I think it would be absolutely wrong for this committee to pass any resolution or do anything that would embarrass or interfere in any way with our export of wheat to England. If Mr. McIVOR says it is going to embarrass these people or interfere in any way with their trade, I am surely against it one hundred per cent.

Mr. GOLDING: Hear, hear.

Mr. PERLEY: I do not know whether I can get a seconder or not, but this is my motion.

The CHAIRMAN: We will ask the clerk to read Mr. Perley's motion.

The clerk read the motion as follows:

Moved by Mr. Perley that the wheat board produce the clearing sheets for the 120 million of futures to the United Kingdom of May 1st to May 13th, 1941.

The CHAIRMAN: Is there a seconder for that?

The CLERK: It does not need a seconder in committee.

The CHAIRMAN: Very well.

Mr. SENN: I will second that, in any event.

Mr. DOUGLAS (*Weyburn*): You do not need a seconder in committee?

The CLERK: There is no seconder needed in a committee of the house.

The CHAIRMAN: Is there any discussion on the motion, then?

Mr. FOLLIOTT: These clearing sheets from the 1st of May to the 13th of May will not show the sale at all. These futures are cleared, as Mr. McIvor has said, when the cash trade is made. That would sometimes be maybe a month, two months or three months after. Actually what happened when we made that sale of 120 million, we addressed a sales confirmation to the Cereal Board that reads something like this: "We hereby confirm the sale to you of 120 million bushels of Winnipeg wheat futures at—price." That confirmation is signed by the three members of the board. It is sent across to the other side and the Cereal Board returns us a copy of it duly signed by their board. Actually there is a sale in writing of this 120 million bushels. The futures would not be cleared on the date Mr. Perley speaks of at all. They would be cleared some time in the future. So getting those sheets will not help you one iota.

Mr. PERLEY: As I understand it then, this does not mean practically anything at all. It does not mean what it says. It says that they sold 120 million bushels between the 1st and 13th of May. It is not cleared in those days. That is, you do not clear that amount during that period.

Mr. McIVOR: The fact that it was not cleared does not say that it is not a sale. If a contract with the British government, as outlined by Mr. Folliott, is not a sale, then it is not a sale. But it is definitely a sale.

Mr. PERLEY: All I am trying to claim is it is an agreement to sell them so much wheat.

Mr. McIVOR: No. It is a sale. The prices are named and the quantities.

The CHAIRMAN: The committee has a motion before them. Is there any further discussion on the motion? If not, I will ask those in favour to signify by raising their hands. Contrary, if any?

The motion was negatived on a vote of fourteen to four.

The CHAIRMAN: I have to declare the motion lost. There was another motion made by Mr. Douglas. I will ask the clerk to read Mr. Douglas' motion.

The clerk read the motion as follows:

That the secretary be instructed to get in touch with the firms who have leased government-owned terminal elevators with a view to receiving from them the amounts of money received by them for storing grain in those elevators during the two years 1939-40 and 1940-41.

The CHAIRMAN: Is there any discussion on this motion?

Mr. ROSS (*Souris*): Would you mind reading that again?

Mr. DONNELLY: What elevators are these referred to, the one North of Vancouver?

Mr. WRIGHT: All government elevators.

Mr. DONNELLY: Would that be the Prince Rupert elevator; is that rented at the present time?

Mr. DOUGLAS (*Weyburn*): I think there are only three, two at Port Arthur and one on the B.C. coast.

Mr. DONNELLY: I did not think there were two at Port Arthur; there are two there, but one of them is owned by the Canadian National. What information do we expect to get from that?

Mr. WRIGHT: Just exactly what it says, the handling of the farmers' grain.

Mr. DONNELLY: I tell you these elevators are entirely in the hands of the Grain Commission; and our grain commissioners are here. I do not see why we do not get them on the stand and find out something about these elevators before we begin to inquire into them. We have Mr. MacKenzie and the grain commissioners here now. They have charge of this. They set the charges; they control them. There is a man looking after all the internal elevators, Mr. Heatherington. If we want to get Mr. Heatherington we should get him down here, because he has charge of all the internal elevators, the government elevators. If we want information, to write to each one of these people and ask them how much business they have done means nothing at all.

The CHAIRMAN: The Board of Grain Commissioners are here and we expect to have them before the committee. The only point that comes to my mind in considering this motion is what happened in the house to-day when a similar question was asked of one of the ministers with respect to the business done by individual firms. I am thinking of our right to have such information disclosed after what happened in the house. The house apparently endorsed the stand that the minister took with respect to that motion, and I wonder how far this committee can go beyond that. Would the committee wish to have at this stage a statement from a representative of the Board of Grain Commissioners as to their jurisdiction and to what extent they would have information of this character available? Apparently what is sought here is information directly from the firms concerned. I do not know whether it would mean calling representatives of these firms before the committee or not. Would the committee have a statement from the representative of the Board of Grain Commissioners in regard to what position they take with regard to the operating of the terminal elevators? Probably we can clarify this situation before I put this motion.

Mr. Ross (*Souris*): I do not suppose they are in a position to give this information.

Mr. DOUGLAS (*Weyburn*): They can only give information with regard to the amount of grain stored in government-owned elevators. They cannot tell the amount of grain stored in the elevators leased from the government. I asked Mr. Findlay that this morning and he said he could not give it to us. The only people who can give it to us are the firms themselves.

Mr. WARD: Mr. Chairman, this committee has not the power to compel these firms to give us the information we are seeking.

Mr. DONNELLY: Take for example one of those elevators. The owners of those elevators may have a thousand bushels of government wheat, but the rest of the wheat may be their own stored in their own elevators. What right have we to ask them to produce their books to show how much wheat they have stored? I do not think we have any right at all. The same thing applies with regard to the Canadian National Railways. That elevator is rented by the pool. The pool may have 70 or 80 per cent of their own wheat that they bought outright and not government wheat at all. What right have we to ask them for that information? It is absolutely ridiculous to ask them to expose their business that way.

Mr. SENN: I cannot agree with that at all. I remember very distinctly an investigation that took place with regard to the agricultural implement industry. All such information as that was given and given freely.

The CHAIRMAN: It was not given in public where you could identify the firm.

Mr. SENN: I remember also an investigation into the fluid milk situation and all these firms gave all that information.

Mr. DOUGLAS (*Weyburn*): It seems strange it is always ridiculous the moment you want information on what is being done with the people's money. Here you have a situation where at least three—I think that is correct—

government elevators are leased by three private concerns in which they are storing grain. We can find out how much they are paying for the lease of those elevators. We have the right to know in dollars how much is being paid to these firms for storing that wheat here which ultimately comes from the producer. Everything that the consumer pays that does not come back to the producer is something less that the producer is getting for his product. It cannot all come back; freight rates must come out; some charges must come out; but there is growing the feeling there are too many charges in between the producer and the consumer. This committee has the responsibility to investigate what is happening to money that ought to be coming back to the producer.

Mr. DONNELLY: A lot of this wheat in these elevators is not owned by the producers at all; it is owned by the firms themselves. The MacKay people went out to the country and bought this wheat; it is their own; they buy it and put it there and it is their own wheat held there. If you want to know the amount of rent or want to know the reason why we rent them, that is germane to it; but to ask these companies how much wheat you have in there belonging to the government—

Mr. DOUGLAS (*Weyburn*): No, ask them direct how much they receive for storing wheat in the elevators.

The CHAIRMAN: This motion will require the calling of witnesses here, and of course that will have to be decided on later.

Mr. DOUGLAS (*Weyburn*): It is not necessary to call witnesses at all; all you have to do is write them and ask them to file a financial statement; that is all you need.

Mr. SOPER: We have no right to ask these firms about their private business; we have the right to know what they are paying the government for the elevators, but we have no right to know what they are making—

Mr. PERLEY: You have the right to know the earnings of the elevators.

Mr. SENN: Have we not the right to know what they charge the wheat board for storage?

Mr. SOPER: We have no right to inquire into their private business at all.

Mr. PERLEY: I think this is a matter that we are interested in because, as Mr. Turgeon says in his report, all these charges, brokerage charges, commissions, and all, come out of the farmer, the producer, or the consumer, one of the two. We just want to find out what it is costing the consumer and the producer to carry this wheat, that is all. That is the only way you can get it.

Mr. ROSS (*Souris*): The other day we had quite a conversation carried on back and forward between Mr. Donnelly and Mr. McIvor on the chart, and big play has been made across the country on the \$10,500,000 that the wheat board has saved in handling futures. We have tried to chase that thing down further; it has been proved it is a very complicated matter, the matter of storage facilities and so on. People who have bins will probably bid for this thing. It is part of the picture. You will never be able to prove conclusively what the costs are without getting this information. Probably that tremendous saving has been made in futures trading. If we cannot get the information, we might as well quit; we cannot prove the case for the producer.

Mr. DONNELLY: As far as that is concerned, in those spreads that Mr. Ross is talking about, I might say that I have just taken this table I have here of comparative cost prices and I made a computation and I find that it is 1,212,364,000 and that had the board carried them and paid their usual storage they would have been paying something like \$32,404,034. On the other hand, we have turned around and we have sold the futures. They were able to carry out that \$21,461,000 and thereby save \$10,842,000. You can take this and calculate it. They are all there.

Mr. SENN: Is this evidence?

Mr. DONNELLY: It is evidence. You can take the list as it is and make the computation yourself.

Mr. DOUGLAS (*Weyburn*): It does not prove a thing. It only proves you are paying too much storage.

Mr. DONNELLY: No, it does not. That is a matter of argument entirely.

The CHAIRMAN: There is a motion before the committee.

Mr. ROSS (*Souris*): It appears that we want this information on this resolution; it is definite.

Mr. PERLEY: Mr. Donnelly will admit that those futures of one billion are repaid by cash wheat somewhere.

Mr. DONNELLY: It does not mean there is a billion bushels of cash wheat; it may be 400,000,000 or 500,000,000 or 600,000,000 spread from month to month.

Mr. PERLEY: It is all represented by cash wheat somewhere.

Mr. GOLDING: I am much in the position of Mr. Senn because I confess I do not know a great deal about this whole question, but would you mind telling us, Mr. Chairman, now how long these leases last and when they were entered into and by whom they were entered into?

The CHAIRMAN: That information, of course, will be secured from the Board of Grain Commissioners. We will bring them on the stand.

Mr. WARD: Mr. Chairman, I think you made a bright suggestion a few moments ago, that we call the members of the grain board—we have them here in the room—before this motion is put.

Mr. PERLEY: May I ask your opinion on this, Mr. Chairman? If this motion is refused and, as you interpret it it may mean calling witnesses, how far are we going to go, or will we be refused permission to call witnesses from the clearing house and from some of the exporters. Are we going to be refused to call witnesses of that nature from the cash grain men, the elevator men, and these operators of the terminal elevators we are speaking about now?

The CHAIRMAN: That will be the responsibility of the committee; certainly it will not be that of the chairman.

Mr. PERLEY: If we vote this down and that is evidence of what is going to happen in all the other cases, we might as well close up.

Mr. DOUGLAS (*Weyburn*): There is no point in letting the motion stand. It is already recognized that the Board of Grain Commissioners cannot give us any information about the amounts of money paid to these firms, and the only people who can give us the information are these companies; but if it is going to facilitate matters to have the motion stand over I will not raise any objection.

Mr. ROSS (*Souris*): I suggest, Mr. Chairman, that we ask the chairman of the Board of Grain Commissioners who is here now if he can answer this question, and if he cannot there is no use going ahead. If he thinks he can answer it, why let him; if not, I do not see anything gained by it.

The CHAIRMAN: The suggestion was made a moment or two ago that the Board of Grain Commissioners might indicate what information they could give, and if the committee wish to have a statement from representatives of the Board of Grain Commissioners now I shall be glad to bring them forward. If that is agreed by the committee I shall call on the chairman of the Board of Grain Commissioners.

Agreed.

D. G. MACKENZIE, Chairman of the Board of Grain Commissioners for Canada, called.

The CHAIRMAN: Mr. MacKenzie, we are asking you to reply to a request made by this committee with respect to the operation of government-owned terminal elevators.

Mr. DONNELLY: I think Mr. MacKenzie ought to come up here and take the stand.

Mr. Findlay retired.

The WITNESS: Mr. Chairman and gentlemen, I would say that so far as the Board of Grain Commissioners are concerned we are very glad to give any information we can relative to the administration of the Canada Grain Act. Coming to the immediate question as to what we can give you in respect of earnings of terminal houses, perhaps all I can say is that the Board of Grain Commissioners leased one house at the head of the lakes, they operate a terminal house at Churchill and one at Prince Rupert and five interior terminal houses. We can give you all the details of the lease in respect to the house that is leased at the head of the lakes, but we cannot tell you what the income of that company is; we have no way of knowing. We could check it so you might see then what the warehouse receipts are against the stocks or at the time of the weight-over. We would know what grain is in the house; but we cannot tell in any way at all what the earnings of the company are because there is free storage on part of that grain for any number of days up to fifteen, and we would not know the conditions under which the grain came into the house. In respect to the houses that we have under our complete jurisdiction, we are prepared to give you any information you would like as to the earnings of any of those houses; but that, Mr. Chairman, is all the information that I think the Board of Commissioners can give you relative to the operation of elevators.

By the Chairman:

Q. Is there only one government-owned terminal elevator that is leased?—

A. That is all that the Board of Grain Commissioners have. The Canadian National Railways have one at the head of the lakes.

By Mr. Douglas (Weyburn):

Q. That is not handled through the Board of Grain Commissioners?—A. No.

Q. It is handled through the Canadian National Railways?—A. Yes.

Q. That also is government-owned?—A. It is a government-owned house.

Q. How many government-owned houses have you?—A. If you call the Canadian National Railways a government-owned house—

Q. Of course, it is. How many government-owned elevators are there?—

A. Just the one.

Q. Altogether across Canada?—A. Oh, we have, as I said, one at the head of the lakes, one at Prince Rupert and one at Churchill and five interior terminals.

Q. How many of them are leased?—A. Just the one at the head of the lakes.

Q. The one on the coast is not leased at Prince Rupert?—A. No.

By Mr. Donnelly:

Q. Who looks after the Prescott elevator and the Halifax elevator? Whom would those come under?—A. Might I refer that question to Dr. MacGibbon?

Mr. McIVOR: They come under the National Harbour Board.

The WITNESS: The only one we have under our jurisdiction is the one now leased from MacKay Elevators.

By Mr. Donnelly:

Q. Now, you rented the elevator at the head of the lakes at Fort William or Port Arthur from the MacKay Brothers, and you ran it sometimes yourselves.

The CHAIRMAN: Dr. Donnelly, that is coming back to the other question. We might as well ask Mr. MacKenzie one specific question, and we have asked that question and he has answered it.

The WITNESS: I have a brief prepared on that, and it will give you all the information relative to that as soon as we come to it. I did not bring it this afternoon, not anticipating that this matter would be brought before you. When it comes before you we will then give you all the conditions of the lease.

The CHAIRMAN: Now, let us come back to Mr. Douglas' motion. The committee thank you, Mr. MacKenzie.

Mr. MacKenzie retired.

The CHAIRMAN: Does the committee wish to deal with Mr. Douglas' motion now or wait until after they receive the report from the Board of Grain Commissioners?

Mr. DOUGLAS (*Weyburn*): I cannot see any advantage in waiting.

Mr. ROSS (*Souris*): There is nothing to be gained by waiting.

Mr. GOLDING: Let us deal with it after we have received the report.

Mr. ROSS (*Souris*): The Chairman of the Board of Grain Commissioners has definitely told you he cannot give any information such as is asked for in this resolution. Why wait.

The CHAIRMAN: There is one matter involved in this resolution.

Mr. MACKENZIE: Mr. Chairman, may I correct a statement I made a moment ago. I find that I am wrong in respect to the Churchill elevator; the Harbour Commission operate it—the Department of Transport operate the house at Churchill. I want to make that correction so it will appear right on the minute.

The CHAIRMAN: What are we going to do with this motion?

Mr. ROSS (*Souris*): Question.

The CHAIRMAN: The question is called. Are you ready for the motion?

On division the motion was declared lost.

Mr. DOUGLAS (*Weyburn*): I suppose there will be something we will be able to find out before we finally adjourn.

The CHAIRMAN: Now, can we continue with the information we were getting from Mr. Findlay, or do you wish to go on discussing the item, namely, the agreement with elevators for handling board wheat?

Mr. PERLEY: Mr. Chairman, we are jumping around quite a little bit. I would like to ask Mr. McIvor one question. Mr. McIvor, I have here a statement or an item appearing in one of the western papers dated the 16th of April to the effect—it states a despatch from Winnipeg that the wheat board had purchased about 900,000 of May wheat on an adjustment basis.

The CHAIRMAN: What date is that?

Mr. PERLEY: This despatch is April 16th.

The CHAIRMAN: What year?

Mr. PERLEY: 1941—on an adjustment basis.

Mr. McIVOR: Is the date 1941 or 1942?

Mr. PERLEY: 1942—the 16th April, 1942.

Mr. DONNELLY: This has to do with the freezing of the market.

Mr. McIVOR: That is right.

Mr. DONNELLY: That has to do with this P.C. 1802, and we have this to deal with separately. If you want to take this up now and deal with it, well and good, but this is a separate matter entirely—dealing with the freezing of the market.

Mr. PERLEY: I want to know about the words "adjustment basis".

Mr. McIVOR: I do not know what information you have there.

Mr. PERLEY: It is a clipping from a western newspaper.

Mr. McIVOR: I say that if that is correct that that is under Order in Council 1803.

The CHAIRMAN: Now, would the committee be agreeable to go ahead and discuss the elevator agreements?

Mr. DONNELLY: We have Mr. Crerar here. Is there anyone who wishes to ask Mr. Crerar any questions in connection with the arrangement made with the British Import Board with respect to the purchase of wheat in 1939?

The CHAIRMAN: Mr. Perley asked some questions of Mr. Gardiner, and that is how the matter came up.

Hon. Mr. CRERAR: I am not a member of the committee. I am sitting here by courtesy, and I have not the right to speak.

Mr. PERLEY: The question came up this morning about the discussions that took place overseas when Mr. Gardiner was over there and while you were over there, and there was some discussion as to what periods the two ministers were over there. It was finally settled, that you were over prior to Mr. Gardiner—in the late fall, was it, of 1939 or early in the winter of 1940. There was some discussion.

Hon. Mr. CRERAR: I was there about the 29th October, 1939, to the 15th December.

Mr. DONNELLY: That is the last time you were there?

Hon. Mr. CRERAR: Yes, that is the last time I was there.

Mr. PERLEY: Is there any information you could give to the committee with respect to the discussions on the wheat question? No doubt you discussed that with the authorities over there—with respect to the closing of the exchange—or prices?

Hon. Mr. CRERAR: Yes, there was some discussion, but I am not at liberty to tell you what the discussion was.

Mr. PERLEY: I will defer the question.

Hon. Mr. CRERAR: I might refer here to another matter that was mentioned in the house not very long ago, I think, by Mr. Fair, that I had been instrumental in influencing the Foods Ministry or the Cereals Import Board in London to keep the Winnipeg market open.

Mr. PERLEY: Who made that statement?

Hon. Mr. CRERAR: Some statement was made to that effect in the house, I think, by Mr. Fair—that was the inference to be drawn, at any rate. I simply wish to say to the committee that this subject was never mentioned at all; whether or not the Winnipeg Grain Exchange should be kept open was a matter between the wheat board and the Cereals Import Board or the Food Ministry in Britain. I do know that they wanted the market kept open, but I had no discussion with them about that at all.

Mr. DONNELLY: Mr. Crerar, I might say this, that at one of my meetings one of the directors of the pool made the statement that Mr. Gardiner had come back from overseas, and he said he had talked with Mr. Gardiner about the Grain Exchange being closed, and Mr. Gardiner led them to believe the Grain Exchange was going to be closed, and when you came back you said it was going to be kept open and so left the impression you had been instrumental in keeping it open. What do you say?

Hon. Mr. CRERAR: I say they were a little bit out in their chronological order, because Mr. Gardiner was over there the year after I was.

Mr. DONNELLY: I might say that as far as opinions expressed in regard to the opening or closing of the Grain Exchange are concerned, I have here the

report of the Turgeon Royal Grain Inquiry Commission. The same thing came up before, and Mr. Justice Turgeon inquired into this matter and reported on it, and I have here the report. Mr. Perley referred to it earlier this morning. Here are some of the questions and answers put and answered before the Turgeon Commission when it was in England:—

What views are held regarding the effect of the sale of Canadian wheat in the British Isles in case the Winnipeg Futures Market should cease to operate, as has been advocated by some of those who have made submissions to the Commission in Canada.

Answer: the closing of the Winnipeg Futures Market would have a detrimental effect upon the volume of Canadian grain business.

Mr. DOUGLAS (*Weyburn*): Who said it? Who is answering the question.

Mr. DONNELLY: This is the answer given in England.

Mr. PERLEY: By whom?

Mr. DONNELLY: It appears at page 167 of these proceedings.

The CHAIRMAN: I think we are going to continue to argue a good deal on that particular point and it is not really before the committee as to what anybody's opinion might be. The committee is naturally interested in attempting to gather information as to the advisability or otherwise of recommending that the exchange be closed, of course.

Mr. DOUGLAS (*Weyburn*): Particularly in the light of the war situation.

The CHAIRMAN: Yes, but we are not to judge by other people's opinions in that regard, and I think the committee is anxious to get on with what is before it immediately, and the wheat board members are anxious to get through as quickly as possible. If that is agreeable, I would like to recall Mr. McIvor re the agreements with elevator companies for the handling of board grain.

Mr. DOUGLAS (*Weyburn*): What follows that item?

The CHAIRMAN: The basis on which the quotas were arranged.

Mr. DOUGLAS (*Weyburn*): Can we discuss order in council 1803 at some time?

The CHAIRMAN: Yes, later on.

Mr. GEORGE McIVOR, recalled

By the Chairman:

Q. Mr. McIvor, will you discuss the matter of the agreements with the elevator companies to handle board wheat?—A. Yes.

The CHAIRMAN: Copies of those agreements were going to be made available.

Q. Mr. McIvor, explain as to how the agreements are arrived at and how often they are revised, as the basis of starting the discussion?—A. Yes. Mr. Chairman and gentlemen, I have here a document of which I know there are additional copies in Ottawa and I am sorry they are not here for you now, but we have not been able to obtain them. This document is known as a memorandum of agreement between the elevator companies and the wheat board for the handling of board wheat, and when I say "elevator companies" I mean the producers' organizations, that is, the pools and the United Grain Growers and what are known as the line elevator companies. This agreement was first made in the crop year 1935-1936 between the McFarland board and the elevator companies. The agreement was renewed in 1936-1937 at the time of the Murray board; and 1937-1938, of course, was a light crop year and the board did not operate and there was no agreement that year. The agreement

was again renewed in 1938-1939 with the present board, and also in 1939-1940, 1940-1941, and I will deal with the 1941-1942 agreement. It provides for the handling of wheat known as special bin wheat or Class "A" wheat. It provides for storage to grade wheat. It provides for storage of wheat subject to grade and dockage. And it provides for the handling of street wheat.

By Mr. Perley:

Q. May I ask whether the sections are numbered?—A. Yes.

Q. Please see if I have the correct copy of this agreement?—A. This is the agreement, Mr. Perley, if you desire to make sure. On the back it states: "Crop Season 1941-42," and it is dated August 22, 1941. I have an extra copy of the agreement here so I will leave that copy with you.

Now, Mr. Chairman, I do not know whether it is the wish of this committee that I should go through all of these various sections of the agreement, or whether the committee wish to ask questions.

By the Chairman:

Q. I think you should tell the committee what you require the elevator companies to do on your behalf. You may start from there?—A. The situation is simply this, in regard to this agreement: Under Class "A" the elevator companies are required to receive from producers on behalf of the board special bin wheat for which they charge a handling charge of $1\frac{3}{4}$ cents per bushel and a 1 cent service charge, or a total of $2\frac{3}{4}$ cents.

By Mr. Donnelly:

Q. Is the ordinary charge the maximum fixed by the Board of Grain Commissioners?—A. That is the maximum.

Q. That is the maximum charge fixed by the Board of Grain Commissioners?—A. Yes. Then with regard to street wheat the agreement requires the elevator companies to pay on behalf of the Board the prices as set out in Schedule "A" on the back of the agreement. The elevator companies are required to report delivery of this wheat to the board. In the case of Class "A" wheat they report the delivery of the wheat to the board when it reaches the terminal. That is special bin. In the case of street wheat they report the deliveries of wheat as it is received at the country elevators.

By Mr. Perley:

Q. As to Class "A" wheat when it reaches the terminal do they not report to you daily?—A. No, not on the Class "A" wheat, because it has not actually been delivered.

Q. Then they ship out the "A" Class as they desire, and not on instructions from the board?—A. No. They ship that wheat out on the instruction of the farmer.

Q. The farmer can deliver it to the elevator and hold it there a few days, and then he has to decide whether he is going to pay storage there or ship it on?—A. Yes.

Q. And you are not interested in it really until it reaches the terminal?—A. That is quite right; we do not know whether it is actual board wheat or not until it has reached the terminal.

In regard to the street wheat the elevator companies grade this wheat in the usual way, and they issue a cash ticket to the farmers to deliver it for the amount of the load that he has delivered. In addition they give him a participation certificate. The elevator companies are the agents of the board. On the street wheat the margin is set out in the agreement. I will just get the clause here.

Q. Is it section 19?—A. Yes. I will read all those clauses from 18 down because they are important:—

18. For handling wheat in Class "A" the company will be entitled by way of remuneration to the usual elevator handling, storage, service and other charges. In addition, the company, if an advance has been made to the producer, is to have interest at the rate of five and one-half per cent. ($5\frac{1}{2}\%$) per annum. The board will repay the company the Fort William/Port Arthur or Vancouver board fixed price upon delivery by the company to the board of unload documents for wheat forwarded by the company to the board, subject to the provisions contained in paragraph 22 of this agreement.

I will read clause 22 later.

19. The board will pay to the company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of .02851 of one per cent per bushel per day

That is, as Mr. Findlay explained this morning, $\frac{1}{45}$ th of a cent per bushel per day plus interest at $4\frac{1}{2}$ per cent worked out on a fractional basis per day.

. . . said carrying charge to commence on the date of mailing or delivery to the board of the regular daily report form reporting this wheat to have been received into the company's elevator, and will continue to pay this carrying charge until three (3) days after the date the wheat is unloaded at terminal points or such other destination as directed by the board, provided that the maximum carrying charge shall not exceed thirteen (13) days from the date of bill of lading. The three (3) day allowance will not apply when mill documents are available for delivery to the board the first or second day after unload. The carrying charges accruing and due to the company will be paid to the company as at the fifteenth and last day of each month within five (5) days of the receipt of a correct statement from the company. The board will pay for such wheat on date of invoice at board fixed price, subject to provisions contained in paragraph 22 of this agreement.

Then Clause 20 reads:

Subject to the regular free storage period, the board will pay the company a storage charge of one-forty-fifth ($\frac{1}{45}$ th) of one cent per bushel per day on wheat stored in terminal elevators at Fort William or Port Arthur, and at Pacific Coast terminals of one-sixtieth ($\frac{1}{60}$ th) of one cent per bushel per day, and will pay accrued storage at the end of the company's fiscal year.

Clause 21 reads:

Subject to the right of the producer to direct that his wheat in carload lots shall be billed to any terminal elevator selected by him, at board delivery points, which right is admitted by the company, all board wheat of whatever class forwarded to terminal points shall be handled through any terminal elevator the company may desire provided such terminal elevator selected by the company is licensed under the provisions of the Canada Grain Act in the then current year to accept wheat other than wheat belonging to the manager or operator of such elevator. The board shall have the right to direct the shipment or diversion of wheat to interior mills within the western inspection division,

Churchill, Prince Rupert, or to points other than terminal points within/Canada or the United States, and to interior government terminal elevators. If the board does direct shipment or diversion to interior mills within the western inspection division, to Churchill, Prince Rupert or to interior government terminal elevators, it shall pay to the company the following diversion charges:—

- (a) On wheat shipped or diverted to interior mills one cent (1) per bushel on grades Number One Hard, Numbers One, Two and Three Northern, and one and one-half cents ($1\frac{1}{2}$) per bushel on Number Four Wheat and all other grades, including Garnets, Durums and Red Winters, with an additional one-half cent ($\frac{1}{2}$) per bushel on all grades of tough wheat, in accordance with arrangements between the companies and the mills.
- (b) On all wheat shipped or diverted to Churchill and Prince Rupert one cent (1) per bushel.
- (c) On wheat shipped or diverted to interior government terminal elevators one cent (1c.) per bushel on all tough and damp grades; one cent (1c.) per bushel on all wheat carrying sufficient dockage to incur cleaning charges; one cent (1c.) per bushel on all wheat that is not later forwarded to terminal elevators at Fort William, Port Arthur, Vancouver or New Westminster, provided that a premium has not already been paid as herein set forth. (It is understood that the premiums to be paid in respect of Clause (c) shall not exceed one cent (1c.) per bushel on any or all wheat so ordered shipped or diverted to these interior terminals). If Stocks are not reshipped by July 31st, 1942, the agreement in effect shall remain in force until reshipment is made. The Company shall be entitled to control the destination of a proportionate share of so much of the wheat shipped and diverted at the request of the board by the company and others to an interior government elevator as is subsequently forwarded to terminal elevators at Fort William, Port Arthur, Vancouver or New Westminster. Such share shall be the percentage arrived at by dividing the number of bushels shipped and diverted by the company at the request of the board to such interior government elevator, by the total number of bushels shipped and diverted at the request of the board to such interior elevator.
- (d) Unless otherwise provided for, in the case of wheat being shipped to a destination where Canadian government weights are not applicable, the shipping weights shall be final and an affidavit of such shipping weights shall be furnished upon request."

22. If the board requires shipment to be made to a terminal point or elsewhere the freight rate is greater than the rate taken care of in the price set out in schedule "A", the board will reimburse the company for any difference in freight rates. In the event of the freight rate being less than the rate taken care of in the price set out in schedule "A", the company will reimburse the board for any difference, basis gross weights in each case.

23. If the board during the crop year changes the basic price or the spreads between grades as set out in schedule "A", the board will accept delivery from the company of all street wheat received by the company at the price and spreads on which the Company has based its cash payment.

24. If at any time it needs space in its elevators, the company, upon giving forty-eight (48) hours' written notice to the board and the producer, shall have the right to ship forward to terminal points any wheat mentioned in class "A" and to demand that the producer shall secure car or cars according to his turn on the car order book at the company's discretion.

25. In order to facilitate immediate payment or advance to producers in respect of their wheat delivered to and received by the company and designated for the board, the company may borrow from its bank on the security of wheat of classes "A" and "B" so received by the company and may give security on such wheat in accordance with the bank's usual requirements, such security in respect of such wheat to be effective only to the extent of the advances actually made in respect of such wheat, not exceeding board prices therefor as fixed by or under the Act and now set out in the carlot and street price list in schedule "A" to this agreement, and subject to Section 30 hereof, plus transportation charges actually paid out and other charges and allowances authorized by the board; and the company shall be and is deemed and declared to be the owner of such wheat for all such purposes and to such extent, and in case of default by the company the bank shall sell or dispose of such wheat to the board only, and the board agrees to take delivery on the terms of this agreement from the bank in lieu of the company, and to pay to the bank the board's fixed carlot prices for such classes and grades of wheat delivered at Fort William, Port Arthur or Vancouver or such other delivery point as may be authorized by the board, plus charges and allowances authorized by the board, and the security shall thereupon cease and the board shall have clear title to such wheat. Such payment shall be a complete fulfilment of the board's obligations to the company in respect thereof as if such payment were made to the company."

Mr. PERLEY: I was going to suggest that we have copies of the one you are reading from. We will have to study it. We cannot question you now.

The WITNESS: That is quite all right.

Mr. PERLEY: It would be better to have that and let us study it.

The WITNESS: It is a very involved document.

Mr. PERLEY: We cannot question you right now after your reading this.

The WITNESS: It is quite all right, whatever the decision of the committee is.

By the Chairman:

Q. Could you tell the committee just how these agreements are arrived at and what changes have been made in them since the first agreement was drawn up?—A. Yes, Mr. Chairman. The agreements are arrived at at a meeting held with the elevator companies once a year; and when I say the "elevator companies", I mean the pools, the United Grain Growers and the representatives of the line elevator companies. They meet us as one body—as one committee, I should say. The chief changes that have been made in the agreement since 1935-36 are as follows. Probably the most important change is the street spread. Under the agreement in 1935-36—

By Mr. Perley:

Q. What section is that?—A. Section 7, clause (d). I should like to read the clause (d).

By Mr. Donnelly:

Q. You are reading from what?—A. 1935-36.

Q. All right.—A. Clause (d) reads as follows:—

(d) The prices shown in Schedule A are the prices fixed by the Board and approved by the Governor in Council and have been arrived at after deducting the Vancouver or Fort William freight charges, whichever rate is the more advantageous to the producer and after deducting a sum not to exceed four and one-half cents per bushel on One Hard,

One Northern, Two Northern and Three Northern spring wheat, One C.W. and Two C.W. Garnet and numbers One, Two and Three Durum, including the toughs or damp of these grades; five and one-half cents per bushel on all grades and types of wheat other than those above referred to, plus in the case of all grades any fraction of a cent less than one-half per bushel which may arise when deducting the freight rate per bushel from the cash payment as determined.

The 1941 clause covering street wheat says:—

The prices shown in schedule "A" are the prices fixed by the Board and approved by the Governor in Council and have been arrived at after deducting the Vancouver or Fort William freight charges, whichever rate is the more advantageous to the producer and after deducting a sum not to exceed four (4c.) cents per bushel—

By Mr. Perley:

Q. That is one half cent less?—A. One half cent less, yes.

—on Number One Hard, Numbers One, Two and Three Northern spring wheat, Numbers One, Two and Three C. W. Garnet and Numbers One, Two and Three Durum, including the toughs or damp of these grades; five (5c.) cents per bushel on all grades and types of wheat other than those above referred to, plus in the case of all grades any fraction of a cent less than one-half cent per bushel which may arise when deducting the freight rate per bushel from the cash payment as determined.

You will note that the change in the clause is that the street spread has been narrowed half a cent a bushel.

By Mr. Wright:

Q. On whose representation was it narrowed?—A. The board, I think.

By Mr. Donnelly:

Q. Is there anything there or in the agreement that you have to prevent any line elevator or any elevator company cutting that rate from 4 cents down to 3, for example, if they thought the charge was too high?—A. The agreement provides that they will pay these prices, but they could, of course, make representation to the board, agree to operate at a lower spread.

Q. If they thought they were taking too much from the farmer could they say, "This is too much, we will cut this down to 3 cents instead of 4"?—A. Yes.

Mr. SENN: Has it ever happened?

By Mr. Donnelly:

Q. I do not see why our farmers' elevators would not do it.—A. I would like to make this clear; they could not do it without discussing the matter with the board and there would be reconsideration from the standpoint of all companies.

By Mr. Douglas (Weyburn):

Q. One could not do it by himself?—A. No.

By Mr. Donnelly:

Q. Did they make a presentation to you and say, "We want to cut this down to 3 cents," and if they did, what was your reaction?—A. We would call them together and say, "We want you to cut it to 3 cents."

By Mr. Perley:

Q. If a private elevator reduces the charge to anything he saw fit, that is all right; but if the line elevator reduces his fee at a given point where an independent elevator was operating to meet that independent he would have to do it throughout his whole system, would he not?—A. As far as the statutes are concerned, I think that is right.

Q. That is practically the same system you are working on?—A. Yes.

Q. If the pool did it in one point to meet any competition or to get business so to speak you would compel them to do it all over the whole system?

The CHAIRMAN: Is it not done under the Canada Grain Act?

By Mr. Perley:

Q. You apply the same principles.—A. The pool would not do that; if they were going to reduce their charge they would reduce their charge by making representations to the board and we would have to call all the companies together.

By Mr. Donnelly:

Q. Have they made any such representation to you?—A. No, sir.

Q. I cannot understand that because in 1940 when we made representations to you to have it cut the pool told me, and I have the letter in my office, that they made representations to you wanting it cut; you have no knowledge of that?—A. Wanted the street spread cut?

Q. Wanted the carrying charge cut.—A. I think they made representations to the Board of Grain Commissioners to have the storage rate reduced. I am almost certain of that; I think that is what you are referring to; Doctor.

Q. Yes, it may be the Board of Grain Commissioners.—A. May I go on? Now, there is another very important difference in this contract from the 1935-1936 contract. Clause No. 19 in the 1935-1936 contract which you have there says:—

The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of 1/30th of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report form reporting this wheat to have been received into the Company's elevator, and will continue to pay this carrying charge until two days after the date the wheat is unloaded at terminal points of such other destination as directed by the Board.

The similar clause in the 1941-42 contract—and it was also in the 1940-41 contract,—says:—

The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevator of .02851 of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report form reporting this wheat to have been received into the company's elevator, and will continue to pay this carrying charge until three (3) days after the date the wheat is unloaded at terminal points or such other destination as directed by the Board, provided that the maximum carrying charge shall not exceed thirteen (13) days from the date of bill of lading.

The difference in these two clauses is if a carload of wheat—1935-1936—was in route for some weeks or months, the carrying charge would be paid until the car is unloaded. In the 1941-42 contract the payment of the carrying charge is limited to thirteen days.

By Mr. Perley:

Q. Just there may I ask this question? It means that they collect storage charges while it is in transit?—A. Yes.

Q. But only for thirteen days?—A. That is right.

Q. That is the maximum amount?—A. Yes.

Q. Does that include the time that it is in the elevator as well? With regard to class "B" wheat carrying charges usually start the day following?—A. I read that section, Mr. Perley.

Q. Usually starts the day following the report—A. It says, "The Board will pay to the Company a carrying charge covering storage and interest on Class "B" wheat in store at country elevators of .02851 of one cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to the Board of the regular daily report from reporting—"

Q. In no case shall it be longer than thirteen day following that?—A. That is right.

Q. It may be in the elevator the thirteen days then there would be—A. It may be in the elevator for two or three months.

Q. But if it were shipped out the day after it was taken into the elevator it would mean it would be collecting storage then while it was in transit?—A. That is correct. I just want to make that point clear, this contract has been progressively improved from the standpoint of the board. In the first contract there was no limit to the time of the payment of carrying charges whereas now it is limited to thirteen days which was considered the average time in transit. The average time, normally but there are cases of congestion where cars are tied up for a considerable length of time.

And now, the other section with which I would like to deal is this section with regard to shipping, No. 21: (I am reading again from the old contract, Dr. Donnelly, and I am sorry I am not able to supply you with a copy of it).

21. Subject to the right of the producer to direct that his wheat in carload lots shall be billed to any terminal elevator selected by him, which right is admitted by the company, all board wheat of whatever class forwarded to terminal points shall be handled through any terminal elevator the company may desire provided such terminal elevator selected by the company is licensed under the provisions of The Canada Grain Act in the then current year to accept wheat other than wheat belonging to the manager or operator of such elevator. The board shall have the right to direct the shipment or diversion of wheat to interior mills or interior terminal elevators within the Western inspection division or Churchill or to points other than terminal points within Canada or the United States, but if it does so the board shall pay a charge of one and a half cents (1½c.) per bushel on all wheat shipped or diverted to interior mills and one cent (1c.) per bushel to the company on all wheat shipped or diverted to interior terminal elevators and Churchill and such other points.

Well, now, the 1941-1942 contract, in that the one cent per bushel is only paid on the top and damp grades. The one cent per bushel is paid on all wheat carrying a sufficient dockage to incur cleaning; so that on all the balance of the wheat, which is the largest quantity—

By Mr. Donnelly:

Q. It says here, one cent a bushel on all wheat not later forwarded to terminal elevators?—A. Yes.

Q. What do you mean by "later"; how long is that?—A. It might be a year, Dr. Donnelly; we have been carrying these terminal elevators, the interior terminal elevators, full of wheat, practically full, because the government are getting the benefit of the storage.

Q. If at any time after you have got it into the elevator you do ship it to Fort William you have got to pay the one cent?—A. No; we only have to pay the one cent on the tough and damp grades, or all the grades carrying sufficient dockage that cleaning is required; but we do have to ship the wheat to the terminal elevator through which a car is designated, in other words.

Q. If you took it out and just shipped it to a mill, for example, Moose Jaw?—A. If you shipped it to a mill it would be subject to a mill premium.

Q. Then you would have to pay too?—A. Yes. Just the mill premium. Those are the main changes in the contract.

By Mr. Perley:

Q. May I ask this question: Dealing with this last section and these grades; the grade on this street wheat is reported to you daily, what they have taken in?—A. Yes.

Q. How do you spot or choose the cars when a great quantity of this grain is shipped out and there is a difference in grade; how do you adjust these grades?—A. That is adjusted under clause 13, Mr. Perley. I want to make sure that I have the right contract. Clause 13 says:—

The company will ship from each country elevator and deliver to the board as nearly as possible the same quantities and grades of Class 'B' wheat as were received from the producers at such country elevator, and shall not substitute wheat from other shipping points without the consent of the board. The board will accept wheat from substitute points when requested, where in the judgment of the board it can do so. It is mutually agreed that cash settlement of the total of over or under delivery of any grade of this street wheat by the company to the board may be made at December 31st and March 31st, with the exception that any unsettled balances shall be settled at the end of the season at the average spreads that have existed at Fort William for spot wheat during the crop year ending July 31st, 1942. The company agrees to deliver to the board as nearly as possible quantities for which they have issued Producers' Certificates, and nothing in this contract is to be construed as obligating the board to accept any one grade instead of any other grade, except in reasonable amounts such as might be accounted for by loss of grade. Any over delivery or under delivery caused by such substitution of grades shall be subject to the cash settlement referred to in this clause.

Q. Have you had any difficulty in respect to that; or, do you feel that they give either more No. 2 than they received and less No. 3?—A. There have been some adjustments, Mr. Perley, but not of a serious character; and the companies, of course, if they take in No. 1 wheat and only grade No. 2 they are only paid for No. 2.

Q. Of course, they don't do that very often, they generally take in No. 2 and grade it No. 1; but there are not very many cases of that?—A. We have had an annual adjustment for years with the companies; but in relation to the whole trade it is not large, not in relation to the whole quantity involved.

Q. You have quite a number of complaints in places where the elevators are practically filled and the farmers have brought their wheat in, say No. 2 or No. 3, and the elevators have refused to take it in unless they took it in, No. 2, for instance, as No. 3, because they have no room left in the No. 2 bin. There have been a lot of complaints about that, especially in the northern part?—A. I think the farmer is in a very strong position with his own organization, if he is not satisfied.

Now, there are just a few comments I would like to make to the committee about these handling contracts, if I might. This handling contract is the best contract that we have been able to make with the handling companies.

Now, I would suggest to you, and point out this feature because I think it is an interesting point and should be of interest to the committee: the Pool Elevator Systems in western Canada and to a very large extent the United Grain Growers are the farmers' own companies. As a matter of fact, if you refer to the literature, in the advertisement of the Pool Elevator System they call themselves the farmer in business; and they are the farmer in business; and they say to us we are just as much, our elevator is just as much of our farm equipment as any piece of machinery on the farm. And now, if these documents that I read to you are gone over—other than the storage charges which are fixed by statute—I say practically without question—there may be some slight variations in this statement—every single charge in that contract is paid by the farmer. Now, what is the position of the board in regard to these handling contracts? The position of the board is simply this: we are entrusted with the job of making the very best contract that we can for the account of the farmer to deliver his wheat to the wheat board. I think that is a very important point. Now, who are these elevator companies that we have to deal with? What section of the elevators could represent the farmers, or should represent the farmers? That section is the farmer himself, the farmer in business. He comes to our board and says this is the very best contract that I can make with your board for delivery of my own wheat to your board. Now, I think that point should be borne in mind by the committee in considering this problem. It is the best contract, in fact he says that it is best contract that I can undertake to deliver my wheat to your board; and he makes that statement to us and the other elevator companies say it is the best contract that we can make; and the board I think have gradually been able to improve the position of the contract, and I think that in considering all of the conditions it is a fair and equitable handling contract. The situation is this: I do not think it is altogether fair to look at the handling contract from the standpoint of the present position. I think you have got to consider the position over a term of years. I just want to say this too, in tribute to the elevator companies—and this includes all elevator companies, the pools and the Grain Growers and the line companies—that we have had some very difficult times in this country for the movement and storing of wheat, and the elevator companies have measured up to a very substantial extent in taking care of what might have been a very difficult situation at country points; and I say that applies to all companies and pools and the grain growers and the other companies as well; and I do not believe that any wheat board is in a position where they would want or endeavour to drive this situation to a point where the companies would be weakened so that they could not provide proper services for the handling of wheat in western Canada; and what we have tried to do—there probably will be some criticism, undoubtedly there will be—but what we have tried to do in relation to this handling contract in dealing with the companies is to be as fair as we possibly could considering every factor in the situation.

By Mr. Ross (Souris):

Q. Just on that point, could you tell us anything about the probable carry-over at the end of this crop year and what available storage space there would be. It might be helpful to us if our farmers knew that.—A. I think we can get that for you in a minute or two, I haven't it at hand at the moment.

Mr. Ross (*Souris*): I think it might be useful.

The CHAIRMAN: This elevator agreement gives an indication of the manner in which the spreads between the grades are arrived at. You have to do it in some sort of an orderly manner.

By Mr. Perley:

Q. May I ask, is this the only agreement that you have now that you are going to submit to the committee?—A. Yes.

Q. There is no other agreement with respect to spreads in grades, or exports, or anything; this is the one and only agreement?—A. Yes, sir.

By Mr. Wright:

Q. There is a tremendous amount of discussion among the farmers about the loss or gain in grades in elevators. I think it would remove a lot of suspicion on the part of the farmers, in their minds, if you detailed the adjustments that are made between the board and the various companies on these grades. It would either prove something or disprove it.

Mr. PERLEY: That is what I was getting at when I interrupted you before.

The WITNESS: Well, Mr. Wright, that gets back to the point that we have been discussing around this table for days; and I frankly do not know what the position is in regard to the various companies. We have a statement in Winnipeg, of course; but I would say this, they are pretty well in line one with the other as far as I can recollect. There may be some that are a little out of line; but I just want to say this, that in so far as the board is concerned, I want to make it clear that the board do not suffer.

Mr. PERLEY: It is the producer who will suffer; he has to deliver No. 2 and he only gets No. 3 for it.

The WITNESS: I think, Mr. Perley, that, frankly, that position is very much exaggerated. I think the producer has through his own companies very good protection in regard to his grade.

By Mr. Perley:

Q. I have heard a great many complaints, I must say that. Take my own case last fall, I delivered Grade 1 that only went 2 and it should have been Grade 1; and I got Grade 1 at the first for it.—A. Well, Mr. Perley, you have rights under the Canada Grain Act. I do not know why you did not exercise them.

Mr. PERLEY: We wanted to get the wheat we were selling away from the combines, we didn't want to take the time to fight a legal battle.

The CHAIRMAN: You didn't want your wheat to get another shower of rain on it.

Mr. PERLEY: That's the idea; I would rather take Grade 4 for it to get it in.

The WITNESS: Our estimate of the carry-over on the 31st of July will be about 400,000,000 bushels.

By Mr. Ross (Souris):

Q. That is at the end of this year?—A. Yes, and that would leave about 200,000,000 bushels empty space, most of which will be in the country elevators; that is, before the new crop is delivered.

The CHAIRMAN: Order please.

The WITNESS: Which is not too much to come and go on if you figure the increase in production in coarse grains and so on.

By Mr. Ross (Souris):

Q. I was just wondering, on that point; would that necessitate a quota system of deliveries? There is not enough space to take care of the wheat, hardly.—A. Yes, I have a statement in regard to quotas.

By Mr. Wright:

Q. In ordering wheat forward from country elevators how do you decide which elevators to take it from?—A. Well, we look at total stocks; we have

a record daily of the total stocks of all the companies; and we order in at a proper ratio to the stocks held by the companies and having in mind the grades that are required.

Q. This is all done on a ratio basis?—A. Yes; as I say, having in mind the grades that are required. It might be difficult when one company had, say 1,000,000 bushels of a certain grade of wheat due to the fact that they serve a certain territory.

Q. Yes?—A. And the mills would want that grade and not want other grades. In that case they would be unfortunate and would have to ship in a greater ratio; but it works itself out during the year.

Q. I suppose it would work out all right; supposing one company had a lot of elevators which had mites in the wheat and they wished to get rid of that grain, do you give special consideration to cases of that kind?—A. Yes, we do.

Mr. PERLEY: And then you have the mites turning up at Fort William which he should have cleaned up in his own elevator.

The WITNESS: I think it is the obligation of the board, if wheat is being destroyed in the country, to facilitate the movement of that wheat no matter who owns it.

Mr. PERLEY: I have in mind one of the annexes where they transferred grain from the annex into the elevator and then turned it over two or three times and transferred it back again to the annex and then had to turn around and do that all over again. They have done that three times within this last year.

The CHAIRMAN: Just on that point—

Mr. PERLEY: That point is Moosomin. I would not like to name the elevator, but no doubt you know the one to which I am referring.

The WITNESS: They are doing that at their own expense.

The CHAIRMAN: If there is any loss in wheat or grade because of that.

Mr. PERLEY: The elevator stands it.

The CHAIRMAN: Well, they deliver what they have taken in on grade.

By Mr. Quelch:

Q. I would like to ask Mr. McIvor why it was considered necessary in 1940 to tighten up the regulations to such an extent regarding tough wheat. I know at several points the elevators refused to take in wheat they said because of a direction which they had received from the board that they could only take in dry grain. The result of that was that a lot of the grain had to be carted back home and the combines were all slowed down waiting for the grain to dry. If it had not been for that ruling they would have been able to go on.—A. Mr. Quelch, we have nothing to do with the grading of wheat.

Q. I don't mean that, I am not saying that; what I am saying is that you told the elevators that they were not to accept one bushel of wheat that was not over a certain percentage. That is what you told everybody around that part of the country; they said that they had a ruling from you; as a matter of fact they showed me a letter from you to that effect.—A. No. There have been a lot of things happen over the last two years—I would just like to ask my colleagues, I would like to be sure about that. No, we did not issue any such instruction.

Q. That was in 1940. Who would that be from, the Board of Grain Commissioners?—A. No. The only thing I can figure is that it would come from the elevator companies themselves.

Q. No, it was not from the elevator companies themselves.—A. I know this, Mr. Quelch; I would like to say this, and I think it should be borne in

mind: I went out to Alberta in the fall of 1940 due to that very situation and we drove over a lot of country and made a survey, and then I went on back to Winnipeg and saw the vice-presidents of the railways and arranged for cars to be put in there over and above any at other points to deal with that situation.

Q. But that situation would not have developed to anything like the extent that it did had it not been for the ruling that the elevators would not take any grain that went tough, even if it went a point. I know they were absolutely shut down for three weeks. I went ahead and combined my own stuff and took it into the elevator and it was turned down because the elevator refused to take it in; they said it was on account of the fact that the Wheat Board had refused to take any grain that was tough.

The WITNESS: That is the responsibility of the elevator company, not the Wheat Board. I just want to say that I remember that fall discussing the whole situation with Mr. Purdy of the Alberta Pool, and as I recall it the general feeling of the companies at that time was that if the growers would not be impatient in getting their wheat into the elevators there was considerable chance that the weather would improve and the wheat would dry out.

By Mr. Quelch:

Q. Just the reverse. I am only telling you my recollection of that situation at the time. Most of the wheat could have been shipped just tough?—A. I recall that they estimated when I was out there what would be marketed in the form of tough and damp wheat and when we made the arrangement with the railway companies it was very much reduced. In other words, there was not nearly the amount that had been estimated.

By Mr. Donnelly:

Q. You would not care how damp or tough it was when it was turned in?—A. That is up to the companies.

By Mr. Quelch:

Q. If the elevator takes delivery of wheat for the board and you allowed them to buy tough wheat would not the responsibility be on the board?—A. If it went tough then it would be their loss. They would have to deliver the grade they purchased in the country.

Q. If they bought tough wheat on your behalf, say 14·7, would not that be your responsibility?—A. No; it is their loss.

The Committee adjourned at 5.57 o'clock p.m. to meet Tuesday, May 19, at 11 o'clock, a.m.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 5

TUESDAY, MAY 19, 1942

Reference
**REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41**

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board.
Mr. R. C. Findlay, Comptroller.
Mr. C. Gordon Smith, Assistant Chief Commissioner.

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

MINUTES OF PROCEEDINGS

TUESDAY, May 19, 1942.

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

Members present: Messrs. Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Furniss, Graham, Golding, Henderson, Leclerc, Leger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, Mullins, Perley, Quelch, Rennie, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Senn, Weir, Wright.—31.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:—

Mr. C. Gordon Smith, Ass't Chief Commissioner;

Mr. W. Charles Folliot, Commissioner;

Dr. T. W. Grindley, Secretary;

Mr. R. C. Findlay, Comptroller; and

Mr. C. B. Davidson, Statistician.

The Minutes of the previous meeting held on May 18 were read and adopted.

Mr. George McIvor was recalled and further examined.

Mr. R. C. Findlay was also recalled and examined.

Mr. C. Gordon Smith was called and gave answers to questions regarding the working of the quota system of the Board.

On motion of Mr. Donnelly, the Committee adjourned to meet again on Wednesday, May 20, at 11.00 a.m.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 19, 1942.

The Standing Committee on Agriculture and Colonization met at 11.35 a.m. The chairman, Mr. William G. Weir, presided.

The CHAIRMAN: If the committee will come to order I will ask the secretary to read the minutes of yesterday's proceedings. (Whereupon the clerk read the minutes of yesterday's proceedings, and the same were duly adopted).

The CHAIRMAN: Gentlemen, when the committee rose last evening Mr. McIvor was on the stand dealing particularly with the agreements that the board has with elevator companies for the handling of board wheat. Involved in that discussion but not reached at the time of adjournment is the matter of the base upon which the spreads between the different grades are paid for by the wheat board. I assume the committee desire to clear up those particular items at this morning's session? If that is so, may I invite Mr. McIvor back to the witness stand.

Mr. GEORGE McIVOR recalled.

The CHAIRMAN: Has anyone further questions to ask Mr. McIvor with respect to the elevator agreements?

By Mr. Wright:

Q. Before the session closed last evening I was asking Mr. McIvor to give us the adjustments that were made between the various companies and the board with regard to the grades on wheat. I think we should pursue that a little further. These companies buy the grain from the farmers at a certain grade, and when they turn it over to the board the amount they pay does not correspond with the amount in the same grade that they turn over to the board. I think we should know about that. The farmers are very anxious about this matter of losing grades on their wheat, and if they have that definite information it will relieve a lot of rumours and a lot of talk that goes on throughout the country with regard to this matter. The board have that information, have they not, Mr. McIvor?—A. We have our annual grade adjustments.

Q. It seems to me that if these elevator companies are allowed to buy wheat in as No. 2 wheat and deliver it as No. 1 wheat to the board we should have that information?—A. The adjustments of the board will not necessarily give the proper picture, because you have a huge quantity of non-board wheat as well, and it might distort the picture.

The CHAIRMAN: Is not that particular condition governed by the Canada Grain Act?

Mr. WRIGHT: The producer always has the right to have a sample of his grain submitted to the Winnipeg Inspection Department, but in many cases he does not do that, and the companies are making grades on wheat delivered, and if that information is available I think we ought to have it. Or if they are not making grades on wheat I think we should have that information. It would set a lot of rumours at rest that are being circulated around the country at the present time. I can see no reason why it should not be given if it is available.

Mr. DIEFENBAKER: Even though it is only a partial picture as Mr. McIvor suggests, nevertheless that idea is being circulated and I am sure Mr. McIvor

would not desire it to become general. Therefore, if he would give us the picture even partially it would, as Mr. Wright says, be helpful and if it is shown to be non-existent it would tend to improve the attitude of the farmers towards the grain dealing people generally.

By the Chairman:

Q. Mr. McIvor, I think you mentioned yesterday the basis of policy pursued in making whatever adjustments had to be made in that regard?—A. Yes.

By Mr. Perley:

Q. In section 13 there is a clause dealing with that. It says that the adjustment dates are December 31 and March 31?—A. Yes.

Q. Could you take those dates and the adjustments that were made, and the companies they were made with on the 31st December, 1940, and the 31st March, 1941?—A. I do not want the committee to get the impression that we are trying to withhold this information. On the other hand, I want to point out exactly what you are asking for, because this deals not only with line companies but producer companies.

Q. I know?—A. If you obtain from the wheat board the position of the adjustment of wheat board wheat that will not necessarily show the overall grade losses or gains in the relationship between the company and the farmer. It will show it on the wheat board handlings but it will not show the overall picture. I want to point out also that if you were to go into the country and protest that company "A" gained grades on the farmers' wheat you might not be giving the true picture.

Q. It will give the picture on the wheat board wheat?—A. Mr. Findlay, would you come up here for a moment, please.

Mr. WRIGHT: That is as far as you can go, on the wheat board wheat.

The WITNESS: Mr. Chairman, Mr. Findlay points out that there are still very big quantities of 1939 wheat in the country, which further complicates the situation. No grade adjustment can be made on that wheat, nor can it be made until the wheat is shipped out.

By Mr. Ross (Souris):

Q. What about the 1938 wheat? Could you give us that picture? What Mr. Wright and the rest of us want to know is the system whereby you made these adjustments. If you give us the picture for 1938, which is all cleared up, that would be helpful?

Mr. WRIGHT: That would be a true picture.

The WITNESS: Does the committee want that information?

The CHAIRMAN: What is the pleasure of the committee?

By Mr. Ross (Souris):

Q. Is there any reason why we should not have that information?—A. Not beyond the reason I have pointed out, namely, that it will give a distorted picture as far as the grade adjustments are concerned.

Q. But not so far as the wheat board is concerned?—A. I suggest, Mr. Chairman, that if you want that information we should give it as: Company "A", Company "B", Company "C", and so on.

By Mr. Graham:

Q. Please explain what you mean by a grade adjustment?—A. When the wheat is taken in the country it is graded by the elevator agent, and a report is made to the board on the receipt of this wheat.

By Mr. MacKenzie:

Q. Is that report made every day?—A. Yes. When the wheat is shipped out it may be taken in as No. 2 Northern and graded No. 3 Northern, and in that case there would be an adjustment and the board would only pay them for No. 3 Northern wheat.

By Mr. Perley:

Q. The same thing applies the other way about. I think if you will read clauses 12 and 13 to the committee, it may be helpful?—A. Yes. These clauses cover the question of grade adjustments:—

12. The company will deliver to the board at terminal points the full amount of bushels for which cash tickets for Class "B" wheat have been issued, and is responsible for and assumes the risk of grade on Class "B" wheat and will deliver to the board at terminal points wheat equal to the quantities and the grades for which it has issued cash tickets subject only to the next succeeding paragraph.

And the next succeeding paragraph reads:—

13. The company will ship from each country elevator and deliver to the board as nearly as possible the same quantities and grades of Class "B" wheat as were received from the producers at such country elevator, and shall not substitute wheat from other shipping points without the consent of the board. The board will accept wheat from substitute points when requested, where in the judgment of the board it can do so. It is mutually agreed that cash settlement

and this is the point raised by Mr. Graham:

. . . . of the total of over or under delivery of any grade of this street wheat by the company to the board may be made at December 31 and March 31, with the exception that any unsettled balances shall be settled at the end of the season at the average spreads that have existed at Fort William for spot wheat during the crop year ending July 31, 1942. The company agrees to deliver to the board as nearly as possible quantities for which they have issued producer's certificates, and nothing in this contract is to be construed as obligating the board to accept any one grade instead of any other grade, except in reasonable amounts such as might be accounted for by loss of grade. Any over delivery or under delivery caused by such substitution of grades shall be subject to the cash settlement referred to in this clause.

The information that has been asked for is for the year 1938.

By Mr. Diefenbaker:

Q. Before you go on to give that information, may I say I have not thoroughly understood your answer because I could not follow you closely when you were reading those clauses. Take a concrete example: suppose an elevator company buying for the board purchased 1,000 bushels which is graded as No. 3 to the farmer?—A. Yes.

Q. On delivery of that wheat to the board it was found to be No. 2?—A. Yes?

Q. What is the nature of the adjustment that is then made?—A. In the first instance, Mr. Diefenbaker, the elevator company is paid for No. 2 Northern wheat, the grade they delivered to the board. I think I see the question that is in your mind.

Q. I am trying to get information on this subject?—A. The position is this, that if the elevator company through an act of theirs overgraded the wheat in the country and gave to the board No. 2 Northern wheat, and the spread on No. 2 Northern wheat was not as satisfactory from the board's standpoint as the fixed spreads, you can see that the board would lose by the fact that they are getting No. 2 Northern instead of No. 3 Northern.

Q. Where there is an overgrade?—A. Yes. So actually they are only paid in the first instance for what is delivered to the board, whether overgrade or undergrade. And at the end of the year—referring to the year 1938—this adjustment is made which requires them to adjust with the board on the average spread over the year as between the grades, so that the board will not lose by the fact that they have overgraded or undergraded in the country.

Q. Take a concrete example of a country elevator that purchases from the farmer and grades the farmer's wheat as No. 3 and pays him on that basis: it is No. 2 that is actually delivered to the elevator company, and the same shipment is carried on, of course, to your direction. Now, does the elevator company buying that wheat receive at the end of the year an adjustment for the difference between No. 3, the grade they actually took it in as, and No. 2, the price it grades?—A. No. They are paid for No. 2 Northern at the time they delivered it. Likewise if they only deliver a No. 4, they would be paid for No. 4.

Q. And later on if it turned out to be No. 2 would there be an adjustment made?—A. No. Taking your illustration of No. 3 Northern taken in at the country elevator and reported to the board as being No. 3 Northern; the car is shipped down to Fort William and it grades No. 2 Northern. The elevator company is paid for No. 2 Northern because that is what they delivered to the board. Likewise they take in in the country elevator No. 3 Northern, and when it is graded it is shipped as No. 4: In that event the reverse happens.

Q. So that the position is that if the elevator company buying for the board at the various country points pays the farmer for a lower grade than the farmer's wheat actually grades at when it comes into your possession, the elevator company actually gets the advantage?—A. Yes; and likewise if they overpay him or pay him for a higher grade, they lose. You have to put up both sides of the case.

By Mr. Wright:

Q. The information I wanted was this: Take one elevator company that bought of the 1938 crop 1,000,000 bushels of No. 1 Northern and 1,000,000 bushels of No. 2 Northern, and 1,000,000 bushels of No. 3 Northern, have you any information as to how many million bushels of No. 1 Northern they deliver to you?—A. Yes.

Q. And how many million bushels of No. 2 Northern they deliver to you?—A. Yes, we have that for the 1938 crop. We will get that information; if we have not got it here we will wire to Winnipeg and get it.

By Mr. Senn:

Q. In the case Mr. Diefenbaker instanced, where the farmer is paid as No. 3 and the board pays for No. 2, is there any adjustment to the farmer?—A. No; but if the farmer is not satisfied he can have the samples sent to the inspection department at Winnipeg and graded.

By Mr. Perley:

Q. The farmer is anxious to get his wheat into the elevator and the elevator says: "We cannot pay you on No. 2 without grading it," what happens?—A. You have asked me for this information, and we can get it for you.

By Mr. Wright:

Q. If the elevator companies know that this information is going to be made public at the end of each crop year when the wheat is finally disposed of, I think they will have a tendency to grade as closely as possible to the real grade?—A. You are not suggesting that the farmer owned companies are not grading properly?

Q. No. I am suggesting that the grades as a whole will be improved. In the case of the farmer-owned companies it does not make so much difference, because we get it back anyway. (No response).

The WITNESS: Mr. Chairman, do you want the names?

The CHAIRMAN: No.

By Mr. MacKenzie:

Q. On the year's operations is there more overgrading than undergrading?—A. I prefer to let the figures speak for themselves. They will show the number of bushels of each grade taken in at the country points, and the number of bushels delivered to the board at terminal points.

By Mr. Graham:

Q. How many elevator initial points are there?—A. Points or elevators?

Q. Elevators?—A. Over 5,000.

Q. And I suppose you recognize that there will inevitably be some overgrading and some undergrading?—A. The elevator agent would be a miracle man if he could grade this wheat perfectly.

Q. And the system you have described is a method of attempting to maintain the board's position?—A. The system is that the board must be protected. If they take in wheat in the country, whatever grade is delivered to the board must be the grade passed by the government inspector.

Q. The elevator company cannot profit and the producer might lose something?—A. He might lose or gain. I have put the emphasis on the word "gain".

By the Chairman:

Q. The people who are supposed to watch the grading and endeavour to keep the grading as close to accuracy as possible are the Board of Grain Commissioners?—A. Yes.

By Mr. Fair:

Q. Do the elevator companies keep board wheat and their own wheat separated in the elevators?—A. I think it would be physically impossible for them to keep it separate, particularly having regard to the conditions we have been operating under.

Q. In that case I do not think Mr. Wright will get the information he is seeking here, because he wants to know what I tried some four or five years ago to learn?—A. I think he will; I think he has made quite clear what he wants.

Q. If the elevator companies take in so much board wheat and so much wheat for their own account and all of it is mixed I do not think he can get the information he seeks, because there may be undergrading or overgrading?—A. The whole thing would not be mixed, and whatever the country elevators do with the wheat, that is under the jurisdiction of the Board of Grain Commissioners as to grading; and I think the farmers have certain definite rights under the Canada Grain Act.

Q. But to get the true picture you would have to have the intake and the out-turn of each elevator company for board account and their own account?—A. Dr. Grindley has pointed out something to me that I had forgotten: In 1938 the board handled 100 per cent of the crop so the figures will represent the actual position.

Q. I remember a few years ago trying to get similar information and got it only so far, and was told I could not get it as far as grain in eastern terminal elevators was concerned. I was trying to find out how elevator companies were benefiting or losing on grades. (No response).

By Mr. Diefenbaker:

Q. In Exhibit "D" to the report of the Canadian Wheat Board for the crop year 1939-40 I see an item: "Adjustments of grades with agents, \$19,807.42." Does that represent the net adjustment after debits have been offset against credits?—A. I am going to ask Mr. Findlay to answer that question.

Mr. FINDLAY: The net result of the grade adjustment for that particular crop year resulted in a red figure or in a credit to us. The companies lost grades.

By Mr. Fair:

Q. Going back again to the grading in connection with the 1938 crop, is there any possibility of the 1936 or 1937 crop being mixed in with it?—A. I do not think so in the case of that particular year, because if you remember the 1937 crop was a failure and practically all wheat was moved out of the country elevators before the 1938 crop came on; so that is a very good year to take from the standpoint of getting proper information.

Q. But there is still the possibility of old wheat being mixed in with it in terminal elevators?—A. The position of the elevator companies is that they have had to use every possible bit of bin space available by reason of the conditions.

By Mr. Cardiff:

Q. Is the wheat shipped in full carloads?—A. Yes. And they ship it in what they call bulkhead cars where they put partitions up; it is not mixed.

By Mr. Diefenbaker:

Q. Coming to Exhibit "C" in the report of the Canadian Wheat Board for the crop year 1940-41, for the year ending as at July 31, 1941, there is no item: "Adjustment of grades with agents" that I can find.

Mr. FINDLAY: In the 1940 crop account?

Mr. DIEFENBAKER: Yes, there is no such item.

Mr. FINDLAY: The reason is that we had tremendously heavy country stocks and nobody can estimate what the grade loss would be.

Mr. DIEFENBAKER: But do not you have to make an adjustment as at 31st December?

Mr. FINDLAY: That is provided for in the contract, and very rarely asked for.

By Mr. Diefenbaker:

Q. Why is it that it does not appear in this account?—A. Too much wheat in the country, Mr. Diefenbaker. All wheat was not shipped out and the grade established; it was physically impossible.

By Mr. Perley:

Q. Then why have that phrase "As at 31st December" in the contract?—A. We did not know what was going to happen when we wrote the contract; we did not know that these conditions would arise at the end of the year.

The CHAIRMAN: We are trying to clean up the question of the elevator agreement and how the basis on which the spreads was arrived at. Can we keep our discussion to that question for the time being?

By Mr. Diefenbaker:

Q. Has there been any adjustment made yet on the basis of the 1940 crop?—A. Did you mean grade adjustment?

Q. Yes.—A. There have been some adjustments made, Mr. Findlay says, of the No. 3 Northern and lower. Those grades were practically cleaned out of the elevators.

Q. But you have no figure as to the amount of the adjustments?—A. Again I will ask Mr. Findlay. Probably you had better come to the table, Mr. Findlay.

Mr. DIEFENBAKER: What is the amount of the adjustments that have been made for the crop year 1940, the year ending 31st July, 1941?

Mr. FINDLAY: I would not have those figures.

Mr. DIEFENBAKER: Who has those figures?

Mr. FINDLAY: We would have them in the office; there is a very considerable number.

Mr. DIEFENBAKER: Could you procure a statement for the committee on that matter, too?

The CHAIRMAN: What crop year?

Mr. DIEFENBAKER: 1940.

Mr. McIVOR: That is going beyond July 31.

Mr. FINDLAY: Yes.

Mr. PERLEY: 1940-41.

The CHAIRMAN: Is that covered?

Mr. WRIGHT: The adjustment would be made subsequent to July, but would be on the other crop.

Mr. DIEFENBAKER: Yes, subsequent to July, 1941; but it refers to the 1940 crop, because as at 31st July, 1941, there had been no adjustments made for the reasons given by Mr. McIvor.

The WITNESS: We have not any particular objection to giving it, Mr. Chairman, but Mr. Findlay says it is an arduous job to get it out in the midst of the crop season. The 1938 crop figures are complete. It is going beyond July 31, 1941, and means a considerable amount of work.

Mr. DIEFENBAKER: Mr. Chairman, surely they would have the ledger with the amounts paid all the way down, and it would be only a matter of recapitulation of the various amounts?

Mr. FINDLAY: It would involve a very considerable amount of work.

Mr. DIEFENBAKER: Even so, this committee should have that information.

Mr. GRAHAM: Is this a one-man committee, or may the rest of the members hear you?

Mr. DIEFENBAKER: I am sorry. Usually I am charged with talking too loudly!

The CHAIRMAN: Perhaps Mr. Diefenbaker will repeat his question?

Mr. DIEFENBAKER: I asked Mr. Findlay to produce the records showing the adjustments that were made for the 1941 crop. In Exhibit "C" to the report on the crop year 1940-41, there is no item for adjustments to grades with agents. There being none, I asked the witness whether or not any adjustments had been made, and Mr. McIvor explained that there had been adjustments made but it was impossible to know what the total amount would be for the year, as there was still a great deal of wheat in the elevators.

Q. Is that a correct summary, Mr. McIvor?—A. Yes.

Mr. DIEFENBAKER: So I have asked Mr. Findlay to produce the records showing the amount actually paid out under that head to date: the adjustment of grades for the crop year 1940.

The WITNESS: My colleagues have just drawn my attention to something I had overlooked: this will not give a proper picture of the grade adjustments. The only adjustment that has been made has been made on grades in some cases up to No. 3 Northern. There is yet a lot of wheat back in the country that has to be shipped out and a grade adjustment made. I do not even know how the figures would work out. I am inclined to think they would show that the elevator companies have graded higher. However, I think in view of the fact that the information would not represent the true picture the committee should not go beyond the crop year 1938; 1938 answers the question directed by Mr. Wright, because all the wheat was taken in and all shipped out.

By Mr. Perley:

Q. You can give us the figures for 1939 because the elevators have been cleaned out once, anyway?—A. There are big stocks of 1939 wheat in the country.

Q. I do not think the elevators would want to carry this adjustment for two years. Surely you made a settlement with them as at 31st March, 1940? (No response.)

By the Chairman:

Q. Can you make a settlement until the grain is shipped?—A. No; you cannot make a final settlement until the grain is shipped out. I have explained to the committee the difficulties in regard to the matter. I think the 1938 crop is a fair answer to the question raised by Mr. Wright; but if you insist on the other information it will, in my view, give you a distorted picture of the position.

Mr. DIEFENBAKER: Whether the information is or is not to be rendered available is a matter for the committee, and I move that the record of the amounts paid for the crop years 1939 and 1940 under the head of: "Adjustment of grades with agents" be produced. Even though it does not give the full picture, as stated by Mr. McIvor, nevertheless the conclusions to be drawn from the information secured will depend upon any explanation that Mr. McIvor may choose to make after we receive the information.

By Mr. Perley:

Q. Let me add to that: The fact is that most of the elevators are 25,000- and 30,000-bushel elevators, and lots of them are handling 200,000 and 300,000 bushels. Surely that wheat has been shipped out two or three times and adjustments made on the portion which has been shipped out?—A. I must apologize to the committee. The 1939 crop is shipped out. I was confused with the 1940 crop.

Mr. PERLEY: I know one elevator that has loaded out three times.

The WITNESS: Mr. Chairman, frankly I do not want to see this point become a controversial one. I did not know that the 1939 crop had been shipped out. I have been told that it has been shipped out. We will get the information and give it to the committee.

By the Chairman:

Q. For 1940?—A. No; for the 1938-39 crop.

Mr. GRAHAM: I think that is sufficient to give us the information we require.

The WITNESS: We shall have to get the information from Winnipeg.

Mr. DIEFENBAKER: I will withdraw the motion. I like to see the attitude of Mr. McIvor to-day, because earlier we had quite a lot of difficulty in getting information.

The CHAIRMAN: I think you will agree that any information given by officials of the board would have to be such as could not be misconstrued or misleading in any sense; and some of the information under the present crop conditions cannot be given with full import.

Mr. PERLEY: There is no question that a lot of the 1940 crop has been shipped out of some of the elevators; some of the elevators have been loaded out three or four times. We could have the figures as at 31st March, 1941.

The CHAIRMAN: Is there any further discussion on the elevator agreement? Somebody asked about the basis on which the spreads were made in arriving at the initial payment which the board made on the wheat.

By Mr. Wright:

Q. Mr. McIvor, if the fact that the Cereals Import Committee were the largest buyers of the contract grades, would that set the spreads between those grades?—A. I would like to give an outline of how the spreads are fixed.

Q. By yourselves?—A. Yes, if I may. Then I would like to deal with the question raised by you, Mr. Wright, with regard to the protection of spreads in the market.

Q. Yes?—A. As you know, the board are charged with the responsibility of paying an initial price for wheat. That initial price is fixed for the new crop at 90 cents. It is fixed: basis No. 1 Northern. Then we are further charged with the responsibility of fixing the price equivalents or spreads between the various grades. That is a very difficult task. We have to try to project ourselves twelve months into the future, which is, I might say, an almost impossible task. We have to keep in mind that certain grades should sell in a certain relationship to other grades; but we do our best to fix the spreads as between grades, and the schedule of the spreads is on the back of this 1941-42 agreement. Sometimes in disposing of the wheat the spreads are not in line; they might be out either way. We might have fixed them too narrow and might have fixed them too wide; it would be a very rare thing if we could get them exactly right.

Dealing with Mr. Wright's question, the spreads are fixed in the market by the demand for one grade of wheat in relation to another grade of wheat. If, for example, the spread on No. 2 Northern under the No. 1 Northern was 3 cents, say, and the Cereals Import Committee decided that the No. 2 Northern was worth to them $2\frac{1}{2}$ cents within No. 1 Northern, the buying of No. 2 Northern on the part of the Cereals Import Committee would probably narrow up the spread to $2\frac{1}{2}$ cents.

By Mr. Douglas (Weyburn):

Q. Do they buy specific grades when they buy wheat?—A. Yes; they buy grades at the seaboard, and that buying would be reflected in the demand for that particular grade.

Q. Are those grades kept separate all the way through to the seaboard?—A. Yes. The same applies to No. 3 or No. 4 Northern or any other grade. So, in answer to Mr. Wright's question, the combined buying of the Cereals Import Committee, the demand within Canada, and the neutral demand for those various grades furnishes the reason for the fixing of spreads between the various grades. It is the reflection or view. It is as if a man went into a store to buy a hat and there was a fluctuation in the price of hats, and he thought a hat was worth \$6 in relation to a \$7 hat; that would fix the basis.

By Mr. Wright:

Q. But the man buying 70 per cent of the hats would fix the price?—A. He would have a very big influence on the price of hats.

Q. And in the practical result I think the Cereals Import Committee do set the spread between the contract grades?—A. They do not altogether; they do, plus the other buying.

Q. But the other buying is so small in comparison with their own?—A. The Cereals Import Committee would take in the form of wheat and flour perhaps 180 million bushels per year; the neutrals would take probably 35 million bushels; and the domestic market would take 45 million bushels, so there you have the relationship.

By Mr. Perley:

Q. Does not the season and the quantity of different grades available have an effect?—A. The quality of the crop? As far as the Cereals Import Committee are concerned, they confine their buying to No. 1 or No. 2 Northern, and the reason they do so is that they want to conserve vessel space as much as possible and get the greatest out-turn of flour from the wheat they buy.

Q. That would make the No. 4 spread very low?

Mr. GRAHAM: I recall Mr. Murray stated that he thought there had been a mistake in the inclusion of Garnet wheat into the grade system. Have you formed an opinion as to that?—A. Yes, I agree with Mr. Murray on that. I would like to point out, in answer to Mr. Perley's question, who said that would make No. 4 spread very low, that No. 4 sold at a very narrow spread last year.

By Mr. Perley:

Q. On account of there being not very much of it. The quality of the crop is very high?—A. Yes.

By Mr. Douglas (Weyburn):

Q. Supply would be a factor as well as demand?—A. Yes.

Q. But the dominating factor would be the Cereals Import Committee?—A. Only in the case of No. 1 and No. 2 Northern.

By Mr. Perley:

Q. But No. 4 would be available for domestic purposes because a lot of it is milled domestically?—A. Yes. Our problem in connection with spreads is easier if it is a high grade problem.

The CHAIRMAN: Are there any further questions?

By Mr. Perley:

Q. One section gives authority to the companies to hypothecate the grain?—A. Yes.

Q. That means they would get an advance on the grain and could use that money in financing their business?—A. They pay for the wheat in the country, and authority is given to them to hypothecate the grain with the banks in order to borrow money to pay for it.

Q. What about the items where the outstanding liability to the agents is \$145,000,000, referring to exhibit "A" of the wheat board report with respect to the crop year 1940-41? Would it make any difference in that regard?

Mr. FINDLAY: No; it would not make any difference. That is the actual amount of money we pay to the agents of the board for the different grades of wheat they have in the country.

Mr. PERLEY: If they can borrow the money at a little better rate from the banks, that would help the elevators out.

Mr. FINDLAY: I do not think any of them borrow money at less than 5 per cent for country wheat, except in the case of board wheat where we were able to get the banks to reduce the interest $\frac{1}{2}$ of 1 per cent.

Mr. PERLEY: Can you give us any indication of how prevalent that system is, and the extent to which the elevator companies use that system?

Mr. FINDLAY: To borrow from the banks?

Mr. PERLEY: Yes.

Mr. FINDLAY: It used to be a maximum of 80 per cent. Some, whose financial statements were very good, might get 85 or 90 per cent; but I do not think any would get any more than that.

Mr. PERLEY: But to what extent does that system prevail?

Mr. FINDLAY: I think it is very prevalent. I think any company starting out the year would first employ its own working capital, and from then on they have to borrow from the banks.

Mr. PERLEY: In other words, they are using the wheat as soon as they get it into the elevator to finance their operations.

Mr. FINDLAY: Yes, to pay the growers.

The CHAIRMAN: The wheat board is protected against any loss in that regard?

Mr. FINDLAY: Yes, quite.

By Mr. Perley:

Q. With regard to street wheat, the service charge of 4 cents—A. The service charge is 1 cent.

Q. But with the $1\frac{3}{4}$ cents and the commission the maximum is what, 4 cents?—A. You are talking about Class "A" or street wheat?

Q. Class "A"?—A. For Class "A" the handling charge to the elevator is $1\frac{3}{4}$ cents and the service charge is 1 cent, making $2\frac{3}{4}$ cents; and the man who ships the cars has to pay the freight on dockage and weighing and inspection charges. Now, I am told—Mr. Findlay is more expert on this matter than I—that as a rule until it gets up to 5 per cent dockage it pays a man better to ship a car, but over 5 cents he is ahead by selling at the street price.

By Mr. Donnelly:

Q. What about graded storage?—A. The same.

By Mr. Perley:

Q. With regard to the extra amount between 4 cents and $2\frac{3}{4}$ cents, do they give value for that? Before the board entered into the picture the farmer had it down to $2\frac{3}{4}$ cents?—A. No; as a matter of fact, his spread was very much wider on street wheat.

Q. On the street wheat?—A. Yes.

Q. Yes, but on the other?—A. On the other the position is unchanged.

The CHAIRMAN: It has always been $1\frac{3}{4}$ cents plus 1 cent per bushel for carload lots, as far as I can remember. As to what we ordinarily call "street wheat," that more or less stabilized itself after the time the pools and also the wheat board came into the picture.

The next item is the basis on which the quotas are arranged for the delivery of wheat to elevators because of the congestion. There have been several points raised in connection with that at different times both in the House and in this committee, and perhaps it would be well if we knew exactly what basis the board used in establishing the quotas for the delivery of wheat at the different elevator points.

By Mr. Ross (Souris):

Q. Could Mr. McIvor give us a statement on the basis used in the past, and the basis for this year?

The CHAIRMAN: We are concerned with the principle on which it will operate.

Mr. McIVOR: I am entirely in the hands of the committee. This is an important matter. I have a history of the operation of quotas which I can read, or I can deal with this year.

By Mr. Ross (Souris):

Q. I think it would be well to have the history of it first, and then give us this year?—A. Very well, it will take some little time:—

The quota system of deliveries was introduced by the Canadian Wheat Board on August 1, 1940. The placing of deliveries on a quota basis was made necessary by the grain storage situation. We commenced the crop year 1940-41 with about 163 million bushels of storage space available in country elevators and at the head of the lakes, and a wheat crop of over 500 million bushels being harvested in the Prairie Provinces on top of a carryover of 300 million bushels on July 31, 1940. It was necessary to introduce the quota system of deliveries in order to ration available storage equitably among approximately 240,000 wheat producers in the Prairie Provinces and to make sure that the early-maturing crops in Manitoba and parts of southern Saskatchewan and Alberta did not monopolize available storage space at the lakehead. In 1940-41 there was no limitation on the total amount of wheat to be marketed in the crop year, and therefore delivery quotas were established solely to spread out marketings in an equitable manner in accordance with available storage capacity. Delivery quotas were established through the Prairie Provinces on the basis of so many bushels per seeded acre of wheat in 1940, and these quotas increased gradually throughout the season from an initial general delivery quota of five bushels per acre until all delivery points were placed on an "open delivery basis" and the entire marketable surplus of the 1940 crop was delivered.

As the storage situation warranted, increases were made in the general delivery quotas but at the same time, quotas were increased at individual points wherever local storage permitted. When quotas at individual delivery points were increased above the general quota then in effect, it was the practice to discontinue car allotments to these points, thereby making cars available only at the points which could not take delivery of the general quota then in effect. This policy resulted in quotas being rapidly increased at points where local storage was available and at the same time resulted in storage at the lakehead being made available to those points where the general quota in effect could not be entirely delivered.

The storage situation was materially alleviated by the rapid construction of temporary annexes at country points, and in the last few weeks of the crop year the construction of temporary terminal space at Fort William, Port Arthur and other eastern points.

As a result of the operation of the quota system in 1940-41 and additional storage provided during the crop year, a total of 516 million bushels of all grains was marketed in the Prairie Provinces during the crop year 1940-41. This figure indicates very clearly the use which was made of available storage space during 1940-41.

The following table shows the general delivery quotas in effect during 1940-41:—

1940-41

August 7—5 bushels.
September 14—8 bushels.
November 27—10 bushels.
December 14—12 bushels.
March 13—15 bushels.
April 17—20 bushels.
April 21—Open delivery.

In addition to the increase in the general quota from time to time, quotas at individual points were increased as rapidly as local storage conditions permitted. A helpful factor in meeting the storage situation in 1940-41 was the sharp increase in wheat exports during the last four months of the crop year. Earlier in the season the board had expected exports of about 180 million bushels, but during the last few months of the crop year the United Kingdom moved unexpected large quantities of Canadian wheat overseas, with the result that our exports for the crop year 1940-41 reached a total of 230 million bushels. This year-end export movement not only eased our storage problem as far as the old crop was concerned, but also eased the position on August 1, 1941, just prior to the marketing of the 1941 wheat crop.

1941-42

In an enterprise as large and as complicated as that of the Canadian Wheat Board, and especially under wartime conditions, plans must be made for each crop months in advance, and all contingencies provided for. Plans for handling the 1941 crop engaged the attention of the board and the Dominion government as early as December 1940, and almost continuous conferences and discussions were held during the ensuing three months. At that time it appeared that Canada would have a carryover of at least 525 million bushels on July 31, 1941, with a 1941 crop at hand. If we were to harvest a crop of 300 million bushels of wheat in 1941, Canada had to be in a position to deal with over 800 million bushels of wheat in 1941-42. If we were to harvest a crop of 400 million bushels we would have to be prepared to deal with over 900 million bushels of wheat; and if the 1940 crop were repeated in 1941, it would have been necessary to deal with over 1,000,000,000 bushels of wheat in 1941-42. We did not know what kind of crop was going to be produced in 1941, but we had to make provision for all circumstances which might arise. It was out of this situation the policy for 1941-42 was finally decided. This policy called for a limitation of wheat marketings in Canada to 230 million bushels, which was considered at that time to be a reasonable estimate of the amount of Canadian wheat which could be used at home and abroad during 1941-42. Thus the limitation of total deliveries in Canada, and in the prairie provinces introduced a new factor in regard to delivery quotas. It meant that there would have to be seasonal quotas to meet local and terminal storage problems, and also a limitation upon marketings for the whole crop year. In order to keep marketings in the prairie provinces to approximately 223 million bushels (the western share of 230 million bushel figure for all of Canada), it was decided that deliveries of each grower should be restricted to deliveries from 65 per cent of his 1940 wheat crop. According to the policy established for 1941-42 the producer was in the position of not only having to have his deliveries regulated during the crop year as in 1940-41, but also having a

limit on the total amount of wheat which he could deliver. This represents the essential change in the delivery quota system as between 1940-41 and 1941-42.

As it turned out, the 1941 wheat crop was a small one—estimated at 273 million bushels, as compared with 513 million bushels in the previous year. It was apparent at the beginning of the crop year that the marketable surplus in the prairie provinces would be short of the deliverable quantity of approximately 223 million bushels, and for this reason the board will be able to take all wheat marketed in 1941-42.

On August 1, 1941, available storage in the west was considerably smaller than on the same date in the previous year. About 90 million bushels of storage space was available at country points and in addition, 12 million bushels of storage space was available at Fort William and Port Arthur. As a result of the short crop, small marketings of coarse grains, fairly good exports and a large domestic demand for all grains, delivery quotas were advanced rapidly in the fall of 1941 as shown by the following table:—

| <i>1941-42</i> | |
|----------------|---|
| July | 21 — 5 bushels (effective August 1st) |
| October | 7 — 8 “ |
| October | 16 — 12 “ |
| November | 21 — 15 “ |
| December | 4 — All points on “open delivery basis” |

By December 4 all points in the three prairie provinces were on an “open delivery basis”. From August 1 to date a total of 237 million bushels of all grains have been delivered in the prairie provinces.

Now, dealing with Mr. Quelch’s question about the basis of 1941-42 delivery quotas, the answer is as follows:—

The plan drafted for 1941-42 was based upon deliveries from 65 per cent of each producer’s wheat acreage in 1940. Provision was made for adjustment in this acreage for delivery purposes if it were out of line in 1940. Producers who had abnormally high acreage in 1940 had these acreages adjusted downward, and opportunity was given to producers to apply to the board for a review of their acreage for delivery purposes if that acreage was abnormally low. Provision was also made for dealing with producers who had no wheat in 1940. (2) Having established the authorized acreage for the west as a whole and for each producer individually, the board had to draft a plan for per-bushel delivery quotas from this acreage. At this point I might add that at the time these plans were made we did not know what effects the wheat acreage reduction plan would have upon acreage in the west, and consequently we had to prepare ourselves for the contingency that 1941 wheat acreage would be as large or nearly as large as 1940.

The quota plan selected for 1941-42 was the result of a great deal of work on the part of the board. The board did not wish to have the high yielding areas carrying the wheat which would have had to be carried on farms if we had had a large crop in 1941. The board felt that after a certain yield per acre was harvested, from say seven bushels per acre upward, the farm holdback should be shared by all producers. With this object in mind, a delivery plan involving both the authorized acreage and yields per acre was prepared. Under this plan the per bushel delivery quota of a producer would be based upon his authorized acreage and the average yield at his delivery point with a sufficient adjustment to prevent total deliveries exceeding 223 million bushels for the west.

As a result of the short crop in 1941 this plan was not put into operation as it was apparent from the start of the season that a limitation of 223 million bushels for the west could not be exceeded out of the 1941 crop.

The board has taken advantage of the experience gained in 1941-42 to give very careful study and consideration to future quota plans. There was a weakness in the 1941-42 plan which would have been very difficult to handle if the plan had been put into operation. That weakness was basing individual producers' per bushel quotas upon the average yield per acre at the delivery point. Frankly, we now feel that the variation in individual yields per acre at local points is too wide to permit this basis being used except in a year when production is extremely uniform through the west.

For 1942-43 we wish to have a quota plan which is equitable and simple, this plan to be used if the marketable surplus of the 1942 crop is larger than 280 million bushels. Having in mind our experience in 1941-42 the board will work out its per bushel delivery plan as soon as 1942 wheat acreage is known and when we have a general knowledge of the pattern of the 1942 crop. I may say this, however, that if wheat acreage in 1942 is about the same as 1941 the board will probably use the simplest possible plan, namely, the advancing of per bushel delivery quotas until 280 million bushels are provided for or are delivered. The only reason we can see at the moment for utilizing a complicated per bushel quota such as that drafted in 1941-42 would be the harvesting of a very high average yield per acre in the west.

I might state that the board has been giving a great deal of consideration to the acreage structure in the west. We have been doing this work with one of the objects being to arrive at a delivery plan which will be best suited to the industry in the prairie provinces. The problem is not simple. We have high-yielding and low-yielding areas in the west. We have great variation in the size of farm units. These are all factors which enter into the consideration of a practical quota plan. The board recently has prepared a summary of the size of farms in all crop districts in the west along with the acreage sown to various crops by size of farms. We will be glad to make copies of this report available to members of the committee as we think you will find the information useful.

By Mr. Donnelly:

Q. Is the 280 million bushels this year all for the west?—A. 280 million bushels for the west.

Q. Who allocates the cars to different points?—A. Well, our car department, Mr. Donnelly. I think that has to come up later and I shall be very glad to deal with it then.

The CHAIRMAN: It will be the next item inquired into.

By Mr. Donnelly:

Q. If you found in the quotas a competitive point would there be a tendency to move the grain from that competitive point?—A. The car problem has been highly controversial, particularly in the province of Saskatchewan, and I would like to deal with the whole question when we come to it.

The CHAIRMAN: Any further questions on the matter of how the quota program is arranged?

Mr. McIVOR: Mr. Davidson points out that I have omitted to read two paragraphs dealing with quotas and I should like to read them now:—

In addition, the board will have to take into consideration the acreage, production, and probable marketings of feed grains and flaxseed under the 1942-43 program before a definite statement can be made in respect to per-bushel wheat quotas in 1942-43.

Since the committee last met the board had decided that there will be no delivery quotas on flaxseed and producers growing flax in 1942 will be assured of immediate delivery next fall. Arrangements are being made by the board to move flaxseed forward as rapidly as it is delivered in order to get the 1942 flax crop to the crushers at the earliest possible moment, as linseed oil is urgently needed in connection with the war effort.

By Mr. Perley:

Q. If there is a good crop of coarse grains that would make a difference? There will have to be some provision made when they are encouraging the growing of these coarse grains?—A. In regard to the quotas we have a joint problem. One is the basis of delivery in relation to the acreage. The other deals with the question of elevator space at the points, and naturally we would have to consider the crops of coarse grains available to the elevators.

Q. I think that is important, because they are encouraging the farmer to grow the coarse grains and if they cannot take them they will have no return.

By Mr. Ross (Souris):

Q. If a man was growing some other crop as well as flaxseed, such as wheat or oats, what do you say as to movement?—A. What was the decision as to the movement of wheat and flax of Dr. Grindley?

Mr. SMITH: I think we felt it would have to be considered. Although it is a little difficult now to know what volume there might be, the main thing is to get the flax into the market; and we would have to consider that and do everything we could to let the flax grain have preference. If there was a real volume, of course, it might be difficult to handle. We could not find out any definite figures as to the volume.

By Mr. Ross (Souris):

Q. Quite a number of people have seeded it in that way?—A. We were very bothered about it. We will deal with it.

Mr. ROSS (*Souris*): I think a statement should be issued quite soon, because they are going to fall down on the acreage the government would like to see seeded to flax.

Mr. DOUGLAS (*Weyburn*): If I understood Mr. McIvor correctly, he said one of the determining factors in keeping out the quota system last year particularly was because they found they had less than 223,000,000 bushels available in the west, and they did not want all the hold-over in the good districts but wanted the hold-over spread into the poor districts?—A. Yes. The point is that we faced up to the situation. Remember, there is a difference in degree in regard to this delivery quota system as compared with last year, because last year we were limited to 230,000,000 bushels in the whole of Canada, while this year the limitation is 280,000,000 in the west alone. Last year the matter we were bothered about was that if there was a surplus over the 230,000,000 bushels all of it would have to be held in what might be termed the higher holding areas; but there is not the same problem this year because you have a bigger range to work in.

Q. I want to point out that it was not mandatory upon these people to bring in their wheat merely because the quotas were raised in their districts. If anybody wanted to hold-over there was nothing to prevent them from doing so, because there was plenty of local storage space?—A. Well, actually he could hold it within the crop year; there is nothing to prevent him from doing that.

By Mr. Perley:

Q. Would it not have been of great assistance to the board if some provision had been made to assist farmers to store the grain on their own farms and hold it back?—A. Farm storage was permitted.

Q. But if they had been assisted in providing space for the storage on their farms instead of these annexes being built, would it not have been better?—A. That is a matter of policy?

Q. What is your private opinion on that?—A. I would not care to express an opinion one way or the other. Any opinion I have with regard to that should be expressed to the government, I think.

Q. Has there been any suggestion of that nature? For instance, you have an advisory committee to your board? To what extent do you use them? We know what Mr. Murray thought of them, but to what extent do you use them and how far have you accepted any of the suggestions they have made?—A. Last year we had frequent dealings with the advisory committee, and the meetings are set out in our annual statement. This year we have had three meetings with the advisory committee. We value their opinion very highly. As a matter of fact, as far as I am aware the chairman has not officially resigned.

A VOICE: Yes.

Mr. McIVOR: Then I take that back. I am very sorry to hear that. The former chairman of the advisory committee, gentlemen, is in this room. We have had some very good men on that committee.

By Mr. Perley:

Q. Have they given you pretty good advice?—A. Yes; and we are always ready to take it.

Q. Have you taken it?—A. If we thought it good, we have taken it.

The CHAIRMAN: Should we not adhere to the matter we are discussing? Are there any further questions on this item?

By Mr. Wright:

Q. I would like to know something with regard to the likelihood of quotas on coarse grains this fall?—A. That will depend entirely on the country storage position. I will say to the committee that we shall put quotas on coarse grains only if it is absolutely necessary. This is something that cannot be dealt with months ahead. We have to deal with the situation when we realize what our problem is.

Q. With the maximum price on coarse grains this fall I know in our district there will be heavy deliveries of coarse grains?—A. I will put it this way, Mr. Wright: I have been using the word "priorities" and I think from the standpoint of priority of delivery you may regard No. 1 as being flax, because it is an absolute necessity. For No. 2 I would expect you would have a greater demand for oats and barley relative to wheat, so in the order of priority I will put those three grains from the standpoint of dealing with them under the quota system.

By Mr. Ross (Souris):

Q. They will be moved to save space?—A. Yes, but we may have to put on quotas to adjust the storage.

By Mr. Wright:

Q. But that will vary according to the district?—A. Yes, we will deal with districts.

By Mr. Graham:

Q. You have no information yet as to the acreage seeded to flax, coarse grains and wheat?—A. No; I have not.

By the Chairman:

Q. For my own information, Mr. McIvor, what safeguards have you to prevent a man from threshing early in the season and delivering this year's crop on last year's quota? There are districts in Manitoba, for instance, that threshed before the 1st August last year.

Mr. DOUGLAS (*Weyburn*): He will lose 20 cents a bushel if he does.

By the Chairman:

Q. I want to know if anybody got under the line in the wrong crop season with this year's crop? They had delivered all their old crop in July and started threshing again towards the end of July before your new crop season started?—A. Referring to last year?

Q. Yes.—A. It may be. I do not think it is an important point.

Q. It did not turn out that way when you were able to take all the wheat?—A. Yes. We are doing our very best to see that that is not done this year, because you have the price complication this year.

By Mr. Ross (Souris):

Q. What safeguards have you to prevent a man who has held over last year's crop from marketing some of it as this year's crop?—A. First, we have quite a lot of records dealing with the situation. Second, there is this additional safeguard, that if a man held it over and had a big crop, he would not be able to deliver it at all.

Q. You have a reasonably good record of a man's last year's production?—A. Yes. We have put out several statements on that point, and noticed quite an impetus in the deliveries afterwards

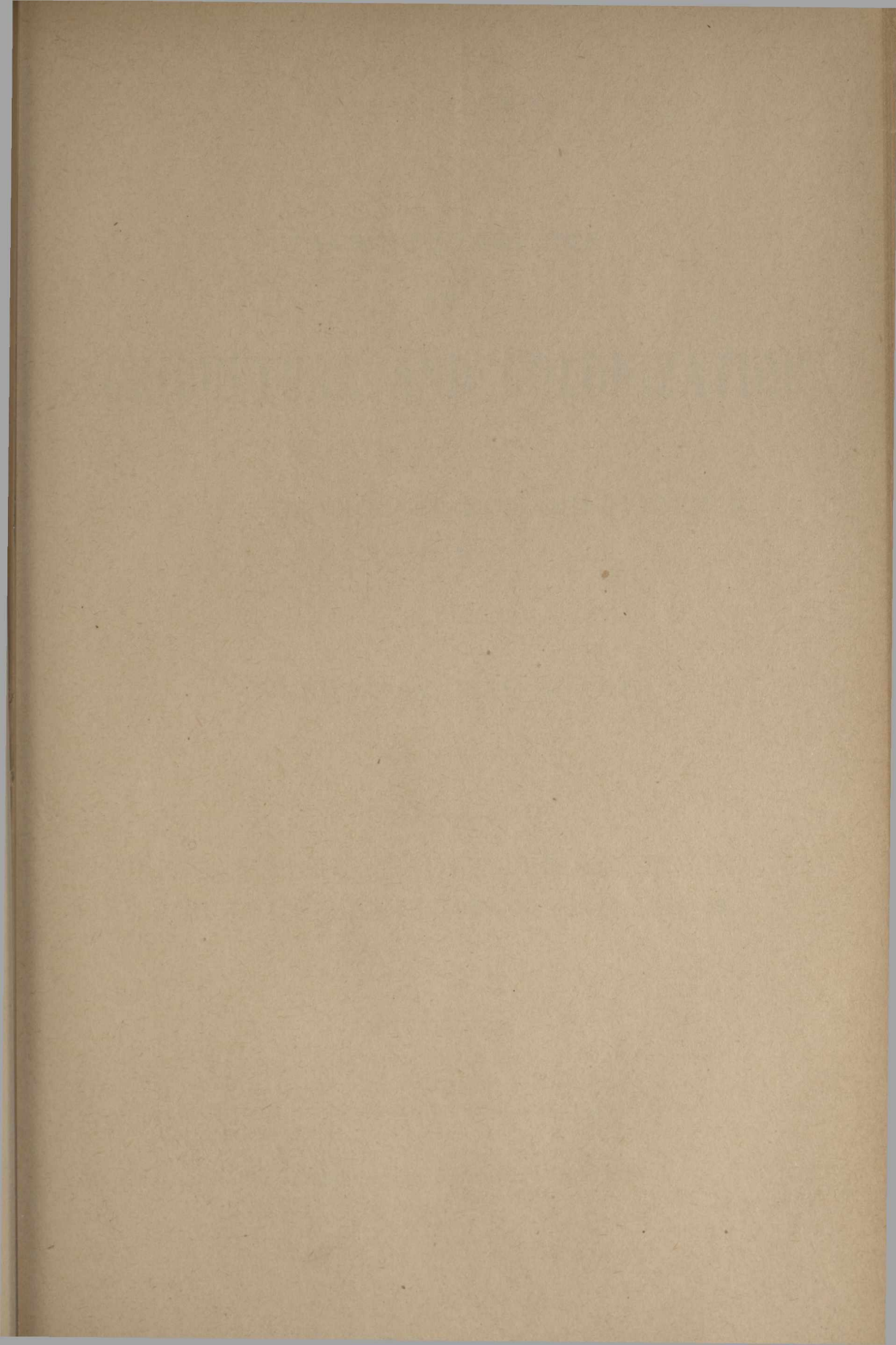
By Mr. Douglas (Weyburn):

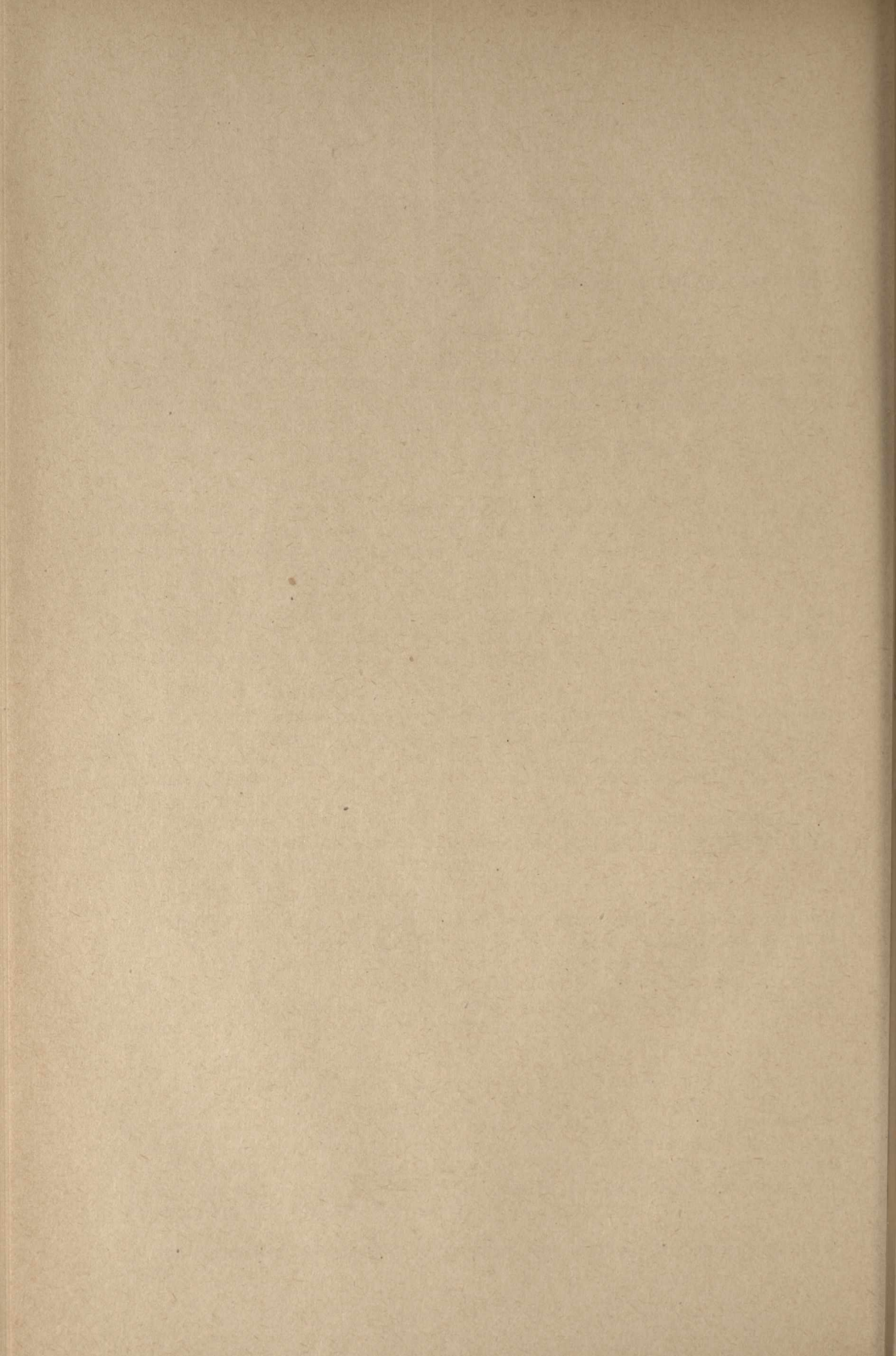
Q. One of the main complaints last year with reference to the quality was that so many farmers found the quality was raised a small amount at a time, two or three bushels. On the basis of their acreage it allowed them to deliver a quantity of wheat just below sufficient to get a car, and a lot of these people had to take street prices where normally they had been shipping in carload lots?—A. We realize the problem.

By Mr. Perley:

Q. Did not you reduce it last year?—A. Last year we did try to meet that problem by raising the quotas more than we had done in the previous year, but our chief worry is storage. Last year, as I pointed out previously, we raised the quotas from 5 to 8 bushels, from 8 to 12 bushels, and from 12 to 15 bushels; and on December 4 we opened up all the points. The previous year the carload lot basis was reduced to 750 bushels to take care of the situation Mr. Douglas has raised.

(The committee adjourned at 1.00 o'clock p.m. until 11.00 o'clock to-morrow morning.)





SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE
No. 6

WEDNESDAY, MAY 20, 1942

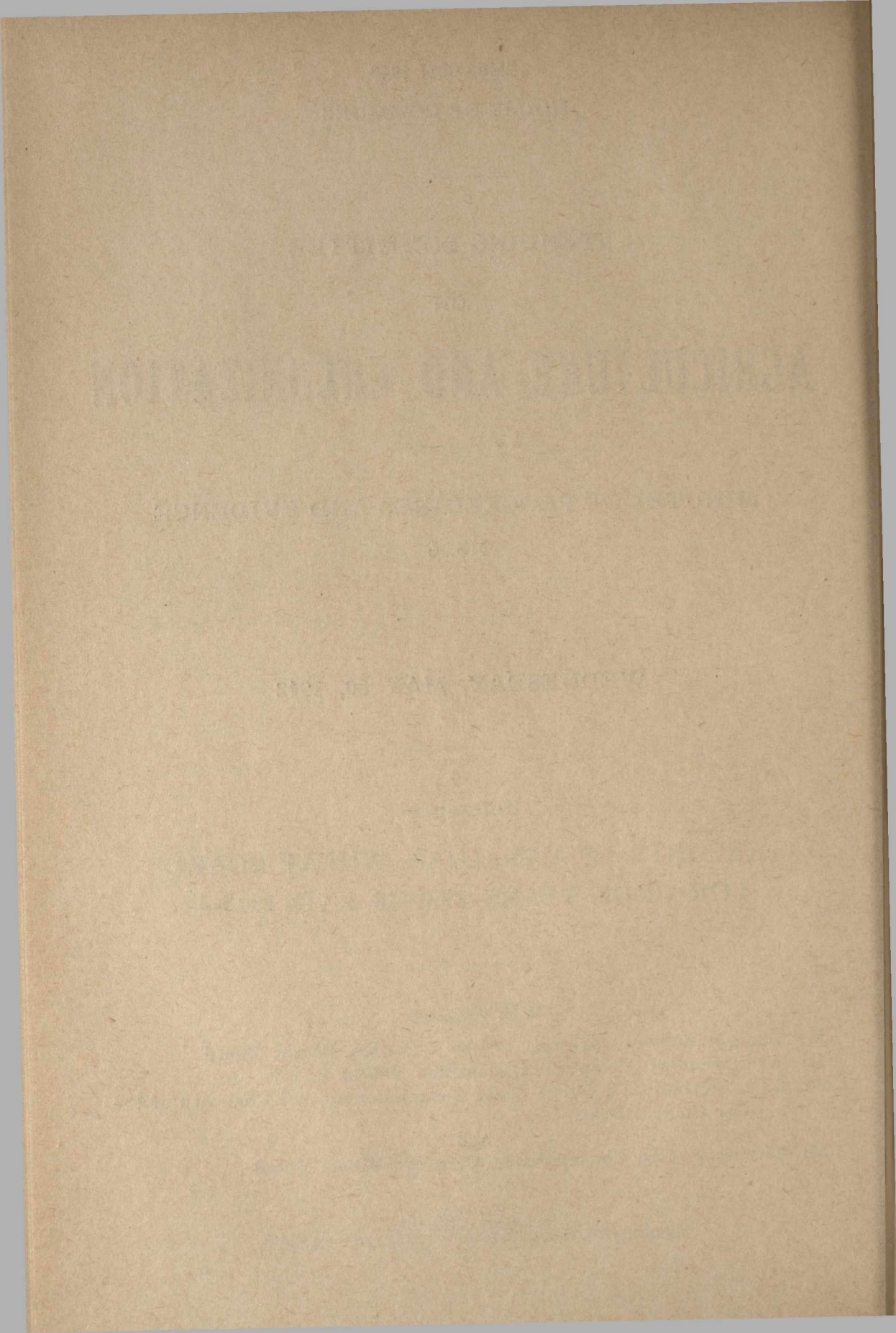
Reference
**REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41**

WITNESSES:

Mr. George McIvor, Chairman of the Canadian Wheat Board
Mr. R. C. Findlay, Comptroller, Canadian Wheat Board
Dr. D. A. McGibbon, Board of Grain Commissioners, and Chairman of the
Car Control Board

and

Mr. Charles Folliot, Commissioner, Canadian Wheat Board



MINUTES OF PROCEEDINGS

WEDNESDAY, May 20, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Cardiff, Clark, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Graham, Hatfield, Henderson, Leclerc, Léger, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McGarry, McNevin (*Victoria, Ont.*), Matthews, Mullins, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Tustin, Ward, Weir, Wright.—38.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the following officials of the Canadian Wheat Board:

Mr. George McIvor, Chairman of the Canadian Wheat Board,
Mr. C. Gordon Smith, Assistant Chief Commissioner;
Mr. W. Charles Folliot, Commissioner;
Dr. T. W. Grindley, Secretary;
Mr. R. C. Findlay, Comptroller.

The Minutes of the previous meeting held on May 19, were read and approved.

Mr. George McIvor was recalled and further examined.

Dr. T. W. Grindley, Secretary of the Board, was called and examined.

Dr. D. A. McGibbon, Board of Grain Commissioners and Chairman of the Car Control Board, was called and gave the Committee information regarding the allotment of cars for the shipment of the 1939-40 and 1940-41 crop.

Mr. R. C. Findlay, Comptroller of the Canadian Wheat Board, was recalled and further examined regarding the payment of brokerage charges from the Brokerage Pool.

The Committee adjourned to meet again at 4.00 p.m. this day.

AFTERNOON SITTING

At 4.00 p.m., the Committee resumed its sitting. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs: Bertrand (*Prescott*), Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Furniss, Graham, Henderson, Léger, McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Perley, Rennie, Rheume, Rickard, Ross (*Souris*), Senn, Soper, Ward, Weir, Wright.—24.

In attendance:

Hon. J. A. MacKinnon, Minister of Trade and Commerce, and the same officials of the Canadian Wheat Board who were in attendance at the morning sitting.

Mr. R. C. Findlay continued as the witness.

Mr. W. Charles Folliot, Commissioner of the Wheat Board, was recalled and further examined.

Mr. George McIvor was also recalled and examined in connection with P.C. 1803, P.C. 1802, P.C. 1801 and P.C. 1800.

The Committee then adjourned to meet again at 11.00 a.m. on Thursday, May 21.

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

May 20, 1942.

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

The CHAIRMAN: If the committee will come to order I will ask the secretary to read the minutes of yesterday's proceedings. (Whereupon the secretary read the minutes of yesterday's proceedings and the same were duly adopted.)

The CHAIRMAN: Gentlemen, yesterday when Mr. McIvor was before the committee we were discussing the elevator agreements with the wheat board for handling the wheat board wheat, and out of that arose a discussion as to the manner in which the spreads between the different grades were arrived at. Is there any further discussion with respect to that particular item? Perhaps we should immediately recall Mr. McIvor to the witness stand.

Mr. GEORGE McIVOR, recalled

The CHAIRMAN: Is there any further information desired with respect to the elevator agreements and the spreads between grades?

By Mr. Douglas (Weyburn):

Q. I believe Mr. Wright wanted some information from you, Mr. McIvor?
—A. Yes. We have asked Winnipeg for that information, and it should be here to-morrow morning.

By Mr. Perley:

Q. There are several places in the record of the proceedings where you have agreed to get certain information for us. For instance, at page 87 of No. 3 I asked for the amount of purchases in the months of March and April?—
A. That comes under the discussion of Order in Council No. 1803, to which we shall come.

The CHAIRMAN: Can we proceed to the next item, namely, the basis upon which the wheat quota deliveries were arranged?

Mr. McIVOR: Mr. Chairman, there is a book entitled: "A Survey of Farm Acreages in the Prairie Provinces," before you. With the permission of the committee and yourself I would like to ask Dr. Grindley to deal with that subject briefly.

The CHAIRMAN: Is that satisfactory to the committee? (Agreed).

Mr. DIEFENBAKER: If Mr. Findlay wants to get away to-day would it not be better to call him so that he can be allowed to go?

The CHAIRMAN: I think you might have some questions to ask him later in the day.

Mr. PERLEY: We may not be sitting this afternoon.

The CHAIRMAN: What is the pleasure of the committee in that respect? Are there any questions you particularly desire to direct to Mr. Findlay?

Perhaps we had better proceed with Dr. Grindley who, as I may say, the secretary of the Canadian Wheat Board.

Dr. GRINDLEY: This is an explanation of the reason why this report was prepared by Mr. Davidson:—

This report is intended to show in an accurate manner the relative importance of each size of farm unit in each crop district in the west and the 1941 average utilization of farms of various sizes. Incidentally we are frequently asked the questions:—

- (1) How important are small farms or large farms in the west?
- (2) How do cropping practices vary from district to district and by size of farm units?

These questions are answered in detail in the report.

The report also shows the varying importance of wheat by areas. For instance, in crop district 4B of Saskatchewan, wheat acreage was from 48 per cent to 69 per cent of the cultivated acreage depending upon the size of the farm unit. In crop district 5B wheat acreage was from 25 per cent to 32 per cent of the cultivated acreage in the same basis. Incidentally in Crop District 4B, 11 per cent of the farm units were of 160 acres or less while in Crop District 5B, 44 per cent of farm units were 160 acres or less.

We now have definite information in respect to cropping practices in each area on the prairies and at each delivery point. This information will all be taken into consideration in connection with delivery quotas in 1942-43. This report will serve as a starting point in regard to delivery quotas in the new crop year.

If the quota system and acreage control for marketing is continued we must examine all plans in the light of the way in which they will fit into the different areas in the west. For instance, we were worried somewhat last year in regard to the effect of our quotas upon the 160 acre farm and the need of the small farmer for a minimum cash revenue. We found however that relative to larger farms the quarter section man actually fared better.

We will continue to study the acreage structure in the west in order to continually check and re-check the effects of Board policies upon various areas and different sizes of farms. Only in this way will we finally reach the soundest possible plans for the future. A study of this report shows the diverse conditions to be found in the west and the difficulties that must be overcome to find a satisfactory plan which will work in all areas and on all sizes of farms.

By Mr. Perley:

Q. Dr. Grindley, are there more 320-acre farms than any other size?—

A. I think the average farm falls something over 320 acres; there are more half-section farms.

Q. Then they go to what, three-quarter sections, and sections-and-one-quarter?—A. That varies with the province.

Q. In the province of Saskatchewan?—A. Yes, in Saskatchewan that is so.

An hon. MEMBER: Are there more 160-acre farms in Alberta?—A. That is right.

By Mr. Senn:

Q. In the committee on Land Settlement the question arose as to the size of the most economic unit. Have you any statement or opinion to offer in that respect?—A. I am afraid that is a little out of our line, Mr. Senn.

By the Chairman:

Q. What are the comparative sizes of farms between the three western provinces? What is the highest percentage of farm acreage in Manitoba, Saskatchewan and Alberta? Has Saskatchewan larger farms than Manitoba?—

A. Yes, that is shown on pages 4, 5 and 6 of the survey. Saskatchewan has larger farms than the other provinces, and has more of the larger farms.

By Mr. Evans:

Q. I suppose in the more or less cereal-producing districts there are larger farm units?—A. Yes.

By the Chairman:

Q. Could you state to the committee in a general way how you started to apply your quota for deliveries last year?

Mr. McIVOR: Mr. Chairman, that was all covered in yesterday's evidence, unless there are some further questions to be asked.

By Mr. Donnelly:

Q. Please tell us, Dr. Grindley, what were the other suggestions with regard to the quotas; first of all, do you remember how they started out?—A. The only other suggestion apart from a quota based on the seeded acreage of 1940 that I can remember was based on the farm or on the quarter-section, both of which we found to be quite impracticable.

Q. Who suggested those?—A. I am not sure exactly where the suggestions came from; they were fairly general.

Q. So much a quarter-section?—A. So many bushels per quarter-section.

By Mr. Evans:

Q. Regardless of cultivated acreage?—A. Yes, regardless of cultivated acreage.

By Mr. Douglas (Weyburn):

Q. I believe you said, Dr. Grindley, in the course of your statement a few moments ago that they were afraid at first that the system might work a hardship on the quarter-section farmer, but found that it worked out quite advantageously to him. Would you elaborate on that, please?—A. I do not think much can be added to that except to say that on an average basis the small farm has usually a higher cultivated acreage and usually a higher proportion of the grain crops, and therefore gets a higher quota.

By Mr. Donnelly:

Q. A smaller farm is more liable to be a mixed farm, and will use grain thereon.—A. Yes, he has that advantage that he does not have to market such a high proportion of his crops.

By Mr. Perley:

Q. I suppose the farmers who are adjacent to the elevators have the advantage over those who are not? For instance, you may be in the second quota and a number of cars may be stationed at a town, so many cars to each elevator. Word goes out that there is more space available and the farmers who are adjacent are handier and can get trucks and fill up the space, while some farmers who are situated farther away cannot get their grain in and are not able to deliver their quota. It works a hardship against certain farmers?—A. That is one of the real reasons why the quota system was necessary, and in increasing quotas at a point we try to make sure that the space is sufficient to take in the full quota of all the acreage, not only those near the towns.

By Mr. Ross (Souris):

Q. When you increase the quota it is based on the available storage space at that point?—A. Yes, for local points.

By Mr. Donnelly:

Q. I understand the pools made a suggestion as to how the quotas should be arranged?—A. I think the suggestion came from two of the pools that it should be based on so many bushels per farm.

Q. Irrespective of the size of the farm?—A. Yes, and that brought out the qualification that put it down to the quarter-section basis; but either one of those systems, it seems to us, would tend to increase the wheat acreage, would be an encouragement to increase the wheat acreage, especially in the mixed farming areas.

Q. Would there be any more difficulty in handling it?—A. Yes, there would be more difficulty in handling it, too; the acreage basis is by far the simplest.

By Mr. Douglas (Weyburn):

Q. You say you think it would have been impossible to have fixed the maximum delivery for the first quarter-section at say 1,000 bushels and to have reduced the amount from each of the succeeding quarter-sections?—A. Yes, that would have led to splitting up the farms, I think. In all those quota systems based on the farm you have to take in account also that there is a large transfer of farms each year. We find that about 1/5th or 1/6th of the total number of farms changes hands each year, and that causes difficulty.

Q. That has been got around by the Prairie Farm Assistance Branch, by insisting on paying on the basis of the previous unit. Any splitting of farms was not recognized by the administration?—A. We still have difficulty in that regard, and I think the Prairie Farm Assistance Branch have, too.

Q. Would that be the only difficulty in connection with the scheme I have suggested?—A. I cannot think of any others offhand.

By Mr. McNevin:

Q. Would not the farm basis quota result in very great inequalities? For example, one man's farm might have only 25 acres of wheat and the other man's farm might have 75 acres of wheat. I think the unit basis is more equal?—A. I am assuming that Mr. Douglas would take into account the record of yield on the farm over some period of years. That, by the way, was another of the faults in the system, because we had no such record and it was almost impossible to secure a record because of the continual transfer of farms from one owner to another.

By Mr. Douglas (Weyburn):

Q. What I had in mind was that the man with only 100 acres under cultivation in 1940 is allowed to deliver a quota for only 65 acres, and in many cases it was found that the quotas were low and the amount of wheat he could sell was so small that he could not meet his obligations, whereas the man with 1,000 acres even on his first quota would be unable to meet his pressing obligations at the time. There was some suggestion that a fairly large maximum should be set, 750 or 1,000 acres for the first quarter, and then a graded amount for the other quarters, getting smaller as each additional quarter was added. So far we have never had any satisfactory explanation as to why that would not be feasible. I recognize the difficulty you mention with respect to splitting farms, but that question was dealt with by the Prairie Farm Assistance Branch and was dealt with by the administration. It was a hardship in the case of a man with 65 acres on a 5-bushel quota?—A. Well, I do think that Mr. Davidson, who prepared this memorandum, is quite right when he says that the small farmer was favoured rather than otherwise relatively to the larger farmer under the quota system because the farms would certainly have been split up if we had allowed a larger quota for the first quarter-section. I do not know what we could have done to control it. We would never know

whether it was a legitimate split-up or whether it was being done just for the purpose of getting around the quota system.

Q. Is it not true as to Saskatchewan that you have had ever since 1939 a record of the number of acreages a man had sown to wheat and coarse grains, and the number of acres in summer-fallow, and the total acreage provided under the Prairie Farm Assistance Act?—A. Yes.

Q. So that you knew what the farm units were and could recognize only the farm units in existence the previous year?—A. I think that would work some hardship on the farm that had to be split up for estate purposes or other reasons. It seems to me that the acreage system is so much simpler that it certainly recommended itself to us. I do not deny that it is not without some local difficulties.

The CHAIRMAN: The chief difficulty was got over after it had been in operation for one year?

The WITNESS: Yes, I think so.

Mr. DOUGLAS (*Weyburn*): The only reason it was got over was that this year the top was taken off, but had it been necessary to stay at a low quota of 5 or 7 bushels the small farmer would have had considerable hardship.

Mr. DONNELLY: I do not think, generally speaking, throughout the country, the small farmer is any more legislated against than the big farmer. The big farmer pays the same percentage of his cost and he has more costs and he has more to sell. He is not in the same position as the small farmer.

Mr. DOUGLAS (*Weyburn*): His cost is on the basis of a diminishing return.

Mr. DONNELLY: I do not see why he is not in the same position as the big farmer.

Mr. WRIGHT: The small farmer has a big family to keep and the big farmer has to keep a family too but he has a bigger acreage with which to do that.

Mr. DONNELLY: And he has bigger taxes.

Mr. WRIGHT: They have not the same expenses, but the small farmer has his family to keep. I know that in my own district we have a tremendous number of small farmers who have been moved from southern Saskatchewan up there on quarter sections of land and they have only got 30 or 40 or 60 acres under cultivation—probably 20 acres in wheat—and they have a family to keep. In the fall of the year there is a quota of 5 bushels to the acre and they have probably 20 acres of wheat. There are 100 bushels of wheat to deliver and that does not begin to buy clothes for the family for the winter.

Mr. DONNELLY: The man who only raises 40 acres of wheat is not a wheat raiser any more than the man with one apple tree has an orchard.

Mr. WRIGHT: Nevertheless, he has to live from the income.

Mr. DONNELLY: He should be feeding things on his farm; he should be going into mixed farming. That is the only way he could make a living.

Mr. WRIGHT: That is all right if he has the stock to raise, but if he has not got that he has to depend on what he sells from his farm, and that is the position those people are in.

The WITNESS: I think it could also be said that on the small farms the average yield tends to be higher and therefore he benefits in that way from the acreage basis.

Mr. WRIGHT: Yes, but if he cannot deliver it he cannot benefit.

The WITNESS: So far he has not suffered.

Mr. WRIGHT: No, but he will suffer this year if there is a good yield and there is a quota. He did not suffer last year because he was able to deliver it all, but when the point comes where he cannot deliver it why he is going to suffer because he has to pay for threshing on it all and yet he is only able to deliver 5 bushels to the acre on a 40-acre crop.

Mr. DOUGLAS (*Weyburn*): All your argument proves is that he did not suffer because of a freak of nature, not because of the quota system.

The WITNESS: Yes, my statement was in the past tense.

Mr. DOUGLAS (*Weyburn*): The application of the quota system, had you had to apply it without taking the lid off as you did, the man with the high yield would have been no better off; he would have had to keep that against the yield on his farm.

The WITNESS: We had plans to graduate the quota upward with the yield.

By Mr. Wright:

Q. You had those plans?—A. Yes.

Q. And will they be put into effect this year if there is a quota system?—
A. I do not know on what basis, but we are studying that problem now.

By Mr. Douglas (Weyburn):

Q. Did you have plans last year to do that?—A. Yes.

Q. How would that operate? For instance, a man has 65 per cent of the previous year's acreage; that quota would not be applicable over the whole community, it would depend on the actual acreage for that community, would it?—A. On the average yield at the delivery point. As Mr. McIvor explained to you yesterday, we recognized the fault of this system after we saw the variation in the average yield among the farms at the shipping point.

Q. The plan is to alter that slightly?—A. We are trying to find a way around the difficulty.

Q. There is no plan formulated yet?—A. No.

Q. The plan may work out with observation of the storage space available at the delivery point. The quota may be different in various districts because of the yield in those various districts?—A. That is the plan, yes.

Q. The difficulty would be that if you have two different sizes of farms, one might have a quota of 9 bushels and another might have a quota of 7 bushels, and the two farmers on either side of the border line might have the same crop and one might happen to be in one district and one in another district and there would be different quotas?—A. Yes, that would be possible.

Hon. Mr. MACKINNON: You cannot legislate for each individual farm.

The WITNESS: No, it is difficult.

By Mr. Evans:

Q. Did you experience the same trouble as the P.F.A.A. in establishing a farm unit, in taking advantage of the quota or of the P.F.A.A.?—A. That is one of the advantages in using the acreage basis; it does not matter whether your acreage is tied up in one unit or three, they do not get any advantage out of the delivery quota for being so divided.

Q. Did you have difficulty in splitting up the units and establishing different quotas?—A. No, not under the system we have used.

Mr. SENN: It would not make any difference.

Mr. EVANS: They had that difficulty under the P.F.A.A., and I wondered if it reacted under your system.

By Mr. Douglas (Weyburn):

Q. There is no incentive to split up the farm units?—A. No.

Q. There is under the P.F.A.A.?—A. Yes.

By Mr. Graham:

Q. Generally speaking, over western Canada the size of the farm is dictated by the moisture conditions; that is in the more rainy districts you find the small farmer on a small unit?—A. Yes, generally.

Q. And in the drier district the unit is larger because the yield is more uncertain and there may be a larger unit working in order to produce over a number of years a larger income?—A. Yes.

Q. Is it not true, therefore, that because that small farm, generally speaking, is very certain of rainfall and production, that that is the one farmer who can come out of wheat production and go into live stock production more easily than in the southern districts where the rainfall is light and less certain?—A. I think that is a common belief.

Q. Is it not necessary in establishing a quota system to keep in mind the uncertainty of the districts where the wheat, generally speaking, must be grown because of weather conditions; is it not only fair to keep in mind the uncertainty with which those larger farmers are faced in the matter of production year by year?—A. Yes, that is one of the things that we certainly have to keep in mind.

Q. The board does intend to keep that in mind?—A. Yes.

Q. The whole purpose, of course, of the quota system was to equitably distribute what was proposed to be taken over the whole of the three prairie provinces?—A. Yes.

Q. And I think if I recall correctly there are about 340,000 farms in western Canada?—A. There are that many farmers, but there are not that many marketing wheat; we have only about, I think it is, 225,000 farmers.

Q. Growing wheat?—A. Yes.

Q. And obviously you must keep that in mind in establishing quota systems whether based on acreage or bushelage?—A. Yes.

By Mr. Perley:

Q. Is that in the three prairie provinces?—A. Yes.

Q. Do you know how many there are in Sackatchewan? There are more there are there not?—A. I have not the data, split up among the provinces.

By Mr. Douglas (Weyburn):

Q. Is not there another factor determining the size of farms, and that is the districts in which it is possible to carry on mechanized farming; and in the districts in which it is not possible profitably to do so is not that a fact in determining the advantage of small farms?—A. Yes, the soil and the climatic conditions determine that fairly well.

By Mr. Donnelly:

Q. Did you have much objection from the farmers to this quota?—A. No, I think we have had far more compliments than complaints.

Q. Generally speaking, do you not find that the farmers react to this and think it is a good thing?—A. Yes, that is true.

By Mr. Perley:

Q. In lifting the quota or raising the quota, say, at certain points last fall I can recall that on the C.N.R. there was lots of space but on the C.P.R. east of Regina it was found that practically all the elevators were full and other districts south were getting cars when the quota was being lifted. How do you deal with that distribution of cars?—A. I think that comes up under the next question. That is a problem which does arise with the quota system, the two have to be worked together.

By Mr. Ross (Souris):

Q. Taking this 280,000,000 bushels that should come from the producer if they produced an average of 14 bushels an acre, they may not be able to deliver that 14 bushels in some districts and in other districts they may be able to deliver over that. That is just following up Mr. Graham's statement. Is that possible?—A. It is our hope that we would be able to graduate the delivery quota with the yield.

Q. You would not say that every man growing wheat who can produce 14 bushels would not be sure of delivering at least that much wheat?—A. No, I think that figure would be lower than 14 bushels.

Q. For what reason?—A. I am not sure, but I think the figure that Mr. McIvor gave yesterday was that we would go up to about 7 bushels, certainly.

Q. That is in the first quota. I am talking about his guaranteed quota of delivery for the season. A man is going to plant his wheat this spring and he should have some assurance of at least how much he can deliver. I am not talking about the first quota?—A. That depends upon whether there is to be a restricted quota or not. If there is not a restrictive quota, if the acreage is low enough and if the average yield is obtained—

Q. Let us say for the sake of argument that there are 20,000,000 acres of wheat seeded in the country this year and we have agreed to accept 280,000,000 bushels of wheat, that gives us 14 bushels per acre. Now, on that basis is a farmer sure of delivering 14 bushels if he grows that much?

The CHAIRMAN: Do you mean is every farmer sure?

Mr. ROSS (*Souris*): Yes, if he grows that much wheat.

The WITNESS: It is apparent that if you get an average yield on 20,000,000 you would not have a restrictive quota.

By Mr. Ross (Souris):

Q. I am suggesting a supposition, that we have a big crop this year. Now, will one farmer be allowed to deliver, say, 16 or 18 bushels and another man be cut down to 14 bushels—supposing there is a big crop that averages around 20 bushels to the acre?—A. I think Mr. McIvor explained that yesterday in his statement when he said—

Q. I do not think he did. I followed him and I do not think he touched this angle of it.

Mr. DONNELLY: Is it not possible that there might be a large section that would have a big yield and a large section that would only have 5 or 6 bushels to the acre and that other parts might be delivering 16 bushels?

Mr. ROSS (*Souris*): I am supposing that on 20,000,000 acres we produce 350 or 400 million bushels of wheat; if we did that would every farmer who produced 14 bushels of wheat be allowed to deliver that?

Mr. DONNELLY: Yes.

Mr. ROSS (*Souris*): I am not so sure whether after this discussion he would be able to do it.

Mr. WRIGHT: And the farmer who produces over the 14 bushels per acre would be kept to it. That would not work out fairly for the good crop districts. You would not be able to deliver a percentage of what you had grown.

Mr. ROSS (*Souris*): That is not a special privilege in any good farming district. On good land such as you operate, suppose you had 500 acres as your basis for 1940 and you thought that under ordinary conditions, if you produced a crop at all, you would produce 25 bushels to the acre, then you would not seed your whole quota of acreage. If I am operating 500 acres of wheat in 1940 and I feel I can grow 25 bushels I will probably cut my wheat acreage in 1942 and still be able to deliver on that quota.

The WITNESS: I think the point was answered yesterday by Mr. McIvor when he said, "for 1942-1943 we wish to have a quota plan which is equitable and simple, this plan to be used if the marketable surplus of the 1942 crop is larger than 280,000,000 bushels. Having in mind our experience in 1941-1942 the board will work out its per bushel delivery plan as soon as 1942 wheat acreage is known and then we have a general knowledge of the pattern of the 1942 crop." When you take a figure of 14 bushels you take it having in mind

a certain acreage and a certain distribution of the average yields; but we have not got that information in advance and we have to wait until we have it before we decide on the plan.

Mr. ROSS (*Souris*): I am basing my statement on the supposition that we have 20,000,000 acres this year.

The WITNESS: That is not known yet.

Mr. ROSS (*Souris*): Supposing it to be true, would that be a fair basis to develop it on?

The WITNESS: We have to determine before we can say that a farmer can deliver 14 bushels—we have to know how many acres there are in the 5-bushel yield or the 3-bushel yield.

Mr. ROSS (*Souris*): I think that is why that quota should have been announced to the public before seeding.

Hon. Mr. MACKINNON: You cannot do it.

Mr. ROSS (*Souris*): If you do not do it that plan is not very effective, because as I say this man with his 500 basis for 1940, if he was not sure you were going to work this quota he would seed all he was allowed to; if you had this quota system announced in the spring it would help out the government in their desire to have more coarse grains produced and that man would reduce his wheat acreage all he could, realizing that he had better land than his neighbours. He would produce what he felt he could deliver on, and that scheme would be much more satisfactory. Had they known that, your wishes would have been gratified in the changing over to coarse grains.

Hon. Mr. MACKINNON: I appreciate that, but the weather conditions have such an enormous effect.

The WITNESS: I think you are quite right, Mr. Ross, if the quota scheme could be given in advance it would be an advantage, but it cannot be done.

Mr. ROSS (*Souris*): Even if it cannot be done now, if you inject some new scheme it will probably have this other effect next spring that those people are not going to take any chance again, and there will be a handicap in the following season.

Hon. Mr. MACKINNON: Yes.

Mr. QUELCH: I think that the quota system as established by the wheat board has been one of the most satisfactory features of the whole agricultural program. I have had no complaints, and I hope they will continue the whole system as in the past. As far as a quota system is concerned, I don't see how you could establish a quota system and deal satisfactorily with a unit that is uneconomic. The quarter section farmer will have to depend upon stock. I do not think we should lay over-emphasis on that small farmer, because he is not a grain farmer.

Mr. McNEVIN: If, in the experience of the board, the system has been satisfactory, I do not think we are adding anything to the work of the committee continuing this discussion.

Mr. DOUGLAS (*Weyburn*): You have not got the point. We are not objecting to the acreage system, we are discussing the new feature it is proposed to add, that we shall not only compute on the basis of previous acreage but also there shall be another calculation in addition based on the yield for this particular year.

The WITNESS: It is only in the event of a restrictive quota, and it was planned for last year, as Mr. McIvor said, and we found after working with it that it would not have been possible to make it applicable on the basis we planned. All we plan to do for 1942-1943 is to try to improve on the method we had worked out for 1941-1942.

Mr. DOUGLAS (*Weyburn*): If you find it is not equitable it will not be applied and, as you found last year, you will simply leave it on a straight acreage basis.

The WITNESS: Yes. I do not think we would do anything if it is not equitable.

The CHAIRMAN: The only time when anything of that nature arises would be in the event of having a crop that is substantially over 280,000,000 bushels to be delivered; if it is less than that there is no difficulty.

The WITNESS: Yes.

Mr. WRIGHT: I think the quota system is the only system if we have a reasonable crop. I agree that you have to allow some percentage on yield. I think yield should be taken into consideration as well as acreage in arriving at the quota, and I am wondering if it would not be possible if you accepted, say, 7 bushels on your first quota that then when the man registers the total amount of wheat he has for sale and when he applies for his quota book he knows the total amount that he has to deliver—

The WITNESS: No, I do not think that is in the book.

Mr. WRIGHT: It would be possible to put that in the book.

The WITNESS: You could arrive at it by multiplying his seeded acreage by his average yield.

Mr. WRIGHT: When you are issuing the book that could be stated in the book, that when the man obtained his book in the fall he knows what he has threshed and he knows what his yield is likely to be, the number of bushels of wheat he is likely to have to deliver in his crop that year.

The CHAIRMAN: In most cases he has not threshed.

Mr. WRIGHT: He can estimate it pretty closely then. When he has applied for his book he knows what his crop is going to be, and supposing your first quota was 7 bushels to the acre, then any deliveries made after that could be taken on a percentage basis on the amount he had to deliver. If he had room for so many bushels of wheat each man would be able to deliver 5 per cent of what he had remaining or 10 per cent, depending on the amount wanted. Would a quota system not be workable on that basis?

The WITNESS: There are a great many variations of the present system that could be worked. We are trying to use all the information we can get to make the system fair.

The CHAIRMAN: Now, gentlemen, are there any other questions you wish to ask this witness:

By Mr. Perley:

Q. Dr. Grindley, if you found that there had been considerable increase in the seeding of coarse grains this year and there is a good season you may have to arrange a quota for the coarse grain; and would that not affect your wheat quota?—A. Yes.

Q. It will all depend upon space, to a certain degree, that is available to take it in?—A. Yes.

Q. Have you given any consideration to the coarse grain quota?—A. The only consideration we have given to it is that we have decided that we will not put it into effect unless we absolutely have to.

Q. I have another point with regard to the allotment of cars—

The CHAIRMAN: Can we let that go and come to the next item and discuss the whole thing and let Dr. Grindley leave the stand? Could we proceed with the next item. Thank you Dr. Grindley. You may retire.

In regard to the distribution of cars to elevator companies, Mr. McIvor will give you a general statement of the policy that has been pursued.

Mr. McIVOR, recalled.

The WITNESS:

In 1940-41, the distribution of cars at each elevator point was made by the car control committee, headed by Dr. MacGibbon, on the basis of the permanent storage space at the point according to the December, 1939 list of the Board of Grain Commissioners. A 30-car cycle was used in the allocations and out-of-turn cars were provided for the mill shipments and shipments to Duluth. The argument for the use of such a basis in that year was that storage space was the limiting factor in deliveries and the car allotment system had to be adapted to make the most effective use of storage in the farmers' interest. The Canadian Wheat Board decided which elevator points should get cars and how many — this board control was necessary to make the quota system effective. If it had been left open to the railway companies, competing for business, certainly space would not have been so fully utilized. The situation in 1940-41 was that the Canadian Wheat Board decided how many cars were placed at an elevator point; then the car control committee regulated the division of the cars among the elevators at the point.

In the 1941-42 crop season it was necessary for the board, due to the limitation of deliveries and the changed system of deliveries to take over the allocation of cars not only to the points but to the elevators, and on the 31st July, 1941, we issued a statement which says:—

After careful consideration the board has decided that no definite decision on the system of car distribution can be arrived at until the size of the crop is more definitely known. Meantime, it is the intention of the board to continue the system instituted by the car control committee, presently in effect.

It is pointed out in this connection that there is a considerable number of stations at which companies are ahead or behind on their proper share of cars on the thirty-car cycle.

This condition has occurred as a result of cars being authorized for various purposes, such as the movement of out-of-condition wheat, to permit elevator repairs, or for the movement of low grades, etc. It is hoped that by continuing the present car cycle temporarily after July 31st that these differences will be adjusted.

There are some elevators which were not operated last year, consequently they were not included in the car cycle. If these are to be operated this year companies should advise the board in order that such elevators may be included in the cycle after August 1st.

Then on the 7th October, 1941, the board issued this statement:—

Effective Tuesday, October 7th, the allocation of cars will be made by the railways and in accordance with the terms of the Canada Grain Act. Elevator companies or individuals requiring cars for the shipment of wheat must apply to the railways who will be responsible for distribution. Pursuant to this decision the board has instructed the railways to give preference to shipping points where space is now required, or may be required in future, to permit the delivery of the established general quotas.

The board has made a thorough examination of the whole problem of car supply for the crop year 1941-42, and is of the opinion that the usual method of effecting distribution of cars will meet the situation during the present crop year. The thirty-car cycle was introduced in 1940-41 to meet the car supply problem in the face of limited available storage capacity and a crop estimated at 525 million bushels. It was

an emergency measure. The board believes there has been sufficient change in the situation this year, particularly as a result of a much smaller crop, to permit return to the usual method of car distribution in western Canada.

This decision applies for the balance of the crop year 1941-42, only, and will be reviewed before a policy in respect to the 1942 crop is decided upon.

Since the quota system for regulating deliveries was adopted over a year ago, the board has consistently followed the policy of seeing that shipping points were given preferred treatment where producers were unable to deliver the general quota as established from time to time. This policy was absolutely necessary last year and is necessary this year, in order that all wheat producers may at the earliest possible moment have the opportunity of delivering wheat up to the extent of the general quota in effect. Within this general policy the board will continue to meet special conditions which may arise as a result of such factors as the necessity of finding storage space and cars to move out-of-condition wheat.

By Mr. Donnelly:

Q. Give us the names of the car control committee?—A. Dr. MacGibbon was the chairman of the committee and he is here. I prefer that you ask him that question.

Dr. MACGIBBON: I think I have all the names here.

Mr. DONNELLY: Who appoints them?

Dr. MACGIBBON: They are elected to represent each interest.

Mr. DONNELLY: By whom?

Dr. MACGIBBON: In certain cases the line elevators and other interests nominate their own candidates. The names are as follows:—

| | |
|-----------------------------|------------------------------|
| Dr. D. A. MACGIBBON..... | Board of Grain Commissioners |
| Mr. G. W. P. Heffelfinger.. | Line Elevators. |
| Mr. W. A. Bremer. | United Grain Growers, Ltd. |
| Mr. D. A. Kane. | The Wheat Pools. |
| Mr. A. Yates. | The Canadian Wheat Board. |
| Mr. H. C. Taylor. | Canadian Pacific Rly. Co. |
| Mr. W. C. Owens. | Canadian National Railways. |
| Mr. C. C. Head. | Lake Steamships. |
| Mr. W. A. Hastings. | Millers. |
| Mr. W. McG. Rait. | Line Elevators. |
| Mr. F. N. McLaren. | Saskatchewan Pool. |

Mr. DONNELLY: How many in all?

Dr. MACGIBBON: Eleven members in all.

Mr. DONNELLY: Is that committee still functioning?

Dr. MACGIBBON: No.

Mr. DONNELLY: It went out of action when?

Dr. MACGIBBON: A year ago, or July 1941, I should say.

Mr. DONNELLY: Who is doing the work now, the wheat board itself?

Dr. MACGIBBON: Yes.

Mr. DONNELLY: The wheat board itself does that work?

Dr. MACGIBBON: Perhaps I should explain, as read by Mr. McIvor, that with the disappearance of the emergency condition the distribution of cars is under the car order book and is carried on under normal circumstances.

Mr. DONNELLY: How is this distribution made in this cycle? You speak of a car cycle.

Dr. MACGIBBON: It is made on the basis of permanent space at each point.

Mr. DONNELLY: A certain number of cars would go to each place?

Dr. MACGIBBON: Suppose you had three elevators of 30,000 bushels capacity apiece, then of the first 30 cars put in there each elevator would get ten cars.

Mr. DONNELLY: Distributed equally to the elevators?

Dr. MACGIBBON: No; each got cars in proportion to the capacity of the elevator.

Mr. DONNELLY: Was any consideration given to the annexes?

Dr. MACGIBBON: Not the temporary annexes, except that you might have outside the quota inter-station transfers subject to the approval of the wheat board.

Mr. DONNELLY: Was any consideration given to the amount of wheat that generally was handled by each elevator?

Dr. MACGIBBON: No.

Mr. DONNELLY: It was done entirely on the size of the elevator?

Dr. MACGIBBON: Yes. A committee was set up about the 21st August after the crop was actually ripening very fast. Anything of that kind probably would have required a statistical investigation which would have taken several weeks to complete, and under the emergency conditions then prevailing that was not possible. When the matter was discussed in the committee the deciding factor was the absolute statement of the representatives of the two railway companies, Mr. Owens the western manager of transport for the Canadian National Railways, and Mr. Taylor, for the Canadian Pacific Railway Company, that any other basis except one that could be easily physically checked would be impossible.

Mr. PERLEY: Would not that work discrimination against certain parties?

Dr. MACGIBBON: Even now it would work discrimination at a local point.

Mr. PERLEY: After they were all full it would work all right.

Dr. MACGIBBON: You get at various stations one elevator that perhaps handles more than the average proportion and it would work against that elevator; but at another point the agent of another company would have the advantage, although it did not work 100 per cent that way. I think the Saskatchewan Pool suffered a slight loss in their proportion of business, but on the whole, having regard to the fact that there are 2,000 points what the elevators would lose at one point they evened up at another point.

Mr. DOUGLAS (*Weyburn*): The committee was appointed when?

Dr. MACGIBBON: August 14. The organization meeting was held on August 16, and the question of the principle of distribution was threshed out.

Mr. DOUGLAS (*Weyburn*): Who set up the committee?

Dr. MACGIBBON: The committee was set up largely by myself. I was appointed to succeed Mr. Ramsay, who had expected to take it as the representative of Mr. Lockwood of the transport control committee of Montreal. This committee was set up really as an advisory committee. The people on it could not vote down the chairman. The understanding was that if there was any irreconcilable difference developed it would be submitted to Mr. Lockwood under the order in council by virtue of which he was operating to make a decision; but there was only one formal decision made by me that the committee did not completely agree with.

Mr. DOUGLAS (*Weyburn*): Have you any idea why the committee was not set up earlier, in view of the fact that it might be necessary to secure statistical information?

Dr. MACGIBBON: I did not know a thing about it until I was called in to take the chairmanship.

Mr. DOUGLAS (*Weyburn*): Who was responsible for calling you in, the wheat board?

Dr. MACGIBBON: No. Mr. Ramsay, the Chief Commissioner, was in the east on other business, and I think the situation suddenly became threatening and it was discovered necessary to have some kind of car control committee and Mr. Lockwood asked me to take charge of it.

Hon. Mr. MACKINNON: Who is Mr. Lockwood?

Dr. MACGIBBON: The Transport Controller.

Mr. DOUGLAS (*Weyburn*): Apparently Mr. Lockwood took no action until the committee was set up.

Dr. MACGIBBON: I do not know, other than that I did not do so.

Mr. DOUGLAS (*Weyburn*): If you could compute the car allotment on the basis of past business handled, why was the temporary storage capacity not included when allotting cars?

Dr. MACGIBBON: There were quite a number of difficulties because different firms and organizations pursued different policies with regard to where they were putting their capacity. Certain companies bulked it at certain points, and others put it up against elevators; they would all have the equivalent amount of temporary storage, but certain of them would not benefit while others would. The second point was that the temporary storage capacity was just being built, and one would have to deal with corrections and new storage capacity coming in.

Mr. DOUGLAS (*Weyburn*): Had the Saskatchewan Pool, for instance, not built a great deal more temporary storage in proportion to the size of the business?

Dr. MACGIBBON: I think so.

Mr. DOUGLAS (*Weyburn*): But they did not get any credit for that temporary storage on the basis of allotment of cars.

Dr. MACGIBBON: Not directly. They got two things out of it: first of all, they could fill it. Secondly, by keeping inter-station shipments out of the quota if they had a large temporary storage at certain points they could relieve a point by shipping to that temporary storage.

Mr. DOUGLAS (*Weyburn*): Is it a fact that what actually happened in the case of the farmer-owned elevators in Saskatchewan was that the farmers found they could not take their wheat to their elevators and had to take it to competitors and pass by the elevator they had built.

Dr. MACGIBBON: Yes. And you might say that the Saskatchewan Pool by reason of the general conditions might be benefiting at 50 points and at 25 or 50 other points might be suffering. We would hear about the 25 or 50 points at which they were suffering, but we would not hear about the 50 points at which they were benefiting. Averaging the whole thing out throughout the year, however, I think there was about 2 per cent or 3 per cent, speaking subject to memory, of course, loss in proportion to the grain they handled. That is, they handled a great deal more grain than they handled in any other year, but they handled about 41 per cent under the quota rather than 45 per cent or 46 per cent in the preceding year.

Mr. PERLEY: In the second year on October 7 was there a change in the system of allotting cars to elevators?

Mr. McIVOR: That was our order. I think probably this is where we come into the picture. I presume you refer to October 7, 1941?

By Mr. Perley:

Q. Yes?—A. Dr. MacGibbon was dealing with the situation up to July 31, 1941.

By Mr. Donnelly:

Q. And you held on from July to October and right along?—A. Yes. There was a considerable amount of discussion in the country about how cars should be distributed. We had hundreds of petitions from the province of Saskatchewan asking that cars be distributed on the basis of the permanent storage plus the annex space. Previous to that we had several meetings with the officials of the Saskatchewan Pool at which they said the farmer should have his rights under the Canada Grain Act; that his rights had been taken away from him, but they did not feel that that was practicable, did not feel that a proposal based on an average of previous years' handlings was practicable.

By Mr. Douglas (Weyburn):

Q. That the pool officials did not think it was practicable?—A. Yes; and the recommendation they made to the board was that the board should distribute the cars on the basis of the permanent storage plus the annex.

Q. Temporary storage?—A. Yes. These resolutions we received—and we received several hundreds of them—demanded the return of the farmers' rights under the Canada Grain Act.

By Mr. Perley:

Q. That is, to ship to his own order?—A. Yes. So we decided that we would consider the position very carefully before making a decision, and we found that the situation on the 7th October was such that those rights could be returned.

Now, there is a point I would like to make, Mr. Douglas, in line with the question you asked Mr. MacGibbon: As I said in my statement, and Dr. MacGibbon confirmed it, the actual number of cars that would go to a point would be decided by the wheat board and the reason the wheat board had to decide that was because they had the responsibility of raising the quotas where they could; and it naturally follows that if, due to competitive conditions, cars were put into a point where 10 bushels had been delivered and withheld from a point where only 5 bushels or even less bushels had been delivered, it would be a clear case of discrimination between points. Arising out of that point made by Mr. Douglas, there were cases even in the fall of 1941 where the pool elevators was filled at the point and there was space in other elevators and the farmers would deliver to the other elevators because they could not deliver to the pool elevators and could not get cars.

I want to point out also that the reason cars were not going into point No. 1 was because at other points down the line not only the pool elevators were filled but every elevator was filled, and the farmers had not yet delivered their quota. I put that frankly to the officials of the Saskatchewan pool and said to Mr. Wesson—and I have no doubt he will confirm what I say—"if you were in the position of the wheat board and had the choice of distributing these cars between point "A" where the pool elevator is filled and other elevators not filled, and the point "B" where every elevator is filled and the quota is not yet delivered, what would be your answer?" He said: "There would be only one answer: I would have to put the cars into point "B".

By Mr. Perley:

Q. Perhaps you are aware of this situation: On the C.N.R. east of Regina there was space all season. They were all shipped out, and still we had not.

delivered our second quota in our town, and that applied all along the main line?—A. The reason for that was that the Canadian National had a lighter crop relative to the Canadian Pacific in this past year. That is the situation. The result was that it provided a greater surplus of cars. It did undoubtedly result in the situation you are talking about, but it could not be helped.

By Mr. Douglas (Weyburn):

Q. Did you accept the recommendation of the wheat pool, namely, that the temporary storage should be included with the permanent storage?—A. On October 7 we restored the rights of the farmers under the Canada Grain Act.

By Mr. Ross (Souris):

Q. When you answered Mr. Perley's question did you mean that the C.N.R. had a relatively lighter crop on their lines all through the west and not on this particular line?—A. Yes. I am sorry if I did not make it clear.

Mr. ROSS (*Moose Jaw*): He did make it clear.

Mr. PERLEY: No; he did not make it clear.

The WITNESS: I want to point out that if you have a light crop on part of the line, whether C.N.R. or C.P.R. due to the lower movement from the light crop points there are more cars available for the heavy crop point.

By Mr. Donnelly:

Q. Taking into consideration the temporary storage you had, what was the essential you asked each one of those to have before you could consider it? It had to be loading facilities, had it not?—A. I presume you are referring to Mr. Douglas' question. My answer to his question was that the rights of the farmer were returned to him under the Canada Grain Act.

Q. I know that; but you stated that in the distribution of cars it was the local storage that was considered. You did not take into consideration the temporary storage. What was the restriction with regard to temporary storage—loading facilities?—A. No. We considered it was our duty to get in the first quota all over the country, whether 5 bushels or 8 bushels or whatever it was. Now, if there was a point where the deliveries had not reached 5 bushels we put the cars in there.

Q. But I am asking about your temporary storage. When did temporary storage become permanent storage?—A. I do not think it has become permanent storage yet.

Q. Would it become permanent storage if there were loading facilities from it?—A. Those licences are issued by the Board of Grain Commissioners. I think that is the case, but I would prefer that they answer that question. I do not know where the board would differentiate between temporary and permanent storage.

Q. As I understood, while they may have a bin built for temporary storage, yet in a large majority of villages a lot of old barns and former garages were loaded with wheat, and they would have to be taken into consideration, too, if you were going to consider the local storage facilities?—A. In discussing this question with the pool that was one point that was raised; where you were going to start to recognize temporary storage as permanent storage.

By Mr. Douglas (Weyburn):

Q. It would be very difficult to recognize simply an annex built on a railroad siding. Would it be possible to give any idea as to what policy would be followed this year in the allocation of cars?—A. No. I think the wise policy would be to wait and get some idea about the pattern of the crop, and try to adjust the situation accordingly.

Q. Can we get any assurance that the same situation will not obtain again, and that in the allocation of cars temporary storage will be taken into consideration? There is an elevator company that spent a considerable amount of money at the suggestion of the Dominion government in putting up temporary storage, and then found that it is not included in the allocation of cars. In view of the fact that you have quoted the request of the pool with regard to the inclusion of temporary storage in the allocation of cars as against putting it on the basis of the previous year's business, it would seem that you were looking with favour on the proposal of the pool? Is it the intention of the wheat board to adopt that policy?—A. No. I do not think I said anything that would lead anyone to arrive at that conclusion. I said the pool officials had asked that the temporary and permanent storage should be included, but that the petitions which we got from all over the province of Saskatchewan went further and asked for the rights of the farmer under the Canada Grain Act, but we made no decision until the position became clear and we felt that we could re-establish those rights under the Canada Grain Act.

Q. By that time, of course, a lot of wheat had been delivered?—A. Yes. But I also said this, Mr. Douglas, and I would be glad to have you confirm it with Mr. Wesson, that we discussed it with the pool officials and they recognized that the points that had not delivered their quotas would have to be taken care of irrespective of storage at the point. In other words, that you could not have a situation arise such as I stated as between two points.

Q. I agree with you and I do not need to confirm what you have said with Mr. Wesson or anybody else, but it does not alter the main point. First you referred to where some elevators were full and others not quite full, but that does not obviate the criticism that in allocating the cars to point "A" if the pool elevator had been doing the great majority of the business and had temporary storage that temporary storage had not been included in allocating the cars, and it should have had more cars in relation to elevators in that district when first allocated?—A. There were no cars at point "A" at all.

Q. You mean no cars had gone in at any time?—A. No.

Q. Then it would not be a matter of either/or, either sending them to point "A" or to point "B"? It seems to me that in that case point "A" would have a claim on some cars and some other cars would go to point "B"?—A. That is probably a matter of opinion, but I want to say that the pool themselves agreed that so long as you had a congested situation at point "B", and the farmers had not been able to get their wheat in at all, the cars should not be sent to point "A".

Q. You cannot quote the wheat pool's proposals when you want to agree with them and reject the alternative proposals when you do not agree with them. If you are going to accept their proposal about sending in the cars, then you should accept the other proposal that is going to include temporary storage in allocating the cars?—A. In reply to that question, unless something unforeseen arises that we cannot anticipate now, our policy would be to continue under the present system.

Q. The present system of giving them their rights under the Canada Grain Act?—A. Yes. I want to make that position clear. That is as far as we can go today.

The CHAIRMAN: Are there any other questions to be asked on this matter? Shall we call it closed for the time being? (Agreed). That completes the agenda so far as the general matters are concerned.

Mr. DOUGLAS (*Weyburn*): We are coming to order in council No. 1803?

The CHAIRMAN: Yes, we shall come back to that. Does any member of the committee desire to secure any further information from Mr. Findlay?

Mr. DIEFENBAKER: I would like to do so.

The CHAIRMAN: Shall we bring Mr. Findlay back?

Mr. GRAHAM: It has impressed me as I have sat here, Mr. Chairman, that we are holding a very important body of public servants here for a considerable length of time. All of us are interested in the welfare of our western farmers, and I submit that the wheat board and also the Board of Grain Commissioners should be enabled to get back on the job as soon as possible. I suggest that the committee consider just how we can facilitate the return of these gentlemen to their pressing duties. A lot of us feel we are not getting very far.

Mr. DOUGLAS (*Weyburn*): Hear, hear.

Mr. ROSS (*Souris*): We are all agreed on that point.

Mr. GRAHAM: It is in the interests of the three western provinces that the wheat board should get back on the job as quickly as possible.

The CHAIRMAN: Is the committee agreed to recall Mr. Findlay for further questioning at this time? (Agreed).

Mr. R. C. FINDLAY, recalled.

The CHAIRMAN: What is the wish of the committee? Do you want to go over these annual statements of the wheat board item by item, or do you prefer to pick out certain matters that you desire to have explained? It will be noted in the reports that rather complete explanations are given with respect to each item. How does the committee desire to proceed? May I have some advice on that point?

Mr. DIEFENBAKER: Is there any suggestion that there is to be any restriction as to the matters that may be covered?

The CHAIRMAN: No; but in order to regularize the procedure I desire to know if the committee wishes to go over and have an explanation of each item as we come to it, or would the committee prefer to pick out certain items and make inquiry with respect thereto? I understand that when the railway commissioners are before the committee they go over each item. What is the wish of the committee? Perhaps you prefer to ask questions? (Agreed).

By Mr. Diefenbaker:

Q. Mr. Findlay, I desire to ask you a few questions arising out of a matter that was put to you in regard to these brokerage payments. At page 92 of the proceedings I asked this question:—

Are there any payments made for brokerage without brokerage slips being completed?

and it was answered:—

A. I think you had better ask Mr. Findlay that question.

Originally that question was directed to Mr. McIvor, and you answered: "No"? A. That is correct.

Q. Now, do these brokerage payments represent any deduction from the amount realized on the sale of wheat by the wheat board? In other words are they part of the expenses?—A. They are part of the expenses, Mr. Diefenbaker, but in computing the sales price of wheat you generally allow for all extraneous items in addition to the value of the wheat itself. In other words, you generally sell at a premium over the market to provide for those expenses.

Q. That is what I understood you to say. So that in reality if it were not for these brokerage charges and such other expenses the price would be actually higher than the amount realized, is that correct?—A. To the producer?

Q. Yes?—A. I do not think so. If you take all the charges that go into making up the price of wheat, and if you did not have the machinery or the mechanics for selling wheat in that way, which I think is the convenient way to

sell it, I do not think your argument would apply. That is merely a matter of opinion.

Q. But the price actually paid to the board is less the amount that would be realized if the brokerage were not deducted therefrom, is that correct?—A. That is, the amount is less?

Q. You figure the price less the amount paid for brokerage?—A. I think I would answer that question in this way, that if I am selling a product of any kind and the cost of the product is so much and I add certain costs to it and I have covered those costs, I do not think I have affected the price of the wheat or the product.

Q. In determining the question of brokerages do you consult with Mr. Pethick?—A. Merely in the final amounts that are to be paid. I know generally the principle. It is discussed in the board room each and every month, but I am not always there.

Q. But you say that in discussing the amounts finally paid you do give consideration to the matter with Mr. Pethick?—A. In a general way.

Q. Just tell us what the general way is, and what considerations enter into the determinations of the amounts?—A. I know that each and every month in connection with the head of our Option Department he checks over the various brokerage accounts and agrees on the accuracy of the accounts.

Q. So you check the amounts of the accounts rendered to you in order to ascertain whether or not they represent actual services rendered?—A. Yes, we check all accounts.

Q. Take Account "A". The brokerage slip says the man is entitled to \$1,000 for the month of May, let us say?—A. Yes.

Q. Do you examine the account in detail to see whether or not \$1,000 was in fact earned?—A. I do not do it myself, but we do do it.

Q. Who does that?—A. Mr. Blake who is in charge of our futures department.

Q. And you accept the mere statement that it has been done?—A. Yes, because we know each day who the business comes through.

Q. So that you also have a check of what is done each day?—A. Yes.

Q. Now, Mr. Findlay, if I put it to you that in one case the amount actually earned for brokerage during the month was \$200 and the amount of the cheque issued was \$300, would you tell me how a thing like that would happen, how it would pass your check-up that you say you made on the basis of each individual day's operations?—A. I could tell you that quite simply.

Q. Then tell me?—A. We know, as I mentioned before, with whom each trade is made, and if we get the broker's slip covering that quantity and it agrees with the trades he has made, certainly we pay it.

Q. So there is no mistake about it at all that in no case has brokerage been paid except for the services rendered each individual day?—A. Subject to the explanations that Mr. McIvor made to the committee with regard to the pooling of brokerage.

Q. Tell us about pooling of brokerage as it affects you?—A. It does not affect me at all.

Q. You know that in addition to the payment for services rendered each day there is a pooling in general of brokerage charges?—A. Yes.

Q. To what extent?—A. I do not know to what extent.

Q. You are the comptroller who looks after the money?—A. Mr. McIvor has explained that point to you.

Q. You are in charge of the money?—A. A comptroller will pay a cheque over for brokerage or anything else that is actually earned, covered and cleared by that particular broker.

Q. But how about pooling? You say subject to this there is a pooling of brokerage charges. How do you know how much any particular person is to get

on the basis of the pooling of the brokerage charges?—A. I know because it is agreed upon.

Q. By whom?—A. By the board and by Mr. Pethick.

By Mr. Douglas (Weyburn):

Q. Who is Mr. Pethick?—A. The sales manager.

By Mr. Diefenbaker:

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

By Mr. Evans:

Q. In addition?—A. Yes, that is correct.

By Mr. Diefenbaker:

Q. So you have to accept the recommendations of the board and of Mr. Pethick at the end of each month as to the amounts to be paid in connection with the pooled brokerage charges?—A. No. I accept the allocation of the brokerage as described by Mr. McIvor here, and pay accordingly.

Q. You accept the allocation made by the board in co-operation with Mr. Pethick?—A. Yes, if you put it that way.

Q. That is your position?—A. Yes.

Q. And who gives you the instructions as to how much of the amount pooled is to be paid to "A", "B", "C", and "D" or to these various brokers of the pool?—A. I would see a list every month of how the allocation was to be made.

Q. Who has that list? Where do you see it? In whose possession is it?—

A. That would be prepared by Mr. Pethick.

Q. Is this list prepared at the beginning or the end of the month?—A. I think Mr. Pethick will probably keep that daily.

Q. When is it delivered to you so that you can check it?—A. All brokerage accounts come in once a month and we know from day to day which particular brokers are putting through the grades.

Q. But who gives you the record of the amounts that have been pooled and the distribution to be made? Is that done by Mr. Pethick?—A. Yes.

Q. And does the wheat board meet with you and Mr. Pethick at any time in the determination of the amounts to be allocated to the different brokers?—A. Sometimes, yes; and as I mentioned before, I am not always in the board room.

Q. But you are there from time to time?—A. Yes.

Q. And is the entire board questioned, or just one or more members?—A. It depends on the circumstances.

Q. And what is the procedure? Do you go through the list and say that "A" is to receive so much this month, and "B" so much, and "C" so much, and so on?—A. I think they have a record of the trades which are actually put through for the month. The other part of the answer to that, I think, Mr. Chairman, should be made by members of the board.

Q. You are present?—A. Sometimes.

Q. You would not make other than proper payments?—A. No; but as I mentioned before I know each day which brokers are making the trades for our account, and those brokers are entitled to the brokerage.

Q. To the amount that they actually put through?—A. Yes.

Q. But in regard to the amount that is pooled you accept in the allocation of the various amounts among the brokers the report that is furnished to you by Mr. Pethick?—A. Yes.

Mr. Ross (*Moose Jaw*): Has all this questioning anything to do with the producers?

Mr. DOUGLAS (*Weyburn*): It is the producers' money.

Mr. ROSS (*Moose Jaw*): It will cost the producers the same amount of money, anyway. You are questioning the witness as to who gets the brokerage.

Mr. DOUGLAS (*Weyburn*): It is interesting to learn how the spoils are divided.

Mr. ROSS (*Moose Jaw*): You seem to be very interested in brokerage.

By Mr. Diefenbaker:

Q. Is there a different allocation made of the allotment each month or is the allotment always the same?—A. I would not say the allotment was always the same, no. I would like to draw attention to a statement Mr. McIvor made and explained, I think quite clearly, to the effect that a very large percentage of our brokerage has to do with spreading operations, and that the companies have the privilege of nominating the broker. I think that same thing applies in the case of trades in cash wheat.

Q. You do not know that?—A. I would not say definitely offhand, but I am quite sure they do.

Q. That is only your opinion?—A. Oh, yes; I would not swear to it.

Q. And you are sworn before this committee. Take the amount mentioned in Exhibit "D" in the report of the Canadian Wheat Board on the crop year 1939-40:—

Brokerage and Clearing Association charges, \$389,236.78.

That is for the 1938 crop?—A. Yes.

Q. Now, would you be kind enough to give us a breakdown on that showing how much is brokerage and how much is clearing association charges?—A. I think I can do that.

Mr. DOUGLAS (*Weyburn*): There is another example in Exhibit "E".

The WITNESS: Since I have the items totalled do you mind taking the three periods combined?

By Mr. Diefenbaker:

Q. Take the total amount of brokerage paid within a given period?—

A. In the period August 1, 1938 to July 31, 1941, if you combine the three figures shown in these statements you have a total of \$1,048,154.64.

Q. So that in a period of about three years the amount expended is just over \$1,000,000 for brokerage and clearing association charges?—A. Yes.

Q. How much for brokerage? I want the complete breakdown?—A. The futures brokerage is \$620,275.50, and I have not the figure here but almost exactly 80 per cent of the total of that figure represents spreading operations, and the total amount of clearing association charges for that period is \$11,689.28.

Q. How is the rest of the \$1,000,000 made up?—A. The rest is made up of cash wheat brokerage.

Q. That is approximately \$417,000?—A. Yes.

Q. Now, of the \$620,000 what portion represents brokerage and what portion represents the other elements making up the spread, or is that entirely brokerage?—A. That is entirely brokerage.

Q. What portion of the \$620,000 represents the amount pooled?—A. 80 per cent of the amount I have quoted to you; 80 per cent of the \$620,275.50 is covered by spreading operations; for part of the period there would be a pooling operation described by Mr. McIvor and in large part the brokerage would be nominated by the other party to the spread.

Q. So 80 per cent would be about \$496,000?—A. Yes.

Q. So about \$124,000 during that period representing pooled brokerage was distributed in the manner you have told us?—A. No; the balance represents pit brokerage, the sale of futures, and so on.

Q. The balance represents pit brokerage?—A. Yes.

Q. Was any portion of the brokerage paid to brokers not resident in Winnipeg?—A. I do not think so.

Q. Can you say that with certainty?—A. I beg your pardon, yes, that includes brokerage paid at our Calgary office and in Vancouver for the same transactions, cash wheat.

Q. Let us have a breakdown of that. How much of the amount was expended in Winnipeg, how much in Calgary and how much in Vancouver?

—A. The amounts expended were:—

| | |
|---------------------|--------------|
| Winnipeg.. | \$330,723 91 |
| Calgary.. | \$ 14,309 00 |
| Vancouver.. | \$ 38,233 15 |

There is another item of \$13,462.91 in which there may have been some eastern brokerage, and I think likely there was, but I have not got the breakdown of that.

By Mr. Ross (Moose Jaw):

Q. Is that cash wheat brokerage?—A. Yes.

By Mr. Graham:

Q. There are two types of brokerage fees, the futures spread fee and the cash wheat brokerage fee?—A. Yes.

Q. Do you as comptroller make certain that the amounts recommended by Mr. Pethick and approved by the board coincide with the actual transactions that take place in the period for which you are paying?—A. Yes.

Q. Cannot there be a five cent piece that knowingly slips by you for which no service was performed?—A. Subject only to Mr. McIvor's explanation of the pooling arrangement.

Q. But even there, there has been a futures trade?—A. Yes, at some time.

Q. Or a cash trade?—A. Yes.

Q. By somebody?—A. Yes.

Q. That the board had to pay a brokerage fee on?—A. Yes.

Mr. Ross (*Souris*): Not necessarily the man who receives the cheque.

By Mr. Graham:

Q. That fee had to be paid to somebody?—A. Yes.

Q. And the producer therefore suffers not one iota so far as the total amount paid by the wheat board for brokerage fees is concerned?—A. I would say that as a very definite statement.

Q. And I presume the auditor checks those amounts very carefully?—A. Yes, he checks not only those but all other transactions in connection with the board.

Q. And so as long as the Act remains as it is your board has to pay these brokerage fees to somebody?—A. Yes.

Q. And it comes down purely to a distribution among the existing firms at Winnipeg, Vancouver, Calgary, etc.?—A. Yes.

Mr. DOUGLAS (*Weyburn*): Mr. Graham put words into the mouth of the witness. He asked the witness a moment ago whether or not so long as the Act remains as it is the wheat board must continue to pay these brokerage fees, and the witness answered "Yes".

Q. Is it not true that the wheat board Act provides under section 8, subsection (j), that if the existing agencies are not operating satisfactorily the board may take such steps as it deems expedient to establish its own or other marketing agencies or channels?—A. That is true. I am very glad you asked me that question, Mr. Douglas, as a matter of fact, because I can tell you perhaps better than anybody can why the board started to operate as it did. The Act, as I remember it, was passed on or about the 5th July, 1935, and my

first knowledge of what was involved in it was on August 12, 1935, when there was no such thing as the wheat board except by statute. I was treasurer of Canadian Co-operatives and Mr. McFarland was general manager—

By Mr. Graham:

Q. The Canadian Co-operatives were the selling agency of the pool?—A. Yes, and conducted also the stabilization operations which became a part of the Canadian Wheat Board Act, so we really did exist from the period of August 14, 1935, away into 1936. We had no parents, or we had divided parents. We were working for two distinct organizations, and never knew exactly the cut-off point. Mr. McFarland, who was general manager of Canadian Co-operatives, asked me if I would undertake to evolve a system by which we could handle board wheat, and that was immediately following the committee in Ottawa. I was not at all anxious to do it, and refused to do it for some time; but I did undertake to do it. When we got the copy of the Canadian Wheat Board Act I sat down and dealt with each and every section. Having knowledge of how the operations of Canadian Co-operatives were conducted not only with regard to pooling operations alone but with regard to stabilization operations I had to go through the Act and try to decide—and I am not a lawyer and cannot say exactly what any clause in this Act or any other piece of legislation may mean—what should be done. I made a lot of notes as to different rulings I thought we had to obtain before we could definitely agree as to how we were to operate this wheat board, and those items were dealt with by the board and as the result of those we obtained counsel and got a lot of legal opinions.

Mr. DOUGLAS (*Weyburn*): He says he is not a lawyer but he gave a legal opinion in answer to a question by Mr. Graham. He was asked definitely if under the Wheat Board Act as it now exists he had to use brokers and he said "Yes".

Q. I now ask you if you are still prepared to say "Yes" in view of the language of the Act?—A. I say I gave a fair answer to that question, so long as you are using the facilities of the Grain Exchange.

Q. That is not the point. Mr. Graham asked you if the wheat board had to use brokers and you said "yes", and I am asking you if you are prepared to say under oath that by virtue of this Act the wheat board have to use brokers? You are giving a legal opinion?—A. I do not agree with you.

Q. Are you prepared to say that under this Act as it now stands the wheat board must use brokers?

Mr. GRAHAM: That is a matter of policy.

Mr. DOUGLAS (*Weyburn*): The question has already been asked and answered, and I am asking him to repeat it.

Q. What do you say?—A. I would still allow my answer to Mr. Graham to stand for the reasons I have given to you, namely, the discussions we had before the operations of the wheat board commenced.

Q. I will read to you section 8, subsection (j) of the Canadian Wheat Board Act:—

It shall be the duty of the board:—

- (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;

Now I ask you if that subsection which I have just read does not give to the wheat board the power to set up its own agencies rather than using brokers?—A. Yes, I would say so again, but not as a legal opinion.

Q. How do you reconcile the answer you have just given to Mr. Diefenbaker with reference to the payment of these brokerage fees when he asked you whether the cheques were issued for services rendered to the particular individual to whom the cheque was issued—

Mr. DIEFENBAKER: By the particular individual.

Mr. DOUGLAS (*Weyburn*): Yes.

Q. He asked you whether the cheques issued were for services rendered by the particular individual to whom the cheque was issued, and I understood you, Mr. Findlay, to say "Yes". Now I understand you to say that the cheque may cover not only services rendered by that particular individual but in addition something extra by way of a pooling arrangement for services which may not have been rendered by that particular individual, is that correct?—A. Yes, I would say so. He may not have rendered service on the particular day when that transaction was put through, but on the other hand he may have put through his own share and somebody else's share on some other day.

By Mr. Ross (Souris):

Q. What is your understanding of the pooling? It seems to me very strange that there should be an arrangement whereby you pay one broker for a service rendered by somebody else?—A. I would say it is very largely the result of representations made by the trade to the board.

Q. Why would you think that the trade would want that arrangement?—A. Because I think quite fairly that the trade are entitled to allocate some of their own brokerage.

By Mr. Diefenbaker:

Q. To prefer one broker to another in the pool?—A. Let me put it this way, and again I am giving you an opinion but do not think I keep all those facts in my mind because I cannot pretend to do so; I think under the present system the allocation of brokerage is infinitely more fair than if the companies themselves allocated their own brokerage. I think that is a reasonable statement.

By Mr. Ross (Souris):

Q. Than if the companies allocated their own brokerage?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. As I understand, on any day a certain number of transactions take place, and for that day there must come to you brokerage slips and you can pay only for the amount of the transaction that has been done on that day?—A. Yes, we can only pay the broker whose name appears on the trading card as having put through the brokerage.

Q. If 1,000,000 bushels is traded on that date brokerage can only be paid on 1,000,000 bushels—A. Yes.

Q. And as to the allocation of that brokerage, that is a question decided by Mr. Pethick, but the total amount of brokerage can only be the amount that is paid in regard to the 1,000,000 bushels or whatever the transaction was on that day? There is no additional amount as Mr. Douglas suggests?—A. No.

Q. There is simply brokerage paid for each bushel?—A. Yes.

Q. That may be allocated amongst brokers in some way or other, but that is all the brokerage paid?—A. Yes.

Q. The total amount may be distributed amongst different individuals, but the actual transaction that took place is the transaction paid for?—A. Yes, a transaction on which we pay brokerage on the amount of business we have done.

By Mr. Perley:

Q. Then you can produce clearing slips to correspond with the total amount of brokerage you have paid?—A. Oh, yes.

Q. Individual slips sufficient to correspond with the total amount?—A. I do not know what you mean by individual slips.

Q. The daily slips?—A. Yes.

Q. You say you can produce the slips used to make up your daily clearing sheet to correspond with the total brokerage cheques issued?—A. Yes.

By Mr. Diefenbaker:

Q. But that simply amounts to this, that if \$5,000 is earned to-day in brokerage by "A", you can give him \$1,000 and give two or three other people \$1,000 each, and distribute the balance \$50 each among the rest of the members of the Exchange?—A. You are always getting down to the question of the pooling of brokerage.

Q. That is just what you are doing to-day?—A. Yes.

By Mr. Graham:

Q. Going back to what Mr. Douglas stated for a moment, while I dislike to address a legal argument to the committee I would like to recall to your mind section 8, sub-section (j) of the Canadian Wheat Board Act, which reads:—

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

(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;"

I know you are not a lawyer, but in order to make that section clear to the committee would you agree with me that before the board has the power to establish other marketing agencies or channels it would have to find the existing agencies not operating satisfactorily?—A. Yes.

Mr. WRIGHT: In the opinion of the board?

Mr. GRAHAM: Yes.

Q. Up to date would you say that the experience of the board has been that the existing channels are operating satisfactorily?—A. I would give it as my opinion; I cannot speak for the board.

Mr. DOUGLAS (*Weyburn*): He has already given that opinion.

By Mr. Graham:

Q. That is your own opinion?—A. Yes.

Q. So that if the board agree with you, then the board would have no authority to use other than the existing channels, is that correct?—A. I would take that to be so.

Mr. PERLEY: I recall when that Act was framed. That clause was inserted for the purpose of utilizing the facilities that then existed more or less from the standpoint of the physical handling of the product. I was on the committee, Mr. Graham. Of course that clause was inserted so that they could utilize these different agencies and they had the power to set up their own, not for the purpose of dealing in futures but for the physical handling of the grain.

Mr. GRAHAM: I would say that clause was inserted to give the board power over the existing channels so that they would not think they had a sinecure and fail to do their work properly.

The CHAIRMAN: If other agencies are going to be set up or utilized, does not the responsibility come back to the government?

Mr. DOUGLAS (*Weyburn*): No, not to the government.

The CHAIRMAN: The board has to go to the government for its financing.

The committee adjourned at 1.00 o'clock p.m. to meet again at 4.00 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, we will resume. Mr. Findlay is still on the stand and he has part of the information that was sought here this morning. He is prepared to give it to you now. Proceed, Mr. Findlay.

The WITNESS: Mr. Chairman and gentlemen, there are a very considerable number of figures making up this information that has been asked for. I am afraid if I try to read them alphabetically we will run out of letters and if we number them we will have quite a record. I doubt very much if anybody is going to be particularly interested beyond asking me for the highest and the lowest item in the sheet. I will not give them in the order in which they are here, but I will go back and forward.

By Mr. Douglas (Weyburn):

Q. What figures are these?—A. They were asked for yesterday with regard to payments in regard to grade losses—substitution of grades.

By Mr. Ross (Souris):

Q. You do not mean the adjustment with the elevator companies on their grades?—A. Yes, when they are under or over as the case may be.

By Mr. Diefenbaker:

Q. Could not they be read on the record?—A. It is a pretty long list.

The CHAIRMAN: Suppose you ask for one in ten.

By Mr. Perley:

Q. Give us some of the largest firms.—A. Shall I go through and call some of them?

The CHAIRMAN: We agreed that we would not disclose the names and that we would number them, but the record is so long.

The WITNESS: If any member wishes me to go backwards and forwards we can do so, and I will go back and quote from this:—

Due to the Board

\$7,733 13

2,101 32

4 02

25 55

527 80

Due to the Company

\$ 119 96

3,821 78

797 85

By Mr. Graham:

Q. Let me make that point clear. When you speak of it being due to the company that will mean that the company has shipped a better grade of wheat than they had reported?—A. Yes; but you must take all the grades, Mr. Graham, that they handled in that particular year, and it is the net result of the adjustment of all the grades. I am giving the 1938 crop.

Due to the Board

\$ 130 56
1,233 29
36 00

Due to the Company

\$ 150 54
4,704 42
47 00

By Mr. Douglas (Weyburn):

Q. In that particular case does that mean that the board owe the company \$4,000?—A. \$4,000, yes.

Q. And the company has paid the board on adjustment the other way about \$36?—A. Yes.

Q. I notice in many cases the amount paid is almost the same within a few dollars of the company and the board. In this case there is a large discrepancy?—A. Those are net figures. It does happen that way.

Q. Does it mean that this company has been grading low, that that is why it has that money coming to it as compared with the other companies?—A. I think I can explain in this way: it depends a great deal on the extent of the company's grade gain or grade loss. That is the first factor that contributes to these amounts. If they were overgraded in the company then undoubtedly our grade adjustment will reflect a payment due to the board.

Q. If they were undergraded they will have a considerable amount coming from the board?—A. They are not in cases that I am dealing with. I may point out to you in that respect that the 1938 board was all board wheat. There was not much chance of any wide variations. They had to deliver what they had in the elevators and they started out with practically nothing.

The CHAIRMAN: Might they improve their grain and have that reflected here by cleaning and reconditioning.

The WITNESS: Yes, undoubtedly in some companies to a greater extent than others, and some parts of the west to a greater extent than others.

By Mr. Wright:

Q. They are not supposed to be able to change a grade of wheat by cleaning, it remains the same; the dockage is supposed to be represented in the cleaning?—A. Yes.

By Mr. Perley:

Q. What happens to the dockage in the interior elevators?—A. There is a question being asked by Mr. Perley as to what happens to the dockage in the interior elevators—you mean the government interiors?

Q. Yes, for that particular year?—A. If a car goes in that has a dockage content in excess of 3 per cent the screenings belong to the company which would ship the car. I judge that mostly they would sell it to the government elevators. Mr. Heatherington, when he comes before you, can answer that. If it is under 3 per cent they are not required to pay any cleaning charge to the terminal elevator; there are the screenings in lieu of the cleaning charge.

The CHAIRMAN: Take the case of No. 1 Northern wheat rejected for wild oats or any other weed or seeds; if that is cleaned out it changes its grade position, does it not, and would it be reflected in these grade gains or losses?

The WITNESS: Oh, yes, anything they are able to clean in the country in the way of what we call an off grade, that is a variation of the same grade due to, oh, any condition, smut or anything else, and any cleaning they can do in the country elevator, which I think is somewhat limited would naturally improve the grain.

By Mr. Ross (Souris):

Q. You can get sprouted grain in the wet season; you can clean that out and get the wheat?—A. I do not know to what extent you can do that in the country elevators, because with smut it needs washing.

Q. I said sprouted grain; I did not say smut?—A. I think the last figure that I quoted was due to the company \$47.

Due to the Board
 \$ 52 00
 3,531 00

Due to the Company
 \$ 60 00

By Mr. Perley:

Q. That fellow would not keep his men very long buying grain in the country?—A. I do not think that is a big figure for any company.

Due to the Board
 \$2,724 00
 272 00
 2 10
 495 00
 148 00

Due to the Company
 \$ 6 48

I will quote some from the other page, but in the meantime I would like to mention that altogether we collected from the companies in that year \$127,948.37.

By Mr. Perley:

Q. And you paid?—A. That was the net result.

Q. Collected from the companies—all handling companies?

Mr. EVANS: That would be for loss of grades?

The WITNESS: Yes.

Mr. GRAHAM: Outside of that last statement is the detail of any value to this committee? I am puzzled as to the value of this information that has been given, other than that last statement.

The CHAIRMAN: The committee asked for it yesterday. Is there any more information the committee wish to have with respect to this?

Mr. PERLEY: I do not see that there is very much value attached to it unless we could have it for 1939 and 1940, a special crop year.

The WITNESS: I can give you the same figures for the 1939 crop up to March 31st last.

Mr. PERLEY: Of 1940?

The WITNESS: Of 1942.

Mr. PERLEY: The 1939 crop is all disposed of.

By Mr. Graham:

Q. Is that the position of the 1939 crop?—A. I have that up to March 31st. I would like to point one thing out. While we were discussing this, you will remember, Mr. Perley, that in our statement for grade losses, reconditioning and so on we show a net figure of \$19,803 as compared with this figure which we collected from the company of \$127,948.37. I may say in regard to that, that the board as a board is in an entirely different position from any other grain organization, and we have to bring all our figures back to producer delivery figures so that later on while there probably will not be much adjustment in the 1939 figure the figure in the annual statement when you finally see it may vary from the figure I am giving you to-day, and I would like it clearly understood that the figures I am giving you are payments to and from the companies with regard to grade adjustments.

By Mr. Wright:

Q. The thing I was asking for was the number of bushels of one, two, three and four, the different grades that were bought during 1938 from the farmer,

and the number of bushels of the corresponding grades that were turned over to the board, and that would also show the overages in the elevators.

Mr. McIVOR: These figures reflect the overages. I think Mr. Findlay has these other figures here; he could give you specimen figures.

The WITNESS: I think you suggested that those figures might reflect the overages in the elevators?

By Mr. Wright:

Q. Yes?—A. They won't. A company only delivers to us the wheat which they have purchased from the board.

Q. Purchased from the farmers?—A. Did you mean the overages of individual grades?

Q. The total overages?—A. Well, we have no information whatever about that.

Q. The information as regards the grades is not of very much value unless you have also the overages?—A. I can do the same for you in that regard as I did with regard to reading the money figures, if I may just give you figures.

The CHAIRMAN: Could you give two or three examples?

By Mr. Perley:

Q. Of 1939?—A. Take 1938. We are dealing with that at the moment:—

| | | |
|--|------------|---------|
| 1 Hard, under delivered..... | 3,163,000 | bushels |
| 1 Northern, under delivered..... | 12,751,000 | " |
| 2 Northern, over delivered..... | 10,517,000 | " |
| Tough Three Feed, under delivered..... | 11,197 | " |
| Tough Six | 2,729 | " |

Q. 2 Northern under delivered was 10,517,000?—A. No, over delivered. They were under delivered in 1 Hard and 1 Northern.

By Mr. Ward:

Q. Does that mean that wheat purchased as No. 1 was later graded as No. 2?—A. Yes. I am not going to suggest the reasons because I do not think that is my place. I just remind you that the elevator companies started from scratch that year with no grain in the houses and there may have been more or less intense competition or it may have been the result of something that was really beyond their control, as I remember distinctly in the 1938 crop when the companies took terrifically great losses which in my estimation were beyond their control.

Q. Was there not a year not so long ago when the Grain Standards Board were late in setting the grades? I recall one fall when the elevators bought wheat for a month or two on the old grades?—A. I think as a general rule, but I cannot give this as a definite opinion—the Board of Grain Commissioners can give you that information—that it is always somewhat late in the season—it is always after the beginning of the season and after the companies have been handling grain before the standards are set. I think that is a natural supposition because they have no samples of the grain that is coming in before they can set the standards. I would like you to refer that question to Mr. MacKenzie.

Q. Have you figures showing what the losses would be to the elevator companies through the loss of grades?—A. No, that is only as far as the board is concerned, but what the actual grade loss was to the company we had no means of determining. All we know is that we make an adjustment with them between the grades that have graded lower than they purchased them for or vice versa when the grades are higher than they purchase them for, but what

effect that has on their books, of course, we have no means of knowing, except in 1938 when it was 100 per cent board wheat, and this would naturally represent every grade loss in that year.

By Mr. Perley:

Q. Now, will you follow up with three, four and five?—A.

| | |
|-------------------------------------|-----------|
| Straight Three, over delivered..... | 6,974,000 |
| Four, under delivered..... | 1,156,000 |
| Five, over delivered..... | 1,491,000 |
| Six, over delivered..... | 451,000 |

The CHAIRMAN: Now, are there any other particular questions that anyone in the committee wish to ask with regard to this statement?

By Mr. Fair:

Q. If the wheat board will pay the companies for the amount of grain tickets which they purchase, they will pay them only for the tickets as they are presented to the board, and if they deliver more of a better grade than they are not benefiting or losing anything because they are merely delivering the wheat for another owner instead of wheat for the wheat board?—A. I would like to point out one thing with regard to deliveries to the board. Naturally we do not know at the time each day that each company is delivering wheat whether a company is over delivering on a certain grade, we do not even know that every week, because we are handling such a terrific volume of wheat that the best we can do is run off what we call a company statement; you cannot shut off the works to do it all at one time; you have to alternate them and take a company here and there. The man in charge of country operations reviews this statement and if he finds that a company has all No. 1, say, and he finds that they are delivering up to almost 100 per cent of what they had taken in the country, then he will not take any more until they make it straight that they have bought that much wheat for us.

Q. The idea was that if a company undergrades the grain then they gain on the deal because they will only turn over to the board what the tickets call for; if they overgrade when buying from the farmers they would be at a loss?—A. We have to watch that, but any subsequent grade adjustments of the companies is only a small proportion of the total board handling; and we have, furthermore, the right, as Mr. McIvor read out of our contract yesterday, to put any official or employee of the board right over in the office of every company, and we do it. That is very definite.

By Mr. Wright:

Q. The 1938 crop was all bought by the board from the companies?—A. Yes.

Q. That deal now has been completed. Would not there be figures to show for any particular company the amount of grain that they had paid the farmers for and the amount of grain they have delivered to you—that is, if there would not be overages in the elevators?—A. No, Mr. Wright, our figures would give you exactly the grand total of all purchases that the board made for our account in the country. That is an exact figure. We have these by grades for each company. We have the deliveries against those grades and the overs are adjusted in this way because we must balance up 100 per cent for each grade by reason of being a board organization, but that would not indicate what overages or shortages there might be in the country.

By Mr. Perley:

Q. The grand total would have to correspond with the grand total they take in?—A. Yes. If they had an overage of 1,000 bushels in the elevator they could not deliver it to us, we would not know of its existence.

By Mr. Donnelly:

Q. They would have a lot of their own grain anyway?—A. Not in 1938, no, they started out with fairly clean bins.

Q. They might have 2,000 bushels?—A. We did not get all our deliveries prior or up to July 31st, they rolled in after that; in the meantime those companies may buy other grain in the country.

The CHAIRMAN: And they may be selling their grain in the country.

The WITNESS: They may be selling the grain in the country.

By Mr. Perley:

Q. Of course, the dockage that the Grain Act permits them—that is the original dockage—that would be minor, it would not amount to an awful lot?—

A. No, I do not think so. It is pretty exact. They weigh it.

Q. Yes, I know there is a certain percentage of dockage, $\frac{1}{2}$ of 1 per cent which is invisible?—A. Yes, I think that pretty well goes up the spout.

Q. It generally does.

Mr. GRAHAM: Is this not typical of what I had in mind this morning where the board were asked to produce a lot of voluminous records and they have them here and they are all comparatively of little value to the committee. I would like the committee to keep in mind the task the government has put upon this board and let us get on with what this committee was meant to do and do it. It struck me as I listened to this long document that Mr. Findlay has in front of him that it is typical of the inclination to ask for information which when we get it is of little value to the committee. I hardly think it is fair for responsible members of parliament to be putting the board to that type of work at this time.

The CHAIRMAN: Those were specific things asked for by members of the committee, but I am bound to say I agree with you to a certain extent, Mr. Graham. The attempt has always been to try to get answers to the questions of the members for any information they may want brought before the committee. Now, is there any further discussion on this statement

By Mr. Perley:

Q. Perhaps Mr. Findlay would finish the grand totals for 1939?—A. In respect of the 1932 crop and up to March 31, 1942, we paid to the companies a net total of \$42,279.82; the total amount involved was approximately 15 million bushels.

Mr. ROSS (*Souris*): Do those figures indicate that the producer's grain was undergraded there?

Mr. PERLEY: You paid to the companies?

The WITNESS: We paid to the companies \$42,279.82.

Mr. PERLEY: And it involves 15,000,000 bushels?

The WITNESS: There may have been all kinds of factors entering into it. I hesitate to express an opinion one way or the other. We have all dealt with them. There might be slide-over grades or cleaning in the country and one thing and another. I do not hold any brief for any of the handling companies, and do not think I am trying to speak for them; I am trying to give you such information as I can. I know at various times an agent will in good faith buy a grade and he may be a very good agent at grading grain, but to his consternation when the car comes down through Winnipeg it gets bumped a grade, and sometimes it happens the other way.

By Mr. Ross (Souris):

Q. Do those figures indicate under or overgrading to the farmers?—A. I would say it indicates undergrading, but in any respect the percentage in com-

parison to the total handlings of the board would be so infinitesimal that they would not be a factor.

Q. For instance, you go back to 1938 and the company has paid you considerable money; in 1938 does it indicate overgrading?—A. 1938 obviously from the bushel figures there was overgrading which may not have been intentional.

Q. I realize all that. I want generalities of what it indicates?—A. Yes, there it is; 1938 would indicate they overgraded, maybe a little ambitious, and 1939 slightly under.

By Mr. Graham:

Q. In 1939 the position is complicated by the fact that the elevators were taking in grain on their own account and some of them might have got into the deliveries to the board; is not that true?—A. Yes, that is true. The amount involved is so small relatively that that might quite easily happen, except that as I explained before we can check up and see that they do not get out of line.

Q. That really cannot lead to any special deduction from these figures?—A. I do not think so, there are too many factors entering into it.

Q. Is it not also a fact that 1939 is still incomplected?—A. There is still some of it.

The CHAIRMAN: Is the committee satisfied with the information received with respect to the statements, or are there any further questions to be asked?

By Mr. Perley:

Q. Mr. Findlay, this morning a question arose about these clearing sheets—

The CHAIRMAN: You are leaving the statements with respect to overages or otherwise?

Mr. PERLEY: Yes. (Agreed).

The CHAIRMAN: All the information secured thus far has been given to the committee.

Mr. PERLEY: Has Mr. Findlay any of the information that Mr. McIvor promised to give us with respect to certain outstanding options, etc.

Mr. McIVOR: The only information that you have not received thus far is with respect to order in council No. 1803, as far as I am aware.

Mr. PERLEY: That is the order in council dealing with what?

Mr. McIVOR: The adjustment of the price of wheat stocks to new levels.

Mr. PERLEY: Information was to be furnished as to the open trades.

Mr. McIVOR: That is in the order in council.

Mr. PERLEY: And we wanted some information with respect to the brokers.

The CHAIRMAN: What information is that?

Mr. PERLEY: The names.

The CHAIRMAN: The committee voted on the question whether or not the names would be received.

Mr. PERLEY: There are a lot of matters we have asked people about which we have not received proper answers. I am going to suggest that we call certain brokers from Winnipeg. We might avail ourselves of the opportunity of hearing Mr. Fowler, the manager of the clearing house, who is in the city. I think he could give us some information as to the amounts being cleared now, and the accounts of the different members of the Clearing Association and the Winnipeg Grain Exchange. There is a lot of information we could get that I think would bear on the matters dealt with this morning such as the use of these brokers and the pooling of the brokerage charges.

The CHAIRMAN: When the sub-committee arranged for the program up to this point its feeling was, as I understand, that we should get the information

we require from these people as quickly as possible and permit them to get back on the job.

Mr. PERLEY: These questions arise out of the information they have given us.

The CHAIRMAN: How much longer are we going to require the attendance of the wheat board and the Board of Grain Commissioners? We have not heard all the witnesses who are waiting to be called.

Mr. GRAHAM: Mr. Chairman, the committee's reference really arose out of a speech made by the hon. Mr. Hanson in the House of Commons in which, speaking generally, he suggested that the wheat board had been carrying on illegally in the matter of dealing in futures contracts. That point has been dealt with thoroughly, and yesterday I noticed Mr. Diefenbaker indicated he thoroughly agreed that this committee could not settle the question of the legality of dealing in futures contracts. Only the Supreme Court of Canada could settle the purely technical question whether the board in dealing in that way is or is not dealing illegally. There is nothing this committee can decide with regard to the question of illegality.

The next suggestion was that the wheat board's account should be independently audited. It has been developed that ever since inception of the wheat board in Canada the same firm of auditors, Messrs. Miller, Macdonald & Company, one member of whom is well known to members of this committee, have independently audited the books of the wheat board; so that point has been thoroughly cleared up.

The next point is with regard to the brokers, and the committee has secured the information it thought necessary and proper with respect thereto.

Those are the points that were chiefly dealt with, and upon which allegations were made by Mr. Hanson. It strikes me that this committee having dealt with all the points that have been suggested, surely Mr. Hanson or some member of the opposition, perhaps, will definitely tell the committee what they want the committee to do rather than having the committee embark day after day on a fishing expedition. In fairness to the board I suggest that we review our position.

The CHAIRMAN: I think you are substantially correct, Mr. Graham.

Mr. ROSS (*Souris*): To some extent I agree with Mr. Graham because certain information desired has been denied us, having been voted down in this committee. I am not concerned with some of the other charges that I made quite plain to this committee when we first sat. I certainly was one of those who would have liked to have a record produced of the names of the brokers, and the amounts paid. So far as the other two members of the wheat board are concerned, we might as well conclude our inquiry and save the time of the country, because the information we want will not be afforded in view of the vote of the committee on every point.

The CHAIRMAN: Do you wish to ask any questions of the other members of the wheat board?

Mr. PERLEY: Are you willing that we call Mr. Fowler?

Mr. SMITH: He is not in the city.

Mr. PERLEY: He was in the city yesterday.

Mr. SMITH: I understand that he has gone.

The CHAIRMAN: We still have the Board of Grain Commissioners to deal with. Have we completed with the wheat board?

Mr. PERLEY: Does Mr. McIvor refuse to give us any further information with regard to the brokers employed by the wheat board?

Mr. GRAHAM: Mr. McIvor has not refused.

Mr. PERLEY: Very well, the committee has refused. If we name half a dozen brokers in Winnipeg can we call them here?

Mr. McCUAIG: As I understand it, the board has the right to deal through any channels it desires, and I do not think it makes any difference to us what brokerage is paid.

Mr. PERLEY: It makes a difference to the country if 100 men are being paid brokerage fees for doing nothing.

Mr. McCUAIG: If there is pressure through some brokers in Winnipeg on members of this committee to use influence with this board, we are not interested.

The CHAIRMAN: Have you specific accusations you desire to make with regard to the board's dealings?

Mr. PERLEY: I do not think we need to make accusations in order to obtain information.

The CHAIRMAN: The board has reviewed its position and policy on several occasions before the committee.

Mr. PERLEY: And there are certain brokers in Winnipeg who are getting paid money for doing nothing. That is practically the policy.

Mr. GRAHAM: There is no proof of that.

Mr. PERLEY: Certainly there is.

Mr. GRAHAM: Mr. Findlay, the Comptroller, gave evidence under oath that he never made a payment to any broker unless there was an accompanying transaction either in the futures market or in cash wheat.

Mr. PERLEY: I asked for the clearing sheets for certain days.

Mr. ROSS (*Souris*): Some brokers received money on the pooling basis.

Mr. GRAHAM: It had to be paid out to somebody.

Mr. PERLEY: We have asked for certain clearing sheets and they have not been produced.

The CHAIRMAN: The question as to the clearing sheets came up yesterday.

Mr. PERLEY: Yes. I asked for the clearing sheets from May 1 to May 13, and Mr. McIvor said they could be produced, but they have not been produced.

The CHAIRMAN: Did not Mr. Folliott explain that matter?

Mr. PERLEY: Have we had Mr. Folliott on the witness stand yet?

The CHAIRMAN: All members of the board were sworn at the opening of the proceedings.

Mr. PERLEY: But Mr. Folliott has not been questioned.

The CHAIRMAN: May I call Mr. Folliott before the committee and let him repeat the explanations he made yesterday with respect to the question Mr. Perley has now raised.

By the Chairman:

Q. Proceed, Mr. Folliott?—A. Mr. Perley asked a question with regard to the sale of 120,000,000 bushels. My explanation was that the clearing sheets from the 1st May to 13th May would not show the 120,000,000 bushels for the reason that the 120,000,000 bushels while sold at that time was not cleared with the exporters, as has been explained several times, until some time after when the Cereals Import Committee instructed us by cable to give up this wheat to the exporters. Some of that 120,000,000 bushels might be cleared a week later or two weeks later up to six months later, so that the clearing sheets from May 1 to May 13 could not possibly show you anything in regard to the 120,000,000 bushels. I did say that the contract with the Cereals Import Committee was a contract for 120,000,000 of futures at a blank price. The contract is addressed to the Cereals Import Board in writing and is signed by the three members of our board. The contract is sent to the Cereals Import Board and they return it duly signed by their director and deputy director,

and it is actually a contract of sale. If we did not make contracts for sale of futures such as that, we would never get rid of any futures on our books.

By Mr. Perley:

Q. There is nothing to show the 120,000,000 bushels cleared on those days at all, but some time afterwards a settlement was made with the brokers?—

A. We agree that it was not cleared on those days. We do it as outlined above because the British government want us to handle it in that way, and it does not cost us any money to do it that way; we get the same price.

Q. A cable has been read before the committee to the effect that the Cereals Import Committee desire the Grain Exchange to continue open. Now, can you tell us any reason why they would want it to continue open?—A. I would be a mind-reader if I could guess why they want it to remain open, but I would say they must consider that the best and most economical way for them to buy wheat.

Q. Absolutely. They do not care about the brokerage fee at all. They can buy wheat as they have this last year at a price of 70 cents, while the price in Chicago is \$1.20. If they can have the Winnipeg brokers regulate their price and buy their grain over a long range of six months at a time, why would they not want the Grain Exchange to remain open? (No response).

By Mr. Donnelly:

Q. Have you Mr. Justice Turgeon's report with you?—A. No.

Q. You will recall from that report that when Mr. Justice Turgeon was in England he had before him several wheat dealers and millers, and asked them that very question?—A. I believe so.

Q. Can you look it up in the report and tell us what he said? He asked these millers and importers why they wanted the Grain Exchange kept open at Winnipeg, and they told him why.

The CHAIRMAN: I doubt very much if that question is before the committee at the present time. Again I point out that so far as the government is concerned it has received advice from the Cereals Import Committee as to the policy they desire to have pursued, and presumably the government feels it is under obligation to observe that policy.

Mr. PERLEY: The real answer to that is that they can buy wheat at practically any price they like. It is not competitive in comparison with the open market in the United States.

The CHAIRMAN: I think it is fair to say that they can buy the wheat at the price the government is prepared to set.

The WITNESS: The price of American wheat does not mean a great deal from an export viewpoint because the Americans are subsidizing their wheat. We ran across a case where they were subsidizing flour to a neutral country at a price cheaper than to-day's price. The fact that their market is \$1.20 or \$1.30 does not mean they can get that price for their wheat on the export market.

The CHAIRMAN: Did you request some information from Mr. Follitt, Mr. Donnelly?

By Mr. Donnelly:

Q. Yes, I would like you to refer to pages 165 to 167 of the Turgeon Grain Commission report, where it is indicated that the millers and merchants were present and Mr. Justice Turgeon asked certain questions appearing at the foot of page 167. Please read those?—A. Very well:—

“Question 1. (g) What views are held regarding the effect of the sale of Canadian wheat in the British Isles in case the Winnipeg futures market, should cease to operate, as has been advocated by some of those who have made submissions to the Commission in Canada.

Answer: The closing of the Winnipeg Futures market would have a detrimental effect upon the volume of Canadian grain business. The closing price of the Winnipeg market is the basis of all calculations which are made for offering wheat throughout Europe the following morning.

Further the Winnipeg futures market is in the main, the market in which hedges on Canadian wheat are carried. The only exceptions are when other hedging markets seem relatively high in relation to the crop prospects and/or actual crops but, broadly, Winnipeg is the hedge used for Canadian wheat in whatever position the wheat may be being carried.

It would certainly make the business of all export houses and United Kingdom merchants dealing in Canadian wheat very hazardous and, therefore, tend to limit dealings.

It would seem obvious if the Winnipeg market were closed the exporter would have to look for a definite and considerable margin to cover the additional risks involved.

It is our considered opinion that the average daily price at which Canadian wheat is sold in Europe is lower than the average daily price registered in the Winnipeg market indicating that the Canadian grower by the existing system is getting a higher price than the c.i.f. parity of the same day. In other words, his wheat is marketed in the consuming countries without any charge to him."

The CHAIRMAN: Whose evidence is that, Mr. Folliott?

Mr. WRIGHT: I do not see what this has to do with the present marketing of wheat. This is something in regard to the marketing of wheat years ago before the Cereals Import Committee was formed in the Old Country; it is prior to the war and is not of interest to us. I do not see why that material should be read into the record now unless it is to back up Dr. Donnelly's favourite horse.

Mr. DONNELLY: The matter was referred to a day or two ago by Mr. Perley, who stated that when Mr. Justice Turgeon was over in England there was no objection whatever and no representations made with regard to the closing of the Winnipeg Grain Exchange.

By Mr. Perley:

Q. Whose views are they?—A. The views of the British Grain Trade. The heading is "Views of British Grain Trade."

Q. What witnesses gave the views?—A. That is not shown.

The CHAIRMAN: As recorded by Mr. Justice Turgeon.

Mr. PERLEY: On page 165 of the report Mr. Justice Turgeon practically says the British authorities were pleased with the situation in Canada and thought that the Grain Exchange should remain open. He does not quote any evidence.

Mr. DONNELLY: He does.

Mr. PERLEY: He does not say who gave the evidence.

Mr. DONNELLY: He says those are the questions he asked the millers.

Mr. PERLEY: It is a summary of the evidence taken before him.

Mr. DONNELLY: No; the questions asked and the answers made are set out.

Mr. PERLEY: I am going to quote from the evidence that was taken.

Mr. DONNELLY: From what are you reading?

Mr. PERLEY: From the evidence and report with respect to the Turgeon Grain Enquiry. A number of overseas witnesses were asked what difficulties

would be anticipated to the producer in Canada if the Winnipeg futures market was closed, and some eight to ten witnesses were heard, and I have their evidence before me:—

David Muir, Glasgow Manager, S.C.W., p. 10,372: Sees no difficulty if no futures market.

Then:—

M. Stolk, Antwerp, p. 10,731, broker, when asked what difference it would make to his purchase of Canadian wheat if there were no futures market in Winnipeg said: I do not think there would be a big difference.

And:—

Glasgow Corn Association, p. 10,392:—

If the Winnipeg futures market were closed there "would be one less to watch."

Snodgrass, p. 10,446, Glasgow Miller,

"If it disappeared (that is the Winnipeg market) I would not like to say that we could not get on quite well without it."

Bracey, Buyer English C.W.S., Liverpool, p. 10,492: "The advantage would be to the producer."

That is the producer in Western Canada.

Then:—

Again, p. 10,490: "Closing Winnipeg and registering prices at Liverpool would ensure a truer reflection of real prices".

And there are several others if you would like to hear what they said.

By Mr. Rickard:

Q. Did anyone give evidence that the market should be kept open?—A. No.

Mr. DONNELLY: It is very strange that Mr. Justice Turgeon should come to those conclusions.

Mr. PERLEY: I say those conclusions are not a clear criterion of the evidence that was taken before him.

Mr. DONNELLY: Is it your assertion that Mr. Justice Turgeon's report is of no value whatever?

Mr. PERLEY: Mr. Justice Turgeon says that the wheat board is only necessary in an emergency, and that he would not like to suggest that it should be dispensed with. Now, I say if you quote from the evidence taken before Mr. Justice Turgeon you will find most of it is to the effect that they do not need the market at all. That was in peace time. Since this evidence was taken the Liverpool Exchange has been closed.

At this point I desire to give you some information from Mr. Justice Turgeon's report as to the extent they used the Winnipeg market for hedging. The question was as to the extent to which the open market was used for hedging purposes, and at page 10,496 Mr. McFayden of the Scottish Co-operative Wholesale, Liverpool, said:—

Cannot see the necessity for dealing in options at all.

Then, F. Stuych, broker of Antwerp, at page 10,778 said:—

We seldom hedge when we buy, depending on the view of the market.

Then Pillman of the British National Miller's Association, on page 9682 said his firm "never had to hedge in fifty years."

Then a French miller said that French millers, seldom, if ever, hedge.

Then Maximilian Stolk, grain broker, Antwerp, at page 10,727, when asked if he used the Winnipeg market said:—

Yes, we do, not on a large scale, but we do use it. . . .

I could cite a dozen further examples from this record showing that they never use the market for hedging, and if the Winnipeg market were closed it would not make any difference. That statement is made in answer to Dr. Donnelly.

Mr. DONNELLY: It is not in answer to me. Your argument is that the Turgeon report is not correct and is of no value.

Mr. GRAHAM: I do not think anyone would contemplate indicting Mr. Justice Turgeon either as a poor or a dishonourable commissioner. We cannot take excerpts from evidence and form conclusions upon them. Mr. Justice Turgeon has given his final analysis of the evidence in his report.

Mr. PERLEY: I say there is all sorts of evidence taken over there showing the contrary view.

Mr. GRAHAM: I do not think this discussion should go on the record.

Mr. PERLEY: I think it should.

The CHAIRMAN: Your statement is recorded.

Mr. GRAHAM: Some grain merchants in the old land would be delighted to see the Winnipeg and Chicago Grain Exchanges closed because the trade would centre in their own exchange at Liverpool. When that evidence was taken all the exchanges were open. I submit that in fairness we cannot draw any inference from what Mr. Perley has cited.

Mr. PERLEY: I have a letter here from a president of a company who says it is the biggest farce in wartime for the Grain Exchange to be allowed to remain open.

Mr. GRAHAM: That is for parliament to decide.

Mr. WARD: Would Mr. Perley pursue his present attitude if he knew it was going to influence the only market we have for our wheat?

Mr. PERLEY: I say I am of the opinion from my own personal experience over many years in peace time in handling grain, up to the time the depression hit us about 1930, that there is not any need for the amount of trading this board is doing, buying and selling and merchandising our wheat, and that the board, with the government of Canada behind it, and conditions as they are today could save money if they took over complete control of the whole trade.

Mr. WARD: Mr. Perley does not answer my question.

Mr. PERLEY: It has not been shown to me that anything accrues to the advantage of the producer in what the board is doing.

Mr. WARD: We have one customer now and that customer says: "We want the Winnipeg Grain Exchange to remain open." Would you prejudice the only customer we have?

Mr. PERLEY: No; if you can show me any evidence that it would prejudice that customer against buying Canadian wheat. Why would that customer not want it open?

The CHAIRMAN: We have had the view of the British Cereals Import Committee placed on the record several times, and apparently that is the policy the government is pursuing and the wheat board is pursuing on behalf of the government. I submit that is not a matter which we are called upon to decide one way or the other at the present time. I should like to get on with the examination of the witnesses or on to the next order of business that we are going to consider. (Agreed).

Shall we proceed to the next item on the agenda for consideration? (Agreed.)

Then we shall recall Mr. McIvor to the witness stand to deal with the orders in council passed this spring, Nos. 1800, 1801, 1802 and 1803. I hope the committee does not desire these orders in council read into the record because copies are now available.

By the Chairman:

Q. Mr. McIvor, I think the committee would like to have a statement from you as to the principles involved in the orders in council and the reasons therefor?—A. If it is agreeable to the committee I would like to start with order in council No. 1803 dealing with the freezing of wheat, my reason being that Mr. Findlay is leaving tonight and if there are any questions to be directed to him arising out of order in council 1803 the opportunity will be afforded.

The CHAIRMAN: I think the committee will agree to that. (Agreed).

The WITNESS: The reason for this order in council, in brief, is that when the government decided to pay 90 cents for wheat through the wheat board and when the announcement was put on the order paper it was very clear that unless some steps were taken to freeze the prices of wheat as at that day speculators would go into the market the following day and purchase wheat and sell it later on at or around the 90 cent price. Our instructions from the government were to see, to use the words of one of the ministers, "that there shall be no profiteering by any speculator in regard to this action. How you do it is your problem, but those are our instructions." That is the reason for that order in council. It froze the price of wheat as at the previous day's close to prevent any speculators from going into the market the following day or any speculators who were already in the market carrying their wheat and benefiting from the higher price fixed by the government.

By Mr. Donnelly:

Q. Did you have to go on the floor of the Grain Exchange and buy some wheat at that time?—A. Yes.

Q. And that is why you went on the floor of the Winnipeg Grain Exchange and bought wheat?—A. Yes. We agreed with all holders of wheat that we would take over the wheat any time between this date and the 31st July at the prevailing prices on the previous day, and anyone who wanted their wheat back would have to have it readjusted to the higher price.

Q. That was the only occasion on which you went on the floor of the Exchange to buy wheat from other than producers?—A. Yes.

Q. And it was in order to freeze the prices on the Grain Exchange and prevent profiteering?—A. Yes.

Q. Supposing I had 10,000 bushels of July wheat or May wheat and I asked for delivery of it now and got delivery of it, what steps are you taking to prevent my selling it on the 1st August and getting 90 cents?—A. I have not discussed our plan with the cabinet because, as you are aware, we have been very busy here. Our recommendation will be that the warehouse receipts outstanding as at the 31st July will have to be marked "Approved" by the wheat board and before they can be marked "Approved" by the wheat board the holder will have to pay the difference between the freezing price and the price at that time, whenever it is. Unless the warehouse receipt is marked "Approved" when he goes to the elevator to get the wheat the terminal will not deliver the wheat to him.

Q. He can go and get it now?—A. Yes, and grind it into flour; but if he leaves it in the terminal he will still have the same difficulty.

By Mr. Perley:

Q. What was your position on March 5?—A. Do you want a statement?

Q. Were you long or short in the futures market?—A. When you ask what was our position in the futures market, it has been decided by this committee

that the position of the board will not be disclosed beyond the period stated. If you are going to ask a question as to what wheat we purchased under Order in Council 1803, that is another matter altogether, because we have authority to do that.

Q. What did you purchase—

The CHAIRMAN: Is that germane to the committee's discussion, to know what was actually purchased at that date?

Mr. PERLEY: Please let Mr. McIvor answer the question, Mr. Chairman.

Q. What do you say?—A. I will get that information for you, Mr. Perley, but I want to say that there will be wheat sold and between now and the 31st July from this account, and further wheat purchased from this account, so that in the final analysis the figures for which you are asking may not mean a single thing.

Q. Has there been any delivery of cash wheat through the clearing house?—A. If you insist on getting the information I will ask Mr. Findlay to give it to you.

Mr. FINDLAY: Mr. Chairman, my figures go only up to May 14.

The CHAIRMAN: What are those figures?

Mr. McIVOR: The total purchases and sales from the time we started operating under Order in Council 1803 to May 14; but I want to make it perfectly clear before Mr. Findlay commences that these figures are liable to give a picture altogether different from the final picture.

Mr. PERLEY: I am asking how much cash wheat has been delivered to you.

Mr. McIVOR: Mr. Findlay is here to answer your question. The Chairman asked me a question and I answered it.

The CHAIRMAN: I think the chair is obliged to point out to any witness who comes before it that if the information desired can do no harm if revealed and will be helpful to the committee, then we would like to have it.

Mr. PERLEY: Perhaps Mr. McIvor can give us his opinion as to whether that particular information will do any harm.

The CHAIRMAN: He said the situation would be changed in due course.

Mr. PERLEY: I should think there would be a lot of cash wheat delivered in July.

The CHAIRMAN: Perhaps Mr. McIvor may proceed.

By Mr. Evans:

Q. What is this cash wheat?—A. The order gives the board power to take over all wheat in Canada and adjust it to the new level prices.

By Mr. Donnelly:

Q. These figures will not mean anything until the first August?—A. No; the sales going out of this account will not mean anything to anybody.

The CHAIRMAN: Do you want the figure?

Mr. PERLEY: Not if the committee thinks it is of no value.

The CHAIRMAN: You will not take the position that the board are denying you information?

Mr. PERLEY: If Mr. McIvor says the figure will be of no value I think we might let it go at that.

Mr. McIVOR: I do not want you, Mr. Perley, or anybody else to say to-morrow or the next day that we refused to give you this information. I do say, however, that I do not think the information will be of any value. The information that will be of value is the final adjustment which will be in our board accounts as at 31st July.

By Mr. Perley:

Q. Give us the situation on the 5th and then at the end of each week up to the present time?

The CHAIRMAN: What is the pleasure of the committee with respect to that request? Is the committee agreed to have this information given?

Mr. EVANS: Did not Mr. McIvor say it would be given only to the 14th May?

Mr. McIVOR: Yes.

The CHAIRMAN: Am I to take it that the committee wishes to have this information? (Agreed).

Mr. R. C. FINDLAY, recalled.

The WITNESS: I think the first question referred to the position on March 5? It was zero.

By Mr. Perley:

Q. You had no futures?—A. Our own position?

Q. Yes?—A. I do not think that is involved. This is dealing with order in council 1803 only.

Q. When was the order in council passed?—A. March 9.

Q. Give us the position on 9th March?—A. The position still remained the same, no change.

Q. As to what? You had no futures or cash wheat?—A. Under this order in council.

Q. When can we start in?—A. March 16.

Q. What is the situation on March 16?—A. At that time we had long futures, 6,730,000 bushels.

The CHAIRMAN: If the witness takes a week later than that, will that be satisfactory?

Mr. PERLEY: Yes.

Q. What do you say?—A. 6,095,000 bushels.

Q. Long?—A. Long, yes.

By the Chairman:

Q. And a week later than that?—A. At the 31st we had futures contracts long, 7,318,000 bushels.

Q. And on April 7?—A. On April 7 we had 9,118,000 bushels long futures.

Q. And on the 14th?—A. On the 14th we had long futures, 12,018,000 bushels.

Q. And on the 21st?—A. Long futures, 14,294,000 bushels.

Q. And on the 29th?—A. On the 29th we had long, 18,654,000 bushels.

Q. And on May 5?—A. On May 5, we had cash grain stocks, cash wheat, 10,521,615 bushels.

By Mr. Perley:

Q. And long futures?—A. Long futures, 5,831,000.

Q. And on the 12th May?

Mr. McIVOR: Perhaps the witness may give the last date, the 14th.

The WITNESS: The total result of these transactions as at the close of business on May 14— —

By Mr. Perley:

Q. Is that a weekend?—A. That is the day on which I had this statement prepared. The total futures purchased in that period amounted to 22,678,000 bushels.

Q. Total futures?—A. Purchased.

Q. 22,678,000 bushels?—A. Yes.

Q. And sales?—A. Total cash wheat purchased 13,468,000 bushels.

Q. Yes?—A. Cash wheat sold, 2,571,780 bushels—50 pounds. Futures exchanged against delivery of cash wheat— —

Q. During this period how much cash wheat was delivered to you through the clearing house?—A. 13,468,000 bushels.

Q. And on the 14th you were long 22,678,000 bushels?—A. No; that was the total.

Q. You were long?—A. Yes.

Q. How much?—A. We were long at that date in cash wheat, 10,896,217-10: Long futures, 4,462,000 bushels.

Q. That is what future, the May?

By Mr. Evans:

Q. That was the net position? I do not know whether it was all May, or May and July?—A. May and July, I think.

By Mr. Perley:

Q. Mr. Findlay, I think if you table the statement it will be helpful. We cannot dissect it as we go along at present. The position is that at the present time you have how much cash wheat?—A. 10,896,219-10.

Q. And long futures?—A. 4,462,000, or a combined total of 15,358,219-10.

Q. You will not have many adjustments to make in July?—A. There is a lot of water to flow yet between now and then.

The CHAIRMAN: Are there any other questions you desire to direct to Mr. McIvor and Mr. Findlay with respect to this Order in Council and how it is to be operated?

Mr. GEORGE McIVOR, recalled.

By Mr. Perley:

Q. What happens on the 1st August with respect to the 90 cent wheat? —A. On the 1st August the wheat board will be paying 90 cents for wheat on the basis Fort William.

Q. This other wheat will all be cleaned up?—A. I am not a prophet, Mr. Perley.

By the Chairman:

Q. Do you think you have safeguarded the interests of the country and protected it as far as it can be protected against any possibility of anybody taking a speculative advantage because of the State increasing the price of wheat by 20 cents per bushel?—A. Yes, sir.

The CHAIRMAN: I think that is what everyone would wish to have accomplished. Are there any other questions on Order in Council 1803?

By Mr. Evans:

Q. Under that Order in Council on or before July 31 you have to take over all cash wheat and all futures held privately?—A. Yes, and we adjust the price to the new level.

By Mr. Donnelly:

Q. Order in Council No. 1800 re flaxseed is practically the same thing?

The CHAIRMAN: Can we dispose of Order in Council 1803 now? (Agreed.)

By the Chairman:

Q. Which Order in Council do you desire to take up now Mr. McIvor? —A. Order in Council 1800 deals with the flaxseed, and provides that a price

of \$2.25 will be paid for the new crop. The order freezes all flax stocks in Canada.

By Mr. Donnelly:

Q. It is practically the same thing as Order in Council 1803?—A. The same objective.

By Mr. Evans:

Q. What about oats and barley?—A. That is under Order in Council 1801, which provides for the payment of minimum prices for oats and barley, which is not on at the present time.

By Mr. Donnelly:

Q. There is no minimum on rye?—A. No.

Q. But there is a ceiling on rye?—A. Yes.

Q. What is the ceiling?

Mr. FOLLIOTT: 66½.

By Mr. Evans:

Q. What is the minimum price on oats and barley, Mr. McIvor?—A. The Order in Council says:—

The Canadian Wheat Board is empowered to buy Winnipeg barley futures or cash barley whenever the spot price per bushel, basis Fort William/Port Arthur, of No. 1 Canada Western Two Row or Six Row or No. 2 Canada Western Two Row or Six Row is 60 cents—that is for barley—or No. 3 Canada Western 58 cents, or No. 1 Feed 56 cents.

Since then we have issued an order making it clear to the farmers that the other lower grades will be in proper relation. Then:—

The Canadian Wheat Board is empowered to buy Winnipeg oats futures or cash oats whenever the spot price per bushel basis Fort William/Port Arthur of No. 2 Canada Western oats is 45 cents or Extra No. 3 Canada Western, No. 3, Canada Western or Extra No. 1 Feed, 42 cents or No. 1 Feed 40 cents.

And the same thing will apply there; the other grades will be in the proper relation.

Q. Is it necessary to have a floor under rye at the present time?—A. We have on our board a coarse grains expert, Mr. Folllott, and I would like him to answer that question.

Mr. W. CHARLES FOLLIOTT called.

Mr. FOLLIOTT: That is a very difficult question to answer because we do not know what the volume of it will be, and we do not know what the demand will be; but it seems to me there is very little rye being grown and that the market should be able to take care of it so that there will be no necessity for a floor. I think that is the view the government took on the matter.

Mr. EVANS: In view of the wheat acreage reduction last fall and this spring there is a definite increase in rye seeding, and there was a big demand for spring rye when I was home at Easter, especially in Dr. Donnelly's district and my own. It may be that there will be a greatly increased production of rye?

Mr. FOLLIOTT: It could be; but it seemed to us, and I think the government thought the same way about it, that there was a small quantity of it planted in the past year, and there should be no necessity for a floor; but it might develop that a floor may be necessary.

Q. Where is the rye mostly marketed?—A. There is a small home market from distillers, but largely it is an export market.

Q. It goes mostly to the United States?—A. Yes, and there is usually a good market abroad.

The CHAIRMAN: May I interject to say that we are dealing with orders in council Nos. 1800, 1801, 1802 and 1803, and rye is not included therein. If we commence discussing rye, we shall be talking about beans next, and so on.

By Mr. Wright:

Q. With reference to barley, I have been told, Mr. Folliott, that the maltsters wish to have a larger premium than they are being paid at the present time, and have made representations to the board to have that premium made greater. Is there any truth in that?—A. It would seem to me that they would be governed by the ceiling anyhow. During the base period there existed a premium for malting barley, and the way it stands now they can pay the premium that existed during the base period; but I would not think the Wartime Prices and Trade Board would permit of any greater premium being paid.

By the Chairman:

Q. If the price of oats and barley is above the price fixed by the order in council the board will not be taking delivery of any of these grains?

Mr. McIVOR: No.

Q. What will your procedure be if and when the price drops down to the guaranteed price?—A. We can take in the market oats and barley, basis these prices through the futures market; or we might take cash barley or oats, whichever was the most workable. This is the basis that we would take cash barley or oats at times, and we would be taking futures at times.

Q. And you will dispose of that crop through the regular channels in the ordinary way that you dispose of any other crop?—A. That is a little more difficult to answer. It depends a lot on the amount grown. If we have a surplus, probably there will be some arrangement made for it to go to the United States.

Q. A little while ago you quoted the price of oats and barley. That was the floor price?—A. Yes.

By Mr. Leger:

Q. There is no ceiling?—A. Yes, it is $51\frac{1}{2}$, and barley is $64\frac{3}{4}$ at the present time.

By Mr. Donnelly:

Q. Is that ceiling on oats and barley to remain?—A. That is a matter that is up to the Wartime Prices and Trade Board.

By Mr. Evans:

Q. Can coarse grains go above the ceiling set?—A. No.

Q. You are obligated to take the coarse grains?—A. We are obligated if they go to the floor.

By Mr. Perley:

Q. May I ask a question I asked yesterday or the day before: in adjusting everything up to the 31st July is there anything to prevent the millers from securing a lot of wheat at present prices and having it stored away in their different warehouses to be ground into flour for domestic purposes?—A. My answer to you on that is that I do not know, and none of us know, what the ceiling price on flour in the new year will be. I do not know what advantage or disadvantage there would be to a miller doing what you suggest in relation to domestic prices; that is something that is not determined. I will say that we as a board are going to check the situation very carefully to see that nothing is done beyond a normal position.

Q. You recall what happened with the bakers when the price was raised from 70 to 80 cents? It was discovered that they had secured sufficient flour

and had stored it in warehouses in different places, sufficient to do their basic business for several months ahead?—A. Frankly I do not know.

Q. I was wondering if the same situation would come about with respect to the mills, and would it also then apply that barley would be handled alone, because lots of the large bakeries are controlled by the milling concerns. I think the situation should be looked into?—A. I assure you that we shall look into all angles of the situation.

The CHAIRMAN: Are there any further questions you desire to ask with respect to these orders in council, or can we say that the committee has received the information it desired?

Mr. PERLEY: As far as the orders in council are concerned, yes.

Mr. McIVOR: I would like to read into the record half a dozen small corrections that were not caught when we went over the transcript:—

CORRECTIONS: Reference—Canadian Wheat Board for Crop years 1939-40 and 1940-41.

Page 30, line 28—"weekly" should read "wheat".

Page 32, line 14—"firm's" should read "farmer's".

Page 33, line 40—delete "to whom he is sending nightly cables". This is a repetition.

Page 63, line 38—"four cents" should read "less than one cent".

Page 66, line 7—"broken" should read "broker".

Page 22, lines 34 and 35—"farming business" should read "the farmer in business". The words "it is the whole elevator system" should be deleted.

By Mr. Perley:

Q. In one of the reports there is an error in the printing that I do not think you would like to leave uncorrected, and I am sure Dr. Donnelly would not, with respect to the unanimous report of the 1936 committee. It reads: "we are not of the opinion . . ."—A. I am very pleased that you have drawn that error to my attention, because I overlooked giving it to the committee. It appears on this list in red ink at the bottom:—

Page 22, line 4—"we are not of the opinion" should read "We are of the opinion."

The CHAIRMAN: Do the members of the committee desire to have the wheat board officials continue any longer before the committee?

Mr. PERLEY: I think we should hear from Mr. Smith, and possibly further from Mr. Folliott. It is nearly 6 o'clock now. I understand that Mr. Folliott was looking after shipping.

Mr. McIVOR: I do not like to labour this appeal, and purposely I have not said anything because of the point Mr. Graham mentioned, but we have a lot of responsibility and a lot of work to do. We have been here for over a week now without very much opportunity to do anything else. I do not for a moment desire to suggest that we are not prepared to stay, but I think the committee should consider that aspect of the situation.

Mr. PERLEY: There are several witnesses whom we intended to call that have not been called, and we intended to move that certain witnesses be brought from Winnipeg but refrained. Do the members of the wheat board desire to get away from Ottawa to-night?

Mr. McIVOR: The position of the members of the board is that we have a meeting fixed for Friday in Toronto, but we have a number of things to do in Ottawa to-morrow.

Mr. PERLEY: Are you coming back this way from Toronto?

Mr. McIVOR: We had not intended to do so, we had intended to get back to work.

Hon. Mr. MacKINNON: If the committee desires the members of the wheat board to return here, they will do so, surely; but regard should be had for the importance of the work they have to do in Winnipeg as soon as they can return there.

Mr. McIVOR: I understood Mr. Perley to ask if we were coming back to Ottawa from Toronto, and I said we had not intended to do so.

The CHAIRMAN: Provided the committee will let you go!

Mr. McIVOR: Oh, yes.

Mr. PERLEY: I know Mr. Diefenbaker wanted to put some further questions. I will meet Mr. Diefenbaker to-night and consult with him, and perhaps it will not be necessary to recall anyone.

The CHAIRMAN: So far as the wheat board is concerned our agenda has been gone over. If Mr. Diefenbaker or you, Mr. Perley, desire to bring up something new, that is a matter for you to determine.

Mr. PERLEY: I would like to consult with Mr. Diefenbaker, anyway. The grain board are going to be here to-morrow?

The CHAIRMAN: Yes.

Mr. PERLEY: And these other men are going to be here to-morrow morning, anyway.

Mr. McIVOR: Except Mr. Findlay. We shall be here to-morrow. We have considerable other work to do, but if the committee wants us to attend we shall do so, of course.

Mr. PERLEY: Mr. Graham has been putting that suggestion to the committee throughout yesterday and to-day. I recall sitting on a committee with him when he appeared as counsel, and he did not mind keeping witnesses here from Chicago and all over the earth!

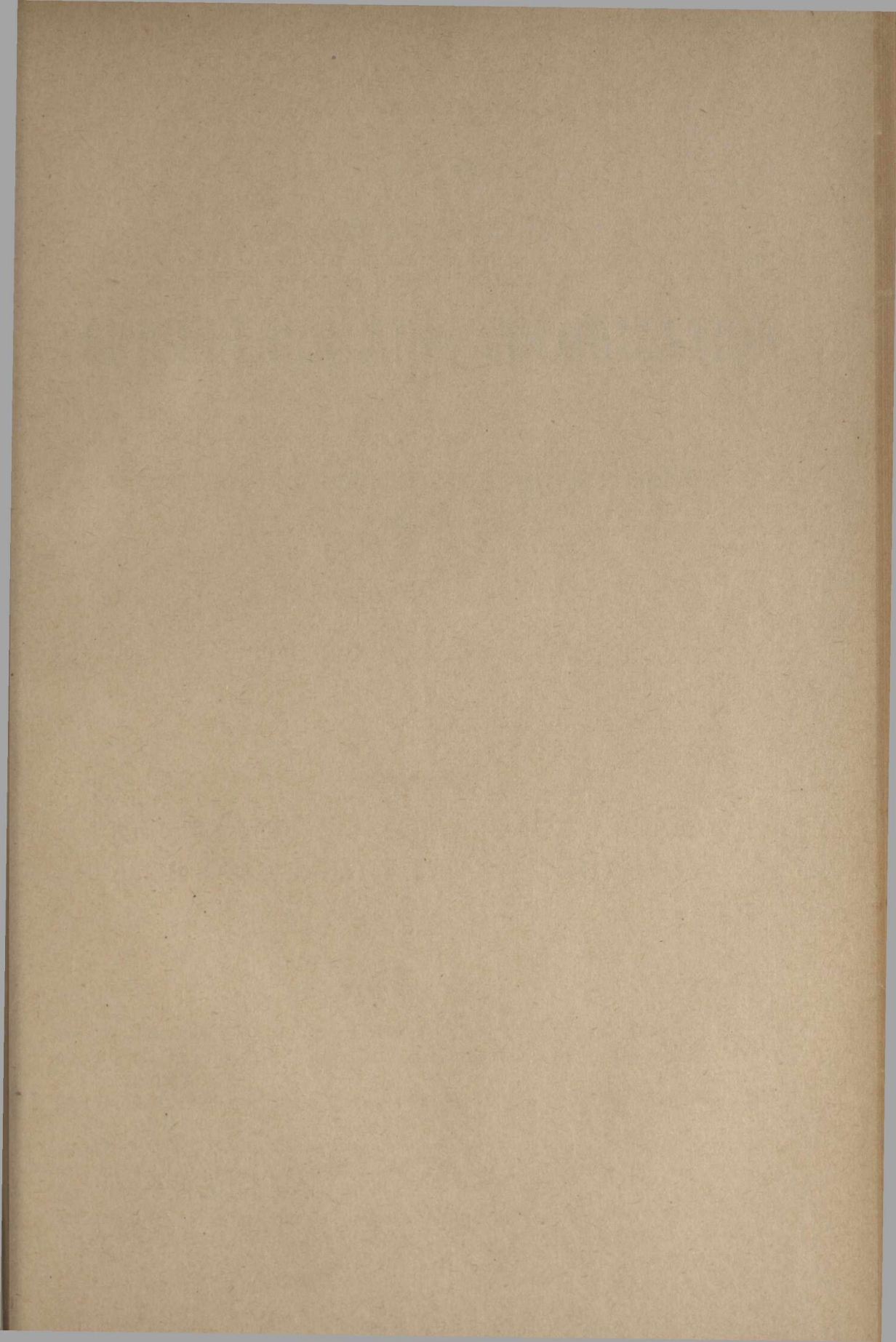
The CHAIRMAN: Will the committee agree to release Mr. Findlay?

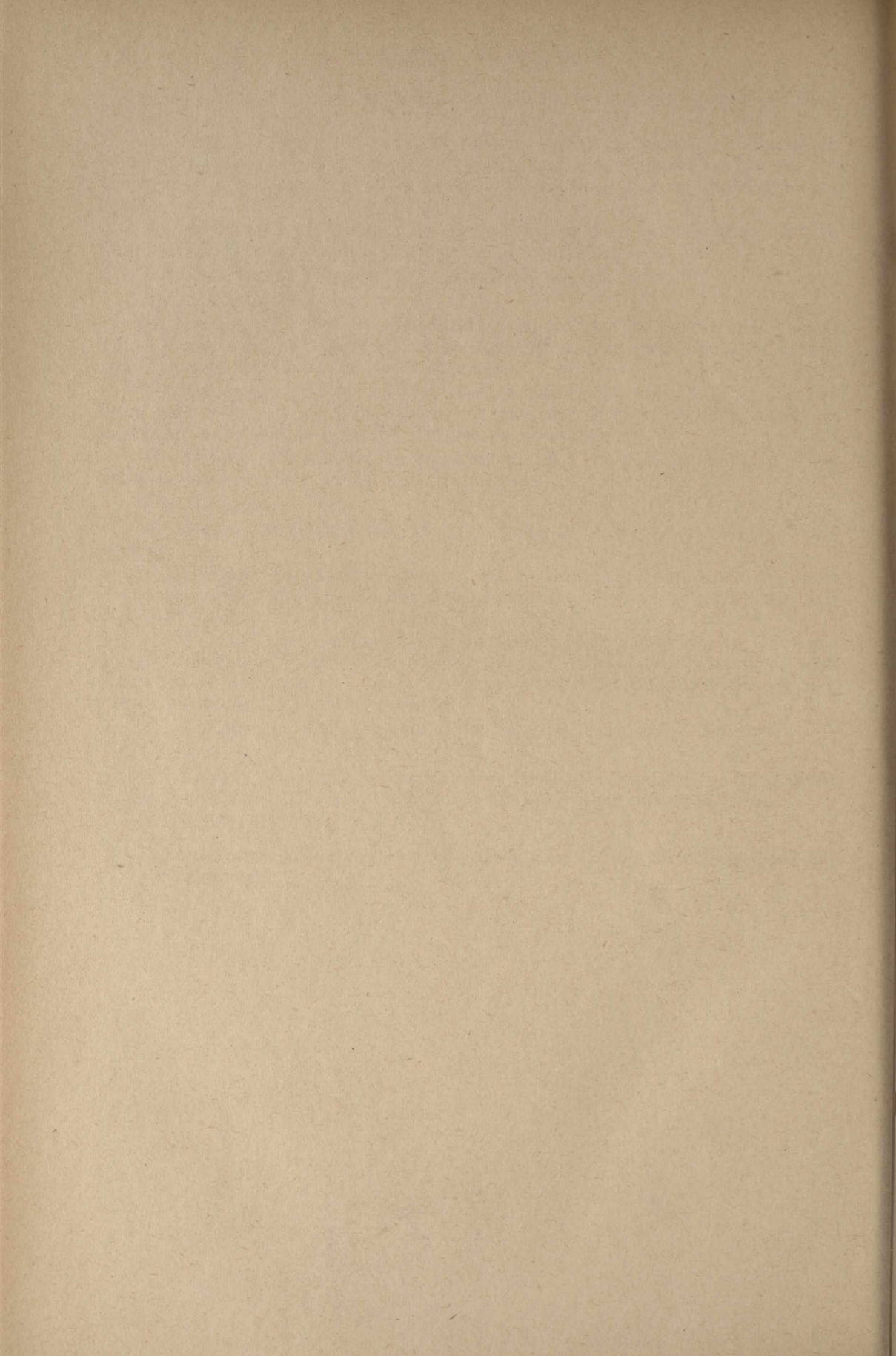
(Agreed).

Mr. Findlay, we thank you very much for the information you have given to the committee. You may now return to your other duties at home.

Mr. FINDLAY: Thank you.

The committee adjourned at 5.55 o'clock p.m. to meet Thursday, May 21, at 11 o'clock a.m.





SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE
ON
AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

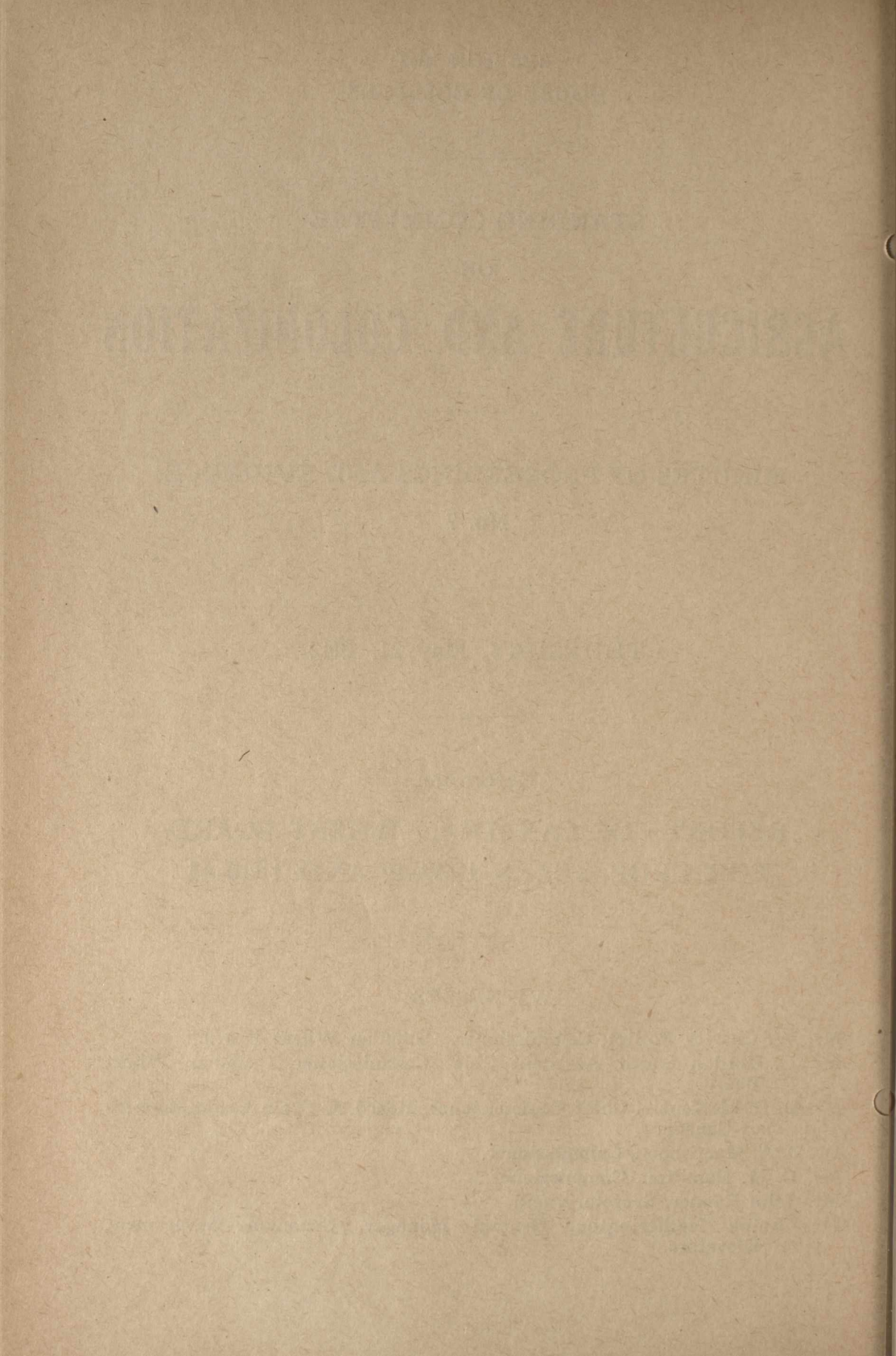
THURSDAY, May 21, 1942

Reference

**REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41**

WITNESSES:

- Mr. W. Charles Folliot, Commissioner, Canadian Wheat Board.
- Mr. C. Gordon Smith, Assistant Chief Commissioner, Canadian Wheat Board.
- Mr. D. G. McKenzie, Chief Commissioner, Board of Grain Commissioners of Canada.
- Dr. D. A. MacGibbon, Commissioner.
- Mr. C. M. Hamilton, Commissioner.
- Mr. John Rayner, Secretary, and
- Mr. Ralph Hetherington, General Manager, Canadian Government Elevators.



MINUTES OF PROCEEDINGS

THURSDAY, May 21, 1942.

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

Members present: Messrs. Aylesworth, Bertrand (*Prescott*), Blair, Cardiff, Clark, Cruickshank, Davidson, Diefenbaker, Donnelly, Douglas (*Weyburn*), Evans, Fair, Fontaine, Furniss, Graham, Hatfield, Henderson, Lafontaine, Leclerc, Leger, MacDiarmid, McCuaig, McGarry, Matthews, Mullins, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Senn, Soper, Tustin, Ward, Weir, Wright—37.

In attendance: Mr. George McIvor, Chairman of the Canadian Wheat Board; Mr. C. Gordon Smith, Assistant Chief Commissioner, Canadian Wheat Board; Mr. W. Charles Folliot, Commissioner; and Mr. T. W. Grindley, Secretary.

The minutes of the previous meeting held on Wednesday, May 20, were read and adopted.

Mr. W. Charles Folliot, Commissioner of the Wheat Board, was recalled and further examined.

Mr. C. Gordon Smith was also recalled and further examined.

It was then agreed,—That all members of the Canadian Wheat Board in attendance before the committee should be retired.

It was moved by Mr. Graham and seconded by Mr. Diefenbaker, that the chairman tender the thanks of the committee to the chairman and officials of the Canadian Wheat Board.

Motion carried unanimously.

The chairman thanked Mr. McIvor and other officials of the board for the assistance and information given by them to the committee during its work on the subject matter of the reference before it, viz,—The reports of the Canadian Wheat Board for the crop years 1939-40 and 1940-41.

The chairman informed the committee that the Board of Grain Commissioners were present and would be the next witnesses to be heard if the committee wished. The committee agreed and the chairman introduced the Board of Grain Commissioners of Canada as follows:—

Mr. D. G. McKenzie, Chief Commissioner; Mr. D. A. MacGibbon, Commissioner; Mr. C. M. Hamilton, Commissioner; Mr. John Rayner, Secretary; and Mr. Ralph Hetherington, General Manager, Canadian Government Elevators.

All the members of the board were then sworn in, including the secretary and the general manager of the government elevators.

Mr. Donald G. McKenzie, chairman of the board, was called and presented to the committee a submission on the leasing of government-owned elevators.

Dr. D. A. MacGibbon, Commissioner, was then called and examined.

Mr. Ralph Hetherington, General Manager of the Government Elevators, was also called and examined.

At 1.00 p.m. the committee adjourned to meet again at 4.00 p.m. this day.

AFTERNOON SESSION

The committee resumed at 4.00 p.m., the Chairman, Mr. W. G. Weir, presiding.

Members present: Messrs. Bertrand (*Prescott*), Donnelly, Douglas (*Weyburn*), Evans, Fair, Graham, Henderson, Lafontaine, Leger, McCuaig, McCubbin, Matthews, Perley, Rhéaume, Rickard, Ross (*Souris*), Ross (*Moose Jaw*), Ward, Weir, Wright.—20.

Mr. D. G. McKenzie continued as witness.

Mr. Ralph Hetherington was also again examined.

Mr. John Rayner, Secretary to the Board of Grain Commissioners, was also called.

Dr. D. A. MacGibbon, Commissioner, was called.

Mr. Ross (*Moose Jaw*), moved, seconded by Mr. Perley, a vote of thanks to the Board of Grain Commissioners for their presentation to the committee.

On behalf of the committee, the chairman thanked the commissioners and released them from further attendance at this time.

The committee then adjourned to meet again at the call of the chair.

WALTER HILL,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

ROOM 368,

MAY 21, 1942.

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

The CHAIRMAN: Gentlemen, if you will come to order we will ask the secretary to read the minutes of yesterday's meetings.

The clerk reads the minutes.

Mr. FAIR: I move the adoption of the minutes.

Mr. RICKARD: I second the motion.

Before the minutes were adopted there was an amendment made by striking out the crop year 1939-40.

The CHAIRMAN: What does the committee wish to proceed with this morning? Yesterday it looked as if the committee was about through with the representatives of the wheat board. We still have the Board of Grain Commissioners before us.

Mr. DOUGLAS (*Weyburn*): You say the wheat board are anxious to go; if that is so it would be wise to finish with them.

The CHAIRMAN: Are there any other questions you wish to ask them?

Mr. DOUGLAS (*Weyburn*): We were going to discuss order in council 1803.

The CHAIRMAN: They were all discussed yesterday afternoon and completed.

Mr. DOUGLAS (*Weyburn*): They were dealt with then, were they?

The CHAIRMAN: Yes.

Mr. PERLEY: I have one or two questions I should like to ask some members of the board with respect to the statement Mr. Findlay made yesterday about the futures position on May 14. I think it appears on page 24-B. I do not care who answers the questions I have to ask.

The CHAIRMAN: What are you referring to?

Mr. PERLEY: My questions are with respect to the position on May 14. Mr. Findlay gave us yesterday the futures and cash wheat held on that day.

The CHAIRMAN: What is your question?

Mr. PERLEY: If I have a witness on the stand I shall ask the question.

The CHAIRMAN: These are the questions that were dealt with by Mr. Findlay yesterday?

Mr. PERLEY: Yes.

Mr. W. CHARLES FOLLIOT, recalled:

By Mr. Perley:

Q. On page BB-24 of yesterday's evidence it is said that the position at the present time is they have 10,896,000 odd bushels of cash wheat and 4,462,000 odd of futures. Further on it says these futures may be May and July. I want to

know if that is the exact position of the board on May 14. I want to know where the rest of the cash wheat was in Canada, what was the position of the other wheat, say, in Canada?—A. Under order in council 1803 why we were only interested in that particular quantity of grain; that is all the grain we had bought up to that time; in fact, it is less than we had bought because in the meantime we had sold out some of the 1803 grain. That has nothing to do with the rest of the grain in Canada.

Q. Well, then, I want the position of the cash grain in Canada as of that date.

Mr. DONNELLY: That is the wheat you bought from others than producers?

The WITNESS: Yes, under 1803.

By Mr. Perley:

Q. Where is the balance they bought from producers?

The CHAIRMAN: Up to now?

Mr. PERLEY: I want the position of the cash wheat, whether at that time there was a carryover,—

The CHAIRMAN: I submit, Mr. Perley—

Mr. PERLEY: Whether held in any position.

The CHAIRMAN: I submit that is beyond the order of reference that has been submitted to us.

By Mr. Perley:

Q. You have no other interest. You have so much cash wheat, 10 million, you have so many futures, 4 million. That represents all you were holding on that date—A. Acquired under order in council P.C. 1803.

Q. Is that your exact position on that date?—A. Yes.

Q. With respect to cash wheat; you have no other cash wheat in Canada?—A. Not under that order in council. We have other cash wheat that belongs to the various boards, the '40 board and the '41 board, but that has nothing to do with the 1803.

Q. Give us the position of the wheat of those other boards up to the 31st July, 1941. Is there any portion of this in that?

The CHAIRMAN: That is in the annual report.

By Mr. Perley:

Q. There is not any of this in the annual report?—A. No.

Mr. DONNELLY: Exhibit A?—A. No.

The WITNESS: The order in council 1803 became effective in March, I think March 9. This wheat was acquired since that date from other than producers.

By Mr. Perley:

Q. Say you had an order from Great Britain to buy a few millions of wheat as of this date. From what source would that be filled, from any of your futures; if you had to hand over futures on an order from Great Britain?—A. A new order?

Q. Yes, a new order from the exporter for other wheat and it is accepted by Britain. You get your order from the Cereal Import Committee or on other futures, what source would you deliver from?—A. In the past we have prorated it over the various boards that we have in operation.

Q. No portion of these futures, then?—A. As a matter of fact we have not had an order since that time.

Q. Since when?—A. Since March 9; and as to whether we would use part of these futures against a sale to Britain or not, that has not come up yet; as to whether we would, that would be something the board would have to decide upon. It has not occurred so far.

Q. You cannot give us any opinion with respect to any sales to Britain of any consequence, large sales, since that new 120 millions that had been spoken of before?—A. No, no sales since.

Q. No sales since that?—A. No.

Q. That is May, 1941. You must have had sales, surely, since that?—A. That is the last sale we have had.

Q. To Britain, 120 million, as in this report in May, 1941?—A. No. There are two 120 million lots. There was this May one and one in October. There were two sales of 120 million.

Q. One last October?—A. Yes. That is beyond this reference.

Q. What is reported here is May, 1941? That is the one we have had under this discussion?—A. We have had another sale since that date of 120 million.

Q. Another 120 million?—A. Yes.

Q. Was it not November?

Mr. GRINDLEY: October or November.

The WITNESS: It was in the fall.

By Mr. Perley:

Q. I think the minister made a statement in the house and I think November was the date mentioned?—A. That is possibly right.

Q. That order has not been filled yet?—A. It is being filled.

Q. Gradually?—A. Gradually. I believe we still have some futures to give up for account of the Cereal Board.

Q. To fill that order you will have some futures to give up. Will they come out of this 4,462,000?—A. No. That sale was made last fall. It would be taken out of the various boards that we had that in at the time. It would be pro-rated between the various boards. We have some 1939 wheat, some 1940 wheat and some 1941 wheat. The 120 million would be distributed from these Boards.

Q. With respect to these other wheats, you are holding some futures then as of that date?—A. Yes. This is only 1803.

Q. 1803 covers the 1940?—A. That covers the freezing of wheat so that no speculator or profiteer can profit by the government raising of the price from 70 cents to 90 cents. That is what 1803 has to do with, to see that no one can profit speculatively or otherwise by the government's action.

Q. You have got quite a lot of adjustments to make before the end of July?—A. We will not know until the end of that time. I presume there will be some further adjustments to make.

Q. You heard the discussion that has taken place with respect to brokerage fees paid to these different brokers and one thing and another. You made a statement to me yesterday which I just want you to explain a little. It is not on the record. It is more or less a conversation that we had afterwards. You said there would be no chance in the world of my having these brokers brought before this committee. You said that yesterday?—A. Yes, I did.

Q. And you mentioned four. I did not know who you had reference to. Evidently you had four in mind. I said, "What do you mean?" You said, "Those four men you have in mind would not stick their necks out," and that I could not get them down here under any conditions?—A. No. I did not exactly say that. Where does this brokerage business come in? I thought it was all through with.

Q. No.—A. I have got an answer for you.

Q. I just want to know what you meant when you said yesterday in the presence of two other parties what I have said—A. I meant that—

Q. Just pardon me. What did you mean when you said that I would have a difficult time in getting any of these fellows down, and that as for the four I had in mind there would be no question about it, I could not get them here under any circumstances?—A. I do not know that I mentioned a number. But I will give you the answer. The reason that I do not think you would get them down here is because the Canadian Wheat Board have treated those brokers and all brokers fairly, having regard to their experience and ability.

Q. You said, "They would not stick their necks out; it would be zip."—A. Oh, no—for the reason that these brokers have been treated fairly and reasonably by the board.

Q. Why would they not want to come?—A. If you have been treated fairly and reasonably, why would you want to come down before a government committee and say that you had not been?

Q. Oh, no. They might come down and say they were treated fairly.—A. You were bragging about these fellows you were going to get to come down here and give evidence against the Canadian Wheat Board.

Q. I did not brag.—A. You were telling about—

Mr. DONNELLY: Is the reporter taking all this down?

Mr. PERLEY: I want it on the record.

The WITNESS: You were telling me that there were seven brokers who would come down here and give evidence against the Canadian Wheat Board.

Q. I did not say against the Canadian Wheat Board and I did not say any number.—A. You mentioned six or seven.

The CHAIRMAN: Now, gentlemen—

Mr. PERLEY: Just a minute, Mr. Chairman.

The CHAIRMAN: I am just coming back to this. We are having a discussion here that is not evidence or anything of that character. If the committee wishes to bring the brokers here, that is for the committee to decide.

Mr. PERLEY: We will just settle that, Mr. Chairman.

The CHAIRMAN: I am just pointing out that no one has anything to say whether or not this committee is going to bring the brokers down except this committee; and that applies to any other witness we wish to have before us. If the committee wishes to have them here, I would contend that it would be in the committees' own hands to make the decision.

Mr. PERLEY: All right. I am not going to have Mr. Folliot put words into my mouth. He approached me yesterday. I did not say a thing to him.

The WITNESS: I did not approach you at all. That was when we were going out the door.

Mr. PERLEY: All right.

The CHAIRMAN: I submit that this discussion has not anything to do with what we are carrying on here. This is an outside conversation, apparently, that is being brought out at the present time. It is not even evidence or cross-examination of a witness.

Mr. PERLEY: It is evidence. I want it on the record.

An Hon. MEMBER: It is nice stuff.

Mr. PERLEY: You approached me yesterday going out the door.

The WITNESS: No. As we went out the door you made some crack about bringing six brokers.

Mr. PERLEY: I did not make any crack.

The WITNESS: You did, too. You made a crack about that.

Mr. PERLEY: Mr. Chairman, I object to this witness putting words in my mouth.

The CHAIRMAN: I think the whole procedure is out of order. I do not wish to call the committee to order, though if there is something pertinent to the discussion.

Mr. PERLEY: Mr. Chairman, I object to this man putting words in my mouth. I will call another witness to prove that I am right, that he went out of his way over there, came over to me and laughed and said, "You are having a nice time." I said, "What do you mean?" He said, "Talking about bringing these four men down." He said, "You could not get them down here under any circumstances."

The CHAIRMAN: Let me put this up to the members of the committee. Are we going to continue this kind of discussion at the present time?

Some Hon. MEMBERS: No.

The CHAIRMAN: If we have a witness to bring, and if it is the wish of the committee to bring him, that is for the committee to decide. We are dealing with certain reports that have been submitted to this committee, and conversation that may go on in the hall or any place else is not evidence before this committee.

Mr. PERLEY: All right. Then have I the right to make a statement now, Mr. Chairman, as a member of the committee?

The CHAIRMAN: Yes. You are a member of the committee.

Mr. PERLEY: Then I make this statement: when this committee adjourned yesterday I was standing over there about six feet this side of the door and Mr. Folliot came around with Mr. Smith and he said, "You are having a nice time."

Mr. CRUICKSHANK: Are you not?

Mr. PERLEY: Sure. He was laughing. That is all right. Laugh! Sure! I would like you to put that down. He said, "You would have a great time getting these witnesses down from Winnipeg." I said, "What do you mean?" He said, "The four men that you suggested." I said, "I never named four men," and I have not before this committee; never even asked for four men; never once. I said, "What do you mean?" He said, "Well, you would never get those fellows down here. You could not possibly bring them." Mr. Smith heard this conversation. I said, "Well, we would have power to call them if we wanted to call them as witnesses." He said, "There is no chance of those fellows coming down here and sticking out their necks." And, furthermore, I may say that Mr. McIvor, when we went out in the hall, said, "Those fellows would not come." He said, "I will tell you that they have been well treated, these men you have reference to." I said, "Who have I referred to?" I had not mentioned any names. I said, "Who in the world have I referred to?" I said, "There must be something." So I want Mr. Folliot now to say what he meant when he said I could not get those men down here and they would not come down and stick their necks out.

The CHAIRMAN: Of course, the members of the committee have no evidence as to that.

Mr. PERLEY: I have the right to make that statement.

The CHAIRMAN: Of course you have the right to make the statement, and you have made the statement. But members of the committee did not hear any statement of that character.

Mr. PERLEY: Well, that is what happened yesterday. And I was just asking Mr. Folliot what he meant when he said that we could not get these men to come even if we summoned them.

Mr. DONNELLY: I think, Mr. Chairman, it is a matter of record somewhere here in the evidence where Mr. Perley said he could bring five or six men from Winnipeg.

Mr. PERLEY: Just find that.

Mr. DONNELLY: Well, I think that the committee would remember. I am just looking for it now. I am almost certain that he said that, but my memory just fails me as to where.

Mr. ROSS (*Souris*): Why could you not bring a dozen if you subpoenaed them?

Mr. PERLEY: Sure. I should like to know both from Mr. Folliot and Mr. McIvor what they meant when they said these men had been well treated. No names were mentioned. I should like to know what they meant when they said they had been well treated and would not come here.

The WITNESS: I meant, Mr. Perley—

Mr. DIEFENBAKER: Mr. Chairman, I think that this just comes back to the one point. Some days ago certain of us endeavoured to get a record to show how brokerage was distributed in the Winnipeg Grain Exchange. All the way along the line we have endeavoured to get information, and the committee has seen fit to vote against many things that we wished to look into. According to the instructions that we have received, in the distribution of the sum of approximately \$1 million referred to yesterday—that portion of which was paid out in brokerage—our information is that the wheat board prefers certain brokers in Winnipeg, friends of that board, and that the members of the grain exchange are paid on the basis, some of them \$50 a month, others \$75 and some others—a small few—are receiving sums running to \$8,000, \$10,000 and \$12,000.

We asked for that information and we did not get it. It was refused by the committee and we accepted its decision. But I think Mr. Perley is entirely within his rights when he asks Mr. Folliot a question, and I am sure Mr. Folliot will be willing to answer why he should state that if we endeavoured to call any of these men from the Winnipeg Grain Exchange to give evidence here, they would get their necks cut for so doing.

Mr. DONNELLY: Do you say there are some men discriminated against on the Winnipeg Grain Exchange?

Mr. DIEFENBAKER: Yes.

Mr. DONNELLY: Give the committee their names.

Mr. DIEFENBAKER: Produce the records.

Mr. DONNELLY: You have made a charge. Give the committee the names. Who are the men whom you say are discriminated against on the Winnipeg Grain Exchange?

Mr. DIEFENBAKER: When we asked for production of the records they were denied to us. Mr. Hanson suggested that payments were being made to men who are doing nothing. That has now been admitted.

Mr. DONNELLY: Who are they?

The CHAIRMAN: Order, please.

Mr. DIEFENBAKER: Mr. Hanson said that payments were being made—

Mr. AYLESWORTH: I am a member of the committee!

Mr. TUSTIN: Mr. Chairman, remarks have been hurled across the table here to the effect that certain men should not open their mouths because they are not members of the committee. I think such remarks should be withdrawn. The hon. gentleman who has been referred to is and has been a member of the committee and has attended almost every meeting of the committee.

The CHAIRMAN: I did not hear those remarks, and I do not think they were intended in that sense.

Mr. TUSTIN: I think such remarks should be withdrawn.

Mr. AYLESWORTH: If I were not a member of the committee I would not be here.

Mr. DIEFENBAKER: Mr. Chairman, I said that Mr. Hanson had made the statement in the house that according to his information there were payments being made by the wheat board to the members of the exchange for little or no services rendered. That is now admitted. The evidence is that the distribution being made is a distribution of funds by the wheat board or third parties to all members connected with the exchange without regard to services rendered. There is no question that we should have been allowed to receive the information as to how much is being paid to each of the members of the exchange. We ask the wheat board to produce the records and the records will show the story. The committee deny us the right and opportunity of establishing the allegations, statements or information set out in Mr. Hanson's speech in the house and it would have cleared the whole situation up if this information had been furnished.

Then under paragraph 2, subsection 5 of the agenda we are entitled to a complete breakdown of storage, insurance, interest, brokerage and commissions. We were not given any such breakdown. That is not our agenda but the agenda of the committee. There is only one way to break down brokerage and commissions and that is to take the sum of \$1,000,000 and divide it up as it was divided most fairly by the comptroller yesterday, and then give us the figures as to how the amount was distributed. We would then know if there is any foundation for the suggestion made.

The CHAIRMAN: As far as the agenda is concerned, it was understood to be in accordance with the order of reference.

Mr. DIEFENBAKER: Yes. I have endeavoured at all times to refrain from asking any question beyond the period of reference, and I think the rulings in that regard were correct; but I submitted to the committee on agriculture certain matters and when I asked for certain records they were denied.

The CHAIRMAN: The committee made that decision.

Mr. DIEFENBAKER: There has been considerable heat manifested here. The committee made the decision and denied to any one of us the opportunity to establish how brokerage was distributed. We know now that it was distributed arbitrarily by the wheat board without regard to services but we do not know who are in the king row and who are in the crumb row. Who received the large and who the small payments.

Mr. McCUAIG: Mr. Chairman, this whole question was discussed by the committee and voted upon by the committee. I submit that the members should abide by that vote.

The CHAIRMAN: Does anyone desire to put further questions to any member of the wheat board.

Mr. DIEFENBAKER: I would like to ask Mr. Folliot a further question. Is it permissible, Mr. Chairman, to inquire with regard to the situation on July 2 and 3, 1942, with reference to prices on the exchange when the minimum trading price was reduced?

Mr. DOUGLAS (*Weyburn*): You referred to the year 1942. Do you mean the year 1940?

Mr. DIEFENBAKER: It refers to the 1940 and 1941 crops. I would like to find out how much money the wheat board paid to the Winnipeg Clearing Association and how much was paid to the trade when the minimum trading price was reduced in July of this year.

The CHAIRMAN: We have not come to that yet.

Mr. DIEFENBAKER: No; but part of this wheat would be 1941 wheat. At that time the minimum trading price was reduced from about 77 cents to 70

cents, and at that time the wheat board had certain 1940 wheat. I would like to find out how much was paid by the wheat board to the Winnipeg Clearing Association and to the trade for wheat held by them at that time.

The CHAIRMAN: I do not understand how that question comes into the picture at the present time. You mentioned the year 1942.

Mr. DIEFENBAKER: I mean July, 1941. At that time the wheat board had some 1940 wheat on hand and various members of the exchange, traders and the like, had futures. What was done and how much was paid?

Mr. FOLLIOT: That is with regard to July last year?

By Mr. Diefenbaker:

Q. Yes?—A. I believe at that time the pegged price on the July wheat was $77\frac{3}{8}$ or $77\frac{1}{2}$. It was somewhere over 77 cents. Then the new crop comes along and the October wheat was pegged at 70 cents, with the result that at some time or other the market did go down from 77 or whatever the price was close to 70 cents. Well, from time to time as the market went down we did have to put up with the clearing house, naturally, funds to take care of the decline in the market.

Q. How much was paid to the clearing house and how much to the trade in general?—A. We would not pay anything to the trade. We would have long futures with the clearing house, and as the market went down from day to day we would put up the difference between the price the previous day and the new price the next day. We do that right along irrespective of that.

Q. How much was paid to the Winnipeg Grain Clearing Association?—A. I do not know whether those records are here now.

Q. Can you forward those records to the committee?

The CHAIRMAN: Does that go beyond the order of reference?

Mr. DIEFENBAKER: In so far as the 1940 crop is concerned, no.

The CHAIRMAN: Would those records be included in the annual reports of the wheat board?

Mr. McIVOR: That is beyond the order of reference; it is in August.

Mr. PERLEY: The adjustment would have to be made on the last day of July.

The CHAIRMAN: Can some member of the wheat board explain the circumstances?

Mr. FOLLIOT: I think I have explained them as they happened, Mr. Chairman, but Mr. Diefenbaker wants the amount the wheat board paid.

By Mr. Diefenbaker:

Q. My information, whether correct or not, is that at that time the members of the exchange had 2,000,000 or 3,000,000 bushels on their books and $77\frac{1}{2}$ for July and 80 cents for October, and then the order was made to reduce it to 70 cents. Did you pay money to the clearing house?—A. We did, if the market went down. We are going to tell you of the wheat that we were long. Whatever the market went down, on that quantity of wheat that wheat would be worth so much less. If it went down 2 cents per bushel and we had 3,000,000 bushels, we would put up 2 cents to the clearing association in cash on 3,000,000 bushels.

Q. You can tell us how much was actually paid?—A. I do not know.

The CHAIRMAN: Does that go beyond the order of reference?

Mr. DIEFENBAKER: July 31 is the close of the year.

The CHAIRMAN: But this report deals with the annual crop years 1940-41.

Mr. DOUGLAS (*Weyburn*): This is July 31, 1941.

The CHAIRMAN: Then the information must be in the statements.

Mr. DIEFENBAKER: No; it is not there. That is why I am asking for it. Mr. Folliot says it could be provided, that it is available.

Mr. FOLLIOT: Naturally it is available, because the report indicates the quantity of wheat we were long at the end of July last year. Whatever the market may have gone down on the futures we held we would have had to put that money up.

By Mr. Diefenbaker:

Q. It is a matter of computation?—A. Yes. It is a matter of computation. I think you can figure it out.

Q. You can do it right from the report and tell me the amount.

Mr. ROSS (*Moose Jaw*): You would have to have the daily fluctuations to do that.

Mr. PERLEY: It is the last day.

By Mr. Diefenbaker:

Q. It was a complete settlement at the time?—A. We were long as at the 31st July: 50,716,000 futures.

Q. Approximately what would be the amount paid? There was a reduction to 70 cents?—A. I do not think it touched 70 cents.

Q. From 77½ to what?—A. Mr. Smith may help us.

Mr. SMITH: The peg was reduced to 70 cents, but my recollection is that the market did not go down to the peg, but went down to 72 or 73 cents.

By Mr. Diefenbaker:

Q. So the amount that would be paid would be an amount between 72 or 73 and 77¾?

Mr. SMITH: Yes, call it 5 cents.

Mr. PERLEY: Where do you find that in this report?

Mr. SMITH: You find it by taking open futures contracts and deducting the amount left open on the British sales.

Mr. DIEFENBAKER: I do not think what you are saying will appear intelligently in the record. Refer to specific items.

Mr. SMITH: I refer to exhibit "C" of the 1940-1941 report:

"Deduct: Open futures sales contracts as at 31st July, 1941."

On exhibit "E" it is the same item.

Mr. FOLLIOT: Less the Cereals.

Mr. SMITH: Then deduct the balance of the sales to the Cereals board.

Mr. PERLEY: Where is that shown?

Mr. SMITH: Of course, these are questions you should have asked Mr. Findlay.

Mr. DIEFENBAKER: You all seem to know the answers.

The CHAIRMAN: But they do not know where to find them.

Mr. SMITH: The 28,833,000-00 appearing in exhibit "C" is the deduction. We sold futures on that date on account of the sale to Britain, so if you deduct the 28,833,000 on exhibit "C" from 79,450,000 long on exhibit "E" you will get the figure of 50,000,000 odd that I gave you a moment ago.

By Mr. Douglas (Weyburn):

Q. That would be roughly \$2,500,000 you would have to put up, Mr. Folliot?—A. Yes.

Q. Did you get that back in any form?—A. Yes, the May wheat is now up to 79¼.

Q. In the event of it not coming up you would lose money?—A. Yes.

By Mr. Wright:

Q. Did you actually lose money?—A. That is hard to say, because there is still considerable wheat undisposed of.

By Mr. Perley:

Q. In exhibit "A" of the same report you show a net loss of \$79,000,000 in the three years' operations. (No response.)

The CHAIRMAN: It is rather unfortunate that further questions are being put with respect to the financial statement. We kept Mr. Findlay here to deal with these matters, and the committee allowed him to retire last night. The members of the wheat board are not as well equipped as the technical accountant to deal with these matters, and I do not know whether the committee will be able to extract much information out of these gentlemen without a great deal of discussion. At the outset I asked the committee how they desired to deal with the financial statements, whether item by item, or by picking certain items out.

Mr. PERLEY: In reply to that may I say that we have had these witnesses on the stand, but when one would ask a witness a certain question he would say that Mr. So-and-so could deal with that.

The CHAIRMAN: And every question has been dealt with.

Mr. PERLEY: We have been jumping from witness to witness without any carry-through.

The CHAIRMAN: So far as the chairman of the committee is concerned, at the outset when it was proposed to examine Mr. Findlay the committee was asked if they wanted to go over the report item by item or to pick out certain items, and they decided upon the latter course. So far as the chair is concerned, I am bound to say we followed the procedure that the committee agreed to.

Mr. Ross (*Moose Jaw*): And agreed to unanimously.

Mr. PERLEY: You will admit that when certain men giving evidence referred to a part of this report they would say that Mr. So-and-so would have to answer such and such a question. It was impossible to get a consecutive follow-through with the witnesses.

The CHAIRMAN: Are there any further questions you desire to ask the members of the wheat board with respect to these matters, or is the committee willing to allow the wheat board to retire and proceed with the examination of the members of the Board of Grain Commissioners? (Agreed.)

The CHAIRMAN: May I call all the members of the Board of Grain Commissioners before the committee. Does the committee desire these members sworn as the former witnesses were?

Mr. PERLEY: No.

Mr. DIEFENBAKER: It might appear to be discriminating if we do not swear them as witnesses, having sworn the officials of the wheat board.

The CHAIRMAN: I agree with you. I now introduce the members of the Board of Grain Commissioners to the committee:—

Mr. D. G. McKenzie—Chairman

Dr. D. A. MacGibbon—Commissioner

Mr. C. M. Hamilton—Commissioner

Mr. John Rayner—Secretary

Mr. Ralph Hetherington—General Manager, Canadian Government Elevators.

Mr. GRAHAM: Mr. Chairman, before proceeding with the evidence of the members of the Board of Grain Commissioners may I suggest, in view of the

fact that the members of the wheat board have now been stood down, that the committee should express its appreciation to the members of that board. I think most of us, including Mr. Diefenbaker and Mr. Perley who took a leading part in the cross-examination—if you can call it that—of the members of the wheat board will agree that we have been fortunate in having before us the gentlemen who are charged with the task of marketing the Canadian wheat. I therefore move a vote of thanks to the members of the wheat board.

Mr. DIEFENBAKER: I have much pleasure in seconding the vote of thanks to the members of the wheat board for their attendance before the committee. (Carried unanimously.)

The CHAIRMAN: May I extend to the members of the wheat board this expression of appreciation by the committee. If at some future time we require you to appear before us I hope you will be able to assist us as you have on this occasion.

Mr. McIVOR: Thank you.

The CHAIRMAN: I ask the clerk of the committee to swear the members of the Board of Grain Commissioners. (Whereupon the members of the Board of Grain Commissioners were duly sworn by the clerk.)

The CHAIRMAN: One question which some members of the committee desired answered by the Board of Grain Commissioners was with respect to the operation of government-owned terminal elevators. Would you care to have a statement from a member of the board at the outset and then ask any questions that occur to you? In that way we might get the background and set-up.

Mr. ROSS (*Souris*): Might it not give us a clear picture if some member of the board would explain how they set the cost of storage, or what the elevator companies or terminals are allowed to charge?

The CHAIRMAN: Could we deal with that later? The question put first by the steering committee referred to government-owned terminal elevators. Perhaps we could let the chairman of the board make a general statement of what he had planned to say after listening to a good many sessions of this committee.

Mr. MCKENZIE: I do not know that we planned to say anything particularly, Mr. Chairman, other than to give you any information you desire, provided we are able to do so. I have prepared a short statement with respect to the lease that we took from the McCabe Elevator Company covering our elevator at the head of the lakes.

Perhaps I could answer at once Mr. Ross' question in a general way, as it will furnish a background to the earnings in the terminal house we run. With respect to the fixing of storage charges, the custom of the board is to call into conference all the interests that are affected by these charges.

By Mr. Graham:

Q. In order to make the record clear, Mr. Mackenzie, I think you were technically wrong when you said you had taken a lease from the McCabe Elevator Company. You leased the government-owned elevator to McCabe Bros?—A. Yes.

Q. And they pay you rent?—A. Yes.

Q. I think you reversed the process?—A. I am sorry.

We called these various interests in to discuss with them the whole question of storage rates and obtained their opinions and any information they cared to give us.

By Mr. Tustin:

Q. Does that include the pools?—A. It is an open meeting; the producers could appear if they desired to do so. With that information the board meets separately and determines on the rates that shall govern for the following year. Does that answer your question, Mr. Ross?

Now, if I may proceed I will read to you a short statement governing the leasing of the elevator at Port Arthur:—

The Port Arthur government elevator was constructed during the crop year 1912-13 with a storage capacity of 3,250,000 bushels. The original capital cost was \$1,403,028.67. Charges for additions and improvements subsequent to the construction brought the capital cost up to December 31, 1934, to \$1,530,334.09. No depreciation account is maintained on government constructions but if an annual depreciation rate of $1\frac{1}{4}$ per cent were considered reasonable on the original capital cost of the plant its present value would be \$929,274.24. From the date of its opening it was operated as a public terminal elevator by the Board of Grain Commissioners.

For many years it yielded good returns due to the expansion in wheat shipments through Port Arthur and Fort William. But between 1926 and 1931 there was a very large increase in the amount of terminal storage space constructed by private interests at these points. A total storage capacity of approximately 65,000,000 bushels at the earlier date increased by August, 1931, to approximately 93,000,000 bushels.

That is to say when the government house was built there was 65,000,000 bushels of terminal space and in 1931 it was increased to 93,000,000. With the corresponding increase of storage capacity in the country, this meant that should there be light crops or a decline in grain acreage there would be considerable excess storage in existence.

It should be noted also that additional storage at Vancouver had increased from 17,000,000 in 1922-23 to 99,000,000 in 1932-33.

The Canadian government elevator never handled a large amount of grain, but sufficient for it to yield a satisfactory return on the capital invested in it.

By Mr. Ross (Moose Jaw):

Q. That figure of 99,000,000 at Vancouver cannot be correct?—A. I will have that corrected. That is the figure given to me. I am glad you have called it to my attention.

. . . However, with the increase of storage constructed both in the country and at the head of the lakes, gradually it became apparent that the prospect of the Canadian government elevator continuing to handle a sufficient quantity to pay for its maintenance and operation was becoming very much less favourable. The prospects were that it would be used chiefly to store excess grain after the elevators owned by private interests were filled.

So apparent was this that early in 1930 the Saskatchewan Pool sought to rent the government elevator. In making application for rental, the pool pointed out that all the terminals owned at the head of the lakes by railway companies were now rented and that "no terminal elevator can operate to its full capacity nor to the best advantage unless connected with a line of country elevators." As the Port Arthur elevator at that time was still receiving a fair amount of grain, the Board of Grain Commissioners were not prepared to recommend that the Port Arthur terminal should be leased. Grain handlings at this terminal, however, began to fall off. Handlings in 1928-29 were 5,009,437

bushels; 1929-30, 323,123; 1930-31, 3,537,560; 1931-32, 146,038; 1932-33, 269,104. For the fiscal year ending 1932, the net deficit was \$33,808.41. For the year 1933 the deficit was \$51,597.71.

In January of 1932 the Manitoba pool approached the Minister of Trade and Commerce directly and stated that it would be prepared to lease the Port Arthur terminal or in the alternative exchange their smaller elevator for the government terminal. The Chief Commissioner of the Board of Grain Commissioners suggested that if it was the government's policy to lease the elevator it should be done by public tender. In February the McCabe Bros. Grain Company Limited also wrote to the board stating that they were prepared to lease the Port Arthur terminal if an agreement could be negotiated. These proposals were discussed by the chief commissioner with the Minister of Trade and Commerce and the Minister of Trade and Commerce notified the board that it should endeavour to lease the elevator with a view to reducing losses, and that the leasing should be done by public tender. It will be recalled that in 1932 Canada was in the depth of the great depression and every measure that was possible was being taken to reduce expenditures and cut losses.

As a result of advertisements that the elevator was open for lease, the Board of Grain Commissioners in June, 1933, received three tenders, one of which was however withdrawn before the tenders were opened. All of these tenders were rejected by the board as unsatisfactory, but the tenderers were informed that the board would consider any new offers they might wish to make. Only one of the tenderers did so—McCabe Bros. Grain Company Limited. After further discussion on new terms, the board decided to recommend to the minister that the Port Arthur terminal should be leased to McCabe Bros. Grain Co. Ltd. for one year. The recommendation was accepted and the lease prepared and the elevator was leased for one year beginning August 1, 1933, and the order in council validating the agreement was passed on that date.

One factor in the situation was that as soon as the elevator was leased to a private interest it became subject to provincial taxation. On the basis of 1933 rates it was estimated that this would amount to \$38,146.88. McCabe's original offer was for a net rate of \$33,000. Subsequently this was increased to \$45,000. The lease provided that a rental of \$45,000 based on a handling of 9 million bushels should be paid, plus one-half cent a bushel on all grain handled over 9 million bushels. It was also provided that if the storage rate were increased, an additional half cent per bushel on average daily stocks for that part of the year when higher rates were in force should be paid. The Board of Grain Commissioners agreed to pay for major repairs and replacements. In case of a disagreement between the parties about these repairs arbitration was provided for.

McCabe Brothers were given an option to renew their lease for one or two years. The lease, when executed, was signed by the Minister of Trade and Commerce. McCabe Bros. exercised the option and a second lease was signed beginning the 1st of August, 1934, for two years, with the option of a renewal for a further three years. This lease embodied the same rental terms as the preceding one and was signed by the Premier, Mr. Bennett, acting for the Minister of Trade and Commerce. The option was again taken up and a third lease was executed to run from the 1st of August, 1936, to the 1st of August, 1939. This lease did not contain any renewal option.

During the crop year 1937-38 McCabe Bros. Grain Co. Ltd. approached the board with the proposal that it should instal additional cleaning facilities for which they were prepared to pay an increased rental. At

this time the carryover of wheat in Canada had fallen to 32,937,991 bushels. When the new lease was signed it had fallen to 23,411,171 bushels. Provision was made in the new agreement for cleaners. The order in council was passed on the 23rd June, 1938. The lease then in existence was cancelled as of July 31, 1938 and a new lease made which ran from August 1, 1938, to August 1, 1944. The rental was increased from \$45,000 to \$51,000. The cost of the new cleaners installed, for which the additional rental of \$6,000 was put in the lease, was \$29,494.60. Installation and incidental machinery necessary amounted to approximately \$15,000. The lease was made for six years on this occasion so that the additional rental would ensure payment for approximately 80 per cent of the total costs of the additional cleaners. In February, 1939, McCabes appealed to the board for a reduction in the rental on the ground that the terms were proving unduly onerous. This request was refused.

Under the terms of the lease the board has received an average rental of approximately \$60,000 per year but has disbursed on the average around \$11,000 annually in replacements and major repairs chargeable to the elevator. In addition to these expenditures, the piling and revetment walls had to be rebuilt at a cost of \$51,121.75. On a depreciated value of \$929,274.24 plus additional costs not depreciated of \$127,306.00, this would mean a yield of approximately 4 $\frac{2}{3}$ per cent on the investment.

It should be noted that the elevator was opened in 1913 and that many of the repairs and replacements called for arose from the fact that the original machinery after twenty years' service had worn out. One of the terms of the lease was that the elevator should be put into good working condition. The manager of the Canadian Government Elevators pointed out in a letter to the board that the decline in revenue derived from the small volume of grain hauled at the Port Arthur elevator had not warranted the expenditure of any large sums on maintenance, and that no expenditures were being made unless unavoidable. Parts that showed wear had not been discarded as they might have been under normal conditions, but were continued in use as long as they were at all serviceable. A survey by the Barnett McQueen Company engineers, estimated the cost of putting the premises into good condition at \$76,000. The board, however, at the time, limited authorization of repairs to \$12,000, but many of the repairs specified by the Barnett McQueen Company became necessary later on and have been made. A comparison of the maintenance costs at Port Arthur with the amounts spent on the other terminal elevators operated by the board shows them to be in line with up-keep costs generally.

I think that gives you in a general way a statement relative to the lease of the house at Port Arthur.

By Mr. Douglas (Weyburn):

Q. When does the lease terminate?—A. 1st August, 1944. May I correct that figure that Mr. Ross of Moose Jaw drew to my attention. That figure did not represent the capacity of the elevator but the amount that moved to Vancouver.

Mr. Ross (*Souris*): Mr. McKenzie told us how they arrived at the storage rates which were allowed. I might point out that Mr. McKenzie is the rather recently appointed chairman of the board, but I regard it as a very fine appointment and I hope he will be able to do good work on behalf of the producers. In that regard he has an opportunity to reduce storage costs to the producers, particularly during the war. My friend Mr. Perley in "cross-examining" Mr. McIvor brought out that the board had saved the producers over \$10,000,000.

If that is a fact, it proves to me that the rates allowed for storage have been too high over the same period. Mr. McKenzie has told us about the lease to McCabe Brothers of the government-owned elevator, and we know they have made a handsome profit. We have a national terminal elevator rented to the pool—and when I say the “pool” it is to all intents and purposes part of the grain trade of this country. I notice that Mr. Donnelly on May 4 in the Railways and Shipping Committee questioned Mr. Walton about the lease of that elevator at page 162:—

Mr. DONNELLY: As to this grain elevator, I noticed in 1941 you made a profit of around \$208,000; . . .

Then at page 163:—

Mr. DONNELLY: It is reported by the pools that they made \$417,000 clear last year.

The CHAIRMAN: Which elevator?

Mr. ROSS (*Souris*): Canadian National Railways’.

Mr. GRAHAM: Leased to the Saskatchewan Pool?

Mr. ROSS (*Souris*): Yes.

Mr. DONNELLY: I know Mr. Ross does not want to be unfair. If he will read further on page 162 he will see the following:—

Mr. WALTON: The item which appears on page 14 to which Dr. Donnelly refers are two elevators which the railway operates themselves; one at Tiffin, Ont., and one at Portland.

Mr. ROSS (*Souris*): At least there would be a handsome profit there, anyway.

Mr. DONNELLY: But the \$208,000 does not refer to the government-owned elevator.

Mr. ROSS (*Souris*): It reads as if it did.

Mr. DONNELLY: No.

Mr. ROSS (*Souris*): At any rate, Mr. Wesson appeared before this committee and stated that they had made over \$400,000 profit in one year. We have already discussed the matter of government policy in assisting these people to build during the tough period annexes for storage which they were allowed to write off for the purposes of income tax in two years, although everyone realizes that they can pay for that outlay in a year. I think these rates have been rather high having regard to the amount of wheat we shall have to store in this country during the war. While Mr. McKenzie seems to have acted fairly in getting these people together and discussing the matter with them, I am of opinion that somebody must take a firm stand with these people, because the producer is entitled to a considerably reduced rate of storage throughout this country in these times. I know the chairman will take that matter into consideration in the coming year.

Mr. ROSS (*Moose Jaw*): If it is at all possible to get storage rates down I agree that it should be done, but if you go back through the records of the board you will find that a reduction was made two years ago in connection with storage rates. That reduction was made after the Board of Grain Commissioners held public meetings in western Canada and other places where they asked the producers and others to bring before the board any matters they desired to have discussed. One of those matters was storage rates. At that time the grain trade in general along with producers’ organizations did make representations, none of which was for a reduction of storage rates. There was, however, one submission made to the Board of Grain Commissioners at that time by one organization, and that organization, if you care to look up the report, was composed of the Liberal

members of the House of Commons from the provinces of Manitoba, Saskatchewan and Alberta. We asked the board for a reduction of rates, and that reduction was made from one-thirtieth of a cent to one-forty-fifth of a cent. The Board of Grain Commissions did take into consideration the representations made to them by that organization.

Mr. PERLEY: Is this a political speech?

Mr. ROSS (*Moose Jaw*): We were doing things, rather than talking about them like my friend who has talked so much.

Mr. PERLEY: I take exception to that reference to myself. I do not object to being ridden a little, but I will say that—

The CHAIRMAN: Order, please.

Mr. ROSS (*Moose Jaw*): I had the floor.

Mr. PERLEY: I rise to a point of order.

Mr. ROSS (*Moose Jaw*): Is there a point of order here?

The CHAIRMAN: Yes.

Mr. ROSS (*Moose Jaw*): What is the point of order?

Mr. PERLEY: A matter of privilege. When a member of this committee said the Liberal members of this house made the representation that was successful in getting this reduction, I interjected: "Is this a political speech?" and then Mr. Ross made the reference to which I have objected. I may say there is no Liberal member of this committee or of the House of Commons that has made more representations with a view to reduction in storage rates than I have. Mr. Ross did not make his representation on the floor of the house.

Mr. ROSS (*Moose Jaw*): Along with other members of the House of Commons I made my representations where they would get results, and after all, that is the main thing.

I started to point out that a submission had been made by members of the House of Commons from Manitoba, Saskatchewan and Alberta, and after consideration the Board of Grain Commissioners decided to move the storage rates down from one-thirtieth to one forty-fifth of a cent per bushel.

Mr. ROSS (*Souris*): Do you think the storage is too high?

Mr. ROSS (*Moose Jaw*): I would be glad to have the chairman of the board look into the matter and see if those rates cannot be further reduced, but we must keep in mind that during several years the rates paid to those storing grain were not sufficient.

Mr. ROSS (*Souris*): During the last two years?

Mr. ROSS (*Moose Jaw*): I will not say that.

Mr. ROSS (*Souris*): That is the period we are discussing.

Mr. ROSS (*Moose Jaw*): We may have a large amount of wheat to store for some years to come, or we may not. Consideration has to be given to the amount of wheat in the country at the present time. I suggest that a rate could be fixed as a war rate that would not affect storage rates when the grain trade gets back to its normal condition. I agree that the board should look seriously into the matter of lowering storage rates in terminal elevators and country elevators throughout western Canada. So far as the government-owned elevators are concerned, I do not suppose any change was made in those rates. They have been one-sixtieth of a cent instead of one-thirtieth, or one-half of the rate. I think the board should take into consideration also the keeping of those government-owned elevators filled during the period we have to store this wheat, as well as the reduction of storage rates in other elevators. The wheat board has control of wheat in this country, and the government has certain storage elevators throughout the country. During war time those two bodies should be able to get together and see that the government elevators are filled during the long period the wheat may have to be stored.

Mr. PERLEY: Now he is talking sense!

The CHAIRMAN: Gentlemen, the committee desires to secure information from the Board of Grain Commissioners. Can we confine our discussion to that objective?

Mr. DONNELLY: I would like to ask the chairman of the board if they do not set the charges for weighing, inspection and storage.

Q. You set the maximum charge?—A. Yes.

Q. It is not subject to the governor in council?—A. No; we have the authority.

Q. It was subject to the governor in council until the last Act was passed. (No response).

Dr. MACGIBBON: My impression is that if we as a board passed a regulation it could be taken to Ottawa and disallowed.

By Mr. Donnelly:

Q. Are these rates in all elevators just the same?

The CHAIRMAN: You are thinking of individual government-owned terminal elevators?

Mr. DONNELLY: No.

The CHAIRMAN: You are coming to that?

Mr. DONNELLY: No.

Q. Do all elevators charge the same rate for storing, cleaning and, so on?—A. Do you mean either country or terminal elevators?

Q. Yes.—A. I think there are variations.

Q. Is there any variation for storage in terminal elevators?—A. Dr. MacGibbon may answer your question.

Dr. MACGIBBON: If a company puts in a low rate at one point it has to put it in at every point, to prevent the big company bearing down on the others.

Mr. DONNELLY: Is there anything to prevent a company from lowering the storage charges? If a pool wanted to lower all the storage rates from one forty-fifth to one-sixtieth of a cent is there anything to prevent them from doing it?

Dr. MACGIBBON: Not in law.

Mr. ROSS (*Souris*): But they must do so at every point.

By Mr. Donnelly:

Q. Are these pool elevators owned by the farmers themselves?—A. Yes.

Q. And the pool elevators are storing the farmers' own wheat: If the farmers themselves say I cannot store any wheat at less than one forty-fifth of a cent per bushel it does not look as if anybody else has much of an argument. Do not you think the farmers themselves should say: "We have an elevator and we will store it at one-sixtieth of a cent"?

Mr. PERLEY: They get it back in patronage dividends!

By Mr. Donnelly:

Q. Suppose the pool elevators were to say: "The storage charge is too high. We should make it one-sixtieth of a cent," would not that compel all elevators to do the same?—A. They would create a very strong competition.

Q. Or if they were to say: "We are paying one cent for making out these papers for the farmers in the country selling the grain, and we will make it $\frac{1}{4}$ th of a cent"?

Dr. MACGIBBON: A few years ago the rate was fixed at a maximum of one-thirtieth of a cent, and the pool that filed the first tariff filed it at one-forty-fifth of a cent and all elevators operated at that rate; that was in 1935 and 1936.

Mr. SENN: Then you would not say that it was at the instance of the Liberal organizations in the House of Commons?

Mr. DONNELLY: That is a different thing.

Mr. ROSS (*Moose Jaw*): This rate was changed by the Board of Grain Commissioners.

Mr. DONNELLY: You are referring to 1935.

Q. Now, it was put back to one-thirtieth of a cent, when?—A. The next crop year, 1936-37.

Q. And it remained at that rate until 1940?—A. Yes.

Q. And on the 30th July, 1940, there was a report from the Board of Grain Commissioners published in the press saying they had reduced the rates from one-thirtieth to one-fortieth of a cent due to the fact that representations had been made to them. If representations had not been made in the press by line elevators, by the pools, and by all those interested, would the rate remain the same, one-thirtieth of a cent?—A. Yes.

Q. They had received requests from western Liberals asking them to cut the rate, is not that the way it was?

The CHAIRMAN: I think that part of the discussion has been pretty well disposed of. I am most anxious that members of the committee get all the information they desire from the members of the board as to the operations of the Board of Grain Commissioners while they are here, because an arrangement has been made for them to meet in Toronto to-morrow.

By Mr. Donnelly:

Q. What I want to find out from the Board of Grain Commissioners is this: if the line elevators make up their minds to charge less than the maximum rate which you fix either for storage or for selling the wheat or anything else, is there anything in the Act to prevent them from doing so?—A. No.

Mr. PERLEY: Let me give you a little of my own experience: a private elevator cuts the rate and the competitor companies operating in the same place get permission to do the same in order to meet the rate at that one place.

Mr. DONNELLY: Yes.

Mr. PERLEY: That answers the question.

Dr. MACGIBBON: There are two provisions, one to prevent a large company bearing down on the owner of an individual elevator, and if they put in a tariff at that point they have to do it at every point where they operate. On the other hand, supposing you have an individual elevator who wants to cut the rates, then the other people in the neighbourhood can apply for permission to lower their rate to meet the competition at that point.

Mr. PERLEY: That is what I had in mind.

By Mr. Donnelly:

Q. We might go on now to get the names of the different terminal elevators you run?—A. First of all, we lease the elevator at Port Arthur. We operate interior elevators at Saskatoon, Moose Jaw, Edmonton, Calgary, Lethbridge and a terminal at Prince Rupert. Those are all the Board of Grain Commissioners operate.

Q. How long have you been running the elevator at Prince Rupert?

Dr. MACGIBBON: It was leased for a while at a distress rate.

Mr. MCKENZIE: I have a memorandum here with regard to the leasing of the elevator at Prince Rupert:—

The five-year lease of the Prince Rupert Canadian government elevator held by the Alberta Wheat Pool at a rental of \$11,623.28 per

annum expired on the 31st of July, 1933. Previous to this lease the elevator had been leased to the Alberta Wheat Pool for two years at \$100 per annum.

This elevator was again advertised for lease but only one tender was submitted, namely by the Alberta Wheat Pool. The board did not consider this tender at all satisfactory but after corresponding with the Alberta Wheat Pool and as no other offer was received, the elevator was again leased to that organization for two years from the 1st of August, 1933, at a rental of \$2,500 per annum, the Alberta Wheat Pool to pay, in addition to the rental, a lump sum of \$2,500 on account of repairs necessary at the elevator and also to carry out certain painting required.

On the expiry of this lease the elevator was again leased to the Alberta Wheat Pool for a period of two years from the 1st of August, 1935, at an annual rental of \$2,500. This lease was renewed for a further period of one year from 1st of August, 1937, at the same rental. The Alberta Wheat Pool surrendered the elevator to the board on July 31, 1938, on the expiration of the lease, and as no further offers were received by the board, the elevator was closed from that date until September, 1939, when it was re-opened and operated by the board as a public terminal elevator in order to provide storage space for part of the large crop of 1939.

By Mr. Donnelly:

Q. What has been your financial experience since 1939 when you took it over and ran it? Have you been making money or losing it, or what?—A. In the year 1940-41 the records show we lost \$2,724.80.

Mr. PERLEY: What is the capacity of it?

Mr. DONNELLY: 1,250,000 bushels.

Q. How much wheat did you put through the elevator that year, or how much did you handle?—A. It is full.

Mr. HETHERINGTON: From the 1939 crop about 1,000,000 was shipped to Prince Rupert, and later on another 73,000 bushels was shipped there.

By Mr. Perley:

Q. And your last year's operations resulted in a loss? The elevator is full of wheat, but you have sustained a loss? How do you account for that, Mr. Hetherington?—A. For the crop year 1939-40 we took in 1,155,662 bushels. The earnings for that crop year were \$38,751.51. The operating expense was \$33,522.79, leaving a surplus of revenue over expenditures of \$5,228.72.

By Mr. Ross (Moose Jaw):

Q. And that covers taking the grain in and cleaning it, and all the rest of it, Mr. Hetherington?—A. Yes.

Q. You had those charges where you would not have had them if the elevator was held full for a year?—A. Yes. The 1940-41 period was only 8 months. The reason is that we adjusted our accounts to correspond with the government fiscal year; previously we operated on crop years from the 1st August to the 31st July. We closed our books on March 31, 1941. During that 8 months period ending March 31, 1941, we took into the elevator 73,089 bushels. The earnings for that 8 months were \$24,765.33. The operating expenses were \$20,655.48, leaving a surplus of revenue over expenditures of \$41,109.85.

In the fiscal year 1941-42 from the 1st April, 1941, to the 31st March, 1942, we took in no grain, as the elevator remained full. The earnings were \$34,777.71. The operating expenses were \$29,994.52, leaving a surplus of revenue over expenditures of \$4,783.19.

By Mr. Donnelly:

Q. That would be for storage alone practically?—A. Yes.

Mr. PERLEY: Mr. Chairman, Mr. McKenzie dealt first with the McCabe Bros.' elevator. Why not clean that up before going on with the individual elevators.

Q. Could you give us the amount you paid to McCabe Bros. for grain stored in the elevator, Mr. McKenzie?—A. We do not pay anything; it is the wheat board—

Q. Have you any idea what the wheat board paid?—A. Not necessarily the wheat board, but whoever owns the wheat.

Q. Can you indicate to the committee how much the wheat board have paid for government wheat stored?—A. No. McCabe Bros. have 104 country elevators, and if you figure it out at even 50,000 bushels per house that gives them over 5,000,000 bushels that went into their houses.

Q. A lot of that would be taken on the board's account and shipped to their terminal?—A. We have no knowledge of that.

Q. That is something we should have obtained from the wheat board, you say?—A. I cannot give it to you anyway.

By Mr. Evans:

Q. Adverting to the Prince Rupert house, you stated that in the crop year 1941-42 your house was full. Why were your operating expenses \$29,994.52 when you were not handling any grain?—A. I will ask the superintendent of the house to answer that question.

Mr. HETHERINGTON: We have to maintain a staff at the elevator because we do not know what is going to happen to the grain. Also we have to maintain the plant at Prince Rupert to a greater extent than in the case of any other elevators, on account of climatic conditions: the machinery has to be kept operating on account of moisture, and motors, belts and everything else have to be run; and we are paying a minimum power account of \$400 per month whether we turn a wheel or not.

By Mr. Ross (Moose Jaw):

Q. Even if you closed your elevators you would have to make a turn-over of the machinery in all of them?—A. Yes.

Mr. MCKENZIE: We have to protect the grain from infestation by mites, too.

By Mr. Graham:

Q. Mr. Hetherington, is there any portion of headquarters administration charged to Prince Rupert?—A. Yes, the head office expense at Port Arthur is distributed over all the elevators and Prince Rupert is included.

By Mr. Perley:

Q. Mr. McKenzie, you made the statement earlier that business fell off at the McCabe Bros.' elevator or the elevator at Port Arthur in the year 1922-23 when the government was operating it. That would be natural, I suppose, because other elevators would ship to other terminals where they might get a better deal or where they are operating their own, and there would be a discrimination more or less against the government elevator while there was lots of space?—A. Yes, in a short crop year when you have all kinds of space the country houses naturally ship to their own terminals.

Q. To what extent do you find that going on now?—A. What do you mean?

Q. Other elevators shipping to your elevators?—A. We are operating only the interior houses. Prince Rupert is full, and the interior houses are relatively full.

Q. There is some grain taken by other companies into that elevator?—
A. Yes.

Q. Do you find any discrimination at all?—A. I would not say so. Have you any comment to make on that, Mr. Hetherington?

Mr. HETHERINGTON: The position with regard to the interior terminal elevators generally is that when there is space available at the terminals, that is at the lake head and at Vanlouver, there will not be much grain moving into the interior houses. Grain put into interior houses eventually must come to the lake head or to Vancouver, apart from the volume handled by the millers. Therefore if there is space at the terminal point there is no logical reason for increasing expense in putting the grain in and out of an interior elevator.

By Mr. Ross (Moose Jaw):

Q. When you can store it long enough it pays to do it?—A. Yes, around six months.

Q. Now, at one forty-fifth and one-sixtieth of a cent there is not the spread there used to be, and not much incentive to put the grain in there?—
A. The railways stop-over is 1 cent per 100 pounds, which is .6 cents per bushel of wheat. If the grain remains longer than six months an additional stop-over of 1 cent per 100 pounds is charged, making a total of 1.02 cents per bushel.

By Mr. Evans:

Q. To what extent have the interior houses been used in the last two years, Mr. Hetherington?

Mr. DONNELLY: Give us a financial statement.

Mr. PÉRLEY: The last three years.

Mr. EVANS: 1938.

By Mr. Ross (Moose Jaw):

Q. Give us from 1939 on during the war period, Mr. Hetherington?—A. In the crop year 1938-39 the Moose Jaw elevator received 2,933,256 bushels. The earnings that year were \$96,497.78. The expenditures were \$50,072.13, leaving a surplus of revenue over expenditures of \$46,425.65. For the crop year 1939-40—this is still the Moose Jaw elevator—received 6,346,378 bushels; earnings, \$301,733.15; expenditures, \$71,370.81, leaving a surplus of revenue over expenditures of \$230,362.34.

For 1941—as I explained regarding Prince Rupert we changed from a twelve-month to an eight-month period—for the eight-month period ending March 31, 1941, we took in 501,856 bushels; the earnings were \$223,730.19; expenditures \$36,906.72, leaving a surplus of revenue over expenditures of \$186,823.47.

For the fiscal year 1941-42, ending March 31, 1942, we took in 3,827 bushels. The earnings for the year were \$338,344.92; expenditures were \$47,691, leaving a surplus of revenue over expenditures of \$290,653.92. The reason why we only took in 3,827 bushels was that the elevator was practically filled during the entire twelve-month period.

By Mr. Evans:

Q. Is the Moose Jaw house a fair example of the other interior terminals?—
A. It is very similar to the operation at Saskatoon; Moose Jaw and Saskatoon run pretty much in a line. The Alberta houses are a little different. There is more movement in and out of the Alberta houses than there is in the Moose Jaw and Saskatoon houses.

By Mr. Donnelly:

Q. You say that the storage capacity in Prince Rupert is a little over 1,000,000 bushels?—A. A million and a quarter.

Q. And you say that you had it full?—A. Practically.

Q. And you say that the storage you get is 8 cents a bushel?—A. No, one-one hundred and twentieth.

By Mr. Graham:

Q. You mentioned taking care of mite damage. What responsibility does your board have with regard to damaged grain in the government-owned terminal elevators?

Mr. McKENZIE: We check the condition of the house and they advise on the condition of the wheat in the house and if they see the grain is going out of condition because of mites they advise the warehouseman, and the responsibility is largely his or that of the owners of the wheat.

Mr. GRAHAM: And the board has not as yet suffered any loss in that regard?

Mr. McKENZIE: No.

By Mr. Ross (Souris):

Q. Could we have a statement on the Calgary house? This witness said there was a different set of conditions prevailing in Alberta?—A. To the extent that there is grain moving in and out more often than in Moose Jaw and Saskatoon. The position in Moose Jaw and Saskatoon is that the elevators fill up and remain that way and there is no movement in and out.

By Mr. Donnelly:

Q. What are the charges at your interior terminal elevators?—A. One-sixtieth.

Q. That is the reason why then there is a loss at Prince Rupert—or nearly a loss—because of the storage charges being one-half of what they are in other places.

Mr. PERLEY: The overhead is greater.

By Mr. Ross (Moose Jaw):

Q. There is another loss; they have to ship it out and ship it back again.

By Mr. Ross (Souris):

Q. Will you give us figures regarding the Calgary elevator?—A. For the crop year 1938-1939 at Calgary we received 2,916,001 bushels; the earnings were \$116,343.47; the expenditures were \$51,698.13; the surplus of revenue over expenditure was \$64,648.34.

For the crop year 1939-1940 we took in 2,974,757 bushels; the earnings were \$90,518.87; the expenditures were \$53,952.37, a surplus of revenue over expenditures of \$36,566.50.

For the fiscal year 1940-1941—here again is the eight-month period—we received 2,699,614 bushels; the earnings were \$95,274.71; the expenditures were \$37,668.54; the surplus of revenue over expenditures was \$57,606.17.

For the fiscal year 1941-1942, ending March 31, 1942, we took in 905,251 bushels; the earnings were \$146,316.02; expenditures \$57,282.94; a surplus of revenue over expenditures of \$89,033.08.

By Mr. Wright:

Q. Would that movement be largely because of reconditioning of wheat?—A. No, sir, just shipments.

By Mr. Ross (Moose Jaw):

Q. Before you give the figures on Edmonton, practically all of this wheat is wheat board wheat, is it not?

Mr. McKENZIE: Largely.

The WITNESS: We do not know definitely. As far as we know with regard to the interior houses the grain moves in for account of the grain board, the line elevator companies, and so on, and the warehouse receipts are issued to them. How long they retain those warehouse receipts we do not know. The only indication we have of whom the grain belongs to is when the warehouse receipts are surrendered and when the grain is ordered out, and that has been largely in the last several years to the Canadian Wheat Board.

By Mr. Ross (Moose Jaw):

Q. The reason I asked that is it almost stands to reason that that would be the case because prior to the wheat board handling so much wheat those elevators in some cases were closed down and in some cases were only partially filled because there were no fillers for them, and the wheat board act as a filler the same as do the line elevator companies?—A. We do know definitely that the movement into Moose Jaw and Saskatoon was entirely at the instigation of the Canadian Wheat Board.

By Mr. Perley:

Q. Could you give us the capacity of those elevators just so we will have them on the record?—A. Port Arthur, 3,250,000 bushels; Moose Jaw, 5,500,000 bushels; Saskatoon, 5,500,000 bushels; Calgary, 2,500,000 bushels; Edmonton, 2,350,000 bushels; Lethbridge, 1,250,000 bushels, and Prince Rupert 1,250,000 bushels.

The CHAIRMAN: Somebody was asking for information concerning the Edmonton elevator.

The WITNESS: Edmonton elevator for the crop year 1938-39: receipts 3,732,312 bushels; earnings \$129,795.75; expenditures, \$62,423.99; surplus of revenue over expenditures \$67,371.76.

For the crop year 1939-40: receipts 4,723,656 bushels; earnings \$106,063.21; expenditures \$71,014.85; surplus of revenue over expenditures, \$35,048.36.

For 1940-41—an 8-month period—we took in 1,686,930 bushels; earnings \$97,233.82; expenditures \$43,404.44; surplus of revenue over expenditures \$53,829.38.

For the fiscal year 1941-42, ending March 31, 1942: receipts 881,107 bushels; earnings \$127,798.03; expenditures \$62,676.85; leaving a surplus of revenue over expenditures of \$65,121.19.

By Mr. Graham:

Q. I wonder, Mr. Chairman, if it might not be wise for our purpose if Mr. Heatherington gave us the picture in the years in which storage was more or less at a premium for the purpose of comparison and allow us to appreciate the nature of the years on which you are giving us information; could you give us like information of a year, let us say, like 1936-37?—A. Yes, the reason I gave 1938-39 was that I understood some members of the committee asked for those years.

Mr. PERLEY: It was to abbreviate it.

Mr. GRAHAM: I would like to get the other, too.

The CHAIRMAN: I was wondering if we could put in the handling and the net position with respect to a year's operation. I think there also should be stated here the position of those terminal elevators with respect to interest charges and depreciation.

The WITNESS: I will mention that.

The committee adjourned to meet at 4 o'clock p.m.

AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, Mr. Hetherington was before the committee when we adjourned our morning session and he was going to give us a further statement with respect to terminal elevators. Are you ready to continue to hear Mr. Hetherington?

Mr. RALPH HETHERINGTON, recalled.

The WITNESS: Mr. Chairman, I would like to make it clear to the committee that in connection with those figures I gave this morning and any others that I might give now the items under the heading "expenditure" included actual money spent and made no provision for interest on capital investment, depreciation of plant, property and equipment, insurance of any kind on buildings, equipment or grain in store. We pay no taxes either municipal, provincial or federal, and no provision is made in our statements for administrative services of the Board of Grain Commissioners.

The CHAIRMAN: That is very good.

By Mr. Evans:

Q. Before you start with your statement could you tell us why there is a variation in the charges? You said that in Prince Rupert the charge was one one-hundred-and-twentieth of a cent a bushel and in the interior elevators it is one-sixtieth and when you come to the head of the lakes we find the charge is one forty-fifth?—A. Yes.

Q. Why is there a variation made in the terminal elevator charges?—A. At the time the interior elevators were built it was decided by the government to keep the charges down as low as possible.

Q. By the government?—A. Yes, by the government. I am speaking of the government elevators.

Q. That is the government-owned terminals?—A. The government-owned terminals; the elevators operate by the Board of Grain Commissioners. And one reason was that no insurance was paid—that is no insurance on the grain was paid.

Q. The government carries its own insurance?—A. The government carries its own insurance and we pay no premiums to the government. The other motive in keeping the charge as low as possible was to try to influence grain into those houses. With regard to the further reduction of Prince Rupert to one-one hundred and twentieth of a cent per bushel, it was realized that no one but the Canadian Wheat Board was likely to store grain at that point, and I think on that basis the board made an agreement with the Canadian Wheat Board that on any grain shipped to Prince Rupert the storage charge would be one-one hundred and twentieth of a cent per day.

Q. What rate of storage charge is paid at Churchill?—A. I have no information regarding Churchill.

The CHAIRMAN: Churchill elevator is operated by the Harbour Board.

The WITNESS: The Department of Transport.

By Mr. Evans:

Q. You do not know what storage rate is paid there?

By Mr. Donnelly:

Q. Does not the Board of Grain Commissioners make the maximum charges on all those elevators like the terminal elevators at Fort William and Prince

Rupert and Vancouver and the interior terminal elevators?—A. I file a tariff with the Board of Grain Commissioners, and the board approves or disapproves of that tariff as they see fit.

Q. And you cut the rate at Prince Rupert to one-one hundred and twentieth of a cent?—A. Yes.

Q. Showing conclusively that when any elevator wants to cut the rate it can cut it and it is all right with the Board of Grain Commissioners, but if any other elevator company wishes to cut the rate the Board of Grain Commissioners complies?

By Mr. Evans:

Q. Don't you set the storage rate at Churchill?—A. No, sir, Churchill does not come under me at all.

Q. Does not come under the Board of Grain Commissioners?—A. The Board of Grain Commissioners is not charged with the operation of the Churchill elevator which comes under the National Harbour Board.

Mr. DONNELLY: Who controls the Prescott elevator?

The WITNESS: The Department of Transport.

By Mr. Perley:

Q. Do they control the other elevators in eastern Canada, at Sorel, Quebec and Montreal?—A. I have to speak from memory. Prescott, Port Colborne, Montreal, Quebec, Halifax and one at west Saint John.

Q. That is the Harbour Board?—A. I am not sure about Saint John.

Mr. WRIGHT: You have nothing to do with setting the tariff?

The WITNESS: No, sir.

Mr. PERLEY: What about Three Rivers?

Mr. WRIGHT: The Board of Grain Commissioners have nothing to do with the setting of the tariff?

The WITNESS: Oh, yes, I am not speaking for the Board of Grain Commissioners; I am speaking as general manager of the elevators under the board.

The CHAIRMAN: And the government operated elevators under the board.

The WITNESS: Yes.

Mr. PERLEY: The Board of Grain Commissioners sets the tariffs for all the elevators?

The WITNESS: That is a question for the Board of Grain Commissioners to answer; I should not answer it.

The CHAIRMAN: Perhaps we can get this one point cleared up in connection with the board's jurisdiction with respect to tariff in terminal elevators. Perhaps Mr. McKenzie could clear that up.

Mr. MCKENZIE: There is just one thing that should be drawn to the attention of the committee: wheat at Prince Rupert or at Churchill is pretty much in a frozen position because of war conditions. It is there to stay, and you have to make your rates very attractive to get grain moving into those elevators. I do not know the situation on the Atlantic coast. I will ask Dr. MacGibbon if he would state the position there.

Mr. DOUGLAS (*Weyburn*): What is the rate at Churchill?

Mr. RAYNER: The storage charges at the Churchill elevator are as follows: the first 8 days are free and thereafter from the 1st of September, 1941, to 8th of October, 1941, one-twenty-fifth of one cent per bushel per day; from 9th October, 1941, to 31st July, 1942, one-ninetieth of a cent per bushel; from August 1, 1941, to the 31st August, 1941, the rate is one-twenty-fifth of one cent per bushel per day.

Dr. MACGIBBON: Gentlemen, when the matter came under the control of the board, up until that time it was regulated purely by the competition and each elevator had its own tariff; but when the matter came under the jurisdiction of the board they were grouped into lower lakes, upper St. Lawrence, lower St. Lawrence, and so forth. The first tariff was the tariff then in effect. Now, just as in the west, every year in July or the beginning of August the board goes to Toronto and advertises a public meeting for any representations as to rates. Those representations may be made by the exporters who are interested in moving the grain east, and there will be various changes, but because of the general competitive situation in the east each area has slight differences in the rates that are set. That is, the conditions at Halifax are not the same as they are at Depot Harbour, and there is a maximum rate, and after that maximum rate is set and approved by the board then the elevators file a tariff with us under—sometimes they are under but not over—the rates approved under those conditions. The question of winter storage comes in. That is to say, they will give a very low rate quite often for the winter months in order to keep their elevators full and then the rates will go up quite high in early April or May in order to keep their elevators empty for the rapid transfer of business; but each of this group of points have their own particular problems, and that is the way the tariff has been built up for eastern Canada.

Mr. GRAHAM: Is there any definite length of time that any filed tariff must continue to be in force?

Dr. MACGIBBON: The situation is this: originally it was for a year once it was filed. That was under the Canada Grain Act. Now, subsequently that did not work out and an amendment was brought into parliament that the tariff stood for a year unless a change was made with the approval of the board, which means that there may be an application in for a change in the tariff during the year, but it would have to be done with the approval of the board.

The CHAIRMAN: Now, are there any more questions?

Mr. EVANS: Following that up, in view of the fact that this morning you gave us the earnings of interior elevators at charges of one-sixtieth of a cent a bushel it came to my mind, why do you allow one forty-fifth to the terminals at the head of the lakes?

Dr. MACGIBBON: Perhaps I could put it the other way: why do we allow one-sixtieth at the interior terminals. Mr. Hetherington mentioned most of the facts. The private individual who puts grain into Moose Jaw or Saskatoon has to pay the switching charges and in addition to that a stop-over charge. Now, if he put that grain in for a month and took it out the cost of his grain at the head of the lakes would be higher than if he had shipped it directly to the head of the lakes, but at one-sixtieth if his grain is going to remain about six months, he breaks even, and there is an equal inducement if he is going to have grain in storage for six months and put it in to store apart from it not being a delivery point on the exchange in one place or the other. The main reason for a lower rate is to draw the grain into the government elevators.

Mr. DONNELLY: What are your rates at Vancouver—one forty-fifth of a cent, are they not?

Dr. MACGIBBON: One-sixtieth at the present time, I think.

Mr. DONNELLY: They were one-thirtieth?

Dr. MACGIBBON: They were quite closely in relation to the others, one-thirtieth I think. We have not got the figure here.

Mr. DONNELLY: I have the records for elevators west of Calgary and they are marked at one-thirtieth under the old rule.

Dr. MACGIBBON: Yes, I think you are correct.

Mr. DONNELLY: I think it is one forty-fifth in Vancouver at the present time. The grain is frozen there just as it is frozen at Prince Rupert. Why

should the rates not be the same? Why are the rates one one-hundred-and-twentieth in one place and one forty-fifth in the other?

Dr. MACGIBBON: No, there is a difference there with regard to shipping conditions. I have been very familiar in the past with the Prince Rupert elevator, and it was expected that a great deal of grain would go out of there at that time to the east, to Japan, by reason of the fact that it was 400 miles closer to Japan. Actually, it never worked out because the Japanese, when they took grain, were so economical with their shipping space that they always wanted a deckload of lumber, and the absence of a large lumber industry at Prince Rupert at that time worked out so that if they were going to buy grain they intended to buy it at Vancouver. Consequently, the normal shipments of grain out of Vancouver always took a shilling a quarter more than the rate from Vancouver to Europe and consequently from a competition standpoint the Prince Rupert elevator was in a much weaker position. To correct the other point, the maximum rate at Vancouver at the present time is one-sixtieth.

Mr. DONNELLY: When was that cut?

Dr. MACGIBBON: The 1st of August, 1940. Now, that grew out of the inferior position with most of the grain moving this way under a rate there that would fill the house really.

Mr. ROSS (*Moose Jaw*): In connection with that stopover charge to the interior terminal of 1 cent a 100 pounds, is that 1 cent a 100 pounds or 1 cent a bushel?

Mr. HETHERINGTON: That is a cent a hundred pounds.

By Mr. Ross (Moose Jaw):

Q. Mr. Hetherington, that is what they call a diversion?—A. No; that is a stopover. A diversion charge is \$3 per car.

Q. And 1 cent per 100 pounds stopover?—A. Yes, when in transit or stored in transit.

Q. Is there any way of getting that charge reduced?

Dr. MACGIBBON: I think that is a matter that would have to come before the Board of Transport Commissioners.

Mr. ROSS (*Moose Jaw*): It would have to be initiated by your board?

Dr. MACGIBBON: I think it would have to be initiated by the producers.

By Mr. Donnelly:

Q. Mr. Hetherington, did you say 6 cents per bushel?—A. No; .6 of 1 cent per bushel, not 6 cents.

Mr. PERLEY: The rate in the eastern terminal is set by the board and applies to all the terminals?

Dr. MACGIBBON: Yes, it is the maximum.

By Mr. Perley:

Q. Mr. Hetherington, if any terminals desire to cut that rate, can they do so?—A. They would apply to us and file it for approval; as conditions change they have done that from time to time. At all times in regard to anything in the nature of a rise, that is more serious.

Q. Some of these elevators in eastern terminals have certain harbour dues, and some have a different arrangement with respect to harbour dues, Dr. MacGibbon?—A. A large number of the eastern elevators at Montreal, and so forth, are operated by the Harbour Board and have a great many levies at their disposal. The two boards work together. They come to a public meeting and discuss their rights, and if they want a rate advanced and it is approved by us

they are required to get an order in council to make their rates valid. After having cleared up any difficulties with us the minister takes the order in council in and it is approved by council and published. That is the way the two organizations co-operate.

Q. Owing to certain arrangements with the Harbour Board where the harbour dues might be rebated or changed, some elevators might get an advantage over the other terminals?—A. Yes, quite possibly; but every time I have heard of anything of that kind it has been for the other way: somebody getting under us, not under somebody else.

The CHAIRMAN: Somebody asked Mr. Hetherington to furnish figures with respect to the government-owned terminals.

Mr. HETHERINGTON: Before giving these figures may I refer to Dr. Donnelly's remarks about the difference in storage rates, one sixtieth and 1 forty-fifth of a cent: the Canadian government interior terminal elevators that are charging one sixtieth of a cent do not pay taxes or insurance of any kind, and do not provide for depreciation of property and plants, as I mentioned a few minutes ago, and that has a bearing on the storage rates.

By Mr. Evans:

Q. Mr. Hetherington, when the government-owned elevators are leased to a grain company, are they liable to taxation?—A. Yes.

Mr. Ross, you referred to the matter of taking up with the railways the question of reduction of stopover. Probably twenty years ago Commissioner Jones, representing the Board of Grain Commissioners, and myself interviewed both the Canadian National Railways and the Canadian Pacific Railway with regard to a reduction in the stopover, and did not get anywhere; the railways would not make any reduction. Then in one particular year when there was a heavy movement anticipated into Saskatoon on account of congestion at the head of the lakes the Canadian National Railways asked the Board of Grain Commissioners to absorb the inspection and weighing fees on any grain billed to the head of the lakes which the railway might divert to Saskatoon, and the board told the Canadian National Railways that if they would reduce the stopover or eliminate or absorb it the board would be prepared to consider reducing or absorbing the inspection and weighing fees: the answer was definitely No. Since that time our elevation charge, that is our handling charge, at interior terminal elevators has been reduced to take care of that stopover, so the elevators really absorb the stopover charge.

By Mr. Ross (Moose Jaw):

Q. Then, Mr. Hetherington, you would not be at a disadvantage except when there is diversion?—A. There is no diversion charge.

Q. I thought you said there was a diversion charge of \$3 per car?—A. Yes, but only for cars diverted in transit. That is, if the car is billed to the head of the lakes and the shipper diverts it while in transit then he pays the diversion of \$3.

Q. But at the present time you have lowered your handling charges sufficiently to take care of the 1 cent per 100 pounds?—A. Yes.

Q. In other words, you put the internal storage elevator in a position contrary to what Dr. MacGibbon said. He would not have to be in there any length of time with his grain before he would be in an advantageous position?—A. No; the disadvantage has been partially removed by the board absorbing the stopover.

By the Chairman:

Q. Mr. Hetherington, perhaps you can give that statement now?—A. Are there any particular years or particular elevators the committee would like to have the figures on? I gave the figures this morning from 1938-39 to 1941-42.

By Mr. Perley:

Q. For all interior elevators?—A. Yes.

By Mr. Ross (Moose Jaw):

Q. We wanted a comparison of elevators in past years?—A. I suggest taking the same elevators that I took this morning: Moose Jaw, Calgary and Edmonton.

By Mr. Ross (Souris):

Q. Take the same elevators for the pre-war period?—A. For the crop year 1933-34 the amount received was 1,543,695 bushels. The deficit, that is the surplus of expenditures over revenue, was \$25,770.17.

For the crop year 1934-35 the amount received was 599,149 bushels, and the deficit was \$30,642.59.

For the crop year 1935-36 the amount received was 221,786 bushels. The deficit was \$43,636.90.

On November 30, 1936, the Moose Jaw elevator was closed, and the following year it was operated for account solely of the Canadian Wheat Board.

I gave the figures for 1938-39 this morning.

By Mr. Ross (Moose Jaw):

Q. Have you the deficit the year the Moose Jaw elevator was closed?—A. Yes, that is 1936-37. We had taken in 5,548 bushels at the first of the year, and the elevator was closed on November 30, 1936. The earnings were \$6,735.80 and the expenditure amounted to \$30,404; leaving a deficit of \$23,668.20.

Then as to Calgary, for the crop year 1933-34 the amount received was 3,216,563 bushels, and the surplus of revenue over expenditure amounted to \$16,444.16.

For the crop year 1934-35 the amount received was 2,625,558 bushels, and the surplus of revenue over expenditure amounted to \$22,701.39.

For the crop year 1935-36 the amount received was 3,416,798 bushels, and the surplus of revenue over expenditures was \$44,217.38.

For the crop year 1936-37 the amount received was 404,698 bushels, and there was a deficit of \$12,473.46.

For the crop year 1937-38 the amount received was 662,291 bushels, and there was a deficit of \$33,405.24.

The subsequent figures I gave this morning.

By Mr. Graham:

Q. Mr. Hetherington, these net figures you are giving us are arrived at in what manner?—A. By deducting revenue from expenditure, or vice versa.

Mr. PERLEY: I wonder if some of these figures could not be put on the record as an average?

By Mr. Graham:

Q. Mr. Hetherington, do the other points bear out the same story?—A. Yes.

By the Chairman:

Q. How do you wish to put these figures on the record, Mr. Hetherington?—
A. I suggest the same years as have been mentioned.

Mr. EVANS: Could Mr. Hetherington give us the figures for Prince Rupert for the same years?

Mr. HETHERINGTON: Prince Rupert was leased from 1936 to 1938 and operated by the Alberta Wheat Pool.

By Mr. Graham:

Q. Mr. McKenzie gave us the net return on your Port Arthur elevator; a little over 4 per cent on a certain computed cost value. Could you give us the figures with regard to that elevator two or three years prior to its being leased to McCabe Bros.?—A. Yes.

Q. Please place those figures on the record, Mr. Hetherington?—A. Commencing with the crop year 1929-30, the receipts were 3,233,123 bushels; the revenue was \$278,493.24; the expenditure was \$101,127.67; and the surplus of revenue over expenditure was \$177,365.57.

For the crop year 1930-31 the receipts were 3,537,560 bushels, the revenue was \$154,004.74; the expenditure was \$99,410.52; and the surplus of revenue over expenditure was \$54,594.22.

For the crop year 1931-32 the receipts were 146,038 bushels; the revenue was \$16,923.45; the expenditure was \$77,442.54; and the deficit was \$60,519.09.

For the crop year 1932-33 the receipts were 269,104 bushels; the earnings were \$10,408.90; the expenditure was \$62,451.13; and the deficit was \$52,042.23. The following year the elevator was leased.

By Mr. Donnelly:

Q. Mr. Hetherington, in those years from 1930 to the time the elevator was leased did you have difficulty in maintaining your grades?—A. No; not to my knowledge.

Q. There was a suggestion that in many of those years you got the wheat no other elevator wanted; that any line elevator that did not want this wheat because there was a mistake in grading, for instance, was shipped to you?—A. I have no recollection of anything being turned down for grade; any wheat turned down as dirty may have had to be re-cleaned.

Q. You had no difficulty in maintaining your out-turn after the mixing was stopped?—A. Not to my knowledge.

By Mr. Graham:

Q. Mr. Hetherington, am I right in this, that obviously your figures indicate that in poor crop years losses occurred?—A. That is the general picture.

Q. And I take it also that your experience coincides with Mr. McKenzie's, that the inclination of privately-owned terminal elevator companies is to use those facilities before turning to the government-owned elevators?—A. Yes.

Mr. Ross (*Moose Jaw*): Mr. Chairman, may I bring to the attention to the Board of Grain Commissioners one or two matters they may care to look into. I understand from what either Dr. MacGibbon or Mr. McKenzie said in answer to some member of the committee that the storage rates are set after consultation with those engaged in the trade, namely, the ordinary line elevator companies, country and terminal, and the producers' organization; and representations are made by them and rates are fixed or changed after such consultation. I take it that when those consultations are in progress these elevator companies show the board the cost of operation and all the expenditures

they must incur, both country and terminals, and I expect that in country elevators especially they would show the amount of money they had to pay out to their elevator men. Now, I have noticed during the last two years that throughout the country when these elevator companies have got their elevators filled with wheat for the first time in their lives and are drawing large amounts of money from the storage of that wheat, they figure that that elevator is going to stay filled for quite a while; and so they immediately reduce the salaries of the elevator men or discharge them, and assign one elevator man to look after three or four elevators in the country. I do not think that is a fair proposition, and I submit that it should be looked into by the Board of Grain Commissioners. I do not think any elevator company should be allowed, while drawing good storage charges, to reduce the salaries or discharge elevator men, because in the storage rates they have set up the wages of those men are supposed to be included. Perhaps it is not the business of the board, but it may well be in view of the fact that the board licenses the elevators. I think the board should investigate that matter and see if a fair deal cannot be given to the elevator men throughout the country.

Then I think the board should look into the possibility of placing automatic weighers on the spouts of the elevators in the country, especially when the railway companies are using every boxcar they can lay their hands on to carry freight. Many old boxcars are being brought back into use today in much heavier trains than formerly, and consequently there is a greater leakage of wheat between the country elevator and Fort William than there has been for years. The country elevator operator today is held responsible by the terminal elevator company for the wheat that he ships out, and when he takes grain to the railway he gets a bill of lading from the station agent setting out so many bushels "more or less". If he were to ship anything else by rail the bill-of-lading would read so many tons or pieces or parts, etc. That is marked on the bill-of-lading, and the railway company must deliver so many tons, pieces or parts; but when you get a bill-of-lading for grain from the station agent it reads so many bushels "more or less" and the only way you can get any satisfaction from the railway company is to prove that that car was leaking, which is a rather difficult thing for anybody to do. The result is that if there is a 10 bushel loss between the elevator and Fort William, the elevator man is held responsible for that loss. Whether it be the truth or not, the story is that once the elevator man is held responsible for a thing of that kind, he must protect himself when he buys his wheat; and the elevator man in the country is put in the position of at least making sure that he does not under-weigh that wheat in order that he will not lose on the transaction. If anybody loses, it is the producer of the wheat. The railway company is getting a fair rate for handling that grain to Fort William, and in the case of every other commodity the railway company would be held responsible for full delivery. Now, the only way that this situation can be avoided is by the employment of what are known in the United States as automatic weighers at the spouts. These automatic weighers meter the grain into the car; and when the elevator man wants to load a car he tells the station agent to read the meter, and after he has loaded the wheat into the car the station agent reads the meter again. Then a bill of lading is given for that number of bushels, and that number of bushels must be accounted for by the railway company. I think there are a great many thousands of bushels of grain lost to the western farmer by reason of leaky cars, and that loss is borne by him. I submit that the Board of Grain Commissioners should make an investigation into that situation in order to help the producer in this country.

Mr. PERLEY: I like to agree with Mr. Ross whenever I can. I think he has made a very instructive presentation of some of the grievances and difficulties with which the producer in this country has to contend.

With respect to laying the men off, certainly that is wrong. These men are efficient, and should not be laid off as soon as the elevator is filled. I have prepared an estimate of the cost of running my own elevator, and from my experience I would say that having regard to present rates of storage, that is, the initial elevator fee and the commission—under the Act dockage is allowed—the elevator man is going to protect himself; and you cannot pass any law to prevent him from doing so.

The CHAIRMAN: Did you say you are speaking from experience?

Mr. PERLEY: Yes. It is only human nature. I had to meet competition. The elevator man will protect himself.

In regard to the use of automatic weighers at the spout of the elevator which meter out the grain, I think Mr. Ross has made a very constructive suggestion. The cost would not be prohibitive: but it might be difficult to secure the equipment at this time. Again speaking from my own experience, in one season alone I had a 700 bushel shortage with one terminal elevator, although I had had the same man working for me for ten years. We had shipped to three other terminals as well that year and handled 165,000 bushels. The elevator at Fort William had shortages amounting to 700 bushels which we had to make good to the farmer. I sued the elevator.

Mr. Ross (*Moose Jaw*): Did you have to make good to the producer?

Mr. PERLEY: Yes. My elevator man was nearly crazy when the cars would come back "short". Most of it went to the Lake of the Woods and western Canada, but the wheat that went to Fort William was short to the extent I have indicated. After putting in claims I decided to sue, and the elevator company came through. That is the only way I could get a settlement with them. Mr. Ross has touched upon a vitally important matter in suggesting weighing the wheat, and thus procuring a record of what is put in the car. I think the board would do well to take that suggestion into consideration.

The CHAIRMAN: Would not all your wheat be government-weighed at Fort William?—A. Yes, it is weighed in the elevators, and we have to take the government weight there and make good any shortage in the car.

Mr. Ross (*Moose Jaw*): Some of these cars are like concertinas now!

Mr. WRIGHT: They are being overloaded at the present time. I agree with Mr. Ross in regard to weighing the wheat into the car if it can be done at a reasonable cost.

Mr. Ross (*Moose Jaw*): I understand that they have the automatic weigher at the spout in some states, and in some states it is a state law to install a revolving automatic weigher in the spout.

Mr. PERLEY: What is the cost?

Mr. Ross (*Moose Jaw*): I do not know; and it might be difficult during war time to get the equipment.

By Mr. Wright:

Q. Mr. McKenzie, I would like to ask you about the diversion of wheat by the milling companies. I have heard a great many complaints about these millers being able to pick the car in certain grades and "skin" that car for themselves. How do the milling companies secure their wheat?—A. Frankly, I do not know to what extent it is possible to do that. I think milling companies test the protein content of the wheat from various sections of the country and buy their wheat where they know it is of fine milling quality.

Q. Are they allowed to take samples out of the car and test it before they take it? They can make these tests in a matter of a few hours, and I understand that if the test does not come up to their requirements they will not take that car?—A. Not to my knowledge.

Dr. MACGIBBON: My understanding, Mr. Wright, is that the answer is no, except where the shipper has given permission to the broker or the man handling the wheat in Winnipeg to take samples. I believe that in the main they get their grain in a certain district.

Mr. Ross (*Moose Jaw*): At one time they obtained the right from the handlers of grain, and I know that all cars that went to Moose Jaw, no matter who they belonged to, whether producers' organizations or elevator companies, could be inspected and diverted by paying a certain premium.

Dr. MACGIBBON: I think Mr. Ross is quite correct.

Mr. Ross (*Moose Jaw*): They paid for that privilege and the premium was supposed to come back to the farmer.

Mr. PERLEY: They select districts, too.

Mr. Ross (*Moose Jaw*): Yes.

By Mr. Wright:

Q. Mr. McKenzie, the "skinning" of the grade in that way means that the final buyer of that wheat will pay less for it, and that reduction would be reflected in the price to the producer?—A. I think it would be fair to say that in the first instance as far as possible the millers pick their districts and buy their wheat from districts.

Q. I have no objection to that?—A. No; you could not stop that. Secondly, they draw samples only where they have the consent of the shipper or his agent to do so.

By the Chairman:

Q. Mr. McKenzie, have you anything to say with respect to the questions raised by Mr. Ross and Mr. Perley?—A. First of all let me thank Mr. Ross and those associated with him for these suggestions. We welcome them, and anything we can do to give effect to them shall be done.

I would like to clear up the impression that may be in your minds as to the character of the meeting that is held when we are getting information with respect to fixing rates. Mr. Ross used the word "conference," I think, and I do not know just what shade of meaning Mr. Ross meant to convey. Actually it is not a conference; it is a public meeting where anybody is free to come and express any views he may have. Beyond listening to presentations it is not a conference, in that we do not confer with them as to the final results.

With respect to elevator agents being discharged, I have no knowledge of that being done. I would be rather surprised if it is being done in any general way, because a country elevator can only make its best profit if it keeps grain moving through. There may be a period of the year when the elevator might be full and they might lay off a man for that period; but the operator of that house will be anxious to move his grain through to the terminals in order to get additional grain and secure the handling charges, and so on. I have no doubt there are cases where men have been dismissed in the manner alleged, but in the next two or three years the elevator companies, in my judgment, are going to face a shortage of elevator agents because of their joining the active services, and we may all suffer by their inability to employ competent elevator agents. I am merely expressing that as an opinion having regard to war conditions. I think it is fair to say we have had no complaints about elevator agents being unfairly dismissed.

By Mr. Perley:

Q. Have they not reduced their wages very considerably, Mr. McKenzie?—A. They have, during the years of low handling.

Q. But during last year?—A. I have no knowledge of that. It varies a great deal at different points, depending on the volume of business being done

at those points. As I said a moment ago, I think the scarcity of competent men to act as elevator agents this year because of enlistments is going to be a difficult problem for the elevator companies.

Coming to the question of leakages, that is, of course, a serious problem; but I think the general practice of the elevator companies is to hold the agent responsible only in the matter of exercising due diligence in the preparation of the car and seeing that it is in good shape before the grain is loaded into it. If the agent has been negligent in that respect, obviously he should be reprimanded. There is no bond on an agent. We do not demand that the elevator companies bond their agents against loss in transit, and I do not think it is the general practice of the elevator companies to look to the agent for recompense in respect of any loss that has occurred in transit. Most of the companies have in their offices in Winnipeg, a man I believe, whose responsibility it is to check losses and recover the losses from the railway companies in so far as it is possible to do so, and that involves proof of the condition of the car at the time of loading. However, Mr. Ross' suggestion is an exceedingly interesting one to me, and I can assure you that the board will look into the possibilities thereof. I had no knowledge of it before.

By Mr. Graham:

Q. Mr. McKenzie, following up Mr. Ross' argument in regard to the way the board fixes storage rates, you referred to a public meeting at which anybody could make representations. Aside from that altogether would the board obtain from the line elevator companies, and possibly the pools, the figures on the cost?—A. Naturally we would seek the fullest information with respect to the situation.

Q. You would examine that aspect in arriving at a judgment as to what should be the maximum?—A. Yes.

Q. Mr. Ross' point being that included in those costs would be the cost of the agent or elevator man. Would you obtain that information apart from the public meeting?—A. Certainly we would expect the railway companies, if they asked for maintenance of present rates or an increase thereof to show cause why such maintenance or increase should be put into effect. I would say, although it represents my own view, that I regard the function of the Board of Grain Commissioners to be that of marketing the grain of the producers in the most efficient manner at a minimum of cost. After all, gentlemen, wheat has little value on the farm; and the machinery must be provided to transport that wheat to the people who are going to consume it if it is to be of any benefit to the farmer.

By Mr. Perley:

Q. Mr. McKenzie, I have another suggestion I desire to make to the board: I think there should be more careful inspection and control of the scales in the country elevators. Under the present system of marketing grain heavily loaded trucks are employed, sometimes carrying 200 or 300 bushels in one load to these scales. Is there just the government inspection of scales every so often at the present time?—A. We have our inspectors out checking country elevator scales as often as possible.

Q. These heavily loaded trucks transmit great shocks to the scales?—A. If I might express a personal opinion here, I think it might be helpful if you would give us power to regulate the weight of a load driving up to a country elevator. Something must be done to control the carrying of heavy loads requiring stronger platforms and increased scales and involving the tearing up of country roads.

By Mr. Wright:

Q. It has pretty well reached the limit?—A. Yes; but at the present time we have no power to regulate the maximum load driving into a country elevator.

By Mr. Perley:

Q. In your very excellent report mention is made at page 30 of overages or shortages as revealed by the annual weigh-up, and generally the shortages are at the terminal elevators, although there are some at interior elevators, too. How is it that there are consistent shortages in every case, practically?—A. Perhaps the manager of the elevators could give you the explanation, Mr. Perley.

Q. What is the purport of the table appearing at page 30 of the report, Mr. Rayner?—A. The eastern houses are on that page. This is the weigh-over of the eastern elevators, that is, all the elevators east of Fort William. The actual stocks of grain in storage at certain periods are weighed over by the board and checked against the outstanding warehouse receipts; and the results showed in some cases that there was less grain in storage than there should have been according to the warehouse receipts.

Q. I want to know why it is so prevalent straight through?—A. I suppose in the normal operation of the elevator there is a certain amount of loss every time the grain is handled.

Q. The losses run to 10,000 pounds in some cases. They are most consistently shortages. (No response).

By Mr. Ross (Moose Jaw):

Q. That is not very much in the case of a large elevator, is it, Mr. Rayner?—A. Some of these elevators move about 12,000,000 to 15,000,000 bushels through the house, and the operator of the elevator will have to pay cash to the holder of the warehouse receipts for the amount he is short; it is one of his operating expenses.

Mr. PERLEY: I was going to make some inquiry with respect to the item of freight rates.

By the Chairman:

Q. Mr. McKenzie, I had intended to inquire about weigh-overs in country elevators?—A. We have the elevator operators furnish us with sworn statements at the end of the year as to the amounts of grain in the house classified according to grades. If at any time, having the sworn statement before us, we have any reason to doubt the accuracy of the figures presented to us we can do two things: we can send our man out and check over the situation and determine the facts, or we can check against the railway shipments from that point both as to quantity and to grades, and then we take whatever action is appropriate if we find anything out of line with respect to the grain in the house.

By Mr. Ross (Moose Jaw):

Q. Mr. Hetherington, what is being done to-day with the screenings in your internal terminal elevators and with your elevators at Fort William? Are you reclaiming; grinding and selling them for feed at the points where the elevators are situated?—A. I cannot speak for the head of the lakes, because we are not operating an elevator there. At the interior points the local demand for all classes of screenings is sufficient to take care of all we are producing, and we are not shipping any out from those points.

Q. That happens with all the elevators you are interested in?—A. Yes.

By Mr. Wright:

Q. Mr. McKenzie, upon whose recommendations are the specifications for any particular grade of grain changed? I think two years ago you changed the requirements on 3 C.W. oats. On whose recommendation was that change made in the requirements for that particular grade?—A. Perhaps Dr. MacGibbon can answer you.

Dr. MACGIBBON: What happens is that in preparing the amendments to the Act a committee of the inspectors worked over what they thought was a proper schedule and it was submitted to the committee here.

Mr. DONNELLY: But you have a committee that sets the standards?

Dr. MACGIBBON: That is a different position. Mr. Wright is asking about the statutory specifications. The preliminary work is generally done by the committee inspectors.

Mr. WRIGHT: The committee of inspectors makes the recommendations?

Dr. MACGIBBON: Yes. In the particular case you cited when the Act was being passed in 1939 there was a mistake made in the specifications for extra No. 3 Canada western, and when the Act was amended in 1940 that mistake was corrected.

Mr. PERLEY: At page 7 of the annual report of the Board of Grain Commissioners for 1941 lake freight rates are dealt with, and I see there have been some increases there. How are those rates now? Are these practically the maximum rates that have ever been enforced? The earlier part of the paragraph deals with 4 cents and 5 cents per bushel, and at the foot of that page it is stated:—

No maximum rates had hitherto been established on the carriage of wheat except to Montreal and St. Lawrence ports where the previous maximum rate authorized was 7 cents per bushel. On account of increased insurance costs after November 30 the board in October provided that during the month of December, 1941, the schedule of maximum rates on wheat to the bay and lower lake ports might be increased by 2 cents per bushel.

Dr. MACGIBBON: That is under the other Act.

Mr. PERLEY: You control that?

Dr. MACGIBBON: Yes, we control it. At that time there was a situation developed where the rates threatened to advance very, very rapidly. The peculiar situation was that normally when the Act was passed that dealt with that feature it took the measure of the Fort William and Montreal rates and the American corresponding rates; that was the basis of action. With the passing out of large shipments from American ports to Montreal, and with the lending of vessels and other matters in connection with the war, a situation arose where the Montreal rate was not very effective and rates on the upper lakes were getting out of line. This was an attempt to hold them down to that level.

Mr. PERLEY: It was a special case on account of war shipments, and everything else?

Dr. MACGIBBON: Yes, that all entered into it.

Mr. PERLEY: How many lake ships are there now handling grain?

Dr. MACGIBBON: I do not know, sir. The whole handling is under the Transport Controller.

Mr. PERLEY: How many Canadian companies are shipping out of Fort William?

Dr. MACGIBBON: I could not say. About the time this happened I think there were 7 shipping agents in Winnipeg.

Mr. ROSS (*Moose Jaw*): Has there not been an order lately requiring American lake ships to carry oil instead of wheat?

Dr. MACGIBBON: There have been a number of orders issued that there shall be no wheat go down the St. Lawrence in order to conserve shipping. It is to be shipped to the lake ports and moved by rail. I have seen that in the papers since I came east.

The CHAIRMAN: American wheat?

Dr. MACGIBBON: Canadian wheat also. There is an American order of the kind you mention.

Mr. PERLEY: Dr. MacGibbon, in loading these vessels the grain is weighed in and inspected. Does it have to be loaded out of the elevator into these boats up to the maximum of the grade or the minimum?

Dr. MACGIBBON: The export grade.

Mr. PERLEY: But is there a minimum and maximum on that grade?

Dr. MACGIBBON: No; the export grade is better than the average grade.

Mr. DONNELLY: 75-25?

Dr. MACGIBBON: Slightly better than the average of the grade, and not necessarily the maximum.

The CHAIRMAN: But a good deal better than the minimum grade?

Dr. MACGIBBON: Yes.

By Mr. Perley:

Q. Mr. McKenzie, what about the annexes at Fort William? The board did control those. They issued the permit or licence for the annexes. They are not building any more?—A. I do not know of any annexes that are being built this year.

By Mr. Ross (Moose Jaw):

Q. They are not filled now?—A. No; we have a lot of empty space in Canada now.

By Mr. Perley:

Q. Did the board have anything to do with leasing the land upon which the annexes were built or have any say with the owners of the land?—A. No.

Q. Some of them had some trouble?—A. I do not know.

Q. The council in Port Arthur claimed something had been put over them before they became wise to the scheme, because they leased certain properties at a very low rate and wanted to know if I could take it up. I said they had better write to some of the Liberal members. (No response.)

The CHAIRMAN: Are there any other questions?

By Mr. Donnelly:

Q. Mr. Hetherington, have you automatic samplers on the boats for loading?—A. So far as I am aware there is only one elevator that has automatic samplers on the ships.

The CHAIRMAN: Any further questions?

Mr. ROSS (*Moose Jaw*): If there are no further questions, Mr. Chairman, I move a vote of thanks to Mr. McKenzie and his fellow-commissioners and the officials of the board who have appeared before us and who have promised to look into certain matters we have taken up with them here.

Mr. PERLEY: In the words of a certain member of the House: "As a loyal member of the opposition" I take pleasure in seconding the motion. (Carried unanimously.)

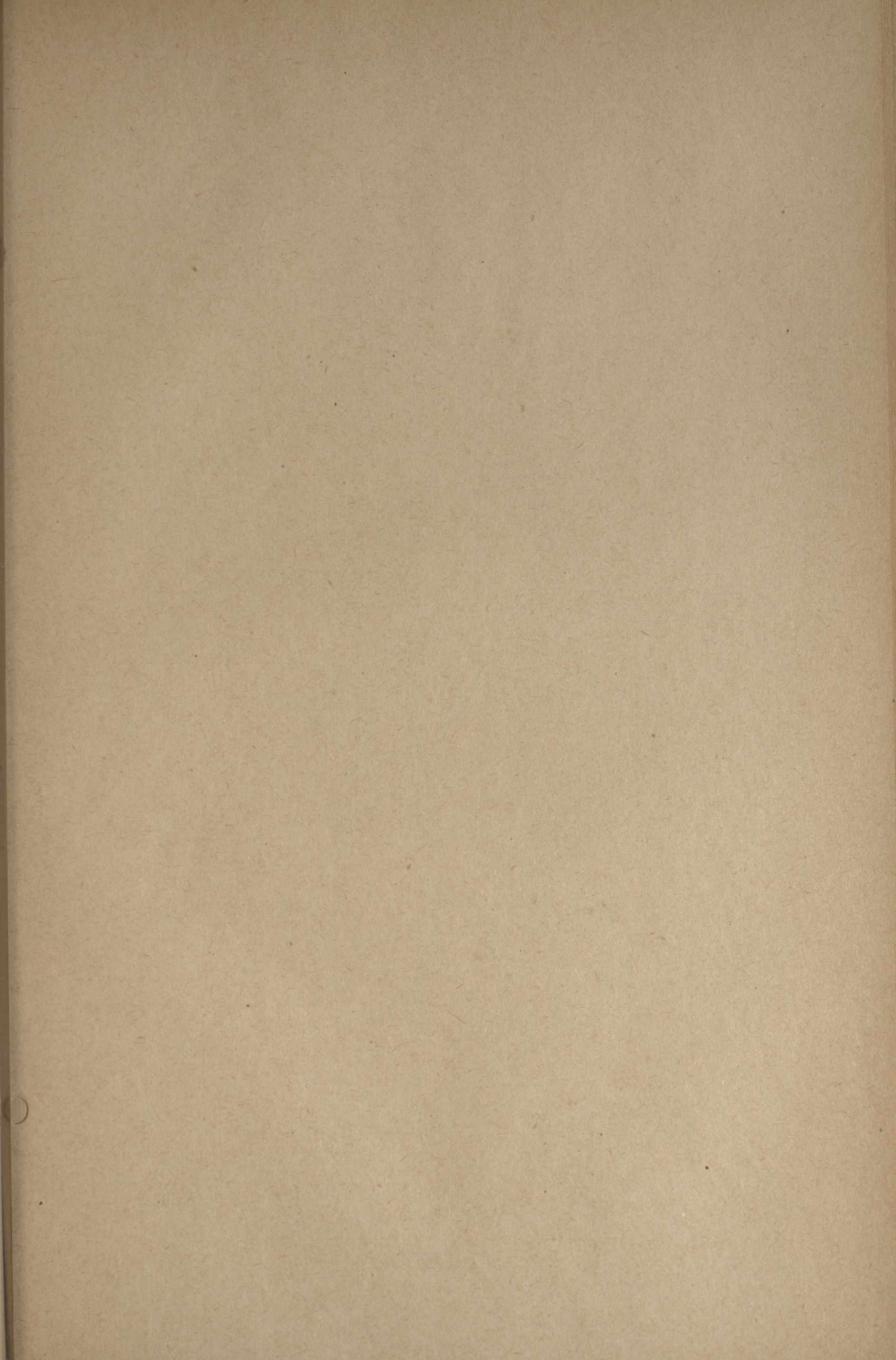
The CHAIRMAN: Mr. McKenzie, we are grateful to you and to your fellow-commissioners and officials of the board, and we can assure you that the committee has appreciated your attendance here.

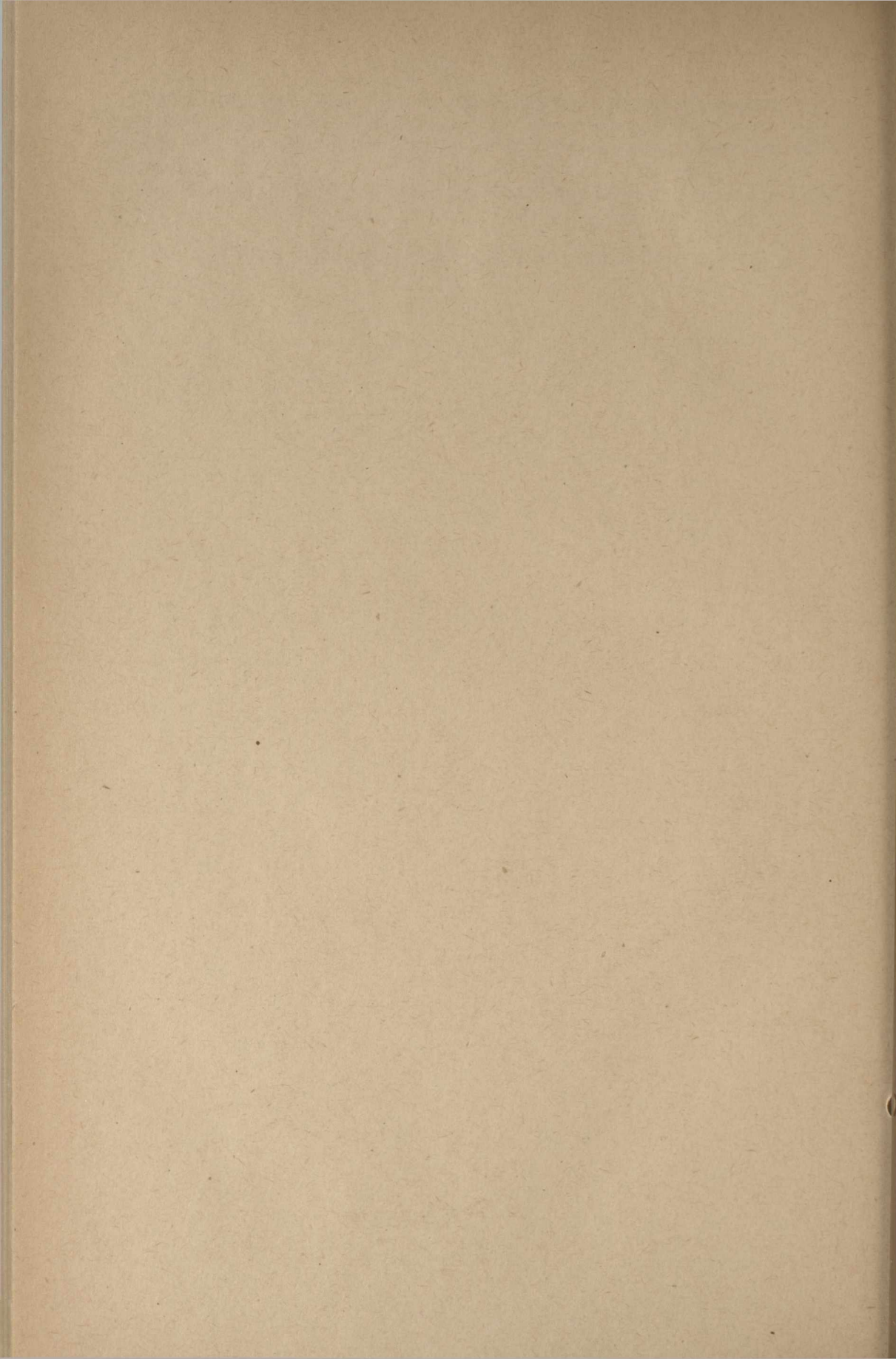
Gentlemen, may I take it that the committee is prepared to release from further attendance the Board of Grain Commissioners? (Agreed).

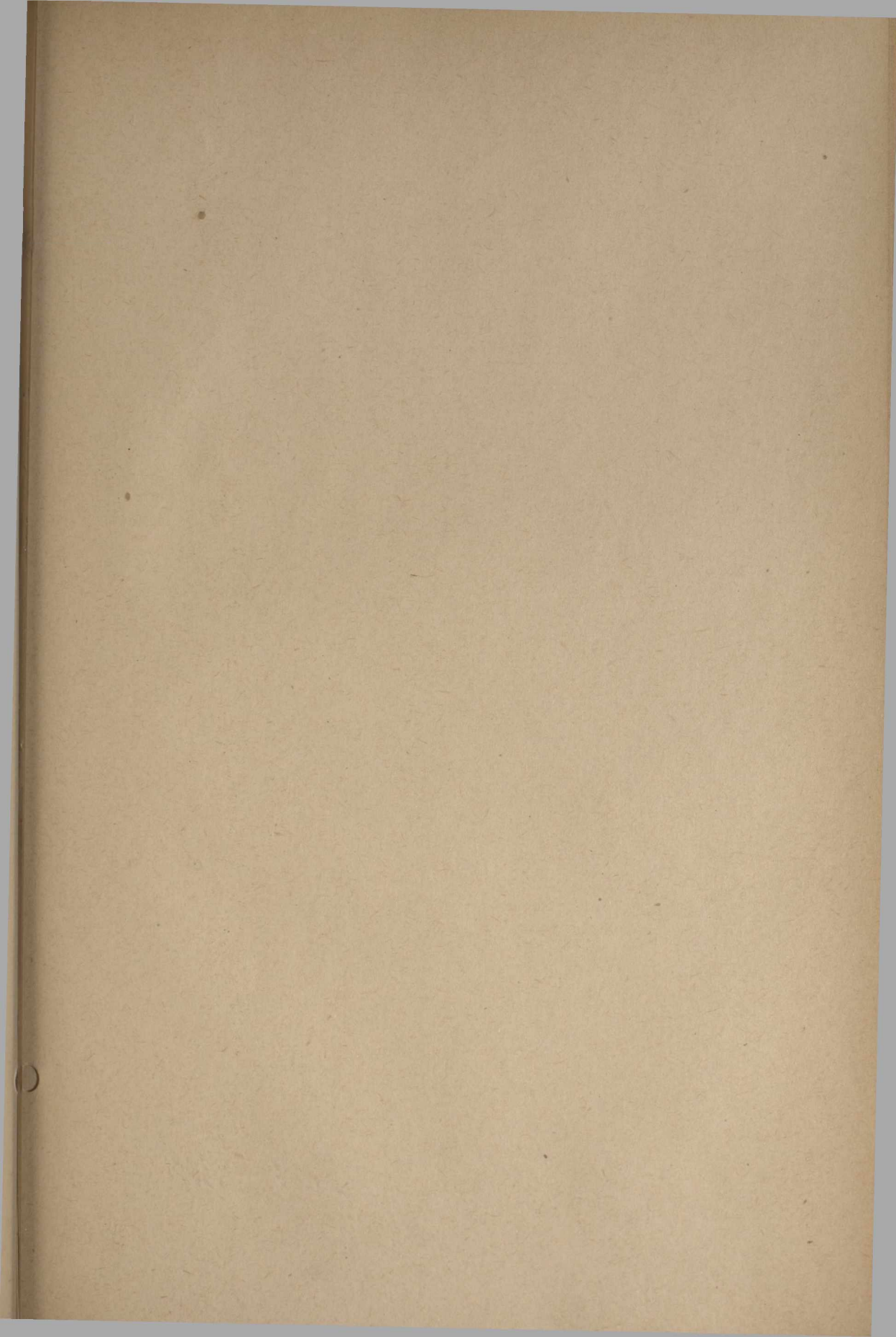
Mr. MCKENZIE: May I say we appreciate the privilege of appearing before you and giving you such information as may be available. When you are passing through Winnipeg please drop into the office if there is any further information you desire.

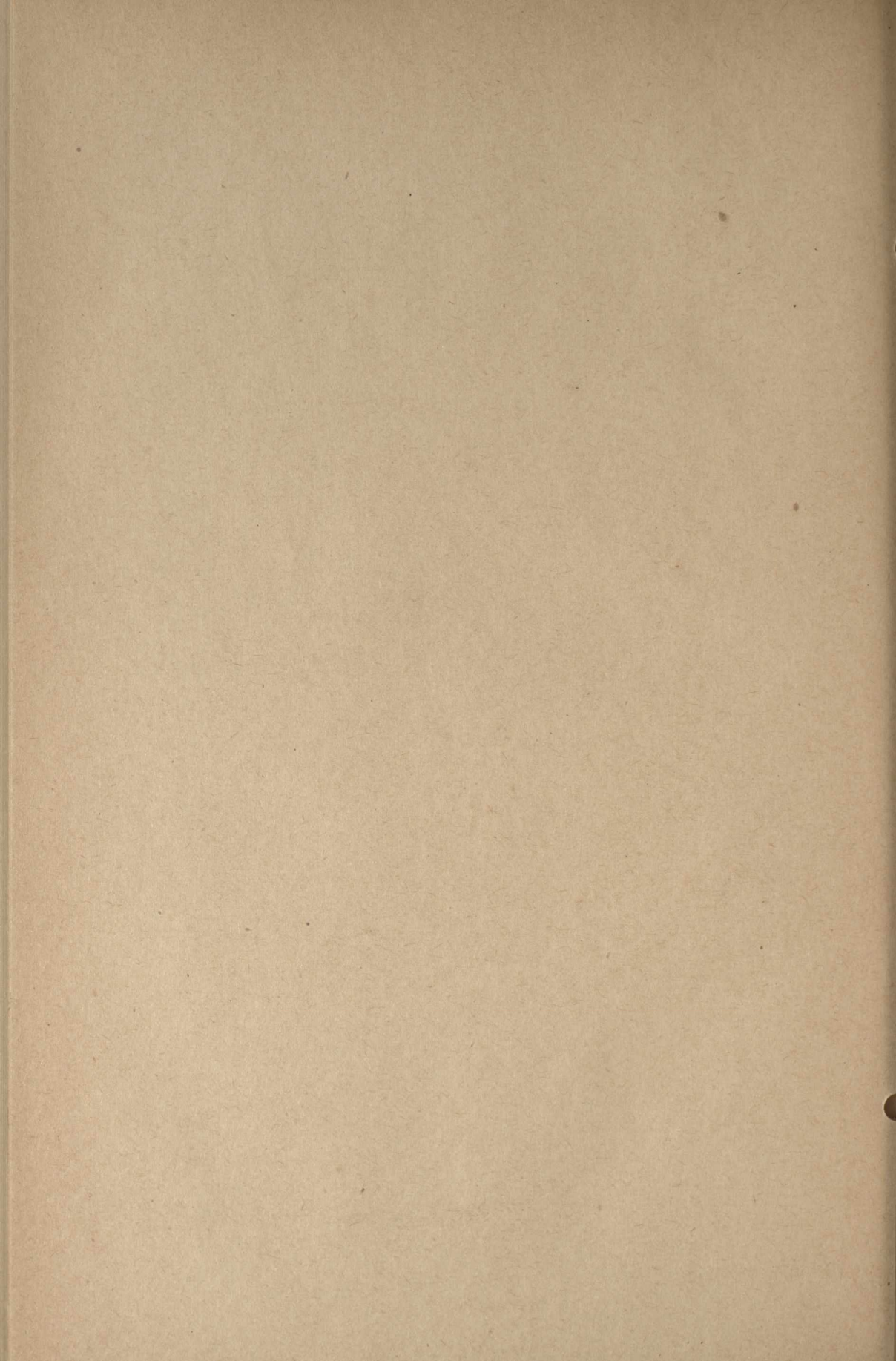
Mr. PERLEY: I wonder if the wheat board would extend a similar invitation to me!

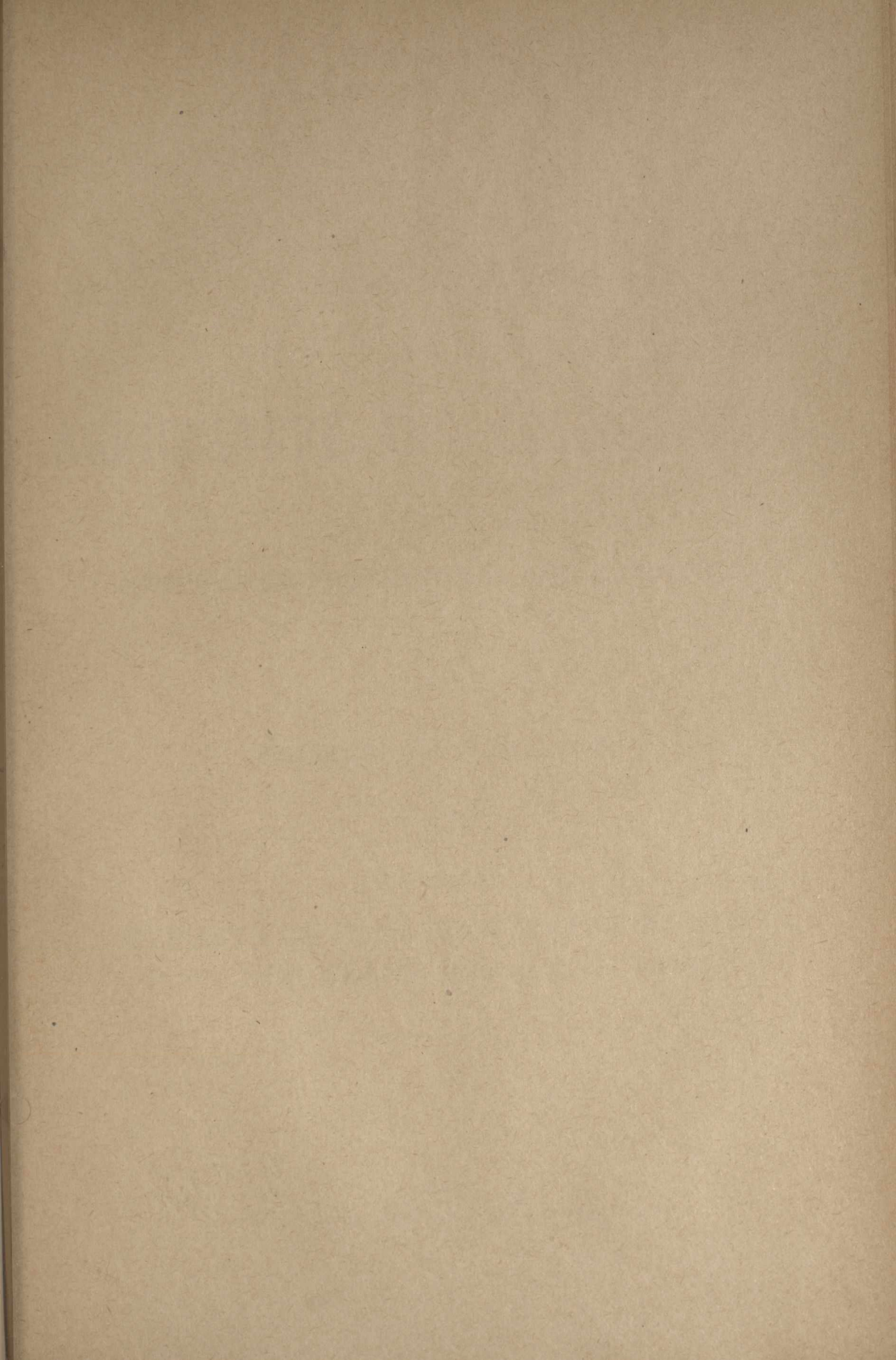
The committee adjourned at 5.30 p.m. to the call of the chair.











SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

WEDNESDAY, JULY 1, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

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

MINUTES OF PROCEEDINGS

WEDNESDAY, July 1, 1942.

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

Members present: Messrs. Bertrand (*Prescott*), Blair, Clark, Cruickshank, Diefenbaker, Donnelly, Evans, Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, Lalonde, Leclere, MacDiarmid, McCuaig, McNevin (*Victoria, Ont.*), Matthews, Mullins, Nielsen (Mrs.), Perley, Quelch, Rennie, Rickard, Ross (*Souris*), Senn, Soper, Tustin, Ward, Weir, Wright.

The minutes of the previous meeting were read and adopted.

The Chairman read a letter from Mr. George McIvor, Chairman of the Canadian Wheat Board, correcting an error on page 23, line 40, of the minutes of evidence of Wednesday, May 13, 1942.

The Chairman also read a telegram received from the Futures Brokers Association, Winnipeg, signed by George E. Cathcart, president, and C. L. Simmonds, secretary. He also presented a breakdown showing how the computation of ten million dollars was made up by years.

Agreed,—That same be printed in the Minutes of Evidence.

The Chairman also informed the Committee that the sub-committee had met twice but had no recommendation to make in regard to the further procedure the committee should follow. Discussion on this matter followed and also on the future evidence to be heard.

Mr. Diefenbaker moved, seconded by Mr. Ross (*Souris*),—That any six brokers from the consecutive alphabetical list of grain brokers be summoned to give their opinion to the committee on the distribution of brokerage fees by the Canadian Wheat Board during the crop years 1939-40 and 1940-41.

Discussion followed and Dr. Donnelly moved in amendment thereto,—That the Chairman of the Futures Brokers Association of Winnipeg be requested to appoint two of its members to appear before the committee for the purpose of giving evidence on the distribution of brokerage fees by the Canadian Wheat Board.

The question being called on the amendment it was passed in the negative: Yeas 6, Nays 20.

On motion of Mr. Diefenbaker a recorded vote was called for and the yeas and nays were taken down as follows:—

For the motion: Messrs. Diefenbaker, Evans, Fair, Nielsen (Mrs.), Perley, Quelch, Rickard, Ross (*Souris*), Senn, Tustin, Ward, Wright—12.

Against the motion: Messrs. Bertrand (*Prescott*), Blair, Donnelly, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, Lalonde, Leclere, MacDiarmid, McCuaig, McNevin (*Victoria, Ont.*), Matthews, Mullins, Rennie, Soper—19.

Motion passed in the negative: Yeas 12, Nays 19.

The Committee agreed that Mr. Wright replace Mr. T. C. Douglas (*Weyburn*) on the Steering Committee during the latter's absence from Ottawa and that Mr. Graham replace Mr. Dechene on the same committee because of Mr. Dechene's illness.

Mr. Evans then moved, seconded by Mr. Ross (*Souris*),—That the Steering Committee prepare a draft report on the evidence submitted and report back to the main committee for consideration of the same. Carried.

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

WALTER HILL,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS, ROOM 368,

July 1, 1942.

The Standing Committee on Agriculture and Colonization met this day at 11 o'clock a.m. The Chairman, Mr. W. G. Weir, presided.

The CHAIRMAN: Gentlemen, if you will come to order we will ask the clerk to read the minutes of the last meeting.

Minutes read and adopted.

The CHAIRMAN: For the information of the committee I may say that some added statements have been sent to me and to others, one is a correction with respect to a statement on page 23 of Mr. McIvor's evidence. In line 40, page 23, of the proceedings the figure of \$75 should read \$150. That is the correction.

Then, since our last meeting I received this telegram which I think is proper to read to the committee. It is addressed to W. G. Weir, M.P., Ottawa, Agriculture Committee, dated Winnipeg, Manitoba, May 23, 1942. The telegram reads as follows:—

At a meeting of Futures Brokers Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavouring to distribute futures brokerage as equitably as possible.

GEO. E. CATHCART, *President,*

C. L. SIMMONDS, *Secretary,*

Futures Brokers Association.

There is in addition to that a statement in reply to a question asked by Mr. Diefenbaker. Perhaps I can read that into the record. Mr. Diefenbaker asked for a breakdown of the \$10 million brokerage fees referred to in the statement that Mr. Donnelly read or had prepared. This is a compilation of the figures. Perhaps it can go into the record. It is a breakdown by crop years of the cost of spreading futures versus full carrying charges.

THE CANADIAN WHEAT BOARD

SUMMARY BY CROP YEARS—COST OF SPREADING FUTURES VS FULL CARRYING CHARGES

| | Bushels | Difference Spread vs. Carrying Charges | Less Brokerage | Net Savings |
|---------------------|---------------|--|-------------------|-----------------|
| 1938 crop | 293,046,000 | \$ 6,577,163.12 | \$146,523.00 | \$ 6,430,640.12 |
| 1939 " | 744,952,000 | 3,804,138.37 | 372,476.00 | 3,431,662.37 |
| 1940 " | 164,491,000 | 403,617.47 | 82,245.50 | 321,371.97 |
| 1941 " | 9,875,000 | 57,793.32 | 4,937.50 | 52,855.82 |
| | 1,212,364,000 | \$10,842,712.28 | \$606,182.00 | \$10,236,530.28 |

Mr. DIEFENBAKER: Showing how the computation of \$10 million was made up by years.

The CHAIRMAN: That is correct. Since the last meeting on May 21 the steering committee has held two meetings. At these meetings we discussed the procedure for future conduct of the committee. I think it is correct to say that the committee did not feel that they could arrive at a decision as to what future inquiry should be undertaken. If I gathered correctly, the consensus of opinion was that the steering committee should report back to the general committee for advice in that regard. There has been some delay in reporting back, partly by reason of the fact that some of the members were away—some are still away—and an attempt has been made to meet the convenience of members generally, and having regard to other things that were taking place. Mr. Douglas and Mr. Ross of Moose Jaw are still away. Mr. Douglas informed me that he was quite prepared to have Mr. Wright act in his behalf in that regard. That is the situation that exists at the present time. The steering committee has not any recommendation at this time to suggest to the general committee as to its future proceedings, and that is what I think we should determine and decide this morning.

As I said before, the only added information that is available so far as this committee is concerned is the telegram that I have placed on the record. May we have some expression of views with respect to the future procedure of the committee and as to what it wishes to do?

Mr. McNEVIN: It seems to me, Mr. Chairman, that the committee of this year must be pretty well completed. I do not see any essential point of sufficient importance to warrant, in the first place, the expenditure of additional money at this time when we are in the closing days or weeks of the session.

Mr. PERLEY: Mr. Chairman, the date of that wire was the 23rd; what was the date of the last meeting?

The CHAIRMAN: The date of the telegram is the 23rd of May; and the last meeting, according to the report here, is May 21. I did not receive that telegram until some time during the week, I was away over the week-end and so I do not know when it arrived here.

Mr. PERLEY: Does the chairman know of any communication or wire sent out asking that the Brokers Association hold such a meeting, or does he know of any communication?

The CHAIRMAN: He certainly does not.

Mr. PERLEY: He does not know whether the minister sent a wire or asked for it or the terms of the wire?

The CHAIRMAN: No. I do not know what Mr. Perley means by that. I certainly say that so far as I am concerned, as chairman of this committee—I cannot speak for anybody else—I know of no communication being sent to my knowledge from anybody, and I would doubt very much if it had been sent by anybody such as you might suggest.

Mr. PERLEY: Any telephone calls?

Mr. DONNELLY: Does not the telegram state definitely it was on account of press reports that they saw that the meeting was held?

The CHAIRMAN: I know nothing about the sending of any communication or telegram; in fact I just did not know there was such a thing as a Futures Brokers' Association; it was never raised in this committee and I never heard it mentioned.

Mr. ROSS (*Souris*): I do not think the telegram means anything anyway; it does not say anything of what they have been doing and it has no bearing on what we have been investigating in this committee.

The CHAIRMAN: I would interpret it as an expression of past policy.

Mr. ROSS (*Souris*): I would not. If you read it carefully you see it says "is." It does not say what they have been doing in the past at all. I do not think it has any bearing.

Mr. PERLEY: It does not say anything about the years the order of reference to the committee deals with.

The CHAIRMAN: I would not attempt to interpret what they were thinking; this is what they have said.

Mr. BLAIR: Would you read it again?

The CHAIRMAN: It is on the record, Doctor. All right, I will read it again.

At a meeting of Futures Brokers' Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavouring to distribute futures brokerages as equitably as possible.

GEO. E. CATHCART, *President*,

C. L. SIMMONDS, *Secretary*,

Futures Brokers' Association.

Mr. McNEVIN: Apparently in the discussion that took place in this committee there was a suggestion of the possibility of discrimination and in that regard these various brokers in the association have expressed a definite opinion. To my mind, that is the answer.

Mr. DIEFENBAKER: Mr. Chairman, I notice where it says that the majority are of that opinion. If you are going to give any evidentiary value to that telegram then I think that the opportunity should be given to brokers to give evidence and to show whether or not there has been any discrimination. I am going to move that any six brokers from the list, as long as they are picked in sequence—you can pick them anywhere—be called and brought down here to give evidence in regard to the distribution that has been made of brokerage.

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

Mr. GOLDING: I would be definitely opposed to that. I submit, Mr. Chairman, that if any one on this committee knows of any broker being dissatisfied that is the type of broker that should be brought down. I cannot see for the life of me any sense of paying brokers' expenses down here who are satisfied. Get the ones that are not satisfied and let them state their case here.

Mr. DIEFENBAKER: Mr. Chairman, that sounds all very well, but any broker that will give evidence here, unless he is summonsed here without regard to the evidence he is going to give, is subject to penalization under the regulations of the Winnipeg Grain Exchange. That is why I suggest the picking of any six, start anywhere and take six in succession and you will get the story as to what actually has taken place during the last two years in reference to the distribution of brokerage, but if, as Mr. Golding suggests, any one particular individual is brought down here at his own request he then contravenes the

regulations of the Grain Exchange and as such is subject to the penalties covered by the regulations but when we pick any six there can be nothing unfair in that. There is no pick or choose there. It is just picking any six anywhere at all.

Mr. GRAHAM: Go fishing.

Mr. DIEFENBAKER: No, no. It will tell the whole story.

Mr. GOLDING: Mr. Chairman, just in reference to that let us get the picture. Supposing we pick six and everyone of those six come down here and tell us they are satisfied; we are going to pay their expenses down here.

Mr. ROSS (*Souris*): That won't prove that they satisfy us because they are satisfied.

The CHAIRMAN: Let us keep order, gentlemen. There is a motion before the committee and we want to dispose of it as reasonably as we can.

Mr. DONNELLY: Mr. Chairman, anyone that we would bring down from there, any private broker, he would know the amount of the brokerage that he received during the past year or two years or three years but he would not probably know a thing about what other brokers are receiving.

Mr. PERLEY: They have had a meeting and no doubt a discussion.

Mr. WARD: Mr. Chairman, I do not want to raise something here that might start a new controversy but Mr. Diefenbaker has said that we will get the story. He has repeated that. That is exactly what Mr. Hanson said on the floor of the House, "We will call the Agricultural Committee together and we will get the story." We called the committee together. We sat here. I don't know how many sittings there were but there is a large volume of evidence and we did not get any story except the story that there wasn't any discrimination. Now, why continue to say, "We will get the story." Is it not just a matter of finding that the fishing expedition was not very successful on the part of the Leader of the Opposition and instead of now being sport enough to drop it and say, "We found there wasn't any story; let us get on with the work that this session has been endeavouring to do and not prolong the sittings of this committee"—

Mr. PERLEY: Can the chairman give us any information with respect to this?

Mr. ROSS (*Souris*): In view of what Mr. Ward has said he, among other members of the committee, prevented us from getting a channel of evidence which we wanted. We moved a resolution asking for a breakdown of brokerage fees paid by the Canadian Wheat Board for a given period of time for the handling of our production or the wheat that is produced by the farmers in this country, and the members of this committee voted that we should not have it. It was not a fishing expedition. These people prevented us from obtaining the information which I, as one member of the committee, think that we, as a committee, are entitled to have. He, among other members, prevented us from getting the information.

Mr. DONNELLY: As far as I am concerned I do not feel like preventing any man from getting any information that he wants, none whatever. I was not here in the meeting at the vote.

Mr. PERLEY: How many motions did you vote down?

Mr. DONNELLY: I was not here at that meeting where there was a vote. I have been accused of voting against it but I was not here. I am saying that as far as calling these brokers is concerned or getting any information I am one of those who want to see them get what information they want, but I cannot see any sense in going to work and taking six brokers haphazardly and bringing them down here. We will probably get six duds, not one of them know a thing about it. If you want to get brokers I would suggest that we write to this organization that they have and ask them to send two representative men that know something about the brokerage business, send them down here. They have got an organization. They know their men. They know the brokerage business. Have them send them here, but I do not see any sense in going and calling on six men, none at all.

Mr. McNEVIN: Mr. Chairman, if I heard Mr. Ross right I think he spoke about these brokerage charges. As I recall the discussions I think Mr. McIvor stated definitely what these brokerage charges are per bushel or per carload and so forth. I think that is general information. Now then, on this point at issue we have a telegram in which it states that the opinion of the brokerage association is unanimous. It states in that telegram it is a unanimous decision.

Mr. Ross (*Souris*): On what, Mr. McNevin?

Mr. McNEVIN: I think the words "unanimously passed" are in that telegram.

Mr. DONNELLY: Read the telegram again.

Mr. McNEVIN: It is signed by the president and secretary of this association.

Mr. Ross (*Souris*): In view of what Mr. McNevin has just said I say that the telegram has no bearing on what we were asking for or what we were investigating. You read the telegram and see whether it has.

Mr. McNEVIN: I say it has now and I have heard it read twice.

Mr. Ross (*Souris*): It does not. It says "is". It does not say "has".

Mr. McNEVIN: Unanimously passed.

The CHAIRMAN: I point out one other thing that perhaps should be raised here, that is that the order of reference which has been questioned deals with the reports for the crop years 1939-40 and 1940-41. Technically speaking, I presume the request of Mr. Diefenbaker would be limited to that.

Mr. Ross (*Souris*): Mr. Chairman, just on that very same point will you say that wire has any bearing on that reference you just referred to?

The CHAIRMAN: I would not try to interpret what was in the minds of the people who sent the wire.

Mr. Ross (*Souris*): You can read the wire and know whether "is" or "has" are two different things.

The CHAIRMAN: I think that is a pretty small technicality to be arguing over.

Mr. Ross (*Souris*): I do not.

The CHAIRMAN: If there was dissatisfaction among the brokers so far as their organization is concerned I do not think they would quibble over words. I think they mean it to apply generally. I am speaking my own

personal opinion, and I don't know a broker on the Winnipeg Grain Exchange to my knowledge. Is there any further discussion on this motion?

Mr. RICKARD: Mr. Chairman, is there any member of the committee who knows any one of these brokers who is not satisfied? If they do, those are the ones we should have. If they have in mind any such men, then bring them down here.

Mr. DIEFENBAKER: If nobody else is going to refer to the matter before you, put the matter to a vote—

Mr. GRAHAM: Mr. Rickard's question is a very proper one. Do the ones who are supporting the resolution know of any broker and the complaint he has made or complaint he makes against the Wheat Board in the distribution of brokerage fees?

Mr. ROSS (*Souris*): Mr. Chairman, in so far as that question is concerned I am not a bit concerned with the brokers at all. I do not care whether they are satisfied or not satisfied. I am acting as a member of this committee on behalf of the producers of this country. It is their concern I am worried about.

Mr. GRAHAM: To answer Mr. Rickard's question, have you any knowledge on reasonable foundation of any brokers specifically named who have anything to substantiate a complaint against the board? Have you, personally?

Mr. ROSS (*Souris*): I don't know anything about the brokers. I don't know anything about them.

Mr. GRAHAM: Have you, Mr. Diefenbaker?

Mr. DIEFENBAKER: I don't intend to mention that for this cross-examination.

Mr. GRAHAM: Mr. Perley?

Mr. DIEFENBAKER: Just a minute; I say that these men, if their identity is revealed, are immediately subject to suspension. Mr. Ward brought up a very good point here when he said if these men were called down here, Dr. Donnelly, what difference would it make? He said that they would not be able to prove anything. They certainly would. They would be able to say whether they had been treated equitably. They would be able to tell you how much they received and if the amounts each received were anywhere near equal, then it would be fair. Mr. Ward says, "Why don't they produce the information?" On May 14 I moved, seconded by Mr. Rowe, that the board produce to this committee a complete record of all brokerage fees of all kinds and commissions paid since the outbreak of the war, the persons or corporations to whom such payments were made, the amounts paid to each and the particulars of the services rendered therefor respectively by each of the said persons or corporations. If that had been produced then we would know whether or not there was any foundation to the statement that Mr. Hanson made in the House.

Mr. WARD: You know why it was not produced.

Mr. DIEFENBAKER: It was not produced because 20 voted against its production and only 12 for.

Mr. ROSS (*Souris*): That is the only reason.

Mr. PERLEY: That will tell the tale.

Mr. GRAHAM: I would point out to Mr. Diefenbaker that Mr. Hanson was invited by the clerk to appear before the committee and thus he certainly

would have an opportunity to substantiate that allegation. He has not even seen fit to do that.

Mr. DIEFENBAKER: He is only in the position of hearsay. He gets the information.

Mr. GOLDING: Why would he make a statement casting reflection on the board based just on hearsay?

Mr. McCUAIG: Mr. Ross of Souris I think said something that certainly appeals to me, that he is interested only in the producers, that he is not interested in the brokers. If that is the feeling of the members of this committee I for one do not see why they are proceeding with any investigation in reference to any discrimination between brokers. If one broker gets more than the other, and in that case the producer is losing, then I can see some reason for it; but if the producer is not going to lose by such discrimination, why should we spend the money of this country and the time of this committee going into that question? I for one want to know in what way the producer is going to lose by any discrimination between brokers.

Mr. Ross (*Souris*): Only in this respect, Mr. Chairman, that I think it was admitted at some previous hearing that some of these brokers were paid fees by the Wheat Board where services were not rendered.

Mr. GRAHAM: No.

Mr. WRIGHT: Oh yes. That was admitted by the chairman.

The CHAIRMAN: Not this chairman.

Mr. Ross (*Souris*): No, the Wheat Board.

Mr. WRIGHT: Absolutely.

Mr. GRAHAM: Mr. Chairman, dealing with that point the sworn testimony of Mr. Findlay is that there is not one cent of the board's money paid out other than for services rendered. Like Mr. McCuaig I believe that is the crux of the whole situation and I took it upon myself to see it was made in the evidence that the statement made by Mr. Ross was incorrect.

Mr. Ross (*Souris*): That no broker of the Winnipeg Grain Exchange received fees for services not rendered.

Mr. GRAHAM: That no moneys were paid out by the board other than for services rendered.

Mr. Ross (*Souris*): Will you contradict the statement I made that certain brokers received fees for services not rendered?

Mr. GRAHAM: Mr. Ross is still begging Mr. McCuaig's point. I am amazed at the situation, Mr. Chairman. Mr. Perley opened up the discussion by suggesting that this wire was elicited by a wire from you or the chairman of the Wheat Board or the Minister.

Mr. PERLEY: There is no evidence that it wasn't.

Mr. GRAHAM: Then Mr. Ross makes a point as to the interpretation of the word "is". My answer to Mr. Ross' suggestion with regard to that word would be, of course, that if it were necessary—I don't think it is myself—to wire and ask the meaning of that word "is". That is the answer to it in order to explain the interpretation of that word "is", but I still suggest that Mr. Ross and the others are begging the fundamental point involved raised by Mr. McCuaig. Our duty was to find out if any moneys entrusted to the Wheat

Board were being spent by that board wrongly and if, as he says, the spending of that money wrongly was to the detriment of the producers of the country, and the evidence amply showed that is not the case.

Mr. DIEFENBAKER: Mr. Chairman, at page 184 on May 20 I was questioning the witness, Mr. Findlay, and I said this:—

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

Mr. GRAHAM: That is right.

Mr. DIEFENBAKER:

Q. So that in addition to the payments actually made to the individual for the services rendered there is an amount pooled among the various brokers?

Mr. EVANS: Q. In addition?—A. Yes, that is correct. That corroborates what Mr. Ross has said exactly.

Mr. WARD: Wait; Mr. Chairman, let us get this clear. If you will look up the evidence of Mr. McIvor—I cannot recall where it was—Mr. McIvor was questioned on that and he was most emphatic in stating that no additional tariffs were charged anywhere at any time to provide for that pool. The larger brokers merely distributed some of their commissions to the smaller brokers, or just those who had not rendered any service. That was made very clear by Mr. McIvor, and there was nothing more clearly submitted here, Mr. Chairman.

The CHAIRMAN: The matter is still open for discussion.

Mr. GOLDING: You were going to read that telegram again.

Mr. ROSS (*Souris*): Mr. Graham is a lawyer. He knows what the telegram means by the word "is". I know what he would argue in court.

Mr. DONNELLY: Read the telegram.

Mr. GOLDING: You do not object to that?

Mr. ROSS (*Souris*): No.

The CHAIRMAN:

At a meeting of Futures Brokers Association held this morning the following resolution was passed unanimously. Having seen press despatch reference Agricultural Committee proceedings would state that it is the opinion of the majority of futures brokers that the Canadian Wheat Board is endeavoring to distribute futures brokerage as equitably as possible.

GEORGE E. CATHCART, *President,*

C. L. SIMMONDS, *Secretary,*

Futures Brokers Association.

Mr. PERLEY: It does not say how many of the brokers were there.

Mr. ROSS (*Souris*): Mr. Graham, would you think that wire had any bearing on our terms of reference?

Mr. GRAHAM: That telegram I think—and as every member other than you three on this committee would think, I presume—is a matter for this committee to evaluate merely as a wire received by this committee from the officials of an association that exists among the brokers in Winnipeg. We can give to it any value we see fit to give, and frankly it is an expression of opinion offered to

this committee. I will agree that it does not settle the whole question but it settles it far more satisfactorily, Mr. Ross, when it is signed by the president and secretary of an organized body than any production of one or two dissatisfied brokers or satisfied brokers would. In any case in a large group of 125 brokers you know, Mr. Ross, that it would be very, very amazing, indeed, to find complete unanimity and satisfaction on the part of those 125 individuals.

Mr. ROSS (*Souris*): I will be surprised if there was over half of that number present. Furthermore, why does the wire not say, "has been" over the period of investigation? Why doesn't it? You know better than that, Mr. Graham.

Mr. PERLEY: That is the whole point, and how many were there.

Mr. ROSS (*Souris*): I know you would argue if you were in court, Mr. Graham. That wire makes no reference to the given period.

Mr. GRAHAM: Mr. Ross, I hope I am too wise a lawyer to argue that point.

Mr. ROSS (*Souris*): I know you are.

An Hon. MEMBER: Is this a fishing expedition?

The CHAIRMAN: This is an important matter for the committee's decision. Is there any other member of the committee who wishes to comment on this present motion?

Mr. GRAHAM: If Mr. Ross and the others are concerned about that word "is", that point can be cleared up by wiring the association and asking the direct question; whether they mean, is at this moment, or in the conduct of the board's business in the past and the present. That is all there is to it. It is just a simple matter.

Mr. ROSS (*Souris*): I am not a bit concerned about the wire at all. While I am a member here I would maintain that the word "is" has no bearing whatever on the terms of our reference, or what we have been investigating and until you get the wire cleared up it won't have while I am here.

Mr. DONNELLY: There is a motion before the chair and I would move an amendment to it: that you write the Futures Brokers' Association asking them to send us two brokers to give evidence.

The CHAIRMAN: To appear before the committee?

Mr. DONNELLY: To appear before the committee.

Mr. EVANS: I will second that.

The CHAIRMAN: You have heard the motion and the amendment. Perhaps we could have the clerk read them, so they will be clear to the committee.

The CLERK: Mr. Diefenbaker moved, seconded by Mr. Ross of *Souris*, that any six brokers from a consecutive alphabetical list of the grain brokers be summonsed to give to the committee their opinions on the distribution of brokers' fees by the Canadian Wheat Board during the crop years 1939-1940 and 1940-1941.

Mr. WARD: The word should be consecutive.

Mr. DIEFENBAKER: Yes, it should be consecutive, it is my fault.

The CHAIRMAN: We must have these words right.

Mr. ROSS (*Souris*): Yes, that little word "is" is a bone of contention.

The CLERK: It was moved as an amendment by Mr. Donnelly that the committee wire the president of the association to send two members of their board to appear before the committee and give their opinion.

Mr. McNEVIN: I want to say this, here we have a telegram on file passed unanimously definitely giving expression to satisfaction on the part of the

brokers' association and so at a time when we are taxing the people of this country to the very bottom of their pockets, is this Agriculture Committee going to spend \$500 to \$1,000 bringing down two members of this association to tell us what that telegram means, what it says?

The CHAIRMAN: Is there any further discussion on the amendment?

Mr. HATFIELD: If there are members of that association who are dissatisfied why don't they make representations to this committee expressing their dissatisfaction?

Mr. GRAHAM: Well then, I am sure Dr. Donnelly will realize the course now proposed would not satisfy anyone.

Mr. DONNELLY: I don't think either one of these courses will satisfy them; one or two won't do any good.

Mr. WRIGHT: I think as far as we are concerned in the opposition we would have been quite satisfied if that resolution had passed and these expenses had been tabled here and shown to us. After all it is our money. It is not government money that is being spent. I do not see any reason why we should not have the information we ask for.

Mr. GRAHAM: That point was discussed fully by the committee and it was generally decided otherwise.

Mr. WRIGHT: And that is why we have this meeting now.

Mr. GRAHAM: You should have appealed against the decision of the committee.

Mr. PERLEY: That would have cleared the whole thing up.

The CHAIRMAN: I might recall for the information of the committee that when that matter was up for discussion and some members of the committee moved to adjourn the motion was voted down; and then, the other motion, of course, had to be put. You have heard the motion and the amendment to it. I think they are both in order. Is the committee ready to vote? Is there any further discussion? All those in favour of the amendment please signify by raising their hands.

The CHAIRMAN: I have to declare the amendment lost. Is the committee ready to vote on the main motion?

Some Hon. MEMBERS: Question.

The CHAIRMAN: The question is called.

Mr. RICKARD: Would you read that motion again?

The CLERK: This is the main motion: Mr. Diefenbaker moves, seconded by Mr. Ross (*Souris*), that any six brokers from a consecutive alphabetical list of grain brokers be summonsed to give to the committee opinions on the distribution of brokerage fees by the Canadian Wheat Board during the crop years 1939-1940 and 1940-41.

The CHAIRMAN: The question has been called, all those in favour signify by raising their hands.

Mr. DONNELLY: What do you mean by the word consecutive; one following the other?

Mr. DIEFENBAKER: A, B, C, D and so forth

Mr. DONNELLY: Do you propose to take them altogether or anyway they come?

Mr. DIEFENBAKER: There will be no picking and choosing, and these fellows will be chosen without regard to their wishes.

Mr. ROSS (*Souris*): You would only pick one man out of each letter group.

An Hon. MEMBER: What are you going to get?

Mr. DIEFENBAKER: You are going to get the story.

Mr. PERLEY: I move that we have a recorded vote on this.

Mr. RICKARD: Have you any idea what it will cost to bring these men down here?

Mr. DONNELLY: I imagine it would take a couple of hundred dollars apiece.

The CHAIRMAN: Gentlemen, come to order please. The question has been called. Are you ready to vote?

Some Hon. MEMBERS: Question.

Mr. PERLEY: I move that we have a recorded vote.

The CHAIRMAN: Mr. Perley has moved that we have a recorded vote, which it is his privilege to do. Shall I call the question? We will ask the clerk then to record the vote; all those in favour please signify by answering to the clerk when he calls their names.

Committee polled and the vote was as follows:

For the motion 12; against the motion 19.

The CHAIRMAN: Gentlemen, I am obliged to say that the motion is defeated. Now, what do you wish to suggest from here?

Mr. QUELCH: Well, Mr. Chairman, I haven't any knowledge regarding the brokers, but it has been stated in this committee today that this committee was called in order that certain people would be allowed to unfold a certain story. By the action of this committee evidence which might have made it possible for that story to be told was not allowed to be given; therefore, no doubt, people in the country will feel that this committee deliberately withheld evidence in order that the story should not be disclosed. Would it not be better to rescind that former motion and even at this late date make that evidence available? If there is nothing to conceal, why conceal it? If there is, on the other hand, something being concealed, then undoubtedly the people in the country will feel that we are deliberately withholding evidence in order to cover up something of an undesirable nature.

Mr. McNEVIN: Mr. Chairman, if this is a discussion on a matter that has been settled, I think it is entirely out of order.

The CHAIRMAN: I am inclined to agree with you, unless there is such a motion made.

Mr. QUELCH: A motion to rescind would be in order, would it not?

The CHAIRMAN: No such motion, of course, has been made.

Mr. McNEVIN: I have no desire to stand on technicalities, Mr. Chairman, but I maintain that a motion to rescind is entirely out of order.

The CHAIRMAN: Gentlemen, I do wish the committee would give some direction to the steering committee or to the chair as to what further efforts it wants to have expended, or whether it wishes to draw up a draft report on the evidence that we have. What is the pleasure of the committee?

Mr. PERLEY: I just want to ask this committee, now that the members are here, in view of the facts you have had with respect to this system employed by the board, and in view of the fact that the day before yesterday I read to the House of Commons a report by the British representative that the wheat Britain is now getting from Canada is through this billion dollar gift to Britain. The Minister admitted that practically, and the Minister of Finance too.

Some hon. MEMBERS: No, no.

Mr. PERLEY: Just a minute. Well, they did not deny it. Do you really think there is any use of continuing this system of brokerage and fees that has been paid to those 120, a lot of them not doing anything? I am just going to ask the individual members of the committee, "Do you think there is any

useful purpose to be served by continuing this system, now that this billion dollar bill has gone through?"

Mr. DONNELLY: What system do you want?

Mr. PERLEY: I am only asking do you think there is any call for them to be paid in that way?

Mr. DONNELLY: Yes, I do. They have justified their existence. If they were able to save \$10,000,000 within three years, they have justified their existence.

Mr. PERLEY: That is all bunk. I have a brief right here by outstanding grain men which would show that statement is all wet.

Mr. DONNELLY: It has been definitely shown that, by having the brokers, they have saved \$10,000,000. Do you mean to say that is not justified?

Mr. PERLEY: That is all wet.

Mr. McNEVIN: It is all very well for Mr. Perley to make charges and talk about these statements when the Grain Board officials are not here to defend themselves or at least to place information before the committee.

The CHAIRMAN: I want somebody to give us some direction to the committee as to what it should do from now on, whether they want it to close up and draft a report or whether they want to continue some further inquiries.

Mr. EVANS: I move that we authorize the steering committee to prepare a report on the activities of the committee based on the evidence submitted.

Mr. ROSS: For submission back to this committee, of course?

The CHAIRMAN: Oh, quite.

Mr. ROSS: I mean, the steering committee will not present this report to the house without it coming back to the committee?

Mr. EVANS: Oh, no.

Mr. ROSS: Okay. Let's go.

The CHAIRMAN: Would you repeat your motion, Mr. Evans?

Mr. EVANS: I would move that we authorize the steering committee to prepare a report on the evidence submitted and report it back to this committee for adoption.

The CHAIRMAN: Is there a seconder to that motion?

Mr. ROSS: I will second that.

The CHAIRMAN: It is moved by Mr. Evans, seconded by Mr. Ross, that the steering committee be authorized to prepare a report on the evidence submitted, and that it be brought back to this committee. Is there any discussion on that? If not, all in favour please signify by raising their hands? Contrary, if any.

The motion was agreed to.

The CHAIRMAN: I should like to make one request of the committee with respect to the steering committee. Mr. Douglas is not going to be here. He is on the steering committee. I suggested that Mr. Wright might take his place on that. In addition to that, Mr. Dechene is not in good health and is quite unable to act. Personally, I should like to have the privilege of adding Mr. Graham to the steering committee with a view to assisting in drafting the report. Would that be agreeable to the committee?

Some hon. MEMBERS: Agreed.

The CHAIRMAN: Then if that is the decision of the committee, I presume there is nothing further to do this morning than to make a motion to adjourn.

Mr. BLAIR: I move the adjournment of the committee.

The committee adjourned at 12.05 p.m. to meet again at the call of the chair.

SESSION 1942
HOUSE OF COMMONS

STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND FINAL REPORT
No. 9

WEDNESDAY, JULY 22, 1942

Reference

REPORTS OF CANADIAN WHEAT BOARD
FOR CROP YEARS 1939-40 AND 1940-41

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

MINUTES OF PROCEEDINGS

WEDNESDAY, July 22, 1942.

The Standing Committee on Agriculture and Colonization met this day at 10.00 a.m. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Diefenbaker, Donnelly, Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright—30.

In attendance: Hon. J. A. MacKinnon, Minister of Trade and Commerce.

The Steering Committee appointed to prepare a draft report for consideration by the Committee as a whole, presented same.

The Chairman filed copies of Canadian Wheat Board's Reports for crop years 1939-40 and 1940-41; also the Minutes of Proceedings and Evidence taken before the Committee this year on the subject matter of the Order of Reference in this regard.

The Committee proceeded to the consideration of the draft report as a base for its report to the House.

At 11.00 a.m. the Committee adjourned to meet again this day at 2.00 p.m.

AFTERNOON SESSION

At 2.00 p.m. the Committee resumed. The Chairman, Mr. W. G. Weir, presided.

Members present: Messrs. Bertrand (*Prescott*), Black (*Chateauguay-Huntingdon*), Blair, Cardiff, Donnelly, Douglas (*Weyburn*), Fair, Ferron, Fontaine, Furniss, Golding, Graham, Henderson, Lafontaine, MacDiarmid, MacKenzie (*Lambton-Kent*), McCuaig, McCubbin, McGarry, McNevin (*Victoria, Ont.*), Matthews, Perley, Quelch, Rickard, Ross (*Souris*), Ross (*Middlesex East*), Ross (*Moose Jaw*), Soper, Tustin, Ward, Weir, Wright—32.

The Committee continued (in camera) its deliberations on the Draft Report and it was *Agreed* to consider it page by page, and section by section.

Pages 1-7 and sections 1-3, carried.

Mr. Douglas (*Weyburn*) moved that Section 4 be amended by deleting the words "equitable" and "equitably" on page 9 of the draft report.

Amendment negatived: Yeas, 6; Nays, 15.

Section 4, pages 7-10 carried.

At 3.00 p.m., Mr. Ross (*Souris*) moved that the Committee adjourn to meet again at 10.00 a.m. to-morrow morning, Thursday, July 23. Motion negatived: Yeas, 6; Nays, 10.

The Committee continued.

Section 5 to page 11, carried.

Section 6 on pages 11-14, carried.

Agreed,—That the Chairman authorize the insertion of a heading or a line between the conclusion of section 6 and the other matters dealt with in the concluding pages of the report.

Mr. Douglas (*Weyburn*) moved, that the words "and it is doubtful if any other agency of the Government is under closer scrutiny" be deleted from paragraph 3 on page 15 of the report. Amendment negatived.

Page 15, carried.

Pages 15-16, carried.

On motion of Mr. Ross (*Moose Jaw*),—

Resolved,—That page 17 of the draft report be amended by inserting as paragraph 3 on page 17, the following:

Your Committee was impressed, during its enquiry, with the capacity and ability of the members and officials of the Canadian Wheat Board and desires to record its opinion that the marketing of Canada's wheat is being carried out by them in an efficient and business-like manner.

Agreed,—That the final paragraph on page 17 *re* the tabling of proceedings of the Special Committee on the Marketing of Wheat and other Grains, 1936, and a copy of the Report of the Royal Grain Inquiry, 1938, be deleted.

On motion of Mr. Donnelly, seconded by Mr. Blair,—

Resolved,—That the draft report as amended, be the Committee's Report to the House.

Carried on division: Yeas, 16; Nays, 3.

Mr. McNevin (*Victoria, Ont.*) expressed the thanks of the Committee to the Chairman for the able manner in which he had presided.

The Committee adjourned *sine die*.

WALTER HILL,
Clerk of the Committee.

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

SIXTH REPORT

The Order of Reference directed to your Committee was in the following terms:—

That the reports of the Canadian Wheat Board tabled in the House of Commons for the crop years 1939-40 and 1940-41 be referred to the Select Standing Committee on Agriculture and Colonization.

Your Committee held twelve meetings with respect to this Order of Reference and three meetings concerning the Reference with respect to Bill No. 13. There appeared before the Committee as witnesses: Mr. J. H. Wesson, President, Saskatchewan Wheat Pool; the members of the Canadian Wheat Board, its controller and secretary; the members of the Board of Grain Commissioners for Canada, its secretary; and the manager of Government-owned Terminal Elevators. In addition, the Honourable J. A. MacKinnon, Minister of Trade and Commerce; the Honourable J. G. Gardiner, Minister of Agriculture; and the Honourable T. A. Crerar, Minister of Mines and Resources, gave certain information to the Committee.

The Honourable R. B. Hanson, Leader of the Opposition, was invited to attend but did not do so.

The Committee directed its attention to a review of the annual reports of the Canadian Wheat Board as referred to in the Order of Reference and matters arising therefrom. These reports contained detailed information as to the amount of wheat (actual and under future contracts) handled by the Board and its operations in the marketing of same.

The Committee gave particular attention to the allegations made by the Honourable Mr. R. B. Hanson in the speech in the House of Commons on March 17th, 1942, and which was the immediate cause of the reference being made to the committee. The allegations made by Mr. Hanson were:—

1. That the Wheat Board was carrying on its operations illegally;
2. That the Wheat Board maintained elevator companies in "unexampled luxury";
3. That an independent audit should be made of the Board's accounts;
4. That brokerage fees were paid out for no services rendered;
5. That the Board had purchased wheat illegally; and
6. That Orders in Council numbered 1800 to 1803 inclusive gave "unlimited" authority to the Wheat Board and without the assent of Parliament.

The Committee proposes to deal with each of these statements in the report.

1. *That the Wheat Board was carrying on its operations illegally:*

It was suggested that at the time of the sale by the Board of cash wheat no moneys were exchanged. The committee finds that this statement is wholly incorrect and that the Board is paid in cash for the actual wheat so disposed of and at the time of delivery, except where credit has been established by Government, e.g., sale to United Kingdom.

It was further alleged that the Board's practice of accepting at the time of the sale by it of cash wheat and in exchange a contract calling for the future delivery of a like quantity of wheat contravenes the Wheat Board Act of 1935 and the amendments thereto.

The point raised is not new and has been considered by a former committee of this House in 1936 and by the Royal Grain Inquiry Commission of 1938.

The Committee finds that when the Wheat Board Act was enacted in 1935, the Board of that day, under Mr. John I. McFarland, secured an opinion from two eminent counsel as to its authority under the Act to so operate. Each counsel gave the same opinion, to wit, that the Board had the authority to so operate in carrying out the duties imposed upon the Board of marketing Canada's wheat crop under the provisions of the Canadian Wheat Board Act.

These opinions were communicated to the then Government of which the Honourable Mr. Hanson was a member as Minister of Trade and Commerce, and the Government by its action indicated approval and acceptance of the authority of the Board in this regard.

This interpretation of the Act was accepted by the Wheat Board under the chairmanship of Mr. McFarland and that of his successor, Mr. Murray, as well as by the present Board under the chairmanship of Mr. McIvor.

The chairman of each successive Board has expressed the opinion that unless the Wheat Board Act gave the Board such authority the Act would have to be amended if the Board were to efficiently and effectively carry out the duties imposed on it by the provisions of the Act.

Every Government in office since the passing of the Act in 1935 has been aware of these operations by the Board and has concurred in the authority of the Board to so operate. There has, in fact, been no change in the policy in this regard since 1935.

The committee therefore finds that the present Wheat Board has been justified in carrying on its operations in the manner that it does; and further finds that it is not within the competence of this committee to question the legality of the authority exercised by the Board. It points out that any legal point involved, so long as the present Act remains as it is, can only be authoritatively settled by a reference to a court of competent jurisdiction.

Because of the recurrent criticism arising from this particular part of the Board's operations, the committee believes it desirable to include in this report some of the reasons why the Board up to the present has considered it necessary and advisable to so operate.

The committee is quite aware that due to abnormal world and domestic conditions affecting wheat the method of marketing Canada's wheat crop may be subject to change.

The reasons referred to are as follows:—

(a) The buying or selling of wheat for future delivery is the means whereby those engaged in the grain trade, i.e. the elevator companies, millers, bakers, importers and exporters insure themselves against loss due to unfavourable price fluctuations. All Royal Commissions examining into this practice have pronounced in favour of it as finally beneficial to the producer or consumer since it allows the purchaser of grain to narrow the price spread and give a higher price to the producer. In the case of the miller, he is permitted in contracting for future deliveries of flour to make certain of the price which he will pay for wheat and this enables him to narrow his price spread to the consumer. In each case the element of risk has been minimized.

(b) The Wheat Board has been obliged to fit into this picture if it is to utilize (as it is required to do under the Wheat Board Act) the existing "marketing agencies" in marketing Canada's wheat crop as the outstanding futures contracts are part and parcel of our wheat marketing problem.

(c) The operations of the Wheat Board are aimed to get the wheat into a favourable position, i.e. near the seaboard or milling centre where it can be sold to the consumer. The exchange of cash wheat for future

contracts is an important step in this operation since it gets the actual wheat into the hands of those, i.e. the exporter or miller, who have a direct interest in moving it to such marketable position.

(d) It is a more economical way of carrying the wheat. If the Wheat Board carries the actual wheat it must of course pay the usual storage rates thereon. It finds it profitable therefore, in a varying degree, according to circumstances, to sell the cash wheat in exchange for a future contract to owners of terminal storage space who, being desirous of using the available storage capacity, bid for the cash wheat at a price advantageous to the Board and thus to the producer or taxpayer. The transfer of future contracts from one trading month to another, e.g. from July to October, known by the trade as "spreading," is again the exercise by the Board of its judgment as to whether it is profitable so to do; in other words, the decision of the Board is determined by the condition of the market and as to whether it would be more profitable to carry the actual wheat or to carry it in the form of future contract. Illustrative of this is saving of some \$10,000,000 as elsewhere referred to in this report.

(e) Canada has at present one important export market, viz., the United Kingdom. Only 30 to 35 million bushels now go to other overseas countries. The United Kingdom has expressly intimated its desire that the facilities of the Winnipeg Grain Exchange be kept open and that the futures market be used in the matter of its purchases. With the huge surplus of wheat in United States and Argentina it is obviously wise for Canada to respect the wishes of her one remaining large customer.

2. *With respect to the allegation that the Wheat Board maintained grain elevator companies in "unexampled luxury";*

The basis of the above allegation appears to be the suggestion that the present storage and service charges made by the elevator companies are exorbitant and that the Wheat Board has been delinquent in not having these reduced.

The committee finds that the rates for handling grain are established as maximum rates not by the Wheat Board but by the Board of Grain Commissioners under the provisions of the Canada Grain Act.

The Wheat Board is required to provide facilities for handling the producers' wheat and this is accomplished each year by entering into agreements with elevator companies within the maximum rate structure established by the Board of Grain Commissioners.

The committee finds that there has been no change in service rates so far as Class "A" (car load) is concerned. A reduction in the charges on Class "B" (street wheat) has been secured by the Wheat Board with the added provision in the 1941 agreement with the elevator companies that 750 bushels or over would be considered as Class "A" wheat, thus bringing this quantity of wheat within the favoured provisions of the car load rates.

In 1940 the maximum storage charges or rates fixed by the Board of Grain Commissioners were reduced in the Western Inspection Division from one-thirtieth to one forty-fifth of a cent per bushel per day.

The Wheat Board maintains full authority and control to direct wheat out of any elevator if and when it desires. The decision as to the movement of Board wheat is thus at all times under the authority of the Board and not the elevator companies.

The evidence before the committee shows that due to the critical storage situation in 1941, and with a view towards encouraging the building of added storage by elevator companies to enable the farmers to market their quota

of wheat, the Government guaranteed to those providing this additional storage capacity that the storage rate would not be reduced for a period of two years.

The committee would point out that the elevator companies, including the producer-owned marketing organizations, are not bound to maintain the maximum charges as set by the Board of Grain Commissioners but can, on application, lower these rates.

It would appear therefore that the producer-owned marketing organizations, who handle roughly 50 per cent of the wheat marketed each year, have it within their power to determine a just and reasonable schedule of storage and service rates. Mr. J. H. Wesson, President of the Saskatchewan Wheat Pool, when before the committee gave as his opinion that the storage rates were just and reasonable under the circumstances.

The committee realizes the importance to the producers of storage and service charges and strongly recommends that the Wheat Board and Board of Grain Commissioners effect reductions in these wherever possible.

The committee further recommends that the Wheat Board consider the advisability, during the period in which a quota system of marketing is necessary, of eliminating any differential between Class "A" "car load" and Class "B" "street wheat".

3. *With respect to having an independent audit made of the Board's accounts.*

The committee finds that there has been and continues to be an independent audit made of the records and accounts of the Board by a reputable firm of chartered accountants. The present firm of chartered accountants charged with this duty was appointed by the McFarland Board in 1935 with the approval of the then Government and has ever since continued to independently audit the accounts and records of the Board.

4. *With respect to the allegation that brokerage fees were paid out for no services rendered.*

The material sections of the Canadian Wheat Board Act of 1935 are as follows:—

Section 7—The Board shall undertake the marketing of wheat in inter-provincial and export trade and for such purposes shall have all the powers of a corporation and without limitation upon such powers the following:—

(b) to buy and sell wheat provided that no wheat shall be purchased by the Board except from the producers thereof;

Section 8—It shall be the duty of the Board:—

(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";

No evidence was submitted to the committee suggesting that the Board considered that "existing agencies are not operating satisfactorily" and in fact the Comptroller of the Board gave evidence to the contrary. It is clear, therefore, that the Board, under the Act, has no alternative but to use brokers in connection with its operations.

The operations of the Board in marketing Canada's huge wheat crop is a most intricate one. The committee believes it proper to quote from the Report of the Royal Grain Inquiry Commission of 1938, page 60:—

“That there is still hedging and that the factors which better each hedger's position allow of competition among them all to the benefit sometimes of the producers, sometimes the consumer, and sometimes to both at once is apparent from the information gathered upon this Inquiry”.

Mr. Justice Turgeon, the Royal Commissioner, in the same report, quotes Dr. D. A. McGibbon with approval as follows:—

It is a task that calls for unremitting alertness and experience in the grain trade.

The above quotations indicate the importance of expert skill and experience in executing orders on the futures market, a fact which is recognized by the Canadian Wheat Board Act and in the operations of the Wheat Board as shown by the evidence submitted to the committee.

The committee points out the obvious advantage of a large operator such as the Wheat Board trading through a number of brokers in order not to disclose its operations.

The evidence given by the members of the Wheat Board to the committee shows that the Board was able to save \$10,236,530 since August 1st, 1938, by spreading future contracts from one future to another, as compared with the cost of carrying actual wheat for the same period of time. The total brokerage involved in these spreading transactions, over a period of slightly less than four crop years, amounted to \$606,182.

On the evidence presented to the committee there is no doubt that very substantial economies in operation have been made by the Wheat Board through the use of the futures market in carrying wheat in comparison with the cost of carrying actual wheat.

While the Board distributes the brokerage paid on spreading operations the brokerage is actually paid by the Trade, and in connection with such transactions the brokers are nominated by the other party to the contract. In order to effect a better distribution of brokerage the Board has made a ruling that no one broker may be nominated for more than a 300,000-bushel spread in any one transaction.

The evidence given to the committee shows that 80 per cent of the total of the futures brokerage fees paid out by the Board is paid for transactions in which the other party to the contract actually pays the brokerage fees and as a result has the right to nominate the broker or brokers employed in completing the transactions on the futures market.

The Board indicated that the procedure adopted of its distributing the brokerage actually paid by the Trade is advantageous as it permits the Board to complete the actual transaction on the futures market at a time and under circumstances advantageous to the Board in its task of marketing the whole of Canada's wheat crop.

The balance of the futures brokerage fees paid out results from the sale of futures contracts by the Board, e.g., to the exporter, millers, etc., and is, of course, paid by the Board. This brokerage is distributed equitably by the Board among the brokers who may not have taken part in the making of a particular trade at a particular time but who, nevertheless, are part of the machinery of the trade and would participate directly in other trades.

It is the above practice of equitable distribution that gives rise to the suggestion that certain brokers receive moneys from the Board for no service rendered.

The committee finds that the main point to be kept in mind in regard to distribution of brokerage is that the method of distribution does not affect the total amount of brokerage paid, either by the Board or by the Trade. It is a question of the number of brokers who share in brokerage payments. It is obvious that as soon as the Board attempts to introduce an equitable distribution among the brokers it is in the position of paying brokerage on particular transactions to brokers who may render no service on that particular transaction. The committee notes that the alternative would be a greater inequality among the brokers in the matter of distribution of the brokerage and that the Board, therefore, is discharging its duty under the Act more properly when it attempts the equitable distribution of brokerage fees.

During the course of the committee's inquiry the Chairman of the Wheat Board was asked to furnish a statement of the individual amount paid out to each broker by the Board. The Chairman intimated his willingness to give this information if the committee so desired but also intimated his own opinion and of the members of the Wheat Board that the giving of such information would have an adverse effect upon the Board's operations upon the futures market and the relationship of the Board with the brokers used in connection with the Board's operations. The Chairman's statement is as follows as reported on page 59 of the Minutes of Proceedings and Evidence:—

The Board has been asked to give a statement of the amount of brokerage paid to individual brokers by the Canadian Wheat Board. In regard to this request I have a list of brokers and the amount of brokerage which they received in connection with Wheat Board operations. The Board is prepared to make this information available, but it will have to be on the responsibility of this committee. There are 85 futures brokers and 24 cash wheat brokers operating on the Winnipeg Grain Exchange. As I have indicated the Board is using these brokers to a very great advantage. The Board is using these brokers from day to day, and is trying to be impartial in the payment of brokerage and at the same time use its best judgment as to how brokerage should be paid and recognize efficiency and capability on the part of individual brokers. To make public the amount of brokerage paid to each individual broker would have repercussions far beyond the confines of this committee. It would have an adverse effect upon the Board's operations in the futures market and the relationship of the Board with the brokers used in connection with Board operations.

In addition, as I have already pointed out, a large percentage of brokerage is paid by the grain trade, including farmer-owned companies, and the Board's function is merely one of distribution. I am sure that the committee will appreciate the danger of misinterpretation being placed upon such a statement of brokerage payments—not by the committee, but by those who would detach details of such a statement from the explanations made before this committee.

I might add that this matter came up in connection with the 1936 Select Special Committee of the House, and that committee did not press for a statement of brokerage paid to individual brokers.

After due consideration the committee on division decided, in view of the statement made by the Chairman of the Board, that the information should not be furnished.

The committee satisfied itself however that all brokerage fees paid out by the Board were for services rendered in connection with the Board's operations by the brokers as a whole. These payments out were checked and certified as correct by the auditors of the Board.

The committee points out the chief function of the Canadian Wheat Board is to protect and further the interests of the wheat producer, and that it would be

unwise to hamper or embarrass the Board in carrying out this primary purpose. The distribution of brokerage fees is a matter that in the opinion of the committee can safely be left to the Wheat Board.

5. *That the Board had purchased wheat illegally:*

The evidence taken by the Committee shows that the Board has not purchased wheat from other than producers except under the authority of P.C. 1803 dated March 9th, 1942.

This Order in Council specifically empowered the Board to purchase wheat from other than producers. It also gave the Board wide powers to take whatever action was deemed necessary to prevent anyone making unearned profits because of change of initial payment from 70 to 90 cents per bushel.

The committee is of the opinion that when the Wheat Board Act was amended in 1942 increasing the initial payment from 70 to 90 cents per bushel the Government, in order to protect the public interest, had to immediately give the Wheat Board power to prevent speculators and others from making unearned profit as a result of this statutory change.

6. *As to the allegations respecting Orders in Council numbered 1800 to 1802 inclusive:*

Order in Council No. 1800—provided for the taking over by the Wheat Board of all flax seed and flax contracts in Western Canada, and to prohibit future trading in flax. The Order in Council also authorized the Wheat Board to purchase all flax marketed in Western Canada during the crop year 1942-43, at a price of \$2.25 per bushel, basis No. 1 C.W. flax at Fort William.

Order in Council No. 1801—empowers the Wheat Board to buy barley whenever the spot price for first-grade barley is 60 cents per bushel, basis in store Fort William or Port Arthur, and to buy oats when the spot price of first-grade oats is 45 cents per bushel. Authority is also given to arrange the spreads between the different grades of both these grains.

Order in Council No. 1802—provides authority for the regulation and restriction of deliveries of wheat, oats, barley, rye and flax seed. It requires producers to secure a permit from the Wheat Board before delivering any of these grains to either elevators or mills. This Order in Council provides for what is generally known as the "quota" system of delivery, and was necessary because of the limitation of wheat deliveries in Western Canada for the crop year 1942-43 to 280,000,000 bushels.

The committee is of the opinion that all of the above Orders in Council were necessary in order to protect the public interest and to enable the Wheat Board to carry out the new duties assigned to it of controlling the marketing of flax and coarse grains in the crop year of 1942-43.

The question of keeping open the Winnipeg Grain and Produce Exchange was also raised during the committee's inquiry. The Minister of Trade and Commerce read to the committee the material portion of a cabled message from the Import Cereals Division of the Ministry of Food of the United Kingdom. The Honourable J. G. Gardiner and the Honourable T. A. Crerar were each questioned as to their personal experience in discussing this matter during their visits to the United Kingdom. Mr. J. H. Wesson, President of the Saskatchewan Pool Elevators Association, advised the committee that his organization was in favour of closing the Winnipeg Grain Exchange but having been appraised of the contents of the cablegram referred to had not pressed the matter further.

The cablegram referred to was dated July 23rd, 1940, and read as follows:—

Please transmit to Government the following message dated 23rd July from Cereal Imports Branch Ministry Food quote This branch of the Ministry of Food is desirous that the Winnipeg futures market be kept open to enable the free movement of grain through normal trade channels stop It feels it is only by this method this country can secure shipment of the maximum quantity of Canadian grain and under present conditions hesitates to experiment with the delicate trade mechanism Signed on behalf of the committee A. Hooker, Deputy Director, Cereal Imports.

The evidence further discloses that on May 15th, 1942, the Chairman of the Board, at the request of the Honourable Mr. MacKinnon, Minister of Trade and Commerce, cabled the London agent of the Wheat Board as follows:—

Agricultural Committee of House of Commons in session here now and Minister of Trade and Commerce read into record your cable of July 23rd, nineteen forty, to me expressing Cereals desire that Winnipeg futures market be kept open stop Some members of committee questioned whether this expresses present view of Imported Cereals Division Ministry Food and Minister requests that you ask them to cable me the present official view of Ministry Food regarding Winnipeg futures market stop Would appreciate reply by Monday morning eighteenth May.

The following reply was received on May 16th, 1942:—

Answering yours fifteenth Ministry Food official reply follows, quote "Reference Biddulph's request from your Minister would say that the Imported Cereals Division of the Ministry Food are of the same precise opinion as that expressed in our cable of twenty-third July nineteen forty. In fact our experience of the last two years more than confirms our original view. Signed on behalf of the committee, A. Hooker, Deputy Director, Imported Cereals Division."

The committee is of the opinion that in the light of the information contained in the cablegrams referred to no other course is open to Canada than to carry out the express desire of the British Government.

The committee also inquired into the matter of the advisability of disclosing the price being paid by the Import Cereals Division of the Ministry of Food of the United Kingdom for Canadian wheat. Upon receiving the information from the Minister of Trade and Commerce that the British Government had specifically regulated that the price be not disclosed, the committee was of the opinion that no useful purpose would be served by pursuing the matter further.

The committee had before it members and officials of the Board of Grain Commissioners who reviewed the operations of the Government-owned terminal elevators under the control of the Board and dealt, in particular, with the lease of one of these to the McCabe Brothers Elevator Company, Limited.

The committee was furnished with information as to the history of the contract between the Board of Grain Commissioners and the McCabe Brothers Elevator Company, Limited, with regard to the rental to the McCabe Elevator Company, Limited, of the Government-owned terminal elevator at Port Arthur.

The evidence given to the committee shows that in normal times and in particular in small crop years the policy of the elevator companies is to use terminal elevator space owned or controlled by the individual company. The result is clearly shown in the financial history of the Government-owned terminal elevator referred to. In the early years it made a reasonable return on the capital investment but as more storage facilities were built by elevator

companies and producer organizations at the head of the lakes with feeder systems throughout Western Canada it became apparent that the storage space provided by Government-owned terminal elevators would only be used when other terminal space was filled and that operation by the Government would not likely be profitable.

In 1933 the Board of Grain Commissioners asked for tenders for the rental of the terminal elevator referred to. None of the tenders submitted was satisfactory and the Board notified those who tendered that fresh negotiations would have to take place. McCabe Brothers Company, Ltd., was the only tenderer who expressed a desire to negotiate a lease.

As a result of these negotiations the elevator was leased to McCabe Brothers Ltd. for one year with an option to renew the lease for one or two years. The company exercised this option. The second lease became operative from the first day of August, 1934, and was for a period of two years with an option to renew for a further three years. The company again exercised its option. The third lease was executed and ran from the first day of August, 1936, to the first day of August, 1939. This lease did not contain any renewal option. However, during the crop year 1937-38 the company approached the Board of Grain Commissioners with a proposal that the Board should install additional cleaning facilities for which the company was prepared to pay an increased rental. As a result of these negotiations the old lease was cancelled and a new lease entered into which ran from August 1st, 1938, to August 1st, 1944.

The net result of the lease arrangement with McCabe Brothers Company, Ltd. has been an annual yield to the Board of Grain Commissioners of approximately four and two-thirds per cent on the investment after allowance for depreciation.

The Committee finds that at the present time it might be profitable for the Board of Grain Commissioners to operate this terminal elevator because of the abnormal amount of wheat being carried in storage in Canada.

It is assumed however, that this abnormal carry over will not be permanent and in fact will be reduced to a normal carry over within a reasonable time.

In normal times and with a normal carry over, as was the case when the lease was entered into, the committee is of the opinion that the Board of Grain Commissioners was properly advised in entering into this lease arrangement.

The annual reports of the Wheat Board carry in extended detail the accounts of the Board's operations. The Board also makes weekly reports to the Minister of Trade and Commerce besides conferring regularly with the Wheat Committee of the Cabinet. A Wheat Advisory Committee composed of representatives of the producers and the grain trade has been set up to advise and assist the Board. The Board's policy has been carried out with the full knowledge and approval of the Government, and it is doubtful if any other agency of Government is under closer scrutiny.

Unwarranted attacks on the Board, in the performance of its duty in carrying out Government policy, are not only unjustified but are definitely harmful and liable to shake the confidence of the producer and the taxpayer of the country in the integrity of the Wheat Board officials. As evidence of this contention the Committee cites four statements relative thereto. The first is an editorial appearing in the *Winnipeg Tribune* under date of March 19th, 1942, which reads as follows:—

As a result of criticism voiced by Hon. R. B. Hanson, Opposition Leader, there is to be an inquiry into the operations of the Wheat Board. Trade Minister MacKinnon has promised that members of the Board and also of the Board of Grain Commissioners would be called as witnesses before the House Committee on Agriculture.

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

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

The Opposition Leader appears to believe that there is something irregular in the use by the Wheat Board of the Clearing House facilities of the Grain Exchange. As a matter of policy the facilities of the grain trade have been and are being used not only by the Wheat Board but also by the Governmental Cereal Import Committee in Great Britain. It should have been possible for him to criticize that policy without throwing out vague suggestions of illegality and malfeasance on the part of the men who are carrying out that policy. Mr. Hanson should submit specific charges or withdraw his implications.

The second is a statement of Mr. John I. McFarland referred to in the report of the Royal Grain Inquiry Commission of 1938, and is as follows:—

Harmful Intrusion of Politics

In 1930 our country was facing a crisis, and it never occurred to me that politics would be a disturbing factor. Had I known such a situation would develop I would not have undertaken the job, for I am not a politician and have never had political aspirations. However, I do wish to acknowledge the fact that I received from all political parties a remarkable measure of tolerance and support up to 1934-35, or just prior to the time when the next Federal Election became an interesting subject. As a result of this intrusion of politics the problem was made increasingly difficult and complex. Continuous and widespread criticisms appeared in newspapers and periodicals, and not only created suspicion and misapprehension among the people of Canada but also tended to destroy confidence in importing countries, as well as in other exporting countries.

The third is a statement by Mr. J. R. Murray and also referred to in the report of the same inquiry. It is as follows:—

The criticism which has been directed against our operations illustrates what will always be one of the greatest difficulties confronting any Government Board, viz., satisfying the producer and Parliament. Wheat is a commodity subject to the play of constantly changing conditions. In selling wheat the very nature of the problem—when, how much and at what price to sell—is such that there must always be differences of opinion as to the best course to follow. Any Board has to reach decisions and act in the light of facts and possibility as they see them and honest criticism, no matter how severe, need not be a cause of concern to anyone. There is another class of criticism. Some individuals for reasons best known to themselves, make their contribution to our wheat problem in

the form of speeches or statements containing what can only be described as false statements. As people will listen to them and believe them, ignoring them simply assists them in killing the operation of the system they profess to uphold. It may be important to assess the probable effect of continued criticism on any future Wheat Board in their handling of the particular marketing problems that they will have to deal with from time to time.

The fourth is the comment by Mr. Justice Turgeon in the Report referred to.

It is perhaps impossible to exclude any Government appointed body from public criticism; but the fact that the members of such a body will sometimes believe and feel that the criticism to which they are subjected is unfair and of a nature to mislead those whom they are trying to serve, is something that will surely militate against the continued efficient performance of their duties. All this is bad for the producer. His interests are best served when politics are dissociated from his business.

With a view to avoiding to some extent unwarranted and unfounded criticism and in an attempt to maintain the confidence of both the producer and the taxpayer in the Wheat Board and its officials the committee recommends that the annual reports of the Board be referred early in each year to a committee of the House of Commons.

Your committee was impressed, during its enquiry, with the capacity and ability of the members and officials of the Canadian Wheat Board and desires to record its opinion that the marketing of Canada's wheat is being carried out by them in an efficient and business-like manner.

The committee files along with its report a copy of the evidence and proceedings taken before the committee and the reports of the Canadian Wheat Board for the crop years 1939-40 and 1940-41.

Respectfully submitted,

W. G. WEIR,
Chairman.

