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Canada. Parliament. H. of C.  
Special Comm. on Canadian Grain  
Board Act.  
Special Committee.

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Canada. Parliament. H. of C.  
Special Comm. on Canadian Grain  
Board Act.

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THE  
STATE OF TEXAS

COMMISSIONERS OF THE GENERAL LAND OFFICE

1914

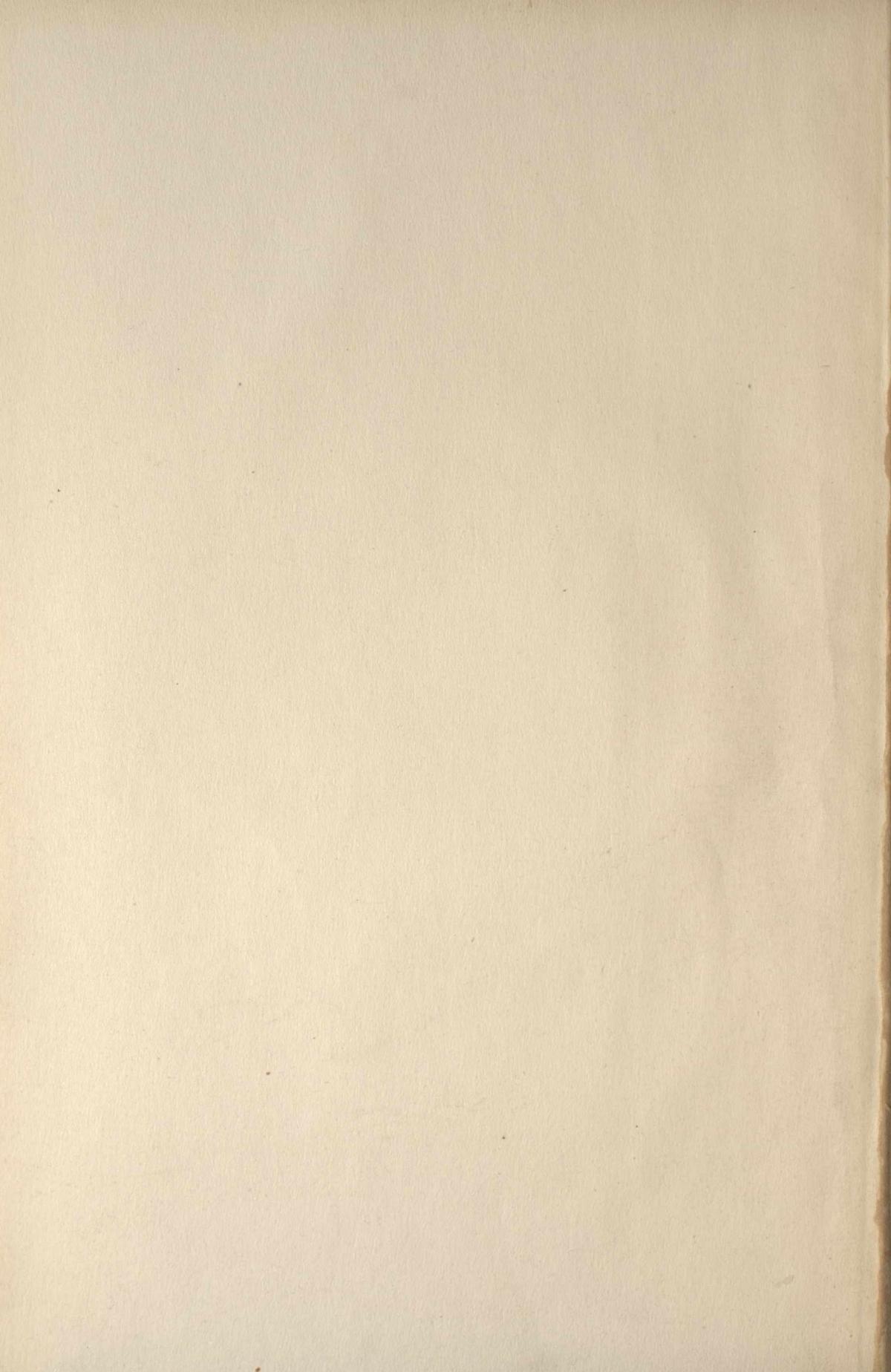
LAND GRANT UNDER THE  
LAND GRANT ACT

TO THE STATE OF TEXAS

FOR THE

STATE OF TEXAS

1914



SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 1

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TUESDAY, JUNE 18, 1935

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Exhibit "A"—Requisition filed by Mr. Ralston.

OTTAWA  
J. O. PATENAUDE, I.S.O.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1935



## ORDER OF REFERENCE

HOUSE OF COMMONS,

FRIDAY, June 14, 1935.

*Resolved*,—That Bill No. 98, An Act to provide for the Constitution and Powers of the Canadian Grain Board be referred to a Special Committee consisting of Messrs. Bennett, Gobeil, Lucas, Perley (*Qu'Appelle*), Porteous, Ralston, Stewart (*Edmonton West*), Vallance and Willis, with power to send for persons, papers and records, and to report from time to time.

*Attest.*

ARTHUR BEAUCHESNE,  
*Clerk of the House.*

## FIRST REPORT

HOUSE OF COMMONS,

Thursday, June 20, 1935.

The Special Committee on Bill No. 98, Canadian Grain Board Act, begs leave to present its First Report as follows:—

Your committee recommends that it be given leave to print its day to day Proceedings and Evidence, 800 copies in English and 250 copies in French, and that Standing Order 64 be suspended in relation thereto:

Also that leave be given to sit while the House is sitting.

All of which is respectfully submitted.

R. B. BENNETT,  
*Chairman.*

## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

Tuesday, June 18, 1935.

The meeting came to order at 10.30 a.m.

Members present:—Messrs. Bennett, Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance, Willis.

Mr. Bennett was elected chairman.

Discussion took place as to procedure and evidence and interests desiring to make representations on the bill.

Mr. Isaac Pitblado, K.C., appeared and stated the Winnipeg Grain Exchange and some grain dealers wished to make representations.

Mr. Mackenzie, M.P. (*Vancouver Centre*) asked that the Vancouver Grain Exchange and other interests from British Columbia be permitted to address the committee.

It was agreed that these interests should be heard at the next or subsequent meetings, on the appropriate clauses of the bill.

Mr. Ralston read and filed a statement of information he required produced. Decision as to production was deferred.

Meeting adjourned till Thursday, June 20 at 10.30 a.m.

A. A. FRASER,  
*Clerk of Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 18, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board, met at 10.30 a.m.

Right Hon. Mr. BENNETT: Gentlemen, pursuant to the notice I gave in the House yesterday, and as the convenor of the committee, notice has been sent to all the members of the select committee to which was referred Bill number 98. The first business is the election of the chairman.

Moved by Mr. Willis, seconded by Mr. Gobeil, that Mr. Bennett be chairman.—(Agreed).

The CHAIRMAN: Gentlemen, will you come to order. Bill number 98 which has been referred to this committee will be taken up section by section, I assume. It may be that there are those who desire to be heard before the committee with respect to various sections of the bill; if they so desire it might be well for them to state that fact, and we will make arrangements accordingly. If there is anyone present who desires to represent any interests we should be glad to know their wishes.

ISAAC PITBLADO, K.C. (*Winnipeg*): Mr. Chairman, I represent the Winnipeg Grain Exchange, and I can say to members of the committee that the Exchange would like to make some presentation, and I think, also some of the grain dealers might wish to make a presentation to the committee if the committee is willing to hear them.

The CHAIRMAN: Then I take it that you are willing that Mr. Pitblado should represent the Winnipeg Grain Exchange.

Mr. PITBLADO: I am not suggesting that; if witnesses appear they will be members of the Exchange.

The CHAIRMAN: We cannot hear them all, Mr. Pitblado.

Mr. PITBLADO: No. I am not suggesting that. Certain representatives—I think, perhaps, the president of the Exchange, will make a presentation on behalf of the Exchange. I think he would like to make a statement, and I think some of the grain dealers would like to appear.

The CHAIRMAN: As distinguished from the Exchange?

Mr. PITBLADO: They may have different individual views, Mr. Chairman; that is, the Exchange as an exchange would make a presentation, and I think, then, some others might like to make a presentation because they comprise a very large number; and that is what I submit to the chairman.

The CHAIRMAN: What is your will, gentlemen? Is it that the Grain Exchange be heard through its president at the appropriate time?

Mr. WILLIS: I think the Grain Exchange should be heard. (Agreed).

The CHAIRMAN: It may be noted that the president of the Grain Exchange will appear at a time that will be agreed upon to present the views of the Grain Exchange. With respect to the grain dealers, it seems to me there has to be some limitation placed upon the numbers.

Mr. PITBLADO: I think that can be arranged. There is no desire that there should be repetition. That is one of the things I would like to say now—that certain representative gentlemen will appear before you—I cannot say how many, but the number will be limited to as few as possible.

The CHAIRMAN: That can stand for the moment.

Hon. Mr. MACKENZIE: Mr. Chairman, there are two gentlemen from British Columbia who desire to be heard—Robert McKee, representing the Vancouver Grain Exchange, and Stanley McKeen, M.L.A., representing interests of Vancouver as a port generally and certain interests on behalf of the people of British Columbia. I do not know what the representations will be, but those gentlemen will be here tomorrow morning.

The CHAIRMAN: Do you know any more about them than that?

Hon. Mr. MACKENZIE: I think they represent the port of Vancouver and some people from the interior of British Columbia.

The CHAIRMAN: That matter can be arranged later. We will take this bill up section by section, and at the appropriate section those who desire to make representations can do so. I fancy that will be the correct course.

Mr. PITBLADO: I think our representations, if I am permitted to suggest, will be general on the whole bill.

The CHAIRMAN: That will be section 3, probably, "There shall be a board to be known as The Canadian Grain Board . . ."

Mr. PITBLADO: I do not suppose you, sir, would want to limit the laymen in any presentation they had to make on any particular section?

The CHAIRMAN: No; but, Mr. Pitblado, it is quite essential that we should direct their attention to this bill. This bill is what has been referred to this committee—not something else—and section 3 of the bill creates a grain board, and the Winnipeg Grain Exchange holds views in opposition to the creation of that board. They sent me a typewritten memorandum, I think—perhaps it was the Board of Trade—but I think they desired to make a presentation.

Mr. PITBLADO: I do not think the Exchange sent you anything.

The CHAIRMAN: Who is Mr. Gilliat?

Mr. PITBLADO: He is secretary of the Winnipeg Board of Trade.

The CHAIRMAN: That is where the representations came from.

Mr. PITBLADO: He has nothing to do with the Winnipeg Grain Exchange.

The CHAIRMAN: Are there any others who desire to be heard as representing any interests that are affected? Now, Mr. Pitblado, when will your people be prepared to make their representations?

Mr. PITBLADO: They are desirous of doing so as early as possible, but the difficulty to doing so is that they did not see this bill—I never saw the bill until Friday of last week. It is not a matter that can be prepared in a hurry; they do require still a little time to complete their presentation; but we are in the hands of the committee in that respect. We would like a little more time for preparation.

The CHAIRMAN: What do you suggest?

Mr. PITBLADO: I think that we will require at least a couple of days.

The CHAIRMAN: Would Thursday at 10.30 suit you?

Mr. PITBLADO: The time is pretty short, that is all I can say, from what I know of it. I think we really would like a couple of days for preparation instead of one day and to-day. We have to communicate with Winnipeg. We have to get a lot of information from Winnipeg, and it is very difficult over the long distance telephone to get the information we want. To come here unprepared would not be very useful to the committee. I would rather sit on Friday.

The CHAIRMAN: Are there any of the grain dealers here?

Mr. PITBLADO: Some of them; but they are in the same position. They jumped on the train and they are getting information from Winnipeg.

The CHAIRMAN: Are the Vancouver people here?

Hon. Mr. MACKENZIE: They will be here tomorrow morning. I think they will be prepared to go on any time.

The CHAIRMAN: That is after tomorrow?

Hon. Mr. MACKENZIE: Possibly tomorrow.

The CHAIRMAN: Had we better adjourn until tomorrow? Mr. Mackenzie thinks that possibly the two representatives from British Columbia could then be heard, and we will take the second section of the bill and go down to the third section, then we will hear them. Would that be satisfactory?

Hon. Mr. RALSTON: Could we make it plain now so that we would know whether we are sitting on Thursday?

The CHAIRMAN: I am trying to find out if there is anybody ready to go on tomorrow or Thursday, and Mr. Mackenzie thinks—

Hon. Mr. MACKENZIE: I have no assurance, but I presume they will be ready.

The CHAIRMAN: Would you sooner take Thursday?

Hon. Mr. MACKENZIE: Possibly Thursday.

Mr. WILLIS: Thursday and Friday.

Mr. PITBLADO: If we have anybody ready by Thursday we will try to facilitate the committee by then.

The CHAIRMAN: Is there anything further to be said with respect to this matter?

Hon. Mr. RALSTON: Mr. Chairman, at some time I would like—and I think some other members of the committee would like—to have information with regard to the operations of the Canadian Co-Operative Wheat Producers' Limited, the operations of which are to be taken over under section 7-B. I am mentioning them now in order that we may save time. The matter could wait until that section comes up.

The CHAIRMAN: Quite so.

Hon. Mr. RALSTON: I have prepared a memorandum of the information which I think the committee should have. It occurred to me that it is quite possible that the information might be submitted by memorandum rather than by witnesses. I am not concerned, because I am informed that the government, either directly or through the Canadian Co-Operative Wheat Producers' Limited, will have the information on hand, and I prepared a memorandum of the information desired which I will read to the committee and which I will file with the secretary.

The CHAIRMAN: You might file it.

Hon. Mr. RALSTON: "Copies and particulars of all guarantees given to the banks from January 1, 1931, up to May 31, 1935, whether in writing or verbal."

The CHAIRMAN: Those are already filed in the Banking and Commerce committee up until 1934.

Hon. Mr. RALSTON: I have a recollection that those were the orders in council.

The CHAIRMAN: That constitutes the guarantee.

Hon. Mr. RALSTON: I thought there must be some communication with the bank.

The CHAIRMAN: It was all covered by order in council prepared by Mr. Ross and Mr. Rogers. Sometimes there was a delay in getting it done, but there was always an order in council.

Hon. Mr. RALSTON: I am speaking of the communication between the government and the bank in implementation and pursuant to the authority of the order in council.

The CHAIRMAN: That is a matter of documents.

Hon. Mr. RALSTON: What I am asking for is copies and particulars of all guarantees given to the banks as distinct from the orders in council which, I presume, are the foundation of those guarantees.

The CHAIRMAN: The banks received the orders in council as a guarantee.

Hon. Mr. RALSTON: And did no letter accompany them at all.

The CHAIRMAN: There may be a letter transmitting them.

Hon. Mr. RALSTON: Yes. I think I have in mind that somebody contended that orders in council without communication and intimation that they were to be depended on were not guarantees in the proper sense. They do not constitute a guarantee. The members of the committee who are associated with me would like to have:—

Particulars of instructions or communications, verbal or written, to the banks or the Canadian Co-Operative Wheat Producers' Limited, or to Mr. McFarland, indicating any limitation in money or quantity of wheat to be covered or dealt with under any of such guarantees.

It is apparent that the orders in council do not contain any limitation and the information asked for there is whether there were instructions either in writing or verbally to the banks or to Mr. McFarland intimating that this guarantee was to cover only so many bushels or so many dollars.

Amount of wheat as of July 31st, 1931, for which Canadian Co-Operative Wheat Producers Limited had become responsible, with average cost per bushel as of that date.

That is to say, it is apparent that the Orders in Council do not contain any limitation of the information asked for as to whether there are instructions either in writing or verbal to the banks or to Mr. McFarland intimating that this guarantee was only to cover so many bushels or so many dollars.

Amount of wheat disposed of by Canadian Co-Operative Wheat Producers Limited each month between August 1st, 1931, and June 1st, 1932, with the amount on hand at the end of each month and price of nearest future at end of each month.

Amount of wheat acquired or disposed of during each month, week or day as indicated below, by Canadian Co-Operative Wheat Producers Limited, with the amount on hand and price of nearest future, at end of each month, week or day as the case may be:—

June 1st, 1932	} By months	Nov. 1st, 1933	} By months
to December 31st, 1932		to Mar. 1st, 1934	
December 31st, 1932	} By weeks	Mar. 1st, 1934	} By weeks
to November 1st, 1933		to Aug. 31st, 1934	
Week ending July 22nd, 1933	} By days	August 31st, 1934	} By months
		to May 31st, 1935	

Approximate average cost per bushel of all wheat being carried by Canadian Co-operative Wheat Producers Limited as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Approximate average cost per bushel of all wheat acquired by Canadian Co-Operative Wheat Producers Limited, after July 31st, 1931, and being carried as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Approximate average cost per bushel of old Pool wheat being carried by Canadian Co-Operative Wheat Producers Limited, as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Amount of total liability of Canadian Co-Operative Wheat Producers Limited, as guaranteed by Canadian Government to banks as of

July 31, 1931	Aug. 1, 1933
Aug. 31, 1931	Aug. 31, 1933
Dec. 31, 1931	Sept. 30, 1933
July 1, 1932	Oct. 31, 1933
Dec. 31, 1932	Nov. 30, 1933
May 1, 1933	Dec. 31, 1933
June 1, 1933	Jan. 31, 1934
July 1, 1933	Feb. 28, 1934
July 14, 1933	Mar. 31, 1934
July 16, 1933	Apr. 30, 1934
July 17, 1933	May 31, 1934
July 18, 1933	June 30, 1934
July 19, 1933	July 31, 1934
July 20, 1933	Aug. 31, 1934
July 21, 1933	Oct. 1, 1934
July 22, 1933	Dec. 31, 1934
	May 31, 1935

The CHAIRMAN: Well, we do not propose to give all the information, I say at once; we would be here all summer. We are not here to investigate that. The opportunity was afforded the members to inquire into that the early part of the session if they so desired. We shall offer such information as may be necessary to afford this committee the opportunity to determine, whether or not, under the provisions of the section dealing with the taking over of this property, a clear appreciation of what is involved.

Hon. Mr. RALSTON: To have a clear appreciation of what is involved the information just asked for here is necessary. And I want to say to you that I do not think there is any difficulty, or there will be any difficulty whatever in a very short time furnishing this information, if the government have the records.

The CHAIRMAN: We have not, and never have had the records.

Hon. Mr. RALSTON: That means simply that the government have been allowing those operations to go on without supervision of the acquisition of the wheat and the liabilities involved.

The CHAIRMAN: They received reports from the auditors, Peat, Marwick, Mitchell and Company and from the chairman of the lending banks, and these reports are available.

Hon. Mr. RALSTON: I am asking here, generally speaking, for reports of operations for a monthly period.

The CHAIRMAN: No, daily.

Hon. Mr. RALSTON: One week daily only.

The CHAIRMAN: The limitation of one week daily makes it easier to supply the information, but we have not the records here. All we receive is the daily report of the chairman of the lending banks, which indicates the extent of the dealings and the extent of the quantity carried. These are available, as they have been received from the auditors, Peat, Marwick, Mitchell and Company, and from the chairman of the lending banks.

Hon. Mr. RALSTON: Where do we get the particulars?

The CHAIRMAN: They would have to come from Winnipeg.

Hon. Mr. RALSTON: Would there be any difficulty about that?

The CHAIRMAN: There may be. Mr. McFarland is in bed and has been for three weeks. The doctors say he cannot be up before the end of the week. Those facts would have been available in an investigation of this business in the last four or five years. This is an investigation of what is to be taken over by the Grain Board constituted by section 3.

Hon. Mr. RALSTON: I understand that, exactly.

The CHAIRMAN: What the liability assumed is and what the number of bushels are; but the investigation before the Banking and Commerce Committee a year ago covered practically the same field as you are covering now in your memorandum with the exception that the committee decided they would not give the amount involved or the number of bushels.

Hon. Mr. RALSTON: At the suggestion of the Minister of Finance.

The CHAIRMAN: No, not so; not true, that.

Hon. Mr. RALSTON: I beg your pardon; the record says that.

The CHAIRMAN: The record does not say it was his suggestion.

Hon. Mr. RALSTON: I will let the record speak for itself.

The CHAIRMAN: I think it would be much better if it did. Then, there were others who were present there. He did not make any such suggestion. It is unworthy to make such a statement.

Hon. Mr. RALSTON: I beg your pardon.

The CHAIRMAN: I say it is an unworthy statement.

Hon. Mr. RALSTON: I will let the record speak for itself. It may be the Chairman who made the suggestion, one or the other.

The CHAIRMAN: It is another thing altogether to say the chairman said it and to say it was said by the Minister.

Hon. Mr. RALSTON: It is quite sufficient for me.

Hon. Mr. STEWART: Surely, we have arrived at a stage in the proceedings of the operations of this Co-operative Wheat Producers Limited where we are entitled to have information with respect to their dealing.

The CHAIRMAN: You may, in the proper place and at the proper time, before a committee of the House of Commons. This committee has had this bill referred to it. The Agriculture Committee or the Banking and Commerce Committee has been available to supply that information.

Hon. Mr. STEWART: This bill has not been proceeded with before. It was introduced and allowed to remain lying there; no one knew what the contents of it were to be.

The CHAIRMAN: To establish a Grain Board.

Hon. Mr. STEWART: Which may mean much or little, and apparently it means much.

The CHAIRMAN: There is nothing difficult in it.

Hon. Mr. STEWART: Let us clearly understand the situation. We are only going to be given such information as the committee in its wisdom allows us to have.

The CHAIRMAN: No; whatever is necessary for the purpose of enabling this committee to deal with the provisions of this Section; namely the turning over to the Board of the business of the Canadian Co-operative Wheat Producers Limited with the bushelage and the liability that is involved. But that does not involve the question of the examination of the operations from the date they came into being. That is a matter that might have been begun at any time during this session.

Hon. Mr. RALSTON: Take it over as a pig in a poke, white-wash the situation and leave it for examination afterwards.

The CHAIRMAN: If that is the attitude from which the hon. gentleman approaches it, we will approach it from that attitude as well. He has filed his statement; that is all, nothing more to be said.

Hon. Mr. RALSTON: There is considerably more to be said. I am not only filing the statement, I am asking for information to be furnished. I understand from the Prime Minister it is all in the hands of the government except possibly the particulars and possibly the daily operations, which could easily be obtained from Winnipeg.

The CHAIRMAN: On the contrary I have said all that is in the hands of the government is a statement of the auditors, Peat, Marwick, Mitchell and Company which shows weekly operations, ten day operations and sometimes a longer period; but there are no details such as have been asked for.

Hon. Mr. RALSTON: The Prime Minister is not asked for the daily situation. All that is asked for is the amount sold, the amount bought, the amount on hand, the particulars of the nearest future. That is not much detail.

Hon. Mr. STEWART: All of which will be disclosed in their books.

The CHAIRMAN: Which may or may not be.

Hon. Mr. RALSTON: Surely,—

The CHAIRMAN: The Prime Minister has not seen their books. He has seen nothing but the reports of the auditors, Peat, Marwick, Mitchell and Company made to the chairman of the lending banks. That is what he has seen and those documents are available.

Hon. Mr. RALSTON: Surely the Prime Minister does not suggest the amount of purchases and sales and the prices and the amount on hand are not shown in the books.

The CHAIRMAN: The question was the nearest future. I do not suppose that would be in their books.

Hon. Mr. RALSTON: I do not suppose prices are in their books but I suggest the prices at which the purchases were made are in the books.

The CHAIRMAN: The question is whether or not we are going into this at all. The vital question is whether or not we are going, in this committee to which is referred a single bill, into the whole question of the operations of this body. At any time during the last four months it was open in the House of Commons to any member to ask that a Standing Committee of the House of Commons be set up to investigate this matter, just as it was last year, if he desired to do so. He could have done it. This bill is not going to take the next two or three months to be considered.

Hon. Mr. RALSTON: This information could be furnished, I should think, by Friday or Saturday. There is lots of time to furnish it.

The CHAIRMAN: Well—

Hon. Mr. RALSTON: The information is all in the hands of the government, the question is whether the government is going to make it available or cover it up.

The CHAIRMAN: That again is an absolutely false statement, the desire of the government to cover up anything.

Hon. Mr. RALSTON: I think the Chairman knows as much about false statements as anyone. I think he is accustomed to making them.

The CHAIRMAN: That may be. We have listened a great deal to the hon. member from Shelbourne-Yarmouth in that regard. But what I have to say is this: There is no intention or endeavour to cover up anything so far as the government is concerned. It appointed a committee to find out the situation in regard to those things, and took steps to try to deal with it, and it has no apology to offer for the manner in which it dealt with it. It is another thing to investigate the operation of the five years for some purpose that has no relation to this bill, when there is a permanent committee of the House of Commons available for that purpose at any time.

Hon. Mr. RALSTON: Does the committee to-day think the investigation necessary?

The CHAIRMAN: Opinion differs as to that.

Hon. Mr. RALSTON: There is considerable difference of opinion.

The CHAIRMAN: A slight difference of opinion. We will leave it at that. Now, the question of meeting tomorrow is a very simply one. If there is no work to be done tomorrow we will meet on Thursday at half-past ten, if it is convenient. Then, the witnesses from British Columbia will be heard and Mr. Pitblado says his witnesses are here; they may desire to be heard, and on Friday he will proceed at half-past ten with his witnesses. That is the position.

Hon. Mr. RALSTON: Then, I understand that the chairman takes the position none of this information is to be furnished.

The CHAIRMAN: He said no such thing.

Hon. Mr. RALSTON: Do I understand that to be the position?

The CHAIRMAN: I cannot tell anything about what the hon. gentleman understands. All I can say is this. On the record he has asked for this information and it will be looked into. I will communicate with the officials of the company.

Hon. Mr. RALSTON: What is on the record is that if I want to approach in this manner the government will approach in the same manner.

The CHAIRMAN: How the government will approach it has not been made known to the committee except what I have said. I merely say this is not the committee to examine the doings of a private enterprise that has been carrying on operations for five years, after what took place last year. I make it perfectly clear that there is nothing to cover up, and if it is the desire to set up a Special Committee or to go before the Banking and Commerce Committee or the Agriculture Committee to investigate this matter, well and good. What we are dealing with is a bill; to that bill the attention of this committee will be directed by the chairman, section by section.

Hon. Mr. RALSTON: I just call attention to the report of the committee of last year in which, I think, Mr. McFarland was being examined. The following question was asked Mr. McFarland:—

Did you report to them, and did they inquire what you were doing from time to time.

A. The banks got the report. The chairman of the lending banks got the reports daily and he sent copies to the Prime Minister, I think.

Q. I understood you to say, Mr. McFarland, in answer to a question of Mr. Bothwell, that you had been dealing in futures to stabilize the price of wheat on the Winnipeg Grain Exchange?

A. Yes, correct.

That is what Mr. McFarland says.

The CHAIRMAN: He said, "I think." That is the difficulty. They did not send daily reports to the government.

Hon. Mr. RALSTON: This is the first time we have heard this.

The CHAIRMAN: No, it was available any time you wanted it last year. You did not seek to get it. You did not want facts. You wanted what somebody else thought about what somebody else had done.

Hon. Mr. RALSTON: We would imagine Mr. McFarland would know the practice and what he would give as to the practice would be fairly reliable information.

The CHAIRMAN: No; he said the chairman of the lending banks got the reports daily and he said, "I think he sent copies to the government." I say these weekly reports are available.

Hon. Mr. RALSTON: He says, "daily reports."

The CHAIRMAN: He certainly reported daily; he did not report to me daily.

Hon. Mr. RALSTON: That is the information we have. I am asking only for the weekly reports, except for one week.

The CHAIRMAN: No; the weekly reports to the bank merely show the sums of money advanced by the banks to the company.

Hon. Mr. RALSTON: We will see what the reports show.

The CHAIRMAN: We may or may not. It will be determined whether or not it is desired in the public interest.

Hon. Mr. RALSTON: We may not have that.

The CHAIRMAN: A special committee may but this committee is just dealing with a single bill. We are going to follow the usual parliamentary course in dealing with a bill.

Hon. Mr. RALSTON: Which takes over the operation of this concern.

The CHAIRMAN: Yes. The important point is to ascertain what the position is at the moment of that concern; that is the position.

Hon. Mr. RALSTON: How that position is arrived at.

The CHAIRMAN: How is it arrived at would not change it in the least. That is a matter for investigation by a special committee if it desired to do so.

Hon. Mr. RALSTON: I think it would be very helpful to this committee to know how those operations were conducted in order to decide to whom we should give the conduct of the grain business of this country in the future.

The CHAIRMAN: This is not the committee to do it. Then we will proceed to examine witnesses on Thursday, Mr. Pitblado, if you are ready, Mr. Mackenzie says his witnesses will be ready. That is all. We will stand adjourned until 10.30 on Thursday.

The committee adjourned to meet again on Thursday, June 20, at 10.30 a.m.

#### EXHIBIT "A"

##### REQUISITION FILED BY MR. RALSTON

Copies and particulars of all guarantees given to the Banks from January 1, 1931, up to May 31st, 1935, whether in writing or verbal.

Particulars or instructions or communications, verbal or written, to the Banks or the Canadian Co-operative Wheat Producers Limited, or to Mr. McFarland, indicating any limitation in money or quantity of wheat to be covered or dealt with under any of such guarantees.

Amount of wheat as of July 31st, 1931, for which Canadian Co-operative Wheat Producers Limited, had become responsible, with average cost per bushel as of that date.

Amount of wheat disposed of by Canadian Co-operative Wheat Producers Limited, each month between August 1st, 1931, and June 1st, 1932, with the amount on hand at the end of each month and price of nearest future at end of each month.

Amount of wheat acquired or disposed of during each month, week or day as indicated below, by Canadian Co-operative Wheat Producers Limited, with the amount on hand and price of nearest future, at end of each month, week or day as the case may be:—

June 1st, 1932	}	By months	November 1st, 1933	}	By months
to December 31st, 1932			to March 1st, 1934		
December 31st, 1932	}	By weeks	March 1st, 1934	}	By weeks
to November 1st, 1933			to August 31st, 1934		
Week ending July 22nd, 1933	}	By days	August 31st, 1934	}	By months
			to May 31st, 1935		

Approximate average cost per bushel of all wheat being carried by Canadian Co-operative Wheat Producers Limited, as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Approximate average cost per bushel of all wheat acquired by Canadian Co-operative Wheat Producers Limited, after July 31st, 1931, and being carried as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Approximate average cost per bushel of old Pool wheat being carried by Canadian Co-operative Wheat Producers Limited, as at

May 1, 1933	May 1, 1935
July 1, 1933	May 31, 1935
May 1, 1934	
July 1, 1934	
Oct. 1, 1934	

Amount of total liability of Canadian Co-operative Wheat Producers Limited, as guaranteed by Canadian Government to Banks as of

July 31, 1931	Aug. 1, 1933
Aug. 31, 1931	Aug. 31, 1933
Dec. 31, 1931	Sept. 30, 1933
July 1, 1932	Oct. 31, 1933
Dec. 31, 1932	Nov. 30, 1933
May 1, 1933	Dec. 31, 1933
June 1, 1933	Jan. 31, 1934
July 1, 1933	Feb. 28, 1934
July 14, 1933	Mar. 31, 1934
July 16, 1933	Apr. 30, 1934
July 17, 1933	May 31, 1934
July 18, 1933	June 30, 1934
July 19, 1933	July 31, 1934
July 20, 1933	Aug. 31, 1934
July 21, 1933	Oct. 1, 1934
July 22, 1933	Dec. 31, 1934
	May 31, 1935

SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 2

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THURSDAY, JUNE 20, 1935

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WITNESSES:

Robert McKee, Managing Director, Canadian Grain Export Company.  
R. W. Milner, President, Winnipeg Grain Exchange.

OTTAWA  
J. O. PATENAUDE, I.S.O.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, June 20, 1935.

The meeting came to order at 10.30 a.m., Mr. Bennett presiding.

Members present: Messrs. Bennett, Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance and Willis.

Mr. Vallance moved that a recommendation be made to the House that the committee be given leave to print its day to day Proceedings and Evidence.

After discussion motion stands.

Robert McKee, representing the Vancouver Board of Trade, Vancouver Merchants' Exchange, Vancouver Chamber of Shipping, Vancouver Grain Exporting Association and the Vancouver Grain Exchange, appeared and submitted the views of the represented parties.

R. W. Milner, President of the Winnipeg Grain Exchange, appeared and submitted a brief on behalf of the Winnipeg Grain Exchange.

Motion of Mr. Vallance recommending that leave to print the day to day Proceedings and Evidence be asked of the House was adopted.

It was agreed that leave be asked of the House for the committee to sit while the House is sitting.

The meeting adjourned till Friday, June 21, at 10 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 20, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canadian Grain Board, met at 10.30 a.m., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: Gentlemen, it being 10.30, will you come to order. I understand that the gentlemen who desire to speak to the committee from Vancouver are present. Who is the first gentleman?

Mr. VALLANCE: Before the witnesses are called I should like to move that the evidence taken before this committee be printed from day to day.

The CHAIRMAN: We have no power to do so except by a reference to the House.

Hon. Mr. RALSTON: Make a recommendation recommending that to the House.

The CHAIRMAN: I do not think we will do so. The reference is merely a reference to this committee in regard to this bill and I am going to confine it, as far as I can, strictly to the reference in this bill, nothing else.

Mr. VALLANCE: Mr. Chairman, are you ruling that this motion is not in order?

The CHAIRMAN: I do not say it is not in order. I do say it is not within the power of this committee to order printing of the evidence.

Mr. VALLANCE: I think, in view of the interest that is being taken, the evidence should be printed so that the public will have some knowledge of what transpires in the committee.

The CHAIRMAN: You see, the motion is that the bill be referred to a select committee of nine members, composed as follows:

Messrs. Bennett, Perley, (Qu'Appelle); Willis, Porteous, Gobeil, Ralston, Stewart (Edmonton West), Vallance and Lucas.

The leader of the opposition proposed it, and I myself said if any suggestion was to be made to improve this measure which had been introduced as a government measure I would be glad to accept it. The bill before the committee is bill No. 98. I had not thought of the question of printing at all, because the discussion in the House will not be very much shortened, and it may be desirable for the committee to rise and report the bill after we have heard these gentlemen. That is the probable position because we are not going to discuss here under this reference matters that have been discussed here before.

Hon. Mr. RALSTON: Mr. Chairman, on the question of the motion of my hon. friend, I understand you are not ruling it out of order, but you are intimating that this committee has no power to order printing, which I presume is quite correct.

The CHAIRMAN: I am told so.

Hon. Mr. RALSTON: I know my honourable friend will amend his motion so that the order will be in proper form. I assume it will be within the power of the committee to recommend to the House that the proceedings of the committee be printed. Now, Mr. Chairman, you have spoken as the chairman of the committee, and of course the committee will pass on a question of this kind; but I want to submit with all due respect, that you are treating the matter far

too lightly if you assume that there is no great interest in the country in the proceedings of this committee in respect to this bill, and if you are assuming that this bill does not involve a consideration by the House and the country of what has transpired up to the present with regard to the wheat situation and the policy which is to be followed in the future under the proposed sections of this bill or such bills as may emerge from this committee. I want to submit here—I might as well do it on the motion for printing—that this, Mr. Chairman, is either a continuation of Mr. McFarland's policy and Mr. McFarland's administration, or it is a change. If it is a continuation of Mr. McFarland's administration, then it means that we should examine, at least, the general outline of that administration, find out if the policy which he has adopted has been satisfactory, in the interests of the country before we determine that this board shall follow the same line. When we find that Mr. McFarland took over 75,000,000 bushels of wheat, and this country at the moment has 200,000,000 to 225,000,000 bushels of wheat it would lead one to believe that it is doubtful whether or not the policy which Mr. McFarland adopted should be continued; and surely it is a matter of consideration by this committee and by this country as to whether or not that policy so followed is the reason why that situation emerged. Now, before we commit this country to a permanent policy with regard to wheat—

The CHAIRMAN: Mr. Ralston, do you think this is the opportune time to make this speech?

Hon. Mr. RALSTON: I—

The CHAIRMAN: I came here at half past ten to hear these witnesses, and these gentlemen appeared to make their statement. Let us proceed with the statement.

Hon. Mr. RALSTON: Mr. Chairman, I think I have the right to make a statement.

The CHAIRMAN: I do not see why, because we said definitely on Tuesday that at half past ten to-day we would proceed to hear those witnesses. I have no desire to get into any altercation about it, but I do not want to think that I have been deceived by any party in the House of Commons. It was suggested that time would be saved by referring this bill to a select committee.

Hon. Mr. RALSTON: It was suggested in the debates, as the record will show, that a great deal more information would need to be furnished than could be easily handled in the House.

The CHAIRMAN: I admit you said that.

Hon. Mr. RALSTON: I did not say that; it was my leader who said that.

The CHAIRMAN: You said that as well, in your observation. As that is outside the question, cannot we get along with our business. This bill has been referred to this committee. We are here this morning to hear the witnesses. If, later on, you have those observations to make, well and good, but I think the first thing to do is to hear these Vancouver gentlemen, and then I understand Mr. Milner, president of the Grain Exchange, is here to speak to us. Let us proceed, at least, to that question and get something done.

Hon. Mr. RALSTON: If you request that I certainly will be very glad to accede to the hearing of these gentlemen first; but I do not want you, Mr. Chairman, to sit and deliver judgment *ex cathedra* that we are not going into matters which we think should be discussed—

The CHAIRMAN: There will be no discussion that will widen the terms of the reference.

Hon. Mr. RALSTON: That is a new position for a chairman to take; "there will be no discussion that may widen the terms of the reference," but we may discuss here—

The CHAIRMAN: You cannot widen the terms of the reference, parliament does that.

Hon. Mr. RALSTON: You can recommend. What do the terms consist of?

The CHAIRMAN: I just read them out.

Hon. Mr. RALSTON: What you have read here, Mr. Chairman, is not necessarily the absolutely final word.

The CHAIRMAN: What the House said.

Hon. Mr. RALSTON: I heard what the House said.

The CHAIRMAN: Do not get excited.

Hon. Mr. RALSTON: Don't you get excited.

The CHAIRMAN: The House referred this bill to this select committee, and this bill is before the committee now.

Hon. Mr. RALSTON: Certainly; it is the same as a vote for a wharf or a breakwater that is before the committee of the whole House of Commons, and do you think all we are confined to is a discussion of that particular breakwater or that particular few thousand dollars and we should not discuss any other question?

The CHAIRMAN: That is what parliament says; it may be wrong.

Hon. Mr. RALSTON: I have listened not only to you, but to everybody else on the other side of the House, and they have discussed everything in regard to works of a similar nature. I am not going into that now, but I want to say that I do not want you, Mr. Chairman, to deliver judgment as to what the terms of the reference include until you have heard the matter discussed by the members of this committee; because we have something to say as to what the terms of the reference include.

The CHAIRMAN: I think not. The House of Commons made the reference, not you or I.

Hon. Mr. RALSTON: We have to decide what our duties are under the reference.

The CHAIRMAN: That is easily decided. It has been decided by a long series of precedents.

Hon. Mr. RALSTON: No. If you are going to take that attitude—

The CHAIRMAN: I am certainly taking the attitude we shall confine ourselves to the terms of the reference until the House of Commons makes them wider.

Hon. Mr. RALSTON: Certainly. What we do under the terms is a matter for ourselves as long as we keep ourselves within the section.

The CHAIRMAN: No; so long as it is within the reference made by the House.

Hon. Mr. RALSTON: You want to say as long as you consider it is within the reference. I want to say there are other members of this committee who have something to say in that regard. When we are debating a commitment of \$500,000,000 as against a \$10,000 wharf, it seems to me we should have a little information and the country should know as well what we are doing.

The CHAIRMAN: The simple way to do it would be for the committee to rise and report progress.

Hon. Mr. RALSTON: That is a matter for yourself altogether. What I am saying is I do not want you to rule until this matter is discussed.

The CHAIRMAN: I have not ruled. I merely pointed out the fact I thought we were wasting a little time. We might as well get on with our business.

Hon. Mr. RALSTON: We are getting on with our business. I intimated I was willing to leave this matter for discussion later. A motion was put that

the proceedings of the committee be printed and you, Mr. Chairman, at one stage intimated that the proceedings of the committee are not of a sufficient importance to record.

The CHAIRMAN: It has to be done by the House.

Hon. Mr. RALSTON: You said you did not see any good in printing the report of these proceedings. I am speaking on that motion. If that motion is to stand, I am perfectly willing to leave the matter and have further discussion on the matter later, on the distinct understanding that the matter is not finished, and that members of this committee may have the opportunity to express their opinion when the witnesses are finished. Is that satisfactory?

The CHAIRMAN: I had already stated before you rose to your feet that this motion might stand until later, and I say so again. May we go on with the business of the committee?

Hon. Mr. RALSTON: That is the business of the committee; do not think that it is not the business of the committee.

The CHAIRMAN: I am not here to indulge in hair-splitting. I desire those witnesses should be heard.

Hon. Mr. RALSTON: I thought it was just hair-splitting you were doing, too. You suggest we go on with the business of the committee. The business of the committee is that which the committee decides to do under its reference. A motion is before this committee. I am speaking to the motion. You suggest witnesses be heard. I am perfectly willing to have them heard but at the same time I want it understood that this matter is not disposed of, or the motion is not being abandoned.

The CHAIRMAN: I think that has been abundantly clear for some time. What is your name, please; come up and make your statement.

ROBERT McKEE called.

The CHAIRMAN: I understand you desire to make a statement to the committee?

Mr. McKEE: Yes, Mr. Chairman.

The CHAIRMAN: We will be pleased to hear it, Mr. McKee.

The WITNESS: In the first place I may say, in company with Mr. Stanley S. McKeen I am representing the Vancouver Board of Trade, the Vancouver Merchants' Exchange, the Vancouver Chamber of Shipping, the Vancouver Grain Exporting Association, and the Vancouver Grain Exchange. Those bodies are a unit in connection with this proposed wheat bill. We have not prepared any brief in writing for the reason that we understand the Winnipeg Grain Exchange will do so. We in Vancouver do not propose to criticize what has happened in connection with the handling of wheat during the past four years. We realize that the government got into the wheat business more or less, and we are sympathetic with those reasons. We are not going to criticize the operations of Mr. McFarland nor do we feel competent to do so even if we were so inclined. We feel that what we should do is to present to the government what we think is a constructive solution of the problem that now presents itself to the country; and I can do no better than to read to you, Mr. Chairman, and to the committee, the solution that those bodies I have just mentioned are unanimously in favour of as a substitute for the bill which is now before this committee.

I am now reading from a telegram which includes this constructive solution of the problem:—

We recognize that an emergency exists relative to the present day wheat holdings of the government. We recognize further that until private traders shall have been encouraged to resume active trading in wheat in forward positions as was done prior to the government's participation in

the market, some market support from time to time may be necessary to smoothly handle the large crop without unreasonable price declines. Our constructive suggestion therefore is that a wheat board of three experienced outstanding individuals be created, to be invested with powers similar to those presently possessed by Mr. McFarland, the prime object of the new board to be to lend support to the market as may be necessary from time to time, and gradually as conditions permit, over several years if necessary, liquidate present holdings. We strongly urge the government to state publicly their general policy for the guidance of such new board and to create public confidence in the market, that wheat will be sold at a fair world price, having regard to the quality of Canadian wheat, and also that the government intends to relinquish the wheat business entirely as quickly as possible without unduly depressing prices.

*By the Chairman:*

Q. That telegram is signed, you said, by whom?—A. That particular telegram is signed by the Vancouver Grain Exchange, but I have wires of authority here from the other bodies.

Q. That you have mentioned?—A. Yes, that I have mentioned. There is very little more that I can add, Mr. Chairman, except to say that this matter is not in any sense a political one in Vancouver. I am quite satisfied that prominent men in Vancouver of both parties are a unit behind the proposal that I have just read.

Q. What is your particular connection with these organizations that you have mentioned?—A. It so happens that with the exception of the Chamber of Shipping, I have been past president of all the other organizations.

Q. And at the present time what is your connection?—A. At the present time I am managing director of the Canada Grain Export Company.

Q. What do you mean by "world price" as you used it in the telegram? Do you know?—A. I can only say as to world price that my conception of a world price would be the approximate value of the grade of grain involved in the best foreign market at the moment.

Q. That market, I suppose you know, is Liverpool?—A. Well, I said the best foreign market at the moment, because Liverpool would not necessarily register the highest value, working it back to terms of f.o.b. Vancouver, let us say. We might and do often find that the value of No. 2 Northern at Vancouver for shipment to Liverpool would be less than the value for shipment to Shanghai; so that a fair world price for any given grade of Canadian grain would, in my opinion, be the price obtainable for it in the highest market in any part of the world, less the freight.

Q. You are familiar with the marketing of grain, I suppose, from the farmer's field to the ship for transportation abroad?—A. Yes, Mr. Chairman; I have done practically nothing else for twenty-four years.

Q. Under existing conditions, that is of world conditions, you know that speculation has been largely absent from the market for some years?—A. Yes, Mr. Chairman, I realize that the speculator, as we understand it—and I am not now including the grain trade as speculators—has been more or less absent from the market.

Q. Who would take the hedges under the proposals that you have made?—A. Under the proposals that we are advancing, the public would take the hedges so far as it could do so and could be encouraged to do so, having in mind the proposed statement of policy that we are asking the government to make coincidentally with the passage of this Wheat Board bill. We realize, and so state in our proposal, that until such time as the public speculator, either foreign or domestic, can be induced to come back into the picture again, some board which we propose this wheat board shall be, will have to be prepared, just as

Mr. McFarland has been prepared, to take the hedges, if, in the opinion of the board, the market would have declined too much or too rapidly without such support.

Q. Or if there is nobody else to take the hedges?—A. Or if there is nobody else to take the hedges. I think it is largely a question of the ability and experience of that board whether they should act at any given time or not. There might be a time when it would be good business to let the market go down for a temporary period possibly, and the board might choose to do so rather than support it.

Q. That would be a matter of human judgment, subject to human mistakes, I suppose?—A. Yes. Although we feel, with all due respect to Mr. McFarland, than whom, I suppose, there is no grain man more highly regarded, that a board of three competent men would likely make fewer errors than any one man who might be selected.

Q. Quite so. Have you any other suggestions to make now with respect to this bill, other than what you have made?—A. Well, you will notice, Mr. Chairman, that I am not attempting to criticize the bill that is before the House, and I hope it will not be necessary to do so, because that would get us into a discussion as to what would happen to the port of Vancouver, in our opinion, in the event of this bill as it is printed going through.

Q. What do you say would happen, because there is no reason why you should not be perfectly frank in your criticisms?—A. Well, any suggestion that I might make, Mr. Chairman, would obviously be merely opinion, because since the bill has not been passed we can only surmise what might happen. But since you have raised the point I may as well say frankly that we are very much concerned in Vancouver, not only as experienced grain handlers who have spent a lifetime in the business, over the prospect of losing our business, but from the standpoint of the port of Vancouver, which is perhaps the greatest single export grain port in the world to-day. We feel that a grain board such as is proposed in the bill might do a great deal of injury to Vancouver.

Q. You might say why, Mr. McKee.—A. Yes. The reason why is this: It is my experience in the grain export business that possibly 80 to 85 per cent of all the grain that is sold to Europe is first of all shipped to Europe, or rather it is put afloat to Europe unsold. I am quite certain, from information from my own connections in Europe, that there will be a great deal of sales resistance created if we have a compulsory wheat board and there is only one seller of wheat and only one buyer of ocean freight. Now, I am wondering who is going to put wheat afloat unsold at Vancouver if there is only one seller.

Q. Who does it now?—A. Dozens of private export firms.

Q. Is there any reason why one should not do what dozens are doing?—A. Yes, I can think of several reasons why. In the first place, the European buyer seems to prefer to buy wheat as close to destination as possible; and in the event of only one seller handling all the wheat of Canada, I should think that the European buyer would prefer to have his wheat shipped via the Atlantic, because it is a short voyage. In other words, it is my opinion that for a time, at any rate, the European buyers would be unwilling buyers from a Canadian government board, and therefore, that they would buy only what they felt they had to have, and only for quick delivery.

Q. Do you suggest that they have been buying any more during the last five years than they wanted, than they had to buy? Is that not the whole question?—A. I think that during the time they felt they could buy other wheat to better advantage than Canadian wheat; but I am not prepared to say that that has extended over the past five years, but certainly during the past year and a half or so the British buyers have not bought any more Canadian wheat than they felt they had to have.

Q. Are you familiar with the method pursued in the Argentine with respect to the sale of their wheat?—A. Yes, I am reasonably familiar with it; although, I have never actually been there.

Q. There is one seller there?—A. I do not wish to take issue with you.

Q. No. I am not asking a question, it is so. I am just asking to see what you have followed up. The government controls the exchange, as you know?—A. Which exchange do you mean?

Q. The whole of the exchange between the Argentine and the world is under governmental control?—A. Are you referring to monetary exchange?

Q. I am talking about money exchange; now, I will ask you how they handle their wheat?—A. They handle their wheat through export firms, as is done in Vancouver.

Q. Oh, yes; but how do they handle it from the standpoint of control?—A. The only control in the Argentine, so far as my knowledge extends, is in the control of foreign exchange; but that has to do with other commodities as well as wheat.

Q. Yes?—A. I mean, I want to be very fair on this point, to the best of my knowledge, so far as the actual handling, the export and foreign selling of wheat is concerned, it is done in exactly the same way as it is done in Vancouver.

Q. Then, why would you suggest that if there was one seller handling the grain they would prefer to ship to Atlantic ports rather than through Pacific ports?—A. Simply because the average voyage from Vancouver to Europe is a matter of some 8,800 miles and it takes approximately 44 days.

Q. And yet you say Vancouver last year was one of the largest grain shipping ports in the world?—A. Yes, Mr. Chairman; for the reason that the private grain firms put millions of bushels afloat unsold, selling it when it gets close to market.

Q. Yes?—A. If that were not so we could not compete with the Atlantic, because the British buyer would not buy wheat at Vancouver two months in advance of the time of delivery if he could get it from the Atlantic in six or seven days, and could have it handed to him every day as he wanted it. A part of the success of the Vancouver grain movement has been due to the perfection which has been developed there in the handling of tonnage. We have developed in Vancouver perhaps the best charter market on this continent. We have a lot of important chartering firms, and it may interest you to know that 85 per cent of all our vessels leaving Vancouver in 1934 carried wheat. Now, the shipping firms in Vancouver are very much concerned with this proposed wheat board as per the bill here, a compulsory wheat board, that it would seriously interfere with the smooth flow of tonnage which makes possible our great lumber export business, our pulp and paper business, our business in fruit and many other commodities which we are shipping in a big way. If there were only one buyer for tonnage there would be no incentive for the shipping companies to, speculatively in a sense, charter vessels; to bring them forward to Vancouver to put them on berth for general cargo including grain.

Q. You do not mean to say that 85 per cent of the ocean tonnage carried only grain, they carried something else?—A. Oh, yes.

Q. They are coming into this port in the hope of carrying something else; lumber, for instance?—A. That is quite true. Wheat is the basis for many of these cargoes, it is dead weight cargo; and at the present time there is sufficient competition between many grain firms operating there to cause fluctuations in rates of freight; and up to present no one firm there controls the rate obtainable for wheat space from day to day. The average tramp steamer takes about 5,000 to 5,500 tons of wheat.

Q. That is a complete cargo, or is it only a part cargo?—A. Oh, you know; that is just a part cargo.

Q. That is what I thought?—A. Then perhaps they take on anywhere from a million and a half to three million feet of lumber.

Q. Exactly; and of that 85 per cent you mentioned how much would be for wheat only?—A. Practically none; in other words the full cargo business has become a thing of the past out of Vancouver.

Q. And the ships carry grain—wheat—as well as fruit and any other export products available there; and the dead weight cargo in the bottom of the vessel is made up of wheat?—A. Yes, Mr. Chairman. Now, I would like to extend just a little that point about Vancouver's possible position with this new Board, because this question of commission freight is vital. We have two types of steamers coming in there, two general types; there is what we call the liner—not a liner in the sense that you know it on the Atlantic, but we call a liner any vessel operating on a printed schedule—these liners, so-called, handle normally about 40 per cent of the wheat movement out of Vancouver. The other 60 per cent is handled in tramp steamers which are put on berth by various shipping companies. We feel very strongly in Vancouver that if there were only one seller of wheat, and consequently only one buyer of freight, regardless of whether that one happened to be the Canadian government or even a private firm, it would interfere seriously with the speculative taking of tonnage to put on berth, such as is now done by the private shipping concerns; because, they would naturally feel that for their basis tonnage, wheat, they would be at the mercy of one large monopoly; you could tell them how much they would pay for the wheat space.

Q. Of course, that condition could be remedied readily by permitting the board that I mentioned to treat these established brokers in the same way as they now are. If they so desired they could make them their agents to deal with the matter just as they now do. There is no limitation upon that power?—

A. I am not sure that that plan would work very well, for the reason that the wheat rate obtainable from time to time is in a general way the basis of their rates for other cargo. I mean by that, if wheat rates go down then unless there has been some change in the lumber charter market the rate on lumber and other commodities that are to be carried on that vessel must be advanced.

Q. Were you there in 1919?—A. Yes, sir.

Q. How was it handled then?—A. Then, in 1919, the wheat business out of Vancouver was confined to wheat in bags, more or less. There was some business as long ago as 1917.

Q. Yes, and before that Mr. McKee; cargoes went out of Vancouver before that?—A. There were some full cargoes, in fact; but the machinery for handling export grain had not been perfected in 1919. The business to-day is largely done in full cargo lots by firms located in other places, such as Winnipeg or New York. There was no grain exchange there at that time; no shipping agencies of any consequence had been established there; and very little by way of regular liner service was available.

Q. The first cargo of grain shipped through the Panama Canal from Vancouver went out a considerable time before that, Mr. McKee?—A. Yes, I think it was in 1917.

The CHAIRMAN: Before that, as a matter of fact.

Hon. Mr. STEWART: And there was no difficulty about the price.

The CHAIRMAN: Oh no, there was no question about prices.

Hon. Mr. STEWART: Anybody could sell wheat in 1917.

The CHAIRMAN: Yes, at a dollar and a half.

*By the Chairman:*

Q. Well, Mr. McKee, is there anything further you desire to say with respect to this proposed bill, or this bill—it is not a proposed bill—with respect to this bill; if there is, we will be glad to hear you?—A. No. I think, Mr. Chairman, that aside from expressing on behalf of Vancouver interests a genuine fear as to the possibility of injury to the port through the operation of a

monopoly in wheat; not only on our wheat business, but in its possible effect on our other big export commodities, through the influence that a possible wheat monopoly would have on the freight rates for such other commodities, and the smooth flow of tonnage to handle such other commodities. Aside from that I have nothing to say.

Q. Then I might summarize it in this way: You are aware of the fact that there is a surplus of wheat in the world at the moment?—A. Yes, and we propose how to deal with it.

Q. And you propose that the Canadian situation, without expressing any opinion as to how it has arisen, should be dealt with by having a board created that would be authorized with the aid of the government to take hedges and stabilize the market?—A. Yes.

Q. That is what your proposal is; and that, then, there should be absolute freedom so far as the rest of it is concerned?—A. Yes; we feel very strongly that that should be done.

The CHAIRMAN: I follow you.

*By Mr. Lucas:*

Q. Mr. McKee, did I understand you to say a while ago that 85 per cent of the export wheat of the world was sold afloat?—A. No. I said that approximately 85 per cent of the wheat shipped from Vancouver was sold after it had been put afloat unsold.

Mr. LUCAS: I beg your pardon; that is right.

The CHAIRMAN: Have you gentlemen any questions to ask of Mr. McKee? How about you, Mr. Stewart?

Hon. Mr. STEWART: None.

The CHAIRMAN: Mr. Lucas? Mr. Vallance?

Mr. VALLANCE: No; I think Mr. McKee has given us his views.

The CHAIRMAN: Mr. Ralston?

*By Mr. Ralston:*

Q. In answer to the last question made in an effort to sum it up, as I understand it what you are particularly against is what is called the compulsory or 100 per cent feature of the bill?—A. That is it.

Q. That is to say, your view is that this board should be a board to stand by and handle the orderly liquidation of stocks and at the same time stabilize the market, but it should not be operated so as to constitute a monopoly?—A. No; we feel that the grain trade of the Dominion has been carrying on an honourable business for many years, has millions of dollars of capital tied up in it, and we feel—I think I can say this without attempting to be egotistical—that it would be a loss to the Dominion to have hundreds of years of combined grain experience thrown away by putting these men out of business.

*By Mr. Perley:*

Q. The reason why you grain dealers are not able to handle the situation is because of the absence of the speculator at the present time, isn't it?—A. Yes, that is in part the reason, but that is not altogether the reason.

Q. You want some agency to stand by to take the hedges of the speculator which have not been taken up?—A. Well, that some agency will be necessary if we are to have comparative freedom from drastic declines and advances from time to time. In other words, if we are to have a fairly stable market there must be some board which will step in in case of need until such time as perhaps the price of wheat comes up to the level where a government board of this kind would feel that the market could take its own course, and that any decline that might occur would not be so great as unduly to injure the producer.

The CHAIRMAN: Col. Ralston, have you any further questions?

Hon. Mr. RALSTON: No.

The CHAIRMAN: Mr. Stewart?

Hon. Mr. STEWART: No.

The CHAIRMAN: Mr. Porteous?

*By Mr. Porteous:*

Q. I understand, Mr. McKee, that the only objection which you have to the bill is fear of trade being lost to the port of Vancouver?—A. No, not by any means; in making that statement I was referring to the general interests of the port, not directly concerned with the handling of grain. These people are concerned with the possible loss of business, other than wheat, to the port of Vancouver.

*By Mr. Willis:*

Q. Mr. McKee, you said that if there was only one seller, in your opinion, responsible buyers would be unwilling to trade?—A. I am as certain of that statement as I could be about anything I cannot prove.

Q. Is it not always the fact that Europe buys where it can buy best?—A. Yes, Europe always buys where it can buy best; but the question is what is best.

Q. Yes, which Europe itself will decide. You come down to the finer point that Europe does buy where it can buy best, and if Canada were to offer wheat do you think Europe would ask questions as to who was selling this grain in Canada?—A. I doubt whether they would officially ask anybody that question, but I am quite satisfied that they would take some action, probably various kinds of action, to insure getting along with as little Canadian or any other kind of wheat handled by a monopoly as possible. Please understand I am only stating an opinion there; I cannot prove it.

Q. Have they done that with the Argentine?—A. There has been no necessity to do it with the Argentine because the regular grain concerns are handling Argentine wheat in the usual way just as we are doing in Vancouver—are extending credit to foreign millers where necessary.

Q. Except with regard to the control of foreign exchange?—A. Well, the control of foreign exchange is something over which the grain trade has no control, and if the Canadian government were proposing to handle foreign exchange in a similar way, I doubt if the grain trade would have any objection.

Q. But that would be a control of the wheat, would it not, Mr. McKee?—A. It would be a control in a sense, but not any more control of wheat than of any other commodity.

Q. It would be an actual financial control of wheat, would it not?—A. I do not know how you would call it control of wheat. If you wish to control exchange and you deal with exchange affecting all commodities in the country, I doubt if there would be any complaint from the handlers of grain.

Q. There was one statement you made which I did not understand. I think your statement was that 85 per cent of the grain at Vancouver was put afloat unsold. Would you tell the committee when that grain is actually sold? Is it sold during the voyage or is it sold after it arrives?—A. There is no formula.

Q. Would you give us an average?—A. We have had wheat afloat unsold and have sold it before it had actually left the shores of British Columbia. We try to sell it from the moment it is put afloat, sometimes it actually arrives before it can be sold.

Q. Don't you very often make preliminary arrangements before it is actually afloat which give you a fair assurance that it will be sold?—A. Yes, we go to the trouble, of course, of finding out from our connections in the foreign

country, whatever foreign country it may happen to be, whether they think it will be good business to put so many thousand tons of such a grade of wheat afloat in such a vessel.

Q. Would it be fair to say, Mr. McKee, that almost entirely all of that grain is sold before it reaches the other side?—A. Yes, but it very often has to be sold at some sacrifice if the judgment of the shipping firm has been wrong in putting it afloat unsold, and it is usually all sold before it arrives, because there are some charges accruing on it before it lands, and the owner of the wheat wishes to avoid those charges if possible.

*By the Chairman:*

Q. I do not know whether you have looked at the whole bill or not. It contemplates the elevators still being continued to be operated as they have, but on account of the board, and it does not necessarily involve what you suggest, namely, the loss of investment or anything of that kind. The facilities some years ago were declared to be works to the general benefit of Canada, and under the bill they are merely to be operated on account of somebody else for the benefit of the producers?—A. Yes, I quite understand, Mr. Chairman. I was referring to the exportation of grain which is not generally done by elevator companies.

Q. No, by grain companies. You say that you are convinced that where there is one selling agency for the whole of the grain it does not conduce to simplicity of sales, and you made that the first difficulty that did arise. I suppose you have followed this matter, say, in connection with Russia and Russian sales on the English market?—A. Yes, I am familiar with what happened in Russia.

Q. There was only one seller there, was there not?—A. There was only one seller there.

Q. And the largest production in the world?—A. They did very badly at selling.

Q. Oh, yes; but I am not talking about that. There was only one seller, and the British people bought the wheat, and the purchase of wheat by the British people was the beginning of our trouble in 1930—wheat was being sold 60 cents f.o.b. Liverpool from Russia?—A. Yes, Mr. Chairman, I think it should be remembered so far as Russia is concerned that her increase in population, her natural increase is so great that we need not worry very much about Russia except in the odd year when Russia happens to have a big yield per acre. I made that statement when I was president of the grain exchange in Vancouver and I got myself laughed at for saying so, but the fact remains that Russia has been a factor in the wheat trade in only one year since she began to export.

Q. Of course, she was a large exporting country before the war; you mean since she began to re-export?—A. Yes, after the war.

Q. As a matter of fact, I think if you look at the figures you will find that it was more than one year; Russia has been exporting continuously since 1930, but the volume was not large except in 1930?—A. That is what I mean. I appreciate the fact that she has been selling a little each year.

Q. This year, according to announcements in the press, she has the largest crop and the largest yield per acre for a long time?—A. That would not necessarily—

Q. —involve export?—A. Involve export; nor is there any assurance that the information is correct.

Q. I see. Is there anything else you desire to say, Mr. McKee, in view of what you have been asked?—A. There is nothing more, Mr. Chairman.

Q. I understand that the next witness is Mr. McKeen; is he ready to appear?—A. Mr. McKeen asked me to speak for the city.

(Witness dismissed).

The CHAIRMAN: Mr. Pitblado, are any of your friends ready?

ISAAC PITBLADO, K.C.L.: Mr. Chairman, Mr. Milner, president of the Grain Exchange, is ready with his statement, and also Mr. Law—he is not represented by me, but I think he sent a letter to you.

The CHAIRMAN: Yes, he did—Mr. R. S. Law. Shall we call Mr. Milner, president of the Winnipeg Grain Exchange?

R. W. MILNER, called.

*By the Chairman:*

Q. You are the president of the Winnipeg Grain Exchange?—A. Yes.

Q. And you have been for how long?—A. Since last August.

Q. And you have been in the grain business for how long?—A. Twenty-six years.

Q. You started as a young man?—A. Yes.

Q. I understand you have prepared a statement which you would like to read to the committee with respect to this matter?—A. With your permission, sir.

Q. Will you proceed to read it to the committee?—A. I appear here as president of the Winnipeg Grain Exchange to submit, without partisanship, and as dispassionately as possible our views on the bill now under consideration.

The members of the Winnipeg Grain Exchange have been engaged for many years in a highly organized and efficient form of commercial service, which has made no small contribution to the development of Canada, and to the continuance and growth of the overseas trade on which the prosperity of the Dominion so largely depends.

The Winnipeg Grain Exchange is a voluntary organization not incorporated by charter or special legislation. Its members are bound together by a flexible constitution into a voluntary association whose function it is to provide a market place for the sale for domestic consumption and for export of the grain crops of western Canada. The Exchange does not itself engage in any trading activities. It merely provides the facilities for elevator owners, millers, exporters, commission agents, shippers and vessel brokers—for all in fact who are engaged in the handling, the transportation, the export and the processing of grain—to meet in a common centre and to avail themselves of the various facilities provided by the Exchange. Amongst its 460 members are numbered not only what is known as the private grain trade, but also the various pool organizations, The United Grain Growers Limited; the Canadian Co-operative Wheat Producers Limited, that is the Pools' Central Selling Agency, as well as the private terminal and line elevator companies. The great majority of its members are Canadian, but included among them are persons resident in the United States and in many European countries where there is, or has been, a steady demand for Canadian wheat. The Exchange is not in any sense a combination of grain traders. Its members are in their respective channels of trade in keen and constant competition, subject always to the by-laws and regulations of the Exchange which are designed to secure fair and honourable dealing.

One of the important functions of the Exchange is to provide facilities for trading in contracts for the future delivery of grain, and thereby to provide the form of insurance against fluctuations in grain prices known as "hedging." These hedging operations are not only necessary but are positively demanded for the financing of crop purchases, milling operations, sales of grain for export and purchases by importers in various countries. This practice has received the approval of the best economic authorities—Professor Arch. B. Clark, until recently head of the Department of Economics in the University of Manitoba says:—

So common is the practice of hedging that the elevator company, the wheat merchant or the miller who does not protect himself as far as

possible against the risk of an adverse movement in price by hedging is with reason regarded as extraordinarily reckless. It is also recognized by these authorities that the existence and encouragement of professional speculative trading strengthens the futures market and through the complementary relations of buyers and sellers and the ultimately inevitable balance between purchases and sales "tends" to quote Professor Clark again "to relieve the farmer from the risk of price fluctuations, permits of more and keener competition for his grain and ensures a better price.

Another important function of the Exchange is to provide a market place in which exporters of Canadian grain and importers in all parts of the world can meet. The various branches of the trade need to be informed of the conditions in the grain markets of the world, and of the changes in prices registered on those markets. They require the latest statistical information relating to imports by consuming countries and exports by surplus producing countries. They must know the conditions of crops elsewhere. All this information is provided by the Winnipeg Grain Exchange and enables its members to be kept in constant touch with the requirements of importers. Through these facilities trading connections in every part of the world have been built up and the trade is thus enabled to meet the varied demands of these markets.

The nature of the operations conducted in the futures market by the members of the Winnipeg Grain Exchange has been the subject of inquiry by various Royal Commissions. Notable among these was the extensive inquiry conducted by the Turgeon Commission in 1925. The report of this commission recognized the value of the futures market in reducing the costs of handling and marketing the grain crops of Canada.

An investigation was conducted as recently as 1931 by the Royal Commission presided over by Sir Josiah Stamp. The terms of reference to this Commission were as follows: "To inquire into and report upon what effect, if any, the dealing in grain futures has upon the price received by the producer." The report of the Commission approved in general the conclusions reached by the Turgeon Commission in 1925 and closed with this statement: "However in brief, our answer to the question submitted is that in addition to the benefits reflected to the producer in furnishing a system of insurance for the handling of his grain, and in providing an ever-ready and convenient means for marketing the same, futures trading, even with its disadvantages of numerous minor price fluctuations, is of distinct benefit to the producer in the price which he receives."

It has been stated that there is a short interest in the Winnipeg market amounting to 25,000,000 bushels. This figure was computed by deducting the amount shown in the visible supply of 200,000,000 bushels from the amount alleged to be held by the Government Wheat Agency of 225,000,000 bushels. But it should be pointed out that wheat in the following positions is not included in the visible supply:—Canadian wheat, which is on track, on ocean vessels, stored out of bond in United States ports, stored in United Kingdom or continental ports, and flour ground from Canadian wheat in any position yet unsold. We are convinced that all these stocks are regularly and properly hedged in the Winnipeg market and that their total would so nearly approximate the alleged difference of 25,000,000 bushels as to preclude any idea that there is a large speculative short interest in the Winnipeg market.

It has been alleged that the Winnipeg futures market has been utilized by international speculators to depress wheat prices by short-selling and that a "bear raid" was made last fall with this purpose in view.

At the time that this allegation was first made by Mr. McFarland last October the council of the Winnipeg Grain Exchange instructed that an examination of the trading accounts in the clearing house of all members of the Exchange be made as at September 17, September 24, and October 1. Results of the

inquiry then undertaken were summarized in the statement issued and published in the press by the Exchange on November 2, 1934. This statement was as follows:—

On October 1 Winnipeg newspapers carried an interview with Mr. John I. McFarland, who is in charge of the government's wheat operations, in which he stated that he would recommend to the government at Ottawa that an investigation be made into the selling of wheat on the Winnipeg market and would urge the government to make representations to the governments of Argentina and the United Kingdom that they take similar action in regard to the futures market in Buenos Aires and Liverpool. About October 6 a mischievous despatch purporting to be the inside story of an organized bear raid on the Winnipeg grain market during the two previous weeks appeared in many of the leading newspapers throughout Canada. This despatch originated apparently from some newspaper service in Winnipeg. It made free use of Mr. McFarland's name and its contents would lead many people to believe that figures and supposed facts given in it must have originated from Mr. McFarland's organization. The article is inaccurate and misleading. There was no condition existing in the trading on the Winnipeg Grain Exchange that would justify such a story. It reads like fiction and to the best of our knowledge that is just what it is. There is no evidence in the figures showing the market position of the grain firms as at September 17 and October 1, secured by the council of the Exchange from the clearing house, and which have been disclosed to Mr. McFarland, that any bear raid was attempted. Mr. McFarland has also been advised by the council that the international firms whose names have been mentioned in this connection were ready to authorize the clearing house to make the figures showing their trading available to him.

The international investigation suggested by Mr. McFarland on October 1, should, in our opinion, not be lost sight of. There can be no argument about the fact that our greatest need is to export more Canadian wheat, and if there is any hope that an independent international investigation into the situation in Canadian, Argentine and English markets will disclose anything in the actions of government agencies or individuals that is making it difficult for us to market wheat abroad, it should be undertaken at once. It would obviously be in the interest of the whole country as well as of our wheat producers. It would, we are sure, be welcomed by the grain trade of Canada.

The council of the Exchange is prepared to afford facilities for the investigation of the trading operations of all its members, without exception, by competent and impartial persons, if such an investigation is deemed to be in the public interest, and has previously advised Mr. McFarland that the Exchange would in addition lend all possible assistance to the government supervisor of the kind recommended by the Stamp Commission should the government see fit to appoint one.

The action of the Winnipeg Grain Exchange in setting minimum prices for December and May wheat of 75 cents per bushel and 80 cents per bushel respectively was taken at the instance of the Dominion government and in pursuance of the policy the Exchange has consistently pursued of co-operating with the Dominion government and the government wheat agency.

The offer made by the Winnipeg Grain Exchange still holds good.

It is also alleged that the machinery of the grain market has broken down and that the Winnipeg Grain Exchange has ceased to function. As proof of this statement it is alleged that the futures market has not been able to take the hedges against wheat purchases. The truth is that the futures market performed

its normal functions for nearly two years after the pools got into financial difficulties in the winter of 1929-1930. Then Mr. McFarland was appointed general manager of Canadian Co-operative Wheat Producers Limited in November, 1930, and directed the operations of the Pools' Central Selling Agency. But it was not until June, 1932, that Mr. McFarland began under guarantee of the Dominion government to support prices in the Winnipeg market. From the time that wheat prices in Winnipeg began to be sustained above the natural level of prices in the markets of the world the ability of the futures market to absorb hedging transactions began to decline. In face of the uncertainty as to the course which might from time to time be pursued by the Government Wheat Agency, and the artificial level of prices on the Winnipeg Grain Exchange established by its operations, the futures market has become increasingly less able to cope with hedging requirements. In other words, the alleged break-down of the Winnipeg market has been the natural accompaniment of the government's operations, and its failure to take the hedges, to the extent that there has been failure, is a result of the co-operation of the Exchange in the policy of the government.

Throughout the period of depression which began in the fall of 1929 the attitude of the Winnipeg Grain Exchange has consistently been one of active sympathy with the difficulties of the growers and of co-operation with whatever measures the government has seen fit to take under the advice of Mr. McFarland. This attitude has frequently entailed the rendering of services by the trade to the Government Wheat Agency at a lower cost than such services normally warrant.

Soon after their inception the three provincial pool elevator companies and the Central Selling Agency (Canadian Co-operative Wheat Producers Limited) became members of the Exchange and availed themselves of its facilities. The other large farmers' co-operative grain company, United Grain Growers Limited, had long been in membership of the Exchange.

As the agents of the producers in the storing, transportation and merchandising of their grain the interest of grain traders, indeed their very existence, depends upon the maintenance of the farmers in as sound and prosperous a condition as can be attained.

The members of the Exchange are vitally concerned to secure for grain growers the largest possible return for their crops, to develop and maintain the widest and most remunerative markets for their grain and grain products, to keep the costs of handling and merchandising within the most reasonable limits and to assist by the provision of the most efficient and economical machinery for these purposes in meeting the competition offered by other grain producing countries.

No other industry or trade in the Dominion is so highly regulated as the grain trade. No other industry, on the other hand, is so keenly competitive in its operations. A cash market for farmers' grain has been continuously available, and the movement of grain from the farm to the ultimate consumer in the cheapest and most efficient manner has resulted from the maintenance of competitive conditions in the trade.

These low handling costs and competitive conditions have inured to the benefit of the producers in the price which they have received.

The Bill to provide for the constitution and powers of The Canadian Grain Board which is now before the committee, will if passed into law in its present form, destroy most of the valuable machinery of grain marketing which has taken so many years to develop, and which has proved itself so highly efficient. The skill and experience brought to bear through the instrumentality of the private grain marketing agencies cannot be replaced, nor the present channels of trade communication with consuming countries maintained in effective operation, by the substitution for the existing grain marketing machinery of a single monopolistic agency. That this would be the effect if the powers conferred by

this legislation on the Canadian Grain Board were to be utilized is a powerful objection to its passage. It would destroy what has been built up during fifty years and dissipate the technical skill and knowledge which has grown up around the present marketing agencies, in order to meet an emergency which must be regarded as passing and temporary and which the operation of recognized economic forces will in time correct. Grave disadvantages are inherent in a single monopolistic control and operation of the grain trade in Canada. Such control would not be subject to any of the corrective influences exercised by competition. Any mistakes in policy or management would be accentuated if the handling and marketing of Canadian grain were solely in the hands of a state monopoly.

The grain trade as represented by the Winnipeg Grain Exchange objects to the application of compulsion in the marketing of grain, and to the virtual confiscation of property and machinery owned by the trade.

Recent events in connection with proposals to apply compulsion in the marketing of certain other farm products demonstrate that a large proportion of farmers also object to this feature.

In this bill the proposed Grain Board is definitely instructed to "undertake the orderly marketing of wheat in interprovincial and export trade." The outcome of the endeavour of the Canadian Wheat Pool undertaken in the name of "orderly marketing" to handle nearly fifty per cent of the wheat crop unhedged, that is to say, without insuring against price fluctuations, and to feed their grain to the consuming market in a manner which they thought would maintain and increase the price obtained for it is now a matter of history. The efforts of the pools to institute a system of "orderly marketing" of wheat resulted in inability to finance their holdings in the face of falling prices. They were compelled to appeal for governmental aid, and were finally forced to abandon the experiment after incurring heavy financial losses. The failure of so-called "orderly marketing" led to the appointment of Mr. McFarland to liquidate the unsold stock held by the pool and has gravely accentuated the difficulties of the wheat situation down to the present time. A Canadian Grain Board could not raise or control the price of wheat in world markets. Wheat prices are determined by world conditions of supply and demand. The movement of wheat through the channels of trade developed in response to the actual conditions from time to time prevailing is already orderly. It has been evolved in response to the actual necessities of the situation and past experiments in centralized control have merely resulted in disorderly marketing, and in destruction of the balance between supply and demand.

The inefficiency of centralized control or state monopoly in face of economic factors has been amply demonstrated not only in relation to wheat, but in regard to the production and marketing of numerous other commodities in other countries. There is no escape by legislative expedients from the facts of the world wheat situation.

We hold the sincere and honest opinion that to resort to **compulsion and centralized control**, with the consequent destruction of the established methods of marketing is not reasonable or justified by the conditions, and therefore register our objections to the proposals embodied in this bill.

The Winnipeg Grain Exchange realizes the gravity of the present situation but feels that the sooner a policy is adopted of selling our grain crop in the open market at prices that will find purchasers in the markets of the world in competition with the grain of other countries the sooner will the present difficulties disappear. In the meantime it may be necessary to subsidize the producers either by some system of price support, or by other means, and in that case the Winnipeg Grain Exchange will continue to co-operate with the government.

There has been, Mr. Chairman, since I have prepared this brief, a small addendum prepared which I hope I may be permitted to read. It is very short. Have I your permission?

The CHAIRMAN: Certainly.

The WITNESS: Since the statement was made in the House of Commons alleging that there was an apparent short interest in the Winnipeg market on June 14th of thirty-five million bushels, the council of the Winnipeg Grain Exchange has required its members to provide statements showing the amount of wheat and flour in positions not shown in the visible figures but which they had hedged in the Winnipeg market. The statements show the following amounts in various positions:

WHEAT POSITION AS AT JUNE 14, 1935

NOT IN CANADIAN VISIBLE

	Bushels	
(1) Flour in Canada . . . . .	4,621,000	
(2) Flour in United States . . . . .	428,000	
(3) Flour afloat . . . . .	68,000	
(4) Flour in British Isles and Foreign Countries . . . . .	306,000	
		5,423,000
(5) Wheat in U. S. in transit and in non-reporting mills and feed plants:		
In Bond . . . . .	4,625,000	
Out of Bond . . . . .	596,000	
(6) Wheat on ocean passage and at British and foreign ports . . . . .	7,509,000	
(7) Wheat in non-reporting Canadian mills in process of grinding . . . . .	1,402,000	
(8) Wheat en route from country points . . . . .	8,711,000	
		22,843,000
		28,266,000
Other grains hedged in Wheat futures . . . . .	2,559,000	
Spreads other markets, unfilled contracts . . . . .	4,014,000	
		6,573,000
Total . . . . .		34,839,000

It is to be noted that the figures total 34,839,000 bushels. I feel confident that the Prime Minister was not informed of the fact that these amounts were not included in the visible figures and that if he had been properly informed he would not have made the allegations which he did.

*By the Chairman:*

Q. Mr. Milner, you will observe that what I said was that if the visible was 200,000,000 and the farmers had 10,000,000, of that there would be 190,000,000 left and there would be a shortage of 35,000,000?—A. Yes.

Q. And the explanation which you have given here is that the visible is not correctly stated?—A. Yes, sir.

Q. But that is the figure— —A. No, I do not say that the visible is not correctly stated. There has been a custom of preparing certain figures for the visible supply figure.

Q. Yes, but the visible supply figure given to the world is 200,000,000?—A. Yes.

Q. But you say that it should have been 234,000,000?—A. I do—I do not say that the visible supply figure should be 234,000,000. The visible supply figures are, as I understand it, compiled by the Board of Grain Commissioners or the Statistical Department. In those figures they do not include wheat which may be properly hedged on the Winnipeg market, and which is regularly hedged there.

Q. There is a great difference. If the visible is 200,000,000 and there is 10,000,000, as estimated in the hands of farmers and mills, which may or may not be low—I said it was an estimate?—A. Yes.

Q. That would leave 190,000,000 visible wheat available to satisfy the 225,000,000 which Mr. McFarland has call upon in cash and futures?—A. Yes.

Q. That is right, is it not?—A. That was correct, the figure of the visible, I presume, that you gave. It was approximate.

Q. I only gave it approximately?—A. Yes.

Q. But you say there is known to you at this time the fact that there is 34,000,000 which is not included in that 200,000,000?—A. That is correct.

Q. That is what I gather from what you say. Now, Mr. Milner, I am not going to discuss your Winnipeg Grain Exchange. You have entered into a defence of the Exchange. I am not going to discuss that with you. I am going to ask you this first: You know there is a surplus of wheat in the world?—A. Yes.

Q. And you know the crop of 1930 was not marketed when Mr. McFarland took over; it had not been marketed?—A. Yes, that is correct.

Q. You know that, and you know that he undertook to try to market it. You have known Mr. McFarland for a long time?—A. Yes.

Q. And that he endeavoured to market that crop; that is true?—A. I don't know what his operations were, sir; I know that is what he was there for.

Q. Yes, that is what has been said?—A. Yes.

Q. Now, I put this to you; that was in the fall of 1930; is it correct or not to say that the demand for Canadian wheat, in view of the crop conditions, had resulted in a large carry-over since 1928, the year of the large crop?—A. Are you referring to the Canadian carry-over or the world carry-over?

Q. I am taking first the Canadian carry-over?—A. The large crop had a bearing on the amount of the carry-over, I would say.

Q. Yes. The figure we have been given is 127,000,000 for 1929 and 1930. I think perhaps, without getting into details, that figure has generally been accepted as being correct?—A. Yes.

Q. Yes. That is a very much larger figure than a normal carry-over?—A. That is larger than the carry-over previous to that time.

Q. Well, I said the normal carry-over?—A. I don't know how to explain that term.

Q. We will put it this way: It is a larger carry-over than the carry-over in previous years?—A. Yes.

Q. It is the largest carry-over that you have ever known of; we will put it that way?—A. Up to that time.

Q. Yes, up to that time. You, in your business as a grain dealer, as a grain operator, of course knew that there was a world surplus of wheat as well?—A. Yes.

Q. In the producing countries?—A. Yes.

Q. And that it was not being absorbed by the importing countries to the extent of diminishing it to the point of taking care of the surplus?—A. That is correct.

Q. That is so, is it not?—A. Yes.

Q. When was it that the speculative interest was unable to take care of the hedges on the Winnipeg Grain Exchange?—A. I don't know that that condition ever existed.

Q. What?—A. I don't know that that condition ever existed.

Q. You mean to tell me you never knew a condition existed of that kind? I suppose you will agree that you speak of Mr. McFarland as part of the speculative interest, is that right?—A. No, I was not going to make that suggestion.

Q. What do you mean by it, then?—A. I mean, having no regard whatsoever to price, it has never been demonstrated that the speculative interests, exporters and importers were not prepared to take all the hedges that were offered in the market.

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

Q. The lowest price known for 400 years?—A. Yes.

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

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

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

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

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

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

Mr. PORTEOUS: January, 1932.

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

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

*By the Chairman:*

Q. Yes?—A. He further stated that in November, 1932, he had less wheat than he had had at any previous time, so the market must have been functioning in its normal way throughout that period.

Q. No; sales had been made by him of wheat, is, I suppose, what you mean?—A. Sales had been made?

Q. By him of wheat?—A. I don't understand the implication there.

Q. You see if he had less wheat, he had sold it?—A. He had sold wheat, yes.

Q. Yes. That is all I mean by that. What I am endeavouring to ask you—I may have been all these years wrongly informed—there came a time when wheat dropped to 38½ cents?—A. Yes.

Q. And Mr. McFarland in the committee indicated that he had no further credit and was unable to take any further hedges?—A. Well, that is a part of the evidence and some statements that have been made that I have never been able to understand, because it is in direct variance, I believe, with what happened, and with the evidence that Mr. McFarland gave; although there is no question about it that he did not buy any wheat until June, 1932, but that was subsequent to the drop in price; and my recollection of the market is that it had again advanced to about 50 cents a bushel from the severe decline of 38½ cents. I would need to check that.

*By Hon. Mr. Stewart:*

Q. It was in December, was it not?—A. I believe it was in December.

*By Hon. Mr. Ralston:*

Q. Of what year?—A. 1932.

*By the Chairman:*

Q. Mr. Milner, the crop of 1928 was the largest crop we had in this country, was it not?—A. Yes, it was.

Q. And the crop of 1931 was the third largest crop?—A. 1931?

Q. Yes?—A. Yes.

Q. Yes, that was the third largest crop we had in Canada?—A. I shall take those—I have not got the figures.

Q. I know, but that is roughly correct?—A. All right.

Q. And we had a carry-over; we had an abnormal carry-over at the end of the crop year in 1930?—A. Yes.

Q. That is right; and added on to the abnormal carry-over in 1930 was the third largest crop in the history of the country, which made the available surplus for sale larger than it had been for years. Is that a fair way to put it?—A. I think that is a fair statement.

Q. The largest it had ever been; that is the fact, is it not?—A. In 1933 are you speaking of?

Q. No, I say the crop of 1931—A. Yes.

Q. —was added to the surplus carried over from 1930, and you had a sum total of wheat available for sale larger than at any previous period?—A. I will take that as your statement. I won't contradict it.

Q. You are also aware that at that very same time there were large surpluses in the other producing countries?—A. Yes.

Q. Though you do suggest that, wheat having dropped to as low as 38½ cents, had no action been taken there might have been absorption of the hedges at that price?—A. I still say that there was no action taken other than the regular operations of the market.

Q. When?—A. At the time wheat was 38½ cents.

Q. You say not until the summer of 1932 did Mr. McFarland take any action at all?—A. Yes.

Hon. Mr. RALSTON: Except to sell.

The CHAIRMAN: Yes, but I think he is wrong as to that.

The WITNESS: I am only quoting Mr. McFarland's evidence.

*By the Chairman:*

Q. Are you not confusing two things, his operations in stabilizing and his operations in connection with the ordinary business of taking hedges, for he had been taking hedges ever since he had been in charge of operations?—A. I think you have been misinformed on that.

Q. I am just asking you. I do not pretend to know.—A. I have no methods of finding out other than my conversation that I have had with him, and my knowledge of what occurred in the market.

Q. Yes?—A. And I would say definitely that Mr. McFarland's statement when he appeared before the Banking and Commerce Commission to the effect that he did not buy any wheat until June, 1932, must of necessity be a correct statement.

Q. That is, you said a moment ago, for stabilizing purposes, stabilizing operations. I did not know whether you made a distinction between the two.—A. No. It was a question of buying wheat to support the price.

Q. For any purpose?—A. Yes for any purpose.

Q. If that be so, wheat had dropped to the price of 38½ cents; that is ruinous to the producer?—A. Yes, it is.

Q. There is no doubt about that?—A. No, sir.

Q. What, to your best knowledge, is the cost of production of wheat? If you don't know, say so.—A. I don't know.

Q. You don't pretend to know; but it is at least 38½ cents; it is more than that?—A. Yes.

Q. Again I say to you that I am not going to discuss your Winnipeg Grain Exchange at the moment at all. You were there in 1919?—A. I was overseas, sir.

Q. I mean, you came back before the operation had been closed out, hadn't you?—A. No, I got back in July, 1919, and I have forgotten.

Q. You knew there was a wheat board in 1919 and 1920?—A. I did, sir, yes.

Q. And it was conducted by three gentlemen in Winnipeg, was it not?—  
A. Yes.

Q. And it does not seem to have destroyed the Winnipeg Grain Exchange?—  
A. It was not conducted over a long period of years.

Q. No, I am not talking about the period; it was conducted for a time, over a year anyway, one crop year.—A. Yes, sir; that is correct.

Q. That is correct; and the Winnipeg Grain Exchange survived?—A. It did, sir.

Q. And elevators increased in number?—A. Unfortunately, yes.

Q. Unfortunately—yes; and wheat was marketed by the Board?—A. Yes.

Q. Yes; notwithstanding all that the institution is still there, and that suggests that the reproduction of a wheat board now would not be such a terrible thing.—A. I see, sir.

Q. Was it terrible in 1919 and 1920?—A. No, sir; but conditions were different.

Q. Well, of course, that is always the reason; conditions were different, there is no question about that; they are very much more difficult now than they were then.—A. We are in a very difficult situation.

Q. Conditions are much more difficult, aren't they?—A. Yes, sir.

Q. Very much more difficult, by reason of very many causes, I suppose one of the principal ones being the increased production of wheat in the world.—A. I don't think that is Canada's main cause, sir.

Q. I did not say, Canada's main cause?—A. I understood you did.

Q. Have you any suggestion to make as to what Canada's main cause is; I am far from endeavouring to prevent you from saying that?—A. Are you asking it as a question, sir?

Q. No; you are suggesting that there is something you had to say about the main cause?—A. I did not suggest—

Q. If you have, say so.—A. I would suggest one of the reasons for Canada's trouble, as far as my own experience is concerned, is that our grain is held at a price too high to compete with other grain exporting countries.

Q. Meaning that the price which was asked for it was too large a price in comparison?—A. In comparison with the others; yes, sir.

Q. It is a better quality of wheat?—A. Yes, sir.

Q. You recall that in 1931 the public was advised that wheat should not be sold at a low price?—A. I do not know by whom that advice was given.

Q. I should say, the public press?—A. I do not know where they took their advice from.

Q. You know there was a general view that Canadian wheat was worth more than was being paid for Argentine?—A. Yes; that is correct to-day.

Q. Yes, that is correct to-day. It is correct to say, is it not, that it was the Argentine sales that created the difficulty in 1931? About which reference has been made in the press and elsewhere?—A. Yes; there was a very heavy selling of Argentine wheat.

Q. At a price which would not give the Canadian producer any return for his wheat?—A. In 1931; yes, that is correct.

Q. That is correct?—A. We are agreed that a price of 38 cents was not a fair price for the producer.

Q. Exactly. Now, the spread between Argentine wheat and Canadian wheat at the present time is, how much?—A. I have not seen the figures for several days; I have been busy with other matters.

Q. Yes, I would think you might have been.—A. I think the spread is about 18 cents a bushel.

Q. Eighteen cents, yes; it has gone up from 18 to as much as 25 cents a bushel, hasn't it, at times?—A. Yes, sir.

Q. And it has been as low as 8 and 9 cents?—A. Yes.

Q. That is comparing No. 2 Canadian wheat with what quality of Argentine?  
—A. I believe it is Rosa Fae.

Q. At any rate, the grade which corresponds to No. 2 northern?—A. They attempt to arrive at a parity as to grades, yes.

Q. And, as far as you know, the comparison should be with the "Rosa Fae" and No. 2 northern; would that be right?—A. That would be fair.

Q. That would be fair. That spread has been narrowing during the last few months, it was as high as 25 cents?—A. That is correct; yes.

Q. Yes. Now, you referred to the world's market. You have like the rest of us, I suppose, read, and you have had first hand information probably, with respect to the bonuses and assistance given to the wheat producers in Australia and in Russia and various other places—not in Russia, in various other places. I just put this to you: is there any world market in the sense of the term as it was used prior to subventions and bonuses and matters of that sort?—A. Do you mean, is there anywhere now a world market, sir?

Q. No; is there a world market in the sense in which that term was used before various forms of assistance were given to wheat producers, as in France, Great Britain, the Argentine and Australia?—A. Yes, sir, I think there is a world market.

Q. What would you say that world market was?—A. I would say that a world market is a place where buyers wishing to purchase commodities can do business.

Q. Regardless of whether or not the commodity is a bonused commodity; or a commodity that is not produced under similar conditions by all?—A. Yes, sir, that does not affect the marketing of it.

Q. That does not affect marketing as you see it?—A. Yes, sir.

Q. Is there really any such thing as a "market" for wheat at the moment?  
—A. The Winnipeg market is a world market for wheat.

Q. Yes, it is a world market for wheat in a sense, but not in a sense that the ultimate consumption of wheat is determined by the price payable there. The greatest importing country is Great Britain, isn't it?—A. Yes, sir.

Q. So far as a world market is concerned, if there is any left at all, it would be Liverpool, wouldn't it?—A. Yes, Liverpool is probably the world's largest "world market."

Q. Yes; and you would not say that that was a world market as it was known to you and to others for instance before subventions, bonuses and restrictions with respect to sale by other countries became common?—A. I do not get the force of your question.

Q. For instance, take France?—A. Yes?

Q. You are familiar with the fact that France exports wheat to England?  
A. Yes.

Q. And is selling it in England at a price which bears no relation to its cost, nor to the price being paid in France for it?—A. That is correct, yes.

Q. The French farmer receives a certain price for his wheat, and so far as he is concerned his market price is what he as a producer gets for it; that is right?—A. That is correct, yes.

Q. But the sale of that wheat on the Baltic Exchange in London, or Liverpool, is at a price which had no relation to the figure which he receives in France; you know that?—A. It does not bear a direct relation.

Q. It is much less, as a matter of fact?—A. It is less.

Q. Very much less; in some grades it is only half?—A. Yes.

Q. What would you describe as the world market then? Take the sales of this commodity, for which the producer in France has received upwards of a dollar and a quarter a bushel, we will say, and which is being sold in Liverpool or on the Baltic at London for, say, half that; is that a world market?—A. I would say the world price is a price at which a commodity can be obtained in the world's markets, regardless of where the market is located. I would say it

was just and fair to say that Chicago at one time had become a world market when they bought Polish rye; if that was the highest price, or the best place at which to sell Polish rye then that is the world market for Polish rye.

Q. The only point I am trying to ask you is something about which you know much more than I, and that is whether or not you could describe as a world market a price which is given for a commodity which is being marketed after the producer of it has been paid by the marketing agency—being the state—twice what is being received for it on this market. You think that would be a world market?—A. I think so, because I think the seller of that—regardless of the producer, or of control or anything else—the seller of that wheat, whoever he may be ultimately, will have to compete with wheat being sold from any country; and the relation between these values determines for the buyer what the price should be; that is the world price of that commodity.

Q. Yes; then the world price for Canadian wheat according to that would be the price which was fixed by the seller of wheat—not by the seller, which was obtained by the seller of wheat—although the producer was not that seller.—A. Yes, sir, that is correct; having relation always to quality.

Q. I am talking about uniform grades, to be frank. Then, so far as that is concerned, world market figures at the present time is the price at which state-aided produced wheat sold in the markets of the world sells at; what they can get for it; leaving out Canadian wheat for the moment?—A. Yes, that is correct.

Q. That would be right; and I notice in your memorandum you suggest that control should be removed and that Canadians should now take this great surplus that has accumulated by reason of the facts to which you have referred, and this wheat should be sold for a world's price, which is the price at which the French government or any other government might desire to sell, even at half what it cost, or what the producer received?—A. In this country, sir?

Q. No, no. We have a world's market established to your satisfaction; but we have France selling on the Baltic in London and at Liverpool at half what the wheat cost because of subventions by the state, which have been given to provide the farmer a certain compensation for his crop. Your suggestion in this memorandum is that all control should be loosed and the Canadian farmer should take for his wheat the price that is fixed in the world's markets?—A. I regret that you read that out of a memorandum, sir, it is not in there, to the best of my knowledge.

Q. This is your memorandum; here is what you say in the last page, I listened to you with attention and here is what you said:

The Winnipeg Grain Exchange realizes the gravity of the present situation but feels that the sooner a policy is adopted of selling our grain crop in an open market at prices that will find purchasers in the markets of the world in competition with the grain of other countries the sooner will the present difficulties disappear.

A. I did not refer to the producer of grain, I referred to Canada's grain.

Q. Look at what you said, please:—

The Winnipeg Grain Exchange realizes the gravity of the present situation but feels that the sooner a policy is adopted—

I was looking for some constructive suggestion from you about this bill and you say:—

The sooner a policy is adopted of selling our grain crop in an open market at prices that will find purchasers in the markets of the world in competition with the grain of other countries the sooner will the present difficulties disappear.

That is your view?—A. I still subscribe to that view, sir.

Q. Yes; in other words, the question for the producer is unimportant?—A. That is not correct.

Q. That is what it means?—A. I do not know how you can take that meaning out of it.

Q. How could you take any other?—A. Because, under the present system—and I have not in this brief even attempted to suggest to this government a substitution for the proposed Grain Board Bill.

Q. Ah, but you have. I have asked you for constructive suggestions. It was not an apology for the grain exchange which I was seeking from you, I was asking you for something constructive to assist us. What you say in the concluding paragraph of your memorandum, at page 9, is; you realize the gravity of the situation and feel that the sooner we adopt the policy of selling our grain crop in the open market at prices that will find purchasers in the markets of the world in competition with the grain of other countries the sooner will our present difficulties disappear?—A. Mr. Bennett, may I say, sir, to put it briefly, you have read some meaning out of it than the meaning which I intended. My intention was to convey the idea that our export markets should not be restricted, we should continue to sell grain in open competition with other countries. I have stated, it is my personal opinion, that the farmers' interests are paramount as far as this grain situation is concerned; nor did I ever hold any other view.

Q. Well, you see, Mr. Milner, I do not want in any sense to discuss that phase of it with you. Take your recommendation to this government as to how they should deal with the situation, and what you say is that your grain exchange realizes the gravity of the present situation?—A. Yes, sir.

Q. Your evidence satisfies me that you do. You have also given testimony as to how prices have been arrived at with respect to the sale of grain where it has been produced under state aid, or with bonuses or subventions as the case may be. Now you say that the sooner a policy is adopted of selling our crop in the open market at prices that will find purchasers in the markets of the world in competition with the grain of other countries—that is French grain, Australian grain and grain of that sort—the sooner will the present difficulties disappear. Then you close by saying:—

In the meantime it may be necessary to subsidize the producers either by some system of price support, or by other means, and in that case the Winnipeg Grain Exchange would continue to co-operate with the government.

A. Yes, sir.

Q. In other words, what you say is let the Canadian production of 400,000,000 bushels go on the market in competition with the grain of all the countries of the world and let it be subsidized by the Dominion government, in accordance with your suggestion, and the Winnipeg Grain Exchange will co-operate?—A. I think that is a fair statement.

Q. That is a fair statement?—A. Yes.

Q. Is that your only constructive suggestion with respect to this bill?—A. That is the only constructive suggestion that I have got in connection with it, sir.

Q. In other words, it is, in the words of Carlyle, "Let the devil take the hindmost"?—A. I do not know that that can be read out of it, sir; we are interested, as I pointed out, in the interests of the producer. We are suggesting that a subsidy, if necessary, be paid the producer; but we do deplore the fact that our export trade in wheat has diminished.

Q. But, Mr. Milner, was it not bound to decrease the minute nations began to subsidize the producer; countries that formerly had been importers?—A. I believe that that is the situation.

Q. Is that so or not?—A. That is so.

Q. Now, Mr. Milner, I knew you when you were a young man—although you are not an old man yet by any means, you are still young—but in those days you were selling large quantities of wheat to France?—A. Yes.

Q. That is so, yes; and to-day the only wheat sold to France by anybody is wheat that represents the same kind that France has been permitting to be sold to other countries?—A. That is correct.

Q. And of the amount bought last year by France, according to figures furnished to us, the major part came from Canada?—A. That is correct.

Q. That is correct. How do you explain the fact—put it this way, is it not absolute common sense that the minute France begins to supply her own wheat there is a diminution of Canadian exports?—A. That is correct.

Q. That is so?—A. So far as France is concerned.

Q. You know, one year we sold France 31,000,000 bushels—I think that was 1930—is that correct?—A. Yes.

Q. We sold much less in the following years because France increased the production of her own wheat; that is so, is it not?—A. Yes.

Q. And all she bought was what was necessary for mixing and seeding; that is so, is it not?—A. Yes.

Q. My difficulty is this; you say there has been a shrinkage in the sales of Canadian wheat, wasn't there bound to be under these circumstances?—A. There was; but I should have perhaps added, in comparison with Argentine and Australian shipments.

Q. Yes, Argentine and Australian; and Australian bonuses to the extent of £4,000,000 for producers, as you are aware?—A. Yes.

Q. Now you suggest that some such treatment as that should be accorded to our producers, is that your suggestion?—A. I do not care to suggest as to the method.

Q. No, no; not the method; some such system as that?—A. Yes, that is a fair statement, that the producer receive a reasonable return for his work.

Q. You say you think the producer should receive a reasonable return, and you will say if you are familiar with the figures, that the Canadian producer has received for a very much smaller quantity of wheat, a very much larger sum of money than he received for a larger quantity in preceding years?—A. I have seen the figures.

Q. There is no question about them being accurate?—A. I have not checked them. I presume they are accurate. I take your word they are accurate.

Q. You are aware of the fact that the price of wheat sold by Canada has been higher during the last year or two than it was previously, and it dropped as low as 50 or 60 cents?—A. Yes.

Q. Have you looked at the question of imports by importing countries in the years when wheat was very low as compared with years when wheat was bearing a higher price and seen what the effect has been?—A. I do not know that I have examined those figures.

Q. No. I suppose in the ultimate test the question is the consumption of wheat, the actual going into consumption of the wheat?—A. Yes.

Q. As long as wheat is overhanging the market, whether in the hands of the speculator or the producer it is unsold wheat?—A. Yes.

Q. And obviously until it goes into consumption it cannot be said to be no longer a factor in wheat prices; I suppose that is correct?—A. I do not get it.

Q. The test is when the wheat goes into consumption?—A. Yes.

Q. That is clear, is it not? As long as it is overhanging the market, whether it be in the hands of a speculator or the owner, it is unsold wheat?—A. The statement is that it has a depressing effect on the market.

Q. Yes, until it goes into consumption. I suppose that is correct, is it not?—A. Are you still speaking in connection with unsold wheat having a depressing influence on price?

Q. Yes.—A. I have seen times when that has not been the case.

Q. It is a broad and general rule?—A. Yes, it is.

Q. If that is so, I am still asking you to look at the situation as you see it to-day. In any other business in the world, except probably in the production of wheat, in farming, if large surpluses accumulated in the only market in which you can sell your product the general idea would be to realize on your inventories and not produce as much as you had been producing until such time as you are able to overtake the market; is that right?—A. That may be true in some industries.

Q. Is it true in relation to wheat?—A. That would be a last resort in our industry.

Q. If it is going to take care of the situation you mention?—A. Have our price of wheat more near the price of other exporting countries and get rid of it.

Q. In other words, Canadian wheat, if it is sold on the basis of competition with France, with Australia or with the Argentine, would get rid of that problem?—A. That would get rid of a certain portion.

Q. Of that problem?—A. Yes.

Q. What happens to the producer?—A. I have suggested that the producers' interests must be protected.

Q. Yes, how?—A. Well, there are various methods that could be adopted.

Q. Would you tell me what your suggestion may be, because we are dealing with this matter?—A. We have related the method adopted in France. I do not know whether the government in this country is prepared to follow a proposal of that nature, but the export flow of Canadian wheat could be maintained and the difference between the price which it was necessary to bonus—the price at which this grain was collected and the price at which it was sold on the open markets—that loss could be taken by the government of this country as a subsidy to agriculture.

Q. Oh, yes; that is what I thought you would probably say. Now, what other method have you to suggest?—A. Well, it is a presumption on my part to suggest.

Q. No, you are representing a great body. I understand your first suggestion: you simply say a reasonable price should be paid the producer for his grain, and that based upon the cost of production, and then the grain should be allowed to flow out uncontrolled, and that the difference between the uncontrolled price, the price realized from the uncontrolled flow and the price which the producer is paid should be made up by the taxpayer?—A. Yes.

Q. As a subsidy to agriculture?—A. Yes.

Q. That is perfectly clear and easily understood. Now, have you any other suggestion?—A. No, I have no other suggestion, sir, but other remedies I have heard other grain men speak of ultimately fall into that same channel.

Q. Yes, they all fall into that; they all get down to that in the end?—A. Yes, they do.

Q. There is no doubt about it. Now, that being so, I put this to you: you have followed the operations on the Grain Exchange of Mr. McFarland, and you know him very well; he talks to you frequently, I understand?—A. Yes.

Q. At present he is in the hospital?—A. Yes.

Q. And this is the position, that the farmers of the country, the producers of wheat in the country have been receiving a price which is higher than they can receive for their grain if it is marketed in competition freely, would you say, with wheats of other countries?—A. The farmers did do so.

Q. Do you suggest the price paid them has been excessive?—A. I do not.

Q. Then, it would involve, on that statement, a subsidy to agriculture in the method you have indicated of the difference between what the farmers receive and the price at which the grain should be sold—allowed to flow out of the country?—A. That is correct.

Q. Now, the grain has flowed out of the country, but not in as large volume as you would like, at prices which have been approximately those paid for it?—

A. Will you repeat that?

Q. The grain has flowed out of the country at approximately the prices at which it was bought or received by the producer?—A. Yes, that is right.

Q. That is correct, yes. Now, it has been said here that Mr. McFarland has accumulated 225,000,000 bushels of wheat or thereabouts by taking the hedges of the farmers and by purchases on the Canadian market for the stabilization of price. On the latter side of it, according to what you have said just now, you give your heartiest approval, as to stabilizing the price to the producer?—A. I did not get the word.

Q. I am sorry. I was not speaking up.—A. Your question was quite clear.

Q. Perhaps you did not hear me. I said it is shown that Mr. McFarland has accumulated 225,000,000 bushels of wheat and that a portion of that wheat was taken for hedges and a part of it purchased for stabilizing the price to the farmer, to the producer in western Canada. Leaving out the first question, which is disputable, and taking the second, the question of stabilizing, I gather that it meets with your warmest approval as giving the producer a reasonable price for his wheat and under conditions to which you have referred?—A. The question of stabilization, sir, meets with my approval; the price at which it was stabilized does not.

Q. It was too high?—A. Too high.

Q. In other words, the price paid to the producer, you think, is higher than it should have been?—A. No, sir, I do not think that.

Q. Well, that is what it comes down to?—A. That is correct, but there could have been another method employed.

Q. Now, I think we should have that. What would be your other method?—A. The other method might have been, as one alternative, that the government of this country decide as to the price that the farmer should have for his product.

Q. In other words, the government of Canada fix the price of wheat?—A. As far as the producer is concerned—as a minimum.

Q. That is the first alternative suggestion; that the government should fix the price, the minimum price to be paid for wheat. Yes, that is interesting. What is the next point?—A. The next point is that in the event of the Canadian market declining to a price lower than that, that the farmer should have some form or method of collecting the difference between such minimum price and the price which he receives at the country station.

Q. That would be a very interesting experiment?—A. I think it would be all right in my personal opinion.

Q. In the first place, the transaction is made between the farmer and the elevator company. That is the first sale of it and it is made within the provinces themselves. But leaving out of the question any difficulties in a legal way, you say that this Dominion government should fix the minimum price to be paid for wheat?—A. I do not say they should; I say that is an alternative.

Q. No, no; it is a pure alternative, I do not want to mislead you. Then, having fixed the minimum price, for the sake of argument let us have some figures, say, 60 cents at the elevator, the wheat is sold on the Canadian market by the elevator company through the channels of trade to which you have referred in your memorandum at 50 cents, and the 10 cents will be borne—A. By the government.

Q. Borne by the government as a subsidy to agriculture?—A. Yes.

Q. What method would you suggest should be adopted for arriving at the minimum price—I am leaving out freight rates because there is a variation to freight rates—it is all Fort William basis; but leaving that out, how would that be done?—A. That would have to be entirely with the government, the finances of the country.

Q. And if White wheat should decline to the price of 38½ cents, there would be a tremendous liability; and that would have to be met as a subsidy to agriculture?—A. Yes.

Q. And it is so, is it not, Mr. Milner, from your past experience, having regard to your knowledge of the 1928 crop and the 1931 crop, I think you will see beyond question that the removal of all controls at present with respect to accumulated wheat that is held by Mr. McFarland—we use the name Mr. McFarland—but held by a corporation—together with the probable crop of this year, would reduce the price to a very low level?—A. It is always difficult to forecast the market.

Q. I agree; but having regard to what you know of world crops and our own expectations with respect to western Canada, which, at the moment have been expressed in terms of 400,000,000 bushels, and to the rapidity with which wheat is marketed in the fall, would it not have the effect of rapidly decreasing the price of wheat if all controls were removed and its free flow were permitted?—A. It would decrease it with world conditions remaining as they are at the moment.

Q. I am talking about world conditions as you know them to be?—A. Yes.

Q. I am not talking about what may be; I am talking about what is. Now, that being so, wheat cannot be marketed unless it is hedged, can it? That wheat cannot be marketed unless it is hedged?—A. The new crop?

Q. Yes.—A. No.

Q. No, it certainly cannot. Hedging really is related to what we call the credit situation; that is its relation to the necessity of the elevator companies having credit facilities to buy the farmers' wheat?—A. That is correct.

Q. That is the short way to put it. The only reason the banks will not advance money is that they are unwilling to take the risk with the depositors' funds unless they have a hedge?—A. Yes.

Q. And the hedge means that somebody has put himself in a position where he must take that wheat which has actually been purchased by the elevator company; in the event of the contingency arising that he has to do so, he must be in a position to do so?—A. He must be in a position to do so, to put up the hedge.

Q. Putting up the hedge simply means that the elevator company has limited its possibility of loss. That is a short way to put it?—A. We call that "price insurance."

Q. That is a much better way. This price insurance must be provided?—A. Yes.

Q. If this crop is to be marketed, somebody must provide price insurance?—A. Yes, sir.

Q. Well, now, you suggest that if all the controls are removed and the wheat is allowed to go upon the open market, plus the 225,000,000 bushels Mr. McFarland has, the hedges can be taken by speculators?—A. My suggestion would be that all the controls should not be removed. I do not believe in that.

Q. You do not believe in that?—A. No.

Q. But assuming that the controls were removed to the extent to which you suggest, you believe the speculators then will take the hedges, the price insurance?—A. I do think it is fair to say just speculators. I think the same interests who have always taken the hedges—let me put it that way—would take the hedges, yes.

Q. If all price restrictions were removed?—A. I have said I do not think all price restrictions should be removed; but I do think at a price which would not be a good thing to-day that speculators, importers and exporters would ultimately take all the hedges.

Q. In other words, price insurance could be sold to somebody if there was no limitation or restriction as to prices?

Mr. PORTEOUS: Ten cents a bushel.

The WITNESS: It is a question of leading the cost of that wheat—you are talking about the cost of insurance.

*By the Chairman:*

Q. No, I am not talking about the cost of insurance at all. I have to sell some price insurance to somebody?—A. The hedge.

Q. In other words— —A. Yes.

Q. Because I thought your two words were admirable as expressing what would be understood by everybody I have used them.—A. I was thinking of premiums.

Q. I was not. I want to put this to you, now. Do you think there would be enough purchasers of hedges—I want your opinion, the best you can give—if all restrictions and controls were removed?—A. I do say that, but at a very much lower level.

Q. Exactly. Have you any idea how low a level, having regard to what happened in 1931 with the crop of that year?—A. No, I would not make an estimate.

Q. It might be forty cents?—A. It would be altogether dependent upon the world condition of wheat.

Q. The world condition of wheat at the present minute is known to you. It would unquestionably involve a greatly lowered price level; that is a fair way to put it?—A. That is a fair way to put it.

Q. And the result would be that the primary producer of this commodity might receive a sum wholly inadequate to pay him the cost of his seed and labour?—A. May I repeat, sir, I have never suggested at any time—

Q. No; I am saying in the absence of controlled assistance, put it that way, it would involve that?—A. Yes, sir.

Q. There is no doubt about that?—A. That is correct.

Q. That being so, direct your attention to the bill. I ask you this. You will observe that it is not proposed to take the elevators from the owners; it merely proposes to permit them to continue to operate their elevators as heretofore, but on account of the board. You think that is a mistake?—A. No, sir.

Q. Which may be a pool. On account of the board. I am treating this as a pool, as it is. There would be no difficulties, so far as the elevator is concerned, would there, Mr. Milner?—A. Well, the difficulty is this, as I see it, that this bill provides for the confiscation of the use of property.

Q. I am quite well aware of the legal argument made about that. It is not confiscation at all. I put this to you, Mr. Milner: You own an elevator. You ran it all last fall, and as you very properly say, you are governed by statute in the operation of that elevator; (a) you must have a licence and, (b) you must issue certificates, receipts in forms settled by the Governor in Council under the act itself?—A. Yes.

Q. Then you have to be bonded and matters of that sort? Now, as the farmers could not sell that grain to you last fall at your elevator, you sold it under terms to various people who held it in other bins for storage, didn't you?—A. Yes, sir.

Q. Now, I ask you what is the difference if I merely say you operate instead of for prospective purchasers, for a purchaser that you know before you operate?—A. I know the money I can make out of that elevator will be dependent upon competitive conditions.

Q. It will be this time?—A. In this bill it does not provide for any tariffs.

Q. They are fixed by the Grain Act?—A. There are certain matters in connection with street grain and so on that would have to be gone into, the amount of their operation—there is nothing in this to state what return—

Q. Do not let us get into the street grain business. Let us leave that alone.—A. All right, sir.

Q. I am putting it to you, that when you talk about confiscation—it is a good word for lawyers to use occasionally—what happens in this case is you

are going to run your elevator that you have at Okotoks for the board this year, last year you ran it for anybody you could get to buy your grain. What is the difference? Is the difference you do not think you would make so much money?—A. That is always a consideration in business.

Q. I know it is. That is what business is for. Is that the real reason?—A. No, it is not the real reason. It restricts the operations of the elevator under this act.

Q. How?—A. It virtually makes all the customers whom we have and whose business we have been looking after over a period of years, join an organization which becomes similar to the pool—we used that expression before.

Q. This is a pool of grain, yes?—A. We do not think it is in the interests of those people to market their grain in that manner.

Q. Do you see, what I am coming to is this: I am trying to direct your attention—it is not an easy thing to talk about the thing as a whole—I am starting in with the primary producer who hauls a load of grain to the elevator?—A. Yes.

Q. Last fall he hauled it to you at Okotoks; he got a cash ticket and went out and got money for it at the bank and that is the end of it; you became the owner of the grain; that is, after you bought it; then you sold it to somebody else?—A. Yes.

Q. Now, this year the producer hauls the grain in to you and your elevator is running the same way, still bonded and your fees are fixed by law as heretofore; however, you know you have no worry about buying or selling of that grain, because it has passed into the hands of the board. You buy for them. When you bought it, it was their grain. Tell me wherein the elevator company suffers?—A. We suffer in the fact we are not running our own business.

Q. But you are. That is what I am trying to show to you. You are buying grain. You are a public utility under the law; remember, now, you are licensed; you have certain statutory obligations to perform. Those obligations you are performing this year exactly the same way you did last year. I want to know where the elevator company suffers; I am starting with the producer hauling his grain to the elevator; the elevator is being operated the way I have indicated. Now, I want to know where he suffers. You are the owner of the elevator.—A. Well, one way in which we might suffer is this, that we have built up—take any company that a man is associated with; his business connections have been built up by service and by proper dealings. In this case where all the elevator companies in the country were run by one organization—

Q. No, no; each company is running its own elevator and the competition for service is just the same as it ever was, and the desire to serve your customer is just as great, only you know exactly what you are going to pay, so far as he is concerned.—A. Then there is no price competition.

Q. No. You do not mean to suggest there is very much for the elevators, do you?—A. I do, sir.

Hon. Mr. STEWART: Did you sell wheat?

The CHAIRMAN: No. I know what the competition is, but there is no competition in price. I put it to you, where has he suffered? He has taken no risk, none at all. He gets the same fee, the same customers, the same services, and you have no worries. You know your wheat is sold when you buy it.

Mr. VALLANCE: This must be for you, this bill.

The CHAIRMAN: We are starting with the primary producer and the elevator. We have to take it along, starting with the grain in the hands of the elevator.

Mr. VALLANCE: I should be on the stand, not him.

The CHAIRMAN: I am asking for suggestions with respect to this, because this matter is one of the most important in the bill, this section which provides that the elevators shall be operated for the benefit of the Board. Now, the witness before you suggested that some sort of board may be necessary. We will leave that out for the moment. We will assume that there is a board. I am starting out with the producer hauling his load of grain in to the elevator this fall just as he did last fall. The initial payment is fixed. He knows what he is going to get, and you know, running the elevator, what you are going to pay. I am going to ask you where your elevator has been damaged or injured by this step?

The WITNESS: I said that one thing is the question of competitive prices.

*By the Chairman:*

Q. But your customers, you said a moment ago, are established?—A. They are established by competition.

Q. Well, there is competition in service?—A. There is.

Q. Not in price?—A. There is competition in service and competition in price.

Q. We will leave price out, because the price, we say, adopted by all the elevator companies is the same?—A. To that extent I have no chance of maintaining competition with my other people there; all I can do is on service.

Q. Quite so?—A. It narrows competition, let us say.

Q. It narrows competition?—A. Yes, for customers.

Q. Yes?—A. For customers.

Q. But you see, the customer who has been accustomed to hauling his wheat to one place, when he is going to get the same price if he goes to another, will continue presumably to haul it to that place; and if the service you give him is better, or you convass him, you will get the business. It is a question of service?—A. It would be, under this.

Q. There is no financial injury, is there, because your wheat is sold before you buy it?—A. I don't know what terms these elevators would be employed on.

Q. But it is fixed by law?—A. You are talking about the tariff now?

Q. It is fixed by law, yes, by statute. We have not changed the statute. You will get the same rate. Assuming it is for storage, and if it is specially binned—that probably would not longer operate except it be for sale within the province, to a milling company in the province or something of that sort—the handling charges are all the same. I have not changed them or suggested that they be changed. What is your loss in the elevator by this bill?—A. I would like some time to think that question over.

Q. All right. Then proceeding from the elevator to the next step in the movement of the grain, the grain already in the elevator is held on account of the board instead of on account of, we will say, the Ogilvie Milling Company, if it be one of their elevators, or on account of anyone of the numerous elevator companies. It is sold. It moves out by car, loaded as rapidly as possible, down to the head of the lakes. There is no difference there, is there? And so far as the head of the lakes is concerned, the treatment is exactly the same, for that is covered by statute, is it not?—A. The tariff?

Q. That is covered by regulation, as you say, or statute; there is no difference up to that point?—A. Right.

Q. Now I put this to you: Is there any reason why, in the operation of this board as described, all those persons who have heretofore discharged services might not continue in the same way as the elevator companies do, as agents for the board, to make their contacts, use their contacts abroad for the sale of wheat?—A. I have not studied the point of this sufficiently to answer.

Hon. Mr. STEWART: I am quite interested in that question. You say they will be permitted to continue their contacts for sales, as the elevators?

The CHAIRMAN: I took the wheat from the producer to the elevator companies. I left the elevator with the wheat. It has been loaded and brought down to the head of the lakes where, as Mr. Milner says, it will receive the same fee as heretofore for doing that, and then it has to seek its markets abroad.

Hon. Mr. STEWART: Yes, and not through any agency other than the board.

The CHAIRMAN: No. I said if the board authorized various persons engaged in that business to make sales, the only matter being what we have said here with respect to elevators, or that may be varied as the case may arise, is there any reason why that should not be done?

Hon. Mr. STEWART: I just want to be clear about that. You say if various persons are authorized to make sales abroad—

The CHAIRMAN: This is the way I put it: I am the board, and these four gentlemen are men who have heretofore been engaged in the sale of wheat, and I say to them, "Gentlemen, I want you to continue to sell this wheat that I have, for which you will be paid a reasonable fee for the service you render, with your customers abroad, and supply them with Canadian wheat." That is conceivably an easy way to do it. They have contacts; the board has not. There is no reason why that can not be done if they would be willing to do it, is there, as agents of the board?

The WITNESS: That would seem to be reasonable.

*By the Chairman:*

Q. That would seem to be reasonable as far as that is concerned. The only question that would arise would be with respect to those who desired to buy it outright from the board. They might want to take a chance to make some money themselves, if it were provided that the board could sell to them direct and they wanted to take a chance. There would be no limitation there, would there? I mean, it is conceivably an easy thing to do, is it not?—A. This is getting too involved.

Hon. Mr. STEWART: I agree.

*By the Chairman:*

Q. You know, Mr. Milner, it is not involved to your clear mind. All you have to do is just put yourself in this position: You are the board, and you are not going to establish new agencies in order to undertake trade. You merely say to all those people who have engaged in the same trade in Winnipeg and elsewhere, "Gentlemen, preserve your contacts with your customers and sell my wheat." It is the only wheat there is to sell. There is not much difficulty about that, is there? And for honest services you will be paid an honest fee. That is what the 1919 board did.

Hon. Mr. STEWART: That is a lovely picture.

The CHAIRMAN: That is what the 1919 board did.

Hon. Mr. STEWART: But, the 1919 board was not organized for the purpose of paying higher prices for grain.

The CHAIRMAN: I have it here, paragraph 5, it says:—

Deliveries of wheat may be taken from, through or by the use of such agents or grain companies or organizations as the Board may see fit, and may be at such points in Canada, at the seaboard or otherwise, as the Board may direct, and the Board may pay to such agents or grain companies or organizations handling wheat, or delivering wheat to the Board, such commissions, storage and other charges as the Board with the approval of the Governor in Council may deem proper.

*By the Chairman:*

Q. I have not touched, or endeavoured to touch, in this bill anything that fixes fees by the Grain Commission. We have not dealt with that at all. Is there any reason why the business of the board should not utilize all these marketing agencies that have been created during all these centuries for the purpose of selling grain?—A. I presume the board could use those services.

Q. Certainly, and without disturbing the business of these people with the world?—A. I don't want to go that far.

Q. You don't want to go that far; there might be some disturbance?—A. There might be.

Q. Is it not fair to say to you there would not be; you are quite right in saying you have no desire to go that far. You said there might be, that is right. There is no reason why these agencies that have been created all these years for the sale of wheat should not continue to function if the board is willing to employ them?—A. Suppose the board were not willing to employ an agent who had been in business a number of years and did not employ him; is that fair?

Q. No. Suppose it provided for the employment of any who had been previously engaged in the business, without particular designation—just as I proposed in respect to the elevator companies?—A. I would like to have some individual effort in the conduct of my business.

Q. You would still have?—A. But it would be—

Q. The same business might continue and make money?—A. That is correct, if there is a settled standard of crop.

*By Mr. Gobeil:*

Q. You would not want to speculate?—A. I do not ever want to speculate.

Q. What difference does it make in respect to individual initiative?—A. I mean, business that would accrue to the company.

Q. It would accrue just the same?—A. It does not require speculation to make business.

The CHAIRMAN: It would accrue just the same.

*By the Chairman:*

Q. I want you to direct your mind to that problem, will you?—A. Yes, I shall.

Q. You say all that is involved is the question of utilizing every existing agency without discrimination for the purpose of preserving contacts with the markets, particularly in the sale of grain?—A. Do you say that is done anywhere in this bill?

Q. What I say of the bill is this; that it can be done, of course, just as was done by regulation with the other business of 1919. You see, Mr. Milner, what I want to get in your mind is this; we have a real problem, I am asking you for any constructive suggestions you desire to make. You have made one; two, as a matter of fact. One is the removal of control and allowing the wheat of Canada to go into the markets of the world regardless of other considerations; and two, that any loss sustained by the producer below a given figure shall be compensated for as a subsidy; that is part of your suggestion?—A. Yes.

Q. I am trying to ask your attention to the bill to show that starting with the producer hauling his wheat to the elevator, and from the elevator down to the head of the Lakes and from the head of the Lakes down to the seaport and so on, that you have a condition visualized, if you will, by what I suggest. That would not interfere with your business, let it continue; but it would not enable wheat to be bought and sold as a commodity with the same freedom as it now is. That is, the John Smith Company could not buy a million bushels of wheat to-day thinking there was going to be a rise in the market;

they would be acting as agents for the board in the sale of wheat; and the board would direct its policy, as Mr. McKee has said; the board therefore, as he says, would be directing the policy as to how best that can be done. Would that be unfair interference with vested rights in business, do you think? There would be some restrictions, as you say, but would it be an unfair interference with it?—A. I would like to have time to think about that.

Q. You would like to have time to think about that. I quite understand that. Perhaps we had better adjourn. When shall we sit again? We cannot sit this afternoon after the House meets, unless we ask for leave.

The Witness retired.

Hon. Mr. STEWART: Shall we meet to-morrow at the same hour?

The CHAIRMAN: Perhaps we had better say 10 o'clock, would that be convenient?

Mr. VALLANCE: Before we rise, I think leave of the House should be requested to authorize the printing of the proceedings of the committee from day to day.

The CHAIRMAN: Well, yes there is that question; that the House of Commons be asked for leave to print the proceedings from day to day.

Hon. Mr. RALSTON: Yes. I did want to say a word about that, because I think the evidence that has been given this morning by these witnesses in connection with this matter, and the attendance here, indicates how much interest there is in the discussion.

The CHAIRMAN: Yes. Very well, I have no objection in the world to that being done, if it is the common opinion it should be done. The only thing is I had not thought that we were going to deal with anything other than this bill, but the suggestion has been made to make it a wider investigation. I suppose that that means some sort of an interim report should be presented to the House this afternoon, and that a motion should be made by me as the chairman that the proceedings should be printed in so many copies—whatever the motion is—prepare it for me, will you Mr. Clerk?

Hon. Mr. RALSTON: There are only two copies I understand being made now.

The CHAIRMAN: Is that all; I did not know that, I thought there were more than that.

Hon. Mr. RALSTON: I did not know that either.

The CHAIRMAN: I did not know that until this morning.

It would be very difficult for me, but I suppose it is probably desirable that the committee ask leave to sit while the House is in session.

Hon. Mr. STEWART: That is all right as far as we are concerned.

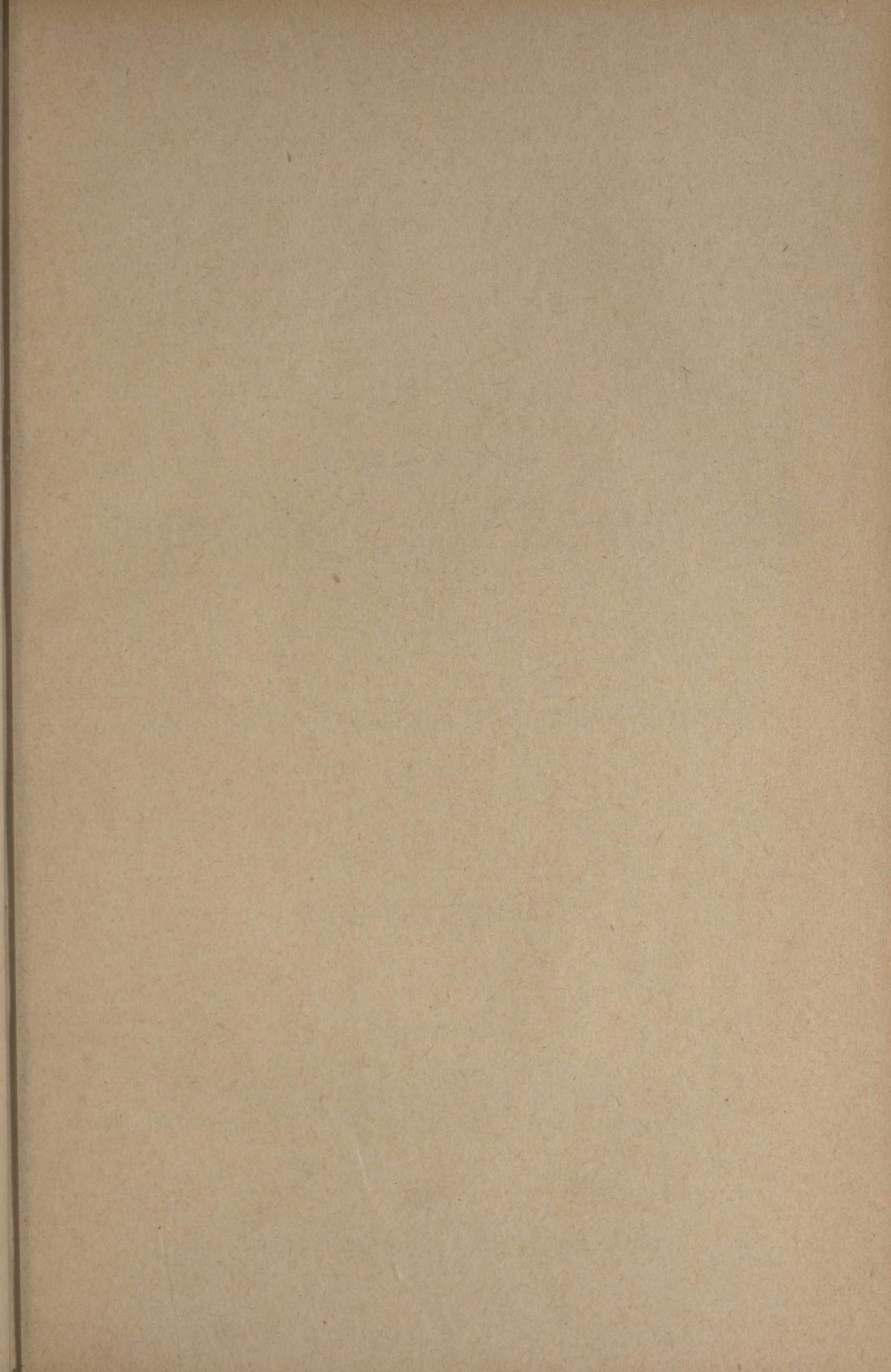
Hon. Mr. RALSTON: That is all right as far as we are concerned; but, of course, it would be much more difficult for the chairman than for anybody else.

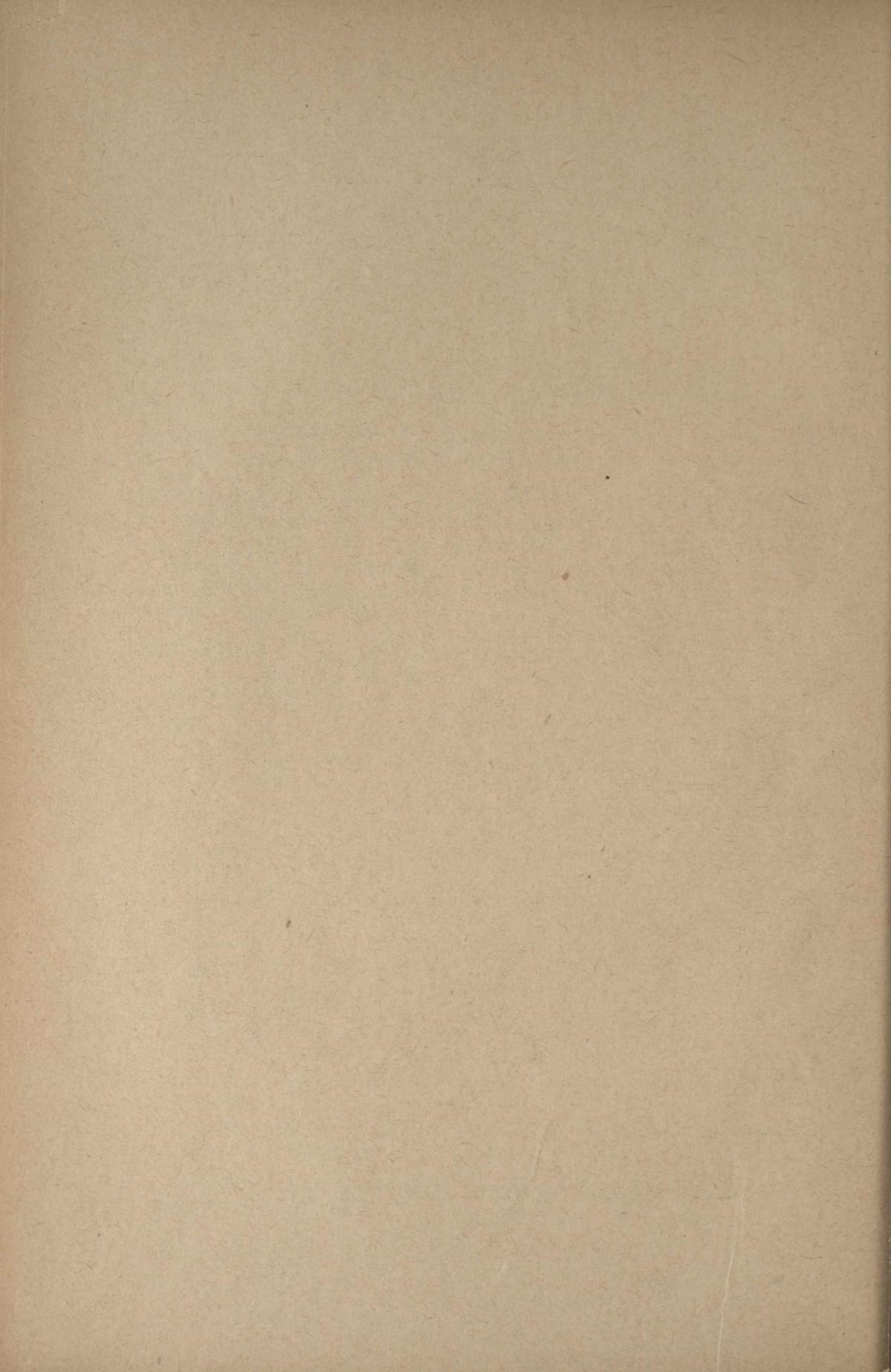
The CHAIRMAN: I know that. We will just leave it and perhaps do it as a matter of routine.

Hon. Mr. STEWART: We will leave that to your decision, Mr. Chairman.

The CHAIRMAN: Thank you.

The Committee adjourned at 12:59 p.m. to meet again at 10 o'clock a.m. Friday morning, June 21, 1935.





SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 3

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FRIDAY, JUNE 21, 1935

---

WITNESSES:

R. W. Milner, President, Winnipeg Grain Exchange.  
R. S. Law, President, United Grain Growers' Limited.  
James Richardson, President, James Richardson & Sons, Limited.

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FOR THE YEAR 1954-55

CHICAGO, ILLINOIS

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## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, June 21, 1935.

The meeting came to order at 10 a.m., Mr. Bennett presiding.

Members present: Messrs. Bennett, Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance and Willis.

Mr. R. W. Milner was recalled, questioned and retired.

Mr. Richard S. Law, President of United Grain Growers' Limited, appeared and read a prepared statement.

Mr. James Richardson, President of James Richardson & Sons, Limited, appeared and presented a prepared statement.

Mr. Richardson to appear for examination at the next meeting.

Discussion followed as to the date of the next meeting.

The Chairman enquired if there were other gentlemen present who wished to be heard.

Mr. Sydney Smith informed the meeting he had a statement to make.

The Chairman informed the meeting that Mr. MacLeod of the Co-Operative Producers Limited, had requested permission to appear and it was agreed he should be heard.

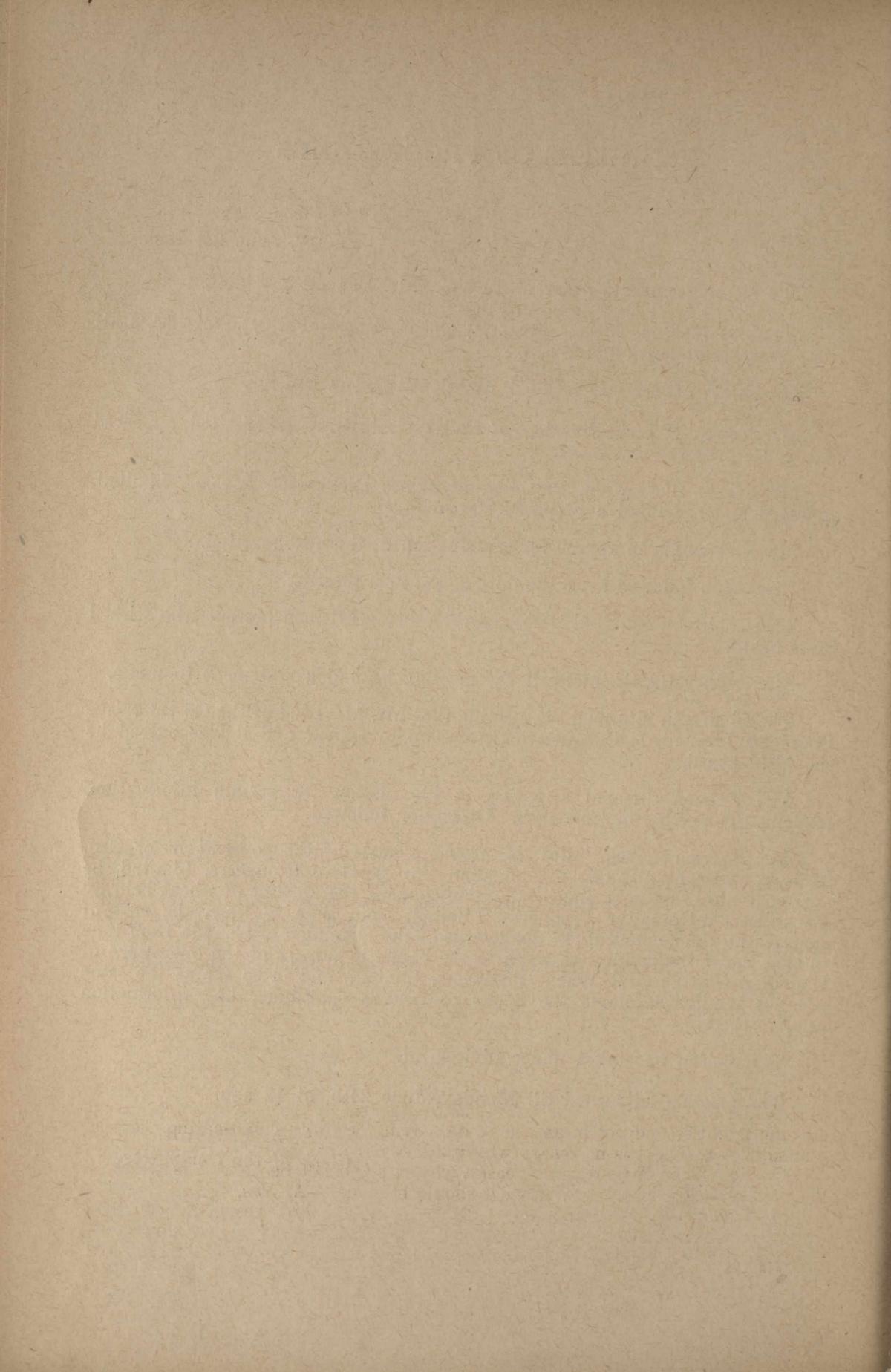
Mr. Ralston directed attention to his motion for certain information, made at the meeting of June 18th. Discussion followed.

Mr. Ralston moved, "that the proper officials of the government or Geo. McIvor, assistant manager of Canadian Co-Operative Producers, Limited, be summoned to bring with him information showing the amount of wheat held by Canadian Co-Operative Producers, Limited, from time to time, the cost of such wheat, the amount of the obligations of the Dominion of Canada from time to time under the guarantees given to the banks in respect of the operations of Canadian Co-Operative Wheat Producers, Limited, and in so far as the same are not readily available the books or records containing any information relative thereto."

The motion was taken under advisement.

The meeting adjourned till Monday, June 24th, at 10 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 21, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 10 A.M., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: Well, gentlemen, it is 10 o'clock; come to order. Is Mr. Milner here?

R. W. MILNER, recalled.

*By the Chairman:*

Q. Mr. Milner, I asked you yesterday a few questions regarding the sale of wheat in the Argentine. As I understand it, the government acquires all the wheat from the farmer in the Argentine through a board; it is sold by the various agencies that obtain in that country for making a sale, chartering ships and forwarding the grain. Is there any reason why that should not be done here?—A. The reasons I have expressed in the summary of the statement I gave, sir.

Q. Yes, but I am asking you now, you see, is there any reason why in view of the difficult situation to which you have referred we should not establish a board which would acquire the wheat in the same way as they do in the Argentine, utilizing existing facilities without limitation—without discrimination, at least—for the purpose of seeing the wheat reach the markets of the world; are there any conditions in Canada which make it more difficult in this country than in the Argentine?—A. I am not familiar with conditions in the Argentine.

Q. That is what I asked you: is there any reason why we should not adopt that principle? You heard what Mr. McKee said?—A. Yes, I did.

Q. I am asking for something helpful, if we can get it, for this bill?—A. Yes, sir, I think I made it perfectly clear yesterday after the statement I issued on behalf of the Exchange that any replies which I made were only my own personal views. They did not represent the views of the Exchange and could not on account of the number of our members and their various views on all matters.

Q. Yes, Mr. Milner, I realize that you are the president of the Exchange?—A. Yes.

Q. I am going to ask you to direct your mind, if you will, to conditions that you mentioned yesterday by which wheat from the Argentine is underselling the wheat from Canada; that is what your view was yesterday?—A. Yes.

Q. And what I am asking you is this: is there any reason why, without going as far as controlling exchange, a board such as that mentioned by Mr. McKee should not market the wheat as it is acquired from the farmer, using existing facilities and not in any sense destroying them nor confiscating them as you said?—A. There is no reason why it could not be done.

Q. No. Then if there is no reason why it could not be done it is merely a question of judgment as to whether it should be done?—A. Yes, sir.

Q. That is what I would judge. Now, in that regard, yesterday you filed a statement attached to your submission regarding the wheat position as of June 14, 1935. I want to ask you a few questions about that, Mr. Milner. Mr.

McFarland holds, either as cash wheat or as futures deliverable on or before the 31st of July, 1935, some 225,000,000 bushels; that is your understanding?—A. That is what has been stated.

Q. And that is the figure you are acting on?—A. Yes.

Q. Now, the visible wheat in Canada on the 14th of June, is how much?—A. I have not got the visible figures, sir; I took it at the figures you used when you discussed—

Q. A couple of hundred million bushels?—A. Approximately.

Q. That included an estimate of the wheat in the farmers' hands—only an estimate?—I cannot understand that statement.

Q. Of the wheat in the farmers' hands as part of the visible 200,000,000 bushels?—A. The only wheat that belongs to farmers that appears in the visible under the method by which the visible figures are compiled would be some grain in the country elevators or stored grain in the terminals owned by farmers and not sold.

Q. Yes, quits so. That does not include any estimate of what is on their farms. I suppose you have arrived at a fairly definite knowledge of what they have in elevators; you can always tell about how much the farmers have in the elevators by checking it up?—A. It is difficult.

Q. In the terminals and country elevators?—A. It would be difficult to do.

Q. It is done anyway?—A. It is estimated; it is variously estimated.

*By Mr. Perley:*

Q. In the weekly reports it would show?—A. No.

Q. The receipts of the country elevator?—A. That is so, but it would not necessarily show wheat owned by the farmers in the receipts; it might be grain bought outright by cash ticket that was the property of somebody else.

*By the Chairman:*

Q. The flour situation which you estimated as not being in the Canadian visible amounts to a little over 5,000,000 bushels?—A. Yes.

Q. Is that wheat hedged after it is converted into flour?—A. The hedge still remains on the wheat if the flour is unsold, sir; that is the practice.

Q. How much of that flour may be under contract for sale I suppose you do not know?—A. I have no method of knowing.

Q. I see "wheat in United States in transit and in non-reporting mills and feed plants; in bond 4,625,000." I suppose it is possible to estimate that with some degree of certainty?—A. Those figures were computed after having received the statements from various members from whom we required them; they furnished them.

Q. Coming now to the two largest items you have "wheat on ocean passage and at British and foreign ports"—that wheat, therefore, is out of the country?—A. Yes, sir.

Q. And that wheat could not be available for the purpose of delivery to Mr. McFarland on or before the 31st of July?—A. No, sir; he knows that.

Q. I should think he would. And the wheat in non-reporting Canadian mills in process of grinding, you put that down 1,402,000 bushels; I suppose that is an estimate?—A. No, sir; I want to make it perfectly clear that those figures were compiled as the result of reports received from members of the Exchange and the council required that they furnish this information. And in connection with these figures may I make this clear; may I say this on behalf of the Exchange, not as an individual, that we would welcome any person checking these figures.

Q. Yes, I am coming to that; just one moment. So that if we take the wheat which is on ocean passage and at British and foreign ports obviously that wheat can never be made available to satisfy the demands of Mr. McFarland on or before the 31st of July?—A. That is in an indeliverable position.

Q. It is clear he cannot get it, whoever else may get it?—A. Yes.

Q. "Wheat en route from country ports 8,711,000 bushels"; is not that included in the visible statement?—A. No, sir.

Q. Why not?—A. Because it is not compiled in that method.

Q. It was in the elevators before it left?—A. That is correct, but when it went out of the elevators it went out of the visible position.

Q. You do not suggest that when the statement was prepared it did not indicate that some eight million bushels was included?—A. No, sir, it did not.

Q. Why not?—A. Because it had left the elevator. It was on track, and it was not in any position that the statisticians who compile visible figures had any method of figuring.

Q. Then it is not in the weekly reports?—A. No, it is not in the weekly reports.

Q. How is that estimate arrived at?—A. How is that estimate arrived at?

Q. Yes.—A. I did not make up this actual statement, you understand; I required that it be made up by members of the Exchange, and the total of these figures which were received from the members came to this figure.

Q. Then the position is this, that instead of their being 200 million bushels in the country you say there is 200—have you the statement there—200 and how many bushels?—A. In the country?

Q. In Canada and the United States, Canadian wheat?—A. And on passage?

Q. No. I am not talking about wheat on passage; that has nothing to do with Mr. McFarland; you admitted that?—A. No, sir, I did not say that; he knew it was there.

Q. I am not concerned about what he knows was there. It is not available to satisfy his contracts, is it? The contracts he holds?—A. Yes, but it is by no means short. In this way; I will have to explain that.

Q. I am not asking you that. You may desire to make an explanation—I am not going to limit you—but the 7,500,000 bushels of wheat could never be made available to satisfy the terms of his contract?—A. That is the purchase for long July wheat?

Q. I am not calling it long or anything else. He has a contract calling for the delivery of so many bushels of wheat on or before the 31st of July, 1935, and that seven and a half million bushels cannot be available for that purpose?—A. He knows that that is so.

Q. I am asking you if that is so?—A. That is so.

Q. And if you look at your other figures, the 8,711,000 bushels on track might become available for that purpose?—A. Yes.

Q. Yes, providing it did not belong to somebody else before it was shipped?—A. It would become available, sir, if it was able to be unloaded in the terminal in a deliverable position.

Q. With respect to the five million in flour, that would not be available for delivery to him or on before the 31st of July, would it?—A. That would not.

Q. So that 5,423,000 would not be available—that represents the flour; the seven and a half million would not be available, that makes twelve million that would not be available, in round figures. Of the wheat in the United States in transit amounting to 5,100,000 bushels, that would not be available, that is clear, is it not?—A. It is clear it would not be available to him on delivery on July contracts.

Q. And wheat in non-reporting Canadian mills in process of grinding would not be available for him either?—A. That is true.

Q. "Other grains hedged in wheat futures 2,559,000 bushels;" would that be visibly available to satisfy Mr. McFarland's contracts?—A. I do not understand the force of the question.

Q. Look at your paper, in which you are trying to make up your 34,000,000. We have got rid of two millions. I am dealing with 2,500,000 or other grains

hedged in wheat futures. Could that amount under any circumstances be available to discharge the obligation in the contracts which Mr. McFarland holds?—A. A short sale of wheat could never discharge a contract.

Q. I am just asking you. This is a piece of paper containing figures made up to show that certain figures—information I used was inaccurate. I am asking you whether any part of that 2,559,000 of other grains hedged in wheat futures could be made available to satisfy the contracts which Mr. McFarland holds?—A. Definitely not.

Q. "Spreads other markets, unfilled contracts." Could that be made available to satisfy Mr. McFarland?—A. Certainly.

Q. Of all these 34,000,000 bushels I have had put before me there are 8,711,000 that might be available for him?—A. That is correct.

Q. Taking that 8,711,000 from the 34,839,000 leaves 27,000,000 bushels of wheat that is not available at this time for Mr. McFarland?—A. That is correct.

Q. That is correct; and of the whole quantity that you mentioned yesterday, 34,839,000, 8,700,000 bushels only is available, if the whole of it could be secured by him?—A. If the attitude of Mr. McFarland was to stand for delivery of that amount of wheat then he is long.

Q. That is exactly what I am asking. Now, there were 225,000,000 bushels in cash wheat which he has a right to ask for; and the figure which I gave to the House was 200,000,000—less 10,000,000, I said, making a total of 190,000,000—that being the figure of wheat in the hands of millers and so on—making 190,000,000 bushels that might be available to satisfy that 225,000,000 bushels. You make it somewhat less than that now. You see, the result of what you have said to me and what I have indicated to you is that of all this visible wheat only 8,700,000 bushels is now available to satisfy the demand for 225,000,000 bushels?—A. Yes; but I must remind you that the statement that is presented here was a reply to the statement which you had made.

Q. Quite so?—A. That there was 35,000,000 bushels of short wheat in the market; arther, the 25,000,000 bushels, I think you said.

Q. I said it was 35,000,000 bushels; and if you take 10,000,000 as being unavailable, being in the hands of millers, your figures make it just that much worse than mine. For instance, 10,000,000 bushels is the figure of the amount in the millers hands—you put it at 8,711,000—that is all the wheat in Canada that is available to satisfy Mr. McFarland's contracts. Let us get this straight?—A. I am doing so.

Q. I know. I say, "let us"; not you?—A. Do you wish me to reply to that?

Q. Yes, of course, I do?—A. I started to say: The statement which you made, as I read it or heard it, was to the effect that there was short wheat sold in Winnipeg to the extent of the difference between the visible supply and the contracts held by Mr. McFarland.

Q. Yes?—A. And the necessary inference from that was that that short interest was an interest which was detrimental to the market. Now, I have pointed out by this statement that that interest, or the difference between these figures, was represented by hedges which were properly made against wheat and flour in various positions; and regardless of whether they could be applied on the July contracts or not these are still proper hedges against grain or flour in that position.

Q. Yes. The point I am trying to make notwithstanding all that is this: Mr. Milner, I would like you to look at your figures carefully. There are eight items in your figures, and you exclude from the possibility of any wheat mentioned in these items being available to Mr. McFarland's contracts every one of the eight except number eight itself?—A. That is correct.

Q. That is correct?—A. Yes.

Q. So that, to satisfy the requirement for 235,000,000 bushels of wheat—225,000,000; less net cash and futures—you have at the most 8,700,000 bushels of wheat?—A. That is correct, sir.

Q. That is correct?—A. I shall have to make a qualification. I do not care about that figure, but in connection with the question of delivery on July contracts Mr. McFarland in his operations has at various times spread one month into another in the matter of hedges.

Q. Yes?—A. Mr. McFarland is aware that this amount of grain is always in a position undeliverable, and he as a representative of the government has never yet taken the attitude and he would stand for deliveries for the total amount of the "long" grain, and quite rightly so.

Q. Yes. The point I was endeavouring to make was that there was a sale of very large proportions made on the Winnipeg market; and what I mentioned was that there was not available in Canada sufficient wheat to satisfy Mr. McFarland's contracts if he asked for delivery?—A. That is correct.

Q. That is true, isn't it; beyond question?—A. That is correct.

Q. That is my point. Now, Mr. Milner, there was a fall in the price of wheat of six cents in the initial three days of October last. You were in Winnipeg at the time?—A. Are you asking me if I was?

Q. Weren't you?—A. I don't remember.

Q. Don't you remember the spectacular fall in the price of wheat in the early days of October?—A. I don't remember that, no.

Q. You don't remember it. Do you remember there being some millions of bushels of wheat offered for sale in Winnipeg, on that market, in October?—A. I don't get your question.

Q. I say, do you remember the depression of the market by large quantities being offered for sale at that time?—A. I do not.

Q. You were not there?—A. I was not there, not on the floor.

Q. You heard of it, I suppose that is the only way?—A. I saw a lot of it.

Q. You saw a lot of it?—A. I said, I saw a lot of it.

Q. I will give you the figures: The figures show that on the 1st of October the price of wheat was  $81\frac{1}{4}$ ; on the second it was  $77\frac{7}{8}$  and on the third it was  $75\frac{3}{8}$ . Do you recall the circumstances; do you remember how many bushels of wheat were offered for sale?—A. I do not know how anybody would ever know that.

Q. That is what I thought; except, the people who offered it?—A. That is correct.

Q. And they were wire houses, so far as your investigations led you. If it were not that you say in this statement that you made an investigation I would not bother you about this. Your investigation satisfied you that it had been restricted to wheat offered for sale by wire through brokers operating on the Winnipeg Exchange—A. I never made that statement.

Q. I am asking you; is that so or not?—A. That is not so, that only wire houses had wheat for sale.

Q. No, no, you don't get me; that huge quantity of wheat offered for sale at that time was restricted to offerings through wire houses; that is, the wheat offered for sale on these particular days in the Winnipeg market?—A. I do not know who was offering wheat for sale.

Q. You say, there is no way by which you could know?—A. I could not. If there was an investigation made into it—

Q. I thought you said you had made it?—A. If that is the period to which you are referring, we did make an investigation; yes.

Q. That is what I have reference to; the marketing of millions of bushels of wheat offered for sale in three days in October of last year?—A. I have forgotten the figures, sir.

Q. Give them to me, approximately?—A. I could not even give them to you approximately.

Q. Were there five million bushels?—A. I do not know that there were five million bushels.

Q. Were there three million bushels? On the three days, I am not going to say which three; was there not more than five million bushels offered for sale?—A. I would like you to explain that “offered for sale.”

Q. I mean, “sold” on the Winnipeg Exchange?—A. And “bought”?

Q. Well, you know what happened; the price of wheat dropped six cents and then Mr. McFarland bought wheat; to keep the market from being demoralized was the reason given. Is that not so?—A. Mr. McFarland did buy wheat, yes.

Q. After the debacle?—A. I do not know what debacle you refer to; do you refer to the decline in price as a debacle?

Q. Yes, and brought about by the offering on the Winnipeg Grain Exchange of millions of bushels of wheat by someone?—A. I do not like the term, “offering”; if you say there were sales “long” and “short,” I will say yes.

Q. I am not talking about “long” or “short” you see; I am talking about wheat, leaving out these words “long” and “short”; did somebody offer for sale millions of bushels of wheat for future delivery on the Winnipeg Exchange on these days to which you refer; I will not state the exact days?—A. I say, I have no method of knowing whether they offered them or not.

Q. Did they sell them?—A. There were large quantities of wheat sold.

Q. Offered at a lower price than the market price?—A. Never; it couldn't be done under the rules of the exchange.

Q. Well, you recall that the price fell from 81 cents to 75 cents?—A. Well, undoubtedly the person with long wheat if he offered that wheat for sale and could not find a buyer we will say at 90 cents he must then offer it at  $89\frac{1}{2}$  if he wants to sell it.

Q. In this case it was not one-eighth short, you see; offers went down from  $81\frac{1}{2}$  to  $75\frac{3}{8}$ ?—A. But it did not go down in that method, sir.

Q. Well, explain?—A. Under the rules of the exchange no one is permitted to offer at less than the bid price; so that it is not a question of offering, it is a question of having a buyer for it.

Q. The difference between “offering” and having a buyer is a little difficult for me to understand, Mr. Milner. I don't want to confuse you at all, I just want to ask you a simple question; the operations of the early part of October forced the price of wheat down six cents a bushel?—A. Yes.

Q. And that was brought about by large quantities of wheat being sold on your exchange?—A. That is correct.

Q. A matter of millions of bushels?—A. That, of course, I do not know; I do not remember the figures.

Q. Yes. I suppose you do not know yet who the people who sold the wheat were?—A. I believe that the check-up did show, but the method that we had to use in checking up was through the connected houses, through account numbers.

Q. Quite so; you examined the books of the brokers who sold it?—A. No, it was not necessary to do so for our purpose.

Q. But, it was speculative sales, clearly?—A. It was sales of “long” and “short.”

Q. Well, “long and short”; it was a sale for delivery in the future?—A. That is correct; it may have been selling out of long wheat, which is different from a speculative sale in the sense in which you are using the term.

Q. Quite so; but as a result the price went down six cents a bushel?

Hon. Mr. STEWART: Was that in October of 1934?

The CHAIRMAN: Yes.

*By the Chairman:*

Q. I ask your attention, Mr. Milner, to the fact that at the end of October the price had fallen to 75 cents a bushel; it was 81 cents at the beginning of the

related action and it went down to 75 and a fraction. Now, you told me yesterday that Mr. McFarland began to support the market in June of 1932?—A. I said that that was the evidence before the Banking Committee.

Q. Yes; as far as you know that must be correct?—A. Yes, sir.

Q. Mr. McFarland said, at page 231 of the Report of the Standing Committee on Banking and Commerce for 1934—Mr. Irvine said:—

Q. Can you say, Mr. McFarland, whether you had less or more throughout this period?—A. I really can't tell you what we had at that particular time, but we made very heavy purchases of wheat from 50 cents down to 44, to 45 cents, and unfortunately we ran out of credit about that time. You gentlemen will probably recollect the very drastic decline that took place from 45 down to 38 and a fraction. There were statements made that many farmers were squeezed out on that break. I took the trouble to investigate it with the different elevator companies, and I found that only two and a half million bushels of wheat were sold from 45 down to 38 $\frac{3}{8}$  cents. I only mention that to show what a very weak market—if you might call it that—existed, and what might have happened if there had been any real large volume of liquidation to take place at a time like that. Supposing we had been forced into liquidation at a time like that, why it would have been chaotic.

Now, I suppose you recall—you were President at that time; you were on the Winnipeg Exchange?—A. Yes.

Q. You, I think, said to me that the crop we had in 1931 was the third largest crop we had?—A. 1931? In 1932, sir.

Q. 1932, was it?—A. Yes.

Q. Yes, the 1932 crop; and that was being marketed that fall?—A. Yes.

Q. A great deal of wheat came in very quickly. Now, I observe this, that about the first of December the price of wheat was 45 $\frac{1}{2}$  cents; on the 2nd it was 45 cents; on the 3rd it was 44 $\frac{1}{4}$  cents; and so on along down until it fell to 40 $\frac{7}{8}$ ths, 40 $\frac{3}{8}$ ths—as a matter of fact on the 16th it was 39 $\frac{3}{8}$ ths. During all that time there was the freest market in the world for anybody who wanted to buy Canadian wheat?—A. My recollection of it was there were no restrictions. It was a free market.

Q. No restrictions, yes. During that period of time, that being so, you come into the month of January, 1933, and you have wheat never getting beyond 46 cents, I think, in the whole month, running from 42. Then you come to the month of February, and the highest figure during that month was 47 cents flat; and then you come to the month of March and it began to rise a little as you went along and got to a high of 50 $\frac{7}{8}$  cents. Then in the month of April it began to move up a little and got as high as 58 cents on the 22nd, and closed at 59 $\frac{1}{2}$  on the 29th. In May it began to move up again. During all that time the volume of Canadian wheat sold for export did not greatly increase, I suggest to you; that is, purchases abroad of our wheat?—A. I am not here in the capacity of an exporter who could answer that question. I have exporters here who could deal with that quite intelligently.

Q. I do not want to ask you something you don't know.—A. I don't know.

Hon. Mr. RALSTON: What was your question?

The CHAIRMAN: I just asked if, during that time, there was any appreciable increase in the purchase of wheat abroad.

Mr. GOBEL: In quantity.

The CHAIRMAN: In quantity yes. And you say somebody else other than you would have to speak as to that.

The WITNESS: Yes.

Hon. Mr. STEWART: That is in the spring of 1932?

The CHAIRMAN: I commenced and ran from December, 1932, up to May. The last figures I gave were figures for the month of May. I only asked that in consequence of what your statement had been. Otherwise I would not have bothered, Mr. Milner.

The WITNESS: I should like to make another reference to the question you were talking to me about in connection with the difference in the figures you had there. You left one there unfinished and you said I might talk to that later.

The CHAIRMAN: Yes, certainly. Go ahead.

The WITNESS: I pointed out that in connection with the fact of this grain that you speak of being out of position, what we call out of position grain, that could not be delivered to satisfy July contracts, was grain that Mr. McFarland knew was out of position, and as evidenced by the fact that when we were making spreads with him from one month to a future month, to a more distant month, we were obliged, particularly in the last months going over into May, or going into July, rather, from May, to make up a statement showing the position of these various stocks and of the various firms, asking for the amounts of grain, and the July wheat which they had. So that in the case of wheat that is on passage, for instance, it was required and given him the names of the vessels which carried this wheat, so that it was nothing that he was not aware of; and he knew. I mean, there is no point in stating that it could not be delivered to satisfy the contract, inasmuch as he knew it could not be delivered, and he was the holder of the contract, and a man whom we have great confidence in, that he would not force a situation which was ridiculous. That is the point I want to make.

The CHAIRMAN: That is the point I am endeavouring to make with you.

*By Mr. Perley:*

Q. He was helping the trade out. He was not only helping the farmer out but he was helping the trade out?—A. He was.

Q. They have created the position where they could not deliver?—A. But it was his creation. It was not the creation of the trade.

Q. You say that he does not know exactly what wheat he is buying. He is buying in the pit, buying in the hedges?—A. Who said that?

Q. You said a while ago you could not distinguish as to who was selling the wheat, whose wheat was being offered?—A. That is correct.

Q. Then Mr. McFarland is taking it all, so he could not tell?—A. Mr. McFarland never took it all at any time.

Q. He has evidently got the bag now, so he must have taken it.

*By Mr. Vallance:*

Q. Is it possible at all times for wheat to be available to cover all hedges? You will find the position now—at least, a condition as stated by the Prime Minister, that there were hedges out and there was no wheat to fill them. Now, apparently what I gather from the discussion, this is one of the outstanding occasions where that condition existed. Is it peculiar or does it happen quite often?—A. It is a situation that is always in the trade.

Q. It is always in the trade, so that that was no extreme condition, any more than the volume was larger than at some other time. Because I have been going into the statistics and find that that condition does exist at various times. I am not out here to try to condone it, but I know it is not a peculiar condition.

The CHAIRMAN: I think, Mr. Milner, none of us would disagree with Mr. Vallance, that that condition does from time to time exist. The point I am trying to make is it is that it is a speculative position—

Mr. VALLANCE: Sure.

The CHAIRMAN:—in which somebody has sold wheat, and they have not wheat to satisfy their obligations unless they get it from somebody else.

The WITNESS: I would answer that in this way, that in the ordinary course of business, that a person who had flour in this position, had Mr. McFarland not had the holdings which he had, would have taken the necessary steps to remove that hedge into the position where it would be taken up by the time this flour was disposed of; so that his worry as to the position of his hedge would not be necessary at all. But due to the fact that Mr. McFarland switched hedges and had such an amount of grain, he created a condition where the short sales of wheat covered the hedges, and positions of this nature could not be satisfied.

*By the Chairman:*

Q. Except by sales—purchases from him?—A. Except by purchases from him, and he recognized that fact.

Q. Certainly. In other words, he would take a July option instead of a May option?—A. Yes.

Q. Calling for delivery in the month of July instead of the month of May, which eased the situation for those who had sold the May options?—A. Yes. He was recognizing that there was used a proper hedge that could be put over to further futures.

Q. That is exactly what I wish to make clear. If there was no sale of futures, that condition obviously could not arise, just as Mr. Vallance has said.

Mr. VALLANCE: Sure.

*By the Chairman:*

Q. That is clear, is it? There could be no condition such as that except there was a sale of futures?—A. That is correct.

Q. Yes, that is correct. It was only about thirty years ago that you began to trade in futures on the Winnipeg Grain Exchange—in 1904 or 1905, was it not?—A. I don't remember the historical facts. We will take that.

Q. Something of that sort. I do not remember exactly. I am only keeping it in my head roughly. Now, just one step more, and I do not want to keep you too long, Mr. Milner. The fact is that you read, I suppose, Sir Josiah Stamp's report?—A. I have read it, yes.

Q. Yes, and you knew the investigation that took place; you know the people whom he described as the moths—when you go to your lunch and find somebody who has a few thousand bushels of wheat with his broker for speculation to make a little odd money over Sunday; that sort of thing. Those were the moths of the business. That is right, is it not?—A. You have termed them "moths."

Q. That is what he described them as?—A. Yes.

Q. I did not describe them. I think he did. I put this to you, Mr. Milner: There were, during the feverish days of speculation, large quantities of wheat held by speculators in every walk in life, from the clerks in the banks and hotels?—A. Correct.

Q. That is so?—A. Yes.

Q. They have disappeared?—A. You state that?

Q. No, I am asking you. Excuse me, these are questions. They have largely disappeared?—A. Largely disappeared, yes.

Q. And they did absorb considerable quantities of hedges, didn't they?—A. Yes, they did.

Q. They are no longer on the market to any extent, to any appreciable extent; that is the way to put it, is it not?—A. There are not so many. They have been decreasing gradually since 1929.

Q. They decreased very rapidly at one time in 1929, did they not?—A. Yes, they did.

Q. Just one word now, in order that you and I may have no misunderstanding about the Argentina situation. I do not pretend to know anything of it except what I have read, but in the Trade and Commerce report for the 12th of January, 1925, the Canadian Trade Commissioner there made his report as to how wheat was marketed down in Argentina; and while it is not in any sense stated by me to be absolutely correct, I believe it to be from my other investigations. I read to you this, and I would like you to follow me. He refers to the setting up of the board and says:—

The purpose in setting up the board was to raise the prices received by the producer for wheat, maize and linseed. When the board was created it was stated that it would purchase from the producers, from dealers in the interior, such as storekeepers who buy from the producers, and from commission agents who sell exclusively for the account of the producers. The grain purchased by the board at the above-mentioned basic prices was to be sold to exporters at current international values for these cereals. The grain had to be available at the railway stations or loading ports at the time of sale. It was further stated that when quotations for wheat, maize and linseed rose above the basic prices, it was not the intention of the board to interfere in any way or operate when the market was in such a condition, its sole object being to obtain a fair market value for the producer.

Whatever losses might be incurred between the buying and selling prices of the cereals purchased, as well as the costs of operating the Board of Control, were to be covered by profits derived from an exchange fund created for this purpose. These profits were to be made by the Exchange Control Office in the buying and selling of exchange under the new regulations created by a decree issued on November 28, 1933. This same decree also authorized the Exchange Control Office to purchase export bills at a rate which was fixed at 20 per cent higher than the rates ruling on November 29, 1933, thus automatically depreciating the currency by this amount.

The announcement just made that the board will continue to operate at the above basic prices has cleared up the doubt recently expressed in grain circles as to the government's attitude regarding this season's crop.

Is there any reason why, leaving out the exchange, the general principle referred to in the Argentine set-up should not be followed in Canada?—A. I don't know that there is any reason, if it is the wish of the government of the country to do so. I do not see anything physical that would impede it.

Q. What I want to make clear is, you seem to have the idea from the way in which you approached it—I don't say your exchange—that somebody desires to jeopardize what might be called the property and good will of an exchange. What I have been trying to bring to you, or get from you, at least, is some evidence as to the necessity of the producer getting a reasonable price. Remember all those months that I read you the quotations for. I think you will say, will you not, that the price at which wheat was being sold did not mean a return to the farmer for his effort?—A. I do.

Q. You say beyond question that that is so?—A. I do.

Q. When you get any figures such as 39 to 45 and 50 cents, he is not getting any return for his effort?—A. Well, he is getting a small return for his effort.

Q. Do you think at 45 cents he is getting a return for his effort?—A. He is getting a small return.

Q. Does it not cost him more than that to produce it?—A. I don't know. That can be variously estimated.

Q. His return, however, would be very small?—A. Very small.

Q. I think perhaps you would agree with me that if a man purchases wheat at 45 cents—that is, 45 cents at Fort William?—A. I understand.

Q. What would that net the farmer, for instance in Manitoba? You know the general rates.—A. About 28 cents.

Q. What would it net the farmer in Saskatchewan?—A. Cut off two.

Q. About 26?—A. Yes.

Q. What would it net the farmer in Alberta?—A. It would be about the same.

Q. Yes, because he ships to Vancouver?—A. Yes.

Hon. Mr. STEWART: 22 cents, that is what the farmer gets in Alberta.

*By the Chairman:*

Q. 22, 26 and 28 cents a bushel; that is no compensation for a man's effort, is it?—A. No, it is not.

Q. You said yesterday that you were desirous of improving the position of the producer?—A. Yes.

Q. That means the raising of prices over 45 and 50 cents at Fort William, anyway?—A. That is correct.

Mr. LUCAS: Might I suggest that that is for No. 1 Northern.

The CHAIRMAN: Yes, that is No. 1 Northern: I was reading off this.

*By the Chairman:*

Q. And there is a limited quantity of this No. 1 Northern as compared with No. 2. There is more No. 2 than No. 1, I understand?—A. Yes.

Q. And the difference between them, roughly, per bushel, in grades, is how much?—A. 3 cents.

Q. So that that would explain what Mr. Stewart has just said as to wheat in Alberta being 22 cents. That would be No. 2, I take it?

Hon. Mr. STEWART: Yes. I am not too sure it did not apply to No. 1 for a considerable period.

The CHAIRMAN: Did it?

*By the Chairman:*

Q. I want to put this to you: Assuming that a board was set up—I shall not trouble you for more than a moment—as suggested by Mr. McKee, and that it had complete control of the wheat that is now on hand in Canada in the hands of the Co-operatives, that it exercised only the power that the Argentine Board of Control does, namely take over from the producers their wheat and continue to market it under the conditions mentioned by Mr. McKee as to there being no disturbance of existing facilities,—shipping agents and brokers and men of that sort, those who are engaged in this business, elevator owners and everything of that sort at Vancouver and at the head of the lakes,—is there any reason why, practically—and I am just putting it to you practically; I do not want any theories about it—we could not actually do it and thus preserve the situation? Because you add to that, you admit that there is a great world surplus, as far as we know, that has to be taken care of, before the market will be steady?—A. Yes.

Q. As you said yesterday. I would like to ask you on the practical matter whether we could not work this out on some such plan as that?—A. It could be worked out in that manner. As to the advisability of it, of course that is another thing. It could be worked out from a practical standpoint, yes.

Q. That would, at least, permit the orderly marketing of it, would it not?—A. I have never been able to understand that term.

Q. Orderly marketing really means this: to prevent wide fluctuations that arise from somebody throwing upon the market substantial quantities of wheat at a price of 6 cents less than it was two days before?—A. That is a different definition from the usual definition of orderly marketing.

Q. I am putting it to you that that is what I have in my mind?—A. Yes.

Q. So it flows to the consumer in a steady flow at reasonably steady prices?  
—A. That will not work, sir.

Q. That will not work?—A. No.

Q. Because of the desire of those who mill our wheat to buy it for as little as they can?—A. They are buyers.

Q. And if the Argentine has been able to sell at the quantities it has at the price it has it is because the buyers get it at a cheaper price than they thought they could buy Canadian wheat; that is your view?—A. Yes.

Q. As a practical matter it could be worked out in that way. That is what I want to get from you. Now, one word more. You spoke about compulsion. If we had a board such as Mr. McKee mentioned yesterday dealing with the matter in the manner he indicated it is perfectly clear it must have all the wheat, must it not, if it is going to be able to serve any purpose at all?—A. I do not agree with that, sir.

Q. Well, you see, in the Argentine they found it necessary to have it all?—A. Regardless of what they did in the Argentine I do not agree with that idea, that it would require to have all the wheat in order to be successful.

Q. Well it is perfectly clear you cannot leave it just in a haphazard manner, can you, if you are going to carry out the plan suggested by Mr. McKee?—A. I must have misunderstood the plan as outlined by Mr. McKee.

Q. What he said was this: I admit some board should be set up to deal with the situation?—A. Yes.

Q. We will just stop with that?—A. Yes.

Q. Now, could that board function in this country—I am eliminating local sales within the province—unless it was in a position to make the sales to intending purchasers, having regard to holding all the wheat as they do in the Argentine; could it properly function otherwise?—A. Oh, yes.

Q. How could it?—A. Much along the same lines that the present operations of Mr. McFarland have been conducted.

Q. In other words, be willing to hold the bag while the other fellow was playing it?—A. That is not a fair statement.

Q. Pretty nearly that.

Hon. Mr. STEWART: Is not the boot on the other foot?

The CHAIRMAN: No.

Hon. Mr. STEWART: All right.

The CHAIRMAN: I do not think so.

*By the Chairman:*

Q. Mr. Milner, what I desire to get from you is this: what method can be pursued to deal with it if only part of the wheat were being dealt with by the board?—A. Well, I did indicate yesterday, sir, if it were necessary in order to protect the government's interests in the large holdings which they have, if it were necessary to prevent rapid declines in prices due to outside causes or the heavy marketings in this country, a board empowered to do that might be of benefit.

Q. Could it function unless it were in a position—I am leaving out Mr. McFarland's holdings—to deal with the whole?—A. I do not get the force of your question, sir.

Q. What I mean is, could it possibly successfully function unless it had all the wheat?—A. Yes; I think it would function better if it did not have all the wheat.

Q. Would you mind explaining how that is possible, because that is the point I had great difficulty about and I am asking you to help me?—A. The obligations of the board, the liabilities of the board would be lessened to the extent of the smaller quantity of wheat it had to handle.

Q. I am thinking of the primary producer in this country?—A. Yes.

Q. I am approaching it from that angle and trying to see he, at least, gets something for his efforts. You say frankly 22 cents, 28 cents and 30 cents is just no good at all?—A. A ridiculous price.

Q. Yes. Now, in thinking of him, is there any way by which we can deal with it except in the manner I have indicated, except that board had complete control of the wheat. How could it function successfully except in that way?—A. I do not know that the operations of Mr. McFarland have been entirely unsuccessful inasmuch as had there been a sales policy in conjunction with his stabilization efforts, I think that probably the operations conducted by him would have been entirely successful.

Q. You remember that Mr. McFarland before the committee last year stated that one of the things that he did when he took over from the actual management was that there should be a calling in of those sales agents in London, let the ordinary trade otherwise function, the ordinary trade functions of the Baltic and elsewhere. Do you remember that?—A. Yes.

Q. That has been continuously pursued?—A. Yes.

Q. Do you suggest that the proper thing to do would be to retain these sales agents for the purpose of endeavouring to make sales through other than the ordinary channels?—A. No, I do not.

Q. Was not the sales resistance that developed against Canadian wheat brought about from the fact that that trade which existed for over a hundred years was resentful against the loss of business; is not that so?—Undoubtedly.

Q. Now, Mr. McFarland endeavoured to remove that, he told this committee last year. That is the first thing he did?—A. Yes.

Q. Under those circumstances how would it be possible to utilize the ordinary channels of trade? I am starting with your elevators, going from them to your terminals at Vancouver and the Head of the Lakes, then I am going to your great sales agencies, and I am transporting you to the Baltic and Liverpool. How would it be possible to do that under these circumstances—remember, under these circumstances, talking about that, unless all the wheat were controlled by the board for this purpose?—A. Well, if you start out with the assumption you are going to use all the elevators and you are going to use all the terminals as agents for the board then, of course, that presupposes you are going to have all the wheat.

Q. That is what I am putting to you. I want to ask you if there is any other way in which we can do this except that way?—A. Yes, not use the elevators; permit the elevators to function exactly as they have been up to the present time.

Q. They will, except they will be buying for one person?—A. Then they become agents for the board, sir.

Q. Yes, and they will be paid for it?—A. Permit them to function as they do to-day, leaving the marketing machinery as it exists.

Q. The marketing machinery exists under the Grain Act, and you are more familiar with it than I am because you used to operate it?—A. Yes.

Q. The charges and fees are all fixed by statute, regulation?—A. That is correct.

Q. What I am thinking of—A. These are charges to the farmers.

Q. Yes; I am trying to preserve it all, not destroy anything by suggesting to you there is no way in which it can be done by which you can save the elevators, the terminals, all this machinery that has been built up through the years, unless all the wheat is in their hands to deal with it. I wish you to help me; I am asking for help from you?—A. I would say as I said a moment ago, sir, that in my opinion a better method would be to continue operations such as have been conducted by Mr. McFarland and leave the machinery exactly as it exists to-day.

Q. Now, I follow you there—don't let me interrupt you. Is there anything further?—A. No, sir.

Q. Then, I put this to you: here is McFarland with his wheat, first cash wheat and his July options?—A. Yes.

Q. At the end of July he would take delivery if he had the money—that is clear, is it not?—A. Yes.

Q. Then, he would have his wheat, whatever it might be, 200,000,000 bushels for safe argument, and he would be endeavouring to sell that?—A. Yes.

Q. And the farmers would have their wheat flowing in, if the crop is as large as expected, at a tremendous volume?—A. Yes.

Q. And does the board get that, or does everybody get it under your plan?—A. I have not submitted a plan.

Q. Under your suggestion. I am not trying to trick you with the word "plan"?—A. All right.

Q. Under your suggestion. I am really anxious to see what can be done to meet a difficult situation?—A. Under that condition I would say that stabilization operations would have to be continued by the board to prevent a very serious decline in prices.

Q. If the crop is 400,000,000 bushels as suggested, that means—it is a late crop, I am advised?—A. Yes.

Q. How many days is it that it usually takes a crop to mature?—A. 101, 106.

Q. 106. The crop this year is a bit late. You do not expect deliveries to commence before when, as you see it now?—A. In volume the 20th of September, 15th of September.

Q. That is pretty late, is it not?—A. Yes.

Q. Between that and the close of navigation there will be a tremendous effort made to move wheat by millions and millions of bushels?—A. From the farmers.

Q. If past history has indicated anything?—A. Yes.

Q. Unless you think something is done the price may get out of line?—A. I do.

Q. And you know of no method except a board that would deal with the situation or somebody exercising a stabilization function?—A. That is so.

Q. You believe a board would be better than any individual because it would have continuity and would live long, would not be sick?—A. Only on the basis three minds are better than one, too much of a burden for one.

Hon. Mr. STEWART: There is only one reason it would not get sick and that is because the government are financing it.

The CHAIRMAN: I say he says that. What you say now is the country should stabilize the operations of the board?

The WITNESS: All I am interested in in regard to stabilization is a good return to the producers through any method they may adopt for stabilization.

The CHAIRMAN: I am greatly obliged to you, Mr. Milner. There is nothing more I desire at the moment.

*By Mr. Gobeil:*

Q. As a man from the east who does not have a very clear understanding of wheat handling, may I ask you this question: am I correct in what I understood, that under existing conditions any man not in the trade or firm in the trade can put on the market one million bushels of wheat that they do not own?—A. You are asking me is it—

Q. At the time they are offering for sale?—A. You are asking me if it is possible to short sell grain in the Winnipeg market, make short sales of grain.

Q. Yes.—A. That is possible, yes, and it is done.

Q. It is done?—A. Yes, there have been short sales of grain in the Winnipeg market; I presume they are offering short wheat in the Winnipeg market.

*By Mr. Porteous:*

Q. Are there any tabulations as to your longs and shorts?—A. They must balance.

*By Mr. Gobeil:*

Q. Our reaction is that is a condition that should be remedied?—A. You think that is a condition that should be remedied.

Q. Yes.—A. I am not competent; Sir Josiah Stamp did not think so.

Q. I have no experience?—A. Neither have I.

Q. Would a body such as contemplated by this bill be able to prevent that?

The CHAIRMAN: Yes, undoubtedly.

*By Mr. Gobeil:*

Q. Would a board such as contemplated by this bill be able to prevent that?—A. There would be no market to sell in if this bill were to go through in the present form.

Q. Let us have it.

The CHAIRMAN: That would stop it.

Hon. Mr. STEWART: There would be no such animal.

*By Mr. Vallance:*

Q. In your opinion, would it be a good thing in the interest of the producer to close a future market?—A. I do not think so.

Q. Now, for the information of at least two or three on the committee, would you mind reciting briefly just what a future market means and why it was established. Why do we have a future market?—A. I used the term yesterday of "price insurance."

Q. For the sake of those who are not familiar with the operations of the market—

Mr. PORTEOUS: No insinuation.

Mr. VALLANCE: No; I am just making a statement of fact, and the circumstances would indicate—

The CHAIRMAN: I read into the record in the House of Commons, Mr. McFarland's definition of futures.

*By Mr. Vallance:*

Q. It does not seem as though this committee is familiar with it. Then, forgetting that for the moment, in your opinion, Mr. Milner, and I suppose you have some knowledge of the operations of the market and that our greatest competitors today are Australia and the Argentine, have you studied their methods from the producer's standpoint as to how they are handling the production and sale of the crops? In your opinion, and I suppose you have some knowledge of the operations of the market of our greatest competitors, both Australia and the Argentine, have you studied their methods from the producers' standpoint—how they are handling the production and selling the crops?—A. I have no information. I have not made a study of it.

Q. The information I have is that Canada to-day is holding a greater volume of wheat considering production, percentage of production, than any of the two countries that are our keenest competitors, that is Australia and the Argentine; have you any knowledge of that fact?—A. Only the knowledge I have seen in the press.

Q. Now, you understand the system that operates in Australia?—A. I do not.

Q. You know that they are subsidizing the growers down there?—A. Yes, I know that.

Q. They are subsidizing the growers to the extent of 6 cents a bushel on wheat actually delivered, and three shillings per acre on production. Then there is no restriction on the market at all. There is a guarantee there plus the price. The Australian Intelligence Journal shows that to the end of the crop year of 1934 she carried twenty millions at the end of the year and disposed of it in December. Now, dealing with the marketing set-up for Canada—and you say in your opinion it would be a good thing to close the future market—for several reasons?—A. Yes, as set forth in a statement which we have made.

Q. Do you approve of, say, a basic price to the producer? The Prime Minister was trying to get out of you some suggestion you might make as to what would operate probably a little more efficiently—if I am permitted to say that—than has the past operation of Mr. McFarland, because we cannot judge the operation of Mr. McFarland because we have not got the information; so when you say, as you did, that you understand the system under which John I. McFarland has been carrying on you must have knowledge that we have not got, and I would like to get from you the knowledge you have of the successes of the John I. McFarland operation?—A. I do not say it was satisfactory from the standpoint of the finances of the country or the ultimate outcome of the thing.

Q. The general set-up?—A. The general set-up. I spoke of that very broadly as to stabilization operations working in conjunction with the Canadian marketing system.

Q. Would you be in favour then, looking at it from the trade standpoint of, say, arriving at a basic price, or a minimum price then allowing the machinery as now operating to continue operating? And I have this one thing to say with regard to the Prime Minister's point about the operations of the Argentine Board, that they did not control the wheat, they merely controlled the market, I think if he reads his own words he will find that there were times when the control of it is not in evidence.

The CHAIRMAN: The wheat goes through the Control Board in the Argentine.

Hon. Mr. STEWART: Effective control only takes place when it goes below what they call basic.

The CHAIRMAN: It all goes into their hands.

Hon. Mr. STEWART: Not quite.

The CHAIRMAN: Yes, they sell it.

*By Hon. Mr. Ralston:*

Q. Mr. Milner, you think our first difficulty at this time is the very large amount we have on hand from past crops?—A. Unquestionably.

Q. And as you said to the chairman, you thought it was Canada's main difficulty at this time?—A. Yes.

Q. That is the difficult factor in the problem before us?—A. That is.

Q. And that amount of 225,000,000 bushels approximately on hand has rolled up from about 75,000,000 taken from July, 1931, to that amount I have spoken of—A. Yes.

Q. Now, do you know in a general way, from your knowledge of the operations in the handling of the crop, how that has accumulated? Has it accumulated from year to year in about equal proportions? Do you know what was on hand, say, at the end of December, 1933?—A. Are you talking about carry-over figures as I have them?

Q. In Mr. McFarland's hands or the Canadian Co-operative Wheat Producers Limited?—A. I would not know from visible figures how much the

Canadian Co-operative Wheat Producers Limited may have had. I do not know if the Canadian Co-operative Wheat Producers Limited ever had until the present time—ever owned practically all the wheat; so that using the figures the carry-over might not be an accurate estimate of the amount the government, through Mr. McFarland, had owned.

Q. What information can you give me in that respect? How much were the carry-overs?—A. I can look them up for you.

Q. You have not got them in your mind roughly?—A. It seems to me it was 127,000,000 and 143,000,000, and then a very much higher figure. I had the figure yesterday.

The CHAIRMAN: That 127,000,000 includes storage in the United States?

The WITNESS: May I get this information from Mr. Richardson. I had this compiled yesterday.

*By Hon. Mr. Ralston:*

Q. What is the amount of carry-overs at the end of each crop year for 1932, 1933 and 1934?—A. 137,000,000, 219,000,000, and an estimated carry-over this year of about 203,000,000, subject to change.

Q. Now, you say you do not know how much of the 219,000,000 in 1934 was held by Mr. McFarland?—A. Nobody knows.

Q. Have you any knowledge?—A. I have not.

Q. You said you had discussed Mr. McFarland's operations with him from time to time?—A. Very frequently.

Q. Did you get any idea from him how much he was carrying at that time?—A. The question of the quantity which he was carrying was never discussed.

Q. And did you discuss the question of the quantity of purchases, of sales from time to time, the extent of his operations?—A. There have been occasions when he has told me how much he has bought and how much he has sold, but in individual instances.

Q. Do you know anything about those operations in the summer of 1933?—A. I do not.

Q. Now we have the 225,000,000 first to deal with, and that is our real problem. Is it possible to give to the producer a fair price and still regain our markets without somebody taking up the slack?—A. Under some conditions it might be. That would be a world shortage of wheat.

Q. Is it possible to do it this year under the prospects which we face?—A. I think it altogether improbable.

Q. And therefore there will have to be some assistance, some bridging of the gap?—A. Yes, that is a fair statement.

Q. And is there any other place that you can suggest from which that assistance may come, except from the government of the country?—A. I do not know.

Q. If we attempt to make our customers pay a greater price in order to give the producer a fair price, that means we will not sell our wheat?—A. Certainly.

Q. And that, as you say, has been the cause of the trouble so far: that we have been holding our wheat too high and, therefore, this large amount of 225,000,000 bushels has accumulated?—A. I have said that that undoubtedly was the reason that the surplus had accumulated.

Q. And that while we may have been successful in paying the producer something near a reasonable price, it has been at the expense of rolling up a surplus which is now facing us at the end of the road?—A. That is my opinion.

Q. In other words we have been attempting to make operations balance—that is to say, not to pay the producer anything out of the public treasury, but to get it out of the consumer?—A. I think it is only fair to say in qualification of that that there are other conditions that enter into the fact that we have a larger carry-over; I am referring to world crops.

Q. Do not hesitate to make any reservation?—A. I do not want to say it was absolutely from that source alone, but I say it was a contributing factor.

Q. What was a contributing factor?—A. The fact that the price was held at too high a level over the Argentine and other exporting countries; but it was not the sole reason.

Q. And attempting to get that price for our wheat, while it might have resulted in saving the country from making actual advances in order to bridge the gap between the customer and the producer has resulted in our now facing this large carry-over?—A. Yes.

Q. Which we have to take care of?—A. Yes.

Q. Do you think it is feasible or possible to take care of 225,000,000 bushels, or the accretions to 225,000,000 bushels with the large crop in evidence indefinitely? Is there capacity in this country to carry it indefinitely in these quantities?—A. Yes, we would sometime reach our limit of capacity.

Q. What is the elevator capacity, do you know?—A. I don't know.

Mr. PORTEOUS: About 350,000,000.

Hon. Mr. RALSTON: Is that it?

The WITNESS: One of the other gentlemen who will talk afterwards will give you that information.

Hon. Mr. RALSTON: I did not know it was that close.

*By Hon. Mr. Ralston:*

Q. Now, with regard to the Argentine situation, the Prime Minister has read—I think, Mr. Chairman, that is the official report of the board, is it not?

The CHAIRMAN: Yes, that is the trade commissioner's report.

Hon. Mr. RALSTON: Our trade commissioner's report.

The CHAIRMAN: Our trade commissioner's report.

*By Hon. Mr. Ralston:*

Q. Do you know whether or not the Argentine board operates as an actual purchasing body; that is to say, acquires the property in the wheat and sells it again?—A. I do not know.

Q. Or whether it operates simply as a regulating body which steps in when the price drops below a certain amount?—A. I do not know.

Q. Do you know this, that the Argentine board has functioned so that they are not faced with a large carryover?—A. I do know that the Argentine has not got a large carryover.

Q. Do you know whether the Argentine board has published its statement showing purchases and sales from month to month; whether it has made public its operations?—A. Oh, yes.

Q. Now, then, our problem is to see if we can devise some method whereby we may get rid of this accumulation of 225,000,000 bushels and still market the crop, is that it?—A. Yes.

Q. And as you say, your only suggestion is that there will be some subsidization or some assistance in order to bridge the gap between the customer and their producer?—A. That is correct.

Q. And is that necessity brought about principally by the existence of the 225,000,000 bushels on hand, or would it exist just the same if there is the crop there is this year?—A. Certainly the 225,000,000 accentuates a bad situation.

Q. What was the crop situation in 1932, 1933 and 1934 as compared with what you would call a normal year?—A. I do not get the force of your question.

Q. The crop situation in 1932, 1933 and 1934—the quantity of the crop as compared with the normal year?—A. 1932 was a large crop, 1933 and 1934 were not so large.

Q. Were 1933 and 1934 subnormal?—A. Yes, subnormal.

Q. How many million bushels?—A. 275,000,000.

Q. In which year?—A. 1933 and 1934.

The CHAIRMAN: 281,000,000 for 1933.

The WITNESS: Approximately.

Hon. Mr. RALSTON: And 275,000,000 for 1934.

The CHAIRMAN: 275,849,000 and 281,000,000.

*By Hon. Mr. Ralston:*

Q. What is the normal?—A. There is no such thing.

Q. What do you say would be an average regular normal crop?—A. Say 350,000,000 to 375,000,000 bushels.

Q. Now, 1932 was how big?—A. I think—

The CHAIRMAN: 443,061,000; 1931, 321,325,000; 1929, 304,000,000.

*By Hon. Mr. Ralston:*

Q. And what was 1932?—A. It was the year of the large crop.

Q. The time of the bad slump, when the prices went down to 38 cents?—A. Yes.

Q. Was Mr. McFarland operating at that time, and buying?—A. In December of 1932?

Q. Yes?—A. I don't think he was.

Q. You don't think he was?—A. No.

Q. Do you know whether he was buying or selling in the spring of 1933?—A. I do not know; I can't recall the various operations.

Q. I see. Now, the effect of sections 8, 9 and 10 of this Bill, Mr. Milner; tell us, practically, what is the effect of sections 8, 9 and 10; does that permit anybody but the Board to purchase and handle wheat. Or, put it this way, does that prevent everybody but the Board to purchase or handle wheat in practice, because it does not do it in terms?—A. In practice it does, the elevators become the agents of the Board.

Q. The elevators become the agents of the Board. Is there any way in which you could handle wheat out there, outside of the elevators; you could not haul it in bags to the stations, could you put it in cars?

Mr. PERLEY: I am quite sure you could not haul it in bags.

Hon. Mr. STEWART: You could load it on to cars at loading platforms.

*By Hon. Mr. Ralston:*

Q. But you could not load it in quantity?—A. To talk about that kind of handling is ridiculous.

Q. In section 8 we find that all elevators being operated by or on behalf of the Board, etc.; that bars anybody but the Board from engaging in any substantial dealings in wheat in Western Canada?—A. That is so.

Q. And section 9 has the same effect in that it prevents the railway companies from delivering or receiving wheat from any elevator not operated in accordance with section 8; that is, not operated on behalf of the board. And if there is anything left to exclude anybody else, it is taken away by the following section, section 10, which does not permit anybody to give a grade or weight inspection on a car from any elevator unless that elevator be operated by the board, otherwise it is being operated in contravention of the act?—A. Yes.

Q. And you said the practical effect of that is to create a government monopoly of wheat in western Canada?—A. That is correct.

Q. Now, with regard to the matter of these figures regarding which the chairman examined you this morning: What I am interested in, Mr. Milner, is whether or not the condition which was the fact is a condition which had a

depressing effect on the market; that is to say, was the sale, the putting out of contracts for 225,000,000 bushels of wheat, with 20,000,000 or 15,000,000 bushels of it in some state or position which was not in an actually technically deliverable position as to the date of the performance of the contract; did that produce a depressing effect upon the market, because that is the charge that is made?—A. With reference to these hedges, the short position, as pointed out in this statement, had no depressing effect whatsoever on the market.

Q. Are you sure about that?—A. Yes, I am sure about that.

Q. That is the thing we are interested in; speaking for myself, I am not interested in whether wheat could be delivered technically on a certain day. If I sell wheat which I cannot deliver because it happens to be represented by flour in the mill, if I sell that wheat and I am not able to deliver on that account, does that have a depressing effect on the market?—A. It does not.

Q. Does it have a depressing effect if I sell wheat and find it in the position mentioned; under some of these other positions—for instance, I find it in flour instead of actually in the elevator—does that have a depressing effect on the market?—A. Certainly not.

Q. If it is in any of the reporting Canadian mills in the process of grinding?—A. No, it does not.

Q. Or if it is in a ship, or if it is wheat en route from country points?—A. No.

Q. If Mr. McFarland had considered that these transactions were buying contracts, that for his 225,000,000 bushels of wheat he had only 200,000,000 bushels actually in a deliverable position—although the other 25,000,000 was in the position stated in your memorandum—if he had considered that that was an improper thing to do and had a depressing effect on the market, had he the remedy in his own hands to cure it?—A. Well, he would have forced a ridiculous situation.

Q. Had he the simple remedy of saying to these gentlemen, unless you deliver my wheat I will not switch into new futures?—A. I want to answer that very carefully.

Q. Answer it just as carefully and as fully as you will.—A. The regulations concerning the delivery of wheat on futures contracts suppose that the grain must be in store in the terminal elevator in Port Arthur or Fort William. Now, it must be apparent that the holding of grain in excess of the amount of the terminal capacity would result in it being absolutely impossible to fulfill that contract.

Q. Would you say that again, “the result of holding—”?—A. The result of the holding of a quantity of futures will create—July futures, for instance; with some person long 200,000,000 bushels of July futures, and the terminal elevator capacity at Fort William being 90,000,000 bushels—

Q. Yes?—A. — that manifestly means, if only wheat in store at terminal elevator is deliverable against that 200,000,000 million bushels on delivery contracts—

Mr. VALLANCE: Right.

The WITNESS: Your question was, did Mr. McFarland know that this could not be done, and was the remedy in his hands?

*By Hon. Mr. Ralston:*

Q. That is my question, was the remedy in his hands? If there was anything improper in selling wheat which was not in a technically deliverable position, and which was in one of the positions mentioned in paragraphs 1 to 8 of this memorandum; if there was nothing improper in doing that had Mr. McFarland the remedy in his own hands by saying to these men, you deliver that wheat?—A. That is a fact, he certainly did; and in the list of transactions which we had with him between May and July he insisted that the details of

the wheat and the position of the wheat or flour stocks be supplied, and he would permit the hedges to go from May to July. His statement to me subsequently was that his statements were all arranged satisfactorily.

Q. So that the wheat switches from October to May was the same situation as existed in October?—A. Yes.

Q. And did Mr. McFarland permit the switch knowing that position?—A. Yes.

Q. He did not insist on these men delivering their wheat and fulfilling their contracts?—A. No, he did not.

Q. He permitted them to switch; what is the next future?—A. After October is December.

Q. And then after December is May?—A. Yes.

Q. I want you to give the fullest answer possible; is there anything in a transaction of that kind which has the effect of depressing the price of Canadian grain. That is all I am interested in?—A. No.

*By Hon. Mr. Stewart:*

Q. Do you think, Mr. Milner, that it helps to preserve the price, to stabilize the price; I do not mean to stabilize it in the sense of paying more for grain, but I mean the practice that has been followed in the marketing of grain by Mr. McFarland?—A. Oh, I think that it has had a stabilizing effect on prices.

Q. Yes; allowing the switching of futures?—A. Undoubtedly it was a proper procedure, because nothing else could have happened. He realized that.

Q. I am not concerned about that; that, of course, would have the effect of preserving the price?—A. Yes.

*By Hon. Mr. Ralston:*

Q. In your memorandum at page 6 you say:—

In other words, the alleged break-down of the Winnipeg market has been the natural accomplishment of the government's operations, and its failure to take the hedges, to the extent that there has been failure, is the result of the co-operation of the Exchange in the policy of the government.

What do you mean by that?—A. Well, I mean by that, this: It has been stated that because the speculators went out of the market the government came in; I am trying to point out here that quite the reverse was the case, that speculators will not engage in trade in the futures market, performing the function of taking up hedges, so long as there is a large concentrated holding by the government, and as that holding increased so the speculators were less inclined to trade in the market.

*By Hon. Mr. Stewart:*

Q. On account of the overhead?—A. That is exactly it.

*By Hon. Mr. Ralston:*

Q. On account of what?—A. On account of their feeling over the holding by one person, and the doubt in their minds as to what was going to be done with it.

Q. What I was interested in was the words: "The alleged break-down of the Winnipeg market"; has there been a break-down of the Winnipeg market?—A. No.

Q. What do you mean by that there then?—A. I said it was stated in the discussion of this bill that the machinery in the Grain Exchange had broken down, had ceased to function.

Q. You say that if there has been any break-down it has been due to the accumulation in one hand of this very large quantity of grain which over-hangs the market?—A. That is the big contributing factor.

Q. And you realize that somebody is not going to be able to dispose of 225,000,000 bushels of wheat and still get a fair price for the farmer for his new crop?—A. Not without subsidies, or assistance of some kind.

Q. Not without what?—A. Not without subsidies or assistance of some kind.

Q. Now, on page 8 of your memorandum you said—I don't know just what you are referring to—but in the last part of the paragraph you refer particularly to: "Part experiments in centralized control have merely resulted in disorderly marketing, and in destruction of the balance between supply and demand." What experience are you referring to?—A. To the United States Farm Board and to our own pools.

Q. Was there really disorderly marketing in connection with the United States Farm Board, did not the United States take the loss?—A. Well—I said disorderly marketing—in the final analysis they were obliged to face the question of getting rid of the surplus, which they did at a considerable loss, and there was no way they could do that. I said to-day, I did not understand the expression "orderly marketing"; I never have.

Q. But you use the expression "disorderly marketing", what do you mean by that? I thought that in the United States that they saved disorderly marketing by the government simply buying the wheat and disposing of it at the best price they could get?—A. I say it resulted in a chaotic condition in their market.

Q. Would you just follow that one step further; as a matter of fact, is there any control in the United States at the present time?—A. Not to my knowledge.

Q. As a matter of fact, there is none?—A. No.

Q. And Mr. Legge's board just ceased to function having cleaned up its bin?—A. It did.

Q. Well now, is there any other cause you want to mention as an example of past experience in centralized control; or, have you any in mind?—A. I have the Canadian pools.

Q. Well, what do you mean by that, just explain that?—A. Well, the result of their operations was a large carry-over.

Q. Yes?—A. Which this government was obliged, which Mr. McFarland was obliged to liquidate.

The CHAIRMAN: A little louder, Mr. Milner, please; I did not get the question. What was it?

The REPORTER: Reads:—

Q. Well, what do you mean by that, just explain that?—A. Well, the result of their operations was a large carry-over.

Q. Yes?—A. Which this government was obliged, which Mr. McFarland was obliged to liquidate.

*By the Chairman:*

Q. It is the pool carry-over that you referred to?—A. Yes.

*By Hon. Mr. Ralston:*

Q. The large carry-over resulting from pool operations?—A. Yes.

Q. Now, your answer to the chairman with regard to something other than a compulsory or 100 per cent monopoly was that you thought such a system could be evolved and could be operated, and the effect of it was, as I understood it, that the same sort of powers as had been given to Mr. McFarland might be continued in some statutory body?—A. Yes.

Q. Would you approve of the policy which has been following by Mr. McFarland in holding wheat and piling up this carry-over, or would you consider that one of the necessary duties of that board or body would be to

liquidate those stocks and to start getting the carry-over from year to year down rather than having it increased?—A. I made it perfectly clear in my remarks when I said that I did not think the export flow of wheat should be held up, and that we should continue to sell wheat in competition with other countries.

Q. I heard that all right. I understand that. But the question is whether we should continue to sell ever more wheat than the crop in order to reduce the hang-over or carry-over, rather than have it pile up?—A. You are asking me as to my opinion, or the board?

Q. Yes, just your opinion?—A. I would say definitely yes, it must be got rid of, because of its depressing influence.

Q. In other words, your opinion would be you would not even set it over in the corner?—A. I would not.

Q. Or in a group of elevators and say, "you stay there; I am going to try to market the current crop."?—A. I would not.

Q. Because the very existence of it in the hands of the board or somebody who might drop in on the market, has a depressing influence on current prices?—A. Exactly. In other words, I would face the issue I have to face as quickly as I could and get it over with.

Q. Do you think it is possible to segregate the two in the matter of marketing?—A. I mean, it has occurred to me whether it would be possible to have one body handling the carry-over and another body handling the current crop?—A. That could be possible.

Q. But I mean, do you think it is practical?—A. No.

Q. Would you put one up against the other?—A. No, I would not.

*By Hon. Mr. Stewart:*

Q. I did not understand you to say, Mr. Milner, that you would throw that 200,000,000 bushels at once on the market?—A. No, I didn't say that.

Q. No; you would recommend the orderly—perhaps I had better leave that word "orderly" out?—A. I would recommend disposing of it as the market would take it.

*By Hon. Mr. Ralston:*

Q. Which means wheat would have to be selling in competition with other countries?—A. Decidedly.

Q. And it means we would have to sell so that we would displace some other wheat producer in the markets of the world?—A. Yes.

Q. What is the normal spread between our No. 2 and Argentine?—A. By normal, do you mean—I think on the quality basis it might be possibly 8 or 10 cents. I prefer that you ask exporters who are familiar with it.

Q. What is the brand of wheat in Argentina which corresponds with our No. 1?—A. I have seen Rosafe wheat used as comparative to our No. 2 northern.

*By Hon. Mr. Stewart:*

Q. They have not a comparative grade with our No. 1 Northern?—A. No.

*By Hon. Mr. Ralston:*

Q. Would you explain this sentence to me, which is in your report on page 5, at the bottom of the page? You are speaking about June, 1932, when Mr. McFarland began under the guarantee of the Dominion government to support prices in the Winnipeg market.—A. Yes.

Q. The sentence is as follows: "From the time that wheat prices in Winnipeg began to be sustained above the natural level of prices in the markets of the world, the ability of the futures market to absorb hedging transactions began to decline." What does that mean?—A. That means that no person would buy our wheat who had any knowledge of conditions, at too high a price. No

person would buy it for future requirements if they could buy wheat elsewhere, so that the ability of the market to take hedges—as they were out of line, and as we did not have traders in the market, the ability of the market to absorb hedges began to decline.

Q. Is that not throwing a lot of mystery about it? It is this “absorbing hedging transactions” that gets me fuddled.

The CHAIRMAN: You are like a great many other people.

*By Hon. Mr. Ralston:*

Q. Is it not just a plain transaction? Correct me if I am wrong, but is it not a plain transaction that I buy wheat and the hedging transaction is that I sell it?—A. Exactly.

Q. I sell it for future delivery?—A. That is right.

Q. And therefore when you say the ability of the futures market to absorb hedging transactions began to decline, it means nothing more or less than when I bought the wheat I could not find any purchasers for it at a price above what I bought at my option price?—A. So that you were not back there again.

Q. Yes; so that I was loaded that way.—A. That is correct.

Q. Could not find purchasers, that is all?—A. Quite right.

Q. And the fact that it is a future does not make any difference; it is just as much wheat as if it were a cash transaction?—A. Exactly.

Q. Except you are going to deliver in the future?—A. Yes.

Q. And you are gambling—or, I will withdraw that statement—

Mr. WILLIS: Tut, tut.

*By Hon. Mr. Ralston:*

Q. You are speculating or taking a chance on the possible ups and downs of the market between the time you have sold, the date you have sold and the date you have got to deliver?—A. Will you state that again?

Q. I will put it the other way. I think you are right in asking me to put it the other way. I think it is really the purchaser of the wheat who has to take the chance on the ups and downs of the market?—A. Yes.

Q. Between the time he bought your future and the time you were going to deliver it?—A. Right.

Q. I think there is only one more thing. You issued a very challenging warning at the bottom of page 7 of your memorandum. You say, “Grave disadvantages are inherent in a single monopolistic control and operation of the grain trade in Canada.” Would you amplify that?—A. Well, on the basis that competition in business is an advantage throughout the entire marketing machinery, and the fact that there would undoubtedly be resistance set up against monopolistic control, is what I had in mind, both by the purchasing people of Canadian wheat and any person who had to deal in Canadian exports of either wheat or flour.

Q. To put it roughly, you mean that you think this would be notice to the world that we are going to try to take our customers by the throat and make them pay the price that we dictate?—A. That is exactly it.

Hon. Mr. RALSTON: I do not think there is anything else, Mr. Chairman.

*By Mr. Lucas:*

Q. Is it your belief that, if Bill No. 98 becomes law, the Winnipeg Grain Exchange would cease to function?—A. Yes.

Q. Do you really think that would be a serious matter for Canada?—A. I do, sir.

Q. Would it be more serious for Canada or for the Winnipeg Grain Exchange?—A. For Canada.

Q. Has Australia a futures market?—A. I have already stated that I don't know what their markets are. You will have to ask the exporters.

Q. Well, I am informed that Australia has no futures market. I thought you, as head of the Winnipeg Grain Exchange, would be familiar with other countries' facilities for handling grain?—A. I am not.

Q. I am informed that Australia has not a futures market, and so far as we can learn they have had no difficulty in selling their wheat. In fact, Australia is being held up as one country which has disposed of its supplies. I understood you to tell Mr. Ralston a few minutes ago that short sales had no effect on the market price. Do you say that?—A. I said "hedging sales," the sales referred to in his statement, were not a depressing thing as far as the market price was concerned.

Q. Hedging sales might be short sales?—A. Hedging sales would not be short sales.

Q. Even hedging sales would take no effect on the market?—A. Not of the class represented in the statement to which he was referring.

Q. So that when there is heavy hedging in the fall, it does not affect the market, in your view?—A. Heavy hedging in the fall is not anything—does not fall within any of the items that appear on that statement.

Q. I am not referring to your statement here.—A. That is what Mr. Ralston was referring to when I mentioned that.

Q. I am asking you when heavy hedging sales do take place in the fall, does it have an effect on the market price?—A. It does if the outside conditions—I will put it this way: I have seen a very good increase in prices during the heaviest hedging season. I have seen a rising market during very heavy hedging.

Q. Of course, that is when world marketing conditions are different from what they are to-day?—A. Because it was a world market.

Q. Now, I think you said in your statement to the committee that you were opposed to compulsion in the handling of this grain?—A. Yes.

Q. Do you believe that this bill would be a compulsory measure?—A. I do.

Q. Can you tell me what freedom the farmer has to-day in the marketing of his grain, from the primary producers' standpoint?—A. I don't know what freedom he has not got.

Q. Can you tell me what freedom he has now that he would not have under a board of this kind?—A. Well, the price element would be one freedom.

Q. In what way?—A. There would be set up a certain price, as I would understand it, under this board, in the nature of a minimum price, as this thing resorts to participation certificates. I don't know the value of a participation certificate, unless there was a minimum price.

Q. Has the farmer anything to say to-day about the price he gets for his wheat?—A. He has the option of selling it whenever he wishes.

Q. Is not the price set by the trade every day? The farmer goes to the elevator, and there is the price that he has to take. He does not have to sell it to-day or to-morrow, but the price is set. He has nothing to say in what he gets for his wheat. Is not that true?—A. Well, you know that competition provides a market for him where, if he thinks he can get more at another elevator he goes there to get it. But the price which he receives is based on the price on the Winnipeg market, which is representative of the world's prices.

Q. So far as competition between elevators in prices is concerned, is not the same price sent out to all the elevators at the same time?—A. Yes, certainly.

Q. So that there is really no competition in prices?—A. Oh, I would not say that. I have seen them up 11 cents over the list that went out.

Q. Is that not a very serious matter if they pay over this price?—A. It is; but if competition forces that situation, it results in this high price.

Q. Yes, but that is not the general condition. It might be that one man will break the rules for the day, but that is not general?—A. It is not a rule, sir.

Q. A custom, I suppose?—A. No, it is not even a custom. You can understand that in the operation of an elevator, custom must have some basis on which to be founded. So it could be possible if you were operating an elevator and I were operating an elevator, that your basis of figuring that grain could be different from mine.

Q. There is a very general feeling among many producers that there may be certain competition between elevators, but if the farmer is paid more than the market price, it is taken out of him in some other way?—A. I would like you to elaborate that.

Q. Well, I say that is the general impression. I do not say it as a statement of fact.—A. I did not know that was the case.

Q. You stated a while ago that you did not understand the term "orderly marketing"?—A. I did.

Q. Well, did you not refer in your statement to disorderly marketing?—A. I did.

Q. How do you explain that?—A. I should not have used the word "disorderly marketing" here. If I had to rewrite it, I would not use the word. What I meant was that instead of doing what they had attempted to do, that they did the entire opposite. I used the word "disorderly marketing," but I should not have done it.

Hon. Mr. STEWART: I should like to ask Mr. Milner one or two questions.

*By Hon. Mr. Stewart:*

Q. I should like to ask Mr. Milner one question. I am not concerned with all the intricacies of the trade, what I am concerned in is this, the accumulation of wheat that is in the hands of the Canadian Co-Operative Wheat Producers' Limited, held by John I. McFarland, which is still unsold, and having in mind that we have had a short crop for the past two years, is it your opinion—I am not going to ask you to answer this unless you feel like doing it—that had sales pressure been put on and world prices accepted the carry-over would have been very greatly reduced?—A. I do not think there is any doubt about that.

Q. That is what I am interested in particularly. Then, one other question. You do not favour a compulsory board?—A. I do not.

Q. You think that the powers now exercised by John I. McFarland, backed by the government, are quite sufficient to provide for reasonable prices to the producer whether it be by subsidy or otherwise, or based on a minimum, and that all the machinery necessary for carrying out the sales of the carry-over plus the new crop—let me put it another way, the machinery now in effect is quite sufficient and the trade would co-operate or it would be forced to co-operate with a board of that character?—A. We would.

Hon. Mr. STEWART: That is all, Mr. Chairman.

*By Mr. Porteous:*

Q. You told, Mr. Milner, if I understood you correctly, Mr. Ralston that the short selling of wheat would not depress the market?—A. I said the fact that the wheat was short against the grain and flour held in the positions as shown on the statement would not depress the market.

Q. But short selling of wheat will depress the market?—A. Oh, undoubtedly selling short wheat can depress the market.

Q. Just the same as the delivery of wheat usually depresses the market?—A. It could, yes.

Q. That is to say, then, if speculators decided that they were going to offer to sell short in wheat or deliver wheat?—A. Yes.

Q. It would have a depressing effect on the market?—A. Undoubtedly, if it was done in volume.

Q. To the place where they find a purchaser?—A. That is it.

Mr. PORTEOUS: That is all.

*By Mr. Lucas:*

Q. If the prices received for it were world prices?—A. The prices the producers received recently have been higher than world prices.

Q. Under ordinary conditions?—A. Under normal conditions.

Q. Under these conditions what service does the Exchange render?—A. Well, sir, do you want me to go through all the services that the Exchange performs in the marketing of the crop? It has been dealt with fully in lots of finding by commissions and so on, but I would be glad to do it if you insist.

Q. I mentioned the return so far as the farmer is concerned. That price is set in the world?—A. Yes.

Q. So far as getting any price for him is concerned what service does the Exchange render there?—A. They provide a market place where purchasers and sellers may meet and the prices which—they make their prices and transactions in Canadian wheat and the prices which are quoted on the Winnipeg Grain Exchange. Does that answer your question?

*By Mr. Willis:*

Q. I live on a farm half way between two elevators. If I go to the elevator which is east of me in the morning they will inform me as to the price of wheat that day providing they have heard the broadcast. If I go to the elevator west of my place they will also inform me as to the price of wheat that day if they have heard the broadcast; therefore, there is no competition is there for a farmer like myself?—A. I think, so, yes, definitely there is. There is competition of service. You may find when you go to the elevator that is to the east of you that there will be probably three or four, at least, to make that market, and every person there in the market is desirous of having your business, and you may be able to get a price from one higher than the price which another will give you in spite of the broadcast.

Q. As an ordinary farmer you would find no one on the market whatever; you would find the elevator there willing to pay you in accordance with the broadcast price, consequently a farmer like myself has only in one sense competition, the elevator with the better road probably gets the business, but aside from that, Mr. Milner, there cannot be any competition in prices for the ordinary farmer because they receive the same prices over the same broadcast at the same instant every day. Now, you spoke about liquidation. I think your statement was that the present stocks of wheat should be liquidated. You do not like the term orderly marketing, but you think the present stocks should be liquidated as the market will take them?—A. Yes.

Q. The present stocks in Canada amount to about how much?—A. 203,000,000.

Q. When will the 1935 crop come in?—A. In September, October and November. It will be delivered all through the year, as every crop is.

Q. Then the liquidation of those stocks must necessarily be in competition with the 1935 crop?—A. Unfortunately.

Q. And would have a depressing effect upon the 1935 prices?—A. Undoubtedly.

Q. When did Mr. McFarland commence his operations?—A. That is a matter of record, in November, 1930, was it not?

Q. His actual marketing operations commenced, I think, June 1932?—A. That was it, yes.

Q. What was the carry-over of the 1931 crop?—A. 140,000,000 bushels, according to these figures.

Q. The figures given by the bureau are, I think, 134,000,000. What was the carry-over in 1932?—A. 137,000,000 bushels, according to the estimate that I have here.

Q. So at the end of the first year in which Mr. McFarland commenced operations the carry-over was less; is not that right?—A. Yes; all right.

Q. That is all.

*By Mr. Perley:*

Q. Mr. Milner, I think Mr. Ralston has the impression that wheat afloat or past the terminal at Fort William is hedged; that is, it is hedged if it is not delivered, ground flour, afloat or at Fort William; is that not right?

Hon. Mr. RALSTON: What is that?

Mr. PERLEY: I wanted your understanding of Mr. Milner's evidence. I thought you left the impression from the answer that wheat afloat or in the United States in bond, this wheat he speaks of which makes it visible, is hedged if it is in that position.

Hon. Mr. RALSTON: No, I did not ask him that question. The question was whether it was available to answer hedges or to answer future contracts that had been made previously.

Mr. PERLEY: You did not get the impression that it was hedged after it became in that position.

Hon. Mr. RALSTON: No, I did not; it may be right, I don't know.

*By Mr. Perley:*

Q. Wheat is generally hedged the day after it is bought, the morning after it is bought in the country elevators, is it not?—A. Yes.

Hon. Mr. RALSTON: Generally sold after it is bought. If they got rid of this word "hedged" it would be all right.

The CHAIRMAN: It is bought the day it is sold.

*By Mr. Perley:*

Q. Some reference was made to the carry-over. What was the carry-over in 1930 when Mr. McFarland first came into being?—A. I think Mr. Willis gave me that figure just now.

Q. Have you got the percentage in the hands of the trade and in the hands of the pool?—A. I have not got those figures, no.

Q. Is it estimated that 40 per cent of the carry-over was in the hands of the trade?—A. I have seen figures stating that.

Q. That is the operation of the pool did not result in all the carry-over being in their hands. There had been competition and an open market and they were not successful in getting rid of all wheat. Is not that a fact. The fact is they had 40 per cent of the carry-over?—A. That is correct.

Q. I just want to know if you can give us a little information with respect to this professional speculator and as to what extent the Winnipeg Exchange is used in spreading purposes; that is, spreading between Winnipeg and Chicago?—A. Well, the Winnipeg market is used for spreading purposes a great deal in some years, very little in others.

Q. That is, some of those 450 members of the Winnipeg Exchange have membership in Chicago, continental, foreign firms, and they may be selling wheat on the Winnipeg market as against the purchases in Chicago?—A. Yes, that has been done.

Q. Would not that depress the Winnipeg market?—A. They might have found a very ready buyer at the time they were selling. You must remember, a sale presupposes a buyer, therefore you must sell to somebody.

Q. Would it not be possible that some of the selling that took place last October would be of that nature?—A. On spreads?

Q. Selling Winnipeg as against purchases in Chicago?—A. Our investigation of that did not show it.

Q. It would be pretty hard to find it in the clearing house?—A. It would, yes, but I still say our investigation did not disclose that.

Q. You state that this bill would practically destroy the Exchange in answer to Mr. Ralston's questions as to sections 8, 9 and 10. Have you compared it with the rules and regulations of the board of 1919?—A. I have not done so, no.

Hon. Mr. RALSTON: My question was whether it would create a monopoly; whether it would prohibit anybody else from dealing in grain but the board.

The CHAIRMAN: Except the provincial trade.

Hon. Mr. RALSTON: I am asking him from the point of view of a practical man.

*By Mr. Perley:*

Q. Control in this act is similar to that of 1919, one or two sections are in practically the same wording. What would happen in July if Mr. McFarland was not prepared to give up the July and take the October?—A. Well, an impossible situation would be created.

Q. There would have to be a settlement made, would there not?—A. There is a settlement that he could force—no, Mr. McFarland is not in a position, nor would he ever as long as he lives, take that attitude.

Q. Was he not in a position in May to force settlement?—A. Yes.

Q. Settlement was made practically with the shorts?—A. No, there was no such thing.

Q. With the Exchange. He gave you the May and took the July?—A. Yes; I thought you were referring to excess.

Q. That is a settlement?—A. All right.

Q. That is all.

*By Mr. Lucas:*

Q. There is one more question I should like to ask Mr. Milner. If Canada had adopted the policy of forcing sales year by year what would, in your opinion, have been the effect on prices?—A. I think in looking at it in retrospect, the prices would have been probably lower.

*By the Chairman:*

Q. What is that?—A. I think in looking at it the prices would have been lower.

Q. There are two or three questions I should like to ask because you seem to be very certain about some things. You have talked about our selling wheat and not having pressed it for sale in the markets. Do you know what proportion of bread stuffs in this world this country has continued to supply?—A. I do not.

Q. You saw the figures given by the president of the Canadian Pacific Railway before the Board of Trade in Broomhall, and he brought it down to April of this year?—A. I did.

Q. How do you reconcile those figures with the statement you have made here?—A. With what statement?

Q. That we have been losing business; whereas, as a matter of fact, we have more than held our own in supplying breadstuffs to the world, notwith-

standing conditions in Germany, France and other countries?—A. Because I do know that reports which I saw from various people in importing places, and general conversation I have had with exporters in the trade that our wheat was not moved out due to the fact it was held at higher prices than Argentine wheat.

Q. Now, that is the story that comes to you from those who should be buying the wheat. I put that to you?—A. Well, our own exporters—

Q. No, I put that to you. They say they cannot get buyers; that people who buy the wheat are not satisfied to buy at the price we were asking for it?—A. I believe that is correct.

Q. That is the story. Now, I have here figures for many years down to the last month, for No. 2, at the Atlantic and No. 2 at Vancouver and the Argentine Rosafe and the Australian wheat. Now, bear in mind—you have these figures also—bear in mind that in May, 1932, you had a complete open market and everybody was selling wheat as they liked, is that right?—A. There were no restrictions on the Winnipeg market.

Q. Australian wheat on the 21st of May was 72.38 cents, Argentine Rosafe was 68 $\frac{1}{8}$  cents, Canadian 2 Northern, Vancouver, was 72 $\frac{3}{4}$  and at the Atlantic, 74 cents. At the end of the month according to the figures I have at the Atlantic ports the price of No. 2 was 72 $\frac{1}{2}$  cents, Australia 72 $\frac{1}{2}$ , Argentine Rosafe, 68 $\frac{1}{2}$ , Vancouver, 70 $\frac{7}{8}$ . The spread was very small between Argentine and Canada, and in some cases Australian wheat during the intervening years sold at a higher figure than Canadian?—A. Yes.

Q. What would be the general average, as far as you know, as to the difference between Rosafe wheat and Canadian 2 Northern?—A. I would prefer an exporter to answer that.

Q. You do not desire to express any opinion about that yourself?—A. I do not.

Q. That is fair, I think. You say you disapprove of Mr. McFarland's operations?—A. I have never said any such a thing, not at any point in my evidence.

Q. The answer you gave to Mr. Ralston could only mean that?—A. Well, but I didn't say it, sir; you took that meaning out of it.

Q. Well, then, probably it is the way in which you answered the question. I was going to congratulate Mr. Ralston that he gave some excellent evidence. Now, suppose—

Hon. Mr. RALSTON: Compare the length of my question to yours.

Hon. Mr. STEWART: Is not that a tender point with you?

The CHAIRMAN: No, not the slightest.

*By the Chairman:*

Q. What do you say of Mr. McFarland's operations? You spoke of his operations and the effect they had upon the market and the effect they had had upon prices; now, what do you say as to the effect of his operations in the Winnipeg market? You have been there; you have known him and he has known you, and you have talked together; what has been the effect of it in your opinion?—A. The effect has been to disturb the amount of trading in the market. It has affected the importer. The effect of the price being held above the price it would command in export markets has been a deterrent to export.

Q. That is the complaint?—A. That is not a complaint; that is a statement of what I think.

Q. When was the price pegged for the first time?—A. It is on record, sir. I do not remember the date. It was December, 75 cents.

Q. At any rate it was within recent months?—A. Yes.

Q. Tell me this: why was it that the price at which wheat was being bought—and Mr. McFarland did not have it all—why was it that they were paying the

price they did for it? There was no pegged price, and they could buy any wheat they liked?—A. For two good reasons, sir. One was that there is always a slowing demand for Manitobas for mixing; the other was that the very corrective influences that could have operated—and I refer to the selling of wheat in the market—were not able to operate because there was a limit to where those sales could be made.

Q. I observe from looking at these figures that wheat was being bought and sold to meet the requirements of the world; the foodstuffs of the world. We were selling as much as we ever did. I say to you that no pegged price was affecting that situation, except taking the surpluses which anybody else could buy?—A. I did not understand the force of your statement. I am sorry, I did not.

Q. Mr. Milner, you say that Mr. McFarland's operations had a depressing effect upon the export market. I take these figures and I show you what the prices were, and they were not pegged, and wheat was being sold. Now, how did Mr. McFarland affect that when people were willing to pay the price they did for the wheat without it being pegged?—A. Well, I will go back again and say that I prefer an exporter to explain the fact that there were, in fact, smaller exports from Canada than we would have liked to see.

Q. Quite so. But in view of world conditions prohibiting the importations of any wheat to countries that had previously imported, you blame that on Mr. McFarland?—A. No. I did not blame it all on Mr. McFarland.

Q. You made the suggestion that something Mr. McFarland did contributed to this position?—A. I said the high prices at which our wheat had to be maintained—

Q. It was not maintained at all; it was in the open market until recent months.—A. I am referring to recent months, and to the time since the peg was on.

Q. With respect to that, that was a few weeks ago, relatively?—A. That is correct.

Q. I am talking about all these years when this surplus was accumulating?—A. The stabilization operations of Mr. McFarland had the same effect as the peg.

Q. Exactly. He was not buying if there was anybody else to buy; he bought only when nobody else was there to buy the farmers' wheat?—A. That is incorrect, sir.

Q. That is what this record would seem to show?—A. Well, I do not care what the record would seem to show, but he elected by himself to buy wheat at certain prices.

Q. When it went to a certain price he bought, yes?—A. No. He elected at the price level at which he would buy that wheat.

Q. Quite so, but the public could buy at the same level?—A. Yes. They did not want it.

Q. They did not want it?—A. No.

Q. Then your theory is that the attitude of the public was to depress the price of wheat to the lowest possible level to the producer?—A. No, not at all.

Q. That is what it means?—A. That was not the attitude of the public.

Q. I say that Mr. McFarland's operations did fix what he regards as a reasonable price for wheat, and nobody else would buy, instead of letting the price go down to any level as low as 38 or 40 cents. That means that instead of the producer getting 38 or 40 cents he was getting the price Mr. McFarland elected as a reasonable price for wheat?—A. Yes.

Q. In other words, as against the ruin of the producer, he saw fit to buy the wheat?—A. Well, sir, that is a way of putting it that is not fair.

Q. It comes down to that?—A. Well, we will leave it.

Q. I put this to you—I have known you a long time—what would have happened in western Canada if someone had not bought that wheat?

Hon. Mr. RALSTON: When? At what time?

The CHAIRMAN: I am beginning from September, 1932, because I have the figures.

The WITNESS: You want to know what would have happened ultimately?

*By the Chairman:*

Q. During all those years?—A. I think, probably, what would have happened—this is only an opinion, because nobody could ever answer that question. Because a certain set of circumstances occur now, it is ridiculous to guess as to what might have happened had another set of circumstances existed.

Q. But under the circumstances that we now have?—A. As I see them I think we would have a very serious decline in the price of wheat but that subsequently it might have been reflected in much higher prices than we have to-day due to the fact that the wheat would have been sold.

Q. But, Mr. Milner, that is the question I am asking you; who would buy it?—A. Well, Argentine's shipments increased to the detriment of Canadian shipments.

Q. Yes, the reasons for which are well known?—A. Well, had our wheat been low enough, certainly we would have sold the wheat.

Q. As low as Argentine?—A. Yes.

Q. But there never has been a time that Canadian wheat was as low as Argentine on quality?—A. Yes, but I have an idea of parity in my mind when I make that statement; but as I said, sir, you will get more information from the man who is engaged in the export business.

Q. You say Argentine is in the position of a country that had to sell its wheat for purely financial reasons?—A. Yes.

Q. Now, had you any assurance they would not have followed down the market to a still lower figure?—A. I think that is true still.

Q. You think it is still true?—A. I do.

Q. As a matter of fact, is it not this, Mr. Milner, in the ultimate analysis, that this country has been producing wheat without regard to its ultimate distribution?—A. That is right.

Q. That is so, is it not?—A. That is right.

Q. And there has accumulated a vast volume of wheat that could not be sold in the world—I am not talking about Canada—and we are part of the world which is affected?—A. Yes.

Q. And this quantity of wheat that you place at 225,000,000 carry-over will be what the carry-over is after the season ends; it is 225,000,000 bushels now. The new season will not begin, according to what you say, until September of this year, and there will be sales in July and August, whatever they may be, to lessen that quantity. That is the story, is it not?—A. Yes.

Q. And the carry-over is a gradual accumulation during the years commencing in 1929 at 27,000,000, and the average would be a maximum of seventy, would it not? It has been less than that often. What would you regard as a reasonable carry-over?—A. For this country?

Q. Yes.—A. That is a broad question to ask.

Q. When you said the Winnipeg Grain Exchange had not broken down, Mr. McFarland did not begin to carry on his operations until 1932, do you say that you were able to absorb all the hedges of the additional purchases that came on?—A. They could have, yes.

Q. That is your view?—A. Yes.

Q. Without any assistance from any quarter, with the large crop, and the world demands as they were, do you say the speculators would absorb it?—  
A. Yes, it would have to be at a price; but that would be a ridiculous position for this government or country to get into.

Q. No, not the government, because it would mean that the price of wheat would drop below 35 cents at Fort William, which would give 15 cents in some remote sections to the farmer?—A. That is the story.

Q. Then may I state that the effect of Mr. McFarland's operations has been to prevent that?—A. That is correct, at the start of his operations; that is my opinion.

*By Mr. Perley:*

Q. Is it not a fact that the grain trade in 1932 asked the government to have Mr. McFarland continue his operations?—A. I was not in a position in the Exchange to answer that question. I do not know that they did so.

The CHAIRMAN: You were not president that year?

The WITNESS: No, sir, I was not.

*By Hon. Mr. Ralston:*

Q. You told the chairman that Mr. McFarland's operations acted the same as a peg—that is to say, when he bought wheat?—A. Yes.

Q. Do you remember when the peg was put in, in July or August, 1933?—  
A. I do not remember.

Q. Do you remember that the peg was put on?—A. Yes, I remember it was put on.

Q. You remember he had been buying wheat previously to that in large quantities?—A. He was reported to have bought wheat.

Q. Just previously to that. I am looking at this publication published by Mr. Evans, the price on July 3rd, was 79½ cents, the price at the end of July was 83½ cents, on July 22, the lowest point, it had gone down to 73½ cents.

The CHAIRMAN: What month?

Hon. Mr. RALSTON: July, 1933. I am looking at the close of July futures in July, 1933.

The CHAIRMAN: 89¼ cents, North Atlantic.

Hon. Mr. RALSTON: I am looking at the publication published by Mr. Sanford Evans, statistician.

The CHAIRMAN: One of those caused us enough trouble in regard to the Stamp report, try something else.

*By Hon. Mr. Ralston:*

Q. This shows Winnipeg wheat prices for twenty-five years. Is that regarded as an accurate record of the prices?—A. It is an accurate record.

Q. I am pointing out that on the first price quality in July, listed in July, the closing price of July futures on July 3, was 79½ cents.

The CHAIRMAN: What grade, Mr. Ralston?

The WITNESS: July futures. It is a future not a cash.

The CHAIRMAN: Oh, yes.

*By Hon. Mr. Ralston:*

Q. And the lowest price at that month was 73½ on the 22nd. On the 31st it went up to 79 cents, and the ranging average for the month was 83½. Now, the peg was put on, when would you say? In August? Do you remember?—  
A. If I remember the date—

Q. Would you be able to tell from the list of prices for August?

The CHAIRMAN: If there was a peg in 1933 at all it was a short time; the peg was in 1934, you know.

The WITNESS: I can't tell from those figures.

*By Hon. Mr. Ralston:*

Q. You can't?—A. No.

Q. Can you remember?—A. I can't remember.

Q. But Mr. McFarland was buying wheat immediately before the peg was put in?—A. That is right.

Q. That would be at prices ranging from 79 cents down to 73 cents and up to 83 cents?—A. Yes, that was the period; but I will have to refresh my memory on that.

*By the Chairman:*

Q. You have no knowledge of it in your own mind at all?—A. I have forgotten the date, sir.

Hon. Mr. RALSTON: I am fixing it by a date, if any was put on.

The CHAIRMAN: Yes—the peg was only on for a little while in 1933.

Hon. Mr. RALSTON: That fixes the date.

The CHAIRMAN: My memory was that there was no peg at all in 1933, it was in 1934 that the peg was put on.

The WITNESS: You could certainly find that out quite easily if anybody wants it?

The CHAIRMAN: Oct. 1st, 1934; that is the date of the first peg.

*By Hon. Mr. Ralston:*

Q. There was no indication in July of 1933 that the price of wheat was going down to 38 cents; there was no indication that wheat was going down?—A. There never is any indication as to what the action of the market will be.

Q. As a matter of fact Mr. McFarland states, in the report of the Committee on Banking and Commerce (1934), that he attempted to support the market at 50 cents. These purchases that he made then were away above 50 cents?—A. Oh yes.

Q. And Mr. McFarland also told us (page 236 of the evidence) that it was supposed to be in the national interest that the wheat price should not be allowed to go down to 50 cents?—A. Yes.

Q. Then, if he purchased wheat in July, 1933, it meant that it was having the effect of pegging the price of wheat; and as you say, of preventing sales to customers at prices ranging from 79½ cents, down to 73 cents, and up to 79 cents again, at a time when the average price for wheat was 83½ cents; is that correct?—A. That is correct, yes.

*By the Chairman:*

Q. Mr. Milner, did you say that you knew that Mr. McFarland was buying wheat those days at those prices?—A. I did not say "those days"; I said, in that period.

Q. In July of 1933?—A. Yes, sir.

Q. At what price?—A. I do not know at what price, but he must have bought it at the price prevailing at the time.

The CHAIRMAN: No. I think it was because the price fluctuated greatly during that month.

Hon. Mr. RALSTON: Not in July of 1933.

The CHAIRMAN: I have it here.

Hon. Mr. RALSTON: It never went below 73 cents.

*By the Chairman:*

Q. You say, that has the effect of pegging the price?—A. I say it has the same effect as far as export is concerned. Supposing the market dropped two points, exports could not be made.

Q. That is another thing; he would have to buy everything that offered to do that. There is no doubt about that, is there?—A. No. He would not have to buy everything that offered.

Q. Practically everything that offered?—A. Yes.

The CHAIRMAN: All right, go on.

*By Mr. Lucas:*

Q. To your knowledge did the Grain Exchange ever suggest that the government, or some agency, should lend support to the market?—A. I do not believe that the Grain Exchange officially ever did that. I am not sure on that point as I was not present.

Q. I mean, individually speaking, from time to time. I recall that we had a committee dealing with some phase of marketing, I think it was in 1932, before Mr. McFarland had started his operations; and I recall that at that time Mr. James Richardson appeared before our committee, and if I remember rightly he appeared on behalf of the Winnipeg Grain Exchange. I recall quite well his stating that unless some agency I think as he stated it, "put some muscle behind it," a serious situation might develop.—A. Mr. Richardson is here in the room and I think probably he will be heard as a witness. You might ask him then what he said at that time.

*By the Chairman:*

Q. One of the questions asked was this, as to what the future price of wheat may be; that of course depends entirely upon production in other countries, upon the demand for wheat resulting from shortage of crop in other countries, and the general world situation. You can't form any estimate of it at the present moment?—A. No.

Q. Whether wheat goes up or down. Have you any opinion or views to express?—A. As to whether wheat will go up or down?

Q. Whether it will go up or down?—A. I have no views to express.

Q. I thought not.—A. I said that question was—if there was a lot of wheat to be marketed it would depress the price. I was careful to say that world conditions would affect the situation.

Q. And that would depend on the amount in September when the new crop comes in, and on what the necessities of the other countries of the world might be for importation purposes?—A. It would have quite a bearing on it.

The CHAIRMAN: All right.

The witness retired.

The CHAIRMAN: Who is the next witness?

Richard S. Law, called:

*By the Chairman:*

Q. What is your position?—A. I am president of the United Grain Growers Limited.

Q. Do you desire to make a statement to this committee?—A. I have a prepared statement, Mr. Chairman.

Q. You may sit down, if you wish?—A. I can talk better standing up, if the committee have no objection to that.

Mr. Chairman, as I have stated, I am appearing before this committee as president of the United Grain Growers Limited.

Certain of the views to be expressed with respect to some particular provisions of the Bill now before the committee are based on what has occurred during the past thirty years in the development of farmers' organizations and farmers' business companies in Western Canada. On that account, in the statement which has been prepared and which I should like to be allowed to read to the committee, it has been necessary to make some reference to historical developments as a preliminary to the recommendations we desire to make.

No one who knows the story of Western Canada will doubt the right and the responsibility of United Grain Growers Limited to make representations on behalf of Western farmers. It has a record of nearly thirty years in the service of those farmers, over 30,000 of whom are the owners of the company.

United Grain Growers Limited was organized in 1906 as the Grain Growers' Grain Company. It was the pioneer farmers business organization of the West, and was established by pioneers, by men who for the most part were the first to break the soil they farmed. They bought shares in the company, or supported it when they had not money to buy shares, for the same reason that they established their non-commercial associations, to improve conditions under which they lived and worked.

Thirty years and more ago farmers of Western Canada had many difficulties to face and to overcome. Added to the natural difficulties of establishing farms and homes in a new country was an unsatisfactory grain handling system. The first terminal grain elevators were built by the railways, the first country elevators by private interests to which the railways gave exclusive handling privileges in order to get the elevators built. Such monopoly conditions naturally developed evils, and insufficient railway equipment increased farmers' hardships in getting satisfactory handling of their grain.

To protect their rights, farmers organized first their Grain Growers' Associations and then their own Grain Growers' Grain Company. They secured the right to load their own cars of grain, previously denied to them wherever a country elevator had been established, and by these means were able to conduct their marketing through their own company. From that beginning there developed the careful regulation and control of the grain business through the Canada Grain Act and the Board of Grain Commissioners. Farmers consider this to have been one of their most substantial accomplishments.

The Grain Growers' Grain Company had small beginnings. Farmers provided its capital in amounts from \$25 to \$100 each, and at first no one was allowed to make any larger investments. Its service was so useful, and it stood so high in the regard of farmers that its business grew rapidly, and it was successful from the start. Its success gave business experience to farmers, increased their confidence, and added to their influence and prestige when through their associations they pressed for legislation to protect their interests.

To show the success of the company, it may be mentioned that it now has a paid up capital of \$3,150,000, every cent of which was provided by some 30,000 farmer shareholders, whose average investment is about \$100. The shareholders have received reasonable dividends during the life of the company and with reserves and surplus the total shareholders' equity is now more than \$5,500,000 and the last balance sheet showed total assets in excess of \$14,000,000.

The Company has been able to borrow on its own credit from the banks all the money required for the conduct of its business. It has never asked for or obtained any form of government assistance, either loan or guarantee. The money it did owe for a time to the Government of Manitoba, for some government elevators purchased, has been completely paid off. It assumed a debt of \$1,100,000, now almost entirely paid off, owing by the Alberta Farmers Co-operative Elevator Company to the Government of Alberta, on amalgama-

tion with that Company in 1917. The Company owns and operates 450 country elevators in Manitoba, Saskatchewan and Alberta, the second largest line of elevators in the Prairie Provinces. It owns a terminal elevator at Port Arthur with a capacity of 5,500,000 bushels and operates a leased terminal at Vancouver with a capacity of 2,600,000 bushels.

During the first few years of the Company's life there was some agitation by farmers to have all terminal elevators owned and operated by the Dominion Government and country elevators owned and operated by provincial governments. That led to an unsuccessful venture by the Government of Manitoba into the ownership and operation of country elevators from 1910 to 1912, after which most of its elevators were taken over by Grain Growers' Grain Company, at first under lease, and later bought. Up to that time the Grain Growers' Grain Company had operated as a commission company and it went into the elevator business only when the question of government ownership was settled.

The failure of the Manitoba Government elevator system and the success of farmers in business demonstrated through the operations of the Grain Growers' Grain Company led both farmers and governments in the provinces of Saskatchewan and Alberta to decide against government ownership of elevators and in favour of farmers' co-operative companies. The Saskatchewan Co-operative Elevator Company was established in 1911 and the Alberta Farmers Co-operative Elevator Company in 1913. Between these companies and the Grain Growers' Grain Company relations were very close and the latter was able to give much assistance to the new organizations. The Saskatchewan Company had a highly successful existence until 1925 when it sold its elevators to the newly organized Saskatchewan Wheat Pool. The Alberta Company was amalgamated with the Grain Growers' Grain Company in 1917 to form United Grain Growers Limited.

For many years the ideas and the aims of farmers of Western Canada, organized as they were in farmers' associations and in farmers' companies, ran so much along the same lines that they had no difficulty in speaking with a common voice through the Canadian Council of Agriculture. To that body, of which it was for a long time a member, United Grain Growers gave substantial assistance and from its earliest days it has given and continues at present to give financial support to farmers' associations in Alberta and in Manitoba. In recent years, however, there has been a wide divergence of views held by different groups of farmers on political, on business and on social matters. On that account the Canadian Council of Agriculture is no longer active and it is no longer possible to recognize any single organization as speaking with authority to voice the views of all western farmers.

It was the Canadian Council of Agriculture, which, in 1919, after war time measures for handling wheat were discontinued, worked out and persuaded the Dominion Government to adopt a plan for the Canadian Wheat Board of that year, and this Company took a leading part in that work. It was the Canadian Council of Agriculture, again with this Company taking a leading part, which in 1920 undertook the first planning for a western Wheat Pool, work which was ultimately to lead to the formation in 1923 of the Alberta Wheat Pool, and later of Wheat Pools in Saskatchewan and Manitoba. Just as the entrance of a farmers' Company into the elevator business had been delayed for several years by agitation for government action, so also was the formation of a Wheat Pool delayed during several years by agitation for the Government to continue Wheat Board operations. That subject was finally disposed of in 1923, and farmers went ahead feeling that voluntary co-operative organization was superior to government action on their behalf.

To these new organizations United Grain Growers Limited gave every possible assistance, making loans of money, releasing its own employees for higher positions in pool service, and extending the benefit of advice based on long

experience. In addition, it placed its elevators at the service of the pools for the collection of pool grain and a considerable number of its shareholders became members of the different pools.

Later each pool developed an elevator system of its own. Taking pool and United Grain Growers Elevators together, about two thousand country elevators in western Canada are now owned by farmers' organizations, which also own, or operate, large terminal elevators, giving these farmers' companies a total elevator capacity of over one hundred million bushels. Through these elevators there passes about one half of the grain marketed by western farmers.

It should be mentioned that the terminal elevators at Fort William, Port Arthur, Prince Rupert and Vancouver, owned by the Dominion government, by the railways or by harbour commissioners, have now passed entirely out of public or railway operation and are principally operated by farmers' companies. The continued operation of such elevators, except in conjunction with the line of country elevators, proved impracticable.

It is now desired to draw special attention to certain clauses of the bill as drafted: Clause 7 (*d*) gives the proposed board power to operate elevators. Clause 8 reads as follows:—

Except as otherwise provided herein, every elevator shall be operated by or on behalf of the board and no person other than the board or an agent of the board shall operate any elevator, unless such elevator has been excepted by order of the board from the operation of this Act, and any elevator not excepted from the operation of this Act, operated otherwise than by the board or an agent of the board, shall be deemed to be operated in contravention of this Act.

The somewhat lengthy facts already detailed give strength to the statement that in the whole record there is not one thing to suggest that farmers desire to see appointed a Dominion government board for the operation of elevators. Instead there is everything to suggest that they desire to operate their own elevators through their own institutions. They would resent seeing a government board enter into competition with their elevator system or being forced to conduct their own institutions as agents for a government board. There cannot be said to be a public opinion on the matter for no suggestion that there might be such a development has ever, so far as we are aware, been mentioned in western Canada. But it can be predicted in perfect confidence that public opinion would be against such a development, just as it can be predicted that farmers would resent control of their individual operations passing into the hands of a government board.

It has already been mentioned that western farmers take much satisfaction out of the development of the Canada Grain Act to its present form, and out of the reliance they place on the administration of that act by a Board of Grain Commissioners in which there is widespread confidence. The careful regulation of the grain business and of the grading and handling of grain therein provided represents the result of many years' work and study and the best efforts of farmers' organizations, of various commissions and of parliament. Farmers would be dismayed at, and would resent anything that would weaken the control now exercised through the Board of Grain Commissioners, such as would inevitably occur through transferring the right of licencing elevators from the Board of Grain Commissioners to any new body to be established.

The CHAIRMAN: That is not suggested in the act.

The WITNESS: I would like to deal with that later.

It is recommended, therefore, on behalf of United Grain Growers Limited, that any reference to the operation or control of elevators be eliminated from the proposed bill for the establishment of a Canadian Grain Board.

It is probably recognized by everyone that it is necessary to establish a board or a commission directly responsible to the government and also that one

of the principal duties of such a board must be to deal with the wheat or contracts now held under government guarantee by Canadian Co-operative Wheat Producers. It is also evident that it must so handle the wheat it takes over as to secure the maximum volume of wheat exports, and in addition conduct its operations so that the Canadian carry-over and the handling of it will not be unnecessarily burdensome on the international market structure. Further, it may be necessary during another crop year for the government to endeavour to protect the price of wheat and consequently such a body should be equipped with power to buy as well as to sell wheat.

We believe it has been recognized that the Dominion government has not only assumed responsibility in connection with wheat now held by Canadian Co-operative Wheat Producers, but also responsibility for any losses that may be incurred in disposing of such wheat. We believe it should be recognized that any such losses will be a continuing government responsibility and should not be absorbed from the price that may be available to farmers when marketing the 1935 crop or any subsequent crop.

There does not appear to be any necessity for interfering with the marketing of coarse grains. So far as oats and feed barley are concerned their marketing is largely a matter of transactions between one set of Canadian farmers who have surplus grain to sell and another set of Canadian farmers who buy such grain. The problems of the board would be very much complicated if it had to deal with such matters.

Mention has been made of the fact that after 1919 some western farmers desired to see continued the operation of a government wheat board, while other farmers preferred to follow the principle of voluntary co-operation. To some extent some feeling in favour of a resumption of government activity similar to that of 1919 persisted even in the most successful time of pool operation. The strength of that feeling has increased during the recent years, and it is quite possible that if it could be offered to them now many farmers would be in favour of renewing government operation along the line pursued in 1919. But it must not be forgotten that during the greater part of its lifetime the 1919 board was unpopular with farmers, who felt that it prevented them from access to high prices then available. Its popularity did not begin until as the result of extraordinary conditions which enabled it to sell some wheat as high as \$4 a bushel it was able to make a final payment which brought its basic price to \$2.63 a bushel. But no question of establishing a board similar to that of 1919 arises, or can possibly arise, under present conditions. No board which has to assume at the outset a responsibility for two hundred million bushels of wheat can conduct operations like one which began with a clean sheet. No board which has to undertake the enlargement of market outlets for Canadian wheat can conduct operations along the same line as a board which, because of a small crop, had to see to the exporting of a mere ninety million bushels of wheat. In 1919 a system of initial payments well below the market price of wheat was quite practicable because prices were high. At present levels such a system would make farm financing impossible. In 1919 the system of participation certificates to be cashed when wheat should be finally sold was, in the main, satisfactory, although thousands of farmers sacrificed those participation certificates for a few cents. As the final marketing of the 1935 crop may have to be delayed and carried forward in view of the existence of a large carry-over this year, a system of participation certificates could not work satisfactorily.

We do not believe we should suggest, or that parliament should lay down, how the operations of such a board are to be conducted. Instead, we believe that its operation must be a matter of continuing government responsibility, and that the board will have to recommend to the government from time to time a course to be followed and obtain authority to follow it.

Such recommendations will doubtless be based on continuing study of changing conditions. The board will doubtless be able to obtain from everyone associated with the handling of Canadian grain, as it will certainly be able to obtain from United Grain Growers' Limited, the benefit of suggestions based on experience.

We believe precautions should be taken to prevent any strain that might come from attempts at manipulative short selling or from attempts to make use of the Winnipeg market for hedging grain of other countries. On that account we believe that some special regulation of short selling on the Winnipeg Grain Exchange should be made and that a government market supervisor should be appointed, with full access to records, so that the situation can be kept under continuous observation.

We desire also to call attention to the need for aggressive work towards enlarging the market for Canadian wheat, not only through trade agreements with various countries, but also in endeavouring to increase the number of wheat consumers in the world, both human and animal, and in promoting the demand for wheat of high quality, such as is produced by Canada, instead of simply leaving wheat to find a market through sheer weight of supplies. Some time ago this company put forward suggestions for means of conducting such work through establishment of a Canadian Wheat Institute. While circumstances recently prevailing have prevented progress towards this organization, the need for such work as proposed is, we believe, apparent to all who study the matter.

The foregoing recommendations may be summarized as follows:—

(1) We believe a commission should be appointed through which the government would directly assume responsibility for the disposal of present government wheat holdings, and through which it would take such further steps as may be required to protect producers from a disastrously low price.

(2) The losses, if any, which may ultimately occur in the disposal of the surplus wheat accumulated on government account should be a continuing responsibility of the government and should not be made a charge against the proceeds to farmers of the 1935 or any subsequent crop.

(3) The provisions for the operation and control of elevators covered by clause 7 (*d*) and Clause 8, 9 and 10 of the bill should be deleted.

(4) A system involving partial payments to farmers for their wheat and the issuance of participation certificates is not practicable under present conditions.

(5) There should be no interference with the present system of marketing of coarse grains.

(6) Special regulation of short selling in the futures market should be introduced by the Winnipeg Grain Exchange, and in connection therewith a government market supervisor should be appointed.

(7) That aggressive work should be undertaken to enlarge the market for Canadian wheat.

Now, Mr. Chairman, the reason I have come down from the west to appear before the committee is because when I read the bill I saw that it provided, first, that there shall be a board to be known as the Canadian Grain Board, which shall have power to operate elevators either directly or by means of agents. I think the wording of the statement I have read indicates the interpretation which we have, correctly or otherwise, placed on those words.

The CHAIRMAN: Sections 8, 9 and 10 you have correctly construed, except there is no provision to licence the elevators, that duty being with the grain board.

The WITNESS: Yes, I know the word "licence" does not appear, but I presume that some certificate or permit, or some kind of authority would have to be held to denote the right of the operator to operate the elevator. I admit that I am not a lawyer, but to me, reading this—

The CHAIRMAN: That is all to the good, in these days.

The WITNESS: I cannot see anything else in this bill in that regard except placing in the board the right to operate the elevator; and the statement I have made covers that. In listening to you yesterday, sir, I seem to interpret your remarks as somewhat being in conflict with the interpretation I have placed on the bill.

The CHAIRMAN: No—probably the question about agents; that would have to be amplified, to meet what I was asked yesterday. You are quite right. Any questions, gentlemen? All right, thank you, Mr. Law.

The CHAIRMAN: Shall we proceed with another witness now? Who is the next witness who desires to speak?

Mr. VALLANCE: I should like to ask if Mr. Richardson is going to give evidence as an exporter?

The CHAIRMAN: I am going to ask that.

Mr. VALLANCE: I think on that should hinge whether we are going to hear him now or not.

JAMES RICHARDSON, called.

The CHAIRMAN: Mr. Richardson is the director of various financial and other institutions too numerous to mention.

The WITNESS: I am President of James Richardson and Sons, Limited.

*By the Chairman:*

Q. In what capacity do you appear, Mr. Richardson, as Mr. Vallance suggests it may have some bearing on what we are dealing with?—A. I am here as a representative of my firm to lay before the committee my experience and views as a grain merchant and grain exporter.

Mr. VALLANCE: I would suggest, Mr. Chairman, in view of it getting very close to one o'clock, that we hold Mr. Richardson over so we can get continuous evidence from Mr. Richardson; I think it would be a lot better for the committee and Mr. Richardson.

Hon. Mr. RALSTON: Why cannot we get his statement?

Mr. VALLANCE: All right.

The CHAIRMAN: Have you a statement?

The WITNESS: I have a statement I should like to read, sir.

The CHAIRMAN: All right; read the statement and then we can consider it.

The WITNESS: I appear before this committee because I feel that I must make the most vigorous protest of which I am capable against the establishment in this country of a compulsory wheat board.

I believe my experience as a merchant entitles me to speak on this question and I have no hesitation in saying that I believe the establishment of a compulsory wheat board in Canada would result in greatly delaying the restoration of more satisfactory conditions to our wheat producers, and would also seriously endanger the financial resources of this country.

I make no apology for appearing before this committee. Part of the bill under discussion proposes the practical confiscation of the grain elevators of Canada, in which an enormous amount of private money has been invested. It is maintained in justification of this confiscation of private property that the legislation is in the interests of the Dominion of Canada.

I maintain that on no sound grounds can it be said that this legislation is in the general interests of Canada. I am opposed to all compulsory clauses of the bill. I maintain that, quite aside from the matter of confiscation of private property and all that this must ultimately lead to, it is against the best interests of Canada that it should lose the benefit of the highly trained personnel of the Canadian grain trade, and that it is impossible to satisfactorily and intelligently market the grain crop of Canada without the benefit of a barometer such as the open market provides.

It is on these grounds that I wish to be heard.

My firm has for many years been one of the leading export houses and handlers of wheat on this continent, and as such I could hardly claim to be unaware of the many artificial restrictions imposed by European countries against the importation of wheat. Not only have these restrictions greatly narrowed the market for our wheat, but the depreciated currencies of the southern hemisphere have made it difficult to sell our wheat at prices we would like to secure for it.

I want to state, though, that I believe the false marketing theories of the wheat pools have greatly accentuated Canada's wheat problem. The pools were built up on the theory that producers of wheat could practically dictate their own prices to the consumer. That theory I believe to be wrong, not only because it has been proven wrong during the long history of the world, but because pool propagandists inexperienced in the economics of business, have insisted on demonstrating it before our eyes. The pool is mentioned here because the suggested grain board would appear to be a fulfilment of the ambitions of the more extreme pool advocates who have favoured 100 per cent compulsory pool.

I believe the pools now deny that their organizations were built up on promises that with proper organization the wheat producers could dictate prices to the consumers. I have evidence in my files, which I am prepared to produce, to prove that the pool organizations were built up on such promises. I am prepared to prove this by quotations from their own leaders, and I want to say that in my opinion Mr. McFarland's close associations with the pools as their general manager has been a very unfortunate thing for all concerned the last two years, because the same old pool influences appear to have dominated.

It would appear from Mr. McFarland's evidence given last year before the banking and commerce committee that wheat control stocks were sold by him in the summer and fall of 1932. The prevailing prices at that time would indicate that he was selling October wheat well down in the 50's (the average price through October was 48½). If that was good policy it certainly would not seem to me sound merchandising to refuse to sell in 1934 and 1935 at 80 cents (and actually to buy at higher prices), which had the effect of driving the foreign buyer into other markets.

I have Sir James German's authority that last fall 84 boats that came into the St. Lawrence with coal left again in ballast. It is safe to say that during the open season last year 150 to 160 tramp steamers left Montreal light on account of failure to get grain and they had to seek business elsewhere. This does not include line steamers. I am submitting a wire as my authority for this statement, which is marked Exhibit "A".

I believe that a little more elasticity and resiliency in the price asked for our wheat would have resulted in a good many of these boats going out with wheat at a very low rate of freight.

The whole theory of maintaining prices by carrying over surpluses depends for its success on running into short crops. We ran into two short crops in 1933 and 1934 and we should have taken advantage of the situation to sell our wheat.

We are likely to have on August 1st anywhere from 180,000,000 to 200,000,000 bushels of carry-over, depending on the sales between now and

July 31st and on the estimates one makes of wheat in farmers' hands. Under these conditions we should be making every effort to sell our wheat, even though we have to shade the price.

Last fall I held a belief that wheat was selling around a level of prices that appeared to be justified by world's conditions and that there were possibilities that we might even sell our wheat on a higher basis. I believe, however, that one is very unwise to ignore the trend and tendency of the open market, and I was genuinely shocked when the peg was put in the Winnipeg market.

Canada had been doing a fairly good export business up to that time and considerable Canadian wheat was being sold abroad, but my own export offices advised me that as soon as the peg was put in October wheat they immediately noticed in their cables a sharp falling off in the foreign interest in our wheat market. If the peg had never been put in the market and some elasticity permitted then I am satisfied we would, this year, have had no serious carry-over of wheat.

*By the Chairman:*

Q. What do you mean by that?—A. I mean to say, in my judgment from 70 cents to 85 cents we could have had no trouble, so a very small carry-over this year.

Q. What do you mean by a small carry-over?—A. Well, I know that we had lots of business close to the market and that we had a number of people advising us they wanted Manitoba wheat but they were not prepared to pay the price for it. In my judgment a margin of several cents a bushel would have moved a great deal of grain at the time.

Q. Just answer my question, if you please. What do you mean by "small carry-over"?—A. Well, I think we probably could have sold 75 to 100 million bushels more wheat; but exactly what a market will take you have to find out by experience. I know we passed a great deal of business that we should have done. That is my judgment. In the light of after events it is quite impossible for anyone to say how much the market would have absorbed; but the market was there; the buyer wanted it.

Q. Excuse my interrupting you.—A. Mr. McFarland is an experienced grain man, who has given of his very best to the job, but it all just goes to prove that no one man, nor body of men is competent to fix a price on a primary product like wheat, that would be satisfactory to both producer and consumer.

The open market is a barometer that reflects the position of world's stocks of wheat and the conditions of the growing crops, as against prospective demand. It also reflects tariffs, quotas, trade compensations, money exchange, conditions of freights and finance, and all the factors that go to determine prices. Without an open market as a barometer no one could intelligently sell wheat. They would not know whether they were asking too much or whether they were asking too little.

I have no quarrel with the character of machinery set up to exert a stabilizing influence on prices, except that the main purpose of the operation seems to have been overlooked and the control stabilized wheat at a price level which so restricted its sale that we have missed the opportunity to cut down our carry-over to modest proportions.

The prospects for our new crop now look most promising. The 1935 crop, however, is late and it is not yet harvested, but under any circumstances it is not likely to be on the market in volume before the last half of September or the beginning of October, and Canada still has an opportunity to sell a fair amount of wheat, but we will not be able to sell as much as we should for the reason that for a considerable length of time we held our wheat at 28 to 30 cents over Argentine Rosafe and at the same time made it generally known that we were not going to reduce our prices.

The result of this was, as I understand it, that English millers purchased a certain amount of Argentine wheat for delivery right up to August and September. I feel that in the light of after events there is certainly now no doubt but that errors were made in the handling of last year's crop. We did not sell the grain we should have last fall, nor have we been getting our share of the world's markets since. Argentine and Australia are getting cleaned out, while Canada holds the bag.

Mr. VALLANCE: Don't you think, before he starts with Grain Marketing Machinery that we should adjourn and discuss this part of the statement, or proceed, if we can, this afternoon; that is, if it is the intention to sit while the house is in session?

The CHAIRMAN: I doubt very much if I can sit to-day further.

Mr. LUCAS: I think, Mr. Chairman, it would be to the advantage of the members to record this statement so we may study it.

The CHAIRMAN: Might he not hand it in and have it printed as part of the record in its entirety, then we shall have a chance to look at it?

Mr. WILLIS: Agreed.

The CHAIRMAN: What do you say to that, Mr. Richardson?

Hon. Mr. RALSTON: What were your plans about future meetings?

The CHAIRMAN: I was going to consult the committee as to that. You want to be in the house when the Companies' Act is up?—I know that. That will be up this afternoon, I expect. Would it be satisfactory to you, Mr. Richardson, to leave this with the clerk?

Hon. Mr. RALSTON: Speaking for myself, if we are not going to sit this afternoon or evening, I should prefer to hear it read, it will take only fifteen minutes more.

Mr. VALLANCE: All right.

The CHAIRMAN: Whatever you say.

The WITNESS: Is that your wish, Mr. Chairman?

The CHAIRMAN: I am entirely in the hands of the committee.

The WITNESS: I think it is unfair to state that the open market in Winnipeg has fallen down, when the main reason for lack of buyers in the Winnipeg market has been that the government control held wheat at prices which made it unattractive to buyers.

Our open market is a barometer that reflects all the various world factors that go to make prices, and naturally the price in an unrestricted open market in Winnipeg will record competition from countries with depreciated currencies, and this competition may bring back a price to Winnipeg that looks low.

This, however, is not a fault of the open market. An open market, on the other hand, would fail to function satisfactorily if it did not record these conditions.

If the government wants to compensate our farmers for this unfair competition in world's markets there are various ways of accomplishing this end, but it will not mean that Canada gets any more for our wheat. If the Dominion of Canada wants to subsidize the Canadian wheat producer this becomes entirely a question of government policy, but the Canadian people must pay the subsidy. The foreign buyer will continue to buy wherever he can buy cheapest and under no stretch of the imagination can he be induced to pay a subsidy to our farmers.

Trying to make him pay it has resulted in our having a carry-over this year that we have no right to have. A price level has been maintained that has interfered with our selling the quantity of wheat we should have sold, and which the world wanted from us.

If Mr. McFarland's agency holds wheat above what it can be sold for in the world's markets he is naturally compelled to take all the country hedges, because buyers cannot be found who are prepared to purchase Manitoba spot and future wheats when they feel they can get much better value elsewhere, and as long as the selling agency hold wheat above what it can be sold for there is no prospect of being able to find buyers to take their place. The market ceases to function only when government control refuses to allow natural forces to operate.

The propaganda of the Pools in regard to increasing world's prices of wheat, and the policies followed have encouraged both the Argentine and Australia to increase their acreages, and this has certainly been at our expense. In evidence of this I would point out that between 1923 and 1934 Canada increased her wheat acreage 9·14 per cent; the Argentine increased her wheat acreage 22·25 per cent and Australia increased her wheat acreage 46·02 per cent.

We must concede that the Argentine can produce beef and corn more cheaply than we can, and that likewise Australia enjoys an advantage in the production of mutton and wool, but we enjoy an advantage over both of these countries in the fundamental cost of producing wheat, and an advantage that we must not concede.

I would point out that at the present time the water freight from Fort William to Liverpool is just practically the equivalent of the ocean freight from the Argentine, that the rail costs in Canada approximate those of the Argentine, and with a six cent preference in the United Kingdom and a preference of an additional ten cents in quality, in addition to the much better yield which we get in Canada, I do not see why we should be unduly apprehensive about the competition from that country, or allow them to expand their wheat acreage at our expense.

I am not pessimistic about the future world's markets for our wheat, once our carry-over reaches proper proportions. Increasing costs of living in Europe will be an important factor in opening up our wheat markets now closed. In this respect time is with us and the consumer is our ally.

In the meantime if satisfactory prices cannot be obtained I would certainly approve of the Canadian government according the western farmer that measure of financial support which the government feels they can afford and which the situation justifies. Any compensation given our farmer at the present time would be justified by the fact that the producers in the southern hemisphere enjoy an advantage through their depreciated currencies and this is a situation that we cannot regard as a permanent one.

I would sell our crop every year and maintain our markets and connections, but I believe that any attempt to do this through a compulsory wheat board will prove disappointing, and I fear disastrous.

Our interest, as I see it, lies in doing what reasonably can be done to widen the markets for our wheat abroad, and at the same time, in order to sell our wheat, we must not forget that it must be made attractive to the buyer.

As long as the government owns a large quantity of wheat they must naturally appoint a guardian to look after it, either in the shape of some board or a commission. The carry-over should not be allowed to entirely undermine the price structure of our new crop of wheat, but it should be disposed of over quite a considerable period of time, or as fast as reasonably satisfactory markets can be found.

If our government wants to give our farmers financial assistance under existing conditions (and I would certainly like to see them do it) then there are several ways that this can be done. I consider it is possible to assure our producer a guaranteed fixed price, but still to permit an open market, so that if our market declined below the fixed price the farmer would get a certificate from the elevator company entitling him to collect the difference between the fixed price

and what his wheat actually realized. The farmer might, on the other hand, if thought advisable be paid a direct subsidy. It is a government problem as to how this matter may best be met, but it must be accepted as a fact that the foreign buyer will continue to buy wherever he can buy the most with his money, and that he will take full advantage of depreciated currencies in certain parts of the world, and it is quite futile to try and induce him to subsidize citizens of other countries.

On April 26, 1922, I appeared in Ottawa before the committee on agriculture and colonization to give evidence on the question of a wheat board. On that occasion I said:—

To try and boost the Canadian wheat price above its value in the world's market would get us nowhere. We would only be holding an umbrella for wheat producers in other countries to sit under, and we would be encouraging production in other countries instead of in our own.

I spoke at some length and I think what I said on that occasion was a very good forecast of some of the things that have happened since. At least I have had no occasion to change any of the views I expressed here over thirteen years ago.

In July, 1931, I appeared before the committee on agriculture and colonization and again expressed my views in regard to a wheat board. It was suggested that the government might think it desirable when the wheat was under full volume in the fall to give the market some temporary support and I stated that if they found it desirable to do this—

I certainly would not put a prop under it that would stop us making our normal reasonable contribution to the world's imports during the period of the year when the world looks to us for its supply. Nothing that has happened weakens my confidence in an open market, but it only strengthens my belief that no substitute can be found for it.

#### EXHIBIT " A "

(Copy of Telegram)

MONTREAL, June 20, 1935.

JAMES A. RICHARDSON,

care Chateau Laurier, Ottawa.

Answering your enquiry after careful survey estimate one hundred and sixty tramp steamers left Montreal in ballast during season navigation nineteen thirty four these failing get grain had to look for cargo elsewhere their estimated capacity thirty seven million bushels wheat stop have checked closely with lines which show four hundred and thirty thousand tons approximately sixteen million bushels wheat capacity unfilled space same period.

WIGHT & ESDAILE.

*By the Chairman:*

Q. Do you know of any country in the world where there is an open market now? Name me one?—A. Australian wheat is sold freely in the world's markets.

Q. There is no selling futures there as you know; it is not an open market, it is subsidized?—A. It is subsidized; but as far as the buyer was concerned he is perfectly free to buy it—a free buyer and a free seller. The fact that the seller may be subsidized may result in wheat being sold at a lower price than it otherwise would have been sold. I wanted to say, gentlemen, that I have tried in my statement here to make it clear that I am opposed to the compulsory wheat features of the bill and I am opposed to the clause about the Grain Exchange futures market and I am opposed to the clauses that compel the elevators to act as agents for the board, and I am opposed to state monopoly of the grain business. But I am not opposed to everything.

The CHAIRMAN: I think that was fairly obvious.

The WITNESS: There are some things I am not opposed to. I am not opposed to a board or a commission to take over and assume the responsibilities for this year's carry-over of wheat and to perform a stabilizing influence on the market. Bear in mind that we must sell all the wheat we can; but to perform that duty—we will have to do it for a while; I do not think there is any doubt about it—we will have to take care of our surpluses and perform a stabilizing duty; but they do not have to feel that they must make a profit in the operation. I have no objections whatever to a supervisor to look after the grain futures of the character suggested by Sir Josiah Stamp, but I fully realize the very great difficulties that we are up against in trying to open up the world market in great consuming countries again. Fully realizing these difficulties, we should certainly continue to do all we can to get them open.

Q. What do you mean by saying that? How are you going to open up a market like France which once took from us as much as 31,000,000 bushels and now takes practically nothing?—A. The French market has never been a very important market so far as we are concerned. I refer more particularly to other large markets.

Q. Where are they? Can you tell us that?—A. There is Germany, and Italy.

Q. You know what the German situation is, the difficulties there are there?—A. I realize fully the difficulties there, Mr. Chairman; I was there last fall and I realize the difficulties there fully.

Q. What do you mean by saying, opening up markets?—A. I say it is an objective we must seek. I do not think there is any disagreement at all, I think you will agree with me.

Q. What do you mean by opening up Germany for instance; just tell this committee, they would like to know?—A. That would be a very hard thing to do, you must consider what we have been doing.

Hon. MR. STEWART: Have you given up France as a hopeless proposition too?

The CHAIRMAN: France is now taking about 10,000,000 bushels.

*By the Chairman:*

Q. What do you say about Germany?—A. I can only tell you my experience, that we were doing a small export business with Germany in spite of the fact that there was a duty of \$1.62 in gold against our wheat, which puts it up very close to \$3 a bushel, I suppose. We were selling them small amounts of wheat but they were slow in their payments. Last August we decided not to do any more business with them. I went over on the 15th December to look the situation over. We got our money all paid for in August. Anybody who sold them in September has not got their money yet. But we saw the figures that Germany, for instance, required or was short about three and a half million tons of coarse grains, in April they were about 140,000,000 bushels short. We used to do a big business in Germany with barley a few years after the war. They were our best buyers. I went further to find out if they were going to buy wheat from us, and if so how they were going to pay for it. I was satisfied after I had been there a few days that they were not going to buy it at all, because there were famine prices and wartime conditions and the import houses that we do business with assured me that as soon as they were prepared to offer us any kind of payment acceptable to us—when they do that I will go ahead and do business with them in confidence. In the meantime, there is no prospect of immediate business, unless we can provide them with Canadian dollars, and that would have to be through the purchase of goods which we are not now buying from Germany.

Q. A clearing house agreement; and, spend all the money that we get in paying for their manufactured goods. That is really what they said?—A. I see very great difficulties. I see a large consuming market in these countries that require our wheat. I believe that the difficulties ultimately will be overcome, but I am fully seized with the great difficulties that we are confronted with in that direction; but it is a target that we must shoot at I would say.

*By Hon. Mr. Stewart:*

Q. Mr. Richardson, would you say that they were willing to buy our wheat if we took goods in exchange?—A. If we bought goods that we are not now buying from them, not in exchange for aniline dyes and other things that we have to buy from them.

Q. Exactly; I am not speaking of goods, I am speaking of quantities; the exchange of goods for goods.—A. Well, I know we have had a kind of barter arrangement presented to us, but personally I have not sufficient ingenuity to see how I could accomplish any trade with them under present conditions.

Q. No, I can quite understand that.—A. But still I live in hopes that we will be able to iron out all these difficulties, through the stabilization of foreign exchange and other matters.

*By Mr. Lucas:*

Q. Do you think that if a government agency had full control of wheat they might be able to make different agreements, which private concerns could not do?—A. I think that the government should make whatever governmental arrangements are necessary, and that private agencies should be let do the rest of it. I think it would improve the situation, however, if a temporary commission or board were set up to stabilize our markets while the surplus is being disposed of, and to take care of that. That would be one of the principal problems, to find out how they are going to work that off.

*By the Chairman:*

Q. What you said with regard to Germany applies to Italy, I take it?—A. Yes, sir.

Q. Because, Italy has greatly increased her production during the last few years.—A. Italy has been extremely fortunate in running into not only increased acreage but more extensive cultivation as well. Providence has smiled on her the last few years in a way which under the law of averages she is not likely to in the next few years.

Q. It is reasonably clear that we cannot sell any wheat in Italy, having regard to what her production was and to her arrangement with Roumania and the Danubian countries, which are partly military and partly, shall I say, economic. You were over all that country yourself, Mr. Richardson?—A. Yes, last fall I called on 23 firms that we are doing business with in 9 countries out of Europe. I did not visit all of these countries, but I saw their representatives.

Q. You saw them all?—A. I saw them all, or they saw me.

Q. They saw you or you saw them at their place of business, or they came to see you whether you went to those countries or not, as I understand it?—A. Yes, sir.

Q. The results of your investigations are, for reasons that you so clearly stated, that there did not seem to be any market there for Canadian wheat last fall, did there?—A. I came home less optimistic than I went over.

Q. I remember, I saw you there.—A. I see the possibility of disposing of some of our wheat in Europe. I share the views of Mr. McFarland, although not to the same extent. I felt that there was a market for our wheat last year, and I think the only difference between myself and Mr. McFarland is as to the price at which they would consume it.

Q. Yes; but that question did not arise last fall, because you made up your mind that there was no chance for us to sell wheat at all owing to conditions. I think they did purchase wheat in their own countries. You made a study of the Danubian situation, I remember you saying so in London; and the Italian situation, and the German situation particularly; and then I recall you were of the opinion that there was no market for our wheat at that time?—A. No, sir.

Q. At that time; I do not mean, in the future?—A. As I saw the situation on the continent of Europe, the conditions that generally prevailed—the distress, the unhappiness and the difficulties in all directions—I thought it was decidedly discouraging in relation to the price factor in so far as wheat was concerned. I saw a very real difficulty; but I do think that we should have been getting a larger share of world markets. I think we should not let Australia and the Argentine sell so much wheat as they did last year.

Q. But they did not sell wheat to Germany or Italy?—A. No.

Q. Or Switzerland?—A. I am not referring to the places where wheat could not be sold. I say that all that we can do—I realize that consuming countries produce more wheat than exporting countries, and that all that we can do is to get our share of the market available.

Q. Have you looked at the total proportion of bread-stuffs we did furnish to the world?—A. Yes.

Q. You saw the figures which Mr. Beatty gave?—A. Yes.

Q. And brought down to date, Mr. Richardson, they mean that we have sold a larger percentage of the world's foodstuffs than we have any year but twice since 1923?—A. We had last year a big carry-over to be taken into account. There will be a variation in the percentage that we sell from year to year. In 1924 we only sold 26·94 per cent.

Q. Yes, that is the lowest of any year.—A. We contributed that much to the world's requirements.

Q. Of foodstuffs?—A. Of foodstuffs; and yet we sold our total crop.

Q. Surely it was because we had a small crop. You know how much the crop was?—A. The crop was 287,000,000, of which we required close to 100,000,000 and we sold 192,000,000; and we had about the same carry-over that we had the year before. So that we had to take into account—

Mr. PERLEY: The crop.

The WITNESS: —the size of the crop, and the world's requirements. I stand on the ground that we should take full advantage of whatever the preference in the United Kingdom is worth to us, and the additional premium that our wheat is worth intrinsically for bread making purposes. That is an advantage that we have, and we should use that advantage to the limit and sell our wheat. Whatever additional protection the farmer has to have between that and what other people are selling wheat at, we should try to compensate him for until general world conditions are a little more satisfactory, and until some of the artificial conditions that we are now up against are absent.

*By the Chairman:*

Q. That means until the consuming countries stop producing as much wheat, and go back to the old condition of buying abroad what they may produce at home. France, for instance, has been selling wheat and flour, as you know?—A. Yes.

Q. From your own personal investigations?—A. Yes.

Q. For the first time in many, many years, on a very large scale; that is so, is it not?—A. It has been selling very cheap wheat and flour, yes.

Q. Although you could not get a bushel of wheat into France to sell unless you pay a duty of \$1.85, and then only on condition that an additional bushel had been sold by the French government?—A. Yes.

Q. That is a fact.

*By Mr. Vallance:*

Q. Do you think we have not been taking advantage of all the preference in the British market that this 6-cent preference brought in by the Ottawa agreement gave?—A. As a merchant and a seller I try to get all I can. The buyer tries to buy as cheaply as he can. The English miller states that if we hold our wheat at the premium that we have held it, he will use as little of it as he can. We hoped that we might get him up somewhat in his idea of the value, but he has made good what he said he would do about buying as little from us as he could get along with.

Q. Did you find any statements being made over there that we had not lived up to the provisions of the Ottawa agreement, clause 4, where we were not offering it at world prices? Is that any factor as to why we are not getting business?—A. I have had that referred to in correspondence more recently, but I did not hear that last fall. I will say that when I was in Europe last fall, talking to some of the best informed import houses, they felt that wheat was worth around 80 cents per bushel. I mean, they are not within—when you say a level, that does not mean within a few cents. They said it depends on Argentine, but they thought wheat was worth approximately those prices, and there were a lot of the good houses which felt that there was some prospect that it might sell higher. Of course, the world has not taken the amount of wheat we expected it to take last year.

Q. I do not know whether you can answer this or not. Is the consumption of wheat flour per capita in Europe as great as it was prior to the war?—A. I beg your pardon?

Q. The question I asked was: Is the consumption of wheat flour per capita in Europe as great as it was say prior to the war?—A. I think the world is eating just about the same, the consumption. Taking last year, speaking from memory, I think I am correct in saying, according to the Leyland-Stanford Wheat Institute, who are the best authorities to-day, that if the United States find an additional 20,000,000 bushels in their crop, which is over their earlier estimates, that the world will have consumed just about the same amount of wheat that it did the year before—just about the same amount. But, of course, with the world's increased population, we should be eating more. In times past, whenever we have had industrial depression and hard times, we have expected to see an increase in the consumption of breadstuffs as being the cheapest food. However, the artificial restrictions in Europe have put breadstuffs in the luxury class.

*By the Chairman:*

Q. And a rise taken place in wheat to a considerable extent?—A. That is so.

Mr. WILLIS: When will we hear Mr. Richardson again?

The CHAIRMAN: When will it suit the committee? Both Colonel Ralston and I will want to be in the House this afternoon.

Hon. Mr. RALSTON: Speaking for myself, tonight; but I realize your position, Mr. Chairman. I think we have to hear from you first, because I realize you have other duties.

The CHAIRMAN: I would like to accommodate myself to the wishes of the committee as far as I can.

Hon. Mr. STEWART: We are rapidly getting to the place where there is one bill on the order paper.

The CHAIRMAN: That is what I say. It is so now, practically.

Mr. VALLANCE: How about sitting tomorrow?

The CHAIRMAN: I fancy you can get along without me to-morrow. I have a good many duties to-morrow, a couple of capital cases.

Hon. Mr. STEWART: How many more witnesses are there?

The CHAIRMAN: I don't know. I have no idea.

Hon. Mr. STEWART: Would you mind enquiring?

The CHAIRMAN: Are there any gentlemen desiring to be heard? Who are they? Is Mr. Pitblado here?

A VOICE: I desire to be heard.

The CHAIRMAN: Mr. Sydney Smith desires to be heard. Is there anybody else?

Mr. VALLANCE: Is Co-Operative Producers Limited being called at all? I mean, Broulet or Macleod?

The CHAIRMAN: We will hear Mr. Macleod, he having indicated some desire to be heard. But there are none of them here, as far as I know.

Mr. VALLANCE: I saw Mr. MacLeod in the committee this morning.

The CHAIRMAN: He sent a letter saying he desired to be heard.

Hon. Mr. RALSTON: I was going to enquire, Mr. Chairman, with regard to the information I asked for at the first of the week; you intimated in your reply that some records were available. Is there any objection to making those available to the committee over the week end?

The CHAIRMAN: We are of the opinion that they have nothing to do with it; in view of Mr. McFarland's condition, that they have nothing to do with it.

Hon. Mr. RALSTON: In view of what, Mr. Chairman?

The CHAIRMAN: His condition, his inability to give any explanation. It is an unfair thing. But I will give you a royal commission, if you want it, later.

Hon. Mr. RALSTON: Mr. McIvor would do just as well.

The CHAIRMAN: He will not do very well for the man who is being held responsible for what he has done. He should have an opportunity of making some statement, I think you will agree; and I do not think it is relevant to this bill.

Hon. Mr. STEWART: Mr. Chairman, are we not to be told what the amount of wheat they are carrying over is?

The CHAIRMAN: Yes, exactly.

Hon. Mr. STEWART: And the price, and the amount of cash represented?

Hon. Mr. RALSTON: Who is going to tell us?

The CHAIRMAN: And what it represented.

Hon. Mr. RALSTON: Who is going to tell us?

The CHAIRMAN: The bankers will tell you.

Hon. Mr. RALSTON: The bankers don't know the amount of wheat on hand.

The CHAIRMAN: The bankers know the amount of money—

Hon. Mr. RALSTON: We are talking about the amount of carry-over.

The CHAIRMAN: Certainly. The quantity of wheat that is held will come from the proper sources, the people who are holding it. What does disturb me is the number of witnesses that have to be heard yet and the time it will take them, because the bill has to be reported with or without amendments, and when it gets to the House it will probably take a long time again.

Hon. Mr. RALSTON: This is the most important legislation before this session, I think.

The CHAIRMAN: It has been on the Order Paper ever since before I was ill that a Grain Board was to be established.

Hon. Mr. RALSTON: That does not get us away from the fact we just cannot rush it; that is all.

The CHAIRMAN: I am not trying to rush it. The only difficulty is the House will conclude the rest of its business.

Hon. Mr. RALSTON: In view of what you say I want to make a motion with regard to this information now because I think it is important to have it on the record. I want to move "that the proper officials of the government or Geo. McIvor, Assistant Manager of Canadian Co-Operative Wheat Producers Limited be summoned to bring with him information showing the amount of wheat held by Canadian Co-Operative Wheat Producers Limited from time to time, the cost of such wheat, the amount of the obligations of the Dominion of Canada from time to time under the guarantees given to the banks in respect of the operations of Canadian Co-Operative Wheat Producers Limited and insofar as the same are not readily available the books or records containing any information relative thereto." May I say this in support of that motion: I understand that information is easily available. It is right on the records. They must have the day to day transactions. I am not asking the day to day transactions. I referred to the amount purchased, the amounts sold, the cost of the wheat, the amount of the guarantee. We have already, in this inquiry gone into the amount on hand in 1930, 1931. We have gone into the prices in 1931 and 1932, gone into the prices in 1933 and said something with regard to the amount, so I submit the whole matter has not only been gone into, but is necessary so that we may have a proper appreciation of first, what is involved in the take-over and secondly the policy which is to be adopted in the future.

The CHAIRMAN: I made it quite clear the other day that the Department of Finance received reports weekly with respect to the financial side of it; a copy was sent to me as a matter of courtesy—I think it is a complete copy but I do not know whether as complete as that or not. But I do not consider this bill involves anything except two things; one the amount of wheat which is on hand and secondly what the financial obligations are. That is covered by the Orders in Council, by the reports from the banks and reports from those who hold the wheat. But I say this that it is extremely unfair to conduct an examination in the way it has been conducted with Mr. McFarland lying on his back unable to make any explanation, and I say the government will issue a commission under the Inquiries Act as soon as he is able to appear, and you can make such investigation with respect to this matter as you desire. The fullest opportunity will be given.

Hon. Mr. RALSTON: The Act will have been passed then.

The CHAIRMAN: I think so.

Hon. Mr. RALSTON: The Act will have been passed then; it will then be too late to take action or lay down any policy to change what has taken place in the past. I submit there never has been a situation where a bill as important as this has received such cavalier treatment, to suggest to a special committee investigating this matter that it is not to know the operations of that body or the obligations which have been undertaken.

The CHAIRMAN: This is not the committee to hear it or to investigate it. Do you want an inquiry when Mr. McFarland is able to attend. The doctor tells me he will be up in three weeks. You may have a Royal Commission, which I will issue.

Hon. Mr. RALSTON: I am asking Mr. McIvor to be called.

The CHAIRMAN: Mr. McFarland is in charge of certain things and he should have an opportunity to present his case.

Hon. Mr. RALSTON: Mr. McFarland reported to the Prime Minister of Canada.

The CHAIRMAN: And explained what had been done. If he is not to be afforded that opportunity I think it is the duty of the government to see that he is afforded it; that a Royal Commission be appointed to enable you to investigate the matter any way you like.

Hon. Mr. STEWART: It is an unfair statement to make that any reflection has been made by anyone of this committee on Mr. McFarland.

The CHAIRMAN: Certainly; you asked the witnesses that. They say McFarland is to blame. Mr. Richardson has said so.

Hon. Mr. STEWART: It is no reflection on Mr. McFarland; an error in judgment in selling.

The CHAIRMAN: He should have the opportunity, at least, to give his explanation of what he did.

Hon. Mr. RALSTON: We represent the people of Canada; we are entitled to information.

The CHAIRMAN: Certainly.

Hon. Mr. RALSTON: We have been refused it up to date.

The CHAIRMAN: You can have it any time you desire; it is just for you to state.

Hon. Mr. RALSTON: You see, up to this time we have been refused it, that is well known. There can be no dispute about that.

Mr. PORTEOUS: When did you ask for it?

Hon. Mr. STEWART: We asked for it on many occasions; it was not deemed in the public interest.

The CHAIRMAN: On what occasion did you want it? You could have had it before either the committee on Agriculture or Public Accounts at any time since the House met. The committee were not called together for that purpose.

Mr. VALLANCE: With this resolution on the Order Paper?

The CHAIRMAN: Certainly, before the Standing Committee.

Hon. Mr. RALSTON: We would have been told that it was absolutely impossible with this bill on the Order Paper.

The CHAIRMAN: No such thing, because the idea of a Special Committee was never raised until Mr. King suggested it the other day.

Hon. Mr. RALSTON: I know what is said now. The government or the chairman or anybody else cannot get out of responsibility for not presenting this information at this time.

The CHAIRMAN: We will accept the fullest responsibility.

Hon. Mr. RALSTON: While this particular bill is under consideration I for one am not going to be gagged by the Chairman.

The CHAIRMAN: No one could definitely gag you.

Hon. Mr. RALSTON: By suggesting this information is not going to be available.

The CHAIRMAN: We will ask the committee to send the bill to the House.

Hon. Mr. RALSTON: Then the government refuses the information. I am making a motion, and Mr. Vallance is seconding it.

Hon. Mr. STEWART: The only thing to do is to move the committee report the bill back to the House.

Mr. VALLANCE: As far as this is concerned may I say for the information of the committee, that sometime ago it was while Mr. Stevens was Minister of Trade and Commerce, I would say probably 1933, or it may have been 1932, during the operations of Mr. McFarland, the information sought now up to that time was made available to me, not only to me but to Dr. Motherwell and Dr. Donnelly. While I was not there when they got the information I assume they got the same information as I did. Mr. Stevens called me up one evening in the House and told me he wanted me to come to his office. I went up and he told me that this was a friend of his, he said, "you need no introduction"; it was John I. McFarland. He said, "I am leaving you two together, and Mr. McFarland has absolute permission from us to give you all the information you want." Now, Mr. McFarland on that occasion, produced his ledger, which was a book about that long, that wide and about so thick, (indicating) and in that book was every transaction of his purchases and sales. As to the costs I won't tell you just what the entries were; but I remember I asked Mr. McFarland to permit me to take the book and look it over as I could not look it over sitting in the little conference we were having together. Rightly, Mr. McFarland refused to allow the book to go from his control; but at that time Mr. McFarland was prepared to give to the world each and every transaction. I tell you quite frankly I accused him of scalping in on the market, and that was a condition that was favourable to Mr. McFarland; and to prove that he was not scalping he produced his records. I do not see why, if he could produce the records up to that time, they cannot be produced now, and I think that Mr. McIvor has all the information that Mr. McFarland has, and has been carrying on the operations, as you well know, during Mr. McFarland's illness.

The CHAIRMAN: He talks to me every day or so. I have not seen the book to which reference has been made and know nothing of it, unfortunately. I cannot speak as to that; all I do know is this: What has just been said adds greatly to the necessity of Mr. McFarland being examined and make such explanation as he might desire. In view of what has been said, if it is thought desirable, I am perfectly willing that a Royal Commission be appointed, name any judge you like to investigate the operations under this plan—

Hon. Mr. RALSTON: No, it is too late.

The CHAIRMAN: The opportunity was here to do it during the session.

Hon. Mr. RALSTON: This is the opportunity.

The CHAIRMAN: This is not the time or the place.

Hon. Mr. RALSTON: Section 7 of this bill provides for the taking over of Mr. McFarland's operations. That is the time to enquire.

The CHAIRMAN: We know exactly how much that means both in bushels and money.

Hon. Mr. RALSTON: We have no idea as to the policy so far as the information—

The CHAIRMAN: Is that going to change the facts?

Hon. Mr. RALSTON: If the chairman would permit me—

The CHAIRMAN: We are not taking over a policy.

Hon. Mr. RALSTON: We want to know whether we are going to continue—

The CHAIRMAN: Nobody has suggested that he is going to be appointed to the Board.

Hon. Mr. RALSTON: We were talking of a policy which he has been carrying out.

Hon. Mr. STEWART: You also examined along that line.

Hon. Mr. RALSTON: If we are going to have a change we will have to know how the policy has worked out and what we are going to take over and we want to know if there should be any change.

The CHAIRMAN: That is not the issue.

Hon. Mr. RALSTON: Certainly. That has been discussed by every person here, the policy of the board with regard to stabilization and liquidation.

The CHAIRMAN: That three minds were better than one.

Hon. Mr. RALSTON: What has been said repeatedly is that Mr. McFarland's policy has not been sufficiently inclined towards liquidation.

The CHAIRMAN: Exactly, what has been said is a matter which can be settled—with the new board.

Hon. Mr. RALSTON: No, we want to enquire into that.

The CHAIRMAN: I think it is as unfair as anything that I have heard of yet to suggest that a man like Mr. McFarland who was before this committee last year, and who gave opinions, views, and the committee decided it should not make public the information; and who gave to Mr. Vallance certain information, produced his books, should not have the opportunity to make any explanation and it should go out to the world that this man did so and so without explanation. I say it is so manifestly unfair that I cannot conceive of it being asked for.

Hon. Mr. RALSTON: I think you can work yourself up into that stage very easily.

The CHAIRMAN: No.

Hon. Mr. RALSTON: What we are considering is a much larger problem than the question of being fair or unfair to anyone.

THE CHAIRMAN: If you can deal with your problems and be decent that is all that is desired.

Hon. Mr. RALSTON: I would suggest that would be a good rule for others to follow.

The CHAIRMAN: I think Mr. McFarland is entitled to decent treatment.

Hon. Mr. RALSTON: So do I.

The CHAIRMAN: And so do the people of Canada.

Hon. Mr. RALSTON: And so do I.

The CHAIRMAN: I say that to ask this information for this committee, beyond what I said it always should have, without affording him any opportunity to be here, is not fair.

Hon. Mr. RALSTON: We are not denying him an opportunity. It is unfortunate that he is ill, and I am perfectly willing for parliament to sit for three weeks more, if necessary, until he is able to come, as far as I am concerned.

The CHAIRMAN: So am I.

Hon. Mr. RALSTON: I do say before we can intelligently pass upon this bill, we ought to know what Mr. McFarland has been doing.

The CHAIRMAN: Certainly, and we ought to know why he did the things he did, and when he did them.

Hon. Mr. RALSTON: No. All you want to know is what emerges. You only want to take a pig in a poke.

The CHAIRMAN: You can say so. Nobody bothers about your saying that, because it is—

Hon. Mr. RALSTON: I realize that.

The CHAIRMAN: It is perfectly clear that under the Inquiries Act I can give you a commission, and you can investigate every transaction, when Mr. McFarland has an opportunity to be there.

Hon. Mr. RALSTON: Mr. Chairman, you know perfectly well that that is too late, as far as the consideration of this bill is concerned.

The CHAIRMAN: As far as this bill is concerned, it does not affect it. What witness after witness has said that this bill concerns is that we have got 225,000,000 bushels of wheat, and we had so much money; the question is what the change is to be.

Hon. Mr. RALSTON: You even showed it in your examination of the witness, proving what the low price of wheat was. Anything in Mr. McFarland's favour has been brought out. That is all right.

The CHAIRMAN: Anything against the bill has been brought out.

Hon. Mr. RALSTON: But it seems to me that the whole transaction should be brought out, and not half of it.

The CHAIRMAN: There is only one man can state that, and that man is lying in his bed.

Hon. Mr. RALSTON: That is not so. I suggest the Chairman could give some information.

The CHAIRMAN: Mr. Vallance has more information than I have. That is the amazing thing about it.

Hon. Mr. RALSTON: The chairman tells us: "All we received is the daily report of the chairman of the lending banks, which indicates the extent of the dealings and the extent of the quantity carried. These are available, as they have been received from the auditors, Peat, Marwick, Mitchell and Company and from the Chairman of the lending banks."

The CHAIRMAN: That information is not daily. I corrected that subsequently and said weekly.

Hon. Mr. RALSTON: I did not say daily.

The CHAIRMAN: Yes.

Hon. Mr. RALSTON: It is "daily" here.

The CHAIRMAN: You said "daily." That information is information which I say—at least, questions that are antecedent to the time when this board will take over these holdings, and a full examination of that can be had at a time when the man who is under fire has an opportunity to explain what has been done.

Hon. Mr. RALSTON: You know perfectly well you have to take the responsibility for Mr. McFarland's actions.

The CHAIRMAN: No.

Hon. Mr. RALSTON: And the man who is really under fire is the Chairman of this committee.

The CHAIRMAN: Of course, that is a new angle to it. If that is so, that explains the reason why this should not be done.

Hon. Mr. RALSTON: Oh, I see.

The CHAIRMAN: That makes an admirable reason as to why, because as a matter of fact, the Chairman of this committee only knows just what he has received from the expert who is in charge of these operations.

Hon. Mr. RALSTON: There are the daily reports.

The CHAIRMAN: Not daily reports.

Hon. Mr. RALSTON: Well, there are weekly reports.

The CHAIRMAN: And the financial set up and the auditors' reports. But I say so far as the operations are concerned, there is only one man who has any knowledge of it. It is news to me that I am under fire in this transaction.

Hon. Mr. RALSTON: Why, Mr. Chairman, surely not.

The CHAIRMAN: Undoubtedly news to me. I understand the motives of the gentleman now. I did not understand fully before.

Hon. Mr. RALSTON: Criticism has been directed at this government with regard to this matter, and the reports have been made to the Prime Minister.

The CHAIRMAN: But that is not the man. I am not the whole government. Now the attack is against me. I am to be attacked.

Hon. Mr. RALSTON: I would think 99·99 per cent at least.

The CHAIRMAN: Well, the honourable gentleman is experienced in that.

Mr. PORTEOUS: We do not come in at all.

Hon. Mr. RALSTON: I didn't know my friend was a member of the government at all.

The CHAIRMAN: This difficulty to which attention has been called, while we are here, I happened to be in England on both occasions. I was in London when these sales took place. I only held the information which I received in respect to that. And I was in London—

Hon. Mr. RALSTON: I do not think you were in London when the wheat was held in 1934 instead of sold.

The CHAIRMAN: There you are. That is a case of the judgment of Mr. McFarland.

Hon. Mr. RALSTON: I say I do not think you were in London.

The CHAIRMAN: I was in London part of the time in 1934.

Hon. Mr. RALSTON: You were in London during the conference of 1934, when the market was very steady and that wheat could have been disposed of.

The CHAIRMAN: I certainly had nothing to do with that phase of it, if that is what you mean.

Hon. Mr. RALSTON: All right.

The CHAIRMAN: Mr. McFarland was in charge of these operations. He knows the grain business. I do not. His judgment was the influencing judgment, so far as the government was concerned. It did not always meet Mr. McFarland's views, as he pointed out with respect to credit matters. It did not give him all the credit at times he thought desirable. But on his advice from time to time action was taken. Now, I do not think that when you are endeavouring to attach now to a man—it makes it just that much worse—endeavouring to attach responsibility to me with respect to a matter when the man who can give the explanation as to what he did is not available, and is on his back.

Hon. Mr. RALSTON: That is all right. You would have been a very good witness now to have given us this explanation.

The CHAIRMAN: You can swear me, if you like.

Hon. Mr. RALSTON: I am not asking to swear you.

The CHAIRMAN: As a matter of fact, I know nothing whatever with relation to that, except what was reported to me by Mr. McFarland.

Hon. Mr. RALSTON: Why it did not strike you that we should sell, I don't know.

The CHAIRMAN: That we should sell? As a matter of fact, he was the best judge. He will tell you what he has said to me when he has visited me from time to time, what he told Mr. Richardson with respect to that. Now, is it fair? That is the position.

Hon. Mr. RALSTON: Mr. Chairman—

The CHAIRMAN: Is it fair to attack this man who is not allowed an opportunity to explain why he did certain things, and why he took the action he did and give him no opportunity to be here at all?

Hon. Mr. RALSTON: I am not depriving him, Mr. Chairman, of the opportunity.

The CHAIRMAN: You can make any charge you wish against the government, and the government will have to accept responsibility.

Hon. Mr. RALSTON: He can have any opportunity he likes.

The CHAIRMAN: He cannot.

Hon. Mr. RALSTON: I for one at least am prepared to stay a month so that he can come here. There is no desire to be unfair. This is the last bill on the order paper. It was three weeks after attention was called to it in the house before it was proceeded with. It has been on the order paper for months. We find in the last days of the session a bill which in fact involves the commitments of this country to the extent of between \$400,000,000 and \$500,000,000.

The CHAIRMAN: That is perfectly absurd; but that does not make any difference.

Hon. Mr. RALSTON: Figure 625,000,000 bushels of wheat at 80 cents a bushel and see what it comes to.

The CHAIRMAN: Who suggests you are going to carry that many bushels as a commitment of this country? There is no good purpose to be served by you and I arguing this matter.

Hon. Mr. RALSTON: I submit that the commitment this country is going to have is more than the total estimates of this government. I say in view of the fact that this is coming at the end of the session, the only thing I see we can do is ask for this information and ask that Mr. McIvor be heard. That is the purpose of my motion, and I think it is perfectly fair and perfectly proper. That man is the assistant of the man who is sick and the only one who can give the information. By the way, I think the Chairman will find that Mr. McFarland himself was away for a considerable time, and Mr. McIvor ran the show. I would think he would be available in connection with these matters.

The CHAIRMAN: I don't know what you mean by his being away.

Hon. Mr. RALSTON: He was in Rome.

The CHAIRMAN: He went to various conventions, if that is what you mean.

Hon. Mr. RALSTON: Certainly; and I think you will find that Mr. McIvor still carried on operations.

The CHAIRMAN: Certainly.

Hon. Mr. RALSTON: It seems to me that Mr. McIvor would be available in connection with this. He could at least bring the books and general records.

The CHAIRMAN: I think the books are not a relevant part of this anyway, and I shall ask one of the members of the committee to move that the committee rise and report the bill.

Hon. Mr. RALSTON: I have made a motion and it is seconded. I ask you to put the motion.

The CHAIRMAN: We will take the motion under advisement and adjourn; next meeting we will consider that.

Hon. Mr. RALSTON: The motion is made.

Hon. Mr. STEWART: When shall we meet again?

The CHAIRMAN: I do not see how we can to-morrow.

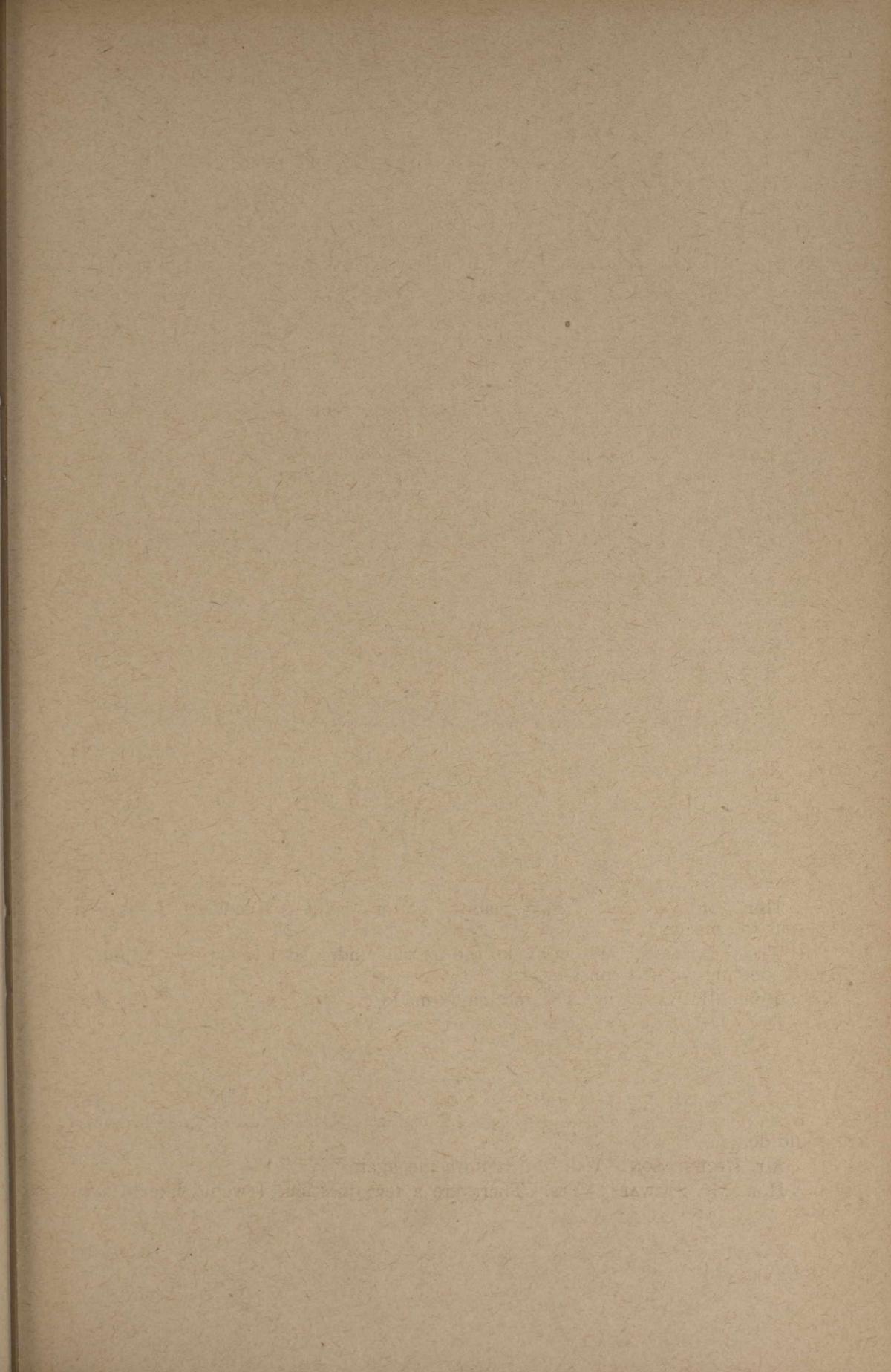
Mr. VALLANCE: At the call of the chair?

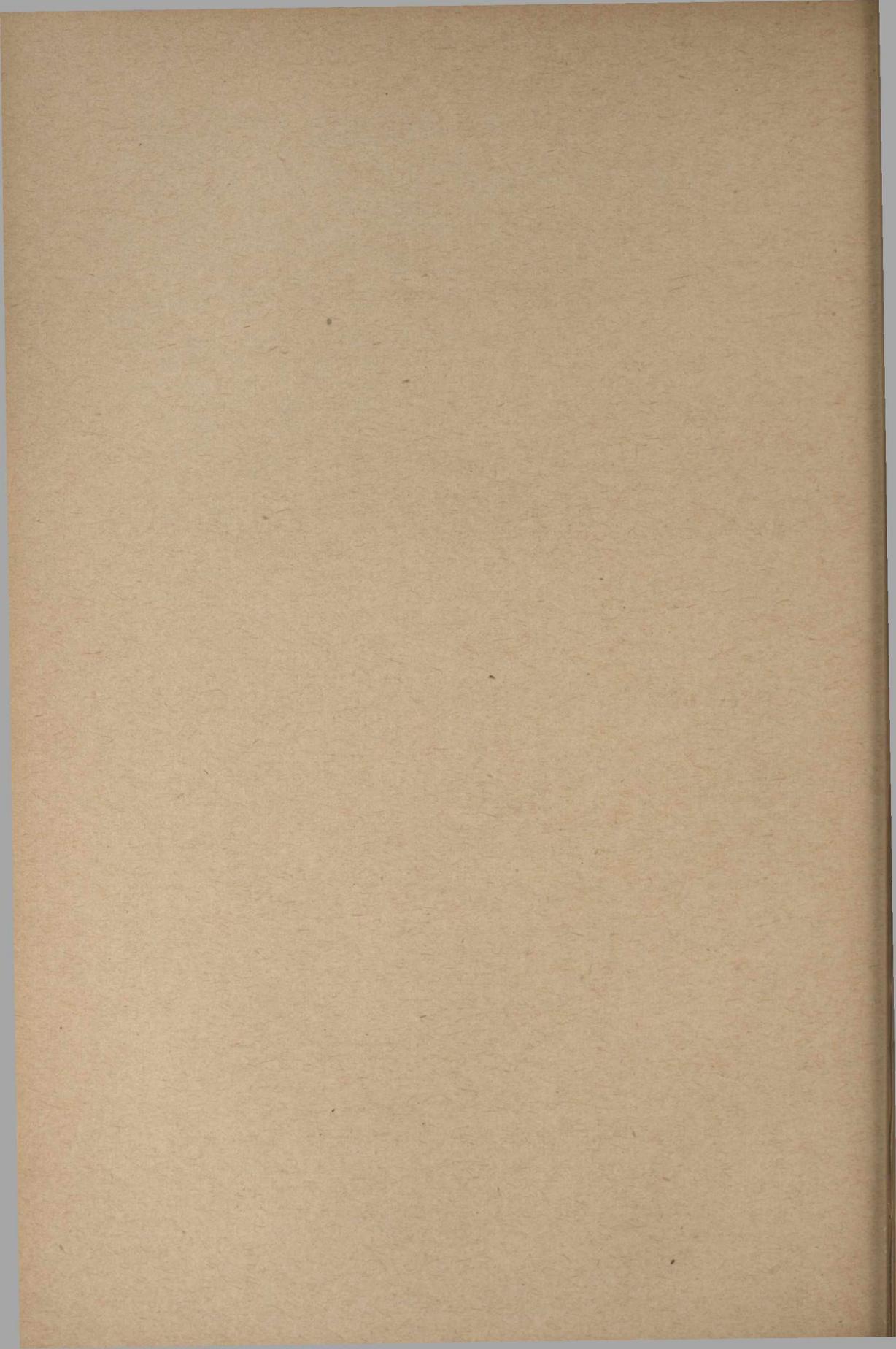
The CHAIRMAN: Yes. I do not see how we can meet to-morrow. To-morrow is Saturday. Monday morning at ten o'clock would be the best we could do.

Mr. RICHARDSON: Will you require me again?

Hon. Mr. STEWART: Yes. There are a few questions I would like to ask you.

The committee adjourned at 1.50 p.m. to meet on Monday, June 24, 1935, at 10 a.m.





SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 4

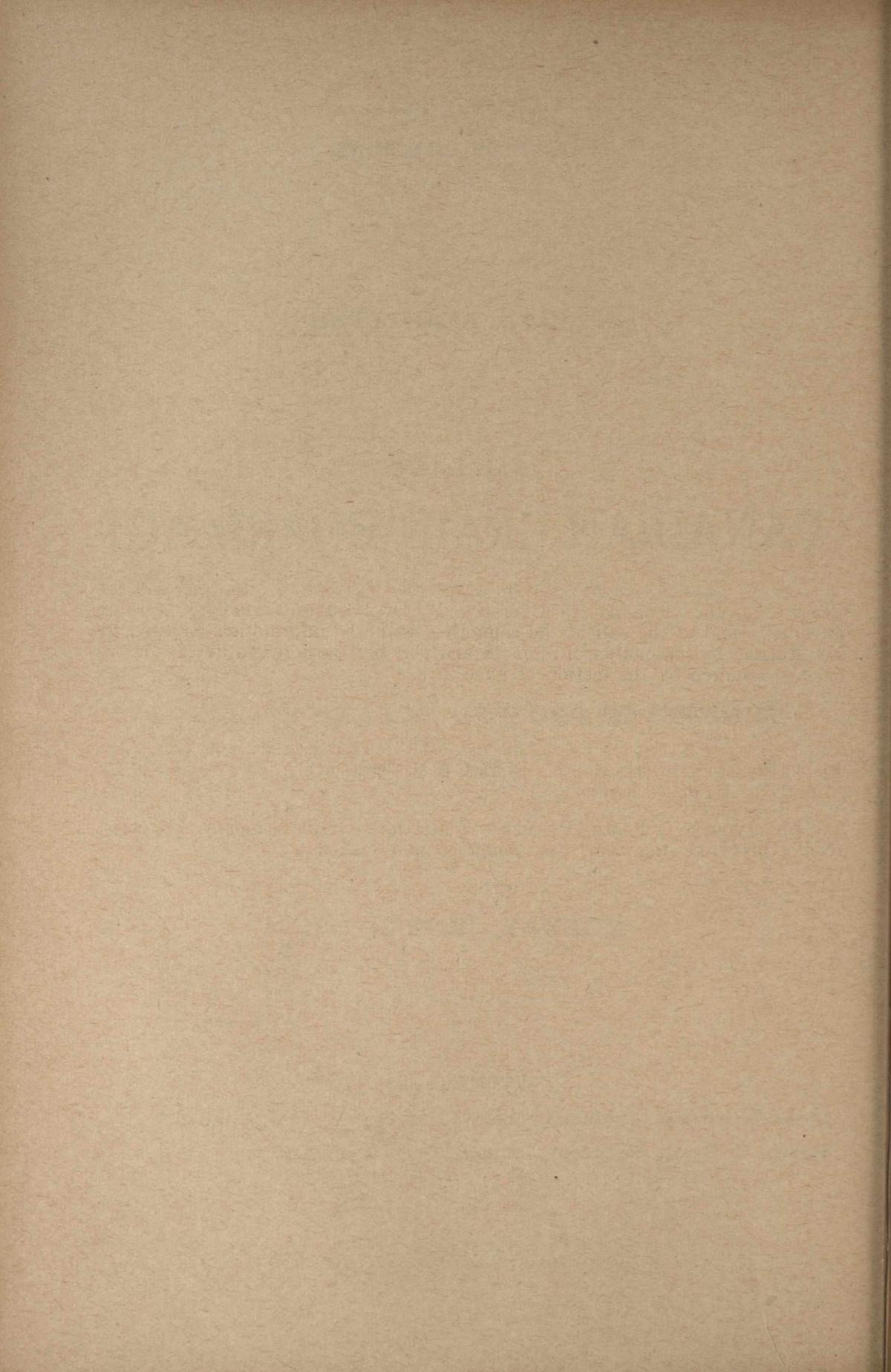
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MONDAY, JUNE 24, 1935

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WITNESSES:

James Richardson, President, James Richardson & Sons, Limited.  
Sydney T. Smith, President, Reliance Grain Company.



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,  
MONDAY, June 24, 1935.

The meeting came to order at 10 a.m., Mr. Bennett presiding.

*Members present:*—Messrs. Bennett, Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance and Willis.

Mr. Ralston requested that his motion of June 18 and motion of June 21 be put.

The Chairman thereupon informed the meeting that Mr. McIvor and the treasurer of the Canadian Co-Operative Wheat Producers, Limited, were in attendance and at the call of the committee with the information required by Mr. Ralston by his motion of June 18 and possibly the information, in full or in part, required by the motion of June 21.

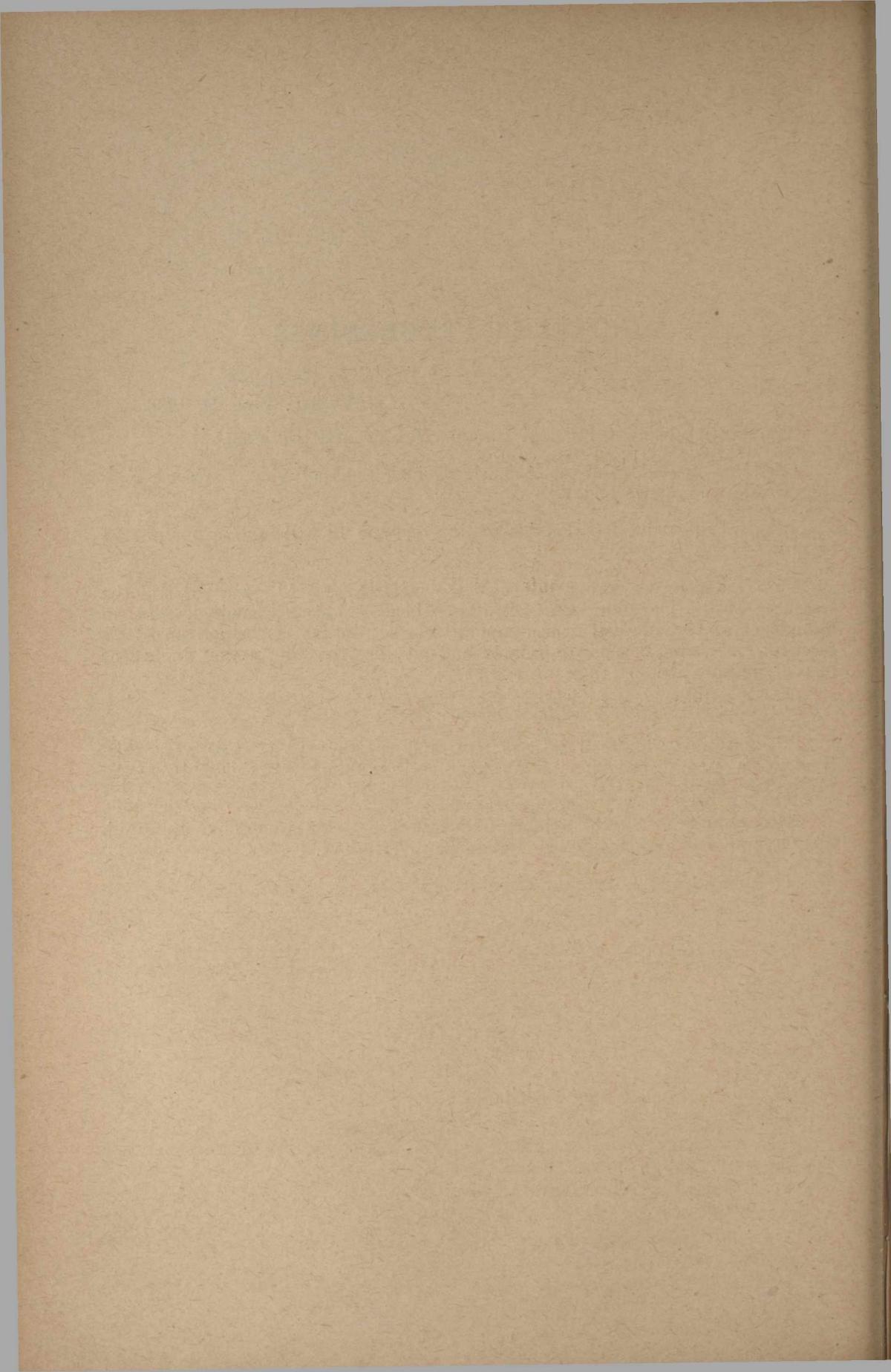
Mr. James Richardson was recalled.

The meeting adjourned at 1.30 p.m. and re-convened at 4.30 p.m. Mr. Richardson again in attendance. Witness filed a statement,—Exhibit "B" to the Minutes of Evidence hereto.

Mr. Sydney T. Smith, President of Reliance Grain Company, appeared, read a prepared statement, was examined and retired.

The meeting adjourned till Tuesday, June 25, at 11 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 24, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 10 a.m., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: It is 10 o'clock, we shall come to order. Mr. Richardson will resume his evidence.

Hon. Mr. RALSTON: Mr. Chairman, would you dispose of my motion. I think it should be disposed of.

The CHAIRMAN: I shall make a statement about that. Mr. McIvor is here.

Hon. Mr. RALSTON: I do not want to commence these proceedings by delaying them in the slightest, but I do feel that the motion ought to be disposed of. The fact that Mr. McIvor is here, I am afraid, does not get us very much further with regard to the information which Mr. McIvor is to furnish. I asked, when this committee opened, that certain information be furnished; it was intimated that certain information was available, but later it was intimated it was doubtful if that information would be furnished, and I made my formal motion on Friday. It was asked then that it be left for disposition until this morning, and I would ask, Mr. Chairman, that you have the committee dispose of the motion.

The CHAIRMAN: It is within your province, Colonel Ralston, and those associated with you to require that Mr. McIvor and the treasurer of the Co-operative organization shall appear. The charges that were made against Mr. McFarland, which you say subsequently are against me, can only be answered by Mr. McFarland himself. He is lying in a bed of sickness. He was available to you a few weeks ago if you desired to investigate these matters. The circumstances in connection with the wheat to which you refer, of course, are very well known. Mr. McFarland is the only man who can give explanation as to why he did certain things. On the first day's notice there was sent to Mr. McIvor and the treasurer, Mr. Finley, of the organization a list of your requirements and they have prepared answers to them completely and while I think it is a very unfair thing to Mr. McFarland to treat him in this way—it would not ordinarily be done, I think, under the ordinary circumstances in life, but as you insist upon it, they will be made available; they will be called here in due course and left for you to take such action as you desire. The information asked for in your first day's memorandum has been prepared by them. As soon as we saw what it was we instructed that answers be prepared and made available.

Hon. Mr. RALSTON: In these circumstances, Mr. Chairman, I see no reason why the motion I made should not be passed.

The CHAIRMAN: Now, Mr. Richardson—

Hon. Mr. RALSTON: I am asking that the motion be put to the committee and passed if that is the situation.

The CHAIRMAN: There was a subpoena to issue for them, and they are here.

Hon. Mr. RALSTON: Has there been a subpoena issued?

The CHAIRMAN: No; they were telephoned to come and they came in response to the telephone.

Hon. Mr. RALSTON: The information asked for will be produced?

The CHAIRMAN: No, your first day's. In regard to the second day, of course, they had left. As far as possible they were telephoned what was wanted and they brought with them that information. They brought with them their books to enable them to endeavour to answer, but they prepared in detail the first day's requests. That will be produced.

Hon. Mr. STEWART: Before we proceed I should like to refer to a remark which I understand you made which was to the effect that there was a reflection on Mr. McFarland made by the Liberal members of this committee. I wish to rectify that. No reflection has been made against Mr. McFarland. What we have been asking for is simple information; there was no endeavour to reflect on Mr. McFarland at all. That is the attitude, Mr. Chairman, you have taken in this matter and we want it to be made perfectly clear if Mr. McFarland erred in judgment we are not criticizing him unduly for that; we are not going to say that he is more than human. All we ask is simply information in connection with his operations without any intention of reflecting upon him at all. I have known Mr. McFarland too long for that. All the information is available and it certainly would be a great help to a board that will succeed him to know if he really did make mistakes. I do not even say that.

The CHAIRMAN: Mr. Stewart, I said what I desire to repeat, the statements made in the House of Commons reflected upon Mr. McFarland and he is not here to answer them and cannot be. I have received letters from people, who I suppose know something about this business, who say they do not think it is in the public interest that a man who endeavours to serve his country should thus be pilloried without having the opportunity to be here, and he can't be here. His doctor says he cannot be here because of his condition.

Hon. Mr. STEWART: We quite understand that.

The CHAIRMAN: I have no desire to limit your inquiry, but I think this is not the inquiry for which your leader asked that a committee be set up when he made his statement to the House and my answer to it. If you will take the trouble to read it you will see this is not the purpose for which it was asked.

Hon. Mr. STEWART: So far as I am personally concerned I never could understand the reason for the suppression of all knowledge of the dealings of Mr. McFarland. It is senseless to say that the world is not aware of the wheat carry-overs. They may not be able to have them accurately, but they can approximate them nearly enough to do world business.

The CHAIRMAN: The only answer to that, Mr. Stewart, is that the committee was set up last year and if the committee had so stated it, Mr. McFarland would have been glad to have given all the information on that.

Hon. Mr. STEWART: I believe he would. It was suppressed by the committee. I am not blaming Mr. McFarland for that.

The CHAIRMAN: You cannot blame the government for it.

Hon. Mr. STEWART: Again I say it would have been much better if he had been directed to do so every year.

Hon. Mr. RALSTON: With regard to the statement in the House, the statements were made on March 24, 1935, and were made at least one year or two years previously to that, so that Mr. McFarland was not in bed, but was in a position to have fully answered me. In the House this year very great care was taken to intimate that it was the government's responsibility. You, I think, can speak for Mr. McFarland and make any explanation.

The CHAIRMAN: I, unfortunately, was in bed also, but that does not make any difference, apparently.

Hon. Mr. RALSTON: Any explanation there was to make could have been made by you, and the bringing in of Mr. McFarland's illness, just at this time, I do not think, adds very much to the sum total of the information we are going to get.

The CHAIRMAN: I do not think it would. All right, Mr. Richardson.

JAMES RICHARDSON recalled.

*By the Chairman:*

Q. You desire to continue your statement, Mr. Richardson?—A. There is just one little correction here I wish to make. I have been reading over my evidence of Friday and there is a little correction I wish to make on page 91. It is the last paragraph, line 6, the words "15th of December" should be changed to the "15th of September."

Q. Is there anything further?—A. No, sir, I have nothing to say further.

Q. You have nothing further to add to your statement?—A. No, sir.

Q. What is the import requirements of Great Britain in bushels per annum?—A. About 200,000,000 bushels a year.

Q. You stated that you thought 75,000,000 to 100,000,000 more bushels of Canadian wheat might have been sold; where would it go?—A. Considerable of that would have gone to Great Britain because the British mills reduced their grind of Canadian wheat from 45 per cent to 22 per cent, I think some of it going as low as 18 per cent. I know one miller wrote me and told me on 6 shillings a difference of 18 cents that he would use twice as much Manitoba wheat as he was then using; that is where part of it would have gone.

Q. How much was sold in Great Britain up to the end of May this year?—A. Owing to the way the figures are produced, there is not available a lot of the—

Q. I see.—A. Not available to me. The number of boats that go out marked for orders are declared, I understand, in the customs as being for Great Britain regardless of whether they go to the continent or not, so that I do not think our reports will give us the information. We have to get it from the British customs.

Q. You have not that information. I suppose you have heard what Mr. Milner said as to what the price to the farmer was when wheat went down to 38 and 40 cents?—A. Yes, sir.

Q. Now, you have read the bill that is before the committee?—A. Yes.

Q. Have you any suggestions to make as to how it may be improved?—A. Well, the bill as interpreted, and as I understood by the grain trade, means the entire closing up of the future market in the grain trade. We would want to see it very radically changed in those particulars.

Q. Do you believe a grain board is necessary at all or not?—A. I think that with the large carry-over of wheat, as I said in my evidence, some commission or board must be appointed to look after that surplus until it is disposed of, and with that I would have no objection—I can see no objection to a stabilizing influence being exerted in the market as long as it does not shut off our sales.

Q. What do you mean by "stabilizing influence?"—A. Well, I mean an influence that does not prevent our getting our proper share of the world's wheat market. I mean that the buyer who wants our wheat and who needs it, we should try to secure and hold his business.

Q. Regardless of price?—A. We can only get his business in competition with other wheats, and I say that we should get our share of the business, and I have stated, in my opinion, we could have sold a very large amount of wheat in the past year, much more than we did, and at satisfactory prices.

Q. What do you mean by "satisfactory prices?"—A. Well, I would say if we had sold our wheat down to a reasonable carry-over—

Q. I am asking about prices now; please stick to that.—A.—and had sold it at 70 cents to 85 cents, I would consider that all things taken into account, that that was satisfactory.

Q. From 70 to 85 cents; was the price of wheat at any time stabilized by Mr. McFarland, to your knowledge, higher than 80 cents?—A. Well, he created a situation—

Q. No, I am just asking if at any time wheat was stabilized at a higher price than 80 cents?—A.—that kept wheat above—

Q. What is that?—A. He created a situation which kept wheat above 80 cents.

Q. I notice that it sold at 80 and 81 cents frequently?—A. Yes. I talked to New York this morning, to a large export house, and they told me they had sold 10,000 bushels of Manitoba wheat to France. But that will be purchased on the Exchange this morning, on our Winnipeg market. That will be part of the demand that keeps the market up, but it is not sufficient.

Q. Had there been no stabilization, no support of the market, what would have been the price of wheat in your judgment, speaking from your experience?—A. I would say that once our surplus carry-over had all been cleaned up, I would not be apprehensive about the price.

Q. Suppose you answer the question, Mr. Richardson?—A. I cannot answer that question yes or no.

Q. I thought not.—A. Because a situation was created, created by many years with a large carry-over.

Q. Yes, it commenced in 1929, after the big crop of 1928. You know that, don't you?—A. Yes.

Q. And it continued up until to-day, with increasing quantities. Is that right or not?

Mr. VALLANCE: No.

The WITNESS: I have the figures here, sir.

*By the Chairman:*

Q. Well, give them, as to when it commenced, the abnormal carry-over.—A. 1924-25, we had a carry-over of 287,000,000.

Q. That must be wrong, 1924?—A. I am sorry. I am looking at the crop figures.

Q. Yes?—A. We had a carry-over of 48,000,000.

Q. Yes, and the next year?—A. 30,000,000.

Q. Yes, and the next year?—A. 40,000,000.

Q. Yes, and the next year?—A. 53,000,000.

Q. Yes, and then you get your big crop?—A. 1928-29 we had a crop of 92,000,000.

Mr. VALLANCE: Carry-over, you mean.

The WITNESS: I am sorry—a carry-over of 92,000,000.

*By the Chairman:*

Q. An increase in that year of how much over the preceding year?

Hon. Mr. RALSTON: 39,000,000.

The WITNESS: Yes, 39,000,000. But I would like to point out in that connection that in that year, 1928, we had a crop of 566,726,000 bushels, a crop which was practically equivalent of the 1933 and 1934 crop put together.

*By the Chairman:*

Q. What I am asking you is: Do your figures for carry-over include wheat in the United States or not, Canadian wheat?—A. In all positions.

Q. What do you say your figure was for 1924—the end of July, 1924? The figure we have is 44,076,620, from the Department of Statistics.—A. I have only the Sandford Evans figures. There may be a variation of a million or two between the different statisticians.

Q. The government figures are 44,076,620 for the crop year ending July 31, 1924; 28,481,919 for 1925; 38,481,936 for 1926; 52,676,433 for 1927; 92,230,851

for 1928 and 126,988,619 bushels for 1929.—A. There will be some variation in regard to that. That includes the quantity in the farmers' hands. There is a very slight difference.

Q. That includes bushels in Canada, and United States figures of Canadian wheat?—A. All Canadian Wheat stored in United States ports, yes.

Q. Wheat until it enters into consumption is wheat that overhangs the market. That is so, is it not?—A. Yes, I think that is probably quite correct.

Q. Being in speculators' hands does not help any in so far as getting wheat into consumption is concerned?—A. It is a channel that is useful in determining its price level.

Q. I am not talking about the question of price level. I am talking about the question of consumption. As long as it remains in the speculators' hands, it does not enter into consumption. That is clear, is it not?—A. It does not enter into consumption, no.

Q. You remember the year 1933? You remember the month of July?

Hon. Mr. STEWART: Mr. Chairman, just that I may be clear on this matter, whom do you designate as a speculator?

The CHAIRMAN: Everyone who does not purchase wheat for the purpose for which it is ultimately intended is a speculator.

Hon. Mr. STEWART: Does that include the grain dealers, the legitimate grain business?

The CHAIRMAN: Certainly.

Hon. Mr. STEWART: Brokerage firms who are doing business?

The CHAIRMAN: If they buy futures, they are speculators in that sense.

Hon. Mr. STEWART: I always understood that the speculator was a scalper, someone going into the market for the purpose of making a profit.

The CHAIRMAN: Grain dealers, of course, do not do it for the purpose of making a loss.

Hon. Mr. STEWART: I didn't suggest that they did it for the purpose of making a loss.

The CHAIRMAN: No, you said for the purpose of making a profit.

*By the Chairman:*

Q. As I understand it, Mr. Richardson—and you have read Sir Josiah Stamp's report—he referred to the people who buy it, like merchants and farmers themselves and others as the moths who go into the market and usually get burned?—A. Yes.

Q. And the other people he referred to as the speculators in the sense in which he uses the term in his report. That is right, is it not?—A. Yes.

Hon. Mr. STEWART: What I am curious about is this. I know hundreds—yes, thousands of farmers who sell their grain and buy options. Are they speculators the moment they do that, rather than holding their own grain for a rise in price?

The CHAIRMAN: It means that that is what Sir Josiah Stamp referred to as such.

Hon. Mr. STEWART: Well, I cannot understand why the word "speculator" should be interjected into this thing all the time, because there is a legitimate grain trade.

The CHAIRMAN: Of course, I have seen many farmers ruined in the way in which you have mentioned.

Hon. Mr. STEWART: Yes, I have done a good deal myself and have not made much money at it. I was not speculating. I was hoping I could get some money to pay my debts, and took a chance on a rise in price on the market.

Mr. GOBEL: Were they buying wheat to lose money?

Hon. Mr. STEWART: If I do that instead of holding my wheat, then I am a speculator.

Mr. PORTEOUS: Of course.

Hon. Mr. STEWART: Then what this bill proposes, may I interject, is to make more speculators. We are going to take a chance on an interim payment now.

The CHAIRMAN: Well, that is a matter I am going to ask Mr. Richardson about.

Hon. Mr. STEWART: I see.

*By the Chairman:*

Q. Mr. Richardson, you remember the last of the month of July, 1933; do you recall the condition in the Winnipeg market during that last week?—A. I have some recollection of it.

Q. I was absent from the country, but I hold in my hand a paper, the Gazette of Montreal, of July 24, 1933, page 17, where I read as follows: "Wheat loses 22 cents of late advance. Winnipeg futures break again Saturday, later recovering partially. Selling from United States. Closing price ranged 73½ cents to 81½ cents against 95¼ cents to \$1.04 on Tuesday." And there are similar statements in the papers for other dates. You recall those circumstances, do you?—A. I recall the circumstances, yes sir.

Q. You do a brokerage business as well as an export business?—A. Yes.

Q. And you are familiar with what transpired that week on the exchange?—A. Yes.

Q. How many bushels of wheat were, shall I say, offered for sale, do you remember, in Winnipeg?—A. I have no idea.

Q. Large quantities, aggregating millions of bushels, is that right?—A. I would expect so. They trade in that every day.

Q. How often in your lifetime have you seen a drop in a few days of 22 cents a bushel in wheat?—A. I very seldom in my lifetime have seen circumstances similar, where the flywheel was off the market.

Q. Where the flywheel was off the market?—A. And the wheat, all the long wheat—there was no short interest in the market. The wheat that was sold to the public and went up—it carried it away at big prices. If the normal flow of wheat had been left for a reasonable amount of wheat to go on the market, wheat would have been absorbed and the market would not have run away. But wheat was not put on the market and wheat ran away. There was a certain amount of—long wheat was on the market. They all wanted to sell at once, and there was not a short interest; and the market was not a normal market. When the sellers wanted to get out the market had been advanced too high and there were not any buyers there.

Q. When you say "they," who do you mean?—A. The people who have bought wheat.

Q. Exactly. There is no peg on wheat?—A. No peg on wheat.

Q. No. Anybody could buy it that liked, anybody that had the money?—A. Anybody could buy it that liked.

Q. That had the money?—A. Yes.

Q. And those people who bought wheat drove the price up to over a dollar?—A. Well, around there.

Q. Yes. I am not checking up the figures. The statement here is that on Tuesday of the week of July 24—the Tuesday preceding that, the price was \$1.04. Do you remember it was over a dollar?—A. I remember it was around there, yes.

Q. Yes, and within a few days it dropped over 22 cents?—A. Yes.

Q. Why?—A. It never should have been there.

Q. Exactly. But who put it there?—A. If the normal influences had been at work in the market, sufficient wheat would have come out to have held that market down. We have been doing business with Europe all the time, who were anxious to buy our wheat, but there was not enough wheat put out to hold the market down; and with what wheat there was put out the market ran away and there was nobody to buy it back except the man who sold the wheat and they let it go too high.

Q. You say "they let it go too high." This is the uncontrolled situation to which you referred in your previous evidence—no restraints, no restrictions, no control—and it ran away?—A. I referred to the control of supply and demand in an open pit. If the supply is held off the market, those forces do not operate.

Q. It was an open pit, was it not?—A. It was an open pit, but the wheat was held off the market.

Q. Let us get down to the end of this and be done with it.

Hon. Mr. RALSTON: He says it was an open pit, but the wheat was held off the market.

The CHAIRMAN: What is that?

Hon. Mr. RALSTON: He says it was an open pit, but the wheat was held off the market.

The CHAIRMAN: Yes, but who held it off the market? The people who owned it?

Mr. PORTEOUS: Supply and demand.

The WITNESS: Mr. McFarland.

The CHAIRMAN: He is the one, is he?

Mr. PERLEY: He only had options; he had no cash wheat then.

The CHAIRMAN: He had no cash wheat at that time.

The WITNESS: He had control of the situation.

Mr. PERLEY: He had options.

*By the Chairman:*

Q. Wait a minute. You said Mr. McFarland had control of the situation in July, 1933?—A. I believe so.

Q. What makes you say that?—A. Because he owned—

Q. He what?—A. I don't keep Mr. McFarland's books, but I think it is general knowledge that he owned a large quantity of wheat.

Q. You say, he owned a large quantity of wheat; he was responsible for the price of wheat being driven up to \$1.04?—A. You could have sold a world of wheat before it got to \$1.04.

Q. Suppose he sold all he could sell—A. I disagree with you; it would never have gone up to \$1.04 if he had been selling at, let us say, 70 cents.

Q. Oh?—A. It would never have gone higher than where he started selling. If he could have got them to take all the wheat off his hands—

Q. Do you suggest seriously, do you want anyone to believe you, that all the wheat held in Canada could have been sold at 70 cents?—A. I do not.

Q. Do you suggest it, having regard to your knowledge of the situation?—A. I am suggesting what are the facts, as I understand them to-day.

Q. And you suggest by that that the government might have cleaned up the carry-over. Do you want this committee to believe that if wheat had been sold at the figure at which it was sold when it fell to 70 cents that all of the wheat there could have been disposed of and there would have been nothing carried over?—A. I will stand by anything I say, but not by any interpretation of what I say.

Hon. Mr. STEWART: Hear, hear; there is a lot of leading in connection with these questions.

The CHAIRMAN: There is supposed to be, with this witness.

Hon. Mr. STEWART: I am glad you admit it.

*By the Chairman:*

Q. Go on, Mr. Richardson; I ask you if you want this committee, this country, to believe that at 70 odd cents, which is the figure you quoted, the wheat would have been all cleaned up and there would have been no carry-over?—A. I did not say that.

Q. What do you want us to believe?—A. What I say is that if that wheat had been sold at 70 cents we could have sold a tremendous amount of wheat, and if we had not put it up when the market reached that level we would not have had a toy balloon which burst on our hands; and if the buying had been sufficient at 70 cents to have taken all our wheat it would have simplified the problem.

Q. Do you realize what you have said, Mr. Richardson; what you have said is this, if wheat had been sold it would have been sold?—A. I beg your pardon?

Q. What you have said is that if wheat had been sold it would have been sold after it had been sold?—A. There is nobody could say so.

Q. No; but that is what you said?—A. Nobody could say what the capacity would have been, but it would have been good business to sell all that we could have sold.

Q. That is different?—A. I do not know what the quantity was, but there was a big market there; we could have sold a lot of wheat if we had held it at 70 cents, and we could have sold a lot for export if we had held it there; we were running away from them when they wanted it, so that we lost the market and we had the consequences.

Q. This paper says that a million and half was sold for export on that day; this is July 22nd, it says a million and a half was sold for export?—A. We could have sold more of it lower than we could have higher anyway; no doubt about that.

Q. Now, Mr. Richardson, how much do you think the farmer should be paid for his wheat in order to break even. You have had a large experience in all branches of the business, how much should he have, not to make a profit, but just to break even?—A. Well, I have heard farmers say if they had a fair crop of wheat and got 40 cents on the farm they could get by; they would not be making any money, but they could get by all right.

Q. Forty cents on the farm?—A. Yes.

Q. In Alberta that would mean what price on the market for No. 1 Northern—you mean No. 1 or No. 2 at forty cents?—A. Well, I would say the No. 1.

Q. No. 1 at forty cents on the farm?—A. I suppose forty cents would apply in connection with all that he had.

Q. I see what you mean. Now, Mr. Richardson, that being so what would the price be on the market for that sort of wheat; how much would you have to allow for freight?—A. Well, 15 cents a bushel would be high, it would be a top freight.

Q. That is the top freight isn't it?—A. Yes, sir, 12 cents average freight.

Q. So that to the people in the country it should be 55 cents; you think that would be a satisfactory figure for the farmer?—A. No, sir, I do not; I want to see the farmer get just as high a price as we could sell his wheat for in the world's markets. I am not satisfied to indicate any price, other than the best price we can possibly get for him.

Q. You see, what has been suggested by one of the witnesses is that the government through a board should establish a minimum price and if wheat went below that price it should be subject to subsidy or assistance. The Chairman of your own grain exchange submitted practically that proposal. The board would have to arrive at a minimum price, and if the price established by supply and demand in the markets of the world went below that figure there should be some provision made by which the farmer would receive the difference. That is why I wanted to get from you some idea as to minimum price?—A. If you appoint the board, Mr. Chairman, in the fall of the year once the crop of the Northern Hemisphere is assured and we have the information on which to form a little more intelligent idea I would be glad to give my views, and I am sure everyone else in the grain trade will, as to what we would think that price ought to be. I certainly would not attempt to do it now before knowing what the crop of the Northern Hemisphere is going to be.

Q. I thought probably that was in your mind and that was the reason I asked you what you regarded as a reasonable price to the farmer for his crop, just to produce it, leaving out for the moment the question of profit, and that you say is 40 cents?—A. I do not say anything, except that I have been told by good farm people who know the business.

Q. You have had something to do with farms, haven't you?—A. Yes.

Q. My information is that you have operated farms?—A. Yes, sir.

Q. Did you ever produce any wheat at 40 cents a bushel?—A. Well, I am a coarse grain grower myself, I could tell you more about what it costs to feed hogs and steers.

Q. But you have your own wheat?—A. I could not tell you what it costs to grow it, but I am sure it was a big price.

Q. Would it be more than 40 cents?—A. I could not tell you what it is, because I have never calculated it.

Q. I see.—A. I am sure that if I took interest on the money invested in my farm and everything else into consideration the figure would be high.

*By Mr. Vallance:*

Q. You think a farmer who is sitting on his farm without any debt, and you can get farmers who would take that stand; I have seen them take the stand that you have just mentioned, that they could get by on 40 cents a bushel. The average farmer in the Prairie provinces could not get by with 40 cents a bushel because to-day he is overloaded with debt, and because of his past obligations he is not able to produce it at 40 cents a bushel. I have no doubt that Jim Richardson could produce it at 40 cents a bushel, because you have no debt on your farm; but the average farmer cannot do that. Now, Mr. Richardson, do you believe that at this time when wheat got up to \$1.04 wheat would be held off the market for the specific purpose of raising prices?—A. I expect anybody who had long wheat then and had not sold had the idea that perhaps it might go higher.

Q. In your opinion, what was the average price paid to the producer—we will take from September to December.

The CHAIRMAN: What year?

Mr. VALLANCE: The year that applied to the June and July period in which the price went to \$1.04—the 1932 crop.

The WITNESS: I could not answer that for you.

*By Mr. Vallance:*

Q. Did the farmer get an average of what the market paid?—A. I would think not.

Mr. VALLANCE: I will say he did not.

Hon. Mr. STEWART: The farmers are honest.

*By Mr. Vallance:*

Q. The farmer was not in the market in June. It is just as Mr. Stewart says. People who operate grain farms have to have money and to do that they would sell their crop and some would buy "May." I have known that to be done many times, because we have to meet our obligations in November; but that does not mean that you are speculating. It is your own wheat, why should you not protect your own industry, just the same as the chairman or anybody else would do. It is the method the farmer takes to insure himself?—A. It is cheaper to carry wheat that way than it is to carry cash wheat.

*By the Chairman:*

Q. Mr. Richardson, I just want to ask you one more question.—A. Yes, sir.

Q. You spoke of acreage increases in the Argentine and Canada. The figures for the Argentine showed that from 1909 to 1913 they had an average of 14,880,000 acres under cultivation; which had risen in 1933 to 19,660,000. That is an increase of only 32 per cent. You might just look at your figures. That is the ground upon which the Argentine claimed the right to sell wheat, regardless of anybody else?—A. Well, of course, during the war years there was naturally a big increase in the acreage of exporting countries, but with areas in Europe that had been thrown out of production coming back into cultivation it was thought that there would naturally be some reduction in acreage.

Q. In export countries?—A. In export countries?

Q. Yes?—A. And I think that would be brought about, and not at the expense of Canada, if by 1923 the pools had not started their propaganda for the general benefit of the wheat producers of the world—or they claimed to do that.

Q. I just want you to look— —A. Therefore, I take the years 1923 to 1934 and not the year 1914; because there was a natural expansion in the acreage of the Argentine during all the war years, but I took the year 1923 because that is the year in which the pools started.

Q. Well, the Argentine only reached 19,660,000 acres in 1933, or an increase of a little over 32 per cent of the average between 1927 and 1931; whereas Canada in the same period increased her percentage by a very much larger figure; we had already reached 24,000,000, nearly 25,000,000 average from 1923 to 1933, and nearly 26,000,000 in 1933?—A. I took the years 1923-1934 because the year 1923 was the year the pool started.

Q. Oh, I see; then you have eliminated some of the increase that took place between the war and 1923?—A. Yes, sir.

Q. Yes. Well, you see, those were fateful years in Canada. We had less than 10,000,000 under cultivation at the beginning of the war, as you know; and now our acreage is nearly 26,000,000?—A. I think it is somewhat less than that, sir.

Q. For 1933 the figures given are 25,990,000, and the average was 24,590,000 between 1927 and 1931. I just want to point out to you that Argentine's total acreage has not reached 20,000,000 whereas Canada's at one time was something over 26,000,000; and that our acreage in 1919—or when the war began—was less than 10,000,000 and Argentina had an average of over 14,000,000. If you will just look at the figures you will see them?—A. During the war years there was a natural urge to expand acreage, and I think you have got to take pre-war years—

Q. I did take pre-war years so as to get at a fair statement?—A. Yes.

Q. Now, the average for the pre-war years, 1909-1913?—A. I beg your pardon; we took the years after the war.

Q. Yes, and now take— —A. You have the pre-war period sir. We took after the war years, returning to more normal conditions.

Q. Well, Canada increased her acreage during 1918-19-20 and 1921 steadily; that is true it it not?—A. You have the figures there, I just put my figures up from 1923 to 1934.

Q. I see. What figures have you got for 1923 as to the acreage Canada had under cultivation?—A. I have a figure here indicating that the increase in wheat acreage was 9·14 per cent.

Q. 9·14 per cent; what did the Argentine increase here?—A. 22·25 per cent.

Q. Yes. But the number of acres—that is, from 1923 to 1934?—A. 1923 to 1934, yes, sir.

Q. And that does not take into consideration the fact that the pre-war acreage of the Argentine was nearly 50 per cent greater than that of Canada. Have you got those figures at all of pre-war acreage?—A. I haven't those figures with me, sir.

Q. You probably know that the pre-war acreage of the Argentine is not 50 per cent higher than Canada.

Mr. VALLANCE: Are you dealing with wheat only, Mr. Chairman, or total acreage.

The CHAIRMAN: Yes, purely acreage. The average from 1909 to 1913 for Argentine is nearly 15,000,000 bushels, and in Canada it is not quite ten, nearly ten, and you figure that Canada increased 9 per cent, a little over, from 1923 to 1934 and the Argentine 22 per cent.

The WITNESS: Yes.

*By the Chairman:*

Q. Well, at 1923 Canada had attained nearly its highest level. How many acres have you got for 1923?—A. If that is a question of record, I have not got those years' records in front of me.

Q. I thought perhaps you had 1923 there. What have you got for the average acreage from 1923 to 1934?—A. I worked out the percentages, I have not got the acreages with me.

Q. You do not say what acreage they would have for any of the years 1923 to 1934?—A. I have not got the record here.

Q. Well, the statistical branch down here assures us that the increase in 1933 over the average of 1909 to 1913 in Canada was 161½ per cent; that is from the beginning of the war up to last year, there was an increase of 161½ per cent; Australia 96<sup>9</sup>/<sub>10</sub> per cent, Argentine was only 32<sup>1</sup>/<sub>10</sub>, and the United States did not increase 1 per cent. I suppose you do not know as to the accuracy of those figures?—A. No, sir.

Q. You take 1923 because 1923 was the year the pool began to operate in a large way?—A. Yes, sir.

Q. Now, you are familiar with the Argentine method of handling wheat—there is a board that buys it all?—A. In a general way. I am conversant with the way it sells its wheat.

Q. There is a board on behalf of the government that buys it all?—A. As I understand it, sir, the government have a fixed price. The future market operates in both corn and wheat. It is trade above the fixed price. If the wheat or corn were down to the fixed price the government stand ready to take it over. When they do take it over the exporter cables abroad and tries to get business, the government selling the wheat. The limits are put sufficiently low that the wheat and corn usually trade a little above, or perhaps considerably above the guaranteed price which gives them, under those circumstances, practically free trade. The Argentine have a real problem this year with a crop of over 400,000,000 bushels of corn—the largest crop they have ever known. The corn, however, seems to be moving satisfactorily into consumption; they are getting into Japan and other places where they have never sold corn before.

Q. The prices they are getting for it are fairly high, are they not?—A. Well, at cost the Argentine corn would be worth about 50 cents delivered at our ports, but they expect—it is above the limit prices, and the demand is broadening.

Hon. Mr. STEWART: It has not reached the minimum?

The WITNESS: Above the minimum.

Mr. VALLANCE: Is it your view that the control board does not handle all the grain in the Argentine?

The WITNESS: That is my understanding.

Mr. VALLANCE: The chairman has been all through this investigation conveying that to the committee. My information—

The CHAIRMAN: I read from the report.

Mr. VALLANCE: There is a report now published by authority of the Hon. Mr. Hanson, K.C., Dominion Bureau of Statistics, Canada, dealing with the grain situation in the Argentine:—

There has been only an average activity on the market here during the past month. Prices have remained fairly steady with a slight upward tendency towards the end when the millers were competing for parcels of good quality to meet current needs. The announcement of the Central Board that whilst it would buy new wheat at the same rates as last year, it would buy no more of the old crop, caused a drop to 5 centovos below the minimum of the Board on the last day of the month.

The CHAIRMAN: I read to the witness the statement from the Intelligence and passed it across to Mr. Ralston.

Hon. Mr. RALSTON: There was another witness on the stand.

The CHAIRMAN: It was not this witness, I say another witness; and I passed it over to Mr. Ralston.

Mr. VALLANCE: That is why I question it.

The CHAIRMAN: I just read it as it was from the Trade and Commerce report; I read at page 50, A. J. Scott, Canadian Trade Commissioner.

Hon. Mr. RALSTON: Mr. Vallance was reading from the report of the Grain Board itself in the Argentine.

The CHAIRMAN: I think they are not in conflict:—

When the board was created it was stated that it would purchase from the producers, from dealers in the interior, such as storekeepers who buy from the producers, and from commission agents who sell exclusively for the account of the producers. The grain purchased by the board at the above-mentioned basis prices was to be sold to exporters at current international values for these cereals. The grain had to be available at the railway stations or loading ports at the time of sale. It was further stated that when quotations for wheat, maize and linseed rose above the basic prices, it was not the intention of the board to interfere in any way or operate when the market was in such a condition, its sole object being to obtain a fair market value for the producer.

Whatever losses might be incurred between the buying and selling prices of the cereals purchased, as well as the costs of operating the Board of Control, were to be covered by profits derived from an exchange fund created for this purpose. These profits were to be made by the Exchange Control Office in the buying and selling of exchange under the new regulations created by a decree issued on November 28, 1933. This same decree also authorized the Exchange Control Office to purchase export bills at a rate which was fixed at 20 per cent higher than the rates ruling on November 29, 1933, thus automatically depreciating the currency by this amount.

The announcement just made that the board will continue to operate at the above basic prices has cleared up the doubt recently expressed in grain circles as to the government's attitude regarding this season's crop.

*By the Chairman:*

Q. Would you tell how that principle could be applied to the Canadian wheat crop?

Hon. Mr. RALSTON: Have you finished with that? Might I have that?

The CHAIRMAN: That is the same one I passed you the other day.

The WITNESS: If it is your thought—

*By the Chairman:*

Q. No, never mind my thought; I asked you if you can tell me how that principle can be applied to Canada with respect to wheat?—A. Well, of course, if possible, to control the price of commodities through the price of exchange, and if that were decided wise as a broad policy the grain trade, I think, would have no difficulty in working under it as long as they had freedom in their market.

Q. Yes, I am asking you: suppose the board does buy the wheat at a basic price and leaves the exporters to handle it as they have heretofore, only operating the exporters' sales for and on account of the producers instead of for themselves, and having a fee for their services?—A. I do not think that is the way it works in the Argentine.

Q. I am asking you could that principle be applied here in that way?—A. I do not believe it would work very well.

Q. What would be the difficulty?—A. Of course, we have the fundamental principle of the open market which is, of course, what we are standing for.

Q. You see the open market operates in Argentine according to that statement on the basis of the basic price, and the government board take all the wheat that does not command for the producer a higher price than that?—A. Yes, but that does not mean taking in, or if they do, they just take it temporarily.

Q. Exactly; they do not take it to hold, they take it to sell, and the board sells it through the exporters—not through their own agents at all?—A. The government may never in a year down there come into possession of the grain at all.

Q. They have. The board has done that?—A. Yes, at times. It is off the pegs now, both corn and wheat.

Q. Yes, but the government is taking a considerable quantity of wheat. They gave a report the other day showing what they received and what they paid out for wheat and what their loss was, and it is only about \$2,200,000, but they had control of the exchange. I am asking you, is there any reason why Canada could not function with a modification of that control; it might be difficult to deal with the exchange side of it in this country at the moment?—A. I think that is largely a problem of exchange.

Q. What?—A. Largely, the exchange problem is the problem. As a matter of fact, that is our whole problem; if the exchange were settled we have no problem of marketing.

Q. No what?—A. I say if the exchange were settled we would have no serious marketing problem.

Q. You mean the Argentine exchange?—A. I mean these depreciated currencies of other countries.

Q. Yes, it is not our own country you are speaking of?—A. No, other countries.

Q. I put to you this: suppose this bill were modified to provide that basic price for the new crop, and that there was a board, and that the board did what has been done in the Argentine—took all the wheat that was not taken by other buyers at the basic price—put it that way; and that the exporters continued to function just as now, only securing their supplies of wheat from the board;

there would be no practical difficulties in that, would there?—A. Well, you have to maintain the whole competitive influence in the trade. You see you have that in the Argentine. Once the market gets off the pegs they take it away. What they are trying to do is to stand underneath and get rid of it as quickly as they can. They only stand under it because of the peg, and when they get somebody to take it off their hands they are out of it again.

Q. I asked you is there any reason why that should not be done here?—

A. Something of that kind might be worked here, yes, to that extent.

Q. Then the exporters could continue to function as heretofore?—A. That is possible, yes, sir.

Q. And there would be no great difficulties in the functioning of the elevators, would there? You see, there are no elevators in the Argentine at the present moment, they are talking about building some, but at present there are not any there. The wheat from Australia is largely shipped in bags, is it not?—A. Yes.

Q. We do not bag our wheat; they do?—A. The efficiency of our grading system and the efficiency of our elevator system gives us a very great advantage over both our competitors in the Southern hemisphere.

Q. Except that their distance from the sea is less than ours in most cases. Of course, there are some parts of Alberta nearer the sea?—A. Yes, but on the other hand their freight rates are relatively very much higher.

Q. They are about the same?—A. It works out about the same.

Q. Is there any practical difficulty in working out the scheme with the modification for the handling of the crop of 1935 with a modification of the Argentine plan?—A. I think something of that kind is possible to work out if the exchange problem is—

Q. I am not talking about other countries' exchange; our exchange problem is not of serious moment just now.—A. Of course, my view is that if we have a board to take care of the surplus wheat, dispose of it when we are able to and stabilize carry-over, step out of it altogether as soon as we can, or as soon as exchange is stabilized, that is how we ought to do it.

Q. Answer me this question: You do not think a board necessary for the 1935 crop?—A. I have never said that.

Q. Well, do you?—A. I have said I would favour somebody to look after this 200,000,000 bushels of wheat and stabilize prices.

Q. I say, is it your opinion that a board is necessary for the 1935 crop?—A. If the surplus were out of the way, I would not be a bit disturbed about handling the 1935 crop without any help at all.

Q. The surplus is not out of the way.—A. Therefore, I feel we have to have a board or some control, yes, sir.

Q. Remember, I am asking you, if you believe a board is necessary for the 1935 crop?—A. Yes, sir, taking our surplus and carry-over—

Q. You have to deal with present conditions?—A. Yes.

Q. How should, in your opinion, that board function?—A. Well, I would rather like to see the farmer assured of fixed price—

Hon. Mr. STEWART: Fixed minimum price?

The WITNESS: Fixed minimum price, that would give him some protection against depreciated currencies of the southern hemisphere, and a board with authority to use stabilizing influences in the market if they thought it were necessary, and to feed out our surplus wheat as and when the market would take it, and to try to allow the trade the largest possible freedom, and to act as a stabilizing factor, as an insurance and safety factor; to operate largely in that way would depend, of course, a good deal on good judgment being employed.

*By Mr. Vallance:*

Q. Do you suggest under that system to give the farmer an advanced payment and then pay him the average of the operation for the year or allow him to take whatever the market was when he took his wheat in, always having in mind just above the minimum prices?—A. The machinery of the grain trade is a very fine piece of machinery. They can co-operate in anything of this kind; if we have a fixed price, any time the market goes—

Q. Fixed minimum?—A. Fixed minimum. Any time the wheat goes below that price we can give the farmer a certificate for the difference, 3 to 4 cents, whatever it might be, and he can collect that from the Board of Grain Commissions; but I would say that we would naturally want to sell his wheat above those limits which would be there for that price, and I think the wheat would rule above the minimum limit.

Q. Would you not expect the board to step in when wheat was getting dangerously near the minimum price, rather than allow it to go below. Would you suggest that your business or trade would give some kind of recognition to the farmer that he had sold it below, or would you expect it to function the way it does in the Argentine?—A. I would like the elasticity. I believe the Argentine on one or two occasions has dropped the minimum price, in order to keep their grain moving.

Q. Would you allow this board to perform that?—A. The large profit they make in the exchange enabled them to show a profit.

*By Hon. Mr. Ralston:*

Q. I would like to get the Argentine system clear. Do you understand the Argentine system to be that the board does not function and does not buy wheat unless it goes down to the basic price?—A. Yes.

Q. And when it does go down to the basic price and the board does buy wheat, it then functions through the exporters?—A. Yes.

Q. So that the board does not take wheat above the basic price, it allows the trade, the purchasers to take care of it?—A. Yes, sir.

Q. According to this report which the Chairman has referred to, "the purpose in setting up the board was to raise the prices received by the producer for wheat, maize, linseed." That was the object of the board?—A. Yes.

Q. Just here I want to put in this further sentence which the Chairman has read, but which seems to me sets out exactly the methods whereby the board operates. "It was further stated that when quotations for wheat, maize and linseed rose above the basic price it was not the intention of the board to interfere in any way or operate when the market was in such a condition, its sole object being to obtain a fair market value for the producer." You understand that is the situation?—A. Yes, sir.

Q. Now, I am interested in what you said with regard to the Argentine plan. If the Argentine plan had been in effect during the last two or three years, would we have had the surplus on hand which we are faced with to-day?—A. I am sorry, I did not get that.

Q. If the Argentine plan had been in force in Canada during the last two or three years, would we have been faced with the surplus we are facing to-day?—A. No, we would not be.

Q. Our difficulty of to-day is due to that surplus on hand, you think?—A. Yes.

Q. You think the 1935 crop would be handled without the intervention of the board if it were not for that accumulation?—A. I think it could.

Q. When you say that, you suggest some method whereby the producer could be protected against the circumstances which exist, depression or depreciated

currencies in the southern hemisphere. Don't you think you ought to include also protection of the producer against a possible depression in the market due to the liquidation of those surplus stocks?—A. Yes.

Q. You did not include that?—A. Yes.

Q. Is that not an important feature?—A. Carry-over is an important factor, yes.

Q. Liquidation of the surplus by any board is not only likely to, but almost bound to, produce a depressed world market price, is it not?—A. It would be a—yes, it would have a depressing effect on world prices. If we have a good crop next year, we could only dispose of a certain amount of our surplus.

Q. Therefore your policy—A. If we had a small crop we might get rid of a good deal more.

Q. Therefore your policy of protecting the producer would include protecting him against depression caused by excess stocks?—A. Yes.

Q. Now you say in your statement, referring to the sales which had been made by the Canadian Co-operative Wheat Producers Limited in 1932—I am referring to your statement in page 3—"If that was good policy it certainly would not seem to me sound merchandising to refuse to sell in 1934 and 1935 at 80 cents (and actually to buy at higher prices), which had the effect of driving the foreign buyer into other markets."—A. Yes.

Q. You suggest there two things. You suggest a refusal to sell in 1934 and 1935 at 80 cents. On what do you base that suggestion?—A. Well, we could not buy. There was lots of business available at those prices.

Q. By business, what do you mean, lots of purchases?—A. Lots of orders in the market that we could have done business with when the market was 82 sometimes, bid 81½.

*By Mr. Perley:*

Q. With whom?—A. Exporters. We could not buy it in the pit.

Q. What countries did you get offers from?—A. We would have the regular cables from time to time; we would have a chance to do business, but it would be slightly under the market. The only place we could get the wheat was in the pit, and there was not enough wheat in the pit to satisfy orders. When I talked to this man this morning on the telephone in New York, checking up the Argentine situation with him, he said, "When we sell stock from the Argentine we can always get it, but not like when we sell stuff in Winnipeg. When we sell stuff in Winnipeg, we cannot buy it. But when we sell down here, you can buy it."

*By Hon. Mr. Ralston:*

Q. Have you any idea how much wheat Co-Operative Wheat Producers Limited held in 1933, when wheat was 80 cents?—A. I don't know, sir.

Q. Do you know if they had any?—A. They would have large stocks all the time.

Q. Your point is that the price went away above 80 cents and when the price went above 80 cents in effect the advance indicated wheat was being held and not sold?—A. Yes.

Q. I have here Mr. Evans's statement on prices for July, 1933. Would you just give us the trend in prices so that we can put them on the record? What would be the futures which were being dealt in at that time, July, October, December or May or all of them?—A. This is for the month of July.

Q. July, 1933?—A. July and October would be the active months.

Q. Futures would be fixed when those dealings were being conducted?—A. Yes.

Q. According to that, what were the prices in July, for July futures?—A. Well, they are quoted here, high, low and closed.

Q. Take the closing price?—A. Closed at  $79\frac{1}{8}$ .

The CHAIRMAN: No. 1 Northern?

The WITNESS: That is July.

*By Hon. Mr. Ralston:*

Q. The Chairman asked you if these are No. 1 Northern prices?—A. No. 1 Northern July futures.

Q. The closing prices on July 1st or July 2nd was what?

The CHAIRMAN: July 3rd.

The WITNESS: The first business day in July was July 3rd.

*By Hon. Mr. Ralston:*

Q. The market closed at  $79\frac{1}{8}$ . Did it continue to advance or were there recessions?—A. July 6th,  $79\frac{7}{8}$ .

Q. Yes?—A. Then the market kept advancing quite sharply.

Q. Until when, and up to what price?—A. Up to July 18th when it was 94 cents.

Q. Up to July 18, when it was 94 cents. The point that you made to the Chairman was that it was an opportunity to dispose of considerable wheat, was it?—A. Yes.

Q. Yes, and if November wheat had been let go it would have prevented that toy balloon, as you called it, namely that arbitrary inflation; is that so?—A. Yes.

Q. Then from July 18 up to July 31, how did the market go?—A. From 94 cents on July 18, it declined to 79 cents on July 31.

The CHAIRMAN: It was  $76\frac{1}{4}$  on the 24th.

*By Hon. Mr. Ralston:*

Q. The Chairman says it was  $76\frac{1}{4}$  on the 24th?—A. Yes, it was  $76\frac{1}{4}$  on the 24th.

Q. Those are the prices for July futures?

The CHAIRMAN:  $73\frac{3}{8}$  on the 22nd.

*By Hon. Mr. Ralston:*

Q. The Chairman says it was  $73\frac{3}{8}$  on the 22nd. What was the low point in July? Give us the date and the price?—A. It looks to me like July 22nd.

Q. What was the price?—A. Closed at 72 cents.

Q. You say at the end of July it was what?—A. At the end of July it closed at 79 cents.

Q. Just take October futures so the record will be complete. What was the closing price on July 3 for October futures?

The CHAIRMAN: What date?

Hon. Mr. RALSTON: July 3.

The WITNESS: On July 3 October closed at  $81\frac{3}{4}$  to  $\frac{7}{8}$ .

*By Hon. Mr. Ralston:*

Q. On July 3, October closed at  $81\frac{3}{4}$  to  $\frac{7}{8}$ . Did it rise from that point?

The CHAIRMAN: It reached a high point on the 18, I think.

The WITNESS: It rose fairly steadily. It rose to July 18, when it was  $96\frac{5}{8}$  to  $\frac{3}{4}$ .

*By Hon. Mr. Ralston:*

Q.  $96\frac{5}{8}$ , yes. Then what happened?—A. Then it declined. It declined to  $75\frac{3}{4}$  to  $76\frac{1}{4}$ .

Q. On what date?—A. On July 22.

Q. On July 22, yes. Then what was the movement for the balance of the month—the movement of the prices?—A. The market firmed up again to July 27, when it was  $90\frac{1}{8}$  to  $\frac{1}{4}$  and closed on July 31, at 80 cents.

Q. At 80 cents?—A. Yes.

Q. Just one figure more. The Chairman mentioned it went over a dollar. I looked for that and I think it must be for May futures?—A. May futures.

Q. May futures went to what? Look at the closing prices. They went to the high on the opening of what? What is that, what date?—A. On July 18.

Q. What price, 104?—A. May touched 104 and closed at  $102\frac{1}{2}$ .

Q. Would there be dealing in Mays then?—A. The bigger trade would be in the October then.

Q. You said also in this same passage that "It certainly would not seem to me sound merchandizing to refuse to sell in 1934 and 1935 at 80 cents and actually to buy at higher prices." On what do you base that suggestion, that there were higher prices than 80 cents?—A. Well, it was generally observed in the pit that the control were buying wheat well up in the 80's.

Q. By the control you mean Canadian Co-operative Wheat Producers Limited?—A. Yes.

The CHAIRMAN: What month is he referring to?

*By Hon. Mr. Ralston:*

Q. What month are you referring to? You are referring to the time that the pool came in in 1933?—A. No.

The CHAIRMAN: I thought he was referring to another time. That is the reason I asked.

The WITNESS: Would you ask that question again.

*By Hon. Mr. Ralston:*

Q. Yes. I am taking that passage in your statement at page 3. You say, "If that was good policy it certainly would not seem to me sound merchandizing to refuse to sell in 1934 and 1935 at 80 cents and actually to buy at higher prices." I am asking what your authority is for the last suggestion, namely that there were purchases at higher prices than 80 cents?—A. What I would like to make clear is that you were talking about 1933.

Q. Yes?—A. And in this paragraph of my statement I am referring to 1934—October, 1934.

Q. All right. Now tell us what operations you refer to in October, 1934, which lead you to conclude that there were actual purchases made at higher prices than 80 cents?—A. Well, it was generally observable in the pit that the Canadian Co-operative Wheat Producers were supporting the market at higher levels.

Q. At higher levels than 80 cents?—A. Yes.

Q. Were they making purchases in any quantity?—A. That was the thought, in quite large quantities. I was in Europe at the time. I didn't see this business going on myself, but that was the general understanding in the trade.

The CHAIRMAN: If you look at the figures, you will see that wheat was only above 80 cents on one day in October, 1934—two days I think it is.

Hon. Mr. RALSTON: The Chairman points out that according to his figures wheat was only above 80 cents two days in October.

The CHAIRMAN: Yes, there is a fraction of a quarter and an eighth.

*By Hon. Mr. Ralston:*

Q. There are the prices in October, 1934 (showing)?—A. Yes, but I am referring not to the month of October, but to the October futures.

Q. I beg your pardon?—A. I am referring to October futures.

Q. What dates are you referring to on which those October futures were purchased at prices higher than 80 cents?—A. Well, I think there was a lot of them bought at 87 cents, but I don't know what date that was.

The CHAIRMAN: If it is the month of October, Mr. Ralston, you will observe that October 1st was 81 and the 31st was 74½.

Hon. Mr. RALSTON: Yes, I am referring the witness to his statement in his brief, and I just want to see what support he has for that statement.

The CHAIRMAN: Yes, quite so.

Hon. Mr. RALSTON: He said, as I understand it, that he was referring to dealing in October futures.

The WITNESS: Yes.

*By Hon. Mr. Ralston:*

Q. I am asking when those dealings took place at which purchases were made by Canadian Co-operative Wheat Producers Limited at 87?—A. What I say about the October applies equally to the May.

Q. But when were the purchases made?—A. I beg your pardon?

Q. When were the purchases made that you refer to in that statement?—A. July, 1934.

Q. I notice in July, 1934, that the price of Octobers went from 77½ on July 3rd, 1934, to 87½ on July 31st, 1934. Is that the month in which you say purchases were made above 80?

The CHAIRMAN: In the month of August also they were above 80, Octobers were.

The WITNESS: Yes.

*By Hon. Mr. Ralston:*

Q. Is that the month?—A. There are purchases here, I would say, above 80 cents.

Q. I mean, by the control, as you call it; by Canadian Co-operative Wheat Producers?—A. The point that I am making here is that October wheat was held at a price, that when the peg was put in at 80 cents on October 1st, it interfered with the volume of business that we were doing and interfered with the wheat trade in Manitoba wheat, the free export of Manitoba wheat, and that the buyers backed away from it and we lost a lot of business. That peg was carried into May and carried on into July.

*By the Chairman:*

Q. You say, "peg"?—A. I beg your pardon?

Q. In October, 1934, December wheat closed at 75?—A. Yes, but that is a different story. December was pegged at 75, if I recall it right, and May at 80 and the following July at 81½.

Q. May was selling at 79½ on the closing day and October spot was 74½; those are the figures that I am reading from this for No. 1. Are those the ones you have, Mr. Ralston?

Hon. Mr. RALSTON: For what date?

The CHAIRMAN: October, 1934, what he has just referred to.

Hon. Mr. RALSTON: I have not October. I have July. I handed him the price of Octobers.

The WITNESS: On October 1st there was a peg put in on October wheat at 80 cents. You could not trade in October wheat at under 80 cents.

The CHAIRMAN: I do not wish to interrupt you, Mr. Richardson, but there is a list here in front of me which shows that up until the end of the month October closed at 74½.

Hon. Mr. RALSTON: The chairman is referring to October prices—prices in October.

The CHAIRMAN: It was 80 on the 9th and 10th—on the 10th and 11th; from that time on it never touched 80 cents and went to 74½. I just direct your attention to that.

The WITNESS: Well, I will have to check the date of that. I thought the peg was October 1st.

*By Hon. Mr. Ralston:*

Q. What year, 1934?—A. 1934.

Q. Can you tell me— —A. I thought the peg—whatever time that peg was put in—I thought it was October 1st.

Q. What I am interested in is your statement.—A. If the peg was put in on October 1st, wheat could not have been sold below that after that time. If I am wrong in my date of October 1st, then it applies from the time the peg went in.

Q. But I am interested in your statement that there were actual purchases by the control at higher prices above 80 cents. I am asking you when that was. I am not asking exactly, but as I understand it, the trade can tell when control intervenes.

The CHAIRMAN: Since you will have the best evidence on that point, this is secondary.

The WITNESS: I am at a disadvantage.

Hon. Mr. RALSTON: What did you say, Mr. Chairman?

The CHAIRMAN: I said, since you will have the best evidence on that point, this is secondary.

Hon. Mr. RALSTON: I know, but he has got a statement here.

The CHAIRMAN: Yes, I know that. I quite appreciate that.

The WITNESS: I didn't have the advantage of keeping the pool books, so all I can say is what was general observation of everybody in the business, that the market was being supported at values well above 80 cents.

*By Hon. Mr. Ralston:*

Q. Do you know when that was? That is all I am asking?—A. I will have to refer you to the record for that. I cannot tell you off hand, but I know that a peg was put in—

Q. You say it was in 1934?—A. —at a price which prevented us from doing business.

Q. As I understand it, according to your next page, you say, "We ran into two short crops in 1933 and 1934 and we should have taken advantage of the situation to sell our wheat."—A. I am referring to the fact that the sharp advance in prices interfered with the business we should have had; that we had people interested in buying wheat, they wanted to buy wheat but they followed the market a little way and then they didn't buy what they would have taken. They shopped elsewhere.

Q. In other words, your reason for saying that the buying volume—that we did not sell our wheat in those years is the fact that the high prices were permitted to prevail?—A. Yes.

Q. Indicating that somebody was holding and not selling?—A. Yes.

Q. And that somebody was the Canadian Co-Operative Wheat Producers Limited?—A. Yes.

Q. You say on page 4 also that we should—I am talking about the 4th paragraph, where you refer to 180,000,000 to 280,000,000 bushels of carry-over.

You say, "under these conditions we should be making every effort to sell our wheat even although we have to shade the price." Do you mean at the present time?—A. Yes, sir; we should have done it long ago.

Q. What?—A. We should have done it long ago.

Q. Do you say that there is not an effort, I mean a determined effort, being made to sell our wheat at the present time?—A. Well, that is, no determined effort being made by exporters to sell it at prevailing prices; it is a very spiritless effort, we are not doing the business that we should be.

Q. Why is it spiritless?—A. Because the price is too high, and because the buyer abroad resents the "peg," and tries to get along with taking as little as he can. As a matter of fact, I think there is a lot of home-grown wheat in countries of consumption being used by their mills that if they could buy Manitoba wheat a little cheaper they would do so, and these lower grades of wheat would disappear, they would be fed, or used for other purposes.

Q. On page 5 you say: "if the peg had never been put on, and some elasticity permitted, then I am satisfied we would this year have had no serious carry-over of wheat." The Chairman made reference to this statement. What do you mean by more elasticity, that is an elastic word?—A. Well, I mean to say that the buyer and the seller have to get together, and we hold wheat often two or three cents above the limits now common; we would have done a larger business.

*By Hon. Mr. Stewart:*

Q. Mr. Richardson, if you had accepted two or three cents less would you have sold wheat?—A. Yes, we could have sold wheat at two or three cents less, I am satisfied. At 75 cents we would not have done a big business last fall, but we would do a big business now at 75 cents.

*By the Chairman:*

Q. Do you know that the biggest buyers of wheat in the world made an offer, and the price offered wasn't one-half of what you mentioned; the biggest single buyers in Great Britain—that was last fall?

Hon. Mr. RALSTON: You would not expect a buyer to make any higher offer than that.

The CHAIRMAN: Their offer, according to him; fixing the price.

Hon. Mr. RALSTON: The question is, what did we offer it to them for?

Hon. Mr. STEWART: Was that the Producers' Grain; to take all their wheat?

The CHAIRMAN: No. There as an importation of only 200,000,000 in Great Britain—including, from all countries.

Hon. Mr. STEWART: Was it for any quantity.

The CHAIRMAN: Not specifically, as I understand it.

The WITNESS: I think I know what you refer to there; I think we had the same people as Mr. McFarland; from the English market.

The CHAIRMAN: They had a man come out here.

The WITNESS: That was an estimate for a round lot, I don't think that meant anything.

The CHAIRMAN: I see.

Hon. Mr. RALSTON: Do you know whether he quoted a price to them?

The CHAIRMAN: They were making a price to him.

Hon. Mr. RALSTON: Did he make a counter offer?

The WITNESS: I would not want to take their price if there was any competition; that is just what you would be up against. I would not leave it to one miller to fix the price at what he thought he ought to buy the wheat at. I am sure there could have been large quantities of wheat sold.

*By Hon. Mr. Ralston:*

Q. You say, at page 6: "For a considerable length of time we held our wheat at 28 to 30 cents over Argentina Rosafe and at the same time made it generally known that we were not going to reduce our prices"; now, what do you say is the normal spread between Argentine Rosafe and our No. 2, having regard to quality and having regard to this 6 cents bonus?—A. There would be some variation in the difference in value between these two wheats from year to year, depending on the quality of the Rosafe, which has a fair average quality—one year is better than another; but the mills abroad say that they would buy Manitoba wheat at a 10 cent premium over Rosafe.

*By the Chairman:*

Q. That is, including the 6 cents?—A. I beg your pardon?

Q. Does that include the 6 cents bonus?—A. That 6 cents is in addition.

Q. That 6 cents is in addition, that means 16 cents?—A. They claim it is intrinsically worth 10 cents more, and I think if they say it is worth that it probably is; you might be able to do a little better than that, it would depend somewhat from year to year on the character of the wheat competing both from Canada and from the other sections.

*By Hon. Mr. Stewart:*

Q. That means, plus the 6 cents; just so we will have it clear? That means 16 cents?—A. That means 16 cents in Great Britain.

*By Mr. Lucas:*

Q. At page 93 of the evidence, under examination, you made this statement:

"I think we should not let Australia and the Argentine sell so much wheat as they did last year";

would that have meant that we should have entered into a price war with these countries? That is near the top of the page, in the second paragraph?—A. Yes, I know what I said there. I would say we ought to sell our wheat; if we can't get for it over the Argentine, and we can get a sufficient premium, and we have sufficient advantages that we should take our share of the business and not let the Argentine take our place; our position is sounder than that of the Argentine as a wheat exporter for British marketing purposes.

Q. Having lowered our prices, is there any reason to believe that the Argentine would not have lowered her prices to meet competition?—A. Under that argument we would retire from the business altogether, we should go out of wheat; that would mean that the world could get along without any wheat from Canada.

*By Mr. Vallance:*

Q. You suggest that we should have established a marketing agency to meet the situation?—A. If we had been selling at 70 cents we would have sold more wheat.

*By the Chairman:*

Q. They sold at 51 cents and 54 cents in 1934?—A. But we could have got a premium for our wheat.

Q. They sold at 60 cents and they sold at 58 cents?

*By Hon. Mr. Ralston:*

Q. Has it been the experience, Mr. Richardson, that the Argentine always drops her price the minute we drop ours; has the spread between the Argentine and Canada not been very much less than even that 16 cents, and still we have sold our wheat?—A. Yes, we have at times sold our wheat at closer spreads than that.

Q. What?—A. We have at times sold our wheat at closer spreads than that.

Q. Experience has not been always that the Argentine has dropped in order to maintain that normal spread, has it?—A. In the fall of the year we are entitled to get the bulk of the trade. The Argentine, the Southern hemisphere, is going to sell only a certain amount of wheat after Christmas, and when they are in the market they probably get the bigger end of the business; more recently they have been competing with us all the year round.

Q. Am I correct in suggesting that the Argentine does not drop her price every time we drop ours, in order to maintain the spread?—A. There never was a time in past experience, nothing to indicate that our wheat was worth 30 cents a bushel premium, except when it was very scarce and people wanted it for blending purposes—somebody with a particular brand of flour who was going to keep that brand on the market might want Manitoba wheat and he might find it a little scarce when he came to take his requirements of Manitoba—there have been times when it sold at a high premium, but intrinsically, if we are going to supply our wheat at the basic source of supply I do not think we can hope to get these premiums.

Q. When you mentioned in your memorandum that buyers could not be found who were prepared to purchase—put it this way, that Mr. McFarland's agency has naturally failed to take all the country hedges; does that mean that buyers could not be found to take hedges; or does it simply mean that they can only take the hedges at the prices at which the Canadian Wheat Producers Limited are willing to sell?—A. If they are not willing to take them at that price—there has to be a buyer.

Q. Inability to take hedges simply means not caring to buy at the prices offered?—A. Yes.

Q. Now, at page 8 of your memorandum, you spoke of Canada's having an advantage in cost; do you adhere to that?—A. Yes, sir, I believe that.

Q. You believe that Canada has an advantage in the cost of production?—A. I believe that.

*By the Chairman:*

Q. Over the Argentine?—A. Over the Argentine.

*By Hon. Mr. Ralston:*

Q. That is, having regard to the quality of the wheat we produce?—A. Yes, sir. I believe also on the same area of land with the same amount of labour we produce more bushels of wheat than they do at the start off.

*By Mr. Vallance:*

Q. What is the average production there over a period of years, do you know?—A. I think the average here in Canada, the ten-year average, is 15·95.

Q. Well, that is really 16 bushels?—A. The Argentine, six-year average, is 12·33; and for Australia the seven-year average is 11·55 bushels per acre.

*By the Chairman:*

Q. You see, that is the difficulty; you take a ten-year average for one, a seven-year average for another and a six-year average for another; suppose you took the same number of years?—A. Well, I think—

Q. If you are going to try to be fair about it you should take the same number of years at least?—A. These are the only figures I had available. I think a longer period would be more favourable to us because the Australian yield of 11·55 is a good yield for them, they often only have 10, but they have had some good crops recently.

*By Mr. Vallance:*

Q. What years are you giving?—A. For Australia 1926-27 to 1932-33.

*By Hon. Mr. Ralston:*

Q. So you think that comparison is fair?—A. I think this is a fair comparison.

*By Mr. Vallance:*

Q. You say the cost of production is greater in Canada than it is in the Argentine?—A. What is that?

Q. You say that the cost of producing a bushel of wheat in the Argentine is greater than it is in Canada?—A. When you get onto cost of production you can get into quite an argument; but what I say is, on the average acre of land in Western Canada with the same amount of labour—

Q. Do you mean labour cost, or labour?—A. The same amount of work done, we produce more bushels of wheat than they do in the same average area of land in Australia or in the Argentine.

Q. Of course, labour costs enter into it?—A. I am talking about work done, I am not talking about values, just the work.

Q. The energy?—A. The energy, yes.

*By Hon. Mr. Ralston:*

Q. At the bottom of page 9 you say:—

I would sell our crop every year and maintain our markets and connections, but I believe any attempt to do this through a compulsory wheat board will prove disappointing, and I fear disastrous;

What are your reasons for that fear?—A. Well, the psychology of the buyer, for one thing, that he is being held up, that he is not getting his grain at the market. He seems to resent it. A board seems to lack elasticity and so has tied down any resourcefulness in securing business by private interests who are working in other countries; and there would be just an accumulation of wheat.

Q. There has been a good deal of use of this word "speculator"; do you agree with the suggestion of the chairman—if I got it right—that all wheat can be said to be in the hands of speculators until it gets into consumption?—A. Well, of course, it depends on your definition of the term "speculator". That applies to people who put wheat afloat on the ocean out of Vancouver where it takes six weeks to get across they have got to take some risk in the meantime; but that is hedged in the Winnipeg market. Then, there are people that buy wheat abroad afloat, anticipating sale to somebody else. They assume the risk until they have made a sale; they have either got to buy before they sell, or sell before they buy. It is a business in which the element of speculation certainly cannot be eliminated. The people engaged in the trade that want to stay in it try to eliminate speculation. They have so many hazards in the business, they eliminate all those they can.

The CHAIRMAN: You use the word "speculate" in the broad sense; everything is speculation until somebody takes the goods off us.

Mr. VALLANCE: They include the producer too.

Hon. Mr. RALSTON: By the same token the man who puts goods on the shelves of his store would be a speculator.

The CHAIRMAN: Surely.

Hon. Mr. RALSTON: He is more of a speculator than the man who buys wheat, because the man who puts goods on the shelves in his store has no hedge as they have in wheat; is that so?

The WITNESS: Yes.

Hon. Mr. RALSTON: The man who purchases wheat and then sells a future against it has hedged, as we say, or has insured his price.

The WITNESS: Yes, and the man that buys the wheat in Winnipeg may be a hedge against selling the flour on the other side.

The CHAIRMAN: That is the point. It may be a hedge against sales in the Argentine. If you once deal in futures in the Winnipeg Exchange you may deal with futures that affect Argentine wheat.

Mr. VALLANCE: That is not peculiar to Winnipeg.

The CHAIRMAN: There are no futures in Australia.

Mr. VALLANCE: There are other markets where there are futures.

The CHAIRMAN: There was one in Chicago for a while until Congress went after it.

*By Mr. Lucas:*

Q. Coming back to your statement that we should not have allowed the Argentine and Australia to sell so much wheat last year, do you mean to say that if we had sold more Argentine would not have sold so much?—A. I certainly do.

Q. What difference would that have made in regard to world surpluses?—A. It would have made a very great deal of difference.

Q. Would not Argentine have had a greater carry-over?—A. One of the greatest fallacies in the world is this pool idea that it does not matter where the wheat is. It makes all the difference in the world where the wheat is. The wheat wants to be carried over as much as possible back on the farm and fed into the market. If all the surplus wheat in the world is spread all over the world there is no hold on the limit, but if we pile up all our wheat in the elevators under interest and storage charges and let the other fellow rush his wheat from the threshing machine and fill up that order of the customer, then the weight of our wheat is going to bring our prices down. That is inevitable. It is absolute nonsense to say that if we let the other fellow sell the wheat it is all right because there will be that much less wheat to compete with later on. That would be all right if the other fellow was not growing a new crop all the time he is selling his wheat. Now, if we are going to worry about what is going to happen to the producers of other countries we are soon going to have no market for our own producers. I think that is sure.

Q. The trade knows pretty well what the surpluses are—whether the surplus is on the farm or in the elevator?—A. It is very different where it is. If they want to buy wheat next week they cannot buy something that is away back on the farm; they do not know whether that fellow is going to draw it out at the price. There is a lot of wheat that should go for feed purposes. The mills all want our hard Manitoba wheat; they want it, and they have been cutting down their grind. They want our Manitoba wheat, but if they get their back up a little bit they can buy local wheat and substitute it for our wheat, and then we wonder what is happening to the market. See the world shipments. You say you could not have got any more, but the world shipments would have been bigger if the wheat had been consumed in those consuming countries. Those people substituted low grade wheat that should have been feed and took the Manitoba wheat out of their grind.

Q. So far as the world's surplus is concerned, it would have remained about the same. It may have been divided more equally among the different exporting countries, but in the final analysis the surplus would have remained the same?—A. No, some of this wheat would have been fed to hogs and cattle, and the Manitoba wheat would have gone where it belonged, into human consumption, in the flour barrel.

Hon. Mr. STEWART: You have been making that observation; have you any correspondence of any sort in your possession that would indicate that that is true? That statement is very interesting.

Mr. VALLANCE: You say on page three of your brief: "I have evidence in my files which I am prepared to produce to prove that the pool organizations were built up on such promises."

Hon. Mr. STEWART: That is not my question.

Mr. VALLANCE: One leads into the other.

Hon. Mr. STEWART: I am interested in the selling end—in the sales you said might have been made. That is the point.

The WITNESS: I think I have two or three letters here. I asked my office in Montreal to send me up two or three typical letters from any one of their files to support the statement I had made in case I was asked for that information. I have here a letter dated February 9, 1935, from G. L. Stuyck & Co., Antwerp. Mr. Stuyck says:—

... we notice that all our principal millers admit that they are no longer in a position to use Manitobas in their grist, in the same proportion as they have done in recent years, on account of the high price of these wheats, and that, in order to meet competition, as far as flour is concerned, they must use the cheaper class of wheats in a much larger proportion.

*By the Chairman:*

Q. You see that is exactly the position Mr. Lucas was taking—in order to meet competition of cheaper flour—France is exporting flour to the United States and the Balkan countries?—A. "Consequently, as long as your government maintains this policy of high prices, Canadian wheats will be used very sparingly and our millers will pay particular attention to the lower grades."

Mr. LUCAS: There is nothing about feed.

The WITNESS: They are using low grades because they do not want Manitobas.

Hon. Mr. RALSTON: You mean that the low grades would go into feed if the high grades were available to them?

The WITNESS: He wants to use the Manitoba wheat.

The CHAIRMAN: Read that letter again. You see they have to meet competition of the cheaper flour. Just read that portion again.

The WITNESS: He said: "... we notice that all our principal millers admit that they are no longer in a position to use Manitobas in their grist, in the same proportion as they have done in recent years, on account of the high price of these wheats, and that, in order to meet competition, as far as flour is concerned, they must use the cheaper class of wheats in a much larger proportion."

*By the Chairman:*

Q. Now: "In order to meet the competition in cheaper flour" they must use the wheat they do; if they can get Manitoba wheat at the same price they would use it?—A. No. They pay a premium for Manitoba wheat: "Con-

sequently, as long as your government maintains this policy of high prices, Canadian wheats will be used very sparingly and our millers will pay particular attention to the lower grades."

Q. Quite so. Now, you know perfectly well that in Antwerp, which is the commercial port of Belgium and supplies the interior European countries—it is the port through which wheat goes to the interior European countries—they have to meet the competition of French flour; you are aware of that; you found that out yourself in London, did you now?—A. These mills all are very anxious to use our wheat.

Q. Never mind that for a moment. You know something about this competition; just answer that; direct your attention to that. Direct your attention to this: Is not the competition of French flour in the English market compelling the Englishman to sell his flour cheaper, and is not that the complaint the competition of the French flour?—A. I think that is complained of.

Q. Yes, it is; and on the continent of Europe. The cheap flour of France and of other countries that have been subsidizing wheat have made it impossible to utilize Manitoba wheat unless they can buy it at substantially the same price they buy other wheat?—A. I do not agree with that.

Q. That is what he says about the competition of cheap flour.

Hon. Mr. RALSTON: No.

The WITNESS: I say that France through this controlling policy has got a lot of wheat on her hands that creates a problem, and they have dumped it. The flour and wheat they have sold, of course, has been very cheap, and that has filled a hole.

*By the Chairman:*

Q. France has about one hundred million bushels of wheat and flour altogether, has she not—the accumulation in France?—A. Yes, I think so—about one hundred million.

Q. And they were offering the flour in London at what price?—A. I could not say.

Q. You know when you were there in September last?—A. I know there was some cheap flour and wheat sold, and I know also that there has been some French wheat brought over to England and milled that I do not think they would have milled if the mills could have got our wheat five or ten cents cheaper.

Q. Did they not bring the French wheat over and mill it for the purpose of competing with the same French flour that was sent into their market? That was the reason; you must know it as well as I. That has nothing to do with my views; these are the facts?—A. The French flour and wheat was a disturbing factor here while Italy has taken a lot of it off the market as well as Germany.

Q. Quite so; and part of the interior of Europe has been satisfied by the Danubian countries. That is a fact, is it not?—A. Yes, sir. I have been looking into this correspondence for further confirmation of what I was saying. Here is a letter dated the 10th of May, 1935:—

Some weeks ago, most of our mills were still using Manitobas in the proportion of about 25 per cent, some even 30 per cent, but it becomes evident that quite a number of our mills are now using only about 15 per cent of Canadian wheat. It goes without saying that if Manitobas were obtainable at prices which would be considered in line with Plates, our mills would be only too glad to use a large proportion of Canadian, as in former years, and if the Canadian government changes his policy in allowing Manitobas to be secured at more reasonable rates, it will no doubt improve trading. . . .

Q. Now, I do not think anyone questions that: if they can buy it at prices they consider to be in line with Argentine wheat they prefer it.—A. “. . . and if the Canadian government changes his policy in allowing Manitobas to be secured at more reasonable rates, it will no doubt improve trading.”

Hon. Mr. RALSTON: In line with what?

The WITNESS: More in line with Argéntine values.

Hon. Mr. RALSTON: What does that mean? Does it mean the same price?

The WITNESS: It means on account of the relative values.

Hon. Mr. STEWART: In your opinion that meant about 3 cents below prevailing prices.

The WITNESS: We think our wheat at the present time is worth intrinsically ten cents more.

Hon. Mr. STEWART: That wasn't just my question. I understood you to say that a drop in the prevailing prices around the 80 cent level—that two or three cents would have sold this wheat.

The CHAIRMAN: Oh, no.

The WITNESS: Oh, you have a market that is taking wheat. Now, just how much that market will absorb at a certain level nobody can say absolutely; but I say there was a lot of business—two or three cents different and we would have picked up a little additional business.

Hon. Mr. STEWART: I beg your pardon?

The WITNESS: I think I made a wide range when I said 70 to 85 cents. I think I am safe in saying that. I do not think there is any doubt about it.

Hon. Mr. STEWART: Taking these letters you have just read to us as being typical, how much of a drop would you say?

The CHAIRMAN: They are both from the same man.

The WITNESS: This letter was to me. It is typical. We picked out this file. It is typical of what we have been receiving.

*By Hon. Mr. Stewart:*

Q. What I want to get at is this: These letters are typical of other millers who were buying Canadian wheat and who now are not buying it?—A. Yes.

Q. How much of a drop in price would have held that business for Canada, in your opinion?—A. I think we would have done a very big trade if we had kept our wheat at 75 cents?

Q. You mean through this season?—A. Yes, around that level.

*By Hon. Mr. Ralston:*

Q. You spoke of a 10 cent crop; to what Canadian grade do you refer?—A. I think probably it would be all right to compare it to our No. 2 Northern, or you might have to compare it to our No. 1 on that basis.

*By Hon. Mr. Stewart:*

Q. Mr. Richardson, I hardly agree with your opinion about the cost of raising wheat. However, we will not discuss that?—A. I have not advocated any cost of growing wheat, except, I say, I am told by—all I say is what I am told by others.

Q. You said 40 cents in your opinion would be the minimum. That is what you told us?—A. I never said that, I was asked for an opinion. I said I did not know, but people who should be competent said that with 40 cents on the farm they could get by. That is all. I know wheat of 10 bushels or 20 or 30 makes a lot of difference.

Q. Exactly, it makes all the difference in the world. Our average is 15 bushels or practically 16 bushels, and it is my opinion that 40 cents is away too low. We may differ, but this is not just what I want to get from you, Mr. Richardson. As I understand your evidence, generally you have no objection to a board having the right to stabilize prices, minimum prices, if we want to put it that way?—A. No, sir.

Q. That is, to the producers. You would have no objection to a board set up for that purpose and with power to purchase from the producers grain if it went below minimum prices?—A. No.

Q. You would have serious objection to giving the board full control of the market, complete control?—A. I would, yes.

Q. That is all I want to know.

*By the Chairman:*

Q. I have just one question. I want to correct your statement in respect to prices of Argentine wheat. I have Bloomhall's statement on Liverpool prices in cents per bushel from February, 1931, to date. I presume you have the same in your file. No. 2 Northern was quoted on the 2nd of February, 1931, in Canada, at 74 cents; Argentine at 59½. It rose to 77½ on the 7th February and Argentine was then 61½. Now, you will observe there is a difference there of 15 cents, no preference there at that time.

Hon. Mr. RALSTON: What year?

The CHAIRMAN: 1931. You have the figures, there. I put some of them on Hansard. Then, on the 11th of February, wheat rose to 83½ cents, and Argentine was 66, a spread of 17 cents without a preference. At the end of month, February, 1931, it closed at 76½ for No. 2, 62½; you will observe a spread there of a little over 14 cents without a preference. In March the Argentine was lowering its prices from what it was before the end of that date. At the opening date the price for Argentine wheat was 61½ as against 76½, Canadian No. 2. The price was reduced to 60½ on the 7th of March as against ours of 75½. It then closed on the 31st March at 74 in Canada against 58¾, still a difference of 15¼. In April, prices began at 74 cents in Canada, as against 59½ in the Argentine. Wheat rose in the Argentine and closed at the end of the month at 66½ as against 75½. The spread then, as you will observe, was 9½ cents a bushel.

Hon. Mr. RALSTON: Is there anything to show our exports at that time?

The CHAIRMAN: They can be produced.

Hon. Mr. RALSTON: They are not in that statement?

The CHAIRMAN: No. In May the price opened with a spread of 10 cents, 76¼ as against 66½. The price reached 77½ on the 12th as against 65¼. On the 30th of May it closed at 70½, No. 2 Northern as against 61½ Argentine Rosafe. There was no control at this time of any kind. On June 1st, 1931, No. 2 Canadian Northern opened at 70¼ and Argentine was 61½. Then, at the end of the month Canadian No. 2 Northern was 73½ and Argentine 63¼, a difference of 10 cents. In July, 1931, the opening price was Canadian No. 2 Northern 70½, Argentine 61; it closed with Canadian wheat having fallen to 64¾ and the Argentine to 56¾, a spread of 8 cents. In August, 1931, the price opened at 63¾ as against 55½; the closing price was 63½ for Canadian No. 2 Northern as against 55½ Argentine, a difference of a little over 8 cents. In September the opening for Canadian No. 2 Northern was 63½ as against 54½. At the end of September the closing price was 64½ Canadian as against 55 Argentine. The balance for the month of September after the 23rd, is not reported because of fluctuations in exchange. In October, Canadian No. 2 Northern opened at 66½, Argentine 56¾. The spread is, as you will see, 10 cents. Then wheat rose in

Canada. On the 31st of October it was 80. That is a rise in October wheat, 1931, Mr. Richardson, of nearly 14 cents. The Argentine maintained theirs at 70, a spread of 10 cents. November opened at  $81\frac{3}{8}$  in Canada as against  $71\frac{1}{2}$ , still a difference of 10 cents. It closed that month at  $71\frac{1}{4}$  as against  $63\frac{3}{4}$ , the spread becoming less. In December, 1931, Canadian No. 2 Northern opened at  $72\frac{3}{4}$  as against  $65\frac{5}{8}$  Argentine. At the close of the month of December, 1931, wheat had fallen again. Canadian No. 2 Northern had fallen to  $74\frac{1}{2}$  as against  $63\frac{1}{4}$  Argentine, a spread of 11 cents. From then on I have figures both for the Atlantic and Pacific seaboard, because there is a difference between Atlantic and Pacific seaboard. On the 4th of January, 1932, No. 2 Canadian Northern opened at 75 cents on the Atlantic seaboard, Vancouver  $73\frac{1}{8}$ , Argentine 64. There is a spread of 11 cents. In the middle of the month of January, for instance, the 19th, the price on the Atlantic was  $76\frac{5}{8}$ , at Vancouver  $72\frac{7}{8}$  and the Argentine  $66\frac{3}{8}$ . It closed at  $74\frac{3}{4}$  on the Atlantic, 71 at Vancouver and  $59\frac{1}{4}$  for Argentine. February opened  $75\frac{3}{8}$  Atlantic, 71 Vancouver,  $51\frac{1}{4}$  Argentine. Take the middle of the month, the 15th and you will find the price  $79\frac{5}{8}$  Atlantic,  $77\frac{1}{8}$  Vancouver,  $65\frac{3}{8}$  Argentine. At the close of the month the price had risen. On the 29th February the price was  $81\frac{1}{4}$  Atlantic,  $79\frac{3}{8}$  Vancouver,  $66\frac{1}{2}$  Argentine. There is a spread as you will observe, of something over 15 cents between the Argentine and the Atlantic. In March the price opened at  $80\frac{1}{4}$  Atlantic,  $78\frac{5}{8}$  Vancouver,  $65\frac{7}{8}$  Argentine. In the middle of the month the Atlantic price was  $79\frac{5}{8}$ , Vancouver  $77\frac{3}{8}$  and Argentine  $64\frac{1}{8}$ . That is for the 15th of March. On the 14th of March the price was  $81\frac{1}{8}$  Atlantic,  $78\frac{5}{8}$  Vancouver,  $64\frac{3}{4}$  Argentine.

Hon. Mr. RALSTON: Control was on then. The Canadian Co-Operative Wheat Producers Limited was operating then.

The CHAIRMAN: Yes. We went into the year with a carry-over of 127,000,000 bushels over 1930.

Hon. Mr. RALSTON: I think the amount taken over was about 75,000,000 bushels.

The CHAIRMAN: By the Canadian Co-Operative, but stabilization did not begin until June, 1932.

Hon. Mr. RALSTON: Purchases.

The CHAIRMAN: Yes; that was the evidence given by McFarland. He purchased no wheat until June, 1932.

Hon. Mr. RALSTON: He held the wheat he had on hand.

The CHAIRMAN: He had been selling some. In March, 1932, the closing price was Atlantic  $76\frac{3}{8}$ , Vancouver  $73\frac{1}{8}$ , Argentine  $61\frac{3}{8}$ . There is a difference of 15 cents between the Argentine and the Atlantic ports, and with the other ports there is 11 and a fraction. On April 1st, Canadian wheat opened at  $76\frac{3}{4}$  Atlantic,  $73\frac{1}{8}$  Vancouver, 62 Argentine. On the 15th of the month the price was 79 Atlantic,  $75\frac{1}{8}$  Vancouver, 67 Argentine. At the close of the month, the 30th, the price was  $71\frac{1}{8}$  Atlantic,  $70\frac{3}{8}$  Vancouver,  $63\frac{1}{4}$  Argentine. On the 2nd of May the price opened at  $70\frac{1}{4}$  Atlantic,  $69\frac{5}{8}$  Pacific,  $62\frac{3}{8}$  Argentine. On the 15th of the month there is no quotation. On the 17th the quotation was Atlantic  $73\frac{1}{4}$ , Vancouver 72, Argentine  $66\frac{3}{4}$ . At the close of the month quotations were  $72\frac{1}{2}$  Atlantic,  $70\frac{7}{8}$  Vancouver,  $68\frac{1}{2}$  Argentine. You will notice the price of  $68\frac{1}{2}$  cents for the Argentine is 4 cents below the Atlantic price and 2 and a fraction below the Vancouver price. Then, navigation opened. The quotation on the opening day of June was  $71\frac{3}{4}$  Atlantic,  $70\frac{1}{2}$  Vancouver,  $67\frac{7}{8}$  Argentine. The spread is slightly different, being less than 4 cents. On the 15th of June the opening price was,  $63\frac{5}{8}$  Atlantic,  $63\frac{5}{8}$  Vancouver,  $61\frac{5}{8}$  Argentine, a difference of exactly 2 cents.

Hon. Mr. RALSTON: It seems to me these figures indicate that the Argentine did not drop its price to maintain the spread.

The CHAIRMAN: I am going to show that it did; that is the point exactly.

Hon. Mr. RALSTON: They have not, so far.

The CHAIRMAN: On June 30, the price was  $62\frac{3}{4}$  Atlantic,  $62\frac{1}{8}$  Vancouver,  $63\frac{5}{8}$  Argentine. On July 1, the price was  $62\frac{3}{4}$  Atlantic,  $62\frac{1}{8}$  Vancouver, 63 Argentine. On July 30 it closed at  $65\frac{5}{8}$  Atlantic, 67 Vancouver,  $65\frac{1}{2}$  Argentine. August opened at  $68\frac{1}{8}$  Atlantic,  $66\frac{1}{2}$  Vancouver, 65 Argentine; the 15th of the month the price was  $67\frac{1}{2}$  Atlantic,  $67\frac{1}{2}$  Vancouver,  $66\frac{1}{4}$  Argentine. At the close of the month the price was  $66\frac{3}{8}$  Atlantic,  $66\frac{1}{8}$  Vancouver,  $65\frac{1}{2}$  Argentine. On September 1, the price was  $65\frac{1}{2}$  Atlantic,  $65\frac{1}{8}$  Vancouver,  $64\frac{3}{8}$  Argentine. On the 15th the price was  $62\frac{5}{8}$  Atlantic,  $61\frac{7}{8}$  Vancouver,  $64\frac{3}{4}$  Argentine. At the close of September the price was  $62\frac{3}{8}$  Atlantic, 62 Vancouver,  $64\frac{1}{8}$  Argentine. On October 1 the price opened at  $62\frac{1}{2}$  Atlantic,  $61\frac{3}{4}$  Vancouver,  $64\frac{1}{4}$  Argentine. On October 15, the price was  $60\frac{3}{4}$  Atlantic,  $59\frac{3}{8}$  Vancouver and no quotation for the Argentine until October 19. On that day the price was  $61\frac{1}{8}$  Atlantic,  $59\frac{5}{8}$  Vancouver,  $59\frac{3}{8}$  Argentine. The point is that Canada was lowering its prices with the Argentine prices, Mr. Richardson, and the carry-over still increased.

The WITNESS: I do not think—

Hon. Mr. RALSTON: Argentine was not lowering its prices.

The CHAIRMAN: Canada lowered its prices to meet the Argentine.

The WITNESS: That does not stand as a correction of anything I have said, though.

*By the Chairman:*

Q. I think you will see the significance of it?—A. I say what we have done is we have missed the boat and let the other fellow get filled up.

Q. I am talking about 1932 now?—A. All right. As far as I am concerned I am not criticizing 1932. All I have got to say is we have had short crops in 1933 and 1934. In 1933 and 1934 we only raised in two years about as much as we raised in 1928, when the world situation was greatly improving and reduced our world surplus 285,000,000 bushels. We had a better market than we had. There was a better world market available than there was a year ago. But during the period of the year when we should have been doing a big business, we held our premiums too high; and any of these premiums that are taken, they must be read in conjunction with the amount of business passing.

Q. I gave you 1931?—A. They have got to be read in conjunction with the volume of business passing.

Q. I have given you 1931 up to October. The last quotation with the premium on was on the 28th October,  $59\frac{5}{8}$  at the Atlantic ports,  $58\frac{1}{8}$  at the Pacific and 59 for Argentine. They are holding their prices up?—A. We were getting our share of the world's market at that time.

Q. But we were accumulating a surplus. That is the point I am making?—We were selling wheat.

Q. Exactly; but we were not selling it in quantities to take care of the production.

Hon. Mr. RALSTON: We had a tremendous crop in 1932.

The WITNESS: We had a big crop, a big carry-over. The way we were dealing with it was getting rid of it.

*By the Chairman:*

Q. There was no holding up of the price; but Argentine was holding up her price, and apparently got it. Look at what Argentine is. On November 3,  $58\frac{5}{8}$  Atlantic,  $57\frac{3}{8}$  Pacific and  $52\frac{3}{8}$  Argentine. The last quotation of Argentine before the end of the month was 59, going to  $52\frac{3}{8}$ . I see our people were offering wheat at  $60\frac{1}{2}$ , Atlantic, 60 Pacific, and it was  $55\frac{3}{4}$  for Argentine; at the middle of the month the quotation is  $59\frac{5}{8}$  Atlantic,  $59\frac{5}{8}$  Pacific and  $56\frac{7}{8}$  Atlantic, giving a 3 cents differ-

ence there. We close the month, the 30th November with  $59\frac{7}{8}$  Atlantic,  $59\frac{7}{8}$  Pacific and  $57\frac{1}{2}$  Argentine. We see in December,  $59\frac{1}{2}$  Atlantic,  $59\frac{1}{2}$  Vancouver,  $56\frac{1}{4}$  Argentine. In the middle of the month, the 15th, we find 58,  $56\frac{7}{8}$  and  $53\frac{7}{8}$ ; and on the 31st,  $55\frac{3}{4}$ ,  $55\frac{1}{8}$  and  $50\frac{1}{2}$ . On January 1, it is  $56\frac{7}{8}$ ,  $56\frac{1}{8}$  and  $50\frac{1}{2}$ . In the middle of the month, January 16—there is no 15th—we have 58 cents Atlantic,  $57\frac{7}{8}$  Vancouver and  $51\frac{5}{8}$  Argentine. Now, those are the figures. Anything below 60 cents for Canadian wheat, either Atlantic or Pacific seaboard, is a ridiculous price, is it not? It cannot net the farmer anything, if you take the freight off?—A. No; with the depreciated currencies we were competing with, it is a very difficult proposition.

Q. These are all reduced to the same currency by Broomhall?—A. What my thought is in regard to that, we were doing our job in 1932 and getting rid of our crop. My only complaint is that we have not done it in 1933 and 1934. I have nothing to say about 1932.

Q. I will just turn you to 1933. On January 3,  $56\frac{7}{8}$  Atlantic,  $56\frac{1}{8}$  Pacific, and  $50\frac{1}{2}$  Argentine; at the close of the month, it was  $60\frac{7}{8}$ ,  $59\frac{5}{8}$  and  $53\frac{5}{8}$ . Then you start in February and the spread becomes greater. On February 1, we find  $61\frac{3}{4}$ ,  $59\frac{7}{8}$  and 54. In the middle of the month, the 15th, we find  $59\frac{3}{4}$ ,  $58\frac{7}{8}$  and  $51\frac{3}{4}$ . At the end of the month, the 28th, the figures are  $60\frac{3}{4}$  Atlantic,  $58\frac{3}{8}$  Vancouver, and  $49\frac{7}{8}$  Argentine. Now, that is reduced, you will remember, all to the same level of currency. That is c.i.f. Liverpool. Then you take March. On March 1, the figures are 61 Atlantic,  $58\frac{1}{2}$  Vancouver and  $50\frac{7}{8}$  for Argentine. That is clear. Then on the 15th of March they are 65,  $61\frac{3}{4}$  and  $52\frac{3}{8}$ . At the end of the month, on the 31st, they are  $61\frac{3}{4}$ ,  $59\frac{3}{4}$  and  $51\frac{1}{2}$ . Then we come to April 1, where we find 62 Atlantic,  $60\frac{3}{8}$  Pacific and  $51\frac{5}{8}$  for Argentine; on the 18th,  $64\frac{7}{8}$  Atlantic,  $63\frac{1}{2}$  Vancouver and  $52\frac{7}{8}$  Argentine. They had a preference there in operation of 6 cents. At the end of April, the figures are  $69\frac{1}{8}$  Atlantic, 68 Vancouver and  $56\frac{1}{2}$  Argentine. That is a spread of 12 cents in favour of Canada, 6 cents of which was the preference. On May 1, the figures are  $73\frac{1}{4}$  for Canadian wheat, Atlantic;  $72\frac{1}{2}$  at Vancouver and  $60\frac{1}{8}$  Argentine. In the middle of the month, the 15th, they are  $76\frac{7}{8}$  Atlantic,  $76\frac{1}{2}$  Vancouver and  $63\frac{3}{4}$  Argentine. You see, the spread is only 7 cents exclusive of the preference.

Hon. Mr. RALSTON: I thought it was 13 altogether.

The CHAIRMAN: Yes, 13. Then, on June 1, it is  $75\frac{5}{8}$  Atlantic, 75 Pacific and  $63\frac{5}{8}$  Argentine. At the middle of June, the 15th, it is  $73\frac{5}{8}$  Atlantic,  $73\frac{1}{4}$  Pacific and  $62\frac{7}{8}$  Argentine; at the end of June, the 30th, 82 Atlantic,  $80\frac{3}{8}$  Vancouver,  $68\frac{7}{8}$  Argentine. At the beginning of July, July 3, we find  $85\frac{3}{8}$  Atlantic, 86 Pacific and 72 for Argentine. Then we went up to 90 cents—91 on the 7th July, Atlantic,  $89\frac{3}{4}$  Vancouver and  $77\frac{1}{4}$  for Argentine. At the end of the month, the 31st of July, 1933,  $89\frac{1}{4}$  Atlantic. You have a high figure of 104 on the 18th for Atlantic ports,  $101\frac{1}{2}$  Vancouver.

Hon. Mr. RALSTON: That is May futures.

The CHAIRMAN: This is No. 2, Atlantic. I am reading the month of July.

Hon. Mr. RALSTON: I say it was for May futures.

The CHAIRMAN: No, it is all put on the same level. These are what actual sales were made, from Broomhall's statistics.

Mr. LUCAS: Are these Liverpool prices?

The CHAIRMAN: Yes, c.i.f. Liverpool. On July 18, it was 104 Atlantic,  $101\frac{1}{2}$  Vancouver and 82 for Argentine. Then at the end of the month,  $89\frac{1}{4}$  Atlantic, no Vancouver quotation and 76 for the Argentine. August open with  $87\frac{1}{8}$  Atlantic, no Vancouver quotation, and 75 cents for Argentine Rosafe; at the end of the month, the 31st,  $80\frac{3}{8}$  Atlantic, no Vancouver quotation and  $64\frac{5}{8}$  for Argentine. In September, we open with  $79\frac{3}{4}$  Atlantic, no Pacific and  $65\frac{1}{4}$  for Argentine. At the end of the month, the 30th, it was  $72\frac{3}{4}$  Atlantic, no Van-

cover quotation and  $60\frac{5}{8}$  for Argentine. October opened with  $73\frac{1}{8}$  Atlantic— $73\frac{1}{8}$ , that is delivered in Liverpool— $73\frac{1}{2}$  from Vancouver and  $61\frac{1}{8}$  from Argentine. Now, with that  $73\frac{1}{8}$  cents delivered in Liverpool, what is left to the farmer is a very small margin.

The WITNESS: Quite right.

The CHAIRMAN: There is no doubt about that.

The WITNESS: No, there is no doubt about that.

The CHAIRMAN: Well, it dropped still lower. On the 17th October, 1933, it went to  $65\frac{3}{8}$  on the Atlantic, no quotation at Vancouver and  $52\frac{7}{8}$  for Argentine. At the end of October, it was  $72\frac{1}{4}$  on the Atlantic, no quotation for Vancouver and  $60\frac{1}{2}$  for Argentine. November opened at  $71\frac{7}{8}$  Atlantic, no Pacific quotation and  $59\frac{5}{8}$  Argentine. At the end of the month it had risen to  $77\frac{1}{4}$ , on the 30th, on the Atlantic,  $75\frac{1}{4}$  Vancouver and 58 for Argentine. Then in the last month of the year, 1933, there was no quotation for Argentine until the 9th, and the figures are  $76\frac{1}{4}$  Atlantic,  $73\frac{5}{8}$  Vancouver and 59 for Argentine. Dropping to the end of the month, the 29th, we find  $57\frac{3}{8}$  for Argentine,  $75\frac{1}{4}$  for Vancouver and  $76\frac{7}{8}$  for the Atlantic. Then, last year—and you are talking about 1934—in January they open at  $77\frac{1}{8}$  for the Atlantic,  $75\frac{1}{8}$  Vancouver and  $58\frac{5}{8}$  for Argentine. That is at Liverpool, c.i.f. In the middle of the month, the 15th, it was  $82\frac{3}{8}$  Atlantic,  $79\frac{5}{8}$  for Vancouver and 61 for Argentine, and dropped to  $59\frac{1}{8}$  for Argentine at the end of the month; 80 for Vancouver and  $83\frac{1}{8}$  for the Atlantic. February opened at  $83\frac{1}{8}$  Atlantic,  $80\frac{1}{4}$  in Vancouver and  $50\frac{5}{8}$  for Argentine. At the middle of the month, the 15th, it was  $81\frac{3}{4}$  Atlantic, 77 Pacific and  $58\frac{3}{8}$  for Argentine; and the month closed with  $82\frac{1}{8}$  for Atlantic,  $76\frac{1}{2}$  for Vancouver and  $57\frac{3}{8}$  for Argentine Rosafe. Do you suggest that we could sell our wheat at a price as low as  $57\frac{3}{8}$  delivered in Vancouver for Liverpool?

Hon. Mr. RALSTON: What do you say Canada was at that time?

The CHAIRMAN:  $82\frac{1}{8}$ ; that is Atlantic. The Pacific was  $76\frac{1}{2}$  and Argentine was  $57\frac{3}{8}$ .

*By the Chairman:*

Q. You would not suggest any such figure as that?—A. I would suggest that we should get the surplus wheat, with great crops growing—we should dispose of our wheat at the best premium we could get for it, but we should not put a premium on it which would stop the sale of it.

Q. The premium, you see on that—the average premium before there is any preference at all, ran down 4, 5, 6 and 7 cents. But here you have wheat being sold at  $57\frac{3}{8}$  which leaves, if you take 6 cents off—no, that includes the 6 cents; take that off, it leaves only 3 cents premium?—A. Yes.

Q. That is what Canada is trying to get?—A. You have got to double the price, very nearly double the price, to look at it from the point of view of the man in the Argentine. He is getting that back in his own money. He is getting pesos, which is only 50 cents on the dollar.

Q. I was just going to check your figures.  $77\frac{1}{4}$  is the Vancouver figure at the opening of March and  $57\frac{3}{8}$  for Argentine. The price went up to  $79\frac{5}{8}$  in Vancouver—that is the Vancouver price, c.i.f. Liverpool—and 59 for Argentine. There is a spread of 20.

Hon. Mr. RALSTON: That is in March, 1934.

The CHAIRMAN: That is March 13, 1934. At the end of March there is no quotation at all. The last quotations are for the 29th, being  $82\frac{1}{8}$  for the Atlantic,  $76\frac{7}{8}$  Pacific and  $56\frac{1}{2}$  for Argentine. Then on April 1st, 1934, a year ago, there is no quotation for Argentine that day. Taking the middle of the month, the 16th, the quotation is  $81\frac{5}{8}$  Atlantic,  $75\frac{3}{8}$  Vancouver and  $59\frac{1}{2}$  Argentine. At the end of the month, the figure has dropped to  $56\frac{3}{4}$  for

Argentine, 74 for Vancouver wheat and  $77\frac{5}{8}$  for Atlantic. On the 1st of May, the price was  $76\frac{3}{4}$  Atlantic, 74 Pacific and 58 for Argentine. In the middle of the month, the 15th, it was  $81\frac{1}{8}$  Atlantic,  $71\frac{1}{4}$  Pacific and  $60\frac{1}{4}$  for the Argentine. At the end of the month, it was  $86\frac{3}{4}$  for Canadian wheat, Atlantic;  $84\frac{3}{4}$  Vancouver and  $63\frac{1}{8}$  for Argentine. Then, for June, a year ago it opened on the 1st at  $93\frac{7}{8}$  for Atlantic, 90 for Pacific and  $66\frac{1}{4}$  for the Argentine. At the close of the month it was  $86\frac{3}{4}$  for Atlantic,  $83\frac{1}{2}$  for Vancouver and  $62\frac{7}{8}$  for Argentine. July opened  $86\frac{3}{8}$  Atlantic,  $83\frac{1}{4}$  Vancouver and  $62\frac{1}{2}$  for Argentine. That is for the 2nd of July. At the end of the month of July, a year ago, it was  $97\frac{3}{8}$  for Atlantic, no quotation for Vancouver and  $74\frac{1}{4}$  for Argentine. August opened at  $97\frac{3}{8}$  Atlantic, no quotation for Vancouver and 75 for the Argentine.

Hon. Mr. RALSTON: Would you mind giving those figures again for August?

The CHAIRMAN: August 1st,  $97\frac{3}{8}$  for Atlantic, and 75 for Argentine.

Hon. Mr. RALSTON: All right.

The CHAIRMAN: At the end of August it was  $93\frac{1}{4}$ —there are some high figures there. This is c.i.f. Liverpool. I had better give the dates. August 7th,  $103\frac{5}{8}$  for Canadian Atlantic ports,  $85\frac{1}{4}$  for Argentine; August 8th,  $103\frac{5}{8}$  Atlantic,  $100\frac{1}{2}$  for the Pacific and 85 for Argentine; August 9,  $104\frac{5}{8}$  Atlantic, no quotation for the Pacific and  $85\frac{3}{4}$  for the Argentine; August 10th,  $106\frac{1}{8}$  Atlantic, no quotation for the Pacific and  $87\frac{1}{2}$  for Argentine. It ran down to  $93\frac{1}{4}$  on the 31st of the month, Atlantic;  $93\frac{1}{4}$  Pacific and  $77\frac{1}{8}$  for Argentine. On September 1st, 1934, it opened with 93 Atlantic,  $93\frac{3}{8}$  Vancouver and  $77\frac{3}{8}$  Argentine. Then at the middle of the month it went down and by the end of the month, the last day, the 29th, it was  $91\frac{3}{8}$  for Canadian wheat, Atlantic, no Pacific quotation and  $67\frac{1}{8}$  for Argentine. In October, 1934, it opened on the 1st at  $92\frac{1}{8}$  Atlantic,  $90\frac{3}{4}$  for Vancouver and  $68\frac{1}{2}$  for Argentine. At the end of the month of October it was  $85\frac{3}{4}$  Atlantic,  $81\frac{3}{8}$  Pacific and  $62\frac{3}{4}$  for Argentine. At the opening of November, it was  $85\frac{3}{4}$  Atlantic,  $81\frac{3}{8}$  Pacific and  $63\frac{1}{8}$  for Argentine. At the end of the month it was  $91\frac{1}{2}$  for Canadian wheat, Atlantic,  $86\frac{1}{2}$  for Pacific and  $63\frac{3}{4}$  for Argentine. December opened at  $91\frac{1}{2}$  for Atlantic;  $87\frac{5}{8}$  for Vancouver and  $63\frac{3}{4}$  for Argentine. It closed at 94 for Atlantic;  $86\frac{1}{4}$  for Vancouver and  $64\frac{3}{8}$  for Argentine. January, 1935, opened at 94 for Atlantic; Pacific was  $87\frac{1}{8}$ , and  $64\frac{3}{8}$  for Argentine. It closed at  $92\frac{7}{8}$  for Atlantic, 86 for Pacific and  $61\frac{1}{8}$  for Argentine. February opened at  $82\frac{7}{8}$  for Atlantic;  $86\frac{3}{8}$  for Pacific and  $61\frac{5}{8}$  for Argentine. The close February 28th was  $94\frac{1}{8}$  for Atlantic;  $88\frac{1}{8}$  for Pacific and  $62\frac{5}{8}$  for Argentine. March opened at 94 for Atlantic;  $87\frac{5}{8}$  for Pacific and 63 for Argentine; it closed at  $94\frac{1}{2}$  for Atlantic,  $90\frac{3}{8}$  for Pacific and  $68\frac{1}{2}$  for Argentine. April:  $95\frac{5}{8}$  at the opening for Atlantic,  $90\frac{3}{4}$  for Pacific and  $68\frac{1}{2}$  for Argentine; the close was  $98\frac{3}{8}$  for Atlantic,  $94\frac{7}{8}$  for Pacific and  $72\frac{7}{8}$  for Argentine. The May opening was  $98\frac{1}{8}$  for Atlantic,  $94\frac{3}{4}$  for Vancouver and  $73\frac{1}{2}$  for Argentine; and the end of May,  $90\frac{7}{8}$  for Atlantic,  $88\frac{7}{8}$  for Pacific and  $72\frac{3}{8}$  for Argentine. The opening for June was  $98\frac{1}{8}$  for Atlantic, 88 for Pacific and  $70\frac{3}{8}$  for Argentine. So that, so far as we are concerned, our price has been a fairly consistent one; have you any record of what the producer got, Mr. Richardson? If he were to get half the prices indicated it would not leave him much of a margin, would it?—A. Of course, you have got to take care of the producer and it is just a question of how we are going to take care of him; but we have to take care of him, the man buying wheat on the other side of the world is not going to take care of him.

Q. Quite so?—A. It becomes practically an exchange problem.

Q. Please don't get the exchange situation in the Argentine mixed up with this. I was just going to ask you a question about that. Now, having regard to these circumstances, and particularly to the figures I have given you, would

you say that the price of Canadian wheat was too high having regard to the producer's position here in Canada?—A. I have never thought the price of wheat was too high in our money to our producer.

Q. No. Then, when you say, in our money to our producer; just what does that imply?—A. Well, that means what he got for his wheat here in Canada.

Q. It is not too high?—A. Certainly not, not for several years anyway.

Q. I have given you the figures from the end of February, 1931, and brought them down to date; which, of course, would indicate that at Atlantic ports he was receiving 90 $\frac{3}{4}$ —what he gets is based on 90 $\frac{3}{4}$  delivered for sale in Liverpool—how much do you have to take off that wheat, for instance, for transportation to Liverpool, so we may arrive at what the farmer might be expected to get. I do not ask you to give that with any great particularity, just give me your general idea. I would say 10 to 12 cents.

Q. I suppose it would average about 12 cents?—A. We can get it down from Fort William to Liverpool now, our freight rate is about 11 to 12 cents—say 12 cents; then from back in the country the average freight rate would be 12 cents.

Q. Making a total of about 24 cents?—A. Say, 25 cents to 30 cents.

Q. I suppose 25 cents would be about the average, wouldn't it?—A. Yes.

Q. Then wheat C.I.F. Liverpool at 74 cents, less 25 cents a bushel, leaves 49 cents?—A. Yes, sir.

Q. You can hardly regard that as a satisfactory result for the farmer?—A. I would not.

Q. And, to get down to the figure that we have here; if you have Atlantic at 90 cents, if you take 25 cents from that it leaves 65 cents; that is the more satisfactory result to the producer obviously, by 15 cents a bushel, isn't it?—A. If he gets that, yes.

Q. So that whatever else may be said about what you call control the result is that on the figures the producer is receiving a better price?—A. Taking into account the whole situation and the surplus that we started the year with the producer has certainly gotten a better price on last year's crop than he would have without control.

Q. There is no doubt about that is there?—A. There is no question about that; but, of course, the time to value the whole policy is after we have disposed of the surplus that we carry-over in order to maintain prices.

Q. Quite so, I follow you. You said that quite clearly, Mr. Richardson. I put this to you: You dwelt a good deal upon exchange of other countries; one of the difficulties for instance of the countries in Europe buying our wheat is that their currency is so depreciated that they cannot pay for it in terms of our dollar, except at a very extravagant price to them; is that right or not?—A. That is right.

Q. That is right? Now, the franc, for instance, whenever they buy our wheat over in France, it is at present at a premium of about 50 per cent over its normal value in Canada?—A. I do not know exactly what the franc is selling for now.

Q. It is something over 6 cents and normally it is around 4. In Germany it is impossible to get exchange at all at the present moment with which to pay for Canadian products?—A. Yes.

Q. In any event it is subject to what is called exchange clearing agreements by which you have to dispose of your exchanges in Germany and utilize them to expend on the purchase of products from that country?—A. Yes, sir.

Q. And the Argentine works its exchange agreements also, doesn't it; that is true is it not?—A. That is true.

Q. And you know that a lot of Canadians producing pulp and paper find it impossible to get payment for their goods because they cannot get exchange from Argentina; that is a fact isn't it—it is well known to us all?—A. I am not in the pulp and paper business, I presume that is a fact.

Q. We have no exchange control of any kind here except that we did guarantee sellers against loss if sterling was less than \$4.60 to the pound and that didn't cost us very much money. But you said that the depreciated exchanges of other countries had made our position extremely difficult?—A. Yes, sir.

Q. What do you mean exactly, by that?—A. Well, I mean that if the Argentine bids up the exchange to that extent it depreciates its own money and the producer gets a higher place.

Q. More units—whatever it is, pesos or whatever it may be?—A. Yes, sir.

Q. The result is he gets more pieces of paper but the value has not changed?—A. He may be able to do that, but he can buy his commodities with it anyway.

The CHAIRMAN: Exactly.

Hon. Mr. STEWART: Domestically.

The WITNESS: In the end he may not be able to buy any more with it, but at the start he does anyway.

*By the Chairman:*

Q. Exactly; but that is what you mean about the difficulties in connection with Argentine exchange, in connection with our competition with them?—A. Yes, sir.

Q. The difficulty in connection with other countries is because of their inability to purchase our money. I will put it this way: It costs them too much to buy Canadian dollars with which to pay for our wheat; that is why they do not buy it, isn't it?—A. Well, I don't know. The Canadian-Argentine trade that we are interested in is where we meet on the ocean and the buyer's money converted into Argentine money gets a great many more pesos than it does when the buyer's money is converted into our money in the shape of dollars.

Q. That is just what I am trying to say; in other words, the difficulty of buying Canadian dollars on the same terms as they do Argentine pesos make our competition more difficult?—A. Yes, sir.

Q. That is the point I thought you were making. Do you suggest that a reduction of our dollar to the basis of the Argentine peso is a desirable thing for the Dominion of Canada?—A. I have not suggested that, there are a great many considerations in that.

The CHAIRMAN: Yes. All right, Mr. Ralston.

*By Hon. Mr. Ralston:*

Q. When in June and July of 1934, when the spread between Argentine and Canadian wheat, the Atlantic spread, was 17 cents the 1st of June, and 14 cents the end of June, and in July when the spread was 14 cents the 1st of July and 23 cents at the end of July, would that be a good time to dispose of some of our surplus wheat?—A. That would be last summer?

Q. That would be last summer, 1934.—A. Yes, I think last summer was a good time to sell wheat. I think it is always a good time to sell wheat.

The CHAIRMAN: It is always a good time to sell wheat—at what price?

*By Hon. Mr. Ralston:*

Q. Would that have been a good time from the point of view of the country and of the producer to have disposed of some of the surplus?—A. Yes, I think it would.

Q. And would not the producer have been in a better position with regard to the 1935 crop if the Canadian Co-operative Wheat Producers had disposed of the surplus wheat and the country taken the loss instead of trying to make the customer pay abnormal premiums and piling up an accumulation of 225,000,000 bushels, which we are faced with this year?—A. I think if we had gradually proceeded along that direction we would have been better off.

Q. Would the producer have been in a better position too with regard to the 1935 crop?—A. Well, I think if we had got rid of all our surplus, I think we would have averaged very satisfactory prices on this year's crop, but I would not say we would have averaged better prices; I am not in a position to say that we would have averaged better prices than what had been paid to the farmer, because the wheat is not sold yet of course.

Q. Your point is, it is not the price to the producer we are dealing with you think the producer must get a fair price; the question is one of policy, whether you are going to hold over your accumulations or whether the country is going to take it off the producers' hands at fair prices and sell and take a loss until the accumulation is reduced?—A. Yes, sir.

Q. And you think the latter is the better policy?—A. I think the country directly or indirectly will have to assume the loss involved in getting our wheat stocks comfortably adjusted and affording our producers some protection against depreciated currencies, particularly in the Argentine.

Q. And again against the depression which will be caused in the market by the liquidation of this surplus stock?—A. Yes, sir.

*By the Chairman:*

Q. If the surplus is not liquidated but is held for orderly entry into the markets of the world your last observation would have no force?—A. Well, a carry-over has a depressing influence. I am hoping that it will be merchandized in such a way that it will do the minimum amount of injury.

*By Hon. Mr. Ralston:*

Q. Do you say that the very presence of the carry-over without liquidation has a depressing influence on the market?—A. It has a depressing influence.

Q. Will you explain that?—A. Well, of course, the buyer abroad is apprehensive that some day the flood gates are going to open on him and wheat is going to be sacrificed. He feels that. He thinks that.

Hon. Mr. STEWART: He is waiting for a sale.

The CHAIRMAN: He is waiting for a fire sale.

The WITNESS: He is, he thinks there is going to be a fire sale; or at least, he is apprehensive and he plays safe.

Hon. Mr. RALSTON: And if stock had been disposed of there would have been no need for a sale at this time.

The WITNESS: If we had got rid of them it probably would have been simple.

*By the Chairman:*

Q. All that would not get away from the depreciated exchange or the inability of European countries to pay, would it?—A. Well, they do pay for a certain amount of the wheat all the time, and that is all our market—whatever they take, that is all the market we have.

Q. Quite so; but it is dependant upon their ability to pay.

*By Hon. Mr. Stewart:*

Q. I would like to ask you this question: there seems to be a general admission that Canadian wheat prices were higher than world prices warranted when purchased from the producer, and with that nobody is quarrelling. You

think that the stabilization was helpful, but if I got a correct impression from your evidence it is that year by year the Canadian Stabilization Board should have taken their losses and sold the grain?—A. I think they got bullish all out of proportion to what they should have. I think they could have sold a lot of wheat.

Q. And failing to sell they have now accumulated these surpluses?—A. Yes; what they sold they got a better price for, but they only sold—

Q. They were determined to sell the grain at the cost to them without loss to the country.

The CHAIRMAN: Who said that?

*By Hon. Mr. Stewart:*

Q. I say the evidence would go to show that such grain as they have sold—Mr. Chairman, you made that statement just the other day—was sold at no loss, or, at least, you got that answer from Mr. Milner.

The CHAIRMAN: Not all of it.

Hon. Mr. STEWART: That is the idea I got from the question asked and the answer received—that if there were sales there would be no loss. That is not true?

The CHAIRMAN: I cannot express an opinion of that at the moment; I do not know.

*By Hon. Mr. Stewart:*

Q. What I am after is this: that while the price Mr. Richardson states was too high to the producer—with which we have no quarrel—the policy of holding to recover the exact costs of the operation has had the result of keeping our wheat above world prices and has accumulated this surplus; am I correct in that statement?—A. I think so. I think our surplus would have been very much smaller.

*By the Chairman:*

Q. But you cannot tell me where it would have gone to?—A. I can give you a very good story about that, sir. Would you like to hear it?

Q. You have had four days to do it?—A. On August 8, 1934, Broomhall made an estimate of the world's import requirements for the crop year ending July 31, 1935, and in that estimate he figured the world's import requirements at 576,000,000 of which Canada, he figured, would supply 288,000,000. Broomhall revised his estimate again on October 31, 1934, and again on February 6, 1935, and again on May 1, 1935.

*By Mr. Lucas:*

Q. Have you the figures for the revision he made?—A. Yes, I was going to go over from August 8 up to May 1; do you wish the intervening ones?

Hon. Mr. RALSTON: Yes, we had better have them.

*By Mr. Lucas:*

Q. Yes.—A. On August 8, 1934, Mr. Broomhall estimated that Canada would supply the world with 288,000,000 bushels, the United States with 8,000,000 bushels, the Argentine with 160,000,000 bushels, Australia with 96,000,000 bushels and all others with 24,000,000 bushels, making a total of 576,000,000 bushels. On October 31, 1934, he put out the following estimate: Canada 280,000,000 bushels, United States 8,000,000 bushels, Argentine 168,000,000 bushels, Australia 88,000,000 bushels, all others 32,000,000 bushels.

Q. What was the total of that?—A. 576,000,000 bushels.

Hon. Mr. RALSTON: What was the date of that?

The WITNESS: October 31, 1934. The next estimate put out on February 6, 1935, gave Canada 240,000,000 bushels, Argentine 168,000,000 bushels, Australia 96,000,000 bushels and all others 48,000,000 bushels.

Hon. Mr. RALSTON: You do not mention the United States?

The WITNESS: No, the United States was cut out. Total of 552,000,000 bushels. On May 1st, 1935, he made another estimate: Canada 200,000,000 bushels, United States nothing, Argentine, 184,000,000 bushels, Australia, 104,000,000 bushels and all others 56,000,000 bushels. The total is 544,000,000 bushels. Mr. Broomhall explained on more than one occasion that his bad forecasts had been occasioned by the fact that he expected that Canadian wheat would be sold competitively on the world's markets.

*By the Chairman:*

Q. Mr. Richardson, through all these figures there is a steady diminution in volume; the last was 544,000,000—the last one before that was 552,000,000, and the one before that was how much?—A. From August 8th to May 1st, Mr. Broomhall cut down the world's requirements by 32,000,000 bushels.

Q. Exactly.—A. But he cut down Canada's requirements by 88,000,000.

Hon. Mr. RALSTON: Canada's supply.

The WITNESS: Canada's quota that he expected she would supply by 88,000,000 bushels. There is a difference there of 56,000,000 bushels that the Argentine and other countries were taking off ourselves and which was put onto the Argentine and other countries. Then our estimate is down to 200,000,000 bushels, but up to June 21st, we have only shipped 153,000,000 bushels, so that we have an additional 47,000,000 bushels to ship unless Mr. Broomhall is going to make a further sharp deduction when he publishes the figures for our shipments for the crop year.

Hon. Mr. RALSTON: What is the rate of shipment now?

The WITNESS: The weekly shipments were out this morning; I have not received those, but for the previous week we shipped out 800,000.

Mr. PORTEOUS: What are the shipments to date?

The WITNESS: The shipments to date are 153,000,000 bushels.

Hon. Mr. RALSTON: Does that include that 800,000—yes, it does.

The WITNESS: Yes, to June 21st.

Hon. Mr. RALSTON: And let us say that the end of the crop year is July 31st.

The WITNESS: Yes.

*By the Chairman:*

Q. That includes shipments up to the end of August, owing to the lateness of this year's crop. That would include shipments this year up to the end of August, would it not?—A. The crop year ends on August 1st, but we have three months really yet to sell wheat.

Q. Yes, we have the months of July and August and part of September?—A. July, August and quite a part of September.

Q. Yes, Mr. Milner said that on the 20th of September this year's crop would come in?—A. Yes, depending on the weather. Our crop will not be pressing in volume until late in September.

Q. That is what he said.

Hon. Mr. RALSTON: Is that world requirement, May 1, 1935, an estimate up to July 31st, or for August and September?

The WITNESS: It is up to the 31st of July, the end of the crop year.

Hon. Mr. RALSTON: In other words, if Canada sells wheat during August and September it would be against increased world requirements?

The WITNESS: It would be against next year's crop year, the way they figure it.

Hon. Mr. STEWART: Mr. Richardson, you did not make it very clear with regard to the drop in the Canadian supply from 288,000,000 down to 200,000,000. You started to tell us that there was something that brought about that result, that our exports fell and the Argentine's became increased.

The WITNESS: Mr. Broomhall stated that he had to revise us downwards and revise the other countries upwards because in making his previous estimates he was of the opinion that Canada would sell their wheat competitively in the world's market, and that his explanation for being out in his forecasts.

Hon. Mr. STEWART: It was a question of price?

The WITNESS: Yes.

The CHAIRMAN: Surely.

Hon. Mr. RALSTON: Just to complete the figures to bring the 153,000,000 bushels for June 21st up to the end of July, at the present rate of supply it means perhaps 5,000,000 bushels more than was disposed of by Canada before the end of the crop year. Is that too low at the present rate?

The WITNESS: I hope they sell more than that.

Hon. Mr. RALSTON: At present rates?

The WITNESS: The present rate is very disappointing. I think it is one of the record lows for a very long time.

*By Mr. Porteous:*

Q. You said, Mr. Richardson, that you thought we could have sold 75,000,000 or 100,000,000 more wheat if it had been 2 or 3 cents lower this year?—A. I said that we could have caught a lot of business under the market at 1 or 2 cents, lots of times—quite substantial. When there is a demand I could not say how much wheat is going to take that demand, but I would be reasonably satisfied, and I said we could have sold a lot of stuff at 2 or 3 cents under the market, and I said also 70 to 85 cents. I think we could have cut our carry-over down to what I would consider was a healthy carry-over.

Q. You spoke from time to time about getting rid of all our surplus?—A. A healthy carry-over.

Q. Have you any idea at what price we could get rid of our surplus?—A. I think I said from 70 to 85 cents—I think we could have sold it all.

Q. Do you think you could sell 200,000,000 bushels of wheat now?—A. Not now.

Q. At 75 or 80 cents?—A. Not now, no.

Q. At any time during this year?—A. During this year? I think there was a very big demand for our wheat, and I think there is a good demand now. I think we could sell lots of wheat now. Wheat is something that one hesitates to say, within a cent or two, exactly what we can do. I think we will do quite a nice business at 75 cents.

Q. 100,000,000 bushels is a lot of business when it is thrown on the market. Do you know what would happen?—A. I do not think anybody will do anything like that. I know there is a time to sell our wheat and that is when the buyers want it.

Q. In order to sell 75,000,000 or 100,000,000 bushels of wheat you would have to put it on the market?—A. If you are asking me if I can go out and get a group of fellows to buy 75,000,000 or 100,000,000 bushels of wheat at 70 cents, 72 cents or 73 cents, I think I can quickly.

*By Hon. Mr. Ralston:*

Q. The world requirements, as estimated by Mr. Broomhall on August 8th last, were 576,000,000 bushels. By May 1st he had cut that down to 544,000,000 bushels, which meant a reduction in the world requirements of 32,000,000 bushels.

Take that 32,000,000 bushels off Canada's quota as he fixed it on August 8th last year and that would mean that Canada's quota would be 256,000,000, as estimated by him at that time, not allowing for the reduction in world requirements which he found as of May 1st, 1935. Is that correct?—A. I think that is very clear.

The CHAIRMAN: It is a question of subtracting.

*By Hon. Mr. Ralston:*

Q. Take the whole reduction in world requirements, which were 32,000,000 bushels, off Canada's total, make Canada bear that whole reduction, and that would leave Canada to supply, according to Mr. Broomhall, 256,000,000 bushels on August— —A. Yes, sir.

Q. And Canada, as a matter of fact, has only supplied up to June 31st, 153,000,000 bushels?—A. Yes.

Q. With a further supply at the rate of 1,000,000 bushels a week up to 5,000,000 bushels making, in round figures, 160,000,000 bushels. That means that Canada if the present rate of supply continues, will only have supplied 160,000,000 bushels instead of the 256,000,000 bushels as estimated by Mr. Broomhall, after taking into consideration the world's reduction?—A. Yes.

Q. In other words, Canada will be 96,000,000 bushels short of Mr. Broomhall's estimate of what she should have supplied; is that right?

The CHAIRMAN: No, what she could have supplied.

Hon. Mr. RALSTON: What she should have.

The WITNESS: What Broomhall estimated she should have.

*By Hon. Mr. Ralston:*

Q. Yes. Although Canada will not have supplied those 96,000,000 bushels which Mr. Broomhall estimated she should have supplied she will have 180,000,000 bushels to 200,000,000 bushels on hand?—A. It looks like that.

Mr. VALLANCE: Those 96,000,000 bushels are being supplied by somebody else.

The CHAIRMAN: He reduced his estimate to 502,000,000 bushels.

Mr. VALLANCE: Somebody must have filled the world requirements.

Hon. Mr. RALSTON: I am taking all the world reduction off Canada to be absolutely fair.

*By Mr. Lucas:*

Q. That 75,000,000 bushels you estimated you would be able to sell at reduced price, could you do that irrespective of what the Argentine did with their prices?—A. When we started out with our crop last fall the Argentine and Australia had very small stocks on hand. They are baled out now; they are baled out now. They have not got much more wheat to sell. We have been hoping right along we would see an increase in the demand of our wheat. Argentine can do nothing to cut the price now until next January and February. They are not sellers now.

Q. What is their surplus at the present time, their carry-over?—A. I would want to check it up before I answered it. I understand it is small anyway.

Mr. PORTEOUS: You would not want to make a bid for that 50,000,000 bushels.

Hon. Mr. RALSTON: You have not got any of it.

The WITNESS: I do not think it would take me on the other side of the trade.

*By Mr. Porteous:*

Q. You would be a little afraid of it, would you not?—A. I say I have no doubt about it. When I say that I would say people that would put their money into that would not be people who would expect they were going to lose money at 72 cents or 70 cents. I am putting it on the basis that I think real interest could be quickly aroused.

Q. Basically, the value of wheat is estimated by its value for human consumption, is it not?—A. Yes.

Q. What would reduce the surplus of wheat, other than the consumer?—A. That is the way it has to be done; it has to be eaten up.

Q. You have to make people eat wheat in order to get rid of this surplus?—A. Yes, but you cannot carry over hunger; you can only supply to-morrow's breakfast. You cannot supply yesterday's breakfast. A man who has had nothing to eat for three days does not eat twelve meals on the fourth day. That market is gone, and you have to feed and take care of the market when they want to buy it.

Q. The per capita consumption of wheat and wheat products is about the same as normal, is it not?—A. I understand the world in the last twelve months has eaten just about the same amount of wheat that it did in the previous twelve months, but there has been a largely increased population in the world, and they should have been eating more bread stuffs; but the artificial conditions—in Germany you have practically famine prices, wartime conditions, and wheat is a luxury in some of those countries where they are getting very high prices for bread, very poor bread, and that naturally cuts the consumption. Anywhere you go you will see that wheat has not had a fair chance.

*By Mr. Lucas:*

Q. Was there a larger consumption of wheat in 1932 when prices were so artificially low, the lowest they have been for three or four hundred years?—A. The rise we have had in prices, a large part of the rise largely came about when the dollar was revalued to 59 cents. When gold went up the dollar went down, and the graph will show the price of wheat went up just about exactly the same way as our money went down.

Q. The question I asked was; was there greater consumption in 1932 when prices were so very low?—A. I do not understand there was a great deal of an increased consumption at that time.

Q. So low prices did not affect it?—A. Yes, but you must remember the consuming countries were not getting cheap wheat; they were getting very dear wheat on account of this terrific tariff. The consumer was not getting it. We had it at his door but he could not get it.

*By Hon. Mr. Stewart:*

Q. Those tariffs were added to the wheat?—A. Oh, yes.

Q. Of the consuming world?—A. Yes, \$1.62 gold in Germany and \$1.75 in Italy, gold, 85 cents in France.

The CHAIRMAN: Nearly \$3.

The WITNESS: Nearly \$3.

*By the Chairman:*

Q. I have just one word—I am sorry to keep you. At what price would we have to sell our wheat to compete with Argentine at the present time, having regard to exchange control and the various matters you have mentioned?—A. I really believe that we would sell a lot of wheat at 75 cents.

Q. In competition with the Argentine?—A. Yes.

Q. Mr. Richardson— —A. They will only take their requirements.

Q. I am pointing out to you the season is over in Argentine and Australia. When will their next year's crop come in?—A. It won't be until—

Q. Until when?—A. They will start cutting, I think, in the last part of November, but they won't be shipping wheat until December or January.

Q. Will there be any wheat shipped from Australia before January?—A. No.

Q. Nor the Argentine?—A. No.

Q. They have practically denuded themselves of all their wheat on hand?—A. Yes.

Q. So that whatever chance we have to sell wheat will be between now and that time. The most optimistic hope I have since I heard you here is when you say you are not willing to begin yet to take possession of our wheat at the price you have mentioned. It seems to indicate that you believe somebody is going to make some money between now and the time the Argentine wheat comes in.

Hon. Mr. STEWART: Don't be deluded again. This is a story we have heard since 1930.

The WITNESS: I want to justify what I have said.

Mr. VALLANCE: All we need is to have four others like you to take up the 50,000,000 bushels at 75 cents.

*By the Chairman:*

Q. There is no wheat available in substantial quantities in the two competing countries, Australia or the Argentine, at the present time, and will not be until next year?—A. That is correct.

Q. Whatever chance Canada has to sell wheat, that chance is between now and then?—A. Yes.

Q. When Broomhall estimated what the consuming countries would take, and whatever they fell short of that he put the blame on Canada, which is a cheap and easy way of doing it.

Hon. Mr. STEWART: No.

The CHAIRMAN: That is exactly what happened, and everybody knows it.

Hon. Mr. STEWART: That is not a fair statement to make.

*By the Chairman:*

Q. Mr. Richardson, I will put it to you. Broomhall's first statement had 576,000,000 bushels the consuming countries would require, then he reduced that down to 522,000,000 bushels?—A. 544,000,000 bushels.

Q. 544,000,000 bushels I should say; and he deducted the difference in allocations off Canada.

Hon. Mr. RALSTON: No, he did not.

Hon. Mr. STEWART: Mr. Ralston suggested that.

Hon. Mr. RALSTON: I suggested that to be absolutely fair.

The CHAIRMAN: No, he estimated Canada would supply 200,000,000, but in August 288,000,000 bushels. In his first statement he said Canada would supply 288,000,000 bushels. He then revised his estimate to 200,000,000, and the difference between the two he takes mostly from Canada.

Hon. Mr. RALSTON: He does that because Canada has not supplied it.

The CHAIRMAN: That is not it. Canada's chance to supply it comes only now. Canada's chance to supply it will come in the next few weeks.

The WITNESS: I think the estimate he has made in regard to Canada will again have to be revised downward.

*By the Chairman:*

Q. The 200,000,000 bushels?—A. Yes.

Q. Where are the importing countries going to get their wheat if not from the Argentine and Australia?—A. Well, last fall one of the things that surprised us was the long tail that a crop has when it is all sold out. If the price is a little bit satisfactory they can be pushing wheat all the time. The Argentine disappointed us very much last summer and fall. They kept contributing to the world's shipments week after week, and of course, they explained the crop had been underestimated for that year, the previous year. But they kept throwing it on. I think that now Argentine and Australia cannot hope to give us very much competition; they cannot continue to keep it up indefinitely.

Q. They have neither storage nor line elevators in the Argentine, but they are talking of building some. They have not them there yet, and Australia ships in bags.

*By Mr. Vallance:*

Q. The estimate of Broomhall was put to the crop year, July, 1931?—A. Yes.

The CHAIRMAN: He is not taking any estimate as to what is going to happen to the necessities for wheat during the months of August and September.

*By Mr. Perley:*

Q. No doubt, as an expert, you would last fall be looking for quotations on wheat. What was the best price you were offered last fall from any source?—A. We were doing a little business all the time; we had to do it to live.

Q. What is the best price you were offered based on Fort William?—A. Look at the market in Winnipeg. That is the price we were selling a little bit of stuff at. We never send out less than \$80, \$90 to \$100 in cables a day and day by day we have to do a little business. Sometimes the business was small, but we were doing a little business on the market.

Mr. VALLANCE: Market value.

The WITNESS: Whatever it was, but it was small.

*By the Chairman:*

Q. Is there anything else you desire to say, Mr. Richardson?—A. If that is all, I wish to say this: I notice in Mr. Milner's examination, page 79, Mr. Lucas referred to evidence I gave before the Agriculture and Colonization committee in 1931 stating that he understood I had suggested the desirability of putting some muscle under the market. I would like to quote from my evidence in 1931 just what I said at that time. Shall I read it?

Q. Yes, read it.—A. All right.

I believe, in the first place, that the market should be allowed to take care of itself absolutely; but I would not say that under certain conditions in the world there might not be a situation develop where we would be justified in injecting a little muscle into it temporarily. Now in the grain business we have never found it profitable to look too far ahead but we have found it profitable to be ready to move quickly. And the machinery is all ready there. If it is desirable to do this I certainly would not put a prop under it that would stop us making our normal, reasonable contribution to the world's imports during the period of the year when the world looks to us for its supply. After Christmas it looks to the southern hemisphere. If we do not sell a reasonable amount of wheat before Christmas so that we may feel reasonably comfortable, we become, after Christmas, anxious sellers, when the Argentine and Australia are also anxious sellers.

Q. In view of that statement, could you say if the present surplus, the surplus at the end of September, were held off the market, what your estimate

of the price of wheat freely moving in the world's markets would be—the Canadian price to the farmer?—A. Well, anything I might say might make me look very foolish a little later on.

Q. That is a fair answer.—A. Because the crop of the northern hemisphere is not yet assured. All we can say is from the present outlook or what we think. If you ask me as a merchant what I think right now, I would say that I think we would do quite a nice business at 70 cents. However, I might entirely—I might have to qualify that very considerably a little later on. But that is the way I am disposed to feel now, that we could sell quite a lot of wheat at that price.

Q. If October options were on the board, and they are not on the board?—A. No.

Q. At the present moment, you would be disposed to bid 70 cents for wheat to-day?—A. If we were sure we would not get 200,000,000 bushels.

Q. I mean if the 200,000,000 bushels were off the market?—A. Yes. Of course, if the northern hemisphere—it all depends on how the northern hemisphere comes through. If the crop of Europe was short, it would be very helpful to us.

Q. Until this year, in all the previous years or many years previous except this, you had October options on the board and you were bidding on them?—A. Yes.

Q. And you think that it is a factor to consider?—A. Yes.

Q. That is the reason I asked you what you would bid for October options on the crop, as is always done on a crop, sometimes before it is up. I wanted to know. You answered me by saying 70 cents.—A. I think we could do business there. I think so.

Q. And with the flow of wheat into the market and with the rapidity at which it has been moving in recent years by reason of railway and elevator services, it would come into Winnipeg by the millions of bushels?—A. Yes.

Q. And that would have the effect that it always has, unless there is somebody to look after it, namely, of lessening your price?—A. It might have, unless the demand is good enough. I have seen it advance in very fast deliveries.

Q. During the war time it did.—A. But, of course, our system of merchandising depends on our starting to sell our wheat as soon as it goes into the ground. We start in and sell any time they want it. We buy in Winnipeg and sell it there any time we can make a profit, which is immediately it goes on the board. Our system depends to a large extent—we like to have 25, 30 or 40 million bushels of wheat sold before the whole crop comes on to the market. But if the whole crop comes in on us with but a little of it sold in advance, the market does not function as satisfactorily.

Q. Well, you know the condition of the market at the moment, the world's markets at least?—A. Yes.

Q. And what the position is. Assuming you had a normal carry-over of 70 millions or thereabouts, you say that you feel you could get 70 cents for this year's crop to start with, for October?—A. I believe I could sell some. I don't know how much.

Q. Then you would bid less; how much less?—A. I beg your pardon?

Q. If you say you could sell some, how much less would you bid for it? What the traffic would stand, I suppose?—A. Well, I think if we made a cent a bushel we would be so surprised we would not know what to do. We have not made a cent a bushel in a long time. We are selling cargoes of grain now on which we get on the telephone with the European people, and try to make

a quarter of a cent, and get off without selling the cargo and we have to pay for the phone conversation. But the business is worked on the condition they do nothing but export business. If we can get a cent a bushel out of it and get volume, we are very pleased, and we will work very hard to get all the volume we can on our books.

*By Mr. Porteous:*

Q. You will be satisfied with \$20,000,000?—A. If we can get a cent a bushel on it.

*By Hon. Mr. Ralston:*

Q. What does a 70 cent basis, Fort William, mean to the producer?—A. Well, you have got—

The CHAIRMAN: 55 cents.

The WITNESS: You have got the average freight rate of about 12 cents, if he puts it on the car himself, and he has got a cent a bushel commission charges. That is 13 cents. If he handles through an elevator, there is about 4 cents straight price to take off that. About 17 cents.

The CHAIRMAN: There is the special point, of course, that it is No. 1 that we are dealing with, and the freight rate is just the same on No. 2 as it is on No. 1.

The WITNESS: Yes.

*By the Chairman:*

Q. The spread in price between No. 1 and No. 2 is how much, normally?—A. 3 cents.

Q. That is what I thought.

Hon. Mr. STEWART: It is always wider when the grain is lower in price.

The CHAIRMAN: Yes, quite so.

*By the Chairman:*

Q. I suppose that would mean somewhere between 50 and 55 cents to the producer, taking the average quality of his crop that he could sell?—A. Yes.

Q. Depending on how much he keeps on his place for seed and that sort of thing?—A. Yes.

Q. All right.

*By Mr. Lucas:*

Q. Are you familiar with the method by which Australia has been selling her wheat?—A. Well, in a general way.

Q. I believe they have a futures market?—A. Australia has no futures market. They could not very well have a futures market. The three states have got different gauge railroads. The wheat they grow is of the same class or variety. They have only got a small amount of wheat anyway, only as much in the whole of Australia as Alberta grows. They are two months away—about 12,000 miles away from their customers. That grain is put afloat and sold on the ocean while it is in transit; and as far as hedging goes, the Liverpool market is used to hedge it. That is the way the grain is marketed there.

The CHAIRMAN: Has anybody else any questions? Mr. Smith is here, and I thought that possibly we might be able to get out of the House this afternoon, say some time after four o'clock. Would that be agreeable to the gentlemen of the committee? Then we could hear Mr. Smith. I do not say four definitely, because no one can tell, but we will try and see that you are advised.

Hon. Mr. RALSTON: Would you say 4.30, unless otherwise advised?

The CHAIRMAN: You had better come up if you possibly can.

Hon. Mr. STEWART: You had better say 4.30.

The CHAIRMAN: We will say 4.30 unless otherwise advised, if that is satisfactory to the committee.

The committee adjourned at 1.25 p.m., to meet again at 4.30 p.m.

### AFTERNOON SESSION

The Committee resumed at 4.30 p.m.

The CHAIRMAN: All right, Mr. Smith.

Mr. RICHARDSON: Before Mr. Smith goes on, may I say a word.

The CHAIRMAN: Yes.

JAMES RICHARDSON, resumes the stand.

The WITNESS: The question arose this morning about when the peg was put into the market last fall, and I have here a copy of the official notice sent out by the Winnipeg Grain Exchange, which I would like to read and file:

November 1, 1934.

#### Notice

On and after November 1 the minimum prices on futures contracts for wheat for December delivery shall be 75 cents per bushel, and for May delivery 80 cents per bushel, and until further notice no trades in these contracts shall be made below these minimum prices.

By order of council passed October 31, 1934.

SECRETARY.

*By Hon. Mr. Ralston:*

Q. That is still on, is it—A. The peg has been moved now from the May to the July.

Q. The peg has never been off since November 1?—A. No, the peg is still on.

Q. Can you tell me in that connection when the peg was put on in 1933. I understand there was a peg for a short time in 1933?—A. I am sorry I have not got that information. This morning I read from a statement of carry-over which I intended to file, and I should like to file this statement.

*By the Chairman:*

Q. Where did you get it?—A. I prepared it while I was here. It is largely Sanford Evans and Broomhall figures.

Q. We have our own statistician figures as to carry-over?—A. I have made this just a little different. I read from part of it and I want to file it.

Hon. Mr. STEWART: Part of it has been entered as evidence, Mr. Chairman.

The CHAIRMAN: He spoke of it. We have taken the Dominion statistician's evidence as being accurate. I have not seen this.

The WITNESS: I think you will find these all accurate.

*By Hon. Mr. Ralston:*

Q. What is the difference between it and the way the Bureau of Statistics makes it up?—A. I have here the world's shipments; Canada carry-over, August

1; total crop, Canada; Canada total crop and carry-over; required seed, feed and home consumption, Canada; balance available for export; Canada, amount actually exported; Canada and world's shipments; Canada's percentage shipped of exportable surplus.

Mr. PORTEOUS: Prepared by years from 1924, 1925 up to date.

*By Hon. Mr. Ralston:*

Q. Prepared from sources of information which you consider to be accurate?—A. Yes, sir; these are sources of figures secured from Sanford Evans.

The CHAIRMAN: We do not regard Sanford Evans as being as important as the Bureau of Statistics.

The WITNESS: I think statistics are all the same. We calculate percentages.

The CHAIRMAN: We have percentages given by Broomhall as against that.

*By the Chairman:*

Q. Have you American wheat there?—A. We calculate percentages, that is the only difference.

Q. Have you American wheat?—A. No, this is Canadian wheat.

Q. The carry-over we have been using is a statement of wheat in the United States unsold, and that is used as part of the carry-over?—A. That is all in these figures.

Q. That is what I asked you?—A. The total Canadian wheat in all positions.

Q. It includes American wheat?—A. It includes Canadian wheat in the United States.

Q. That is what I meant by "American wheat." There is no reason why it should not go in *quantum valeat*?—A. Someone asked me this morning to produce evidence I referred to on Friday in regard to the statements made by pool leaders indicating foundation upon which organization was operated, and that question was asked—

Hon. Mr. RALSTON: You stated you had correspondence in your file?

The WITNESS: I have it here. I would like to file these copies.

Hon. Mr. RALSTON: Read them. Have you copies for all?

The WITNESS: Yes.

Mr. PORTEOUS: What is that?

*By the Chairman:*

Q. Mr. Richardson, I must say I cannot understand your figures. You show the amount required for seed, feed and home consumption in Canada for the year, 1924-25 to be 110,000,000 bushels and you show the same for every year following. What reliance do you expect me to put on that, taking into consideration the increased population you spoke of this morning and the increased acreage. Even though you spoke of that you still put 110,000,000 bushels for every year since 1924-25?—A. Well, the figures speak for themselves.

Q. They certainly do.—A. They are figures that have been estimated, and there is no very great variation in ten years.

Q. Do you mean to say there is no variation in ten years?—A. Not a great variation.

Q. You want me to believe there is no variation in ten years in the amount required for feed, seed and the home consumption in Canada, the period of ten years from 1924-25 to 1934-35. You have used the same figure for every year in your ten years?—A. Yes, I have used the same figure; the figure is apparent there.

Q. Of course it is?—A. That is the estimate. There may be some little variation in it, but I do not think any variation that will seriously affect it. That is an estimate, always, anyway.

*By Mr. Vallance:*

Q. Has our acreage increased from year to year in the last ten years?—A. 1924-25, some little variation in the acreage.

*By the Chairman:*

Q. What quantity is required per acre for seed?—A. About a bushel and a half.

Q. An increase of 2,000,000,000 in acreage for ten years would mean 3,000,000 bushels alone for that one item?—A. That is not a very serious addition on that whole figure.

Q. I am just asking you?—A. I do not think it is an estimate that can be made within two or three million bushels of what we use for seed, feed and home consumption. These figures were made up in the hotel, and I just took them as an estimate.

*By Mr. Porteous:*

Q. In some years there is nearly twice as much wheat used for feed purposes as other years. In some years there is quite a spread between coarse grain and wheat. In some of these years there would not be a large spread, but it would still have almost the same per pound?—A. These figures are all based on 110,000,000 bushels for all these years. If you want to qualify it in any of those years it won't affect the figures greatly anyway.

*By Hon. Mr. Ralston:*

Q. You mean, it might vary 10,000,000 bushels and still not affect the ultimate figures shown by the statement?—A. Yes. I thought a presentation of those figures would be valuable and I just took that estimate, which is the one you have now.

Hon. Mr. STEWART: As a matter of fact, you were only estimating as against the statistical requirements, were you not. I have always heard the need was about 100,000,000 bushels.

The WITNESS: Well, taking it a little more than that now.

Mr. VALLANCE: I think in reply to Mr. Porteous' question we have always found that a certain amount of wheat is fed to pork when it has been profitable to feed pigs. In the last few years because of the reduction in production in the price of hogs we have not been feeding wheat.

Mr. PORTEOUS: Other things enter into it as well. If there was low grade wheat in those years it would be very low in price and would compare more favourably with coarse grain.

The WITNESS: All I show here, Mr. Chairman, is a statement I was asked to provide in connection with statements made by pool leaders. Shall I file it here, or do you wish me to read it?

The CHAIRMAN: Well, I don't know. I should think that would be an unnecessary thing to file in this inquiry. We were not talking about the pool leaders. These men are not going to be called here to defend themselves; and if there is any reason why you should make an attack on them here, I don't know it.

The WITNESS: Well, I have stated that part of our difficulties were with the pool, that their theories were founded on the false basis that they could dictate prices to the consumer, and that I understood this complaint had been

disputed by the pool leaders, and that if I were asked to do so, I could provide evidence quoting them on the subject, and I was asked this morning to provide those quotations. I do not want it stated that I was asked to provide them and I was not able to.

The CHAIRMAN: Who asked you to provide those quotations?

Mr. VALLANCE: I drew his attention to the fact that he had made a statement about them, on his file; and I thought it was only proper if he was making the claim, that he should have an opportunity of producing them.

The CHAIRMAN: I do not think any committee should decide that Mr. Richardson is going to utilize his position here as a witness for the purpose of making an attack against a lot of people who are not being summoned to defend themselves. I cannot see, myself, what interest we have in it.

Mr. VALLANCE: All right.

The CHAIRMAN: I cannot see what interest we have in the past statement, ten or twelve years ago, made by pool leaders, so called. This propaganda has been sent broadcast over the country anyhow. What do you think, gentlemen?

Hon. Mr. STEWART: I have no interest. My only interest is to protect the producers.

The CHAIRMAN: This has nothing to do with it.

Mr. VALLANCE: All right. Neither have I.

The CHAIRMAN: What do you think, Mr. Ralston?

Hon. Mr. RALSTON: I have not read it. But if it has anything to do with the general policy, or gives any information as to the policy we should adopt or as to the result of the past policy, it seems to me that it is relevant.

The CHAIRMAN: All it is is an attack against the pool leaders.

The WITNESS: It is nothing, practically, except statements they have made.

*By the Chairman:*

Q. Including Mr. Sapiro?—A. Yes.

Mr. WILLIS: I do not see how whatever they could say would have any effect upon the grain board of 1935.

The CHAIRMAN: No.

Hon. Mr. STEWART: Except this, there is a proposal in the present bill to pool wheat.

Mr. WILLIS: I would submit that the present system neither supports the pool idea nor the open market idea.

Hon. Mr. STEWART: Well, I think perhaps, as a lawyer, you have arrived at a pretty sound conclusion with regard to the bill.

Mr. WILLIS: Thank you.

The CHAIRMAN: Is there anything further? I should think for the moment we could leave the statement on the table and decide whether or not it will be evidence. I think, at the moment, it is not. It is not a matter of importance.

The WITNESS: My only thought, Mr. Chairman, is that I am prepared to produce the evidence. That is all.

The CHAIRMAN: Well, you have produced it. Is there anything more you desire to say?

The WITNESS: That is all.

*By Hon. Mr. Ralston:*

Q. You have produced it?—A. Yes.

The CHAIRMAN: But we need not put it into the record until we think it as properly admissible as an exhibit. Mr. Smith is the next witness. Mr.

Pitblado, you said you had some other witnesses coming here, or who might be here?

The witness retired.

Mr. PITBLADO: I don't think so. I have been trying to shorten this up, at the request of everybody; and I think, as far as I can tell at the present time, unless something develops, that Mr. Smith is the last grain man. There may be something later that somebody may want to state, but they will have to speak to you as Chairman of the committee.

The CHAIRMAN: Has the committee anybody else in mind, outside of the witness Mr. Ralston spoke of?

Hon. Mr. RALSTON: I have not, at the moment.

The CHAIRMAN: I mean, any of the committee? How about you, Mr. Lucas?

Mr. LUCAS: I understand the pool men are here.

The CHAIRMAN: I got a letter from Mr. McLeod saying that they would come. Have they come? I have not seen them.

Mr. LUCAS: I think so.

The CHAIRMAN: Mr. Finlayson tells me that two of them are here.

Hon. Mr. RALSTON: I don't think I have anybody else; I mean, other than Mr. McIvor, and that information we have spoken about.

SIDNEY T. SMITH, called.

*By the Chairman:*

Q. What is your name?—A. Sidney T. Smith.

Q. And you reside in the city of Winnipeg?—A. Yes.

Q. And you are president of the Reliance Grain Company?—A. Yes.

Hon. Mr. RALSTON: May I ask Mr. Smith what Mr. Milner's position is; I mean, what the name of his company is?

The CHAIRMAN: Yes.

The WITNESS: He is president, I think, of N. Bawlf Grain Company.

*By Hon. Mr. Ralston:*

Q. They are exporters?—A. No, they are country elevator and terminal operators.

*By the Chairman:*

Q. Now, if you have a statement to make, Mr. Smith, we would be glad to listen to you.—A. I have a brief statement which I would like to read, Mr. Chairman.

*By Hon. Mr. Ralston:*

Q. Have you any copies?—A. I have one.

The CHAIRMAN: Proceed, please, Mr. Smith.

The WITNESS: Mr. Chairman, I have listened with very much interest, to the various statements that have been made to this committee, and to the proceedings of the committee in general. Much ground has been covered, and there is no need that I should take up the time of the committee with going over that ground again. I wish, however, on behalf of the company I represent, and on my own behalf, to register my distinct opposition to the bill, and to suggest an alternative.

Before proceeding to state these views, I would like to mention that, while the country is faced at the present time with a very serious situation, in connection with the problem of marketing the large unsold volume of wheat in the hands of the government agency, the situation is not so entirely hopeless as many people seem to think.

Mention has been made of the fact that there is a visible supply of wheat in Canada at the present time of about 200 million bushels, and that present prospects are that Canada will raise, this year, 400 million bushels.

I would like to point out, Mr. Chairman, that in June, last year, Canada had a larger supply of wheat on hand than we have now, and that the prospects at that time were encouraging also, that we would raise a crop of approximately 350 to 375 million bushels. It turned out, however, that owing to adverse crop conditions, which cut down the yield we only raised a crop of about 275 to 285 million bushels. During the period since then, we have not only disposed of this crop, but we have reduced the carry-over from previous crops slightly, and I estimate now, that by the end of July, this year, we might quite easily show a reduction in the visible supply, as compared to last year, of 30 to 40 million bushels, so there has been at least something accomplished during the past year by way of reducing the surplus.

You are aware, Mr. Chairman, that I have, generally speaking, always believed in, and supported, the stabilization operations of the government. I believed, and still believe that, in view of the very serious situation which faced the country in 1930, and conditions which have since developed, not only in Canada but in the whole world, it was absolutely necessary for the government to come to the aid of the wheat producers and help them to secure a reasonable price for their wheat. The government operations in the market have, in my opinion, been of inestimable value to the wheat producers of Canada. But in some way, instead of considering this as a form of subsidy to the producers, the idea has developed that these operations should be conducted without loss to the government, and an attempt has been made to hold the markets on a higher level, and at higher prices than the importing countries of the world were willing to pay, with the hope that they would eventually come in and pay these prices.

I confess that, in common with many others, I agreed with Mr. McFarland, last fall, that world conditions warranted the expectation that there would be a large and increasing demand for our wheat from that time on, and that the visible supply would be reduced to under 100 million bushels by July 31, 1935.

*By Hon. Mr. Ralston:*

Q. To how much?—A. To 100 million bushels.

Prominent and widely recognized wheat statisticians estimated the requirements of importing countries for the crop season at 580 million bushels, of which it was expected that Canada would require to supply a substantial share.

There had been a disastrous failure of crops in the United States, and it was estimated that large quantities of our wheat and feeding grains would be required there. The whole picture was an encouraging prospect for selling large quantities of Canadian wheat, but these expectations did not materialize, and it has become increasingly evident, during the past few months, that, coupled with the stabilization efforts of the government, a sales policy should be enacted, with the view of securing a larger proportion of sales of Canadian wheat in importing countries.

However, nothing can now be gained by thinking of what may have been done or should have been done. The question is, what are we to do now?

Before answering that question, I would like to state that while crop prospects in Canada are at present favourable, we must remember that many things may happen before the crop is harvested. In the west, we are always hopeful

about crops and everything else and you have no doubt heard the statement that we will have a good crop if the grasshoppers do not get it; if hot winds do not scorch it in July; if it is not hailed out; if black rust does not occur; or an early frost in August, or rains during the harvest. The crop in western Canada is not made until it is in the granary.

Also, let us keep in mind that recent report from France, Italy and North Africa indicate that they will have much smaller crops this year than last year, and, therefore, we may have larger markets for Canadian wheat if we are willing to meet the competition of other exporting countries.

It has been said that Canada has lost some of the markets for our wheat. The principal countries in which we have partly lost our markets are Germany, France and Italy, and the reason for this is well known. When the pools began to operate, they made the claim that, on account of the high quality of our wheat, and for other reasons, they could raise the price of wheat by so-called orderly marketing, and compel buyers of wheat to take it at prices dictated by them. Furthermore, they began a propaganda for the establishment of an international pool, in which they expected to join the exporting countries such as Argentine, the United States, Australia and Canada, in an international agreement for the establishment of a policy such as they themselves had inaugurated. The fear of this combination of international exporters holding them up caused the European countries mentioned, and others, to increase production within their own countries, and thus to be as independent as possible of outsiders. It is true that the movement thus to increase production within their own countries had begun before this, but I say that the fear of being held up in the manner indicated, caused them to redouble their efforts, and to increase their production by subsidies, tariffs, milling restrictions, etc. Furthermore, the sales policy of the pools met with resistance in importing countries, and this was so apparent that when Mr. John McFarland took control of the situation, he closed all the selling agencies of the pools in Europe and the United Kingdom, and began to work again through the regularly established channels of the trade, in selling the accumulation of wheat which was in the hands of the pool at that time.

I have already stated that the important question now is: How may this situation be handled to the best advantage for Canada, and in particular for the grain producers of Canada.

The Government evidently think that it might be handled by the creation of a compulsory grain board to take over the holdings of the Government and to market future crops. It is proposed that this Board shall have control of the entire marketing and handling of grain, and make it impossible for any individual to handle grain, excepting under such conditions as may be imposed by the Board, from time to time. This would, of course, result in the closing of the Winnipeg Grain Exchange and the futures market operated there, substituting therefor, monopolistic state control of the grain business, with the consequent disappearance of private and individual trading and initiative.

This bill is not the answer to the problem, and I desire to register my opposition to this proposition. As an alternative, I suggest that a Board of not less than three men be set up by the Government to take over their present holdings of wheat, and to continue the policy of handling this business through the open market, in the same way as Mr. McFarland has done, with the addition of a definite sales policy, which apparently has been lacking.

It would in my opinion be a good idea to establish a fixed minimum price and if wheat reached that figure and there were no other buyers the government agency should take the wheat offered but would continue to sell wheat at international prices and if the international price were higher than the minimum price the board would, of course, not require to make purchases. I do not suggest that this Board attempt to dispose of the accumulation of the past five or six years, by dumping it on the market, and thereby risk a

chaotic break in prices, but I suggest that there be a stabilization policy, through the open market, and that this surplus wheat be fed into the market, from time to time, as conditions may permit.

It cannot be expected that the accumulation of years can be disposed of in a few months, without serious consequences to prices, but it is my opinion that this accumulation can be gradually disposed of, in connection with marketing, at the same time, the current crops. It might take three or four years,—it might take less time, but the thing can be done through the established channels of the grain trade, which alone has the experience necessary to do this in the most efficient manner.

The prices at which the Board will sell, from time to time, must be decided from conditions as they arise. It will likely be necessary to buy wheat in the open market, at certain times, in order to prevent the market going lower than the Board may think it should go. But it will also be necessary for the Board to keep selling wheat in the open market, at such times as are necessary to fill the requirements of exporters and millers, whose business it is to develop trade and sell to the markets of the world in competition with other countries.

I will sum up my remarks by saying, that I am entirely opposed to the compulsory features of this bill:

1st: Because I do not believe that the majority of the farmers of Western Canada desire to be compelled to market their products, through any compulsory scheme of this kind. Recent results from attempted compulsory market schemes have already demonstrated this fact. I do not believe that any large percentage of the farmers of Western Canada are in favour of such a scheme as this bill proposes.

2nd: I decidedly object to the confiscation of the use of my property, under the provisions of this bill. I would be in the unfortunate position, in regard to my property, of having nothing left but the title,—whatever good that might be to me, seeing that I could have nothing to say about the use of my property.

*By the Chairman:*

Q. Mr. Smith, you have not very much to say now under the Grain Act, you have got to take any wheat that is offered to you and you get a certain fee fixed by the Grain Act?—A. Yes, that is right.

Q. You have got to take any grain that anybody has to offer so long as your elevator is not full?—A. Yes, but I at least know the conditions under which I am working now.

Q. You would know them in the same way?—A. This bill does not provide for the conditions under which I would operate.

Q. I said the other day what I assumed would be understood, that you would work for wages. You said that you were familiar with Mr. McFarland's operations?—A. Yes.

Q. How long have you been familiar with them?—A. I have been generally familiar with them since the time they began; not in an intimate way, of course, but in a general way.

Q. Latterly you have been familiar with them much more fully than you were at the beginning, I take it?—A. Yes.

Q. And I think Mr. McFarland has talked matters over with you from time to time?—A. Yes.

Q. And what criticism had you to make—there seems to have been a lot of discussion taken place about selling here—what criticism had you to make about lack of sales of wheat?—A. Mr. Chairman, from time to time when we discuss these matters personally, Mr. McFarland and I, I mentioned that I thought it would be good policy to put a little wheat into the market at such times as there were export bids and export demand to take it; and outside of that criticism, or in such measure as it perhaps has not been done, I feel that that would have been a wise thing to do more freely than was done.

Q. It was not done quite as freely as you think it might have been done, is that the way to put it?—A. Yes, that is the way I feel.

Q. You did a substantial export business during the last few years?—A. Yes, sir.

Q. And you are of course familiar with the Argentine prices; and you mentioned that the countries where it is difficult to sell wheat are Germany, Italy and France?—A. Yes.

Q. I think you have exported some wheat to all these countries?—A. Yes, we have.

Q. During the last year what has been the difficulty about exporting to France?—A. Well, the difficulty in France has been with us, a lack of any large demand?

Q. Quite so. France is an exporting country, is selling at the present time?—A. Yes.

Q. And any wheat that we sell to France takes the place of wheat that they export?—A. That is right.

Q. In other words, they do not allow it in at all; that is the short way to put it?—A. That is right.

Q. Germany, I think you heard Mr. Richardson say while you were here, I think you heard what he said about that—Germany has not been buying from any country lately?—A. No; unless—I heard of some trades that were going to be made. The difficulty in Germany is that we cannot get paid for what we ship there.

Q. The difficulty being the exchange situation?—A. Yes.

Q. And, Italy; what was the trouble there?—A. The difficulty in Italy was also a lack of demand and the difficulty of getting terms properly arranged to complete deals. Some of the big exporting firms I understand were selling it there on credit.

Q. Which made it a simple question: I intended to ask this of Mr. Richardson but did not; wheat is sold as a cash deal, is it not?—A. Yes.

Q. That is, you attach sight draft to bill of lading; that is the usual policy?—A. Yes.

Q. Then lack of demand in Italy is the primary difficulty?—A. Yes.

Q. You know, Italy has not been getting any wheat from North or South America to speak of this last year or two?—A. Some, I think.

Q. Have you the quantity, relatively?—A. It is largely coming from the Roumanian countries, I think; I mean, the South of Europe.

Q. The Danubian and Roumanian sections of the country?—A. Yes.

Q. You have read the proposed bill and you disagree with the compulsory features of it?—A. Yes.

Q. If the government is to stabilize prices and leaves the open market to operate it seems to me that there would be no incentive to get a price exceeding the minimum on the one hand, and there would be the difficulty of fixing the minimum on the other; how would the government get over that difficulty?—A. Well, it is hard to face these difficulties before we come to them, but I think as they arise they will indicate to the board what they should do.

Q. Then I gather that you think a board is necessary; that is number one?—A. Yes, I do.

Q. And I gather from what you say that you think a minimum price desirable?—A. To fix a minimum price.

Q. You think that the board should fix a minimum price and that the country should absorb the difference between that minimum price and the market price, whatever it might be say, less than the fixed minimum price?—A. Yes.

Q. And the traders would get the benefit of the excess of market price over minimum price?—A. Oh, no; I did not say that.

Q. What?—A. I did not say that at all.

Q. Well, you see, if the wheat sold at the minimum price—for the sake of argument let us say it was 60 cents, through brokers, and say it went to 70 cents, those who sold it at 60 cents would have lost any of the benefit from the sale price; that would enure presumably to the benefit of the trader?—

A. That would be a benefit to the man who held the wheat. The farmer was able to sell it at the minimum price of 60 cents, or he may have held it back on the farm for later sale. But he would get 60 cents a bushel for it anyway. It would help to hold it back at times and avoid such heavy offerings of wheat.

Q. Yes. One of our real difficulties in Canada is that somewhere from a point east of and between Swift Current and Medicine Hat, we have to ship all our wheat out through Atlantic seaboard points?—A. I do not think that is the difficulty.

Q. I mean, it is not open all the year around?—A. I beg your pardon, that is right.

Q. That is right?—A. Yes.

Q. And that navigation closes at the head of the lakes broadly speaking around the first week in December?—A. Yes.

Q. And that route is not open again from the middle of December until, I suppose, about April 10th?—A. The middle of April.

Q. The middle of April sometime. And, between Swift Current and we will say a little piece east of it the wheat has to accumulate somewhere where it may be available for its shipment out of New York, or Saint John, or Halifax, or Newport News or some of those ports?—A. Yes.

Q. That results in enormous quantities of wheat being shipped out in the early fall?—A. Yes.

Q. In fact, the movement of wheat for a week or so after the crop matures is really phenomenal, isn't it; millions of bushels of wheat move through Winnipeg?—A. Yes, it does.

Q. It is rushed with all possible speed to the head of the lakes and from there down to the seaboard and away to the ports of Montreal and Quebec?—A. Yes, the farmers I think want to get rid of it as soon as they can—to get their money out of it.

Q. The real truth of the matter is that the farmers have very limited facilities for carrying grain on their farms?—A. Well, they carry quite a bit.

Q. In the aggregate; but I mean, they haven't any warehouses or elevators of any considerable extent?—A. No, they have just granaries.

Q. And they utilize largely the elevators at railway points?—A. Yes, they do begin to bring it in there; but I think there is a lot of storage on the farm and farmers should be encouraged to store more wheat on the farm.

Q. Knowing you, I think perhaps you have done a good deal to encourage them to increase their warehousing. I think that has been your view for a good many years?—A. That has been my view, yes.

Q. Then, they could take advantage of the minimum set if they thought it desirable?—A. Yes.

Q. But, in the main they do not follow that advice, they ship it into the market as fast as possible?—A. It seems that way, from the floods of wheat that come onto the market in the fall.

Mr. WILLIS: They need the money.

The CHAIRMAN: Yes.

*By the Chairman:*

Q. That being so, if a minimum price were established for wheat in the fall it certainly would not lessen the flow, would it; rather it would be accelerated wouldn't it?—A. I think it would lessen it.

Q. Do you?—A. For this reason: Knowing they could get this minimum price they would merely sell something to satisfy their cash needs and then they would say, we might as well hold it and sell it for what it is worth if we can get anything more.

Q. Have you any minimum price in mind?—A. Yes; I think the minimum price should be fixed in accordance with the conditions of the crop—one year one price and another year another.

Q. Quite so; it would depend on world conditions I suppose on the one hand, and the extent and value of the crop on the other hand?—A. Yes.

Q. Now, assume that the elevators were being used as they now are under the Grain Act and the crop was taken to the elevators and the farmers received for the sake of your argument let us say a minimum price, you would not be dispossessed of your property any more than you are now; you are a public utility now?—A. To this extent, we are a public utility now, but we are operating with a certain amount of liberty for private initiative.

Q. For what?—A. For our own profit.

Q. Quite so; that is, for buying on your own and holding and selling as merchants?—A. As merchants, yes.

Q. Yes; then the extent to which the limitations imposed upon you under these provisions would affect you in the manner you suggest would be that you would not in this way be merchandisers?—A. No; and not only that, we would not know—for instance, I do not know now when that board as set up, what they would say to me or do to me in regard to charges or anything else. There is no provision, I have noticed in the bill, that the charges shall be such as are prevailing now, and all that.

Q. That is fixed by the grain commission, is it not?—A. It is.

Q. At least, they are fixed by the grain commissioners, are they not?—A. They are, but these are maximum charges. For instance, in handling grain, now and during Mr. McFarland's operations, we did not get the maximum charge in carrying our grain.

Q. But you either did it by contract within the Act, or the grain commission fixed it?—A. Yes.

Q. So that under this Act, as you read it, did you conclude that the Grain Board should have the right to fix your rates? If you did you are wrong as to that?—A. I read it that they would have the right to do anything that they possibly wanted. They could say to me: here is what we will do; if you do not like it you know what you can do.

Q. I tried to make it clear that it was to be subject to the provisions of the Grain Act; and that the authority of the Board of Grain Commissioners was not taken away from it?—A. I thought in that remark, Mr. Chairman, that you probably meant that the rates would be fixed—that is, the storage rates would be fixed as maximum rates, which they are now, but that would not prevent anybody from saying, "we will not give you this; that is the most you will get, and we will only give you half."

Q. They would have to pay the rates that the Board of Grain Commissioners fixed?—A. I shall be glad to hear that.

Q. I mean that if it is not clear in the Act, it is not intended to usurp the functions of the grain commissioners. Now, assuming that that were so, and that the crop were gathered in that way—I am talking of the gathering up by the elevators—there are points at which there are ten or twelve elevators, are there not?—A. Yes.

Q. And at the moment they operate in competition one with the other—not, however, as to the charges which they make, but merely as to the service which they render?—A. Yes.

Q. And as buyers of grain for the companies they represent, the various agents take their price from the same broadcast generally or from one man

who gets the notice from Winnipeg and distributes the notice to the other eight or nine?—A. That is true broadly, although there are often deviations from it.

Q. Broadly that is so?—A. Yes.

Q. Now, the fixing of a minimum price, then, would be nothing more than fixing the price under which present time operations are carried on, because it is the minimum price and the maximum, both, today, is it not?—A. Yes. I think that the fixing of a minimum price as I have suggested in this brief would work out the same way.

Q. That is that the same price be paid by different men for the same commodity which would be taken into elevators at exactly the same terms, they gather the wheat under those conditions, they have to look to its transport and distribution, its distribution would be carried out by the railways in the same sort of way to the terminals. Now, is there any reason why, after the board has gathered it in the manner I have indicated, through existing facilities, it should not get all you exporters, treated as you have been, only dealing with the board, going into the board and getting your grain and distributing it in the same manner you have followed up during all these years?—A. You mean is there any reason under the provisions of the proposed bill?

Q. Yes?—A. I do not read that into the bill at all myself.

Q. I see. Would that be a reasonable thing to suggest: that you and Mr. Richardson and everybody else who is interested in maintaining your connection with your customers abroad would get all the wheat you want from the board—I am not talking about the price—and ship to Antwerp or England or any other place?—A. Yes, I think it would be a reasonable thing.

Q. Now, there is the question of price. If you have a board of three with an advisory committee of eight or nine, would it not be possible to arrive at some price that would be a reasonable price having regard to all the conditions to which you refer? You have, instead of one man's judgment—Mr. McFarland's—after consulting with the people around about the Grain Exchange either officially or unofficially—you have a board, and the board gets the benefit of the assistance and advice of an advisory committee if needs be, and of everybody else, and they fix a price. Is there any reason why the exporters should not carry on in that way—great flexibility in price if needs be?—A. You mean a minimum fixed price?

Q. There would be a minimum fixed price. If there would be a minimum fixed price for the acquisition of it that would have to be a moderately low one. From that time on is there any reason why the exporters could not continue to function in the same old way, dealing with the board to get their supplies at prices which the board, after careful consideration of every factor might regard as a reasonable price. What do you say as to that?—A. There is no reason why the exporters could not buy from a board, but, of course, the profit, or the interest in the thing would be somewhat whether they could make anything by so doing or whether they would have their work for nothing.

Q. I will put it this way: so that they would not work for nothing is there any reason why they should not act as the agents of the board—you see I am looking for information and assistance—to act as agents of the board being paid a reasonable, decent, sound figure for their services, using all the machinery and contacts of all these years to distribute Canadian wheat to the markets of the world?—A. There is no reason why that could not be worked out.

Q. It is a practical thing, is it not?—A. I think it is.

Q. The only difficulty you would raise right there would be how the price might be adjusted, how the price at which you would sell would be fixed; because Mr. Richardson said this morning that if the price is a price which will not invite buyers it becomes, in fact, a prohibition against sales. But I understand you to say, in the light of the conditions which did not materialize as Mr. Broomhall and others thought they would, that possibly wheat might have been offered at a lower price?—A. Yes, that is what I thought.

Q. The question of price would be the important thing to consider, if you and I follow one another up to this point; the question of the great exporters of the country with their brokers and their ships and everything else to be able to get cargo and charters and sell and dispose of the wheat in Great Britain, Germany, France, Italy and continental Europe would all be a question of being able to get their supplies at a price that would enable them to meet the markets, the demand of these prospective customers in terms of the competition of other countries?—

A. Yes.

Q. That is so?—A. That is right.

Q. Now, you have followed the competition of the Argentine during these years?—A. Yes, I have.

Q. And you are thoroughly familiar with the difficulties of the question of exchange?—A. I am not thoroughly familiar, but I am fairly familiar.

Q. That is a difficulty that, since we have no common yardstick of measurement, is going to continue as far as you can see?—A. As far as I can see, it is.

Q. And I think you have had real experience in trying to sell wheat in Germany?—A. Yes, I did.

Q. I do not know whether it was you or not who had a cargo at Hamburg that you held there for some time?—A. Not quite a cargo.

Q. No, part of a cargo. All I am anxious to get from you, if we follow one another up to this point, is what you would suggest as the best method by which a reasonable price for wheat could be fixed having regard to the condition of the producers on the one hand and the necessity of selling on the other?—A. Well, the reason I made the suggestion in my statement to you that I thought a fixed minimum price to the producer should be arrived at first—

Q. Yes, now how do you suggest that might be done?—A. Well, I would think that a board charged with the responsibilities would sit down and figure as far as they could; it is difficult to figure.

Q. That is just what I expected you to say. It is difficult for one to project his mind into the future in the wheat business?—A. Yes. They would finally arrive at some price, so I said it was 60 cents. And the reason I say that it should not be too high a price is because coupled with my idea is the idea that they could always hold their wheat for higher prices if the market went higher, but they would have a cushion at a certain price.

Q. I follow you; and, of course, what you have said is predicated upon the assumption that the carry-over, whatever it is, will not come into competition with that wheat during the fall months?—A. No.

Q. That is in your mind, is it?—A. I would attack the market all at once, but when there is a good demand push some into the market.

Q. Up to the present what Mr. McFarland has done has been: he has let the wheat that was produced last year go out of this country without buying it—the last year crop went out of this country?—A. Yes, the net result has been that.

Q. All the years he has been there. What has happened is that the farmers' wheat went out of the country and he held back for the balance. That is the right way to do it, is it not?—A. Yes.

Q. Had he competed with the farmer—when I say farmer I refer to their wheat that went out of the country—it is obvious there would be a lowering of the price they received for the wheat?—A. Yes, I thought of that.

Q. That is fairly obvious?—A. By his selling wheat on the market it would reduce the general market price. It was in his mind as to what the farmer should receive as a minimum.

Q. Now, it is difficult, as you say, to project the mind of a man or of a group of men into the future so as to be able to determine what is a reasonable minimum price; that is difficult, is it not?—A. Yes, rather difficult.

Q. And one of the difficulties that has been experienced in western Canada since I went there was that in the fall, with the great bulk of wheat moving

out of the country, naturally, because of the volume, the price became low. That has been history; and one of the contentions made by the pools was that by getting instalments of money there was not the same pressure for immediate realization. Whether that is sound or not you and I need not discuss, it was one of their contentions?—A. Yes, it was one of their contentions.

Q. Leaving that for the moment, I put this to you: the determination of price, as you said very properly in my judgment, although I may be mistaken, would be the ascertaining of the world position?—A. Yes, also ascertaining, I think, the fixed minimum price I have suggested—ascertaining from consultation with farm leaders if necessary what is a reasonable price to expect under such hard conditions. If there is a big quantity of wheat going to go onto the market and the whole thing is going to slump down anyway, say to the farmer, “we are not going to let it go all to bits and ruin you, we are going to give you some protection.” Just help him along this line and fix upon some minimum price which, I think, should be fixed for the entire year.

Q. Would you favour a variation of fixed price, or for the entire season?—A. For the entire season.

Q. Fixed antecedently to there being a great flow commencing?—A. Yes.

Q. And about the time when you know (a) the quantity of wheat produced in Canada, the probable yield, and (b) the probable world requirements for importing countries?—A. Yes, then I would also keep in mind that the farmer has got to have at least a reasonable support. I mean I do not think that a man in the business of farming, if things look bad, should expect to have a big high price established; but, at least, he should be protected and a fair basis be arrived at, and then left there to sell at a higher price if he himself can do it.

Q. Yes, in other words, the minimum price should be of such a character as would, say, save him from injury by reason of the price being so low; that is what you suggest, is it not?—A. I think he should take part of the injury of low prices.

Q. That is what I wanted clearly. In other words, if you fix a minimum price—I am trying to follow your suggestion of the fixing of a minimum price—and suppose you were a member of the board and you and two others fixed the minimum price, say, for the sake of argument, at 58 cents, you would expect that whatever the figure was, whether 58 or 60 cents, that it would be a figure that would return the farmer what he spent in putting in his crop and getting it off?—A. Yes. It would give him at least some returns for his labour.

Q. And some profits?—A. Yes, a little.

Q. I see what you mean; I just want to follow you. Then in the event of his not desiring to sell, he takes a chance on a rising market?—A. Yes.

Q. He knows there will be no falling market below that minimum price?—A. Yes.

Q. You think, if I follow you, that should be fixed for the whole season, from the beginning of the crop year, or the beginning of the flow at least from the farm to the 31st of July; is that right?—A. Yes, that is what I think.

Q. To the 31st of July next year?—A. Yes.

Q. Now, suppose that were done and your export houses were working away just the same as usual, only they were acting as agents for the board, that would surely be practical in view of what Mr. Richardson said this morning as to his willingness to do business on a margin as low as a cent a bushel?—A. Under my scheme I would not have them working as agents for the board at all; I would have that fixed minimum price with the open market and then if there were a quantity of wheat bought by the board, we will say, for a price of 60 cents, the board would sell that wheat as they might think best either by selling themselves to exporters or they may have to sell for less, but they would make offers to these people in that event.

Q. I do not want two sets of people, if I can avoid it, doing that business. I am merely suggesting to you in the light of your very constructive suggestion, that if the board had to take in 10,000,000 bushels at 60 cents, they should continue to utilize the great exporting facilities that have been built up during the years, including brokers and charter parties, everything of that sort, to get rid of that at a time they may select as being the best time, having regard to all the circumstances?—A. Yes.

Q. That can be done?—A. That can be done. They must sell to these men as they come along to buy it.

Q. Mr. Richardson said he would be content in these days to make a profit of a quarter of a cent a bushel. I hope you do not make any such low profit as that?—A. I would not be content; to pay my overhead charges I do have to take a quarter of a cent, but I am not content.

Q. Suppose you take a cent a bushel. Is that a figure that appears in recent years to be a reasonable figure?—A. A cent a bushel is, I believe, quite a reasonable figure, a fairly high figure from my experience.

Q. Do you follow me? We have gathered in our crop at the elevators, utilizing public parties and paying the fees the law provides for the services rendered according to the Act, and we have moved it out to the terminals and the board has continued without discrimination to use the whole of the export facilities of the country, the charter parties, charter makers and everybody else, and they pay them the fee which is the fee they have found reasonable during those years, and for the connection, for everything they had had to do by reason of their age and experience, could that be feasible and practical?—A. Yes, of course it could.

Q. Perhaps, Mr. Smith, you will tell me why it should?—A. Well, of course, I do not see always just where you are leading me, Mr. Chairman.

Q. But, no, I am not leading you anywhere; no.

Hon. Mr. STEWART: We are all interested in that.

*By the Chairman:*

Q. I am greatly obliged to you for what you have said, because you said you have a suggestion to make?—A. I do not mean it just in those words. I do not see the point in view now; but what I feel is this: A scheme such as you have just mentioned, I understand that scheme would be working under the bill now before you.

Q. I am not arguing that.—A. If such a scheme were put into force with those ideal conditions surrounding it, and a board who would do all these things for the handling of grain, using the present channels of trade, I do not see that it would be unworkable at all; but I feel there is a tendency in turning everything over to the government to handle finally to get ourselves into the position where we expect that all we have to do is stand there and take directions and the thing will work its way out. I do not believe in the principle of that monopolistic state control as compared to such a scheme as I have suggested. I do not believe in the value of it as compared with the scheme I have suggested.

Q. So far as effectiveness is concerned, having regard to the extraordinary conditions now prevailing, it might be equally effective?—A. I do not think, Mr. Chairman, it would be equally effective. I do not see how a board could pay a farmer part of his money or even a low minimum price, even a reasonable minimum price and take away all prospect of his making any more by trading himself and have him satisfied, and I do not see how the grain trade would be entirely satisfied with such a situation.

Q. I am assuming the farmer is still in the position of being one who freely brings his crop to the elevator, nothing compelling him to do it at any given time; he may hold it on his farm as much as he likes under that bill.—A. How would he be paid for it?

Q. He would not be paid by anybody if he held it on his farm.—A. I mean when he draws it in to get his pay.

Q. Then, he would get the minimum price or the fixed price, put it that way, instead of the minimum price?—A. I do not believe there is anything impossible in working out such a plan; but I do not think it is the best plan in the interests of the farmer or of the country.

Q. The country's risk would not be as great as it might be under what you suggested?—A. I think it would be less, would it not?

Q. I think the other way about. It would be less with the plan I suggest.—A. I think the country's risk should be less in that we are not to assume that we are going to face for all years to come a blank darkness in wheat production and shipping, and that there will be years when such a board would not have to buy a bushel of wheat.

Q. Quite so.—A. That would let people operate on their own initiative and do the best they could. They would only come to their assistance when there would be real need for it.

Q. What I have said, of course, is predicated upon the carry-over, whatever it might be, being not made competitive against this year's crop?—A. All that you have been saying?

Q. No; what you have been saying to me is predicated upon the fact that what Mr. McFarland has been doing would be continued; that is, the crop now on hand, shall I say "carry-over," would not be competitive against this year's production?—A. Well, what I thought could be done was that a selling policy in connection with the present carry-over could be begun in moderation as, from time to time, the market warranted it. I would not put this in competition with a large crop coming in. If something happened to our crop and prices were high, I would feed a little into the market.

Q. In other words, the accumulated carry-over which began in 1929, and has been increasing since, would be fed out, depending upon market conditions, but not so as to be competitive against this year's crop to the destruction of prices?—A. That is it.

Q. That is what I gather you desire to convey to me. Now, Mr. Smith, you have been in the grain business a good many years?—A. Yes.

Q. How many?—A. I am sorry to say about thirty-three years.

Q. The lowest price that wheat ever reached in your knowledge was what year—January, 1933?—A. Yes.

Q. It ran down to less than 40 cents?—A. 38 cents.

Q. At Fort William. Of course, no industry could remain solvent at that price?—A. No.

Q. That meant the farmers got 20 cents, 24 cents and 25 cents a bushel, and in some cases less?—A. Yes, in some cases less.

Mr. LUCAS: They quoted 19 cents at my station one day for No. 1 Northern.

The CHAIRMAN: No. 1 Northern?

Mr. LUCAS: Yes, No. 1.

The CHAIRMAN: Mr. Stewart mentioned he thought No. 2 went that low. Thank you, Mr. Smith, I follow you very clearly.

*By Mr. Vallance:*

Q. Mr. Smith, let us get back to the storage on the farm. We are talking about first the spread which is determined by the distance from the market where the farmer has those storage facilities. That is how it is done, is it not?—A. Yes, I think it is.

Q. For instance, I farm at a place about three miles distant from the elevator and it is easy for me to thresh either by combine or machine and deliver all the wheat to the elevator?—A. Yes.

Q. Then, you have the fellow who is probably twenty to twenty-five miles back, who cannot do that; so of necessity he is forced to build storage places on his farm?—A. Yes.

Q. And your contention is this: If you set up a minimum price that provides for the wheat selling as it is delivered—I am not talking of the storage facilities or the elevator—you would suggest, at least I gather you suggest if I deliver that threshing in the fall, suppose it was at the minimum price, I would take the minimum price, or are you in favour of setting a minimum price and making the sales of the year at an average price and give the farmer the average?—A. No; what I have suggested under my scheme or my idea was that there be a minimum price established, a fixed minimum price, which the board would establish that a farmer could take advantage of if he wished to. If the market were higher or if he thought it were going higher, he would have the opportunity of selling it at a higher price. What I felt was that a stabilizing influence in the market could insure them that it would never go below that. It would be an encouragement. But those conditions would only operate under circumstances during which there were heavy or burdensome crops and it would at least be an encouragement to the farmer to know he would not have to take less than that, but he might get more if the market went up.

Q. I gather from your evidence here that you have read the bill. This bill does not provide any such facilities for the farmer as that?—A. No, I understand that. That is why I am opposed to it.

Q. That is what you are objecting to.

*By Mr. Porteous:*

Q. The same encouragement would be given to the speculator?—A. I beg your pardon?

Q. I say the same encouragement would be given to the speculator?—A. I don't understand what you mean.

Q. Well, the man buying wheat would be insured that it would not go below that price?—A. Sure. No, it would not go below, and he might feel like buying some and help carry the load along, and it would not go on the board, then.

*By Mr. Vallance:*

Q. Having regard to the point that the Chairman mentioned, there are some points in the west where you have 6, 7, 8 and as high as 10 elevators. Under the Grain Act as now operating, you are privileged to give storage to the farmers free in your elevators?—A. No. I wish we were. Well, I cannot say, because I am not operating directly in the country elevator; I am more concerned with the export. But I understand if I gave a farmer free storage, I would have to give other farmers free storage too.

The CHAIRMAN: There could be no discrimination.

The WITNESS: That is what I mean. I am making that point.

*By Mr. Vallance:*

Q. The point is this: There have been times, I know of my own knowledge, where you have had a competitive market with various elevator companies, for the one siding, for instance, and offered various inducements to get the wheat. For some reason they wanted the wheat. They needed the wheat, and they said that they would give storage space free.

The CHAIRMAN: It is against the law.

The WITNESS: Well, I am not familiar enough with that to say positively that it is or is not done. But I understand that if an elevator gives, under the Canada Grain Act, free storage to some farmer, he must give free storage to another. He could not show discrimination.

*By Mr. Vallance:*

Q. The point under the Grain Act as far as storage facilities or charges are concerned, is that there is a minimum charge or a maximum charge.—A. A maximum charge.

Q. A maximum charge, and that you cannot go above that. But I do not think that there is anything in the Act to prevent the elevator company from giving free storage.

The CHAIRMAN: Yes. That is no charge at all.

Mr. VALLANCE: Well, all right. It has been done to get control of the grain.

The CHAIRMAN: They have done it in the past, but Mr. Stewart has applied the word "bootlegging" to it.

Mr. VALLANCE: That is not the point at all.

The WITNESS: From my knowledge, Mr. Vallance, I would say that it is not done; that is, it should not be done. If it is done, it is done contrary to what I understand to be the provisions of the Act, that if I would store grain for you for nothing, I would have to store grain for your neighbours for nothing. I have to have one charge, a maximum charge fixed by the board and published as the charge that I will charge; and if I do it for any less, I have to reduce all my charges to them.

*By Mr. Vallance:*

Q. And you would suggest, in fixing the minimum price, that you take into consideration in fixing that, the position of every individual that is interested in the business, from the producer to the ultimate consumer, having in mind the volume that is available?—A. I would say that at the time a board meets to fix a price, they should hear from all interested parties.

*By Mr. Lucas:*

Q. Have you any idea what price that would be?—A. You cannot project yourself far enough into the future to know what would be fair; but such fixing of the minimum price would only occur at a time, I suppose, when things would look bad and look as if the market—as if it was going to be hard to market the crop that fall. Then it would have to be figured out what would be a fair thing under those circumstances to fix as the minimum price, and then proceed from that. If something happened, the market went away up for instance, the farmers, of course, could take advantage of selling at any price they wanted to, but they would not have to take less.

Q. There are a great many farmers who are compelled to sell their grain just as soon as they thresh it. It would mean they would have to take that minimum price. If it was not a reasonable price, they would be out of the picture for the rest of the year.—A. That is what I say, I think it should be a reasonable price in view of circumstances. I do not think a man should expect to get a high price where he has been protected from maybe having to face a market in which he could not sell his grain at all. But the farmers of the country are as much entitled to reasonable protection as there are many other interests in the country that are.

Q. Of course, the other interests, Mr. Smith that have protection that you are referring to—at least, that I think you are referring to—are of no importance. When they sell their product they have got the same price, and you are not going to give that same protection to the farmer, as I see it.—A. I would give him reasonable protection. My suggestion—there may be many holes in it, but I have thought of it as far as I could—is to give him a chance to sell wherever he can in the highest market.

*By Hon. Mr. Stewart:*

Q. Mr. Smith, you believe in the fixation of a minimum price yearly, based on the conditions that you have enumerated?—A. I do.

Q. And you believe in a board?—A. I do.

Q. You do; but only this business?—A. Yes.

Q. You also believe that the board should have power to take over, as provided in the act, the carry-over and to market whenever opportunity offers. There are just one or two little difficulties that I seem to see, and that I wish you would straighten up for me. I think the Chairman is a little bit alarmed that if he allows the trade—I am now going over into the export and sales end of the grain business—if he allows the trade to operate untrammelled in the export market, the government or the board will be left holding the bag so far as their purchases are concerned, both now and hereafter.

The CHAIRMAN: This year's crop as well.

Hon. Mr. STEWART: I am speaking of now and hereafter, as I say.

The CHAIRMAN: Yes.

*By Hon. Mr. Stewart:*

Q. And for that reason he proposes to put you in the position—you, the exporter—that you cannot do that. In other words, he is going to bring you under the control of a board holding all the grain, and utilize your services merely for the purpose of selling the board's grain?—A. Yes.

Q. Now, what I want to know is this: In your opinion, will that have a tendency to destroy our market abroad and handicap you exporters in your efforts to sell Canadian wheat?—A. I think it would.

Q. That is the point I wanted to get.

*By Hon. Mr. Ralston:*

Q. Are you unalterably opposed to the compulsion system?—A. I am.

The CHAIRMAN: Unalterably opposed to what?

Hon. Mr. RALSTON: The compulsory system.

The WITNESS: As far as I can get away from it.

*By Hon. Mr. Ralston:*

Q. I want to ask you this, and I want you to take it, as I know you will, from the point of view of simply the trade itself. You said to the Chairman that you did not consider that a government monopoly was the best plan in the interests of the farmer. Now, explain that. What damage would it do to the farmer?—A. Well, I think that if the farmer has got—may I explain that a little bit?

Q. Yes, surely.—A. If the farmer has got brains enough and energy enough and perseverance enough to continue growing his crop and producing crops, he ought at least to have the freedom of marketing those crops in whatever manner he desires to market them. I do not think that a Board should be set up to tell the farmer he has got to do this and he has got to do that, under that compulsory system; and I don't believe the farmers themselves want it.

Q. Well now, what makes you say that; because that was one of the particular statements in your memorandum which you read, that you did not consider that any proportion of the farmers themselves were in favour of a government monopoly; on what do you base that statement?—A. First, the personal contacts that I have had with many farmers led me to believe that; and then the results of the schemes that have already been tried in recent months have shown that they were not popular with the majority.

Q. What do you mean by that? What schemes?—A. I mean for instance the poultry marketing scheme.

The CHAIRMAN: And similar schemes under the marketing act, I suppose?

*By Hon. Mr. Ralston:*

Q. But what effect do you think it will have on our customers, and on our markets?—A. Abroad?

Q. Yes?—A. I think that the establishment of a wheat board in Canada and the closing of the open market will meet with sales resistance from them, as it has done in the past.

Q. You mean, it is serving notice on them that we propose to sell our wheat to them at a price we designate?—A. That is what I think.

*By the Chairman:*

Q. You see, that is not what is suggested, Mr. Smith?—A. I may not understand it, Mr. Chairman; that is the way it appears to me.

*By Hon. Mr. Ralston:*

Q. As a matter of fact, is that the effect on the mind of the customer as you know him, and on the foreign consumer; that it will create a notice to him that Canada proposes to exact from him such price as we think fit rather than to allow the forces of supply and demand to control prices?—A. Well, I think that it is perfectly clear from what has happened in the last six or seven years that any attempt to make him pay beyond what he considers to be the price in the open and competitive market has led to his stubborn resistance.

Q. You have experienced that already in connection with the operations of the Canadian Co-Operative Wheat Producers, haven't you?—A. Yes.

Q. That has been mentioned here; you thought the price had been held unduly high, and that has been reflected in the hostile condition of the customer and a disinclination on his part to take our wheat?—A. When he thought the price was too high and he could buy other wheat cheaper, he bought it.

Q. Has that result created a situation so that he is not so apt to come back to us?—A. No, I think it is purely a matter of cold-blooded business on the part of this man.

Mr. WILLIS: Hear, hear.

*By Hon. Mr. Ralston:*

Q. And do you think, so long as we maintain a government monopoly, this cold-blooded business instinct of the customer would be to save, and go somewhere else.

The CHAIRMAN: This, what?

Hon. Mr. RALSTON: This cold-blooded business instinct on the part of the customer would be to save and go somewhere else, where such sales resistance did not exist?

The WITNESS: If I might explain it in my own words—

*By Hon. Mr. Ralston:*

Q. You may explain it in your own words, certainly.—A. I believe this: In order to do business in any line of goods, grain or anything else, there has got to be a friendly and co-operative relationship between buyer and seller.

Q. No, you said it would have to be just cold-blooded?—A. I say, it has got to be that, based on the cold-blooded fact that while friendship exists yet each one is going to make the best bargain he can; that is what brightens and strengthens the whole situation.

Mr. VALLANCE: May I ask a question?

Hon. Mr. RALSTON: Just a minute please.

*By Hon. Mr. Ralston:*

Q. Are these friendly relationships liable to be interfered with by the creation of a government monopoly?—A. In my opinion, I am only expressing my own opinion—

Q. That is all you are doing, yes?—A. People will not trade with a government monopoly or such compulsory scheme in the same way as they will trade with individuals, because they are putting themselves more and more into the hands of one controlled thing; whereas, if the market is open and their is opportunity for trading and buying and selling they will be more interested in it.

Hon. Mr. RALSTON: All right, Mr. Vallance.

*By Mr. Vallance:*

Q. The question I was going to ask right there was where can a buyer go to-day to a market in which there is not some control in that market by the exporting nation, as in the Argentine or Australia, for instance? —A. He can't go anywhere where there are not some regulations; and we have not proposed that there shall not be some regulation here. I do not propose that.

*By Hon. Mr. Ralston:*

Q. What the Argentine does is to sell at the market, isn't it?—A. Yes; I think they have a minimum price fixed, that is as I understand it; I am not sure, I may not be correct.

Hon. Mr. STEWART: You are quite correct.

The WITNESS: And then they attempt to dispose of all the wheat they get in their hands as best they can. When the market goes above the minimum fixed price they are glad to take advantage of it.

*By Hon. Mr. Ralston:*

Q. And if it goes below that they still dispose of it?—A. I think they dispose of it, as they can.

Q. Do you know, as a matter of fact, that the Argentine has pretty well cleaned their bin out, haven't they?—A. I was meaning day to day operations, I do not know what they did. I would think if they had to buy wheat, they would feel it was all right and they would use their discretion about holding it until it went up.

Q. Their policy is to hold, not to sell?—A. That is evident, from what happened.

Q. And our problem to-day is caused, as you have indicated, because you feel that the Canadian Co-operative Wheat Producers Limited have not perhaps been as aggressive in their sales policy as they might have been, and you say you so advised Mr. McFarland yourself?—A. I feel clearly that the fact is that that is quite evident.

Q. Yes; in reference to the Argentine system, do you know whether or not the Argentine government has lost money through it?—A. I do not know, I heard they had made a little money on the exchange end of it.

Q. I mean, on the whole transaction—A. I haven't heard.

Q. Now, let us take the Act for a minute; What do you object to in the Act is the provision there in Section 7 (e) which provides for the board to make advances to producers and other persons delivering wheat and to issue participation certificates; do you object to that?—A. Yes, I do not think it is a good system.

Q. And along with that is Section 12 which provides that as soon as the board receives payment in full and after deducting all expenses they make

pro rata distribution of the money to persons holding participation certificates; do you object to that?—A. That would naturally result from the first. I object to the whole thing.

Q. You object to the whole thing?—A. Yes.

Q. You think this board should actually purchase wheat when it goes down to a certain price?—A. Yes.

Q. And that, outside of standing ready to make purchases at that minimum price they should stay out of the wheat business?—A. Yes.

Q. With regard to elevators, and Section 8 relating thereto; I understood you to say that you objected to that?—A. I do.

Q. Do you think, as the Chairman suggests, that arrangements could not be made with the elevator companies whereby they might handle the wheat on behalf of the board in much the same way as they do now?—A. I think such an arrangement could be made, I think anything could probably be done—whether it is the best thing to do or not—

Q. Do you think that would be as good a way to do, that is to say, make arrangements so that the elevator companies may handle grain as agents on behalf of the board; do you think that is as good a system as the one you suggest, namely the board buying wheat at a minimum price and otherwise leaving wheat alone and allowing the trade to take care of it?—A. I believe the system I have suggested is best.

Q. Do you think it is best in the interests of the farmer?—A. I do.

Q. With regard to the provisions of the Act respecting coarse grains, did you notice that?—A. Well, my idea was that coarse grains and feed were included in the whole thing.

Q. Yes, that is so; but there does not seem to be any provision for participation certificates in connection with coarse grains?—A. Well, I didn't notice that.

Q. Did you have any objection to the board taking over the coarse grain business?—A. Yes, I do not think they should take everything over under this compulsory scheme.

Q. You surely think that they should take over the present over-hang on the market, don't you?—A. Under the scheme I have suggested I think they should.

Q. Yes, you think they should?—A. Yes.

Q. But you do say that the over-hang—let us call it that, or whatever you like to call it—of 180,000,000 or 200,000,000 bushels which is still held by the Canadian Co-operative Wheat Producers Limited, even though it is not sold on the market, has a depressing effect by reason of being held?—A. Well, that has been said a lot and I think, like any other statement, is subject to some qualification.

Q. Make the qualification?—A. In my opinion, I think that if a board such as is suggested took over the wheat and announced their policy that they had taken over the wheat and set a minimum price and they were going to put this wheat into the markets of the world, except gradually over a period of time, it would not have that effect.

Q. It would have a settling effect?—A. It would have a settling effect. But the wheat is there and it is in a visible supply, but it has to be seen, and it will always, to a certain extent, need the reassurance of the board that it is not going to be dumped onto the market, or some such policy in order to get away from the burdensome effect.

Q. You would not think it would be advisable to have a separate board to administer the wheat now carried by the Canadian Co-Operative Wheat Producers' Limited, and a different board to pay this minimum price as occasion arose?—A. No, I think the operations as they have been carried on through the open market have been extraordinarily well carried on, excepting in the light of

present events; I mean that we can see it would be better if more stuff had been sold.

Q. You saw it some time ago?—A. Yes, other people saw it; Mr. McFarland saw it himself. The difficulty occurred in selling it.

Q. Was there difficulty in selling in the fall of 1934?—A. That was all brought out this morning. It can be sold always at a price.

Q. There was something you said to the chairman to the effect that the crop was allowed to go out of the country without Mr. McFarland buying it, leaving the Canadian Co-Operative Wheat Producers' Limited holding the bag. They could have sold part of the hang-over, could they not?—A. I have said already that I agree with the principle which was adopted, and that it was the best thing. I suppose they could have done anything.

Q. Except three things: except that you advised Mr. McFarland that he ought to sell; except you said his policy should be continued with the addition of a definite sales policy which had been lacking?—A. I said it evidently had been lacking; that is right.

Q. And it had not been sold as freely as it might have been. Outside of these things you agree with the policy?—A. Yes. I want to make myself clear. I am not criticizing anything in the stabilization of the wheat at all, but I think there was every reason, my statement says, to believe last fall we were going to get higher prices for wheat and we all thought it was going to come out all right, but it did not come out, and in the last two or three months I have begun to think it was not going to come. I think as I said here—I confess with others that I made a mistake; I was in the same boat myself.

Q. In other words, if you held wheat in June, July and August of 1934, it was on the chance of their being a short crop which did not materialize?—A. Yes.

Q. And if you held wheat in May and June in the spring of 1933 it was on the chance of wheat going higher, which did not materialize, or did materialize, perhaps?—A. It did materialize.

*By Hon. Mr. Stewart:*

Q. I want to ask you one or two questions. You think that the difficulty that has arisen is due to over-optimism about prices?—A. Yes, I do.

Q. That view was shared by the trade as well as by Mr. McFarland?—A. I would not say it was shared by everybody; I say there were numbers of people who felt the same. I felt it, and I do not know how many did feel it, but I know that people whom I talked with felt it.

Q. And that was the incentive to pay the prices. We farmers are not objecting to that. That really was the incentive in keeping Canadian prices slightly above world prices?—A. Yes, it looked as if they would have to come and take this wheat and we would have our carry-over down considerably. That was the picture.

Q. And you have already explained the reason why more Canadian wheat was not sold?—A. Yes, they did not take it as we expected they would.

Q. Betting on shortages?—A. Yes, figuring that the statistical position looked as if there would be a demand. I tried to point that out.

Q. I think you did it pretty successfully. I wanted to get it confirmed by a direct statement.

*By Mr. Willis:*

Q. I think you have advocated from time to time that the farmers should store their grain on their own land?—A. I know the farmers are pestered to death with advice.

Q. That was part of your advice?—A. I would always feel that if a man could hold some of his grain, if his financial circumstances are such as to allow it, that is what he should do.

Mr. VALLANCE: And he will too.

The WITNESS: That is what I do on my own farm, if I ever get any wheat.

*By Mr. Willis:*

Q. I think also, Mr. Smith, you said you could not project the market possibilities very far into the future?—A. That is right.

Q. Taking those two statements together, I am asking for your advice as to whether it would not be advisable not to make a fixed price for the year, but one which varied from time to time depending on world conditions and opportunities for sales, with the possible result of storing more grain on the farm and also creating for the farmer himself a market?—A. What I felt was the fixed price for the year would result to the farmer's good. We will say he was getting 60 cents; he is not in a hurry except to get the cash he wants, and he takes the grain to the elevator for what cash he needs; but he will say to himself, "I had better hold on a little because I will never have to take less than this," and it would be all right. If he did and his judgment was justified he would get a better price for having held on and sold in the open market, and if the price stayed down he would be out maybe the interest on the money he might have had, and he would figure to take a chance. I think it is far better. I do not see that anything else is unfair. I think this is a fair deal for the farmer to have an opportunity of a little protection against disastrous consequences in the growing of his crop and not being able to sell it, and also having a chance to sell it if he wants to.

Hon. Mr. STEWART: You would not be afraid of them fixing the price lower?

The WITNESS: No, I would not have it changed.

*By Mr. Willis:*

Q. I did not get your real objection to a varying price; what was it?—A. Well, it would defeat the sense of security the farmer might have in holding on if he knew that if he held on for a few months they might drop the price to 50 cents on him.

Q. As a grower of Durham wheat, Mr. Smith, how would you provide for me inasmuch as I have been lately getting far more money for my wheat than Marquis has been drawing?—A. You do not need any provision if you had Durham last year.

Q. I did well, but what about this year? I am anxious about this year. How will you provide for me? Will you give me more money or will you arrange a spread in price between the Marquis and Durham, depending upon the market demand?—A. It is true that in that particular kind of wheat there is no deliverable price on the current futures, and I do not know how you would just figure that out. It would seem to me the minimum price could not be arranged to cover every little detail, but Durham wheat would move in relationship to the other wheats.

Q. Durham wheat was worth 15 cents a bushel more. I would expect to get 15 cents a bushel more as a minimum price, and under your arrangement, would I get it?—A. You would get it.

Q. That is fairly satisfactory.

*By the Chairman:*

Q. Just one question. In the disposition of Canada's crop to the purchasers in the importing countries of the world, is that work done by Canadian export houses or by great international concerns?—A. It is done by both, Mr. Chairman.

Q. And to what extent do the great international concerns take the traffic?—A. Take the traffic?

Q. Yes—A. Well, I would say—you are speaking of the three so-called—

Q. I was going to ask you about that in one moment?—A. I would say that these three big firms probably do together a large share.

Q. The three firms are, Dreyfus & Company, Bunke— —A. And the Continental Grain Company.

Q. These three are the three great international grain dealers?—A. They are called the—

Q. Big three?—A. The Big Three European firms.

Q. Many of our people do business with them?—A. Yes; they buy and sell from shippers.

Q. They have complete control in the Argentine, have they not?—A. They have large control; I do not think they have complete.

Q. To what extent is Canadian business in their hands?—A. Well—

Q. So far as you know, Mr. Smith?—A. It is hard to tell, but they do a large Canadian business.

Q. Would it be safe to say they do 75 per cent of it all?—A. I would not say that.

Q. I am just asking you the figure, because I have made inquiries in various places and I have no definite figures; I intended to ask Mr. Richardson that.—A. There are a number of firms working out of Vancouver, others working out of Montreal. For instance, we work out of all those ports and then there are several big Canadian firms that work out of those ports too, all of them, and it is pretty hard to tell just what proportion those continental firms are doing.

Q. Would you say—I am asking you in the light of the best information I can get—they do at least 60 per cent of the Canadian business?—A. It is very hard to figure it out, but I would think they do not control 60 per cent.

Q. Then your figure would be somewhat less than that—half the business?—A. Maybe half of it.

*By Hon. Mr. Ralston:*

Q. Do you mean these firms sell to the Winnipeg firms?

The CHAIRMAN: They are the contact firms.

The WITNESS: They are more, Mr. Chairman. I think they are competitors with Canadian exporters in the doing of the business to the export countries of the world. They do business in the same way as we do generally speaking.

The CHAIRMAN: Exactly.

Hon. Mr. RALSTON: They are the ones through whom you contact the world?

The CHAIRMAN: No.

Hon. Mr. RALSTON: That is my understanding.

The CHAIRMAN: Mr. Smith and Mr. Richardson maintain direct contact with the continental firms for the sale of wheat.

The WITNESS: We have our agents everywhere.

*By the Chairman:*

Q. Bunke, Dreyfus and Continental Grain are people who have been at the business before the Winnipeg Grain Exchange came into existence?—A. I do not know if that is so, but one of them I think was.

Q. I do not know about the Continental. They do, we will say, about half the business. Do you remember the day last fall in which wheat was thrown on the Winnipeg market in large quantities?—A. I don't remember the exact day, but I remember the occasion.

Q. How much wheat was offered for sale?—A. I don't know.

Q. You were there?—A. I was there.

Q. What was the effect of it?—A. Well, the effect was there was more offered for sale than the market would take and the market went down.

Q. And McFarland could not support the market; he stopped supporting the market?—A. On what occasion was that, Mr. Bennett?

Q. At the end of the day. Then what happened at the end of three days?—A. Oh, yes.

Q. What happened?—A. It went still lower.

Q. It was a free market then, was it not, and the wheat went down?—A. It was not exactly free, Mr. Chairman.

Q. Very expensive?—A. What I mean—

Q. What were you going to say?—A. What I was going to say was the very fact that the government agency was in the market and had been buying wheat a month before and so on and people knew they were holding large quantities of wheat they all hopped on the band-wagon and when they started to sell they had boosted prices a little higher than what they could clearly go, and when they started to sell the whole thing began to go down.

*By Hon. Mr. Stewart:*

Q. Everybody got frightened?—A. They all got frightened; one started to sell and then another.

*By the Chairman:*

Q. Do you remember how much wheat was put on the market those three days?—A. Of course I don't know how much was put on but I know there were large quantities because I was told Mr. McFarland had to buy large quantities.

Q. When he couldn't buy, it went down still further?—A. Yes.

*By Mr. Perley:*

Q. It is pretty hard to tell who led the procession of selling?—A. It is difficult to tell but I know joining in the procession were plenty of fellows all over the place, because we had some of them on our books—longs. Of course we could not tolerate shorts on our books, at least if we could help it. We had a number of longs that September when hedges were coming in. They had taken the hedge their way and the farmers had taken the hedge their way, and these men bought wheat, longs, had bought wheat on the expectation that it would rise. When it went up a little they tried to realize on the rise.

*By the Chairman:*

Q. And it was not there?—A. And they could not do it.

*By Mr. Perley:*

Q. Mr. Smith, from the standpoint of endeavouring to get a fair price, for the producer this fall you agree there has to be some form of support from the government or a board that may be set up?—A. I think so.

Q. You agree with that?—A. Yes.

Q. You are familiar with the 1919 Wheat Board and its operations?—A. Yes, reasonably so; I remember it.

Q. That Board passed rules and regulations, of course, and this board would have practically similar powers?—A. I suppose so.

Q. They would have the power to set up rules and regulations under which elevators and terminals would operate?—A. We were not so anxious then because things were a little different from what they are now.

Q. Answer me this: Is it not a fact in the fall of 1932 the trade and the pool asked Mr. McFarland not to press the sales on the carry-over that he had in order that they might sell the 1932 crop?—A. I do not remember that, Mr. Perley? It

might have been rumoured, but I personally do not remember anything about it.

Q. I thought that was a general understanding that Mr. McFarland had been asked not to press the market too hard with the sales of what he had on hand in order that farmers might realize something out of their 1932 crop or be able to sell it?—A. I would not be surprised if it were, but I do not know of it. It was a pretty good idea.

*By Hon. Mr. Ralston:*

Q. You said people knew that the Canadian Co-operative Wheat Producers Limited were purchasing wheat a month before this day of which you spoke and it had some effect on it?—A. That is not what I meant to say. What I meant to say was a month before when the farmers' hedges began to come in and when hedging was quite heavy a good many people thought that wheat was a fair purchase and they bought some of it so that Mr. McFarland did not have to take, if I remember, the hedges, so strongly then. Then, when it went up and wheat became more and more in the market, there was more on hand than could be handled and it began to decline and everybody rushed to sell at once. I think that was one of the reasons.

Q. Do I understand they knew of those large holdings of Mr. McFarland at that time?—A. Everybody knew.

Q. It had some effect on the market?—A. No, I do not think that, but everybody, generally speaking, knew that he was holding wheat. I do not think it had any effect on it, not at all. If he had not been there the thing would have gone far worse.

*By the Chairman:*

Q. Just one question. When did you first intimate to Mr. McFarland you thought he should reduce the price of wheat?—A. I did not intimate we should reduce the price of wheat, but it is not the first time that we talked it over. I do not know whether I am giving a private conversation that I should not give or not.

Q. Well, that arises out of what you said, Mr. Smith, as to speaking to him about the question of price and if his price was high. I just want to clear that up, that is all, when it was?—A. Well, the first time we had this kind of conversation was within the last few months. But before that, other times whenever he would ask me my opinion, or in my opinion whether he should sell or not, my opinion of the market, I would tell him just in ordinary conversation like any of us would, what I thought.

Q. And you were one of those who thought the market would go up because of the world condition of wheat?—A. I certainly thought the market would go up.

Q. And there are others in the same position as yourself?—A. Yes.

Q. McFarland's position was that we should get the most possible—he should get the most possible for the producer?—A. Well, as I mentioned in my statement I think maybe what was in the minds of some people was that these operations should be carried on without any loss to the government. I think that might be a laudable ambition for one to have.

Q. I think Mr. McFarland said that a few millions dollars lost was not as important as compared with the millions of dollars of benefit to the farmers. I think that is the statement he used?—A. That is exactly what I think.

Q. Yes. All right, Mr. Smith?—A. Is that all?

Q. By the way, when you talk about a sales policy, what do you mean by that? It is not customary, is it, for you to send out commercial travellers?—A. No. It is a term that is used in the business. I should have said, perhaps, a selling policy.

Q. What do you mean by that?—A. Well, I mean that I think that any one who is operating in the market—John McFarland or anybody else—should be at times, after having bought wheat, willing to sell some; and having sold some, should be willing to buy, if the market broke down. I don't believe that a man can just stand there, at certain seasons of the year, we will say, and buy wheat.

Q. Yes?—A. But there come opportunities in the market for selling and there come weak days and bad days in the market and he has got to buy. When people call that speculation, I call that trading.

Q. Yes, that is what I was going to say. In other words, you suggest when you answered that question, that what you meant by it was in the particular business of the grain business, McFarland should have been more of a trader?—A. Yes. He should have sold more when the high spots came along.

Q. And bought more at the low spots?—A. Well, he might have had to buy more at the low spots.

*By Mr. Ralston:*

Q. Not unless he had to?—A. No.

Q. You would not do it to the last nickel?—A. Well, I say unless he had to; if it came down to the price where he felt it should be stabilized, he would have to do it.

*By the Chairman:*

Q. That involves buying, necessarily?—A. No.

Q. To stabilize?

Hon. Mr. RALSTON: Certainly.

*By the Chairman:*

Q. If he is endeavouring to stabilize the price?—A. I didn't understand your question. Of course it involves buying.

Q. Certainly, beyond all question it involves buying.—A. Yes. The only way you can stabilize is to buy it. That is, to stabilize it from going down. The only way you can stabilize it from going up is to sell it.

Q. Exactly.—A. I think in McFarland's operations, if anybody is asking me, that he had to keep doing this kind of operation, and perhaps he lacked in the fact that he did not sell enough.

Q. Did not sell enough. Yes, I follow you.

Hon. Mr. STEWART: Mr. Chairman, I would like to ask Mr. Smith one more question in connection with the board that he would be satisfied to set up as a stabilization board.

The CHAIRMAN: All right.

*By Hon. Mr. Stewart:*

Q. Mr. Smith, you would advise that the board only purchase from the producer or as near the producer as possible. What I mean is you would not suggest that that board purchase from the trade?—A. Yes, I would suggest that the board have a minimum price, and they purchase from anybody at that price. For instance, if I had to sell a lot of wheat and it came down, they would be in the market to buy and if the market went up two or three cents, they would sell. That is what I think is the practical way of handling it. I don't know whether I make my meaning clear.

The CHAIRMAN: Oh, yes.

*By Hon. Mr. Stewart:*

Q. Well, what I was coming at was this: One of the difficulties about the board, without complete control, is that they are liable to have a lot of wheat

shoved over upon them by the trade. The trade would protect itself, naturally. The trade would lose money; we will admit that, and they would not be very keen about selling. What I want to get from you is this: Would it not be a much better idea if that board would not purchase from the trade at all? —A. Oh, I did not understand you. In the first place, my idea is this: At the minimum price the board—and that minimum fixes the price—the board should purchase from the farmers and producers.

Q. That is what I thought.—A. And hold onto it, and whenever the market would go up past the market price, let the trade take it. If they got it on their hands, it would be up to them to get rid of it the best way they could.

*By the Chairman:*

Q. They take the loss?—A. In the open market, yes.

*By Hon. Mr. Stewart:*

Q. The board should not be called upon to take any loss of the trade? —A. No. If a man buys wheat to-day and it does not go up, but goes down, he has got to take the loss and he would be in exactly the same position then.

*By the Chairman:*

Q. There would not be any hedging then, of course, as far as the board is concerned?—A. Oh, yes. I beg your pardon, the board itself?

Q. Yes.—A. No, it would not put hedges in the market. It would take hedges.

Q. In other words, it would take a loss?—A. I beg your pardon?

Q. It could get no price insurance, as was mentioned the other day. It would just have to take the loss?—A. How do they do in the Argentine?

Q. I am just asking.

Hon. Mr. STEWART: Why do you say that, Mr. Chairman?

The CHAIRMAN: Who would take the hedges?

Hon. Mr. STEWART: The hedges would be prevalent at the market price. They could not hedge while they were buying above the market, naturally.

The CHAIRMAN: No, that is not the point. The market price, he says, is a certain figure. The board has to sell below the minimum price. They could not get anybody to take the hedges.

Hon. Mr. STEWART: The board are not going to necessarily sell below the minimum.

The CHAIRMAN: He says it might be very desirable that they should. That is what Mr. Smith says is the essence of trade. He says that is the essence of it. He says some people call it speculating. I want to be clear about that. But he said whoever the board is, in his judgment they should buy and sell; if the market went up, should sell; if the market went down, buy.

Hon. Mr. STEWART: Because the board were buying at the ordinary market. That is the only time they would go into the market. They could not hedge because there would be nobody to take the hedges.

The CHAIRMAN: Mr. Smith says the board should be a trading board.

The WITNESS: I think we are talking about two different things now. This scheme I spoke of, I think there should be a fixed minimum price, and that the board, if the market came down to that price, should be prepared to take it from the farmers at that price.

The CHAIRMAN: Yes.

The WITNESS: And then dispose of it the best way they knew how.

The CHAIRMAN: If necessary, at a loss?

The WITNESS: Not necessarily at a loss.

*By Hon. Mr. Ralston:*

Q. If necessary, at a loss.—A. If necessary at a loss; and if it is warranted that they dispose of it at a loss they would take a loss, and it would be in the form of a subsidy to the farmer.

The CHAIRMAN: That is what I thought.

*By Hon. Mr. Ralston:*

Q. And all the wheat would be gone?—A. Yes, all the wheat would be gone.

Q. Under these circumstances they would not be buying back at all on the market, would they?—A. No.

Q. No. They would be buying from the producer and selling to the trade.—A. Selling where they could.

The CHAIRMAN: What is that?

Hon. Mr. RALSTON: I say they would be buying from the producer and selling to the trade.

The WITNESS: Selling to the export trade.

Hon. Mr. RALSTON: They would not be buying back again.

The CHAIRMAN: They might have to buy back, Mr. Smith said. He said if they are going to trade, they might have to sell when the market was down.

Hon. Mr. RALSTON: That is another operation. It is not the minimum price.

*By the Chairman:*

Q. Is that not right? Is that not what you said?—A. That is not what I intended to convey. I thought you were talking about something else. I say in this scheme that I have suggested there would be one fixed minimum price, let us say, at 60 cents. If the market was trading above that, the board would have nothing to do but sit there. But the minute it got down and anybody else would take it at 60 cents, they would take it and merchandise it as best they knew how, under whatever conditions they had to.

Q. Now, I am directing your attention to what you said with respect to McFarland and his operations. You said that you thought he should have, instead of standing still and not selling—hedging—sold some wheat as the market went up from day to day.—A. Well, what I was trying to say—

Q. Is that right? Is that not what you said?—A. Yes, but with this qualification. He was using his judgment in the stabilization of some plan, I don't know what it was. We will say it was his judgment. In stabilizing the market at this level he cut off the producers as he thought conditions warranted.

Q. Yes?—A. When the market went down to what he thought was too low a price he had to buy. That is the only way he could stabilize. My idea is that we have a trade board. It might have been a good scheme, in the light of present conditions, if he had sold some of it.

Q. That is what I gathered from you.—A. I don't want to be put on the record as criticizing the intentions of Mr. McFarland.

*By Hon. Mr. Ralston:*

Q. Now, with that minimum price condition in the plan that you suggest, there would be no buying by the board except from the producer when wheat had got down to or below the minimum price which the board had determined?—A. Yes, exactly. That is what I suggested.

Q. And the board, you say, would have to buy that wheat and dispose of it at the best price they could; and if wheat went up a little, then they would get out of the market and would not get in again until wheat was at the minimum?—A. That is what I mean.

*By the Chairman:*

Q. That is substantially what Mr. McFarland is doing now, is it not?—A. I don't know, Mr. Bennett, if he has a fixed minimum price in his mind.

The CHAIRMAN: I know, but that is the principle.

*By Mr. Vallance:*

Q. What incentive would there be in the trade to buy above the minimum price; the trade would not pay very high above that minimum price to the producer, would they?—A. Yes, there would still be the world market to govern prices for the whole thing.

Q. That is the only fly I see in the ointment, the trade would not have any incentive to pay very much above the minimum price?—A. You would still have firms wanting to sell for export and they would go into the market to buy; they do that now, they would go into the market and buy wheat they could sell.

The CHAIRMAN: Quite so. All right, Mr. Smith.

The WITNESS: Thank you, Mr. Chairman.

The witness retired.

Mr. WILLIS: When shall we meet again?

The CHAIRMAN: I do not suppose we can meet early to-morrow. I have some important work to do in the morning. We could not meet before eleven o'clock.

Hon. Mr. RALSTON: You do not think we could meet before eleven o'clock?

The CHAIRMAN: Not before eleven, would that be satisfactory?

Hon. Mr. RALSTON: Could we project for a moment to the afternoon, just to find out how the situation would be to-morrow afternoon; do you know enough about your own work for that?

The CHAIRMAN: I should think we might, myself; yes, I would think that we might. We might meet at eleven o'clock in the morning and we can get in a couple of hours.

Hon. Mr. STEWART: We might sit until 1.30.

The CHAIRMAN: We might, yes; would that suit you?

Hon. Mr. RALSTON: Yes.

The CHAIRMAN: All right, we will meet at eleven o'clock to-morrow.

Hon. Mr. RALSTON: I had it in mind that we might adjourn to-morrow afternoon at a quarter after five; do you suppose we could?

The CHAIRMAN: It depends on what time we are able to meet. We might meet at four o'clock to-morrow afternoon.

Hon. Mr. RALSTON: That is all right.

The CHAIRMAN: We will try to.

Hon. Mr. RALSTON: Thanks.

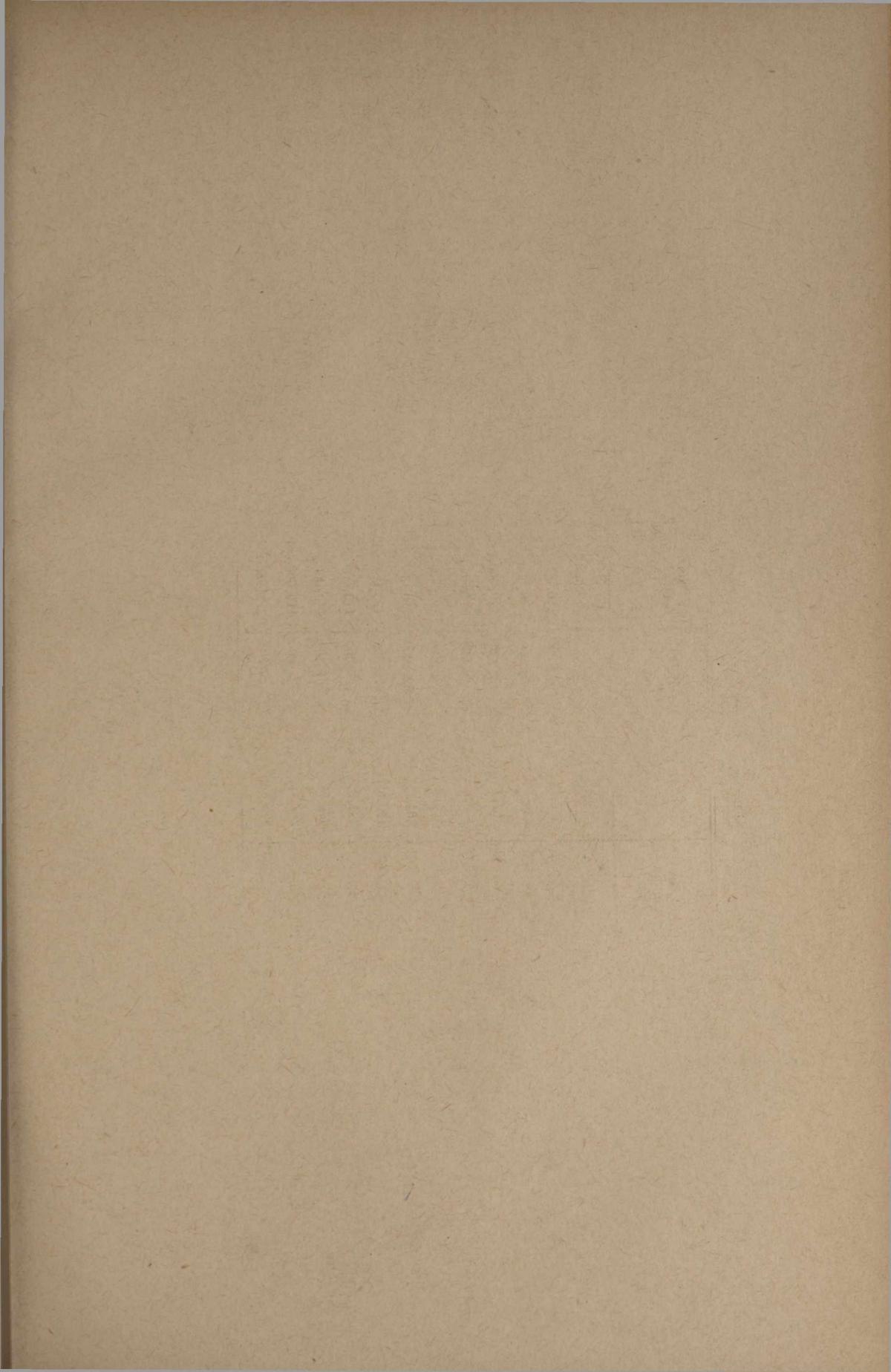
The Committee adjourned at 6.35 p.m. this day to meet again June 25th, 1935, at eleven o'clock a.m.

## EXHIBIT "B"

FILED BY WITNESS JAMES RICHARDSON

Crop Year	World's Shipments	Carry-over Canada Aug. 1	Total Crop, Canada	Canada Total Crop and Carry-over	Required Seed, Feed and Home Consumption, Canada	Balance Available for Export	Canada Amount Actually Exported	Canada per cent World's Shipments	Canada's per cent Shipped of Exportable Surplus
	bush.	bush.	bush.	bush.	bush.	bush.	bush.	%	%
1924-25.....	715,240,000	48,000,000	287,097,000	335,097,000	110,000,000	225,097,000	192,721,769	26.94	85.61
1925-26.....	667,552,000	30,000,000	430,474,700	460,474,700	110,000,000	350,474,700	324,592,021	48.60	92.61
1926-27.....	814,448,000	40,000,000	407,136,000	447,136,000	110,000,000	337,136,000	292,880,996	35.97	86.87
1927-28.....	792,808,000	53,000,000	479,665,000	532,665,000	110,000,000	422,665,000	332,963,283	41.99	78.77
1928-29.....	928,120,000	92,000,000	566,726,000	658,726,000	110,000,000	548,726,000	407,564,186	43.91	74.27
1929-30.....	612,872,000	127,000,000	304,520,000	431,520,000	110,000,000	321,520,000	186,267,210	30.39	57.91
1930-31.....	786,544,000	127,000,000	420,672,000	547,672,000	110,000,000	437,672,000	258,693,883	26.32	58.42
1931-32.....	769,904,000	140,000,000	321,325,000	461,325,000	110,000,000	351,325,000	207,029,552	26.89	58.92
1932-33.....	614,992,000	137,000,000	443,061,000	580,061,000	110,000,000	470,061,000	264,304,327	42.97	56.22
1933-34.....	523,640,000	219,000,000	284,729,000	503,729,000	110,000,000	393,729,000	194,779,871	37.19	49.47
1934-35 (up to June 21, 1935)...	480,000,000	203,000,000*	275,849,000	478,849,000	110,000,000	368,849,000	153,000,000	31.25	41.48

\*Subject to change.





SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 5

---

TUESDAY, JUNE 25, 1935

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WITNESSES:

Louis C. Brouillette, farmer and President of Saskatchewan Co-Operative Wheat Producers and Chairman of Board of Directors of Canadian Co-Operative Wheat Producers, Limited.

Paul F. Bredt, farmer and President of Manitoba Pool Elevators, Limited, and Director of Canadian Co-Operative Wheat Producers, Limited.



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, June 25, 1935.

The meeting came to order at 11 a.m., Mr. Bennett presiding.

*Members present:*—Messrs. Bennett, Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance and Willis.

Louis C. Brouillette, farmer and President of Saskatchewan Co-Operative Wheat Producers, and Chairman of the Board of Directors of Canadian Co-Operative Wheat Producers, Limited, appeared, read a statement, was examined and retired.

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4 p.m.

Paul F. Brecht, farmer and President of Manitoba Pool Elevators, Limited, and a Director of Canadian Co-Operative Wheat Producers, Limited, appeared, made a statement and was under examination at the time of adjournment.

Witness to be again in attendance at the next meeting.

The meeting adjourned till Wednesday, June 26, at 10.30 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 25, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 11 a.m., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: Gentlemen, come to order please. Mr. Pitblado, have you any further representatives of the grain interests who desire to speak?

Mr. PITBLADO: I have none this morning.

The CHAIRMAN: Have you any at any time?

Mr. PITBLADO: As far as I know I have not, but I do not control all those who want to be heard.

The CHAIRMAN: We are very anxious to hear any representations you have to make and dispose of them as soon as possible. The so-called pool have written a letter stating that they desire to be heard. The pool representatives are Messrs. Brouillette, Bredt and Bennett. We will hear Mr. Brouillette first.

L. C. BROUILLETTE, called.

*By the Chairman:*

Q. What is your name in full?—A. Louis C. Brouillette.

Q. And what is your occupation?—A. Farmer and president of the Saskatchewan Co-Operative Wheat Producers, and chairman of the Canadian Co-Operative Wheat Producers Limited.

Q. Do you desire to make a statement, Mr. Brouillette?—A. Yes.

Q. You may be seated; we will hear the statement?—A. I have prepared a statement, Mr. Chairman, and it will probably expedite matters just to read it and then, if necessary, to elaborate on any point of it later.

Q. Yes.—A.

Mr. Chairman, Honourable Gentlemen of the Committee,—

I appear before you as Chairman of the Central Board of the Canadian Wheat Pool Organizations and President of the Saskatchewan Wheat Pool, in support of the Canadian Grain Board Act. I am not a grain dealer, but a farmer, and you will therefore not expect me to deal with the technicalities of the grain trade, but merely with the attitude of the organized producers whom I represent in regard to the legislative measure you are considering.

The following statement issued by the Central Board of the Canadian Co-Operative Wheat Producers, Limited, on June 17th, summarizes the views of our organization:—

Because of the controversy which has already begun over the Canadian Grain Board Bill recently introduced in Parliament, and in view of the statements which are being made with reference to the Pool in connection with this legislation, the Board of Directors of Canadian Co-Operative Wheat Producers deem it advisable at this time, and before the controversy becomes of a character which will practically preclude them from taking part in it, to make their position clear to the farmers and the public.

The issue is one of such great national importance, that in our opinion it should not be introduced into the arena of party politics, and we sincerely deprecate the circumstances which are tending to make it an element in party strife.

For over thirty years the organized farmers of western Canada have taken a keen and active interest in legislation affecting the marketing of grain. Their organization began in demands for legislation under which they would receive something like a square deal in the marketing process, and throughout all this period changes have been made in "The Grain Act," either in response to direct demands of the farmers, or recommendations of commissions appointed at their request to inquire into the working of the marketing system.

In 1919 the wheat crop was marketed by a Wheat Board set up by the Dominion Government. In 1920 the government decided to discontinue the Board and return to the private competitive system. That decision was strongly protested by the organized farmers and the government was urged to continue the Wheat Board, but without avail.

In 1922 a new government, responding to the representations of the organized farmers, introduced a measure which passed both houses of parliament, providing, with enabling provincial legislation, for the establishment of a Wheat Board. The legislation did not become effective because of the action of one provincial legislature in which the provincial bill was defeated by a majority of three. In consequence the farmers turned to the organization of voluntary pools, the first of which commenced operations in Alberta in 1923, those of Manitoba and Saskatchewan following in 1924. The Pools, representing over 140,000 farmers, also secured amendments to the Grain Act designed to give the farmers greater security in the marketing of their produce.

The interest of the organized farmers in matters pertaining to marketing has thus been continuous and consistent for the last thirty years, and since 1919 the belief has persisted throughout the west that only a central marketing agency handling the whole of the western crop would give efficient and satisfactory service and ensure to the farmer the best that the market could do.

That belief has been strengthened by the events of the last four years. Every farmer who has given attention to the situation is now fully aware that if it had not been for the stabilization operations carried on by Mr. John I. McFarland as General Manager of Canadian Co-Operative Wheat Producers, and guaranteed by the Dominion Government, the price of wheat might have dropped to even more ruinously low levels than it did, particularly in 1932.

The open market cannot operate efficiently without speculators, and the depression eliminated the speculators, with the consequence that the hedges which speculation now fails to absorb, have to be taken care of under stabilization operations. The desire to interfere as little as possible with the normal operations of the trade, however, has simply meant doing in a round-about and expensive way, that which can be done more efficiently and economically in a direct way, namely, by establishing a Grain Board.

The Pools have no other interest in supporting the proposed Grain Board than the welfare of producers. As co-operative elevator organizations operating over 1,600 country elevators, and 9 terminals with a total capacity of over 90,000,000 bushels, it might be said that our interest was in grain handling with a fixed tariff on every bushel passing through our facilities, but we are farmers' organizations, and primarily we want to see the farmers getting the best return possible for their grain, through the

best possible kind of selling organization. More than ever the farmers of the West need a selling organization which will conduct its operations with the object of doing the best for the men whose livelihood is contained in the grain it sells. We wish also to assure the public that we are as anxious for justice to consumers as to producers.

As producers organizations, having Canadian national welfare and interest at heart, we make no apologies for urging and supporting legislation for the establishment of a Canadian Grain Board. We have urged it in the past and we shall continue to do so until the product of our farms is no longer an object for speculators and profit-seekers to play with, but is put into channels of consumption in the most efficient and economical manner to the benefit of both producers and consumers.

It has been suggested by several of the witnesses who have appeared before this Committee that a Grain Board should be established, invested with powers similar to those exercised by Mr. McFarland, but that the futures market should continue to operate. With a National Grain Board in operation, we do not see where there would be any place or any necessity for a futures market, and if it were allowed to operate we believe it would inevitably hamper the operations of the Board.

The severest arraignment of the futures market that has ever been made has not been by the Pools or farmers, but was given in evidence before the Stamp Commission by members of the Winnipeg Grain Exchange. Until that time farmers thought that most of the speculators in grain made money. The Stamp Commission brought out evidence to the effect that most of the money risked by the general public in grain futures was lost;—the evidence was not quite so clear or convincing about the large speculators who were generally on the short side in periods of active markets—but that public speculation should be encouraged. The evidence was practically unanimous, but I will quote only a few remarks from one of the witnesses:—

Evidence of A. P. White, President of the Winnipeg Grain Exchange, questioned by Sir Josiah Stamp: The primary object of the futures market was to take care of the hedging. It was found as time went on that it was impossible to carry on hedging transactions without speculation. Market were too narrow.

My conclusions, based on 31 years of actual experience in the grain trade are that a system whereby hedging of grain can be carried on is absolutely essential to the marketing of grain, and that it would be impossible to have a hedging market without speculators, and that the larger the volume of speculation the more liquid and valuable the hedging market becomes, and that speculation takes no toll from the producer but instead adds to the money he receives. Therefore from the producers' standpoint I think that speculation should be encouraged in every way possible.

QUESTION: Your concluding sentence really means, "From the producers' standpoint the activities of the speculator who must be prepared to lose money in the long run should be encouraged?"

ANSWER: Well, that is correct. I believe he puts more money in the market than he takes out. Therefore, the greater volume of speculation is necessary.

QUESTION: Wouldn't you encourage him also if he made a bit of money out of it?

ANSWER: He should be encouraged anyway.

The views of the wheat producers whom I represent have not changed since they were expressed before the Stamp Commission by our late president, Mr.

A. J. McPhail, and I would like to quote the following extract from his testimony. He said:—

I believe, and my belief has been supported by witnesses representing the grain trade, millers and bankers, that the facilities of the futures market provide very useful protection to these various interests. It enables these interests to carry on with increased safety, if not increased profit. It was primarily designed with that end in view, but a system which may work in a satisfactory manner and provide sheltered safety to bankers, millers and grain handlers and merchants, may not, and in my opinion, does not, provide the same security to the grain producers, who are, after all, the all important group in this picture.

The organized farmers of Western Canada have felt for many years, and feel at least as strongly today as at any time in the past, that the present system of futures trading does not work out in their best interests. They feel that the price they receive for their wheat from day to day is largely influenced by the attitude of mind of the uninformed speculating public, and that such a method of determining or influencing the price level is too insecure and unstable a foundation on which to build any industry. They feel that the effect of uncontrolled speculation results in much wider fluctuations in the market price than would otherwise be the case. A steady, or much more steady, price level than now obtains would be of inestimable value to the producer, if some means could be found to bring about the desired result. It is my firm belief that the great majority of western farmers, on whose efforts the production and supply of the commodity depends, are very strongly of the opinion that the effect of futures trading on the price they receive is detrimental.

I would also like to quote a few extracts from a statement dealing with the futures market system by J. I. McFarland, General Manager of the Canadian Co-Operative Wheat Producers, which was issued by him last October:—

This brings us to the other class who operate in grain futures, generally referred to as the "public." This class is composed of large numbers of our population consisting of all who may now, or in the past, have taken an occasional flier in the market, or who may be regular traders but not members of any grain exchange. In the evidence before the Stamp Commission, it was admitted by all that this class of speculator loses heavily, and over a period of years it is very rare that any of them are successful in making money. Also it was found that they are usually optimists and therefore they are generally operating on the long side. Among their ranks are store-keepers, ranchers, hired men, office girls, clerks, doctors and other professional men and women, and many farmers (that was at one time). These were the people who usually purchased the hedge. I do not believe that the average farmer would want to think that the price he receives for his grain consists in part of losses contributed by unfortunate people who cannot afford to lose.

It has been proposed in all seriousness to this committee, as it was to the Stamp Commission, that this class of speculator, the general uninformed public of Canada, "the public would take the hedges so far as it could do so and could be encouraged to do so." As a producers' grain handling organization we do not believe it would be in the interests of Western Canada to encourage the general public on the prairies to engage in a speculation when those who handle their money agree that they are almost certain to lose it, because such speculation is needed to provide profits for the large operators, free insurance for the millers and grain handlers, with a rake-off to the producers if speculation is on a sufficiently large scale.

You must take into consideration that if there is to be any widespread speculation in wheat by the general public on the futures market, it must come from Western Canada. Eastern speculators prefer mining stocks or power

developments, and there is little spare cash today on the prairies in any pockets for every-day needs, and it would be cruel and wicked to encourage them to speculate, knowing that most of them, according to the evidence I have quoted, are certain to lose.

Let me quote again from the statement by Mr. McFarland:—

My observations over a long number of years, coupled with my actual experience in recent years, have led me to the conclusion that there is every once in a while a drive on the price structure, led by the professional speculator, in which millions of bushels of wheat, which they do not own, are poured into the market until the saturation point is reached and the price structure crumbles under those ruthless attacks. The public, who are long on the market (that is, holding for a rise in price,) and possess only limited resources, are liquidated in a wholesale fashion; the farmers' equity vanishes in the grain against which he has received an advance from elevator companies, and his stored grain is forced upon the market, while those who have sold many bushels of wheat which they do not own thus create an opportunity where they may buy at a lower price the liquidated holdings of the public. Under an open market system there is no limit to the volume which may be bought or sold so long as the operator has sufficient money to carry on his transactions.

I would like to quote, very briefly, from the evidence given before the Agricultural Committee of the United States Congress, in connection with proposed amendments to the Grain Futures Act:—

From statement of Edward A. O'Neal, President American Farm Bureau Federation.

We are willing to admit that speculative buying on the commodity exchanges can temporarily boost prices, but by the same reasoning we also know that speculative selling can depress prices. Now, what our farmers want is not a price which at one time is artificially high and at another time artificially low, made so by excessive speculation. Farmers want honest prices and prices which maintain some degree of stability.

What we cannot understand is that the exchanges seem to be more concerned about the interests of a few large speculators than they are about the thousands of small speculators who, if we understand the situation, are the real support of the future trading system. This attitude on the part of the exchanges is disturbing to me. It suggests that the exchanges do not believe the future trading system can exist without special license being given the big boys. It is this class of speculators, of course, who keep the market in constant turmoil and thereby bring the smaller traders into the markets to be fleeced. If that is the basis of the opposition to this Bill on the part of the exchanges, then I think the exchanges may have some reason for fear. If this should be the case, I am quite sure that the farmers of this country will be willing to forbear any benefits which may incidentally come to them from such a system. They do not want any benefits which result from robbing other people.

If any speculator is going to stop trading in our markets and take his business to Canada because this Bill compels honest dealing and fair play on his part, then I should say that Canada is a good place for him to go, except for one fact, it is a mean trick to play on our farmer friends in Canada.

As recorded on page 17 of the Journal of the Farmers' Club at Whitehall Court, London, when the question of stabilizing wheat prices was under consideration, we find Sir Herbert Robson and Lord Crawford, two of the outstanding grain men in the United Kingdom stating at a public meeting in London, in 1930, that "gambling in Chicago tends to reduce the price to the consumer." I would infer that that would be the same for Winnipeg. Lord Crawford saying:

"When a dozen grain merchants are in and out of the market, nobody knows what is going on, and people gamble and lose, and we on the whole get our grain cheaper in consequence."

The world's largest wheat buyer, as everyone knows, is the United Kingdom. Wheat farmers in the United Kingdom receive nearly double the market price for their wheat, through a tax on flour. It is stated in a news article in a recent issue of a leading milling journal that "it is doubtful if the milling industry of any country in the world can show such large profits as those made by British mills since 1929, when the rationalization scheme was put into effect. These large profits are not only to be attributed to the rationalization of the industry, but to the benefits the English millers have derived from being able to buy cheap wheats." It has been stated to this Committee that English millers are reducing the percentage of Canadian wheat in their mill mix, due to the stabilization policy carried on by Mr. McFarland, yet the Scottish millers use a much higher percentage of Canadian wheat in their flours than the English millers, and bread is not only better but cheaper in Scotland. I am not a grain expert, but a farmer, and I wonder if British millers could not use a normal percentage of Canadian wheat, if they were satisfied with normal profits.

In the submissions to this Committee there has been an evident attempt to place the entire responsibility on the policy of the Wheat Pools and the stabilizing operations for the Canadian wheat carry-over. There has been an assumption that there is an unlimited market for our wheat—provided that the price is low enough—disregarding the fact that if Canadian prices were dropped to bankruptcy levels for Canadian farmers, other exporting countries might still offer their wheat at lower levels without any increase in the volume of world trade.

I would like to quote from a couple of paragraphs dealing with this world situation from a recent study by the Economic Section of the League of Nations, issued on May 20th of this year:—

For several years after the close of hostilities, Europe continued to import considerable quantities of agricultural products—particularly cereals and meat—her return to her former productive capacity having been retarded by a series of causes, such as the Russian revolution and numerous agrarian reforms. But directly her producing capacity was again restored, about 1925, the balance between supply and demand was broken; prices were already on the downgrade, and the full force of our collapse was felt from 1930 onwards. Exporting countries with a surplus of goods had to bear the full shock of this catastrophe, against which they possessed only one means of defence—a useful means at first, but one which was later to constitute an additional danger—namely, to slow down the marketing of their crops by accumulating stocks.

There are certain signs which point to an improvement in world prices. The necessary transition might be more easily engineered if exporters could manage to organize themselves so as to avoid un-co-ordinated and ruinous competition, which, by flooding the market with products offered at depreciated prices, tends to strengthen the protectionist policy of the industrial countries.

It is a well known fact that the prohibitive duties, milling quotas, and other barriers erected by importing countries which have a large agricultural population, have been set up to keep cheap wheat from overseas from ruining their own producers.

There is not a country in the world to-day in which wheat is an important crop where governments have not taken action on behalf of their wheat farmers. In several countries there is a complete government monopoly in the purchase and sale of wheat; many countries have established minimum prices. In others

there is a heavy cash subsidy to wheat growers. I was glad to note that witnesses appearing before your Committee appeared to be unanimously of the opinion that Canadian producers must be assisted by some measures, if they are to continue producing.

There have been several attacks made upon the Pool organizations before this Committee. Most of the accusations brought against us have been dealt with by our organization on many previous occasions, and fully refuted. One of the charges is that "Mr. McFarland's close associations with the Pools, as their general Manager, has been a very unfortunate thing for all concerned." If it is meant by this that Mr. McFarland has a keener realization to-day than when he became connected with the Pools, that the policies advocated by the Pools are more in the interests of all the farmers of the West, and the interests depending on their welfare, than the policies advocated by the grain trade, we regard this charge as a compliment and not as a slur. All who know Mr. McFarland recognize his ability, his strong determined character. He has devoted his energy and experience; he has sacrificed his business. He has injured his health in devoting his whole time and thought to a public service, and no influence that the Pools could bring to bear on him would induce a man of the type of Mr. McFarland to endorse a policy which he did not consider was in the best interests of Canada.

There is one charge which deserves some attention. It was stated by a witness before this Committee that "the suggested Grain Board would appear to be a fulfillment of the ambitions of the more extreme pool advocates who have favoured 100 per cent compulsory pool."

Ever since the Canada Wheat Board of 1919-1920 suspended operations there has been a strong desire on the part of the vast majority of western farmers for the re-establishment of a national wheat Board. In March, 1921, the Government of Saskatchewan appointed a Commission to procure "accurate information of an educational character for the people of that province" in regard to the question of the marketing of wheat. The members of the Commission were James Stewart and F. W. Riddell, two well known grain men. The conclusion arrived at by the Commission was in part as follows:—

In the first place, we believe that the most perfect form of a centralized wheat marketing agency at the present time can be created only under the control of a national organization.

The first annual report of the Saskatchewan Wheat Pool stated: In developing the pooling idea the opinion has always been held that our greatest strength lies in the marketing of Western Canada's wheat crop through a single selling agency.

In May, 1931, a meeting of representatives of the prairie governments and farmer organizations was held in Saskatoon at which the three prairie premiers were in attendance. Present also were the presidents of the Anti-Compulsory Pool Association of Saskatchewan and the Anti-Compulsory Pool Organization of Manitoba. That meeting was unanimously of the opinion that if "a Dominion Wheat Board or similar organization should be established, such action would meet with the approval of the large majority of farmers in Western Canada."

Over two years ago a petition asking for a National Wheat Board was signed by a hundred and seven thousand Saskatchewan farmers and presented to the Federal Minister of Trade and Commerce. All three wheat pool organizations have year after year passed resolutions by a unanimous vote, asking for a National Wheat Board. There are many thousands of farmers who have never joined the pools or patronized pool elevators who are as strongly in favour of a National Grain Board as pool members.

Within two months the farmers of Western Canada will start harvesting the first crop for some years that promises to give a fair average yield over the entire wheat area. How is a buyer for that wheat to be provided when the farmer hauls his grain to the elevator? That is what we, as representatives of organized producers, are concerned about. That is the problem for which you, representing the people of Canada, must find a solution. We do not expect a National Grain Board to perform miracles. We realize that a condition of excessive supply and subnormal demand in world wheat markets is going to make the task of the National Grain Board one of very great difficulty, but we believe that a National Board would be in a much stronger position to handle this crop than a host of small traders.

No definite evidence has been offered before this Committee about the percentage of the Canadian wheat crop actually sold by Canadian firms to the ultimate markets overseas, and the quantity which is handled by the three powerful international exporting companies which control such a high percentage of the world trade in wheat. We feel that a Canadian Grain Board, interested only in selling Canadian wheat—our most important export commodity,—wherever a market for it can be found, would be in a much more favourable position to merchandise our wheat than international exporters, whose only interest can be in the volume they handle, irrespective of origin.

I might say if I had written this last paragraph after listening to the evidence, Mr. Chairman, given by witnesses who mentioned or gave opinion as to the percentage of Canadian exports handled by Canadian firms, I would have modified it; I would have differed with the statement that was made. My understanding, in so far as I can gather information from what I consider reliable sources, is to the effect that our Canadian firms who export grain are not exporting more than 30 per cent. I am latterly advised that that figure is too high, and it will be more nearly correct to say 20 per cent, the balance being handled by one or more of those three large international exporting firms. May I add further that I think when the Canadian Co-Operative Wheat Producers were in the exporting business that figure was more or less reversed. Approximately 70 per cent or more of our Canadian exports were being exported by Canadian firms.

*By the Chairman:*

Q. Is there anything further you desire to add to what you have written and said?—A. There was one point that may be mentioned. I know the committee has followed the report keenly; you are capable of doing that, and you will observe that there is a very distinct difference in the minds of at least the leaders of the idea of 100 per cent compulsory pool to the idea of a Dominion Grain Board; because, as I stated, they attended a conference at which I was present and agreed to support that kind of a measure. There is this difference to a 100 per cent compulsory pool, because, unfortunately, Mr. Chairman, in all sincerity this problem is of too great an importance to have people's minds distorted or confused by the use of misfitting words and terms. If this committee serves no other useful purpose than to clarify the issue, it will have done a good work, because surely, regardless of what we represent in the House of Commons, we are interested in the welfare of Canada. In my opinion, the greatest selling agency for Canadian wheat that could be organized would be first the getting together as a unit so far as it is within the bounds of reason by representatives here representing the people. To begin as a 100 per cent compulsory pool, that issue should be clarified. Probably that is a question or a policy dependant upon the organized farmers themselves for the financing and all others. In so far as I have read this bill that we are now discussing, the draft bill, and as explained to us by our solicitors, it provides for many of the things that the producers themselves will do, plus the financing which will

enable especially under those conditions for such a board, if it meets with the approval of the government, to establish a payment, at the time of delivery, an initial payment which should make it possible for farmers to continue to operate; a 100 per cent compulsory pool by the farmers themselves without that assistance would be entirely dependent upon their financial arrangements in the way of making initial payments that would be satisfactory to the banks, and naturally they would be so low that it would be quite a problem in the stabilizing operations carried on. The principle of the minimum price has been mentioned and it will be our hope that you will not lose sight of that fact in the matter under discussion here.

Q. When you spoke of a compulsory pool you referred to the fact that the Grain Board alone would be the purchasers of the wheat?—A. Yes; that was implied in the discussion *re* a 100 per cent growers compulsory pool.

*By Hon. Mr. Ralston:*

Q. In your last statement you spoke of an initial payment. What do you understand to be the provisions of this bill with regard to initial payments. You understand that it is to be a minimum price?—A. Mr. Chairman, it is not my understanding that it very definitely specifies that, subject to correction by you and legal advisers, who are in a better position to determine or define the terms. I would imagine that the board would be in a position to approve, if it met with the approval of the government, or whatever means might be decided upon, to make a payment that could be termed a minimum payment.

The CHAIRMAN: It would require an amendment to the Act as it now stands.

Hon. Mr. RALSTON: That is not in the bill as it now stands.

The CHAIRMAN: The bill provides for an initial payment.

The WITNESS: I would depend upon legal minds.

*By Hon. Mr. Ralston:*

Q. You have said you approve of this bill. This bill does not provide for minimum price; it provides for a payment on account and after the selling operations have been completed and the expenses deducted, if there is anything to distribute among the producers, distribution will be made. Don't you understand that is the effect of this bill?—A. I do not understand as the Prime Minister or chairman states—I will take his statement as to what is in there.

Q. You have given your approval to this bill. We want to see whether you give your approval to this bill subject to certain amendments?—A. The bill does not limit you to the amount you will receive as an initial payment, does it, Mr. Chairman?

The CHAIRMAN: I think, Mr. Ralston, the initial payment might well be the minimum price.

The WITNESS: That is my understanding.

*By Hon. Mr. Ralston:*

Q. It does not say that, does it?—A. No.

Q. The only provision in the bill, as I understand it, is that advances shall be made on account of the wheat?—A. It can be made; it can be handled as mentioned.

Q. No, because this is a partnership arrangement, as I understand it. People bring in their wheat and receive an advance on account of it, get a participation certificate, which means they are partners in the selling of the wheat, and after the selling operation is over the expenses are deducted, then, if there is anything to distribute it is distributed among the holders of participation certificates. That is not what you want?—A. I cannot see why the provisions, if there is

any doubt about it, cannot be made saying that you would do so and so. I am always in favour of having powers sufficiently wide to take care of unforeseen situations.

Q. I am asking you if what is in the bill is what you want, or would you want something more. That is a fair question, because we are considering this bill?—A. I cannot answer it any different from what I have.

Q. Do I understand what is in this bill is not sufficient for your purpose; that you want a minimum price?—A. If there is insincerity as to what the power would be regarding that matter and in view of unforeseen policies that might be supported, provision should be made whereby it could be carried out.

Q. There is no question that everything is unforeseen in the wheat business, is it not?—A. Sales policy.

Q. It is always unforeseen; therefore you do want a fixed price, is that so?—A. In my opinion there should be provision whereby it could be paid if decided upon.

Q. In other words you do not like the partnership feature; you want a fixed minimum price so that the producers know exactly what they are going to get?—A. I would not say I want a fixed minimum price, because there is danger in the term, in it becoming the fixed maximum price as well, especially being handled around the lines advocated by representatives of the grain trade before this committee.

Mr. VALLANCE: This bill does not alter that.

The WITNESS: It might be changed in support of that.

*By Hon. Mr. Ralston:*

Q. Are there any other changes you have in mind, because this is a very important feature?—A. I would say the organization I represent would not be opposed to having provision made whereby a minimum price could be paid.

Hon. Mr. STEWART: A minimum price fixed by the board?

The WITNESS: Where it could be done. I would want it wide enough.

*By Hon. Mr. Ralston:*

Q. You say you would not be opposed to it. Would you agree with this bill as it is, without that provision in it?—A. Well, it would be in a position to take care of a wider field of circumstances.

Q. Will you kindly answer my question. Would you be prepared to accept this bill as it is without a provision in it providing for a fixed minimum price?—A. I would be prepared to accept it rather than continue as we are. It would meet it, if it was sufficiently wide.

Q. I want to find out what amendments you are advocating. You see, you put it negatively. You say, "we would not be opposed to a fixed minimum price." Don't you mean you want a fixed minimum price, or do you?—A. It depends on the set up. If a fixed minimum price is to be worked in the particular scheme you were discussing and presented to you by witnesses here, I would not want that compromise without it and not have that kind of settlement.

Q. Would you answer my question so that we can be clear on what you want. Do you want the bill as it is, or do you want the bill plus a fixed minimum price?—A. I prefer a provision for a fixed minimum price.

Q. But you are prepared to accept the bill as it is?—A. What else would you do?

Q. I say you would be. You are prepared to accept it—not to oppose it. You would be prepared not to oppose it if the bill passed as it is now?—A. I have not been instructed to oppose it.

Q. Now, then, you said, "Plus arrangements for financing." By that you mean in simple language that the government of Canada does the financing?—  
 A. Not necessarily. There is a provision whereby the financing can be on the basis of the security of the thing itself. It provides also, if my understanding is correct, where it may be a combination, or provides where it may be carried solely by financing arrangements by the government.

Q. This is the provision in the bill for financing, as I understand it: Section 4, subsection 3:—

... the Governor in Council may authorize the Minister of Finance to guarantee advances made to the board hereunder or to make loans or advances to the board on such terms and conditions as may be agreed upon.

The CHAIRMAN: There is another section.

Hon. Mr. RALSTON: Which one?

The CHAIRMAN: The section dealing with bank credits and allowing the board power.

Hon. Mr. RALSTON: It is the first part of this section. That means, as I understand it, as you are instructed by your solicitors, that the government of Canada endorses, so far as may be necessary, operations of the board?

The WITNESS: It can.

Hon. Mr. RALSTON: Yes, it authorizes.

The CHAIRMAN: The whole subsection should be read, not part of it.

Hon. Mr. RALSTON: I will read it:—

The board shall have power to enter into ordinary commercial banking arrangements on its own credit, and to borrow money on the security of grain delivered to it, and the Governor in Council may authorize the Minister of Finance to guarantee advances made to the board hereunder or to make loans or advances to the board on such terms and conditions as may be agreed upon.

*By Hon. Mr. Ralston:*

Q. Now, you know from your experience in the past that the banks will require a guarantee from the government of Canada?—A. I do not know that.

Q. Has not that been your experience with the Canadian Co-Operative Wheat Producers Limited?—A. Not always.

Q. In the last four years?—A. Yes. It depends on the amount of initial payment you endeavour to pay. If you make it low enough you might—

Q. You would not need the government guarantee?—A. Probably not.

Q. Would you be prepared to accept an initial payment so low that a government guarantee would not be required?—A. I think I mentioned it would not be practicable.

Q. Therefore, the government guarantee would be required?—A. In all probability; and just on that point, the fact that you have wheat as collateral, plus a government guarantee, should result in a very substantial reduction in the rate of interest being paid to banks by grain concerns to-day.

Q. Has it resulted? What is your interest for the Canadian Co-Operative Wheat Producers Limited?—A. 5 and 5½. I mentioned it should be off one cent or two cents yet.

Q. It has not been for the last three or four years; is that so?—A. No.

Q. For the last three or four years you have been paying 5 and 5½ per cent with the government guarantee to the bank?—A. Yes.

Q. What is your position with the Canadian Co-Operative Wheat Producers Limited?—A. Chairman.

Q. Chairman of the board?—A. Chairman of the Board of Directors.

Q. And Mr. McFarland is your General Manager?—A. Yes.

Q. And all you have said about Mr. McFarland is really telling us about the operations of the body of which you are the chairman?—A. Yes; of the operations of the Canadian Co-Operative Wheat Producers Limited, and stabilizing operations.

Q. Of a board of which you are the chairman?—A. Yes.

Q. Mr. McFarland is just your general manager, is he not?—A. Yes.

Q. That is all; and when you are talking about the stabilizing operations, you are talking about the stabilizing operations that you yourself conducted; that is so, is it not?—A. Stabilization operations carried on through our organization.

Q. Yes, through your organization, of which you are the chairman?—A. Yes, sir.

Q. Now, you spoke about speculators. We have had a lot of discussion about speculators, and it is difficult to know just who they are. You said, I think, that the depression eliminated the speculators.

The CHAIRMAN: That was a quotation he was reading.

*By Hon. Mr. Ralston:*

Q. You agree with that?—A. I have not heard any evidence to the contrary, Mr. Ralston.

Q. I say you agree with that. It was told us yesterday that the speculators, so-called, would not be eliminated at a price; that speculators were prepared to buy provided the price was low enough. Is that so?—A. It would encourage more speculators.

Q. By speculators you mean traders in grain?—A. I mean people, all types, traders in grain, buyers of futures—not necessarily all traders in grain.

Q. Not necessarily? Who are not speculators; let us get that?—A. Well, people who are carrying on a legitimate grain business.

Q. I do not know who you mean by that; who is legitimate and who is illegitimate?—A. Millers, exporters, elevator companies and others dealing in the actual handling and marketing of grain. There is the type mentioned by Mr. McFarland. I think the best definition, as he terms them there, would be speculators—that class referred to.

Q. The office help and doctors, and even lawyers, I suppose. People who are not interested in grain at all. Is not that really what you mean by speculators?—A. I think his description and naming of them covers the point.

Q. "Storekeepers, ranchers, hired men, office girls, clerks, doctors and other professional men and women, and many farmers." You would not include farmers as speculators, would you?—A. Well, at one time there was quite a number.

Q. When was it that he said this?—A. He was referring to his experience.

Q. This is last October that he mentioned this?—A. Does he state he was speaking of the period at that moment?

Q. I will read it:—

Also it was found that they are usually optimists and therefore they are generally operating on the long side. Among their ranks are storekeepers, ranchers, hired men, office girls, clerks, doctors and other professional men and women, and many farmers.

That does not exist today?—A. Not to the extent. That is well known.

Q. You do not include farmers at any time in the speculators, do you?—A. They are not immune.

Hon. Mr. STEWART: I think that is a good answer.

*By Hon. Mr. Ralston:*

Q. Now, then, with regard to futures. I understand you are against the futures market, the futures system entirely, are you?—A. Yes.

Q. What?—A. Yes.

Q. You are against it?—A. Yes.

Q. Dealing in futures is bad, is it?—A. Yes.

Q. Bad for the trade and bad for the business and bad for the producer?—A. I would not say it is bad for all.

Q. Is it bad for the producer, then?—A. It has usually been the general experience, yes.

Q. You do not agree with Sir Josiah Stamp's conclusions in that respect?—A. I would say that if Sir Josiah Stamp, the same as Mr. John I. McFarland, would have been face to face with the situation during the last four or five years, his own view regarding the situation likewise might have changed. You have a situation to-day, Mr. Ralston, that must be viewed in the face of the light of the situation as it is, not as someone reported on it a few years ago.

Q. I understand that as a general statement. I did not think that was getting down to what we were after. Futures, I understand you to say, in the last three or four years have been a bad feature in the market?—A. There has been a very great absence of them. You have a market depending on that as a very important factor in that market, and when it is out of the market, you have a broken down machine, which is very clearly put to a committee of this House in 1932. It was evidence of what they had requested, indicating the absence of that very system.

Q. What I want to know is: Has the possibility of being able to buy futures been a good thing or a bad thing in the last three or four years?—A. The dealing in futures has added more and more to Mr. McFarland's worries and probably is as much responsible for his condition—the disturbing effect it had—as any, or if not all of his other efforts in connection with the grain business combined.

Q. Could you say that the dealing in futures in the last three or four years has been a bad thing for the farmer—leave Mr. McFarland's condition out for the moment—we want to know. It may be that something should go into this bill about that?—A. No, there is nothing necessary to go in that bill today. If that bill goes through as I see it it should eliminate futures.

Q. I am asking you whether in the last three or four years the ability to buy futures has been a bad or a good thing for the producer?—A. With the machine operating at times it has probably been of some value.

Hon. Mr. STEWART: In what way? Putting the market up?

The WITNESS: Probably at times—that is when you are depending on that market.

*By Hon. Mr. Ralston:*

Q. Is that the best answer you can give me? Because I do not know, I am asking you as to whether the possibility of being able to buy futures in the last three or four years has been a good thing or a bad thing for the producer?—A. In a way it has been bad. It has caused a whole lot of confusion here before this committee. You have got a price that has to be jacked up or raised up. We also expect Mr. McFarland to be selling because that price apparently indicated that he could have sold, when an experienced man such as he is would know the strength—as in the pool days they were judged by the price paid to growers relative to the price prevailing on that market from time to time; and when you get down to the fact of the matter a market that would not take it was a deceptive market. So where it might be argued on account of the price having been raised because of some speculators coming in, or for other reasons, in the final analysis it was a detriment.

Q. Then is your answer that in the last three or four years the ability to buy futures has been a bad thing for the producer?—A. The lack of the market support for that type of thing has been a very bad thing for that market that the people were depending upon which made necessary the support that has been referred to as stabilizing.

Q. And Mr. McFarland, or at least the Canadian Co-Operative Wheat Producers Limited, of which you are chairman, have bought future contracts representing tens of millions of bushels of wheat?—A. They have been obliged to make large purchases from time to time.

Q. In futures. In these bad things called futures?—A. Yes.

Q. Why did not they ask for the wheat?—A. Well, is it clearly understood before this committee the purpose for which Mr. McFarland was asked to serve? That is, did the representatives of the trade coming before the committee in 1932 ask that Mr. McFarland go in and sell wheat or did they ask that he give support in the way of a probe—and one termed it “muscle”.

Q. Mr. McFarland's operations commenced in 1930, I think, did they not?

The CHAIRMAN: No, no; June—

*By Hon. Mr. Ralston:*

Q. I am talking of Mr. McFarland's operations which commenced in 1930? A. It was asked for.

Q. They commenced in 1930?—A. I have not got the exact date.

Q. No. Well, as a matter of fact, they did, I think.—A. No. He was appointed in November, 1930. Stabilizing did not start then.

Q. I am talking about 1930. He was appointed to sell the 1930 crop, was he not?—A. Would you pardon me until this other point is cleared up? I think you want to be clear on it.

Q. Certainly.—A. As stated in this report, his operations were not to disturb trade. It was to assist it. You had your trade machinery, exporters and all, who were there to carry on the export business. You had these other firms in other businesses. It was not Mr. McFarland's purpose, as I understood it, to go in and interfere in that trade. He was to make it possible for the farmers to get the price of grain as delivered, to make it possible for the grain trade open market to continue to market and to see that stocks were available from time to time in the export business.

*By Hon. Mr. Stewart:*

Q. What period are you speaking of now, Mr. Brouillette?—A. Until recently that was general, I understand.

Q. Was it in 1930 or later when he was appointed to stabilize?—A. He was only appointed in November, 1930.

The CHAIRMAN: In June, 1932, he began to purchase.

Hon. Mr. RALSTON: I am not clear as to which period he is referring to.

The WITNESS: Stabilizing started some time after.

*By Hon. Mr. Ralston:*

Q. You are speaking of the second period, when he was appointed to stabilize?—A. No. I am not speaking of two periods.

Hon. Mr. RALSTON: But there are two periods.

Mr. VALLANCE: He was performing a double function. I think you will remember that he became manager of the Central Agency of the Pool in November, 1930. In 1932, as the chairman says—June, I think—he came then to perform the dual function of stabilizer and also manager of the Central selling agency of the pool.

Hon. Mr. STEWART: I wanted to find out which period he was speaking about.

The WITNESS: There was no different appointment.

Hon. Mr. RALSTON: There was a different Order in Council. There was an Order in Council passed authorizing the government to guarantee Mr. McFarland in connection with his operations in disposing of the 1930 crop. Nothing more than that.

*By Hon. Mr. Ralston:*

Q. Did you know that?—A. I understand the position is arrived at.

Q. But did you know that?—A. Not alone that.

Q. You did not know?—A. There were other conditions.

Q. You did not know that that was all he was to do at that time?—A. That is not all.

Q. Well—A. In so far as the marketing or buying of grain, yes.

Q. You make that dogmatic statement?—A. I don't wish to make it dogmatic.

Q. I thought you were making it dogmatic?—A. No.

Q. I think I have the Order in Council here.

The CHAIRMAN: It is at the back of last year's evidence.

*By Hon. Mr. Ralston:*

Q. I think the Order in Council plainly provides that Mr. McFarland's only job in 1930 and 1931 was to dispose of the 1930 crop?—A. I am not speaking of the Orders in Council. I am speaking of the making of the appointment.

Q. You are speaking of what?—A. I am speaking of decisions by way of recorded resolutions by the board at the time the appointment was made, as I remember it.

Q. But the board could not do very much without the government guarantee, could they? Here is the government guarantee as shown at page 219 of the Proceedings of the Banking and Commerce Committee of last year, in the evidence given by Mr. Roberts: "The first Order in Council, P.C. 2238, of September 12, 1931, implemented the undertaking of the government made prior to the 1931 session, that the government would guarantee advances and interest thereon, made by the several chartered banks to the Canadian Co-Operative Wheat Producers Limited in connection with and incidental to the marketing of wheat and other grains grown in the provinces of Manitoba, Saskatchewan and Alberta in the year 1930." It was nothing more than that up to that time. That is September 12, 1931. Did you know that that was the only job he had at that time?—A. We are speaking at cross purposes, Mr. Ralston and Mr. Chairman. I am speaking in so far as the resolution passed by our board is concerned. I was not on the board, but I have a record of it, as it is worded, at the time of Mr. McFarland's appointment. I am not speaking in connection with what you have read.

Q. Well, I am asking you if a resolution of the board would be very much good if it did not have the government guarantee behind it. What you appointed Mr. McFarland for would not make much difference so long as you did not have the government guarantee to back up your operations, would it?—A. That is very necessary. But the resolution of the board does define what the understanding between the board and Mr. McFarland was.

Q. All right. Are you satisfied now from what I have read that the board have no functions, or at least have no government backing for doing anything more than the appointment of Mr. McFarland to market the 1930 crop; that is up to September 12, 1931, anyway?—A. That is the purpose at that time.

Q. It was the purpose at that time. And it was not until July 11, 1932, that a further Order in Council, P.C. 1576, was passed which provided that, "having regard to the fact that a portion of the wheat and other grains in the possession or control of the Canadian Co-Operative Wheat Producers Limited had not, at the date of the expiry of the 1931 act, been sold or realized upon, guaranteed, in addition to advances made, such further advances as might be obtained from the banks to protect purchases of wheat already made or to be made." That is the first time we talk about purchases of wheat to be made. Do you remember that that was the time when perhaps a change was made in Mr. McFarland's duty as general manager of the pool—July 12, 1932?—A. I would take that record.

Q. I beg your pardon?—A. I would take that record.

Q. You would take that record, you say?—A. Yes.

Q. And from that time on you, the Canadian Co-Operative Wheat Producers Limited and Mr. McFarland dealt very largely in futures, didn't you—in tens of millions of bushels?—A. Very large amounts.

Q. I beg your pardon?—A. In very large amounts.

Q. In very large amounts, yes. Can you give me any idea of the amount on hand at different times?—A. No.

Q. I mean to say, at the end of 1932?—A. Mr. Chairman, I understand you are to have Mr. McFarland's assistant here.

Q. We understand that.—A. You don't expect me to present that?

Q. We understand that. I am asking you whether you have any idea?—A. What was the question?

Q. Have you any idea of the amount of contracts held and wheat on hand at the end of 1932?—A. At the time we would have a very good idea.

Q. You have not now?—A. No, not off-hand.

Q. Or you have not for any period, the end of any year?—A. I would not speak from memory for figures.

Q. Just let me finish—at the end of any year during your operations, you have not any idea of the amount on hand?—A. No, not from memory.

Q. No. Do you know anything about the situation in the spring of 1933; I mean, how wheat was selling, what the market was like, whether it was steady or up or down. Do you remember?—A. I remember off-hand, without checking the records, an incident that I won't very easily forget. I think that was in July, 1933.

Q. I am speaking of the spring of 1933 first.—A. Well, I have not any particular thought in mind.

Q. You have not any particular thought in mind?—A. No.

Q. You do not remember now what the market was like in the spring of 1933?—A. Not when it comes down to figures.

Q. Not when it comes down to figures?—A. No.

Q. You remember the bull market in the summer of 1933; you do remember the bull market in the summer of 1933, do you not?—A. It was a very deceptive market up until around that period, and probably later in July, 1933.

Q. Well, it was deceptive in this sense, that people were paying from 90 cents to a dollar a bushel for future contracts, were they not?—A. It got pretty high there.

Q. Yes. But you would not even assent to my suggestion, would you?—A. What is your suggestion?

Q. I say in the bull market people were paying from 90 cents to a dollar a bushel for wheat as represented by future contracts?—A. The market had got up to something like that figure.

Q. Yes; and it proved to be a deceptive market because wheat went down again?—A. Not exactly.

Q. What?—A. Because it created a feeling, Mr. Ralston—and I was somewhat concerned—this is a market here to sell our wheat. Other people were thinking that.

Q. You did sell it?—A. Yes, we were selling.

Q. Didn't you?—A. But there came a period—

Q. But you did sell wheat?—A. Let me make my point, please. Again may I refer back to what I said a little while ago. Some people have the mistaken idea that if wheat is 90 cents on that market, then the central organization is stabilizing or what not, as well as they used to have of the pools—sell it out, get rid of it, sell it. The point there arises, are you selling—selling some? It was a very difficult market.

Q. What was that last?—A. It was a very difficult market.

Hon. Mr. STEWART: No demand.

The WITNESS: There was just enough to hold the market there. Now, the proof of it, you know. You will say it is a difficult market. It may be to-day a market prevails and someone will say, "Well, there is not any strength in that market." Well, you are not satisfied that the statement is correct. You want some proof.

*By Hon. Mr. Ralston:*

Q. So you sell?—A. There are only two ways of proving it. You can go in on your market and sell and demonstrate, or you can see what happens to the market over a period, see if it does remain. In this instance I referred to, subsequent events proved that Mr. McFarland's views were correct, that the market did not maintain. There was another period when a similar situation came up. I don't remember just the date. It was again where the market apparently was sufficiently high to take a large amount of grain. Mr. McFarland's judgment of the market was to the effect that he doubted it. It was necessary to demonstrate to satisfy curious enquirers, and it fully carried out the view held by Mr. McFarland previously. My point was that you created a situation worse than the one you are trying to assist, and that you had made it more difficult later because of the avalanche and volume of grain that was jarred loose by that endeavour.

Q. Well, those are general words. But was there, as a matter of fact, talk of \$1.25 wheat in July, 1933?—A. I don't remember all of the talk that was going on, Mr. Ralston.

Q. No, but were you convinced or was it your view that wheat might go to \$1.25?—A. I don't remember off-hand any view.

Q. Now, hold on.—A. Just a minute. I am sure, Mr. Ralston, that you would not have to be in the grain business long until you would hesitate to take views and stands.

Q. Oh? I don't know how I would operate unless I did take some views and stands.—A. That is as to what you are going to predict was going to be the price.

Q. Would not my operations be dictated by such views and stands as I could form, or such views I could form as to the future market, as to the future price?—A. It depends upon what your operations are for. If it is on your own behalf, you may. But if you were in Mr. McFarland's position where you were in there to perform a specific purpose, as I have mentioned, then you are not just in the same position.

Q. But still, if I were performing a specific service, I would have to form some views as to the future, would I not? You don't mean to tell me that you—we will leave Mr. McFarland out of it; you are the one who is here now—did not form some definite opinion as to what the market was going to do in the fall of 1933, before you bought back all that wheat?—A. Bought back what wheat?

Q. Bought back the wheat in the summer of 1933?—A. I don't know what wheat you are referring to, and what sales or purchases.

Q. I am referring to the very large quantity of wheat you bought back in 1933, which was referred to by Mr. McFarland. The question to him was: "Did you buy back that wheat or take pretty nearly all the speculators' wheat on the bull market?" That is the wheat I am referring to.—A. What date was the purchase?

Q. It is in the summer of 1933, during July.

Hon. Mr. STEWART: He did that to hold the market, Mr. Brouillette.

The WITNESS: I see.

*By Hon. Mr. Ralston:*

Q. I am asking you if you formed any opinion when you bought back all that wheat as to what the future market would be?—A. You were not there at all times. You remember boards were not sitting daily. You decide upon what you want to do, what the purpose is that you are endeavouring to carry out. You leave a manager, in this instance, who is operating on behalf of the government and at the request of the trade, to try to do a certain thing.

Q. I still have not the answer, Mr. Brouillette. My question was whether or not you, as chairman of the Canadian Co-Operative Wheat Producers, Limited, at the time you bought back that big volume of wheat had formed any opinion before you took such serious and far-reaching action; did you form any opinion as to what wheat was likely to be in the future. In other words, did you think it would go up or down?—A. I would not say that we formed any opinion on that at all.

Q. Do you know the price at which you bought it back?—A. Not off hand.

Q. Do you know what wheat cost you from day to day?—A. That would be in the record.

Q. I was asking you if you knew?—A. I knew at the time, it was reported. At the time I got information as to what was going on, but I cannot remember back to the details of those events and figures.

Q. You mean then that Mr. McFarland operated and reported to you afterwards, is that the situation?—A. Mr. McFarland was in there—

Q. Would you be good enough to answer that question, did Mr. McFarland operate and report to you afterwards?—A. Mr. McFarland was not dependent on the decision of the board to do that or not.

Q. Did he consult the board before or after he carried on his operations?—A. In certain matters the board were in the position of directors, in other matters in a more or less advisory capacity.

Q. I am asking you if he consulted the board before he bought back pretty nearly all the speculative futures on the bull market in the summer of 1933?—A. I do not know the time the purchases you refer to were made.

Q. You do not know; that is your answer?—A. Not without perusing the records.

Q. All right. Now, I understood you to say at page 7 of your statement, that you were not satisfied that the British millers—I will put it this way: You wondered if the British millers could not use a normal percentage of Canadian wheat if they were satisfied with normal profits. I take it from that that the implication is that the British millers were making abnormal profits?—A. According to the report in the journal I referred to.

The CHAIRMAN: That is according to your own report.

The WITNESS: That is according to the journal report.

*By Hon. Mr. Ralston:*

Q. Which is the journal concerned?—A. The Millers' Journal.

Q. You regard an accumulation of wheat as an additional danger to the market, do you not?—A. It is, always; it is not construed as a strengthening factor.

Q. Could you go just a little further than that and just be quite frank?—A. An accumulation of wheat is not—what is your question?

Q. Is it an additional danger to the market?—A. Yes. It does not help the market.

Q. Could you go further than that; is it an additional danger or is it not, if it is not, say it is not, that it has no effect on it?—A. It depends on the amount accumulated, and it depends also on the prospective demand.

Q. Yes; and therefore in accumulating wheat you have to make some forecast, and some mental forecast, as to the prospective demand for it?—A. That depends on your purpose in operating.

Q. I beg your pardon?—A. That depends on your purpose in operating.

Q. For the purpose for which you are operating, to dispose of your wheat at a price which would not depreciate the price to the producer below a reasonable level, do you still have to forecast as to whether an accumulation of wheat will be more dangerous to the producer than the selling of it in reasonable quantities?—A. Often you are not in a position to have that decision to make.

Q. Well, you had that decision to make, didn't you?—A. What instance do you refer to?

Q. I mean in connection with this whole transaction?—A. On wheat control?

Q. On this running up of your 75,000,000 bushels to 225,000,000 bushels; you had the decision to make that it was better to accumulate wheat than to sell it?—A. But we were free to sell—they were free to sell or free to buy.

Q. I did not say that at all, I asked you if you had the decision to make as to whether it was better to accumulate wheat and create a danger to the market in that way, or to sell it at the market?—A. That was not the decision to make.

Q. That was not the decision to make?—A. The decision was, what are you going to do and how are you going to do it; it was not a matter of whether you would accumulate or not accumulate.

Q. And so what you were endeavouring to do was what?—A. As I repeated a while ago; to make it possible for the farmers who delivered grain to the elevators at that time to receive a better price, or a price; I may go so far as to say, a price.

Q. Did you have to contemplate—A. The next thing was to make it possible for the open market to continue to function; that is, providing it would not bring disaster and bankruptcy to the farmers dependent upon it.

Q. Yes?—A. The next point was sufficient stocks being available for export.

Q. Yes?—A. Those were three very important functions which it was necessary to perform.

Q. Take the last one first; there is no doubt about sufficient stocks being accumulated for export, is that so?—A. Yes.

Q. Quite so?—A. Sufficient stocks available to the trade and exporters, for that business.

Q. There is no doubt about that, we have no doubt about that now because we have 225,000,000 bushels?—A. I never knew any time it was short.

Q. So I don't need to worry you about that factor. In coming to that conclusion you had two alternatives; one was to permit an accumulation which would constitute danger to the market and the other to sell it at the market?—A. It was not just as easy as that.

Q. It was not just as easy as that?—A. No.

The CHAIRMAN: No sir.

*By Hon. Mr. Ralston:*

Q. We will go back again to the original question: You regard the overhang as an additional danger to the market?—A. The additional wheat to-day I would consider a depressing factor in the market.

Q. Thank you, very much?—A. Might I say further, however, that to have handled it because you consider it is a danger on the market or a depressing factor, and to have undertaken to have gotten rid of it and move it out into the market would have created no doubt a condition far more difficult than the one you are now facing.

Q. Couldn't you purchase wheat at the market price from the farmer and sell it to the market at world prices?—A. We were not selling wheat, Mr. Ralston.

Q. I beg your pardon?—A. Our organization is not selling wheat, it is not in the export business. That was left to the trade.

Q. I thought it was selling wheat?—A. No.

The CHAIRMAN: Not selling for export.

The WITNESS: There is a very wrong idea on this selling of wheat.

*By Hon. Mr. Ralston:*

Q. I am talking about your organization?—A. We handle no export business.

Q. You are selling wheat; who do you sell wheat to?—A. We sell it to the people requiring it in the trade; to the exporters if they require it, or to the millers, but we are not exporting wheat out of the country.

Q. You are selling wheat to the trade, are you; when you sold wheat you sold it to the trade, didn't you? Is that so?—A. When we were accumulating wheat?

Q. When you were selling wheat?—A. You see, there is a difference between wheat and futures.

Q. I beg your pardon?—A. When you sell cash wheat you sell to them to meet their requirements.

Q. You are selling futures—selling wheat or contracts for wheat to the trade?—A. Yes.

Q. Is there any difficulty, tell me if there was; could you have purchased wheat at the market price and have sold it to the trade at the market price?—A. You mean, without a loss?

Q. Could you have purchased wheat at the market price and then have sold it to the trade at the market price?—A. There were two prices prevailing?

Q. Could you have done that, taken the loss and have prevented an accumulation?—A. That is an impossibility, Mr. Ralston.

Q. Is it; that is what they did in the Argentine?—A. Is it?

Q. Yes?—A. You could not have carried on a different policy, moving more grain into the market, maintaining that higher price.

Q. I am not asking you about maintaining a higher price in the market, I am asking you about maintaining a higher price to the producer; could you have paid the producer the market price and have sold your wheat in the market at the world price, if you had wanted to adopt that policy, could you have done so; tell me if you could not and tell me why?—A. There was no such condition prevailing.

Q. What do you mean by that?—A. There was not a price to the producer prevailing.

Q. You could have given a price to the producer?—A. Under that arrangement?

Q. Yes.—A. How could you?

Q. Why not?—A. You have but one market prevailing.

Q. Could you not buy wheat from the producer at one price?—A. Do you say that he would sell it to you for less than the price prevailing?

The CHAIRMAN: Quite so.

*By Hon. Mr. Ralston:*

Q. I am talking about the price being lower than what you thought the price ought to be?—A. I don't get you.

Q. Let us take the market price, suppose it is 60 cents and you feel that the producer ought to get 70 cents, would it be impossible for you to purchase wheat from the producer at 70 cents and sell it on the market at 60 cents and take the loss and not have an accumulation?—A. Oh, you are speaking in reference to a contemplated plan, not as it existed there.

Q. No, I am talking about the work in our organization which existed and which operated under the guarantee of the Dominion?—A. I do not see two prices being there, unless you mean futures.

Q. I am not talking about futures; was there a fundamental objection to your making two prices, I suppose you have to consider prices?—A. That is nothing to be considered.

Q. I thought you were considering the producer?—A. That arrangement was for the purpose I have outlined.

Q. And the purpose you outlined was to save the producer from bankruptcy, wasn't it; is your policy to save the producer from bankruptcy?—A. That is one of them.

Q. Could you have saved the producer from bankruptcy if you had paid him a reasonable price, sold on the world's markets and taken your loss?—A. I do not see your point, perhaps it is because I am stupid.

Q. I fear I have been the more stupid in the way I am putting it?—A. No, it is probably mutual.

Q. Is it possible that 75 per cent of that wheat could have been sold?—A. In theory, yes; not in practice. I would think that would be a very dangerous policy if carried out.

Q. But is not that the policy that is being carried out in the Argentine?—A. Part of it.

Q. But, is not that the whole policy?

The CHAIRMAN: No, they have an exchange which covers the whole thing.

The WITNESS: That is what I referred to. That is the point, you see you can't take this thing piece-meal.

*By Hon. Mr. Ralston:*

Q. Unfortunately, I have to take it in piece-meal; just leave the exchange out of it, because you can leave the exchange out of it so far as the Canadian situation is concerned; I am asking you again, can you tell me any practical objection to it, if so I will be glad to hear it; but it seems to me that it can be done, perhaps it can not be done—tell me why not?—A. I would prefer the plan outlined in this scheme, in this bill—

Q. Mr. Brouillette,—?—A. Just over there—

Q. Well, go ahead?—A. —Do you mean, in order to enable you to get free from the carry-over?

Q. Right, and to save the farmer at the same time?—A. That brings up an important point. You will learn a little by experience—I beg your pardon.

Hon. Mr. RALSTON: I will learn by experience.

The WITNESS: Mr. Chairman, I did not intend for that to be personal.

Hon. Mr. RALSTON: Don't apologize at all.

The WITNESS: I should have said, we all learn from experience.

Hon. Mr. RALSTON: Don't worry about that, I hope I am learning by yours.

Mr. PORTEOUS: That might be mutual too.

The WITNESS: Now, in the pool itself there were some circumstances that will have a bearing on this question.

*By Hon. Mr. Ralston:*

Q. Sure?—A. It was felt, the Argentine was moving her wheat out, why don't you get rid of yours, why not meet the competition. You know, there are some people who actually believe that you can have your cake and eat it too.

Q. That is, I am afraid, what we are trying to do now?—A. That is what is involved in this particular bit. That was true. I remember one time the pools offering grain for sale for several cents under the Winnipeg market in order to meet the Argentine competition.

Q. They offered grain at several cents under the Winnipeg market to meet competition?—A. Yes. The theory might have been, well if you reduce your price so many cents below theirs—there was a very wide spread prevailing, I do not member the exact figures but it was a very wide spread which prevailed between their price and ours—so we began offering a few cents, till it got fairly wide, quite a few cents under the Winnipeg market. What happened? The Argentine prices were automatically lowered and the spread prevailing was more or less maintained. I see no reason why you should not expect to look for that same experience when you are considering putting into effect a policy of ridding yourself of your surplus as has been suggested, because you cannot assume that all you have got to do is lower your price and Argentina will sit there and wait, because of the experience I referred to.

*By Mr. Vallance:*

Q. That was before Mr. McFarland took over this?—A. Yes, but it was a very similar condition.

Q. Yes, but I wanted Colonel Ralston to get that?—A. Yes, but that causes you to believe, and I really believe that if you start to carry out that kind of a policy the Argentine will beat it. We haven't the facilities. It would be a very dangerous policy to contemplate especially when there were signs and reasons to believe that the farmers in the Argentine are by no means satisfied with the results they have received on the farming end of that business in the Argentine. It is just as well to have some knowledge as to how the farmer in the Argentine is faring as well as how the international grain firms have fared in the handling of the business; because you will agree with me the farmers' reaction should be considered a fair barometer as to whether or not the venture is satisfactory, should it not? They have a small number of farmers organized there, an organization around five thousand, not a government venture. They are very much dissatisfied with their experience, though not as many of us to-day are holding out open arms to embrace the Argentine experiment. They look forward to a development similar to what we advocate as farmers to-day. I believe the producers of those exporting countries would have great difficulty in arriving at a decision as to what they consider would be in the mutual interest.

*By Mr. Vallance:*

Q. Would the Argentine provision be any different if this bill were in operation?—A. I believe this bill—that brings up an important point. Probably I should not talk too much. Canada, as it has been mentioned being the largest exporting producing country in the world, incidentally should provide leadership in the passing of legislation. In this Act you are providing leadership. I believe it would provide the incentive whereby you would have co-operation on the part of those countries, which I think would be welcomed on the part of the

importing countries, because if we can impartially and without bias and prejudice consider this whole angle we will come to the conclusion that a lot of those tariffs, nationalistic policies, have been enacted to protect the producers against our wild disorganization.

Q. Instead of being in the lead we are in the tail end, according to your own memorandum here?—A. In Canada in this very protection, Mr. Vallance, you have provided real leadership and I believe the organized farmers in the Argentine, according to my information, are prepared to pay tribute to that real leadership.

Q. Listen to what you say in your brief on page 8:—

There is not a country in the world to-day in which wheat is an important crop where governments have not taken action on behalf of their wheat farmers. In several countries there is a complete government monopoly in the purchase and sale of wheat; many countries have established minimum prices. In others there is a heavy cash subsidy to wheat growers.

That would indicate to me that we must be on the tail end.

The CHAIRMAN: There is nothing there to say that; there is nothing there to warrant that inference.

*By Mr. Vallance:*

Q. In dealing with these countries, are you dealing with exporting countries or with the countries producing wheat?—A. Most important wheat producing—I make reference there to action taken in countries where wheat is an important product, even to a number of importing countries which recently are on export, but not normally.

Q. With apologies to the chairman, you say, "there is not a country in the world to-day in which wheat is an important crop where governments have not taken action." We must be the only ones that have not taken action?—A. Yes, we have as you know.

Q. It is proposed to take further action by this bill to meet competition, if you like, or conditions existing in the other countries?—A. Yes.

*By Hon. Mr. Ralston:*

Q. I hope that long answer to my question means what it sounded like. It sounded as if we are not now in the position to compete with Argentine, and that we have to hold our wheat, because the minute we lower it in order to provide the place where there is a normal spread between the Argentine and Canada that minute the Argentine will lower it again and we may never be able to sell our wheat. That has never been our experience, has it?—A. That you have not been able to sell the wheat?

Q. We have been able to sell our wheat. I have here pages 130 to 136 of the report of yesterday's proceedings in which the chairman put on record the spreads between Canadian and Argentine wheat, and lots of times the spread was only 7 cents and 8 cents, and still we were selling wheat. In other words the Argentine did not lower its prices in order to take the market. That has been our experience, has it not?—A. Experience in those times?

Q. Therefore you are a little pessimistic in regard to the future of the Canadian wheat industry if you suggest that if we lower our prices to the prices on world markets then the Argentine would lower hers and we would not be able to sell.

The CHAIRMAN: Would not be able to increase our sales.

Hon. Mr. RALSTON: Would not be able to sell.

The WITNESS: There may be a point, if you are prepared to press sales—I even doubt it—to where you would materially increase your exports. I say quite definitely, in my opinion, the nation and the farmers of this country would not

benefit unless you are determined and are going out deliberately to foster and promote the keenest international unrestricted competition, rather than to encourage international co-operation. That is the policy that you are advocating, if it would be the proper one to pursue.

Q. I am sticking to one point. Your answer to me when I suggested to you we might possibly pay the farmers a price which would be reasonable to him and still sell our wheat at world prices was, the moment we did that Argentine would cut her prices. Is that so? Was that the effect of your answer?—A. As to how much you would reduce it, depending on the amount you would reduce it, depending on the place Argentine has on the market, or if it was being offered, the time of the year and the strength of the market.

Q. Well, now, the figures I have here— —A. All these factors must be considered. You cannot just say "yes" or "no" to a number of your questions.

Q. I am not asking you to say "yes" or "no"?—A. Then again there are other factors—I thought you were getting discouraged because you were not receiving such replies.

Q. No. It is all very illuminating. What I am asking you is whether or not you put it down as a proposition that if we should reduce the price of our wheat to world prices the Argentine would immediately cut her prices and we would not be able to sell unless we went down again?—A. You could expect my opinion would be in regard to the Argentine that I should not speak contrary to experience, Mr. Ralston, and experience has indicated that what you could expect is to what extent you would offer, as to how large a volume you place on the market, and as I stated, as to how much grain the Argentine had on the market, the position at the time, these are all factors. You might quote a time when so and so happened but you cannot take that as something that would follow at all times.

Q. I am quoting you the figures for 1931, 1932 and part of 1933, which seems to indicate, generally speaking, that there were lots of times when there was a spread of only 8 and 9 cents a bushel between Argentine and Canadian wheat and still we were selling wheat. I am saying, judging by that experience, do you think you are justified in coming to the conclusion that the suggestion I make cannot be carried out; namely, that we might market our wheat at world prices if we were able to sell at world prices?—A. The world only takes so much wheat.

The CHAIRMAN: Hear, hear.

*By Hon. Mr. Ralston:*

Q. Of course?—A. If you are going to press on the market, Mr. Ralston, more wheat than the market wants—

Q. I am not talking about pressing on the market more wheat than the market wants?—A. Because it leaves your hands does not mean it is going to be consumed; it does not mean that at all. The further you get wheat from the point of production at the time it is not required, beyond a minimum or nearby demand, the more that wheat is against the best interest of the producer.

Q. No, the producer has been protected. Now, keep that in your mind, the producer has been protected by our purchase of his wheat from him at reasonable prices. Leave the producer out, because he has been taken care of. I am talking about the disposing of wheat in order to avoid this additional danger that is mentioned in the League of Nations' report you have quoted?—A. Then, you propose to implement a policy, if you protect the producer, that will create such a wide spread as between the prices you pay him or the price received for it on world's market that probably in three months or six months, if your first experience is correct the people of Canada would rise up and resist such a policy and it would probably cause a short lived wheat board.

Q. Do you think we are doing any better by piling up an accumulation of 225,000,000 bushels to face us this year?—A. Mr. Ralston and Mr. Chairman, you cannot decide upon this question in a broad way, a matter of this importance to Canada, in a few minutes.

Q. I agree with you.—A. Now, what are the prospects for some kind of a reasonable arrangement whereby import and export countries will consider it in their mutual interest; is it one that will involve the keenest competition in order to get more bushels off the market.

Q. You agree so far the result of international conferences has not resulted in any mutual interest being observed by any other— —A. Let me finish.

Q. —but in everybody looking after his own interest.

The CHAIRMAN: I think the witness has a right to finish his answer.

The WITNESS: Mr. Ralston has been very fair.

The CHAIRMAN: I am not suggesting he has not been fair. .

The WITNESS: Will it encourage the Argentine and other exporting countries, Australia and so on, will it be in the interest and will it be fair and reasonable to the human beings, the producers in those countries for you to set up an arrangement here in marketing whereby you are going to make it far more difficult and you are going to cause more delay in the development of a reasonable basis for co-operation; is that the policy?

*By Hon. Mr. Ralston:*

Q. I do not know what you are getting at?—A. What is your question?

Q. I asked you if, so far as past experience was concerned, there had been very much success in connection with international co-operation and the looking towards mutual interests, or whether so far the situation was not that each country pretty well had to look after itself?—A. When is a nation in a position—

The CHAIRMAN: France has been the greatest possible help to us.

The WITNESS: When is the time to decide just the success of a policy?

*By Hon. Mr. Ralston:*

Q. I beg your pardon?—A. It has been already outlined where a policy—

Q. Don't get into that at all.—A. I won't. It has some bearing on this. History, in my opinion, and so far as I see what should be done and ultimately must be done, our Canadian history, in my opinion, some time in the future will record the efforts on the part of Canada in its endeavour to promote international co-operation, will proclaim this as one of the greatest influences, as one of the greatest supporting points in the result of statesmanship.

Q. I would like that to be written— —A. Therefore you are not in a position to decide if it was a failure or success.

Q. I would like that record for Canada to be written in the international records; but at the moment I should prefer the Canadian wheat producer to be looked after?—A. Are you going to take a shortsighted policy?

Q. I am afraid we cannot take the policy that has been pursued in the last three or four years as being a long sighted policy?—A. Are we expected to support a policy that only adds to confusion.

Q. Do you mean by that Canada's duty to the international world is to hold off the market 225,000,000 bushels of wheat in order to hold an umbrella over the other countries?—A. On the other hand—I do not agree that that is what we are doing. Now, it is held by people very well educated that it is in the best interests of Canada to market 200,000,000 bushels of wheat at 50 cents rather than 100,000,000 bushels of wheat at \$1.00 a bushel.

Q. I am not talking of that?—A. Is not the same thing implied?

Q. I am talking of the situation here; you are talking of international co-operation?—A. Is not that implied? It is the same thing in my opinion.

Q. I am sorry, but I cannot agree with you there. Now, let us come back to the Argentine plan: namely, to pay the producer a minimum price—the price may not be his reasonable price, but it is regarded by the country as a price which they can pay—and then sell your wheat on the world market.

The CHAIRMAN: And the deposit of all the sales in the clearing house; that is the most important thing of all.

Hon. Mr. RALSTON: That is a simple matter.

The CHAIRMAN: Oh, no, it is not; it is the guts of it all.

The WITNESS: The people are not satisfied as to the out-come of the practice and the improvement in the future by following that policy.

*By Hon. Mr. Ralston:*

Q. Do you agree that wheat ultimately has to be sold to the consumer?—A. Oh yes.

Q. When do you think it is going to be sold in the way we are operating now?—A. That depends on development—on crop.

Q. We have to wait for rust in the Argentine or some other trouble, for a short crop in Australia or a short crop here?—A. Frame your national policies that they do not assist and promise to perpetuate the very reason for the condition that exists.

Q. I agree with you thoroughly in that, but I am afraid that the policy you are advocating may perpetuate that very situation, and I am very alarmed when I hear you suggest that the accumulation of 225,000,000 bushels, which we have accumulated in the last three or four years, is something which is justified in order to assist the wheat situation?—A. Who said that?

Q. You do not agree with that?—A. I think I did not leave that impression; but at the same time it was accumulated—it was for a purpose and did assist for a time, and rather than move it out—

Q. In other words, it was a short view policy—it was the very policy that you deplore?—A. I do not know that it was such; I am not saying it was a perfect policy.

Q. I did not say a perfect policy; I say it was a short view policy—it was something which did at the time but which has resulted in the accumulation of 225,000,000 bushels with which we are faced?—A. That is the reason we favour the Wheat Board, because it takes the longer viewpoint. We were dealing with the matter as an expedient at the time.

Q. The Wheat Board still has to sell wheat on the world markets, has it not?—A. Yes, but there is more certainty as to continuity and continuation.

Q. I hear those words, but I am talking of selling wheat to the customers; the Wheat Board has to sell wheat on the world markets, has it not?—A. Yes.

Q. And in competition with other countries?—A. Yes.

Q. And if the Wheat Board does not accomplish that it is not any good, because you agree that rolling up accumulations of wheat are in their nature disastrous; is that right?—A. A Wheat Board should be in a position—Mr. Ralston and Mr. Chairman, if our nation—you as a House of Commons—whole-heartedly get behind the establishing of a Wheat Board and you serve notice thereby on the nations of the world that there is strength behind that movement, that the country is a unit, then that in itself is a very strengthening factor in as far as markets are concerned, and you are in a position, especially those of us who share these views in support of broader and freer markets—broader and freer to exchange the goods—well, what better prospects have you got to give effect to that other than through this arrangement of a system of marketing.

Q. Do you consider that the creation of a government monopoly is also a strengthening factor in the country that imports where every indication to be self-contained will be strengthened when they see across the water a government monopoly which proposes to make them pay what they like for their wheat?—A. Mr. Ralston, if words were facts and if the importing countries were scared by the mere use of words then I would agree to that statement; but the facts and the proof we have are just contrary to that. I have said to you in this brief, because of what we were doing other than we should have done created difficulties in which they attempted to protect themselves against those difficulties. This idea of pools scaring the buyers away from Canada and all that sort of thing is just talk. The trade of the old countries, supplemented by support on this side, saw fit to cause a lot of public talk about it, and they succeeded for the time being. There are not facts to support that contention that the Canadian co-operative organizations antagonized the overseas buyers.

Q. Is that so?—A. I might mention this because it has a bearing on the question you raised.

Q. Certainly, it has.—A. But mind you, people who held those futures at that time, resulting ultimately in the closing of our overseas offices, were justified for the action taken, because the public sentiment is there, created by the same type of people in the trade in the old country that has been appearing before this committee here in opposition to this bill. That cannot be said, speaking for Canada. And furthermore, since it was necessary for us to go out of the export business, Mr. Chairman, I can produce, and, in fact, two years ago I gave to your Minister of Trade and Commerce, the Hon. Mr. Stevens, copies of letters we had received from a number of our important customers from many of the countries abroad who regretted that we were no longer in a position to provide the service where they could continue to deal through our overseas offices—latterly pointing out two objections to advantages that were being taken of them in respect to certain Canadian grains that they had hitherto been purchasing through our offices, and a number of them hoping for the early return of an opportunity of again dealing directly. Therefore, I say to you—and I asked at the time copies of those letters were left with the Minister of Trade and Commerce—in view of the wide-spread propaganda that had been circulated throughout Canada and the old country in connection with this matter—to have your foreign Trade Commissioners check up and to satisfy yourselves as a government as to whether or not the letters gave a correct version of the situation or not. Up to this time I have not received any word from any representative of this government to the effect that those letters were not based on a proper premise. If anything, I would not doubt that our own Prime Minister himself has considerable doubt as to the correctness of the facts behind such propaganda that was so current at that time and is still being mentioned by people who are in a better position and should know at this time.

Q. Now, let me sum that up. You say that this talk about a government monopoly in wheat injuring our markets abroad or creating a feeling of resentment in the minds of our customers, is all propaganda?—A. So far as that propaganda is levelled against our organization, yes; and the same principle is involved—

Q. Now, have you had any letters the other way, protesting against your organization holding wheat too high?—A. I think there may have been a letter where they felt it was being held.

Q. A letter?—A. There may have been more than one; but I say in the great majority of cases, and we have not asked our government to take our word for it, Mr. Ralston—now what is the proof as to whether or not that charge has been correct?

Q. I am asking you if you have had any other letters—any other letters indicating?—A. I would say—

Q. Indicating resentment?—A. I think, probably, there have been some that really share that view.

Q. Did you hand those to the Minister of Trade and Commerce?—A. I think he had the information.

Q. I say, did you hand those letters to the Minister of Trade and Commerce too?—A. I do not know if they are in that file or not.

Q. Would it not be fair to hand them all in?—A. They were not in that file; he has been advised.

Q. Why would they not be in the file?—A. All I have is the letters and the file that was forwarded to him as the result of the inquiry that had been made. As to whether or not these other letters you refer to—you appear to know more about them.

Q. I do not know about them. I have never seen the letters or heard of them. I am waiting to hear?—A. If they were not in the file it is because they were not received and filed at the time the file was submitted to the Department of Trade and Commerce. Now, would it worry you if I made this other point clear?

Q. No, you are the witness?—A. What is the proof of a policy?

The CHAIRMAN: The proof of the pudding is in the eating.

The WITNESS: Suppose you or Mr. Vallance have 100 bushels to sell.

Mr. VALLANCE: I wish I had.

Hon. Mr. RALSTON: I wish I had too.

The WITNESS: At the end of the season you say, "Mr. Vallance, you did not sell your wheat"—and he charges you to sell your wheat; so it becomes a matter of controversy who sold his wheat.

*By Hon. Mr. Ralston:*

Q. We ought to know?—A. Yes, we should know. I think this is the best proof we can get of it. Our Mr. Brett, who will be appearing before this committee, will go into more detail; but for the four years when we were operating on the largest scale, 1926, 1927, 1928 and 1928, the total deliveries of grain in the three Western provinces were 1,455,252,835 bushels. The percentage of that total delivered to the three pools was 755,719,373 bushels, or 51·9 per cent of the total. The total carry-overs at the end of each year for that period of four years was a total of 402,000,000 bushels. Now, if we sold more or less of our share in that period it would show up in our share of the carry-over, would it not?

Q. You say that?—A. Would you not agree?

Q. I would think so.—A. Our share of that carry-over referred to of 402,000,000 bushels over that four year period—

Q. You mean the total carry-over when you say share?

The CHAIRMAN: The total mechanical carry-over, the total Canadian carry-over, 402,000,000 bushels.

The WITNESS: The carry-over for the four years, each year.

The CHAIRMAN: And added together they made 402,000,000 bushels—the Canadian carry-over.

Hon. Mr. RALSTON: It would be the general carry-over.

The WITNESS: Yes, the pool's share of all that—that is what we carried at the end of each year, totalled for those four years on the same basis as the figure above referred to was 170,000,000 bushels, which was 42·3 per cent, and we were entitled during that period 51·9 per cent, to have carried our fair and equal share on that basis.

Q. On the basis of the grain you handled?—A. Yes. The pool's carry-over, if the pool had carried its proportionate share, would be 208,000,000. The trade carried 38,658,000 bushels that we could have carried at that time. If

that is not sufficient to establish a reasonable proof of the case we will leave it in that way and Mr. Bredt will go into it if there is any question raised on that. If you were handling this grain and you here were in the importing countries (indicating)—say you had been holding your grain. We have got peeved at you over here (indicating), so we just won't come to you. Gracious sakes alive, there was 49 per cent—48 and a fraction per cent of Canada's wheat handled by people other than the Canadian pools. Why didn't they come to them and buy? Why would they not have gone to them and got away from the antagonized sellers, the ones that created antagonism.

Q. I think the answer would be because there were still an open market and the pools were only operating a part of the market. There was still a world market. It does not seem to me it proves very much, when you come to touch the practicability and the effect on a customer of the 100 per cent?

—A. If you create antagonism as a sell, you have got to bear any competition. If you have a seller not in the pools, would not your very attitude towards the buyers cause them to go to him?

Q. I would not think so, if there is a world market?—A. It should.

*By Mr. Vallance:*

Q. In other words, it should restrict your sales.—A. It should have gone to you and restricted the pool's sales. Your opinion here is just to the contrary.

*By Hon. Mr. Ralston:*

Q. Were the pools selling at the world price?—A. We were selling at times at around 60 to 80 per cent disadvantage upon the market.

Q. Were you selling at the world price?—A. Sometimes offering under the market.

The CHAIRMAN: It represents the selling.

Hon. Mr. RALSTON: He says sometimes offering under the market.

The CHAIRMAN: Most people said offering over the market.

Hon. Mr. RALSTON: He says no.

The WITNESS: There is another point that I think you as a committee should satisfy yourselves about before you go out of your way to make changes on the supposition that there is something of such importance in this open market that would warrant keeping it operating. There have been a lot of charges. You take the first year we started to operate the pool when the market price was \$1.49—\$1.51 on August 2, 1929. We continue on operating. We make a dollar initial payment. We decide some time in March or April to make our first interim payment. The 2nd or 3rd of March the open market is \$2.05 and a fraction. Unfortunately, we decide on making an interim payment of 35 cents. That brings your total payment up to \$1.35. Inside of a month the price on the Winnipeg market goes from \$2.05 and a fraction down to \$1.38 $\frac{3}{8}$  on the 2nd or 3rd of April. Then within a month following that it rebounds up to around \$1.70.

*By Hon. Mr. Ralston:*

Q. What year is this, 1929?

Mr. VALLANCE: 1929.

The WITNESS: 1925. That is recorded in the grain trade of Canada's year book. To be exact, on August 2, \$1.51; on March 4, \$2.05 $\frac{7}{8}$ ; April 4, a month later, \$1.38 $\frac{3}{8}$ . May 3 and 3 are holidays; May 6, \$1.72 $\frac{7}{8}$ , a spread there of around 67 cents, drop within a month. Keep in mind that when you are contemplating a policy that continues the operation of an open market, you will have to judge your sales policy then as to that extent, as to what that price is. Remember our banking arrangements with the bank provided for a margin as

between the price paid our growers and the amount borrowed from the bank. If we had gone ahead at the time with \$1.35 payment, we were in difficulties with the bank. You can see, when you blame the pools for what happened—

Hon. Mr. RALSTON: I am not blaming them.

The WITNESS: No. I am saying people generally. I should not make it personal.

Hon. Mr. RALSTON: I am talking about the government monopoly of wheat.

The WITNESS: I just say "you" in conversation.

*By Hon. Mr. Ralston:*

Q. Wait now. I want you to understand now that we are all—well, I will say myself that I am in favour of a Canadian grain board. I have said that.—  
A. Yes. I should not use it personally.

Q. No.—A. When I say "you," that is a habit. I refer to the public generally.

Mr. PORTEOUS: You represent everybody.

The WITNESS: The reason I believe that we should get this clear in our minds is because opposition to a board is on the same principle for which they claim the Canadian Co-Operative Wheat Producers Limited have failed.

The CHAIRMAN: Quite so.

The WITNESS: So that it is necessary to involve that, and I want you as reasonable men which you are—

The CHAIRMAN: We understand that.

The WITNESS: —to get into your minds clearly what an impossible or difficult situation prevailed there, where the pools were obliged for their financing operations, to serve this open market price structure that was the basis for banking operations, not being let alone to carry on and develop markets and that kind of thing; day in and day out watching for a price war that is going to be made against you. I am not saying this was deliberate, but I leave it to the representatives of the trade—I have left it to them—to explain just why this situation happened to coincide, and just why a wider spread should prevail within that one month; and as to whether or not a system which would, before the pools were very effective in themselves, create a situation of that kind, is one that Canada should lose any sleep over as to whether or not it should be maintained.

The CHAIRMAN: A little nourishment probably will enable us better to understand it, so we will come back this afternoon. We will see what is done in the House, and come back say about four o'clock. We will try that anyway.

Hon. Mr. RALSTON: That is all right so far as I am concerned.

The Committee adjourned at 1.25 p.m., to meet again this day at 4 p.m.

#### AFTERNOON SESSION

The Committee Resumed at 4 p.m.

LOUIS C. BROUILLETTE, recalled.

*By Hon. Mr. Ralston:*

Q. I suppose you have finished what you were talking about when we rose at lunch hour. Had you anything to add to what you were saying then?—A. What was the question?

Q. I think the question was a long way back of the answer?—A. Probably that was the nature of the question.

Q. You haven't anything to add?—A. Not from memory of what it was.

Q. I want to ask you a question with regard to your reference on page 8 of your memorandum in which you say:—

In several countries there is a complete government monopoly in the purchase and sale of wheat.

To what countries did you refer?—A. Russia is one.

Q. Yes, any others?—A. France to a very considerable extent.

Q. Well what is the situation in France? Does the government buy the wheat?—A. They have restrictions equivalent to that.

Q. Well, I think it would be useful to have on the record just what you mean by that?—A. There are restrictive measures there which prohibit free imports of grain depending on the regulations within the country.

Hon. Mr. STEWART: You mean they have a very high tariff against us?

The WITNESS: Yes.

*By Hon. Mr. Ralston:*

Q. Do you think it is quite right to say that France is one of the countries in which there is complete government monopoly in the purchase and sale of wheat?—A. Oh, no; in many respects.

Q. Is there any country in which there is a complete governmental monopoly in the purchase and sale of wheat, except Russia?—A. The Argentine approaches it.

Q. Well, we know what the Argentine system is. In France?—A. No other export countries—that is, that are nominally exporters. There are so many of these regulations and controls that without checking up the statistical record of it I would not be prepared to say offhand, because the report is based on a study of the policies of those many countries.

Q. But the statement in your memorandum is that there is "complete monopoly in the purchase and sale of wheat." Does that apply to any country, really, except Russia?—A. There are a number of countries with government monopolies.

Q. I understand that government monopoly means that nobody but the government can purchase or sell wheat?—A. That may be the literal interpretation of the term.

Q. That is what I took from what you said. I am perfectly willing for you to say what is meant here; but the statement is that there is a complete government monopoly in several countries in the purchase and sale of wheat, and I took it to mean that no one but the government could purchase or sell wheat except, of course, the producer.

The CHAIRMAN: Or with the permission of the government. I think, perhaps, you should put it that way. Or with the consent and permission of the government; that would be the French situation.

The WITNESS: I can name the governments and the measures that are there.

The CHAIRMAN: That is what Colonel Ralston has asked for.

Hon. Mr. RALSTON: I think it would be useful to have on record the different systems.

Hon. Mr. STEWART: That is hardly correct, Mr. Chairman—either where they have complete governmental control and where they have only partial.

The CHAIRMAN: He can differentiate.

Hon. Mr. STEWART: We are referring to complete governmental control.

*By Hon. Mr. Ralston:*

Q. We are talking of exporting countries, are we not?—A. Oh, no, countries in which the production and sale of wheat is an important commodity. We have Hungary, Roumania, Bulgaria, Jugoslavia—restriction of imports, bounties on exports, marketing monopolies, lowering interest rates, moratoria on farm debts, stabilization of prices, direct farm relief, but no general rise in agricultural prices.

Norway, Sweden—Growers protected against outside competition; guaranteed fixed prices for home consumption; import of cereals under rigid control, and export dairy produce and some livestock under organized control, also domestic marketing eggs, hogs, hog products under organized control.

Denmark—Government abandoned free trade policy and now restricts imports, controls export trade, and production and marketing of livestock—even to destroying thousands of heads of livestock, and maintains minimum prices in home market; reduces farm mortgages and interest rates and furnishes new agricultural credit through government agencies.

Germany—Marketing and production under control and regulation and home market been practically assured for home producer.

Italy—entire agriculture organized into (1) master farmers (2) agricultural workers (3) agricultural experts and an organization of representatives from all three. Italy nearly self-sufficing in matter of bread cereal supplies.

Australia—lowered value of currency, supplemented by bonuses on wheat, cotton, flax; direct farm relief; vigorous promotion collective market. Home of organized marketing under legislation. In Queensland over dozen marketing boards handling practically every farm product, has operated for twelve years. Export of fruit controlled by federal marketing board, and recently dairy industry under similar control.

New Zealand—Board controlling export of meat, dairy products, fruit and honey, regulating quality of product and storage.

Union of South Africa—export bounty on many agricultural commodities. Dairy Control Board to regulate and control, to grant loans, promote consumption and exportation, to stabilize prices, to prohibit import or export, to set grade standards. Funds raised by special levy on the product. Meat, maize and tobacco also under control and regulation.

United States—Agricultural Adjustment Act, May 1933, gives power to Secretary of Agriculture to take steps to increase agricultural prices, established a form of control over production and marketing of wheat, cotton, corn, hogs, rice, tobacco, milk and its products, and paid out to farmers hundreds of millions of dollars as compensation. Central Bank for co-operatives established 1933, advanced as loans to co-operatives \$59,908,000.

Great Britain—State guarantees price of approximately \$1.30 to a total marketing of 50,400,000 bushels. Money for subsidy derived from levy on all wheat milled in the country. Also subsidy on sugar beets, also minimum prices for other products.

Agricultural Marketing Act (preamble)—“An Act to enable schemes to be made for regulating marketing of agricultural products; to confer powers upon boards and other bodies to be constituted in connection with, or acting for purposes connected with such schemes; to establish agricultural marketing funds for purpose of making loans thereout to the boards aforesaid; to encourage agricultural co-operation, research and education; and to provide for purposes connected with the matters aforesaid.” (This kind of legislation in Australia, New Zealand, South Africa, Germany, Norway, Sweden and other, and now in Canada.)

Q. You see we are getting away from what I asked, and from the information I should like to have. We are here considering a bill which, as I read it, establishes a complete government monopoly or nationalization of the wheat industry in Canada?—A. That really is not correct.

Q. Where am I wrong?—A. In that it does not do the thing you state it does.

The CHAIRMAN: It does not touch the industry; it touches the marketing.

Hon. Mr. RALSTON: Where am I wrong?

The CHAIRMAN: You said "industry," you mean "marketing."

*By Hon. Mr. Ralston:*

Q. A complete government monopoly and nationalization of the marketing of wheat in Canada?—A. No.

Q. This bill does not do that?—A. That is not what I understand.

Q. Where am I wrong?—A. As far as the trades within a province are concerned.

Q. I am talking about export wheat; we are not talking about anything else. Am I right in saying that it does establish a complete government monopoly and the nationalization of wheat marketing for export?—A. I would understand that that could not be done under the terms of that bill as I understand it.

Q. You are presenting a memorandum in which you say, "there is a complete governmental monopoly in the purchase and sale of wheat"; and I presume that is put in that memorandum in order to show that there are precedents for this kind of bill; because you go on afterwards and point out that countries have done other things than that, things such as you have mentioned in the statement just read, such as establishing a minimum price which is mentioned in your memorandum and, "in others there is a heavy cash subsidy to wheat growers." But I am just asking you with regard to the statement in the memorandum which says, "In several countries there is complete government monopoly in the purchase and sale of wheat." If there is an error in the memorandum, I know you will be the first to correct it, but I took it from what you said to me that Russia was really the only place where you could say there was a complete government monopoly in the purchase and sale of wheat. Am I right in that or not?—A. There may be countries that I have not covered in the memorandum.

Q. Is Russia the only one you know of?—A. Off-hand, among the export countries.

Q. That is all right. Now, I want to ask you what seems to me a very interesting thing. On page 10 of your memorandum you spoke of a meeting in May, 1931, of representatives of the prairie governments and farmer organizations. "Present also were the presidents of the Anti-Compulsory Pool Association of Saskatchewan and the Anti-Compulsory Pool Organization of Manitoba. That meeting was unanimously of the opinion that if a Dominion Wheat Board or similar organization should be established, such action would meet with the approval of the large majority of farmers in Western Canada." Was there anything to indicate whether that Dominion Wheat Board, which was visualized or which was hoped for in that resolution, was a board which would have the sole control of the marketing of wheat in Canada, or was it a control board something like Argentine?—A. This board similar to Argentine is a recent development in this country. I first came in contact with the idea just a short time ago on my trip to Ottawa. But that kind of set up was not discussed at that time there at that meeting.

Q. Was it a 100 per cent board that was voted for by the representatives of the Anti-Compulsory Pool Association of Saskatchewan and the Anti-Compulsory Pool Organization of Manitoba?—A. As far as I remember the dis-

cussion, when we discussed the government board, we had in mind the government board that we had in this country before.

Q. The government board you had in this country before?—A. Yes.

Mr. LUCAS: In 1919.

*By Hon. Mr. Ralston:*

Q. That means a 100 per cent board?—A. Yes.

Q. And these anti-compulsory pool organizations voted for it?—A. That was the discussion at the meeting. If they had anything other in mind, they failed to make it known to me.

Hon. Mr. RALSTON: That is all I wish to ask, Mr. Chairman.

*By Hon. Mr. Stewart:*

Q. Just before you go, Mr. Brouillette, I would like to ask if, in your opinion, it will be necessary to curtail acreage in Canada before we get out of our difficulty?—A. That is an important question, as you know, Mr. Stewart.

Q. I am merely asking that because I hear it advocated quite frequently.—A. You would have to be undertaking the role of a prophet to be able to say at this time what should be done. That depends entirely on the world condition, world demand, world supply of the commodity. That involves the amount purchased.

Q. I know that. I am asking if, in your opinion, we will have to come to that?—A. If there is no change in developments; that is, if the world does not take more of the product from export countries, you continue to pile up surpluses. That is a situation when you face it, and it promises to continue, which will involve consideration of that very question, Mr. Stewart. As to whether or not you will decide to take that action remains to be seen; because if it was decided necessary, that involves the support of the provincial government.

Q. May I ask you another question. I do not know whether I am correct in gathering this from your statement this morning or not, that in your opinion it would be wisdom on the part of the board that will be set up to carry on this business, to maintain prices. I will tell you why I ask that question. You say if we drop our price, Argentine will follow suit and go below us. What I want to get from you is this: Do you believe that this board should be a more or less world regulation for prices?—A. It would not be wisdom, Mr. Stewart, at this time to say definitely what that board should or should not do. You know over a longer period of experience than I as to what can happen to a crop, even with these very promising prospects, between now and the time it is threshed.

Q. I am not asking you that question.—A. That comes in.

Q. No, it does not come into the question at all.—A. I didn't hear your question.

Q. It is a very straight question, as to whether you believe Canada, if you like, which is one of the main exporting countries of the world, should maintain prices or price levels as against the world; because you quote Argentine?—A. Yes.

Q. And you say if we cut down in offering our wheat, Argentine will just drop below us?—A. That has been the experience, I stated.

Q. Yes. I want to know if that is your opinion, that we should maintain our prices.—A. I thought I understood your question. Then it does involve what I was stating.

Q. It is a very simple question.—A. No, it is not so simple. It may be in your mind, Mr. Stewart, but not in my mind.

Q. No?—A. For this reason—

Q. I will tell you what I would do. If I were on that board, I would either make up my mind to maintain prices or I would sell at a world price. Then I do something else for the producer. I just want to convey to you the position

in a nutshell, because we do not get very much, Mr. Brouillette, from long explanations, because we are going to deal with this bill in a day or two.—A. I hope so, and the farmers of western Canada hope so too, in time for the marketing of this coming crop.

Q. It will be done all right. Mr. Bennett will attend to that. What we want to know—A. Well, if you will give me a chance to answer your question, I think I will; I think I can. The policies that have been pursued in this country have been having in view that a short crop might occur in North America. Now, as to what extent that will influence the policy of a board again is coupled with what the prospects are with the developing of co-operation among these countries.

Q. Yes, but my dear fellow, you told us a half a dozen times this morning that no one could prophesy what was going to happen. I am asking you a straight question as to whether or not, in your opinion, a board set up by this government should pursue a policy of maintaining prices?—A. If you are satisfied that there is no chance for developing among the exporting countries of the world a policy that is sane, and your board and the government, when it starts operating, feels that it is necessary to take different action which involves unrestricted competition and the survival of the fittest, that is a matter for the board to decide upon then when they are in possession of all the facts and conditions related to the problem.

Q. Is not that exactly the condition you have had to contend with?—A. I would not say it is.

Q. Well, I am bound to say I cannot agree with you?—A. Well—

Q. But that is quite easy?—A. That is each man's right. You get the difference, Mr. Stewart?

Q. Will you tell me any country that is interested in whether Canada sells her wheat or not—any other country that is her competitor?—A. Which is interested?

Q. In Canada selling her wheat?—A. Oh, I can't speak for the other countries. I would not pretend to speak for them.

Hon. Mr. RALSTON: I think Mr. Stewart's question leads to this: If you were on the board, would you be in favour of attempting to regulate world markets or regulate the price to the producer?

Hon. Mr. STEWART: No, it is not that, Mr. Ralston. The producer is another question altogether. I am assuming that the producer is going to get a price for his wheat. I am talking about selling wheat now, quite apart from the producer altogether. This board naturally will buy wheat either on a minimum price or on the every-day price. They will buy wheat, and one policy that will be pursued—I am not concerned about that because I believe there is a general desire to give the producer a reasonable price for his wheat. Nobody suggested anything else here. But when it comes to the selling of it, that is what we are concerned with.

*By Hon. Mr. Stewart:*

Q. I gather from your statement that you believe we should maintain the price rather than getting on the market and selling our wheat at the world prices or prevailing prices; that if we went down, the Argentine would just go below us and we would drag the market down in consequence?—A. She did do that.

Q. Yes, I agree. But my dear fellow that is what I am trying to say to you, that I do not believe that there is any sympathy exhibited between the selling countries of the world. I have not noticed any up to date. They are going to sell their wheat if they can, and the smoothest salesman will sell the most.

Mr. PORTEOUS: Or the cheapest.

*By Hon. Mr. Stewart:*

Q. Yes, or the cheapest; put it that way if you like. Would you say you do not just agree with the statement that we should maintain, as one of the chief exporting countries, our price, so that there will not be a consequent drop in world prices?—A. You would judge a country a good deal by the people most affected, as to what the people most affected in that country have to say, and judging from the attitude of organized farmers and their leaders, there is a real sympathy in the Argentine for the policy followed here.

Q. Let me tell you that the farmer is not the exporter of wheat. He does not get near that, unfortunately?—A. No.

Q. And I do not know whether he could help himself if he did. There are too many of them. The Lord made too many farmers. That is one of the troubles in this country of ours and several other countries?—A. It seems to me too much of everything.

Q. I want to get away from the idea of the producer. We agree about that—at least I assume we do, that he has got to get a decent price; because there are so many of them, if you give him a decent price, everybody else will be helped by it. But it is when we come to sell this product that I am concerned with. Mr. McFarland, if I am correct in making this statement, has intimated on several occasions that there was only one thing to do and that was to reduce acreage. That was one scheme that he suggested. Now, I asked you that question to get your answer. But what I am talking about is the selling agency, the agency that is going to dispose of this grain?—A. As to what they should do?

Q. Yes, what should be their policy in connection with it?—A. I don't know of a better answer than I gave you, Mr. Stewart, that that board would have to be in possession of every possible bit of information they could gather as a board as to what they should do.

Q. Well, you would not advise that board to hold wheat above the world price. I am going to be very frank with you. I do not see how on earth you could do that. If you can tell me any way they can, I would be glad to know it. I do not believe—I will be very frank with you—that you can sell wheat unless you are willing to take the price your purchaser is willing to give you for it?—A. Mr. Chairman, before I would attempt to give a further answer on that question, I would want to know what board you are talking about.

Q. The board provided in this bill?—A. And as to what they are doing.

The CHAIRMAN: What they may do.

The WITNESS: The premises as to how they are operating. What is this board doing that you are speaking of?

*By Hon. Mr. Stewart:*

Q. Selling that grain?—A. Is it bought on initial payment, or how?

Q. I don't care how it is done, the board is in possession of the grain and is going to sell it?—A. Does it have complete control?

Q. Yes, this bill provides for complete control?—A. That board will have to settle the problem as it faces it at the time it starts operating, it would have to see the situation in the wheat exporting countries and in the importing countries. I don't imagine the Board would deliberately create a situation that would discredit the Board before it operated six months.

Q. I would hope not?—A. No.

Q. But I want to ask you a plain question: Do you think that the Board—I know what you have in your mind—the Board is going to take into consideration something that will happen in the future. Let me say this to you very frankly, there has been too much of that thing in the marketing of our wheat—thinking of something that will happen in the future—and in my opinion you have to market wheat when you can sell it and at the price you can get for it. I may be all wrong about that but I want to get your opinion about it.

The CHAIRMAN: That is a clear statement.

The WITNESS: Our organization would be quite prepared to express an opinion in the light of any information we may have from now until the time they start operating, but I would not wish to express any opinion at this time on that.

*By Hon. Mr. Stewart:*

Q. Well, we have arrived at conclusions in connection with this bill; at least, we have got to know something about what we are doing when we become parties to putting this legislation on the statute books. And I would just say very frankly to you, Mr. Brouillette, if the Board did not follow the policy of selling whenever the market was available and at the price the market offered, then I think it would be a bad bet. That is just my opinion, it is not anybody else's?—A. We have to have in mind, Mr. Chairman, that the world takes only so much wheat; it is a question as to whether or not you are going to be satisfied to have your share in that market, or if you are going to expect more than your reasonable share in that market. That would be a matter for the Board and the government to decide upon.

Q. Well, I fancy the Board will have to make decisions as to what they will do, the government very likely will back them up, if they go too far astray?—A. I imagine the Board will operate under the conditions of their organization—

Q. I tell you what worries me, Mr. Brouillette; you talk so much about what may happen and what may come about, that may be all right but in hard cold-blooded business the thing that counts is to get rid of your stuff?—A. And the man who knows ahead what is going to happen, he does not exist?

Q. I agree with you on that, that is one thing we will agree absolutely on; so many of us have bitten on it and been caught?—A. That is so.

*By Mr. Vallance:*

Q. Mr. Brouillette, of course you and I have been associated for many years in farmer organizations and I think we talk the same language. What I propose to ask you is this: Is it a true statement to make that the pools were not as effective as they should have been because they did not have control?

The CHAIRMAN: Because what?

Mr. VALLANCE: Because they did not have control?

The WITNESS: I think so.

*By Mr. Vallance:*

Q. You think so?—A. Yes.

Q. Let us go back a little beyond the pool—and I want you to correct me if I am wrong—the thing that inspired the farmers of Saskatchewan probably more than any other thing to bring about a pool was the operation of a 1919-20 wheat board, is that true?—A. Yes, it would have a whole lot to do with it.

Q. Well, now, you remember the 1919-20 wheat board?—A. Yes (nodding).

The CHAIRMAN: Speak up, Mr. Brouillette, because your language is of the sort that cannot be taken down.

Mr. VALLANCE: I can understand it.

The CHAIRMAN: We can understand it too, but it is not of the sort that can be transcribed.

Mr. VALLANCE: Probably we had better have somebody to transcribe it then.

The CHAIRMAN: There is no reason why you should become impertinent, Mr. Vallance.

Mr. VALLANCE: I did not know that I had—what was that?

The CHAIRMAN: I say, there is no reason why you should become impertinent about it.

Mr. VALLANCE: I don't want you to start correcting me.

The CHAIRMAN: I would never attempt to correct you about anything.

*By Mr. Vallance:*

Q. Well, Mr. Brouillette, you probably remember better than I do why the wheat board of 1919-20 was set up; that board was created in the interest of the producer wasn't it?—A. I do not know what the intention of it was, Mr. Vallance.

Q. What was the whole market condition at the time the board was created?—A. I—just off hand—I don't know what you have in mind.

Q. The point I am trying to make with you is this; was that 1919-20 wheat board in the interest of the producer, did he get more through the board than he would otherwise have received in the open market—in your opinion?—A. Well, you can't make comparisons.

Q. He either believed he was getting something better or he didn't get as good; in your opinion what was he getting?—A. You see, to get the price of 1919 to compare with the board—we don't know what it would have been.

Q. You know what the markets were at the time you started out—you are not prepared to make a statement as to that?—A. It is hard to make comparisons.

Q. There is no comparison about it. I want to know if under the board set-up the farmer was able to get more for his wheat; did he get more because of the fact that the board operated, or not. That is the question I want answered. It leads up to some other questions I am going to ask you?—A. At first, if I remember correctly, the farmers were not so delighted; but finally on the outcome of the thing they were quite satisfied with its operations.

Q. They were. Do you still know, or do you think that they still feel the same towards the proposed board; I mean, this board to be set up. Are they expecting the same from it as they did from that?—A. How do you mean, the same?

Q. The same result or a little better than they got under the other board?—A. If I did not feel that I would not be here supporting this. I would say yes.

Q. So from their experience they feel they would be better off by the creation of a board simply because of their experience with the 1919-20 board?—A. Not solely on that, by any means.

Q. I see?—A. They believe—you may put it this way—that if there is any improvement to be hoped for in respect to the marketing of grain there is more for them to expect through the operation of such a set-up than continuing with the open market.

Q. Now, Mr. Brouillette, you have been, of course, closer to the farmer in the last few months than I have, and naturally I am interested in knowing what the farmers expect. To be quite frank with you, I have had considerable correspondence by wire and by letter from them; but I want to know your opinion as to what the farmers are expecting? Are they expecting that this legislation is going to fix prices?—A. What do you mean by "fix prices;" you are putting the question?

Q. A stabilized price, a price such that the farmer will know that when he delivers his wheat what he is going to get; does he expect he is going to get an initial payment, and does he prefer that to a participation certificate as we used to get through the pools?—A. Your first question, as to whether or not he is going to get a minimum price; do you mean by that it would be an attempt to establish the price of wheat during the year?

Q. Yes.—A. And at the time of delivery—

Q. Does he think this board has the power in this bill to fix the price for his commodity?—A. I mentioned this morning that it was my understanding that the board would have the authority in this bill to set the initial payment, or you might term it the minimum payment at whatever the board in its wisdom may decide to do.

Q. You think there is lots of latitude?—A. I am satisfied the farmers do not expect to get less for the time being at least under these conditions through the operations of this board than they have been receiving through the stabilization efforts.

Q. I see, so that you think the farmers are not expecting—what they are expecting is that this board will have such latitude that they will be able to do many things they can't anticipate; that is your interpretation?—A. That is my understanding.

Q. You made the statement this morning?—A. You will pardon me, Mr. Vallance.

Q. Sure?—A. In order that there is no misunderstanding of that point, I made it clear when I mentioned what could be done with a voluntary producer controlled pool compared with this kind of a set-up in this connection.

Q. Now, dealing with voluntary pools, you and I know—we have had one in existence in our province?—A. I have been chairman.

Q. Dealing with the voluntary pool now as we have it in Saskatchewan—this brings up an added thing—what percentage of the farmers of Saskatchewan to-day are really delivering under the pooling system?—A. A small percentage.

Q. A small percentage?—A. Yes, to the pool; more to the elevators.

Q. I am not talking about your elevator system at all now, you are still drawing a good volume of business to your elevators; but in the pool itself there is but a very small percentage?—A. A small percentage.

Q. You said this morning in reply to a question that Colonel Ralston put to you that the Argentine farmer was not happy with the conditions under which he is marketing his crop; can you tell us of any country to-day where the producers are happy?—A. Oh, I did not mean to infer that they were—

Q. I want to know where there are any producers to-day who are happy?—A. No; but the reason I mentioned the Argentine was because it was being held up as an example for marketing.

Q. You mentioned the fact this morning, also to Colonel Ralston, that the Canadian exporters only exported 30 per cent of the Canadian wheat and that the three big international exporters exported as much as 70 per cent; that is the statement isn't it?—A. According to my information.

Q. Well then, do you expect that this bill if it is put into operation as now presented to us will deprive these large international exporters from doing business in Canada?—A. I do not know what the board will do, it depends. I think it has a bearing, Mr. Vallance; that is, what your policy is going to be in regard to these other matters you are discussing.

Q. I gather from your evidence that you are in favour of the bill. I suppose you have done just as I have, you have read the bill, thought it out, asked yourself questions; I have asked myself that question and I ask you if you have asked yourself that question: Are these international exporters or traders going to be eliminated, the three large ones?—A. I do not know if they are going to be. You at least expect they are going to be to a very large extent but you would think that the people who are interested in the export of Canadian grain are going to be more interested in the exporting of Canadian grain than they would be in the export of other grains.

Q. Well, now, of course, we have all agreed—I do not think there is anyone who has discussed this bill either in the House or in this committee but is agreed that something must be done in the interest of the producer, and there are quite

a few individuals who believe that this bill is the answer to that relief to the farmer. So that, in your opinion, you would expect this bill to provide relief for the farmer in the marketing of his wheat?—A. There has been more than one suggestion advanced.

Q. Would you be in favour rather of the system as pursued in the Argentine, where you would merely have a control board?—A. That, and a depreciated currency; they have that there.

Q. I am not dealing with currency at all?—A. That is quite different.

Q. I suppose you could operate a Board in Canada here, even forgetting the depreciated currency of the Argentine, or your own if you like—the position of your own currency—and make them the same here as they are under the Argentine system, the government stepping in when the market needs some bolstering up; or some muscle put into it, as someone has said?—A. A lot depends upon what you expect would be done under this Board.

Q. Isn't the main point in it is that they want the Board to buy the wheat of the farmer, and then for the Board to sell it to all who wish to buy Canadian wheat?—A. Yes.

Q. Would you also be in favour of this Board taking over the 225,000,000 bushels—or whatever the amount is—of a carry-over?—A. Of course, that is involved.

Q. That is why I am asking?—A. Probably your question really means can it be marketed in competition with the producers crop?

Q. I am asking you if you think the Board should take that over and dispose of it as the Board sees fit?—A. You might have two separate organizations or concerns handling the crop—couldn't you?

Q. No, because we have had one concern in John I. McFarland in the last number of years?—A. You have had several concerns.

Q. Probably we have, but he had been the selling agency of the pools, and operating as stabilizer for the government as authorized by Order in Council. Now, there is only one question I want to ask you: We have heard a lot about the operations of Mr. McFarland, is it your understanding that under Mr. McFarland's stabilizing authority, given by Order in Council, of course, could he have bought at the market price and sold at the world price; do you think there was authority given to him to do that, you heard the Order in Council read this morning.—A. He was not exporting.

Q. I mean, was he selling at less than the world's price to the exporter, had he authority to do that.—A. I don't know.

Q. You cannot answer that?—A. No.

*By Hon. Mr. Stewart:*

Q. Do you say Mr. McFarland was not exporting any grain?—A. Oh, there might be something that I have overlooked. So far as I understand, no. I don't know.

Q. Why I asked you that question is this; my understanding was when he took over the sales agencies of the pool, at that time you had European agents acting for you, you were exporting yourselves.

The CHAIRMAN: A condition of his taking over was he should wind up those agencies.

The WITNESS: That is what I had in my mind in regard to Mr. Ralston's question.

Hon. Mr. STEWART: Did he cease to be an exporter?

The CHAIRMAN: He closed up those agencies.

Hon. Mr. STEWART: Then he sold to Canadian exporters; I see.

The CHAIRMAN: Not necessarily Canadian exporters; he sold to exporters.

The WITNESS: That is what I had in mind. The resolution provided for that among other things, in reply to your question, Mr. Ralston.

Hon. Mr. STEWART: I was misled then. I thought McFarland was in the export business up to the neck.

*By Mr. Lucas:*

Q. The term "orderly marketing" has been used several times before this committee. I do not think anybody was able to give an answer to just what it meant. Have you any idea what orderly marketing means?—A. I do not know if you can get any great amount of agreement on it, but in my opinion it should be a policy that endeavours more nearly to adjust the supply to the demand; that is, to the actual demand at any given time and place.

Q. Statements have been circulated broadly during the operations of the pool that they refused to sell; would you say that was true?—A. Refused to sell?

Q. Yes, held their wheat back off the market and refused to sell?—A. On the whole I would say it is not true.

Q. Some time ago there was a statement circulated widely in the press that the Honourable J. H. Thomas, Minister in Great Britain, had come before the pools and made an effort to buy a large quantity of wheat and the pools refused to sell to him. Is there any truth in that statement?—A. There is no truth in that statement whatsoever. If there is any wide circulation of such misunderstanding in this country it might be worth while to read from our records covering exactly that situation.

Q. I think it will be worth while to have it on the record.

*By the Chairman:*

Q. Have you got it with you?—A. Yes, sir.

Q. I suppose there is no objection to his doing so, is there?

Hon. Mr. STEWART: Let us have all the information we can get.

The WITNESS: Aside from speaking from this record, I was present at the conference at the time the Honourable Mr. Thomas met our Central Board, if not the executive. This was in September, 1929.

*By Hon. Mr. Stewart:*

Q. Hon. J. H. Thomas?—A. Yes.

At the request of the British government, conferences were arranged with the right honourable J. H. Thomas, Lord Privy Seal in the British Cabinet, and representatives of the wheat pools on September 2nd and 3rd, 1929, at Winnipeg.

Discussions took place on the possibilities of facilitating the interchange of commodities between Canada and the United Kingdom, having regard in particular to the desirability of ensuring an even flow of outward and return cargoes between Canada and the United Kingdom.

At the first conference with wheat pool officials, it was evident that Mr. Thomas was under the impression that the Canadian wheat pools had been refusing to sell wheat at prevailing prices. The situation was fully explained to him and Mr. Thomas expressed himself as quite satisfied that the Canadian wheat pools were anxious to dispose of their wheat, and were freely offering it to consumers at prevailing prices. When quoted some months later as criticizing the policy of the pools, Mr. Thomas, in an official interview, sent to the Canadian Press by the British High Commissioner, made the following statement:—

My attention has been drawn to comment in Canada upon a statement made by me in the House of Commons on the 1st of April. The suggestion that the statement was based upon any feeling that

the pool had been attempting to hold up wheat is wholly baseless. My statement was made in reply to an opposition supplementary question and was based on assurances given me, by you, at Winnipeg in September, that the pool had been anxious to sell at prices substantially lower than those prevailing. I fully accepted these assurances, and welcomed them as evidence of a friendly attitude towards my plans for encouraging more regular interchange of goods between Canada and Great Britain. I trust you will give full publicity to this explanation. As you know, I fully appreciate the difficulties with which the pool has been confronted, and I earnestly hope the situation may soon rectify itself to the advantage of both countries.

Before returning to England, Mr. Thomas made an urgent request that representatives of the pool would continue the conferences with himself and other representatives of the British Cabinet and Messrs. A. J. McPhail, D. R. McIntyre and W. A. Macleod, held several conferences with the Lord Privy Seal and other members of the British Cabinet in London early in February. A proposal was made by Mr. Thomas which the pool representatives were prepared to recommend to the serious consideration of the pool boards, but the negotiations which Mr. Thomas had been carrying on for the sale of British coal in Canada on a large scale broke down, and the plan had to be abandoned for the time at least.

Q. What year was that?—A. 1929.

*By the Chairman:*

Q. September, 1929?—A. This would be in the spring of 1930. The conference I refer to was in September, 1929. What he had in mind as mentioned there in addition to what is said, was a forwarding of grain over to be stored in what he termed silos, unsold, and when we asked him if he was in a position to prepare to buy any wheat, his reply was in the negative. I am glad you raised that question.

*By Mr. Lucas:*

Q. There has been considerable opposition to the compulsory features in this bill and claim is made that if it is put into effect competition in the country elevators will be eliminated. What do you say as to that?—A. What competition is referred to?

Q. In regard to prices; just simply competition?—A. I think I remember reading that in some of the evidence of the other witnesses. I was rather amazed to read that the representatives of any grain firm would hold that up as a reason. That is a class of competition that I do not think any of them favour as a general policy. Rather, if it eliminates that type I am satisfied it would be supported by the majority of grain firms; at least, that would be made known.

Q. Most of the competition arises where a certain elevator man will give a farmer a grade to which he is not entitled in order to get the wheat?—A. That will not be removed in this; I do not think so.

Q. Do you think the farmer will lose any of the freedom that he now enjoys under this compulsory bill?—A. As far as marketing is concerned, I cannot see it, only in the physical handling. Supposed freedom, perhaps but actually, no. In so far as that competition in price is concerned in elevators they have a tariff which they are expected to carry out. The farmer expects equity, expects fair dealings between one farmer and another, and companies; so that should not be looked upon for the purpose of condemning this bill, if it interferes with that. I do not see where it will interfere with that.

Q. Evidence was given that some one had adduced a farmer could produce wheat for 40 cents a bushel. What would you say to that?—A. As to the statement?

Q. Yes?—A. I did not hear that statement, but I have heard some mention of it. I think it is a very unfortunate statement, although I understand the witness who made that statement made it from hearsay. At the same time, being at the head of a great grain firm, he should have known as to whether or not it was within any close mark of facts. This is the unfortunate part of it: In the west it will do no harm because they know better than that. Business dependent on farmers, financial and industrial business in Canada dependent on the farmers of the west will likewise know. The injury is in the east where the people are not so well acquainted as to their costs, etc., as in the west, and they may feel we people in the west, asking for a board of this kind, are unfair in our demands, and it is misleading and causes friction as between east and west.

Q. A good deal has been said at times about being able to sell our grain if we could take goods in exchange. Do you think that under this board that policy could be carried out more effectively?—A. I would think so. I believe, if there is any way of promoting that kind of a policy a board such as set up should encourage it rather than be an obstacle.

Q. In other words, if the government had the responsibility of getting rid of this wheat they would investigate every opportunity that was possible for us to take goods in exchange?—A. They are the only body that can do that. There would be advantages for that reason. I think you might go no further than the discussion that took place throughout the country in respect to the export of cattle.

Q. To Russia.

*By Mr. Vallance:*

Q. Do you figure this board will have the power to enter into agreements with foreign countries in the exchange of their goods for our wheat?—A. I think it would be in a position to encourage such an arrangement.

Q. That is a function I cannot find in the bill?—A. That power may not be there, but it should be in a position to encourage it.

Hon. Mr. STEWART: In fairness to Mr. Richardson I want to state in regard to the question of the 40 cents a bushel, he said that it was not his own opinion; it was an opinion given to him by a farmer. When questioned later about it, he also stated that he did not think it could be done.

Mr. LUCAS: I stated that, Mr. Stewart, when I asked the question.

Hon. Mr. STEWART: In fairness to Mr. Richardson, I think that should be well understood.

The WITNESS: The farmer that made the statement may be able to produce it.

Hon. Mr. STEWART: We all understand that. If he had forty bushels to the acre he could raise it for 20 cents.

The WITNESS: It is unfortunate such a statement has been made. I have been told some of our papers have seen fit to give great prominence to it.

Mr. VALLANCE: The farmer that made the statement was in a position to do it, but the average farmer is not.

The WITNESS: No. I think I can give you names of one or two people who say they can do it. I can give you the names, yes.

*By Mr. Porteous:*

Q. We hear a lot about the freedom of the farmer. It has been intimated in this committee that the freedom of the farmer would be infringed on by the

introduction of this bill. Now, if I am correct, the farmer must either take the price that he is quoted for his wheat, or keep his wheat at home. That is all the freedom he has at the present time, is it not?—A. No, he can ship it or let it wait. He can ship it to the terminal and hold it in store.

Q. He can hold it, he can either keep his own wheat or sell it at the price quoted to him?—A. Yes.

Q. The same thing would exist under this bill?—A. Yes.

Q. Now, there has been some discussion on the minimum price. I understood you to tell Col. Ralston this morning that you were in favour of the bill if there were a minimum price provided in it?—A. There seems to be a misunderstanding there. The drafting of our Central Board's memorandum was on the understanding that when the board was set up it could establish an initial payment that might be what is termed to-day a minimum payment, without so naming it.

Q. That is what I was getting at. In Section 7, subsection (e) of the bill, it says:—

To make advances to producers and other persons delivering wheat at the time of delivery or at any time thereafter, such advances to be at such rate per bushel, according to grade or quality or place of delivery, as shall be determined by the board with the approval of the Governor in Council.

Now, is there any reason to believe that the initial payment should not be designated as a minimum price?

Hon. Mr. RALSTON: Except the rest of the section. It provides for participation certificates.

Mr. PORTEOUS: I am getting at the initial payment.

*By Mr. Porteous:*

Q. Could it not be a minimum price?—A. I am prepared to leave that to the legal mind.

Q. I am not.—A. That is as to the meaning, as to the interpretation. I think Mr. Ralston and the Chairman agreed on that matter this morning.

The CHAIRMAN: It also says that they have the right to buy and sell.

*By Mr. Porteous:*

Q. If that initial payment were sufficiently high to ensure, it would be the same thing as a minimum price; is that not right?—A. That was our understanding when we supported this, and that memorandum was submitted. If there is doubt on that, and if there is any intention of pursuing the policy which will involve the necessity of deciding definitely on a minimum price, then, in my opinion, the bill should be wide enough to provide for it.

Q. Then there really is in this bill provision for a minimum price?—A. I will leave that to the lawyers.

Mr. VALLANCE: You will not say that the initial payment is all that the farmer will accept. The market might be 70 cents and the board might say that the initial payment shall be 60 cents.

The CHAIRMAN: There is a provision in the bill for buying and selling, without the question of initial payment. I think it is not clear.

Hon. Mr. RALSTON: The particularity in that section is in regard to taking over of the Canadian Co-operative Wheat Producers Limited.

The CHAIRMAN: If that is not clear it can be made clear.

*By Mr. Willis:*

Q. Mr. Brouillette, in regard to the much advertised compulsory feature of this bill, may I ask you if I, as a Manitoba farmer, am compelled to sell my grain at all or not? Under this bill must I sell my grain?—A. It is not my understanding of it.

Q. In addition to that, I as a farmer can sell my grain if I want to to my neighbour, can I not?—A. Yes.

Q. And I, being near the international boundary, can also take my grain in my truck and haul it across the line; am I right?—A. If you can do that—into the States—

Q. By paying the duty?—A. If you can do that to any large extent—

Hon. Mr. RALSTON: I want to know the formula.

The WITNESS: —then I believe it should be provided for.

*By Mr. Willis:*

Q. Why?—A. Because that can develop into a large export business. It may. I will not say it can.

Q. Under normal conditions it will not.—A. No, stuff going through in bond.

Q. And I can also take my grain down to my siding and put it into my grain car and ship it to Fort William, can I not? There is no provision to disbar me from doing this under this bill, is there?—A. No, I do not think so.

Q. And at the terminal I can get a vessel and if I like to load my grain there is nothing in this bill which says I cannot do so, is there? There is just a provision, Section 8, for the control of the elevator company; is not that right?—A. Elevator companies; but with regard to the intent, with regard to that method of controlling exports—

Q. There is nothing in this bill which would prevent me from doing that, to the best of your knowledge, is there; and if there is, what is it? In addition to that I am not compelled to take or select any one elevator company?—A. No.

Q. I can select the elevator company I sell to?—A. Yes.

Q. And that elevator company operates under this bill in the usual way, as you understand it—I mean that it operates under the same tariffs, the Grain Board tariffs?—A. It would operate under tariffs. I would not be prepared to say what tariffs.

The CHAIRMAN: It says under the Grain Act, subject to the provisions of the Grain Act.

*By Mr. Willis:*

Q. The exporter would also operate as usual. He is not compelled in any way; he operates as usual under this bill as an agent?—A. That depends upon the policy of the board.

Q. But as the bill reads he would operate as an agent under the bill, would he not?—A. He could. I would not say he would. It depends upon what they decide upon doing.

Q. Under this bill, as you understand it, Mr. Brouillette, the Grain Board does not take over the machinery of the grain trade, does it? There is a measure of control, but it does not actually take over the machinery of the grain trade?—A. No.

Q. Is there any other compulsion in this bill other than the elevator company acts as an agent of the board?—A. Of course, that does not affect the farmer as far as his relationship with the elevator company is concerned. That is as far as I can say.

Q. But there is no other compulsion under this bill other than that, is there? There is no other compulsion that you know of other than that the elevator companies operate as agents of the board?—A. No.

Q. So that, coming down to this point, I submit that the only real compulsion under this bill is that apparently the government is compelled or the board is compelled to buy the farmers' wheat; is that right?—A. Yes.

Q. Therefore, in effect, this present grain board is actually a board of control; it controls the flow; and the only compulsion in that bill is that the elevator company acts as an agent of the board, is not that right?—A. It is my understanding of it. It could be just controlled. I hope that is not the intention solely.

Q. But in accordance with the provisions of the bill as you understand it.

Mr. VALLANCE: Have you read clause 10: "No certificate as to grade or weight."

Mr. WILLIS: Yes, I had that in mind when I spoke. I will read clause 10: "No certificate as to grade or weight shall be given by any inspecting officer under the Canada Grain Act in respect of grain stored in any elevator, after notice has been given by the board that such elevator is being operated in contravention of this Act." Control of the elevator companies, is not that right?

The WITNESS: Yes.

Hon. Mr. RALSTON: As agents of the board.

Mr. WILLIS: Yes, presumably as agents of the board.

*By Mr. Gobeil:*

Q. Referring again to that point that Mr. Ralston was arduously trying to make this morning, that at a certain time by reducing the price of wheat your organization could have disposed of the surplus, is it not a fact that the world market can only absorb a certain quantity of wheat regardless of price?—A. I think evidence will be submitted to you before you finish as a committee, that will show that the strengthening of price is usually followed by an increase in demand and flow of grain into the market.

Q. In your opinion, was there any time during the last couple of years at which your organization could have disposed of say 100 million bushels of wheat; and if so, at what price?—A. No one can say as to the price. No one can say how low the market would have gone, with the pressure of that 100 millions actually liquidated. I would not want to attempt it. But it is safe to say that it would have very much reduced the price.

*By the Chairman:*

Q. Mr. Brouillette, will you look at page 180 of yesterday's proceedings, Exhibit "B". Have you seen that?—A. No, I have not seen it. I am sorry.

Q. That was filed by the witness, James Richardson, as Exhibit "B" at page 180 at the end of the evidence. I think we can clear up some misunderstanding, if you look look at that. You will observe that the world's shipments—

Hon. Mr. RALSTON: Not 180, is it?

The CHAIRMAN: Page 180. That exhibit was filed by Mr. Richardson yesterday. World's shipments mean the quantity of wheat available by surplus producing countries for importing countries.

*By the Chairman:*

Q. Do you observe that, Mr. Brouillette?—A. There is not any explanation given here.

Q. No, but he gave evidence about that and produced this.—A. Where does he say that?

Q. I think you can get an understanding of it. You have it now. He gives the carry-over, the total crop, Canadian crop and carry-over, what is required for seed, feed and home consumption and the balance available for export, and the amount actually exported. You will observe that the world's shipments decreased from 715,000,000 in round figures in 1924-25 to 523,000,000 in 1933-34;

and this year up to June 21 the figure is 480,000,000 bushels. Look at that volume. There is, with one exception, a great diminution in the world shipments, is there not?—A. Evidently.

Q. Between 1924-25 and 1933-34?—A. Yes.

Q. About 200,000,000 bushels?

Hon. Mr. RALSTON: There are three exceptions.

The CHAIRMAN: I say for the two years 1924-25 and 1933-34.

Hon. Mr. RALSTON: Oh, yes; but you said one exception.

The CHAIRMAN: Yes, I took the one exception out. I said just the two years 1924-25 and 1933-34. There is a difference of nearly 200,000,000 bushels—to be exact 192,000,000 in round figures.

*By the Chairman:*

Q. Now, as to the proportion of the world shipments, I want you particularly to look at that list headed Canada's per cent of the world shipments of wheat in this exhibit filed by Mr. Richardson. He says in the year 1924-25—that is the crop year—Canada shipped 26·94 per cent of the world shipments; the next year, 48·60; the next year, 35·97; the next year, 41·99; the next year 43·91; the next year, 30·39; the next year, 26·32; the next year, 26·89; and then it rises to 42·97—nearly 43 per cent; and last year it was 37·19 per cent, which you observe is 5 per cent less than it was the year before; and the year before that was the highest of any year except two since 1924-25. Is that a reasonably fair way to determine the volume of business this country does in wheat?—A. But the price that was returned to the grower—

Q. That is important?—A. It should indicate.

Q. But from the standpoint of volume, the way of measuring the volume of our shipments to the world would be our percentage of the world's shipments; that would be fair?—A. You refer to what year?

Q. I am talking about these years that Mr. Richardson gives from 1924-25?—A. What year do you refer to as to whether or not it is a satisfactory volume?

Q. I am not talking about any year being satisfactory; but I say it is a fair way of measuring it?—A. Yes.

Q. What our position is?—A. Oh, yes.

Q. You will observe that from 26·94 in 1924-25 we rose, the year before last, to 37·19. Now, what I ask you to note is this: There was a small carry-over in the year 1924-25; as you will observe, that carry-over was only 48,000,000 bushels, and the carry-over had risen to 137,000,000 bushels in 1932-33 when we sold 42 per cent of the world's shipments—nearly 43—and 219,000,000 last year when we sold 37·19 per cent. What is the explanation of that?—A. Of your increase in carry-over?

Q. No, what is the explanation of the picture that I have given to you, of the increased percentage of Canadian wheat going into the world's markets, but an increased carry-over rising from 48,000,000 in point of bushels to 219,000,000, although, as you will observe, we sold 10 per cent more of the world's shipments than we did in 1924-25?—A. There was a lessening of the world's takings.

Q. Exactly, a lessening of the world's takings. That is the story of our position, is it not?—A. Of course, it can be argued that with the United States declining, that is being more or less out of the exports—it might be argued that we shall share larger in that proportion of the market.

Mr. PORTEOUS: They did.

Mr. VALLANCE: No, you did not.

The CHAIRMAN: As a matter of fact we did, ten per cent.

The WITNESS: Looking at it on all sides of the question, the price maintained to the producers and that upheld owing to market on exports, and the weight that has against what had happened had you pressed sales heavier on its part—

*By the Chairman:*

Q. Yes, but the point I am trying to make clear to you is that up to the end of June, the 21st of June of this year, we have delivered and sold to the world 31¼ per cent of all the world's shipments of wheat?—A. That is very striking.

Q. That is a fact?—A. Yes.

Q. —in Mr. Richardson's statement?—A. I say that is very striking.

Q. And the highest figure that is produced by Mr. Richardson was in 1925-26 when we sold 46·6 per cent of the world's shipments, and they did not exceed 40 at any time thereafter except two years, 1927-28 and 1928-29, until we get down to 1932-33. You find in the year 1932-33, although Canada had a carry-over on the 1st of August of that year of 137,000,000 bushels, we sold nearly 43 per cent of the world's shipments.

Hon. Mr. STEWART: There is something curious about this; if you look at Canada's actual amount exported and the percentage, the bushelage is down when there is the largest per cent we have exported.

The CHAIRMAN: Because of the world's requirements. That is just what his answer was, because the world is buying less. That is the reason I wanted to ask him—because the world was buying less.

Hon. Mr. STEWART: There is very little difference. We sold 407,000,000 in 1929.

The CHAIRMAN: Exactly.

Hon. Mr. STEWART: Or 43 per cent. I frankly confess I do not think that estimate is very reliable.

Mr. PORTEOUS: World shipments.

The CHAIRMAN: Total world shipments were only 614,000,000 bushels in 1932-33.

Hon. Mr. STEWART: Well, world shipments are dropping all the time, but they do not drop so much when the high percentages—

The CHAIRMAN: He has given what I conceive to be the explanation. The world's buying of wheat was less.

Hon. Mr. RALSTON: Do you not have to take into consideration the percentage of Canada's crop as compared with world shipments?

The CHAIRMAN: No. That just shows we were over-producing. That is the point exactly.

Hon. Mr. RALSTON: No. Although we produced apparently, according to this last line, 60 per cent of the world's shipments, we only shipped 31·25 per cent.

The CHAIRMAN: Exactly. The point that this makes plain is—he took 110 million off for seed and consumption steadily for every year from 1924 to 1935 without any change or variation at all. Then he takes our total crop which was 287 million in round figures in 1924-25, and it rose to 566 million in 1928-29, and then went to 443 million in 1932-33. And that year, with that big crop, despite all that has been referred to, we sold nearly 43 per cent of the entire world shipments.

Hon. Mr. RALSTON: Yes, but we had 70 per cent; our crop was 70 per cent of the total.

The CHAIRMAN: Yes, but not of the world's requirements; of world shipments. And the world shipments have fallen down to 614 million bushels as against 928 million bushels in 1928-29.

Hon. Mr. RALSTON: Our crop was 70 per cent.

The CHAIRMAN: Seventy per cent of the world shipments. That is the point. We were producing large quantities, but still kept our position on the world's markets, and sold more than we have in any year, with one or two exceptions. We sold the highest amount of any year since 1924, except one or two.

Hon. Mr. RALSTON: I thought we would have to have the crop, and compare the crop figures of the other countries, to figure out how much Canada was supplying of those world shipments.

The CHAIRMAN: The total of the world shipments is given.

Hon. Mr. RALSTON: The total crop available is important.

The CHAIRMAN: The point is that Canada was selling, according to these figures, 48·6 per cent of the world shipments in 1925-26.

Hon. Mr. RALSTON: When we had two-thirds; when our crop was two-thirds of the world's shipments.

The CHAIRMAN: Two-thirds of the world's shipments, yes, that is 66 $\frac{2}{3}$ , and we only sold 48.

Hon. Mr. RALSTON: That is right; and when we get down to 1924-25, we have only 60 per cent and sell 31.

The CHAIRMAN: The crop is for the whole year. The percentage is only up to the 21st of June. We have got to get the figures at the end of the crop year, which would probably be in excess of 31·25.

Mr. PORTEOUS: You could not tell yet, because there is a big crop.

*By the Chairman:*

Q. The financial side, the question of interest, I suppose Mr. Findlay deals with?—A. Yes.

*By Mr. Vallance:*

Q. Do you believe there is over-production in Canada to-day? The Prime Minister says it is the result of over-production. Do you believe that there is over-production?

The CHAIRMAN: I said over-production having regard to world requirements.

The WITNESS: Yes, there is over-production in so far as we are not able to sell it.

*By Mr. Vallance:*

Q. What is that?—A. If there is not over-production, then there is under-consumption.

Q. The fact that we are not selling it indicates that there is over-production, to the Prime Minister.

The CHAIRMAN: Yes, because the figures show that the world is consuming as much or more than ever.

The WITNESS: I think when you consider that Canada has increased its acreage since the war 61 per cent as against Argentine's 32 per cent, if our increase had only been on the same basis instead of 24 to 26 million acres, we would have 13 and a fraction million. We must take home to ourselves some of the responsibility.

*By Hon. Mr. Ralston:*

Q. For what?—A. For the volume of grain we have.

The WITNESS: Mr. Chairman, I just want to say in conclusion—I have probably taken up too much of your time, much more than I thought I would—

I hope you will give some thought to one section in this Bill, it is a minor matter, that will provide for some pay to this advisory Board. I do not think it is just fair to expect them—

Hon. Mr. RALSTON: You have not looked at the supplementary estimates.

The WITNESS: Oh! Thank you.

The CHAIRMAN: There is no provision for that here.

The witness retired.

The CHAIRMAN: Is Mr. Bredt here?

PAUL F. BREDT, called.

*By the Chairman:*

Q. What is your full name, Mr. Bredt?—A. Paul F. Bredt; and I live at Kemnay, Manitoba. I am President of the Manitoba Pool Elevators Limited, and a director of the Canadian Co-Operative Wheat Producers, a member of the executive.

Q. And you are a farmer?—A. I am a farmer, sir; I make my home on the farm.

*By Hon. Mr. Stewart:*

Q. Are you a dirt farmer?—A. I am a dirt farmer.

*By the Chairman:*

Q. Have you a statement to make?—A. I have no statement to read, Mr. Chairman. I would like, however, to give some of the reasons why we support this bill, and I would like to speak not only as a representative of our organizations but also as a representative of the producers, to speak as a producer for the producer. I consider that I am in a position to do so on account of my close connection that I still maintain with my farm; although I am temporarily chief executive of the Manitoba Pool Elevator organization I still make my home on the farm and have very close and intimate connections with my neighbour farmers; and I would like to represent not only the organizations but the producers, because so far there has been no producer representative appear before this Committee.

Mr. VALLANCE: Of course, Mr. Brouillette is also a farmer.

The WITNESS: Yes, Mr. Brouillette is a farmer; but, of course, he lives in Regina now.

Hon. Mr. RALSTON: That does not stop him from being a farmer.

The WITNESS: No, it does not stop him from being a farmer; that is merely splitting hairs, Mr. Brouillette is as much a producer representative as I am. I will be a little more careful in the choice of my language from now on.

Hon. Mr. STEWART: Go ahead Mr. Bredt, we are farmers here too.

The WITNESS: That is fine.

It is not at all surprising that the trade as represented by the Winnipeg Grain Exchange are universally opposed to this Bill, because naturally the establishment of a Board would interfere with and hamper their operations, and to that extent it might curtail some of their activities, as was indicated by Mr. Sydney T. Smith the other day when he said there wasn't enough trade in the ups and downs. We all realize that the more ups and downs there are the better it is for the brokers. But on the other hand we can't blame them for it, at least I would not blame them. If I were in their position very likely I would take the same attitude. I was very much pleased to see almost unanimous endorsement also of the idea that during this crisis the farmers ought to be

protected. When such a statement is made it is very satisfactory to find a big body of important people endorsing the idea. I was just wondering whether that interest is an interest which flows only as the milk of human kindness, or whether there is not a little dash of self interest in there too; but even then I would not blame them, but you can't just get rid of the feeling that there might be just the notion—well, that it wouldn't do to kill the goose that lays the golden egg, because naturally if the farmer is put out of operation he can no longer produce and that is what was liable to happen unless certain operations had been undertaken. The farmers, or a considerable percentage of them, would certainly have been eliminated. Therefore, we find they are endorsing, as I said before, almost unanimously the matter of support during this crisis.

It was not at all my intention and it is not my desire now to air before this committee any of the differences of opinion or differences in viewpoints that exist between the pooling organization and the trade, but the pools have been so often referred to before this committee that I feel I would be remiss in my duty to the men and women on the land whom I represent and who have during the last trying years so faithfully and loyally stood by their organization if I did not at least make their position clear; because, when all is said and done we are here simply representing the producer. And so, with your permission, Mr. Chairman, I would like just as briefly and rapidly as I can to bring out some of the points that have been mentioned, and to give our view in that connection. Now, whatever the statements made are they always seem to be with one intention, to blame the pool for all that has happened, and for all the difficulties we are in. Some of these statements are made thoughtlessly, some are made intentionally in order to hurt us or to discredit our organizations. I was particularly impressed in reading the evidence contained in issue No. 3 of the report of your proceedings, in a statement by Mr. Milner, or rather certain statements that he made as to the carry-over of the pool, and the Hon. Mr. Ralston was quite ready to take it for granted, and he took it in immediately as a statement of fact. I would like to call your attention to that evidence and also to refer to certain of the evidence presented by Mr. James Richardson on the same day. I am quoting from Mr. Richardson's evidence now at page 86:—

I want to state, though, that I believe the false marketing theories of the wheat pools have, greatly accentuated Canada's wheat problem. The pools were built up on the theory that producers of wheat could practically dictate their own prices to the consumer. That theory I believe to be wrong, not only because it has been proven wrong during the long history of the world, but because pool propagandists, inexperienced in the economics of business, have insisted on demonstrating it before our eyes. The pool is mentioned here because the suggested grain board would appear to be a fulfilment of the ambitions of the more extreme pool advocates who have favoured 100 per cent compulsory pool.

I believe the pools now deny that their organizations were built up on promises that with proper organization the wheat producers could dictate prices to the consumers. I have evidence in my files, which I am prepared to produce, to prove that the pool organizations were built up on such promises. I am prepared to prove this by quotations from their own leaders, and I want to say that, in my opinion, Mr. McFarland's close associations with the pools as their general manager has been a very unfortunate thing for all concerned the last two years, because the same old pool influences appear to have dominated.

There are several points brought out in these two paragraphs, but the one referring to the 100 per cent compulsory pool has been referred to by Mr. Brouillette, so I do not intend to deal with it any further. The inference on Mr. McFarland is really a matter that should not have been mentioned at all, but I am quite in agreement with Mr. Brouillette in that connection. Certainly

if Mr. McFarland has changed his opinions, he has changed them of his own free will. I don't know whether it can be said that Mr. McFarland has suffered, or whether he has lost anything; but if he has lost anything, he has gained something that is infinitely greater, because he has gained the respect and confidence of thousands of farmers of Western Canada. They are the men who now expect and look forward and hope that if and when this Act is introduced he will be the first chairman of the board, and in gaining that respect and confidence I am of the opinion that he has gained infinitely more than he might have lost in any other way. I would also say that, knowing the capacity and the insight into human nature which Mr. Richardson must have, as head of a great business organization, and this might sound ridiculous to you, but I am absolutely sincere in saying it, if by some trick of fortune Mr. Richardson would have to throw in his lot with our pool executive, I am almost convinced that within a few years he would be just as strong a supporter of our ideas as Mr. McFarland now is, according to Mr. Richardson's statement. I should like next to refer to the question—

*By Hon. Mr. Ralston:*

Q. You refer to me. You suggest I had accepted some statement?—A. I am coming to that in a moment.

Q. Thank you.—A. It was in regard to Mr. Milner's statement; it is on page 66. I should like to refer to the other point that has been made, the promises that are supposed or alleged to have been made on which the pools were built up. Now, I am quite free to admit that in the beginning of our operations we perhaps suffered more from the statements made by over-enthusiastic pool adherents than from anything else; and very likely in the early days, ten years ago or more, even some of the executives no doubt did make statements which at times would have been better not made, because they left the wrong impression. But I should like to make this statement, Mr. Chairman, that no one can produce any official statement by the board ever representing such views. In that position we are no different in being able to control any particular individual than the council of the Grain Exchange is; in that some member of the council might do something with which the rest do not agree, and while there is no particular point raised about it in any way, shape or form, it does not necessarily represent the views of the council Exchange, nor as in this case, would I say, that it represents the official views of the pool boards. But I happen to have with me an address which I delivered before our employees and our board of directors years and years ago. I shall quote from it:—

Despite anything that may have been said, written or implied by over-enthusiastic pool members or well meaning outsiders on the one side and by unfriendly interests on the other side, who made use of such statements with the deliberate intention of creating resentment against the pool by consumers, there never has been on the part of our pool executive or management any idea or intention of price control or monopoly.

I should like you to remember this, that I was talking to men who were going out to, as it is put, put over propaganda for the pools. I went on:—

The pool was organized principally to prevent the seasonable gluts during the heavy delivery period in the fall with consequent low prices at that time. It was organized to distribute and regulate the flow of wheat belonging to its members to the markets of the world in accordance with the demand for actual wheat regardless of how quickly deliveries were made from the farm. In doing so the pool expected to get a price, sufficient to compensate the grower for his labour and to ensure him

decent living conditions. At the same time it is recognized and admitted that such price is based upon prevailing world market quotations having due regard to parity values.

Of course, if it is a crime to endeavour to get for the producer a price which will at least repay him, compensate the grower for his labour and to ensure him decent living conditions, then I plead guilty to the charge.

The CHAIRMAN: That is the end of the quotation.

The WITNESS: The end of the quotation. Now, in support of this idea to regulate the flow in spite of the heavy deliveries coming in in the fall months, I should like to submit certain figures. The first set of figures cover 1917-18, 1918-19, 1919-20, and it gives deliveries for the whole year and the percentage in the first three months of the crop year, and it runs from 75·4 to 77·6 to 74·9 per cent. I should like to supplement these with figures—these figures are contained in the Stewart-Riddell report to the Saskatchewan government in 1921. I should like to supplement that with a list of figures from 1923 to 1934, showing the deliveries for the crop year from September, October, November and for the balance of the year, for the first three months and the next nine months. The figures in this case run from 1923-24 to 1933-34, which is a full year. They run from a low of 55·7 in 1927-28 to a high of 78·8 in 1929-30. These figures, Mr. Chairman, are taken from the grain commissioner's report. The other figures are from the Stewart-Riddell report, and they are no doubt taken from the same source, but they do not quote where they are taken from. Then, in order to demonstrate that the price, as a rule, during this heavy delivery period is lower than during the balance of the year, I have also prepared a further set of figures which gives the price from September to December inclusive and the prices from January to August; that is, for the first four months on the one side and for the second period of eight months. Despite the fact it costs money to carry grain a perusal of those figures cannot help and do not leave any other impression with western Canadian farmers than that it would pay to carry grain. So I want to supplement these figures also with figures from the Stewart-Riddell report for the years 1910-11 to 1916-17. I was unable to get figures for the intervening years.

*By the Chairman:*

Q. Report of the Grain Board?—A. Board of Grain Commissioners.

Q. That covers the last of the figures?—A. Yes.

Q. But not the first?—A. Not the first. Now, the next point—

*By Hon. Mr. Stewart:*

Q. Are you leaving them?—A. I am leaving the figures.

Q. Am I correct in assuming you state the pool thought it was good business to carry the fall purchases over into the spring?—A. At that time it was good business. That was at a time when the world's supply and demand were more nearly equal. I do not want anyone to get the impression that I am implying that I am speaking of the pool; but it certainly did apply at that time.

Hon. Mr. STEWART: What year was that?

The CHAIRMAN: It started in 1910.

The WITNESS: Now, the next point: the false marketing theories. I am not quite certain that this vague term applies. It may be an orderly market or a disorderly market, a holding policy or a refusal to sell; but in any case whatever it is I take exception thereto, and while most of these statements have already been contradicted time and time again they always come up, and I quite admit after listening to the evidence I found it rather hard on the temper and hard on the nerves to sit still and have these old hoary chesnuts dragged

out again and again, and all of them with the one intention that the pools are to blame. And I was amazed, disappointed, as I mentioned before, when even the honourable Mr. Ralston seemed to take it for granted that the statement was correct that the pools are responsible for the heavy carry-over and quite fell in line with it. On page 66 of number 3, referring to the carry-over, Mr. Milner as the witness, speaking of the large carry-over said:—

*By Hon. Mr. Ralston:*

Q. Yes?—A. Which this government was obliged, which Mr. McFarland was obliged, to liquidate.

And the chairman said: "A little louder, Mr. Milner, please." And it goes on:—

Q. The large carry-over resulting from pool operations?—A. Yes.

Hon. Mr. RALSTON: Be fair. Read the first part. Read the passage. I think you are searching with a fine toothed comb to find something.

The WITNESS: Where shall I begin?

Hon. Mr. RALSTON: Read the question before. It says:—

Q. Well, what do you mean by that, just explain that?—A. Well, the result of their operations was a large carry-over.

That is what Mr. Milner answered.

The WITNESS: Yes, that is what Mr. Milner answered.

Hon. Mr. RALSTON: What I asked him was: "what do you mean by that?"

The WITNESS: Yes.

Hon. Mr. RALSTON: And he said, "the result of their operations was a large carry-over."

The WITNESS: And the question you asked was, "Yes?" and the answer was, "which this government was obliged, which Mr. McFarland was obliged to liquidate." Then the chairman said, "A little louder, Mr. Milner, please; I did not get the question. What was it?" And then the reporter reads:—

Q. Well, what do you mean by that, just explain that?—A. Well, the result of those operations was a large carry-over.

Hon. Mr. RALSTON: That is Mr. Milner's answer, "the result of their operations was a large carry-over."

The WITNESS: Yes, "which this government was obliged, which Mr. McFarland was obliged to liquidate."

Hon. Mr. RALSTON: And that is Mr. Milner again.

The WITNESS: Yes. And then the chairman asks:—

Q. It is the pool carry-over that you referred to?—A. Yes.

*By Mr. Ralston:*

Q. The large carry-over resulting from pool operations?—A. Yes.

Hon. Mr. RALSTON: Now, what is your objection?

The WITNESS: The objection is simply this, that as I see it you are quite prepared to take that for granted that it was the result of the carry-over.

Hon. Mr. RALSTON: Do you see the question mark after it? And the chairman accepted it in the question before when he said:—

*By the Chairman:*

Q. It is the pool carry-over that you referred to?

The chairman asked that question.

The CHAIRMAN: I had reference to this pool carry-over and Mr. McFarland's carry-over.

Hon. Mr. RALSTON: It is repeating Mr. Milner's words and putting them in the form of a question, and the chairman did exactly the same thing in the question before. I used exactly the words Mr. Milner used, namely, "the large carry-over resulting from pool operations" with a question mark, you see, and he said, "Yes."

The WITNESS: I was struck with it yesterday.

Hon. Mr. RALSTON: Let us get this over first. What is your objection to it? I do not understand what you mean?

The WITNESS: Simply this, that a statement is made, and you are prepared to accept it.

Hon. Mr. RALSTON: I beg your pardon. I asked him a question to find out what he would say: if that is the large carry-over resulting from pool operations, and following that question it was asked by the chairman. Please don't suggest that because a person asks a question he is accepting everything that is said. I may ask you some questions, and I may not accept all your answers.

The WITNESS: You are perfectly right. However, I do not want to leave the impression here that I am singling out anyone.

Hon. Mr. RALSTON: Well, you certainly have.

The WITNESS: If that is the feeling, or if that is the understanding that this is not a fair statement to make on my part, I will be quite prepared to delete the whole reference and simply deal with the carry-over.

Hon. Mr. RALSTON: I am sure you would. I am only saying that since you singled me out I want you to read the whole passage and see if, in the light of reading that over again, you think it is invidious—asking the question following the question of the chairman and using exactly the same words as Mr. Milner used.

Mr. PORTEOUS: It was a leading question.

The WITNESS: I am quite prepared, if the committee so decide, that this whole matter be deleted and simply deal with the question of the carry-over only, without any reference to the question, sir.

Hon. Mr. RALSTON: As far as I am concerned, I am perfectly happy to have the record stand as it is.

The WITNESS: That is satisfactory to me also.

The CHAIRMAN: Far be it from the chairman to interfere when both parties are happy.

The WITNESS: Now, what are the facts in this connection? I am quoting figures now for the last two full pool years, 1928-29 and 1929-30. In 1928-29 the total Canadian carry-over was 127,000,000 bushels, and the pool's share of that carry-over was 41 per cent. Now, the percentage of the total handlings was 51.3 per cent for the pool. In that particular year I submit that the pool had less than its proportionate share of the carry-over.

Hon. Mr. RALSTON: What was that year?

The WITNESS: 1928-29.

The CHAIRMAN: In 1928-29 the carry-over was only 92,000,000, bushels, according to Mr. Richardson's figures, and 127,000,000 bushels in 1929-30.

The WITNESS: 127,000,000 in both years. These are the figures from the wheat studies of the Leyland-Stanford university and they are also on hansard in your own speech, sir.

The CHAIRMAN: Yes, I know, from our own statistics. Look at the figures. 127,000,000 bushels is for 1929-30 and not for 1928-29. The statement is compiled by Mr. Richardson.

Hon. Mr. RALSTON: Be careful or you will be taken as having accepted Mr. Richardson's figures.

The WITNESS: I am not certain whether I have the hansard here. There are a great many statistics quoted.

Mr. PORTEOUS: That is true.

Hon. Mr. RALSTON: I think this is perhaps what you want.

The WITNESS: Quoting from Hansard at page 3853, the carry-over for the year ending August 31, 1929, was 126,988,000 odd—I call it 127,000,000.

The CHAIRMAN: Quite so.

The WITNESS: Then 1930, that is 1929-30, 127,160,154.

The CHAIRMAN: Yes. I noticed yesterday that his figures one year are different from ours. Mr. Richardson's figures in one year are different from those of the Statistics department. The 227,000,000 are there, but they are on different dates. His is one year ahead.

Mr. PORTEOUS: Those figures are on August 1.

The CHAIRMAN: Yes, that is the crop year. However, go on, Mr. Bredt.

The WITNESS: In 1929-30, the Canadian carry-over again was 127,000,000 bushels. The pool share of that carry-over was 50 per cent, and the pool handlings in that year of the total were 51·3 per cent. It is rather a coincidence that the carry-over of the pool handling and the total are identical; that is, 127,000,000 carry-over and the pool handles 51·3 per cent. Does this indicate that the pools were responsible for the large carry-over? They had 41 per cent in the one year, 50 in another; they handled 51·3 per cent. Now, surely they cannot be accused of not selling, withholding, refusing to sell or holding up the price, because if they had, they would not have sold so much. They sold more, comparatively, than the trade did. They only held 41 per cent of the carry-over in the one year when they might have held off 50; and in the second year they held 50 per cent and they handled 51·3 per cent.

*By Hon. Mr. Stewart:*

Q. They were actually in the export business then?—A. They were actually in the export business.

The CHAIRMAN: I think on those figures he makes it abundantly clear that the pool was not responsible for an increased carry-over.

Hon. Mr. RALSTON: The pool was carrying over less than the trade.

The CHAIRMAN: Yes.

The WITNESS: On the percentage of handling.

The CHAIRMAN: On its relative proportion.

The WITNESS: Having regard to the handling, the pool was carrying over less—

The CHAIRMAN: than its relative proportion.

The WITNESS: That was mentioned also before. If the trade was so anxious to sell, why didn't they sell? No one prevented them; and if they by any chance make the excuse that there was a price established and that they couldn't sell because the pool was selling at that price, then I suggest they were hiding under the umbrella that the pool was holding, and that was certainly a statement that they very vigorously denied at that time, because that would mean that the pool established the price, while they took the stand that they were establishing the price. But the record shows conclusively that we have been free sellers in that market.

*By the Chairman:*

Q. The figures Mr. Brouillette gave for four years was a total carry-over in the aggregate of 402,000,000, of which the pool bought 117,000,000 and the trade 285,000,000—that is for the four years—and that the percentage of the

business should have necessitated the pool carrying over 200,000,000 bushels instead of 117,000,000. Those are the figures he gave.—A. But I simply took out the last two years without referring to the previous years, in order to make it clear that at the end of the pool year the pool did not hold and thus could not be held responsible for any large carry-over.

*By Hon. Mr. Stewart:*

Q. Was the pool handling approximately 50 per cent?—A. It was 51.3.

Q. That is one year.

*By the Chairman:*

Q. In the four years, a little over 50 per cent, Mr. Brouillette said. Is that right, Mr. Bredt? Is my memory right?—A. Yes. As a further proof, I want to give a few figures in connection with our endeavours to sell wheat in the fall of 1929. In July, August and September, 1929, we endeavoured to the best of our ability to sell actual wheat. There was a violently fluctuating market at that time in Winnipeg. We had tremendous competition from the Argentine. The discounts were the widest, I think, that they have been, at least as wide—25 and 30 cents a bushel.

Hon. Mr. RALSTON: What year?

*By the Chairman:*

Q. Excuse me, you mean the spread?—A. Yes, the spread between our Canadian wheat and the Argentine wheat. That was in the fall of 1929.

*By Hon. Mr. Ralston:*

Q. The crop year of 1929-30?—A. 1929-30. We tried our very best to sell and we simply found it impossible. If we lowered our price, the Argentine would just drop theirs in proportion, and the result was that we did not sell any more wheat. To give you an indication of how keen the pools were to sell actual wheat, I want to tell you that out of 76 marketing days which were in those three months, we offered wheat on 52 days under the market, and that at prices from  $\frac{1}{8}$  to  $6\frac{3}{4}$  cents lower.

*By Hon. Mr. Stewart:*

Q. The future price?—A. The Winnipeg future trade; and it had little or no effect, because the minute we reduced our price, the Argentine immediately would drop their price and their was little or no wheat—no extra wheat sold as a result.

The CHAIRMAN: Because the total shipments that year, Canada's share in the shipments was less than 31 per cent—less than  $30\frac{1}{2}$  per cent.

The WITNESS: During the first eight months of that year, Mr. Chairman—that is from September, 1928, to April, 1929—the pool sold 163,000,000 bushels of wheat, and if we could have maintained that rate—the reporter has taken that away—if we could have maintained that rate of about 20,000,000 bushels a month, we would have had little or no carry-over. But on account of the tremendous competition coming in there—I am speaking from memory now—there was only approximately half of that amount per month sold. But surely when we are so anxious to sell wheat, when we did offer it below the cost that it could have been supposedly bought at on the Winnipeg Exchange and we had no result—for a while we did not offer wheat. On one day in particular the price dropped 10 cents. It was from the 3rd to the 6th. There was a holiday in between. The price in August, 1929—October futures dropped from  $\$1.65\frac{1}{8}$  to  $\$1.54\frac{5}{8}$ . In a market which was so nervous we felt that we should not further depress it by making any further offerings of wheat, and for a period of a few days we did not offer any wheat. That may have been taken as a policy to

withhold wheat; but I ask you as business men, what would you have done? Was that not the proper policy to pursue? You dropped your price; you were lower than the supposed market price and yet you could not sell. Then the market dropped another 10 cents. Well, let it steady. That is the attitude we took.

*By the Chairman:*

Q. You say you actually did that for 52 days out of 76?—A. For actually 52 out of 76 days.

Q. In what months?—A. In the months of July, August and September, 1929. That is, in two out of every three of the marketing days we offered for less than the price quoted on the Winnipeg Exchange, and we could not sell the wheat because Argentine just dropped that much lower. So I think we have a little experience of what we may expect to happen when we get into cut-throat competition with the Argentine.

*By Mr. Vallance:*

Q. Did the market rally when you dropped out?—A. On August 6th it was \$1.54 $\frac{3}{8}$ . It stayed at that price for a few days and then went up to fifty-five, then down to fifty-two again, fifty-two, fifty-four and fifty-six, and then went up to sixty-four, and even before that we had renewed a marketing office. So it cannot be said in any way shape or form whatsoever that we did not do our level best to sell wheat.

Hon. Mr. RALSTON: Pardon me, where you said fifty-two—and those other figures—it should have been \$1.52, and so on.

The WITNESS: Yes, I left out the fractions also.

Now, the question might be asked if the price on the Winnipeg exchange being quoted in the futures market was higher—

The CHAIRMAN: Was what?

The WITNESS: Was higher;—we were making offers for overseas for the sale of actual wheat. I think you would refer to it as a widely fluctuating market. I might say that from July 13th to the 15th the price went up 11 $\frac{5}{8}$  cents, from \$1.55 $\frac{1}{4}$  to \$1.66 $\frac{7}{8}$ ; and from the 19th to the 20th it went down 6 cents, from \$1.68 to \$1.62. I mentioned that ten cent drop from the 15th to the 16th of August. It went up seven and an eighth cents. And on the 20th and 21st it went down 6 $\frac{1}{8}$  cents; so it was what I would consider a wildly fluctuating market. Now, we were holding considerable quantities of wheat. It was known to everybody, we could not have hidden our identity in trying to sell any large quantities on the Winnipeg futures market; and immediately we had stepped in and sold futures why everyone else would have jumped in and sold futures, and we would have had one of the greatest marketing debacles we have ever had; and then those that are opposed to the pools would have pointed their finger at us for creating this situation; they would say, we are the organization that was established to stabilize prices, but it would have been the case of the farmers losing their heads at the first opportunity, that we should use a little common sense. If we had done that the price undoubtedly would have gone down very materially and we would have been blamed, and the people who are now accusing the pools of holding up prices would be the first to blame us for being responsible for this calamitous drop. Well, we didn't do that; we sold as much wheat as we possibly could—as much wheat as we actually could—and remembering the items of the carry-overs which I have quoted I think you will admit, Mr. Chairman, that we have been reasonably successful, because at the end of the year we had less than our share of the carry-over that we might reasonably have been entitled to. That is another indication that the pools have been free sellers, they have been anxious to sell their wheat. Mr. Brouillette has referred to the statement given out by the Hon. J. H. Thomas so I do not need to refer to that.

I would like to read a short statement which is taken from Vol. 7, No. 2, of "Wheat Studies," published by the Food Research Institute at the Leyland-Stanford University in December, 1930; and their opinions are very conservative in any statements they make. Respecting 1929-30 this statement appears:—

It is clear that for the year 1929-30 as a whole the pool cannot be alleged to have taken less than its share of Canadian sales of wheat. To sum it up: We have shown that we have had lower carry-overs in these two crop years 1928-29 and 1929-30, than we were entitled to. I have produced evidence that we were actual sellers for actual wheat overseas during the months of July, August and September, 1929. Thirdly, there is that statement by the Hon. J. H. Thomas denying any charge of pool holdings. And fourth, there is this statement here from "Wheat Studies." Now, surely these facts should stop the attack on the pool holding policy, the charge of the pools being responsible for the large carry-overs, once and for all; but I am afraid that it is bound to crop up again, but I sincerely trust that I have put the matter before you gentlemen of this committee that you can understand and realize the efforts that we have made consistently to sell Canadian wheat.

*By the Chairman:*

Q. Mr. Bredt, I do not want to interrupt you, but what impressed me most was your statement on the 52 out of 76 days that you were offering wheat at less than the price at which it was being quoted on the market. Have you the dates and figures, because I think that would be a very clear indication of what has actually happened?—A. These figures have never been made up.

Q. It is the first time I have ever heard of them, that is the reason I ask you?—A. I would like to consult with my colleagues, Mr. Chairman.

Q. Quite so?—A. I have the figures here. I have the dates exactly. But if they are to be put in I would like to have the opportunity of making a little statement.

The CHAIRMAN: I think probably we had better do that, probably we had better adjourn at this time and give Mr. Bredt an opportunity to prepare his statement. Will you do that then?

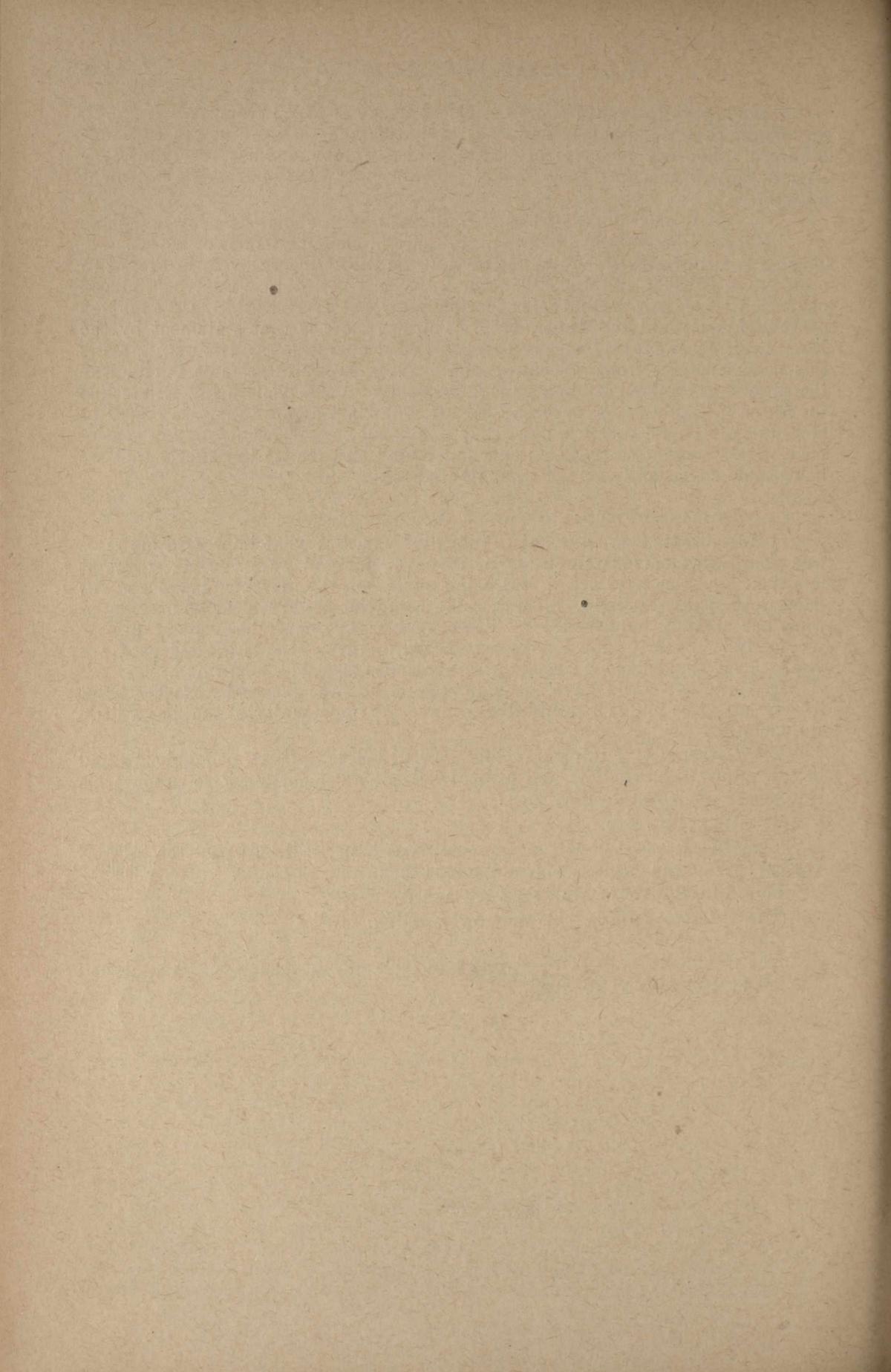
The WITNESS: Yes.

The CHAIRMAN: We will resume—at what hour; will half past ten be convenient? You can resume your statement then.

Hon. Mr. RALSTON: Half past ten a.m.?

The CHAIRMAN: Yes. To-morrow morning.

The Committee adjourned at 6.12 p.m., this day to resume at 10.30 o'clock a.m., Wednesday, June 26, 1935.



SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 6

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WEDNESDAY, JUNE 26, 1935

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WITNESSES:

Paul T. Bredt, re-called.

Mr. Bennett, a member of the Alberta Wheat Pool Board.

Exhibits "C" and "D" filed by witness Paul T. Bredt.

OTTAWA  
J. O. PATENAUDE, I.S.O.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

WEDNESDAY, June 26, 1935.

The meeting came to order at 11 a.m., Mr. Perley, in the absence of the Chairman, Mr. Bennett, presiding.

*Members present:* Messrs. Gobeil, Lucas, Perley, Porteous, Ralston, Stewart, Vallance and Willis.

Mr. Paul T. Bredt was recalled, examined and retired.

Witness filed a statement which appears as Exhibit "C" to the Minutes of Evidence hereto; also statements produced and referred to by the witness at the meeting of Tuesday, June 25, pages 233 *et seq.*, marked as Exhibits "D," "E" and "F."

The meeting adjourned till 4 p.m.

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4 p.m.

Mr. Perley in the chair.

Mr. Bennett, a member of the Alberta Wheat Pool Board, appeared and read a prepared statement, was examined and retired.

The meeting adjourned till Thursday, June 27, at 11 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 26, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 10.30 a.m., Mr. E. E. Perley, acting chairman, presiding.

Mr. PERLEY: Gentlemen, I understand the chairman cannot be present this morning, but he suggests we proceed with the present witness and probably finish with one or two others, and it is likely he will be here this afternoon. It will be necessary to elect a temporary chairman.

Mr. PORTEOUS: I move Mr. Perley act as chairman.

Mr. WILLIS: I second the motion.

Hon. MEMBERS: We agree.

Hon. Mr. STEWART: Take the chair.

The ACTING CHAIRMAN: We will proceed with Mr. Bredt and finish his statement.

PAUL D. BREDT, recalled.

The WITNESS: Mr. Chairman, and gentlemen, yesterday afternoon the chairman threw out the suggestion that it might be well, if we felt so disposed, to submit the record of our offers during the three months of July, August and September, 1929, which I had referred to in this committee, so that the committee might have an opportunity to study them. I asked that I be given an opportunity to consult with my colleagues, and we have decided that in spite of the fact this information has never been given out in such detail even to our own delegates' meetings, in the interest of all concerned we are prepared to submit this statement. I had half a dozen copies run off; I did not have the opportunity or the time to check them. There will not be copies for all members of the committee. I am going to read from the original, and I would like the members of the committee, in so far as it is possible, with the limited number of copies available, to follow me. There may be alterations necessary on account of stenographic errors. My statement was that on the 76 market days in July, August and September, 1929, we made offers below the market varying from one eighth to  $6\frac{3}{4}$  cents under the Winnipeg option market of 52 days. You will see by looking at the statement that the figures in brackets are the figures which were the offers below the market; those without brackets are over. And, then, there are a number of days when no offers were made and some days when our offers were exactly on the market. What I should like particularly to refer to is the period from July 17th to July 29th. On the 11 days, as I previously stated, we offered at the set price of \$1.72, because the market, as I said before, was widely fluctuating and we felt that perhaps by giving a definite offer for a period of time it might be possible to induce buyers to come into the market, and that is the reason why some of these figures, particularly the one on July 20th of 10 cents over the market, appears almost ridiculous. But it is on account of the fact, as I have indicated—

*By Hon. Mr. Ralston:*

Q. 10 cents over?—A. No; those are over without the brackets, and it was due to the fluctuations of the market.

Q. Are we looking at the same place. That is a typographical error?—A. It is a stenographic error, and they will have to be very careful in printing this statement. This is the original which I am going to submit to the secretary, and we will have to check that before it is printed.

*By Hon. Mr. Stewart:*

Q. It will go into our records?—A. Yes, this will go into your records.

*By Hon. Mr. Ralston:*

Q. If I may make a purely mechanical suggestion, I would suggest that the words "over" and "under" be put in separate columns, then there is no danger at all of misunderstanding?—A. No; you do not get the continuity, because the market fluctuations were the result of those offers, under or over.

Q. I mean the last column "under" or "over." Would it not be better to put them in two columns?—A. Yes, it would be better to set it out.

Mr. PORTEOUS: Or put in a plus or minus sign.

The WITNESS: We will have to leave that to the ingenuity of the secretary.

Hon. Mr. RALSTON: No; the secretary will do what you give him.

The WITNESS: So that explains that 10 cents over the market on that particular day; because from the 18th to the 20th the market dropped from \$1.73 $\frac{3}{8}$  to \$1.62, and as it goes on we were still maintaining our offer of \$1.72 on July 24th—no, July 25th, our offer was 4 $\frac{1}{2}$  cents below the market. You will see the market was \$1.76 $\frac{1}{2}$  and our offer \$1.72; still the same steady offer.

*By Hon. Mr. Ralston:*

Q. There were very serious fluctuations in the market?—A. Very serious fluctuations. And referring to August 6th, after the holiday, there was a very serious drop also of 10 $\frac{1}{2}$  cents, and then we decided not to push any more wheat onto the market, and for a period of one week we refrained entirely from offering, and during that time the market only dropped 2 cents. So it may be inferred that our action in not offering, not pressing wheat on the market had, at least, a steadying influence. I may say in this connection that if there are any further technical explanations necessary which I might not be able to make, you will have an opportunity of directing your questions to one of the later witnesses.

Q. Who is that?—A. Mr. McIvor, who will be prepared to deal with that.

*By Hon. Mr. Stewart:*

Q. Are you leaving that?—A. Yes, unless you have something further to ask.

Q. Did you make any sales of any particular amount during this period?—A. No.

Q. No sales at all?—A. No, I would not say "no sales" but little or no sales.

Q. During this period?—A. During this period.

*By Mr. Willis:*

Q. During which period?—A. During the period given here, the three month's period.

*By Mr. Lucas:*

Q. Would you say why that information should not be given out to the pool delegates?—A. Well, this is just a detail. They were given the information that we made these offers, though it had no effect; but to submit them in detail would have served no useful purpose.

*By Mr. Vallance:*

Q. It would have saved a lot of criticism in the country at the time, which I think you suffer from to-day; if this information had been given out in detail it would have saved a lot of criticism which you are suffering from now?—A. Of course, looking back at it now it appears so, but then you will realize—

Q. Hindsight is always better than foresight?—A. Exactly. I am glad you said it for me instead of me having to say it.

*By Hon. Mr. Stewart:*

Q. You quite realize it is hardly understandable to the ordinary layman when wheat goes up in price that you do not sell?—A. Exactly.

Q. You can really understand that?—A. Of course, the ordinary farmer and the general public do not realize that just because there is a figure marked on the blackboard that you can sell, because while he as a farmer can get rid of a few hundred bushels, or he can get rid of his carload, someone else taking a chance to turn it over again—if you were to sell half a million bushels or a million that price would very likely disappear and something else come up instead, which would be lower.

Q. The thing he does not understand, and when I say "he", I mean myself—I always notice and have noticed for a number of years, and that is what I think engenders the gambling spirit in most people, that it is towards the end of the crop year the prices are usually high, when the grain is always in the hands of either the pool or speculator; but the minute it begins to come on the market, and the farmer has to market his crop, you can look for a very substantial drop?—A. Mr. Chairman and gentlemen, that was why the pools were formed in the first place.

Q. I have not discovered they have been much help?—A. But they have, because you have nothing to compare it with. If it had not been for the pools our contention is that the prices would have been lower, and I think in view of all that has taken place, our contention is well based.

Q. Well, we will agree to let that go?—A. Yes; I will be very glad to debate that question with you.

*By Mr. Vallance:*

Q. You notice in the week that you made no offers the market started to rise. On the 12th and 13th, it was \$1.52½, on the 14th, \$1.54½ and your offer was \$1.55, on the 15th, \$1.56½ and your offer \$1.57, and on the 16th, the market was \$1.64 and your offer \$1.61; during the month of August. I am dealing with August now. You make no offering for a week and the market stays steady at \$1.54½ down to \$1.52½. Then, you come into the market when it was at \$1.52½ and you offer \$1.54, and then, when you get down to the 17th the market is at \$1.67½ and you offer \$1.63. Would you say the fact you came in then was instrumental in raising the market, as you had stayed out for a week?—A. The point there is\* that for the three days, 13th, 14th and 15th, there should be no brackets; they were over the market; and the reason they were over the market was simply to give an indication that we were not pressing the wheat on.

Q. But the market then is rising. That is the point I would like you to explain, if you can.—A. Well, that is something I would prefer to have the technical man take up.

Q. It is noticeable in the figures.

*By Mr. Porteous:*

Q. Are those quotations cash wheat?—A. No. You will see that it is an option basis during July, and then when it comes down to October 1, it is October futures.

Q. Oh, yes.—A. When it comes down to August and September, it is October futures.

Q. They are all option. Is that an average price for the day?—A. These are closing prices.

Q. These are closing prices?—A. Yes. You have got to have a definite price and these are closing prices.

Q. In the instance of July 29, there is a spread there between the price you offered wheat for and the price quoted of  $6\frac{3}{8}$  cents?—A. Yes.

Q. Could you not have sold wheat on the market that day rather than sell wheat for export?—A. Well, I explained that yesterday. The reason that we did not sell on the futures market was simply this, that to have sold in large quantities, that is, even half a million bushels or more, would undoubtedly have meant depressing the market, because we could not hide our identity. I mean, the pool could not hide their identity, and if it became known that the pool is selling, everybody else would have jumped in and sold and it would have created a market debacle.

Hon. Mr. STEWART: I have heard that before, Mr. Bredt. That is no reflection, but I say I have heard that before.

*By Mr. Porteous:*

Q. If you had made a sale of your export wheat, would it not have had the same effect on the market?—A. No, because that does not go through the exchange. Our wheat was not hedged.

Q. It would be recorded, the sale?—A. But it would show as an export trade of actual wheat.

Q. At a price much less than the market?—A. The price would be a matter between us and the buyer.

*By Hon. Mr. Ralston:*

Q. The prices are not published?—A. No, our prices are not published.

*By Mr. Vallance:*

Q. For the information of the committee, Mr. Bredt, how long did the pool operate really before they started covering with hedge?—A. Well, Mr. Vallance, I have a very good general knowledge—

Q. You have not got all that information?—A. I can't give you that right off.

Q. That is not in your particular branch. All right.

*By Mr. Lucas:*

Q. These are all fairly high prices there in 1929. As you no doubt know, in 1932 it is stated that wheat reached the lowest price that was recorded in 400 years. What effect did that have on our export sales?—A. 1932?

Q. That would be the beginning of 1933.

Mr. PORTEOUS: January, 1933.

Mr. VALLANCE: December, 1932.

The WITNESS: In 1932, I know it reached the lowest price that was ever recorded, on December 16. Well, undoubtedly it increased the export sales tremendously. I think the Prime Minister quoted the percentage. I have just forgotten exactly what it was, but it had this effect on the export sales, and it brings out a point that is worth while. These figures were given by Mr. McFarland in one of his addresses: From September, 1932, to January, 1933, that is in the five months' period, we exported an average of  $29\frac{1}{2}$  million bushels a month, and the average price at that time at Fort William was  $46\frac{1}{2}$  cents. Of course,  $46\frac{1}{2}$  cents, I think you all agree, is absolutely ruinous to the farmer.

*By Mr. Lucas:*

Q. That is at Fort William?—A. At Fort William.

*By Mr. Gobeil:*

Q. That includes the period that this wheat was 30½ cents, does it?—A. That the wheat went down to 30. This 46½ cents is the Fort William price. The 30 cents that has been mentioned, and lower, is the price to the farmer.

Q. But is included in that period that you are mentioning now?—A. Included in that period. Then in the next three months, that is for February, March and April of 1933, the price only rose 2½ cents, that is the average price for the three months, to 49; but we only sold 11 million bushels. 29½ million for five months and 11 million for three months.

*By the Acting Chairman:*

Q. Per month?—A. Per month. And in the following three months' period, that is May, June and July, we again sold 21 million bushels per month, almost double the quantity then, in the three months' period, and the price had risen to 70 cents.

Mr. VALLANCE: The price does not seem to be a factor in export at all.

The WITNESS: So the point that I want to make is this, that while large quantities were sold at an absolutely ruinous price, it did not go into immediate consumption. They were holding it and using it; and when it was used up, and while it was being used up, they filled their requirements but no more, because it dropped from 29½ million bushels per month to 11 million bushels.

*By Hon. Mr. Stewart:*

Q. Do you mean it went into the hands of the millers?—A. Oh, it might have gone into the hands of millers or speculators. Somebody bought it, figuring that it was a low price, and holding it until such time as they needed it in actual consumption.

*By Hon. Mr. Ralston:*

Q. Then you mean by May that had been run off?—A. By May that was run off. The supplies were exhausted and they had to come in for greater amounts.

Q. At higher prices?—A. At higher prices. Because you take five months at 29½, that is 147½, and three at 11 is 33, that is 180 million bushels divided by eight; that is 22½ per month in eight, and in the following three the average was 21.

*By Hon. Mr. Stewart:*

Q. At 70 cents?—A. At 70 cents. But is it not reasonable? And then while I am at this, I would like to quote from the record of the Sandford-Evans Statistical Agency. According to their figures, the first 285 million bushels of wheat that were delivered of the 1932 crop,—that is until the end of January, 1933—285 million bushel, they brought the farmer \$86,000,000. 285 million bushels and \$86,000,000. You can figure it out for yourselves. That is an average of less than 30 cents a bushel.

*By Hon. Mr. Ralston:*

Q. When you gave us those figures of export, 29½ million per month from September, 1932, to January, 1933, 11½ million per month for February, March and April, 1933, and 21 million per month for May, June and July, 1933, those are the total Canadian exports, are they not?—A. Those are the total Canadian exports, yes.

*By Hon. Mr. Stewart:*

Q. Those are not yours?—A. No. We are not in the export business now at all.

Q. Oh, you have not been in the export business since 1930?—A. Not since 1930.

Q. I see.—A. To conclude that, I would just like to compare it, as has been done previously, with the 177 million bushels that were delivered in the first six months period of the 1934 crop—that is the crop that we are now marketing—177 million delivered from the beginning of the crop year until the end of January, 1934, in the six months period, \$107,000,000.

*By Hon. Mr. Ralston:*

Q. End of January, 1935?—A. 1935, yes. Thank you, Mr. Ralston. So you have 285 million bushels and \$86,000,000 compared with 177 million bushels and \$107,000,000.

*By Mr. Porteous:*

Q. That includes all the wheat delivered, does it?—A. All the wheat delivered.

Q. Delivered, not exported?—A. No. Those are deliveries.

Q. Yes?—A. These are the prices that the farmer received, according to the Sandford-Evans Statistical Agency.

*By Hon. Mr. Ralston:*

Q. The 1934-35 crop which you have mentioned—July 31, 1934, to January, 1935, was how many bushels?—A. 177 million.

Q. That is not wheat and flour. That is just wheat?—A. That is just wheat. In other words, there were 108 million bushels less and yet they brought 21 million bushels more money.

Q. \$21,000,000?—A. \$21,000,000.

*By Hon. Mr. Stewart:*

Q. That is over the low price quoted, over the drop of 1932—the 1932 crop?—A. 1932 was a low price.

Q. Yes?—A. This year it was a higher price.

*By Mr. Porteous:*

Q. What was the average price of that?—A. I have not got that figure here.

*By Hon. Mr. Stewart:*

Q. May I ask this question before you leave this point, Mr. Bredt. Have you any explanation for the large volume of sales while the price was so low?—A. The large volume of sales while the price was so low?

Q. Yes?—A. Oh, referring to 1932?

Q. Yes.—A. Well, I must make reservations.

Q. What I want to get at is this: Do you think that was just a speculative move, a bet that the market would go higher, and heavier purchases were made on account of the low price, or were they actual transactions of the trade?—A. That is very hard to determine. The supplies that were available in other exporting countries would enter into that. I do not just remember off hand what the Argentine crop was in that particular year, or how the supply stood at that time.

Q. I do not want you to go into that. I just wondered if you had any answer to that question?—A. Well, I would say I would only make a guess or estimate; because at the present time, as I explained before, we are not actually in the export business, and naturally I have not followed that part of the work as I had done previously when the pool was doing its own exporting.

*By Mr. Vallance:*

Q. Right there, in your opinion, did it do any injury to your organization when you ceased to be exporters?—A. Injury to the organization?

Q. Yes, to the organization?—A. Undoubtedly there were a great many of our members in the country who regretted or resented that we are done—what shall I say—that we are no longer doing exporting direct.

Q. You feel that your organization would be much more effective if you were still in the export business?—A. Well, that is a matter now,—we are discussing a bill that proposes to set up a wheat board, something which we have been asking for ever since the 1919 board.

Q. I want to know whether it would be in the interests of this board to be in the export business or not. You were in it once and you are not in it now. I want to know if you can answer that. Would you advise them to go into the export business or to stay out?—A. So far as I am personally concerned, I would be very disappointed if the board did not have the opportunity or the right or the privilege to go in the export business also.

Q. So that you would say then that your organization has been somewhat hampered because it has not been in the export business since 1930?—A. The contract pool ceased to exist due to circumstances over which we had absolutely no control. It was due to world conditions, and to make that comparison at the present time would not serve any useful purpose.

Q. Oh, yes, it would; let me put it to you this way then: suppose it had not been necessary for the government to have come to your aid, would you still have been in the export business?—A. Undoubtedly we would have continued in the export business; but unfortunately we had come to a point where we had to rely upon some outside agency to assist us, and whenever that happens financially, you are not master in your own house.

Q. If you had not had to go to this outside agency you would probably have been in a better position than you are now because of the fact that you had been in the export business?—A. That was the general concensus of opinion, that the pools had antagonized the trade overseas. I haven't the least doubt that they did antagonize the trade, these middlemen who act between the seller of the wheat and the actual buyer, which in the final analysis is the millers.

Q. Do you believe in order to get the best possible results for the crop that it is essential that the growers' organization be in the export business?—A. At the present time?

Q. At any time?—A. I was not going to refer to that, Mr. Vallance. If it was possible under present circumstances for the growers' organization to function we would certainly be in the export business. But due to the difficulties which we ran into on account of the overpayment that occurred in 1929 we had to mortgage our facilities, give them as security, and while these are being paid off—and the payments are being kept up—we are still without sufficient credit; and that is one of the main reasons why there is no private organization big enough; no pool that comprises 50 per cent or 60 per cent is strong enough to go into the export business, because they have not got the financial facilities or the financial backing, and under present world circumstances in our opinion it is absolutely essential that this very important product, the most important product of Canada, be handled by a board which has the backing of the whole country financially.

Hon. Mr. RALSTON: That is the case today.

The WITNESS: That is the case today, but there are these outside agencies still operating along side of us.

*By Mr. Vallance:*

Q. Am I correct in this: The reason why you cannot get the financial assistance necessary to carry on your operations is because you did not believe that hedging was in the interest of the producer, and you do not propose to hedge?—A. We do not propose to hedge.

Q. And for that reason you could not finance it?—A. We could not finance any, because if we had hedged then we would be just exactly where we were before.

Q. Yes?—A. I don't want to weary this committee or to appear to want to get things on the record that are irrelevant; but from the questions that were just asked by Mr. Vallance I feel obliged to make a reference to a statement that Mr. Brouillette made yesterday afternoon. Mr. Brouillette stated that we had a file of correspondence from millers overseas, in Great Britain, in Germany and in France, after the pool ceased operations. That file, of course, contains letters from our own agents and from the millers themselves, and they do not want to have their names published for obvious reasons, one of which is that they are in the export business and it might interfere with the friendly relations with their present suppliers. But that file is on hand in the office of the Department of Trade and Commerce, and I am sure that members of the committee would have an opportunity in confidence to peruse that file; but if you are unable to do that I am going to read you extracts from letters received from Great Britain.

Hon. Mr. STEWART: Mr. Chairman, may I just say that you can't read extracts without producing the letters without being under suspicion of choosing what is favourable and leaving out the unfavourable portions. You can do what you like, Mr. Bredt; I merely point that out.

The WITNESS: You will have the opportunity to read the whole letter. I will indicate merely what I consider essential.

Hon. Mr. STEWART: Don't forget this, Mr. Bredt, it is going to be written into the record here.

The WITNESS: Yes.

Hon. Mr. STEWART: And while the committee have that privilege the public will not have; and I am merely speaking in your own interests, having in view the construction that may be placed upon that by those who are trying to prove that the pool has been detrimental, or that it has not been effective.

Hon. Mr. RALSTON: It is no use for the committee to read letters in the Department of Trade and Commerce if the contents of those letters although read could not be handed to the House.

The WITNESS: But, Mr. Ralston—

Hon. Mr. RALSTON: I am not arguing with you at all, Mr. Bredt.

Hon. Mr. STEWART: We will leave that to yourself.

Hon. Mr. RALSTON: You may take whatever course you like.

The WITNESS: I do not know parliamentary procedure. I admit that. But you and Mr. Stewart have been former ministers and I would say your party or your followers would place confidence in you if you were to go over there and see these letters and tell them that the statements made by the pool representative are borne out by these letters which you would have seen. Would not that satisfy them?

Hon. Mr. RALSTON: You might make a statement yourself as to these extracts.

The WITNESS: Yes, as to the extracts.

Hon. Mr. RALSTON: But, you see, we would not be entitled to communicate to anybody anything on that file except these extracts, because you are saying that that is the only part of them that can appear on the public record.

The WITNESS: But you have had the opportunity to see that so far as the extracts are concerned they do not hide anything.

Hon. Mr. STEWART: I simply say to you, if I were giving evidence before this committee and could not produce the full context I would feel it would jeopardize my statement by producing only extracts. I would rather you

would make a statement in your own words and be done with it; because, I may say, we consider you an honourable man and a good witness, and we are willing to take your word for anything you may say.

The WITNESS: All right, you may take it.

Hon. Mr. STEWART: Don't take my word about it, use your own judgment; I merely wanted to point it out.

The WITNESS: You see, if I could have the assistance of legal counsel—I am not a member of the legal profession and you are.

Hon. Mr. RALSTON: Mr. Stewart is.

Mr. LUCAS: I think it would be sufficient for your purposes if you make the statement that these letters from these various firms are favourable to your pool operations, and if the members of the committee wish to see it privately they will have an opportunity to do so. I think that will serve your purpose, because if you quote extracts we have the right to ask for the production of the whole letter I think.

Mr. VALLANCE: There is another way they could get it, an Order of the House would produce that correspondence if asked for from the Department.

Mr. WILLIS: You might present a general statement in regard to the contents of these letters, just give us an idea as to what they contain.

The WITNESS: The contents of one letter in particular received from one of the largest millers in Great Britain expresses the opinion that from December, 1930, to April, 1931, they could undoubtedly have bought more Manitoba wheat; also the statement that they are interested in the Canadian pools. Letters received from Germany—

*By Hon. Mr. Stewart:*

Q. Mr. Bredt, before you leave that, your statement will be that they would prefer to buy from the pool; would that be correct?—A. That is not the statement I make, but that is indicated.

Q. Yes, I see?—A. I mean, you have to put your own interpretation on that; very likely if I were to put my interpretation on it you gentlemen would start picking it to pieces, so you have got to put your own interpretation on it.

Q. Well, I hope you are not taking the inference that I am trying to do anything but be helpful?—A. Absolutely not; only I am at a disadvantage. I think you gentlemen will admit that.

Hon. Mr. STEWART: Knowing what happens with letters in the House of Commons, I thought it well to let you know.

The Acting CHAIRMAN: I think you are doing very well.

Mr. PORTEOUS: We need all of the letters, Mr. Bredt.

Hon. Mr. STEWART: We know what happens to letters though.

Mr. PORTEOUS: Yes.

The WITNESS: In the letters received from German milling interests the statement is made to the effect that since the pools withdrew from the export business other large Argentine shippers have taken up that branch of the trade, not with a view to supplying it regularly, but in order that high premiums might be exacted; and the statement is made that in one particular instance the premium on No. 1 hard instead of being from 2 to 4 cents was raised to 20 cents and even more.

Another German miller states that they cannot understand why it is not possible for the pool representatives to get out offers at reasonable premiums, such as they used to do.

Another German miller also complains about the high premiums that are being exacted by other shippers, referring to the American shippers; they would be glad if we could take steps to again re-establish ourselves.

*By Hon. Mr. Ralston:*

Q. This was about what date; I mean, in what year?—A. This was in 1931, I think all the letters are 1931—April, 1931.

Mr. VALLANCE: Just after you went out of the export business.

*By Mr. Willis:*

Q. And the policy was changed in 1930?—A. Yes.

The WITNESS: French milling interests: One of these states very definitely that, we prefer to deal with the pools. Another miller prefers to deal with an organization such as the pool because of the guarantee of grades on final invoice. They find this question more difficult with other sellers and they prefer to deal with the pools who offer daily.

Another French mill, and that will be the last one, alleged that they did not speculate, and they expressed the desire that the Canadian pool would be doing business in Paris again as before.

One of the reasons, Mr. Chairman, why I am anxious to get this on the records is the fact that running through all the evidence that I have had an opportunity to read there is the insinuation of antagonism against the pool. It is repeated time and time again. I am under the impression this antagonism that is supposed to exist will now be transferred to the Canadian board, and that is the main reason why I have been so explicit in my statements and have taken so much time in order to put them on the record. So far as we can see it, so far as we know—and we are absolutely convinced and absolutely sincere—that is purely propaganda—absolute, pure, simple, unadulterated propaganda. There is nothing of that kind actually existent. It does exist, I admit, with some of these middlemen, but not with the actual consumers and users of the wheat, the millers. While I am on that point I might also say that in the spring of 1929 I was delegated with Professor Harrison, then of the Manitoba Agricultural College, to investigate the coarse grain situation in the United Kingdom and on the continent; and on the continent, particularly in Germany and Holland, talking to the millers and talking to the exporters—and being able to talk German, I was able to talk to them in their own language—I received the information from them that rather than objecting to do business with the pool they preferred to do business with the pool because they said the pool has wheat in any quantity of any grade always available, and whenever they want wheat, regardless of what it is, they can always get it from the pool.

*By Mr. Gobeil:*

Q. You are of the opinion, Mr. Brecht, that the same feeling will exist towards this board, this proposed board, as towards the pool?—A. Absolutely, because when all is said and done, to the buyer the price is the only thing that matters.

*By Mr. Vallance:*

Q. You are talking about the middleman. Of course, you do not mean the exporter here in Canada; you mean the grain merchant in Great Britain is probably a little bit antagonistic because of the fact that he is a seller to the miller. Have you had any opposition from the merchants as we know them in the old land, the grain merchants in the old land—that is an importer or a dealer?—A. A dealer who buys and then resells to the mills?

Q. You say the middleman; of course that would include them?—A. They have not written letters to us for obvious reasons.

Q. I am not suggesting that they had; but you mean them when you use the term middleman?—A. Yes.

*By Hon. Mr. Stewart:*

Q. Were you selling to the miller direct?—A. We were selling to anybody in the market. Naturally we made large sales direct to the millers, but we had the policy of one price to all.

Q. There is rather an interesting thing in connection with this matter we are discussing now. I have no actual knowledge of it, but I have heard it frequently, and I am wondering whether you have heard it: it is that on the bread waggons in London, just about this period we are speaking of, there were placards stating that the bread was not made from Canadian wheat. Who was responsible for that—the broker?—A. Oh, I would not even hazard an opinion on that.

Q. That was an actual fact, I presume, in some cases and to some extent?—A. I cannot tell you, Mr. Stewart. I have had no opportunity to verify that statement. I certainly have never seen anyone who actually saw that.

Q. My own conviction would be that if it was a fact it was done by the trade—by the broker.—A. Well, that would be my first guess. I am glad you suggested that.

Q. I have always had that suspicion.

Mr. LUCAS: Mr. Macleod has just informed me that he was in London at that time and there was no truth in the statement.

Hon. Mr. STEWART: There was no truth in it? Why was it repeated so frequently?

Mr. LUCAS: I presume it is like a lot of other stories which are started.

Mr. WILLIS: There will be a lot of stories started in the next two or three months.

Hon. Mr. STEWART: As there were in 1930.

Mr. WILLIS: Right.

*By Mr. Lucas:*

Q. I think you stated a while ago it was not the policy of the pools to hedge; it had not been?—A. It has not been.

Q. It is generally conceded that the futures market broke down in 1932. Is it your opinion that it would have run into difficulties sooner if it had not been for the pools?—A. There is no doubt in my mind whatsoever. That will be contended by other people, naturally. As far as I am personally concerned, I would say it would have broken down sooner, because you must keep in mind this fact that ever since the pool started to operate—that was in 1924, although they had a pool in Alberta in 1923—until 1930—

*By Hon. Mr. Stewart:*

Q. There were farmers' elevators before that?—A. Yes, but they hedged their grain, Mr. Stewart.

Q. Yes.—A. And half of the deliveries, or approximately half of the deliveries in those years did go to the pool and were not hedged. Now, naturally, it must have relieved the hedging market—the pressure on the market to that extent.

Q. You do not mean to say that the Grain Growers Grain company went to the pools?—A. I do not understand.

Q. Your statement now would indicate that you believe the purchases in Alberta by the Grain Growers Grain company.—A. I never mentioned the Grain Growers Grain company.

Q. No, but they acquired the elevators which were strictly farmer elevators?—A. Oh, the elevators have nothing to do with it.

Q. I am speaking of the company now, because the company did the business; prior to that we did the business ourselves?—A. This is absolutely—

Q. You saved the situation because you purchased—A. No. I am not saying anything of the kind.

Q. Are you speaking of the Alberta pool now?—A. I am speaking of the Alberta pool.

Q. I beg your pardon.—A. They had a pool in 1923.

Q. You are quite correct. I was pointing out that we had farmers' elevators long before that?—A. Yes, certainly, absolutely, but they still handled the grain that they bought on exactly the same system.

Q. You are quite right about 1923?—A. Yes. Beginning with 1924 to 1930, the pool not hedging their grain relieved the market in Winnipeg, the future market, of a tremendous load; and I am of the opinion—and I am only stating this as a personal opinion—that the futures market would have broken down earlier if it had not been for the pool, particularly when I look at the deliveries of 1928-29. I understand that yesterday's evidence is printed. I notice that there is only part of my evidence in volume 5, but I will have to give these figures. In 1928-29 the total deliveries in the period from September to November, that is, in the three months' period amounted to a total of 346,682,892 bushels. That is over 346½ million bushels in three months. That means an average of over 115½ million bushels per month. Say there are twenty-five marketing days in the month. That would give you an average of over four and a half million bushels per day—four and a half million bushels per day pouring into that market, not for a week, not for two weeks, but for a period of three months. I submit that market could not possibly have stood up under such a strain. That is my opinion, and as I said before—

Q. You had a large volume of export?—A. I say if the pools had not been in operation, if all this grain would have had to find a place to hedge on the Winnipeg futures market, in my humble judgment no market could have stood that avalanche of wheat of four and a half million bushels a day for three months.

Q. Yes, but your exports were up—not corresponding, I admit—but were much higher than usual?—A. Yes, certainly. In 1928 the world took over 925 million bushels of wheat, but it has all got to be hedged first before it is exported.

Q. Yes. In 1929 the amount actually exported was 407 million bushels, which was a tremendous amount?—A. 407 million bushels from Canada, yes.

Q. That is the highest point we ever reached?—A. Yes, that is the highest point we ever reached.

Q. Well, what you say is quite true. The fact remains that on the other side of the ledger we had a tremendously high export?—A. The grain was moving out freely, but the grain would have to be all hedged and, undoubtedly, regardless of any opinions that one may hold, any reasonable man would admit that that pressure of wheat, double the quantity we had actually had to take, would have had a depressing influence on the market.

*By Mr. Porteous:*

Q. Going back to the figures of the 1932 crop, I think you said the average price that was received by the farmer was 30 cents a bushel?—A. That is for that first six months period—the 285,000,000 bushels that were delivered according to the figures given by the Sandford-Evans statistical statement.

Q. That is for six months?—A. That is for six months.

Q. Was that before the operations of Mr. McFarland in the market?—A. No, Mr. McFarland was operating in the market.

Q. At that time?—A. Yes.

Q. In the 1934 crop to date I figured out the average, and I think it is approximately 60 cents a bushel that the farmer received?—A. 1934?

Q. 177,000,000 bushels?—A. I have the price from September 1934 to December 1934 inclusive, which was 79¾ cents, and from January 1st to May 31st, when it was 82¾ cents. That is approximate, of course.

Q. The price to the farmer for 177,000,000 bushels was \$107,000,000?—A. Yes.

Q. That is approximately 60 cents a bushel?—A. Yes.

Q. Which was twice as much as it was during the period you quoted in 1932?—A. Yes.

Q. When the price was approximately 30 cents a bushel?—A. Yes.

*By Mr. Vallance:*

Q. There were 769,000,000 bushels in world shipments and in 1934 we had only 523,000,000; that is the reason?

Supply and demand?—A. You must also keep in mind that in 1934, North America had the poorest crop, I understand, it ever had; so there was every justification to look for and to expect higher prices.

*By Mr. Porteous:*

Q. Would you attribute part of that to Mr. McFarland's operations in the market?—A. There is not a shadow of a doubt in my opinion.

Hon. Mr. STEWART: They have always said so.

The WITNESS: I thought you said me.

Mr. PORTEOUS: Whom do you mean?

Hon. Mr. STEWART: Every government speaker who ever made an address.

Mr. WILLIS: Mr. Bredt is not a government speaker.

The WITNESS: I think you will have some very illuminating figures presented to you before you get through, and you will be in a position to draw your own conclusions.

*By Mr. Lucas:*

Q. Are you familiar with the conclusions arrived at the Stamp commission report, Mr. Bredt?—A. I have read it often enough.

Q. Have you any comments to make on it?—A. Any comments to make on the conclusions?

Q. Yes, on the conclusions?—A. Well, I would say, reading those conclusions, particularly in the final summary, that Sir Josiah Stamp almost feels himself compelled to give a short statement, and he admits that no short statement on an economic matter is ever strictly and absolutely true but since a plain statement is desired by the man on the street—I am not quoting; I am just giving the contest—he gives it as his finding—

Hon. Mr. RALSTON: You are giving a paraphrase.

The WITNESS: Yes. That since the system provides an ever ready and definite means for marketing, it is of distinct benefit to the producer. Mr. Chairman, I am prepared to admit that the futures market could have functioned under certain conditions; that is, without any regard to prices. But under those abnormal world conditions, with the uncertainty, if the futures market were allowed to operate without any assistance, without any muscle being put into it, where would the price go? In 1932, despite stabilization efforts, cash wheat went down to 38 cents, the lowest price ever recorded.

*By Hon. Mr. Stewart:*

Q. Is that statement correct? It was after that stabilization efforts were put into effect.—A. Yes.

Q. It was not during stabilization?—A. But the market had been stabilized before.

Q. In what way?—A. Just exactly the same way; because stabilizing operations were carried on before December 16, 1932.

*By Mr. Willis:*

Q. At that time they were not being carried on?—A. At that particular time, due to that unfortunate— —

*By Hon. Mr. Stewart:*

Q. That followed after the low prices?—A. Which followed?

Q. Stabilization?—A. I do not wish to contradict you, but there were stabilization operations.

Q. In what way?—A. By supporting the market just as it has been done in the last two years.

Q. My dear fellow, we argued that out the other day for an hour. I was given to understand on July 10, following the low prices, an order in council was passed instructing Mr. McFarland— —

Hon. Mr. RALSTON: Mr. Stewart is right. That is the record we have.

The WITNESS: I am talking about December, 1932.

Hon. Mr. RALSTON: The point is it was mentioned here as September, as 1933. There was a mistake in the date. I think, as a matter of fact, Mr. McFarland started buying in September, 1932, didn't he, and bought all the way through October, November and December, and the low price was reached in December?

The WITNESS: I can't possibly recollect all the dates.

Hon. Mr. STEWART: Is that a mistake in date?

Hon. Mr. RALSTON: Yes.

Hon. Mr. STEWART: I was going by the record.

Hon. Mr. RALSTON: I made a note at the time; but I decided it must be a mistake. As I understand, he cut off with the pool in July, 1931.

Hon. Mr. STEWART: I am going by the record.

Hon. Mr. RALSTON: He started buying in September, 1932.

The WITNESS: There were operations carried on, Mr. Ralston. You yourself read the order in council of July 16, 1932, authorizing the transaction and guaranteeing the powers, so it was quite clear that there were stabilization efforts carried on before December 16, 1932.

Hon. Mr. RALSTON: I understand. Later evidence was he started buying, September, 1932.

Hon. Mr. STEWART: The low price was in December.

Hon. Mr. RALSTON: December.

The WITNESS: December, yes. I just forget where it was in my evidence that I commented on this final summary. Sir Josiah Stamp discusses the disadvantages in certain cases. In fact, he considered it so important that he made a difference between normal times and abnormal times, and he has a paragraph as to what his conclusions are in normal times, and he has another one in abnormal times. And a statement is made that the short range fluctuations—Sir Josiah calls them oscillations—are not so important. Well, now, taking a large view, that may be quite correct; but to the man who has to sell at the bottom of those daily oscillations of the market, that particular price that he receives fixes for that year the return of his labour and his whole family's labour.

*By Mr. Lucas:*

Q. Very important to him.—A. That is certainly important to him, just as important to him as it is to the country as a whole to see that he receives a better price. On December 16, as I mentioned before, the price dropped to the record low of 38 cents.

*By Mr. Vallance:*

Q. 1932?—A. December 16, 1932. It closed at  $39\frac{3}{8}$ , a fluctuation of  $1\frac{3}{8}$  cents; so in the period of a few hours it went down to 38 and came back to  $39\frac{3}{8}$ ; but the minute it went below that  $39\frac{3}{8}$ , that was the closing price for the day. There were certain carloads, certain quantities of grain held by farmers on which they had perhaps taken an advance. The interest on that advance piled up, the prices came down, and the minute they came within a few cents, a cent or two of that price, stop losses are put on, and the farmer is closed out. As I said, I do not pretend to be a market expert or a technical grain man. We made a little check-up of our own to estimate what the amount of grain was that had been closed out on stop losses. I notice that Mr. McFarland stated in the evidence before the Banking Committee that  $2\frac{1}{2}$  million bushels were actually stop-lossed between the price of 45 cents and the price of 38 cents. We were of the opinion it was even more than that. It was not all closed out at this low price, but even if a substantial amount of the  $2\frac{1}{2}$  million bushels was closed out, I submit, Mr. Chairman, that it presented a very great handicap to the particular owners of that grain. Just for a few minutes, perhaps, the price dropped below that level and they were closed out, and ever after that the price has been rising.

*By Mr. Lucas:*

Q. Have you any information to show what would be the average grade of our crop in the west over a period of years. The point I want to get is this: In the east they are not familiar with the grain trade and they assume the price quoted at Fort William is the price the farmers receive for their grain, less freight. I think a lot of them think that is the price the farmer gets. Now, that price is based on No. 1, is it not?—A. The price is based on No. 1 in store, Fort William.

Q. Now on the average, the wheat on hand in the west contains a large percentage of the crop which is in the lower grades. Just to give you an illustration, I had a letter from a farmer the other day, who told me his crop had gone No. 5 tub and he received 9 cents a bushel for it. Have you any figures to show what the average would be to show the price the farmer gets?—A. We have the figures, but I have not got them with me, and of course you will realize it would be impossible to quote them.

Q. It is a fact a large percentage of our wheat is sold as No. 3 wheat?—A. A large percentage is sold below No. 1 Northern. I would say we have been particularly fortunate in the west in the last two years in having a very high quality crop. That has been one of the saving graces. Take this year, for instance, a late season. In northern Alberta and Saskatchewan where tremendous amounts of wheat are being sown, you have the frost; you may run into wet weather, any of those things, and you are apt to have more low grade wheat in the normal crop year. That is what I mean, in a normal crop year, a year of average rainfall. We have been fortunate in the last few years when the drought eliminated producers in the southern sections of the three western provinces, that the north, which has a lower quality, or 3 Northern, produced No. 1 Northern wheat.

Q. Would you say that the board as proposed under this bill would take away any freedom from the farmer that he now enjoys?—A. Let me say it this way: Is not that a matter of more or less theory or state of mind that you put yourself into. When we were operating our wheat board in 1919, I do not remember ever anyone complaining about having his freedom taken from him. In fact, there has been steady and persistent requests for the re-establishment of such a board. You market your grain. You haul it to the elevator as formerly, or you can load it over the platform. You still have the same privilege, so far as that is concerned. But instead of having the opportunity

to sell to two or three different people who are anxious to handle the grain for you, you turn it over to one national selling agency. Personally, I would very much prefer to do that, feeling that particularly under present upset world conditions the national selling agency is in an infinitely better position to merchandise and sell the wheat than any other private, or even co-operative, organization possibly could be. For instance, if some offer of barter was made from one particular country, immediately you would have to turn to the government for power, and that is what this board could do. I mean, the board being really an adjunct of the government is in a position to do that. A private organization would have to go to the government to negotiate.

*By Mr. Vallance:*

Q. Does this bill give the board that power?—A. Is not that a matter of policy for a government? The board would get an offer from a certain country—

Q. Or the government would get that, we will say?—A. Well, the government would get it. It is a matter for the government.

Q. Such as the Russian bureau?—A. Such as the Russian bureau.

*By Hon. Mr. Ralston:*

Q. I think we ought to straighten out this matter on the record in connection with the low price of wheat and the relative date of Mr. McFarland's so-called stabilization operations. I am looking at page 29. Here is where I think there is an error.—A. Which number?

Q. Page 29. That is Vol. 2, I think. I think Mr. Porteous made an error in giving a statement as to the date—

Mr. PORTEOUS: Or an error in the record.

Hon. Mr. RALSTON: —which gave us a wrong steer.

Mr. PORTEOUS: It should be 1933 instead of 1932.

Hon. Mr. RALSTON: It is December, 1932.

The WITNESS: Where is that?

*By Hon. Mr. Ralston:*

Q. It is page 29, at the top of the page. Are you looking at that?—A. Yes.

Hon. Mr. RALSTON: May I just read that, Mr. Chairman? I think we ought to have this date straight. The Chairman was examining Mr. Milner as follows:—

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

Q. The lowest price known for 400 years?—A. Yes.

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

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

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

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

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

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

Mr. PORTEOUS: January, 1932.

Now, I think that is where the error has crept in. That should be, I think, December, 1932. That is the time that wheat was at its lowest point.

The WITNESS: At its lowest point.

Hon. Mr. RALSTON: Then the chairman goes on to say:—

It was after the 1931 crop was being marketed, in the spring. That is also inaccurate. It is not the 1931 crop which was being marketed then, but the 1932 crop.

The WITNESS: The 1932 crop would begin to be marketed in August or September.

Hon. Mr. RALSTON: Then we find as follows:—

The WITNESS: I think perhaps that is fair, if it was January, 1932. You see, he is basing his answer on that assumption. He goes on:—

But to show that the market did function during the period of low prices, Mr. McFarland in evidence before the Banking and Commerce Commission stated that he did not make a purchase of grain until June, 1932, as a stabilization effort.

The real facts are, as I understand it, that Mr. McFarland according to his evidence before the Banking and Commerce Committee, made purchase of grain in June, 1932; he made purchases of grain during the fall of 1932, and it was in December, 1932, not in January, 1932, that wheat dropped to its lowest point.

The WITNESS: To its lowest point.

Mr. PORTEOUS: That is right.

*By Hon. Mr. Ralston:*

Q. That is correct, is it not?—A. That is correct. That date is correct.

*By Mr. Willis:*

Q. There is nothing indicated, however, that Mr. McFarland's support was continuous during that period?—A. During which period?

Q. In and around December 16, 1932, when it reached its lowest level?—A. What was the statement?

Q. I say there is no intimation that at the time it did reach its lowest level, Mr. McFarland was then at that time supporting the market.—A. He had been previous to that time.

Q. Previous, quite true.—A. Yes.

*By Hon. Mr. Ralston:*

Q. He was authorized to do it at that time, was he not? He had been authorized in July, 1932?—A. He was authorized to do it, but it was always under certain limits.

Mr. WILLIS: My information is that his limits ran out.

Hon. Mr. STEWART: The money ran out.

The WITNESS: His credit.

Mr. WILLIS: The money or limit of credit, or whatever it was; they permitted the market to go down to 38½ cents.

*By Hon. Mr. Ralston:*

Q. Is that so?—A. That is correct.

Q. What were the limits at that time, do you know?—A. I knew them at the time, sir, but I do not recollect them all.

Q. By the limits, you mean the limit put up by the government as a guarantee?—A. Yes.

The ACTING CHAIRMAN: I think Mr. McIvor will be prepared to give that evidence. I do not think we should ask Mr. Bredt about that.

*By Mr. Porteous:*

Q. One question that Mr. Lucas brought up with respect to grade, average grade. These figures that you submitted are the average prices for all grades, are they not?—A. I would imagine that the prices that the Sanford-Evans Statistical Agency uses would be based on the quantity of each grade delivered. That is why prices are lower than you would think, looking at the open market price for number 1 Northern.

Q. And the price of 30 cents, the average payment to the farmer, was for all grades?—A. For all grades. Some would get more, some would get less.

*By Mr. Lucas:*

Q. Mr. Brett, do you happen to know what our total elevator capacity is in Canada?—A. Approximately between 419,000,000 and 420,000,000 bushels. That includes all country and all terminal elevators. I think that should be noted because there is an error with regard to that.—A. There is a wrong statement in here. I think they are talking about 350,000,000.

Q. Yes?—A. It is between 419,000,000 and 420,000,000 bushels.

The ACTING CHAIRMAN: Are there any further questions?

*By Hon. Mr. Ralston:*

Q. Have you finished?—A. No.

*By Hon. Mr. Ralston:*

Q. You were speaking about those letters. You are a fair man, I know. Does the file of letters which you filed with the Department of Trade and Commerce include all the letters you have received with regard to the desirability or the undesirability of the millers dealing direct and the opposition to or concurrence in the policy of the pool?—A. All letters which we received, regardless of what they contained, whether they are pro or con, are in there.

Q. Yes, it is a complete file?—A. It is a complete file.

Q. What caused the pools to stop dealing with the miller? What caused the miller to stop dealing with the pools or the pools to stop dealing with the miller?—A. Well, as I mentioned before, when we got into financial difficulties, Mr. Ralston, it was, I think, considered that a bunch of farmers didn't know how to run their business, doing something that they never have done, in the first place; they needed someone else, experienced business men to set them straight.

Q. Well, do you mean it was a condition of financial assistance that you should discontinue your overseas agencies?—A. Yes, that was one of the conditions I would say, because those statements have been published. It was agreed that we were to get the services of a general manager satisfactory to ourselves and to the banks.

Q. And to the government?—A. I am not quite certain on that.

Q. Are you not?

*By Hon. Mr. Stewart:*

Q. The government, at all events, were an interested party?—A. The government had to guarantee. I would imagine it should be in there, since they had to provide the financial assistance, but I would not just absolutely state that as a fact. It is also a matter of record that Mr. McFarland's first statement was to close up—or his first action was to close up our foreign offices. That was a condition under which he came into our organization.

*By Mr. Lucas:*

Q. I think that has been stated in the evidence already?—A. That has been stated before.

*By Mr. Vallance:*

Q. Does that opinion still exist, that the farmer cannot manage his own business?—A. It undoubtedly exists in the minds of a great many people, although I think that the financial statement which the three pool elevator handling organizations have been able to submit, despite very difficult years, within the last two or three year period, should dispel any doubt in that connection.

Q. Most farmers' organizations prior to establishment of the pool had about the same record—the Saskatchewan Co-operative Elevators, the United Grain Growers Grain Company?—A. The Saskatchewan Co-Operative Elevator Company is considered to have been, prior to its purchase by the Saskatchewan pool, the most successful grain handling organization on the North American continent.

*By Hon. Mr. Stewart:*

Q. Do you think they were more successful than the United Grain Growers Grain Company?

Mr. VALLANCE: Yes, for reasons.

*By Hon. Mr. Stewart:*

Q. I mean in handling wheat. I am not speaking about outside matters?—A. I cannot make any comparison. United Grain Growers Grain Company, as they were called, took over the Alberta Co-operative Elevator Company.

Q. Well, it was not co-operative?—A. Alberta?

Mr. VALLANCE: No.

Hon. Mr. STEWART: No, a straight company. I know.

The WITNESS: They were operating—

Hon. Mr. STEWART: I happened to guarantee their elevator accounts.

*By Hon. Mr. Ralston:*

Q. What percentage of farmers were in the pool at the time Mr. McFarland took over?—A. I am speaking from memory, but we have always taken the figure of 140,000 members in the three pools.

Q. Out of how many?—A. Out of the figure that is now being given of 250,000 farmers in the three provinces. Now, 250 is a recent figure.

Q. Two hundred and fifty thousand?—A. 250,000. That is a recent figure. Whether it is greater or smaller than it was say 8 or 9 years ago when the pool was really at its height, I am not able to say.

Q. But my question was: When Mr. McFarland took over, how many members were there in the pool—140,000?—A. 140,000.

*By Hon. Mr. Stewart:*

Q. Mr. Brouillette told us a very small percentage were now buying— —A. Selling.

Q. —now selling on the pool basis?—A. Naturally.

Q. What percentage would you say?—A. Well, it is a small percentage. But naturally, only knowing of our own organization in Manitoba, having no access whatsoever to the figures of the other two provinces—I have heard the figures—I am not in a position to say.

*By Hon. Mr. Ralston:*

Q. By that you mean only a very small percentage were selling on a participating basis?—A. Yes, on a participating basis.

Q. The great bulk were selling to the pools as they might sell to any dealer?  
A. To any other grain handling organization; and you could not expect any-

thing with those low prices. You could not expect, with the prices around a 50 cents basis, Fort William—the initial payments I think have been around 30 cents. We have been making about, by the time the farmer pays—and out of that has to come the freight, that comes to 15 cents perhaps. He can perhaps pay his threshing and his twine, and that is about all. So it is only those who are financially in a position to finance themselves who can afford to go into these voluntary pools.

*By Mr. Vallance:*

Q. You would not buy much twine out of that 15 cents after he paid for his threshing, would he?—A. No, he would not.

*By Hon. Mr. Ralston:*

Q. He would accept a very low farm price rather than take the risk of the possibility of the market and going in on a participating basis?—A. Absolutely.

*By Mr. Vallance:*

Q. He simply could not finance himself?—A. No, unless he had some resources.

*By Hon. Mr. Ralston:*

Q. Have you any opinion to express, Mr. Bredt, as to whether a majority of the producers are in favour of the proposals of this bill, or against them?—A. Well now, I think you would consider me a prejudiced witness.

Mr. WILLIS: No, we don't know your politics.

Hon. Mr. RALSTON: I think you are very fair.

The WITNESS: I would say at the very least—at the very least—there is a substantial majority in favour of the idea of a national wheat board—at the very least.

*By Hon. Mr. Stewart:*

Q. For a 100 per cent pool?—A. For a Canadian Grain Board.

Hon. Mr. STEWART: There is some difference.

Mr. WILLIS: I would say so.

*By Hon. Mr. Stewart:*

Q. I am going to say frankly, I have not arrived at a point of view about it; but, in my own view, there is some difference as to whether it should be a full 100 per cent, or a wheat board operating very much in the same capacity and in the same manner as Mr. McFarland. That is why I asked you that?—A. I have come to my own conclusion long before this. I am absolutely satisfied.

Q. When you are speaking about it we are assuming that you approve a 100 per cent pool?—A. I approve of the Canadian Grain Act as submitted.

Q. This bill?—A. That is the name of the bill. I do not think what is being done by the propogandists against it is fair. They are talking consistently and continuously about a 100 per cent compulsory pool, and that "compulsory" is featured in the headlines and featured over the radio, and when all is said and done it is just the outbreacking of a comparative, but very vocal minority.

Hon. Mr. RALSTON: In other words, "a rose by any other name—"

*By the Acting Chairman:*

Q. What percentage of the producers then would you suggest favour this bill?—A. Mr. Chairman, I live in Manitoba, and Manitoba after all is said and done—

Mr. WILLIS: Is the banner province.

The WITNESS:—only a small part of the wheat producing section of the west; and the feeling in Manitoba naturally due to the proximity and the overwhelming influence that Winnipeg exerts on that province—

*By Hon. Mr. Stewart:*

Q. It is a "Sodom," isn't it?—A. I beg your pardon.

Q. It is a "Sodom," isn't it?—A. Perhaps it is.

*By Hon. Mr. Ralston:*

Q. Is there one just man at all, in it?—A. I hope so.

Hon. Mr. STEWART: Has Mr. Bredt finished his statement?

*By Mr. Vallance:*

Q. I was going to ask Mr. Bredt something further just along the same line; are the 50,000 wheat pool signers in favour of this?—A. There might be a small percentage who are not.

Q. I want to be quite frank with you; you have a small percentage to-day operating under the pool plan?—A. Yes.

Q. Is it fair to draw the conclusion that those who are not operating under the pool plan are opposed to this?—A. It is absolutely ridiculous to make any such deduction. You cannot expect a man to remain under a voluntary plan when it is expressly stated that we must do it on our own financing, and when we could not possibly take the risk of paying out initial payments which would allow him to carry on in the usual way.

Mr. VALLANCE: Absolutely.

The ACTING CHAIRMAN: Is there anything further? Have you finished with your statement, Mr. Bredt?

The WITNESS: No, I have not finished, Mr. Chairman.

Hon. Mr. STEWART: He has just begun.

The CHAIRMAN: I think we better allow him to proceed without questioning.

The WITNESS: I am now submitting this statement which is a record of our daily offers for July, August and September, 1929.

(This statement is Exhibit "C" attached hereto.)

I have digressed a great deal from what I had intended to say, but I have been pleased to give out the information.

The ACTING CHAIRMAN: Pardon me, Mr. Bredt; is that the statement you are reading now, or was that to be put into two columns for our purposes?

The WITNESS: I should take that up perhaps with Mr. Fraser (clerk).

The ACTING CHAIRMAN: Is it agreed? You are going to check that over?

Some Hon. MEMBERS: Agreed.

The WITNESS: I wanted to check that statement over before it is printed.

The ACTING CHAIRMAN: We understand that. It is agreed.

The WITNESS: In the evidence yesterday afternoon I submitted several sets of figures all tending to show that there was no antagonism against the pools operating. I omitted to file one statement and that is in connection with the Canadian exports to the United Kingdom during the years that the pool was in operation. I had taken the last four years of the pool's operations, 1926-27 1927-28, 1928-29 and 1929-30. The 1926-27 total of Canadian exports was 62,979,000 bushels; the pool's share was 50,152,000 bushels, a percentage for the pool of 79.8. In 1927-28 the total Canadian exports were 67,430,000; the pool's share was 36,181,000 or a pool percentage of 53.7 per cent. The 1928-29 total was 69,895,000 bushels; the pool's share was 34,665,000, a pool percentage of 49.8. The 1929-30 total was 43,214,000, the pool's share was 22,980,000, a percentage of 53.2.

And now, I have omitted the odd figures in all cases. I am submitting this, Mr. Chairman, as further evidence indicating that there was no antagonism against the pools by British millers, because surely when in three years out of four they bought more than half their supplies from our organization it does not indicate antagonism. I think that is obvious, because if I had the opportunity of buying from two sources and if I was dissatisfied with the service given by the one and I had the opportunity of buying from the other, well I would certainly buy from the one who is not going to give me the opportunity to be dissatisfied with him.

In concluding my remarks about this antagonism against the pool I would like to make a statement, and I make advisedly, that we are in this crisis not on account of the pools but in spite of them; and I have given figures and my reasons to indicate why I am of that opinion.

Mr. Brouillette referred in his evidence yesterday to the fact that there has been consistent demand on the part of organized farmers for the re-establishment of a wheat board. I do not need to go over the various points which he put in in support of that claim, but I would like further to file some evidence which has a bearing on that matter also. In 1922 the Parliamentary Committee on Agriculture and Colonization appointed a committee which was to collect, examine and classify the various resolutions received by members of the House in connection with the re-establishment of the wheat board. The report of the sub-committee appears in the evidence of Tuesday, May 9th, 1932 (No. 13, page 358 *et seq*), and I would like to put on the record the following resolution:—

1. Province of Alberta:—

(a) That the United Farmers of Alberta in annual session assembled at Calgary, on January , 1922, passed the following Resolution:—

That the new Federal Government be urged to re-instate the Canada Wheat Board under the old management with James Stewart as Chairman, this Board to handle the wheat crop of 1922 and to continue to handle the crop until such time as world conditions again become normal.

(Sgd.) H. W. HIGGINBOTHAM,  
*Secretary.*

2. Province of Saskatchewan:—

(a) The Saskatchewan Grain Growers' Association in convention. In February, 1922, passed the following Resolution:—

Resolved that this Convention is in favour of the re-establishment of the Canada Wheat Board for the handling of the 1922 crop and until such time as world conditions again become normal:—

And Further to invite the former Chairman and Vice-Chairman of the Canada Wheat Board to resume the active management thereof.

(Sgd.) J. B. MUSSELMAN,  
*Secretary.*

The annual meeting of the Saskatchewan Co-operative Elevator Co. passed the following resolution, July, 1921:—(This resolution was passed for three successive years.)

Mr. J. B. Musselman, General Secretary of the Saskatchewan Grain Growers' Association, moved that (This meeting is in favour of the re-instatement of the Canadian Wheat Board under the old management.) This was carried with only two dissentients.

## 3. Province of Manitoba:—

(a) The United Farmers of Manitoba, in convention, in January, 1922, passed the following resolution:—

Whereas there is general dissatisfaction with the present system of marketing our grain; and whereas the deplorable condition of our agricultural industry is such that it demands the attention of the Federal Government to the need for national marketing of wheat and other grains.

Therefore Be It Resolved that we urge upon the Dominion Government the necessity of re-establishing the Canada Wheat Board under the former management with the wide powers to sell wheat and other grains.

(Sgd.) W. R. Wood,  
*Secretary.*

Manitoba, apparently, of the three provinces, asked that other grain besides wheat be included, due to the fact that the production of coarse grains, particularly barley, is a very important feature—it was and is again becoming a very important branch of our farming operations. Similar resolutions are still being passed by the conventions of organized farmers, and it is apparent that it is simply a manifestation of the dissatisfaction which producers have or feel they have against that system, possibly because they do not understand it or that they do not know it. But the fact remains that that feeling, that that suspicion does exist. I am not going so far as to say that the futures system at no time has been of benefit because that would obviously be going too far, but the opinion amongst farmers generally is now that the misuses or the abuses of the system far outweigh any benefit that it may have had, and that at the present time it is not only useless if left to itself without any assistance, but it is detrimental. I mentioned before that that may be right or wrong, but that is a feeling that exists, and perhaps it may be due to the fact that quite a few of them have been taking a little flyer; in other words, they are the moths with the burned wings that Sir Josiah speaks about in his report.

Hon. Mr. STEWART: That is not confined to the wheat business.

The WITNESS: No, it is not. Different sections of the country prefer their own little flyers.

Now, as to the Act itself: the Act would not interfere in any way with the present physical grain handling facilities—I think that has been brought out in the evidence before—so their heavy investments will not be jeopardized; and I think it would be wrong, and it is wrong in my opinion, to talk about confiscation of property, because there will be none. The elevator companies and the terminal companies will continue to handle grain under the provisions of the Canada Grain Act just as they have done heretofore. They may be agents of the board, but certainly, so far as confiscation of property is concerned or jeopardizing their investment, there is absolutely no point to it. It appears to me, Mr. Chairman, that the condition of the quarter of a million farmers and their families on the prairies is of paramount importance. Their combined investment in farms, in buildings, in equipment is infinitely greater even than the investment of all the grain handling facilities which we have in Canada, whether owned by the pool or by the trade. And then they are not endangered in any case; but certainly the holdings of our western farmers are now endangered. There is debt legislation—we have federal debt legislation and we have provincial acts in each of the three western provinces, perhaps in all the provinces of western Canada so far as I know; I am not prepared to make any definite statement; but is not that simply an indication of the straitened financial circumstances that the producers find themselves in? We are sincerely and

honestly of the opinion that the change in the method of handling our grain would help the producer. I consider in the present crisis which we are facing that this wheat problem is the most serious that has ever faced western Canada, or one of the most serious that has ever faced western Canada and the whole of the Dominion. Visible supplies are approximately 200,000,000 bushels. We may still sell substantial quantities of that visible supply, say, before the end of September, before the new supplies become available; but I would not even dare to suggest the figure because it will be given by competent grain men who are much more able to give the figure if they desire to do so. However, there is a possibility that we might sell substantial quantities of this supply. The prospects are undoubtedly for a crop which is above normal. Now, I made qualifications there. I have farmed long enough in western Canada to know that the crop may be hit by rust or frost or hail or any of those elements of nature which enter into that legitimate gamble that the farmer always has to carry on.

Hon. Mr. STEWART: That is a good word for it.

The WITNESS: I think it is—legitimate gamble.

Now, there are perplexing questions which arise. Where is all that wheat to be sold, at what price, and which is the best method of handling it? There are several methods of dealing with the situation, and with your permission I would like to enumerate those that have come to our attention or that might be suggested. That does not mean, when I use the word "suggested," that we are suggesting all of them or any of them. When I come to the one which we are in favour of I shall make a definite statement.

The first method might be to remove all support, to liquidate the carry-over as rapidly as possible which would have to be done regardless of price. In other words, we would have to enter into cutthroat competition with any and all other surplus producing countries. I think that can be dismissed almost immediately. I do not think that any of the witnesses appearing before the committee even suggested that such a method should be followed. Because, in the first place, there would accrue a tremendous loss to the government; secondly, the wheat would still be available, it would not be eaten up immediately—I indicated that that in the figures quoted for 1932—and it would most certainly mean the elimination of thousands of western producers. That could not be helped, because if you sold that carry-over, or even made an announcement that you were going to throw that overboard, you would have the biggest scramble for everybody to go into the futures market and sell the market short, knowing for an absolute certainty that they would be able to buy back whatever they had purchased at much lower prices. So that can be dismissed.

*By Mr. Lucas:*

Q. It would also demoralize the price of the new crop coming on the market, would it not?—A. That is a point I should have mentioned. I am glad you brought that up, because it would establish the price for the coming crop.

Mr. VALLANCE: That is, when they buy it back.

The WITNESS: In that connection I would like to say this also, that if this crop materializes as it now promises—say it is a 350,000,000 bushel crop, although, in my opinion, even if it was only a 275,000,000 bushel crop—the rush to the market would be such that a market without being supported, without having a little muscle put into it, would be so flabby that it would almost run out on the ground; it would be absolutely hopeless to ever think of marketing the coming crop, even leaving out the carry-over, on such a basis.

Secondly, we might carry on with the present set-up and stabilize when necessary—a change which has been suggested and which would not alter the

present method or principle—would substitute a board of three members instead of one single individual, and under this method the futures market would continue to operate.

The third method is a plan that was submitted by Mr. Sidney P. Smith a day or so ago which would provide for a board of three members, and which would pay a minimum price to producers when the price on the open market falls to or below that minimum. The futures market would be operating, but according to his statement there would be no participation certificates—in other words, the minimum price would be all that the farmer would receive.

And then there is the Act itself. The pool organizations of the three western provinces support the Act but would like to see it put into operation as soon as possible so that the Canadian Grain Board could begin its work by handling the growing crop, the Board to make such advances as will enable the producers to carry on efficiently. The futures market would not be operating under the Act.

Now, Mr. Chairman, if I may I would like to enlarge just briefly on 2, 3 and 4. One has been disposed of. The objection which we have—because the three pooling organizations are unanimous in this respect—against this method is the opportunity which is provided for outsiders and others to influence or manipulate the markets; and it would lead to a situation which was exemplified by that occurrence on December 16, 1932, which I have already enlarged upon. But I should like anyone reading the evidence to take what I said at that time in answering the question as one of the objections against this plan.

No. 2: In further support of our contention that the opportunity for outsiders is detrimental, I am going to refer to certain activities or certain actions that had to be taken by Mr. McFarland on October 1, 2 and 3 of last year, 1934. I might say, Mr. Chairman, I do not propose to go into Mr. McFarland's activities, but there are certain days when things happen that you simply cannot forget. One of those was, so far as I am concerned, December 16, 1932, and the second is the period of October 1, 2 and 3, 1934. On October 1 the country deliveries by farmers to the elevators in western Canada amounted to a total of 1,204,000 bushels; on the 2nd of October they amounted to 1,593,000 bushels, and on the 3rd they amounted to 1,661,000 bushels, a total of less than  $4\frac{1}{2}$  million bushels. Now; every elevator operator knows that the total quantity of wheat delivered from day to day is not sold immediately the day the farmer delivers it. A certain amount of that grain is stored for future sales or for any reason whatsoever; it is not all sold. If you are to estimate 75 per cent of the grain as being sold, you would estimate high. Of course, there are always sales being made of wheat which has been previously stored, so I am willing to admit that the hedges that should have been taken or the hedges that could legitimately have been put into that market on account of farmers' deliveries were 5,000,000 bushels. There were less than 4,500,000 bushels delivered; but I am willing to give an extra half million bushels in order to allow for any extra stored wheat that may have been sold. The day before the first, the last day of September, the October future closed at  $81\frac{3}{8}$ . On the first day it closed at 81, October future. On the second day it closed at  $77\frac{1}{2}$ , and on the third day it closed at  $74\frac{7}{8}$ , a drop in the three days from  $81\frac{3}{8}$  to  $74\frac{7}{8}$ , a drop of  $6\frac{1}{2}$  cents, in spite of the fact that Mr. McFarland stabilized the market on those three days to the extent of almost 18,000,000 bushels. Almost 18,000,000 bushels had to be taken in order to prevent the market from going lower than  $74\frac{7}{8}$  cents. How much lower would the market have gone if those 18,000,000 bushels of futures had not been purchased? I am not a member of the committee, but I almost wish I had the privilege to ask the members of the committee as to what they would estimate the market would have dropped to if it had not been for the action of Mr. McFarland in those

three days; because in spite of taking almost 18,000,000 bushels, it dropped 6½ cents. It has been said at times that Argentine wheat is hedged in that Winnipeg market. So far as I am concerned, Argentine has no business in our market; but it is a free and open market. If Argentine wheat is hedged, certainly the government of Canada, the people of Canada, hold the bag. I took the trouble to look up the Argentine shipments for the week ending October 5. Argentine shipments amounted to a total of 4,456,000, less than 4½ million bushels. Well, I said I was willing to allow 5,000,000 as legitimate hedges. Suppose the whole of the Argentine shipments for that week had been hedged on those three days, it would have accounted for only half of the purchases that Mr. McFarland had to make. It is quite obvious the total Argentine shipments would never have been hedged, all of them in Winnipeg in this three-day period. And I also took the trouble to look up the Canadian shipments and they amounted to 4,616,000 bushels for that week. Again I must state that I am not a technical grain man, but as I understand the exporting business, and from what I know of it, when an exporter sells wheat he immediately goes back into the futures market and buys options in order to assure himself of a price. Now, that would mean that 2,300,000 bushels were taken by others, by the exporter who hedged the wheat, and still Mr. McFarland had to purchase approximately 18,000,000 bushels, and still the market went down 6½ cents.

*By Hon. Mr. Stewart:*

Q. It is a difficult thing, I know, to decide, but was the Winnipeg market at that period over world prices for wheat. There was a very rapid rise just before that, as you will remember.—A. It was in July that it went up.

Q. I mean this date of which you are speaking, October.—A. No, the market was fairly stable. Mind you, it is impossible to have a picture in your mind of all the dates and the prices, but the market was fairly stable at that time.

Q. All right, go ahead.

*By Hon. Mr. Ralston:*

Q. Mr. Stewart was asking if it was over the world prices?—A. Over the world prices?

Hon. Mr. STEWART: World prices are a very difficult thing to define.

*By Hon. Mr. Ralston:*

Q. Is there not a quoted price in Liverpool there always is. I cannot just say what the spread was at that particular time between Canadian wheat and Argentine wheat but there is another excuse made that it might be an unwinding of a hedge; that someone is selling in Winnipeg who is buying in Chicago. Well, now, I submit, Mr. Chairman, that we do not want that unwinding in our Winnipeg futures market, because so far as we as producers are concerned, we cannot get away from the feeling that it is working against our interests.

Q. In answer to Mr. Stewart's question, I should like to point out the chairman put on the record the other day the spread between Argentine wheat and Canadian wheat in 1934. You will find it on page 136 of the evidence. He says: "In October, 1934, it opened on the 1st at 92½ Atlantic, 90¾ for Vancouver and 68½ for Argentine. At the end of the month of October it was 85¾ Atlantic, 81¾ Pacific and 62¾ for Argentine." In other words, the Argentine was nearly 24 cents below the Atlantic at the first of the month and a little over 23 cents below Atlantic at the end of the month.—A. That is all right as a record, but I submit, Mr. Chairman, that in so far as this hedging is concerned and the prices, whether Winnipeg prices at that time, or world prices, does not enter into it. Here was a market open to all intents and purposes, helped and

supported through the guarantee of the government in its operations, and yet in spite of the support the market went down  $6\frac{1}{2}$  cents, and the figures that I have given certainly do not show that anything like that amount of grain belonged to the farmers in Western Canada. Our contention is this: So long as the Canadian government stabilizes the Winnipeg market, and it has been agreed by all witnesses that something must be done in order to help the producer, then it gives outside interests the opportunity to make use of that market and in the final analysis we feel the obligations which the Dominion government, which the people of Canada finally have to take, are most likely to be very much greater than if the futures market did not operate. But when Canadian wheat only was taken delivery of from Canadian farmers, and if a loss is created, if the rest of the people of Canada temporarily have to subsidize the western producer, we will at least have this satisfaction, that the money that was taken from the others was spent to give Canadian wheat producers more money, and not outside interests; and that all that money which may have to be spent would redound to the direct advantage of every Canadian business and industry carrying on business with the western farmer.

*By Hon. Mr. Stewart:*

Q. May I just ask you one question there, Mr. Bredt, and I think I know what your answer will be, but I should like to get it. You believe that complete one hundred per cent control would be safer for the government who are going to back the enterprise and would be better for the producer?—A. Absolutely, absolutely; less risk for the government.

Q. A board existing for minimum price fixing?—A. What are you going to pay the farmer when he delivers his grain? You have got to pay him something. You cannot expect him—now, this is aside from the point, but do you know that some of our strongest pool enthusiasts suggest that we should take delivery of wheat without making any initial payment at all, and pay out the money as we sell the wheat? Well, that would be the ideal situation, but knowing the economic situation and the financial obligations of the farmers, as you do, you would certainly—it is just out of the question. It is impossible that anything like that can be done.

Q. The intent of this bill—I am just merely asking the question—as it stands at present is clear, to follow that procedure I have outlined?—A. The procedure?

Q. It is not the intention of the government to lose any money. You have said, I think, in the event of losing money it would be better. But it is the intent of the bill, as I take it, to put one hundred per cent of the control of the purchasing and marketing of wheat in the hands of the board?—A. Yes.

Q. And get the largest percentage of return back to the producer that is possible?—A. Of course—

Mr. WILLIS: That is not my interpretation.

Hon. Mr. STEWART: I know. We will settle that.

The WITNESS: I am not in the confidence of the government to the extent of knowing what it proposes. To look at is simply as a producer—

*By Hon. Mr. Stewart:*

Q. You can answer the question simply. I take it from your answer now—and I don't want to delay you—that you want one hundred per cent control, and you want a basic minimum price?—A. Yes.

Q. Or the basic minimum price or initial payment?—A. An advance as it is called; call it what you like, the basic minimum price plus, after the grain is sold, anything that may be available.

Q. That is a little different.—A. Yes. But if in the selling of the grain—and that would be a policy to be decided upon by the government which

guaranteed the finances—the government decides that we will have to step out and will have to get into competition, then it might be that this first basic payment or advance, or whatever you like to call it, might be the only thing.

*By Hon. Mr. Ralston:*

Q. Have we not to get out and get into competition some time?—A. Absolutely.

Q. We cannot keep a store of wheat forever?—A. No. I would like to have an opportunity of saying something on that point a little later.

Hon. Mr. STEWART: We are going to be crowded for time, Mr. Bredt. We would like you to give it just as rapidly as you can. We do not want to curtail you, but we would like you to give it as rapidly as possible.

The WITNESS: Yes.

Hon. Mr. RALSTON: You have been interrupted a good deal.

The WITNESS: I have been going fairly steadily. I don't know that I could have said much more than I did, in the time I have had.

Hon. Mr. RALSTON: Not and answer all the questions, Mr. Bredt.

The WITNESS: Is there a question now before me, to be answered?

*By Mr. Vallance:*

Q. There is one question I would like to ask. Do you expect that the minimum price will be arrived at taking into consideration world conditions at the time of the sale, or do you expect an arbitrary price?—A. Would not a minimum price depend on the one hand on the result of the Canadian crop? If we have a higher yield, obviously a lower price can be paid, because the number of bushels is greater. And then again, there would have to be taken into consideration the supplies in other countries. As I said before, looking at this bill without knowing the intentions as to what it is supposed to provide for, it seems to me it is just the natural conclusion and the natural sequence of events. The government has endeavoured to maintain a price to the producer which would enable him to carry on.

Hon. Mr. STEWART: There is some relationship to markets.

Hon. Mr. RALSTON: No, not.

Hon. Mr. STEWART: Oh, surely.

Hon. Mr. RALSTON: No, not relationship to markets.

Hon. Mr. STEWART: There may be.

The WITNESS: Oh, to a considerable extent; because you would not suggest, Mr. Ralston, that in 1932 cognizance was not taken of the tremendous quantity of wheat produced by Canada.

Hon. Mr. RALSTON: I was only taking the illustration of October, 1934.

The WITNESS: You cannot single out any one in particular.

Hon. Mr. RALSTON: You singled it out; I did not.

The WITNESS: I spoke about the two.

*By Mr. Vallance:*

Q. I am thinking of the condition in 1932, in December, when the producer was getting less than 20 cents.—A. That depends on the policy. What I started out to say was this, that the government has endeavoured to hold up the price on a basis that would give the producer, in some years at least, a reasonable return. It certainly did not do it in 1932, despite the assistance that was given. Now they have come to the point that it does not appear to be satisfactory. So far as I can see, this is the natural development. It is simply the evolution of what they had endeavoured to do. They see now that

there is too much risk involved. The danger of loss is too great; and as I look upon it, ultimately they will have to take a loss. That loss can be minimized by having control of all the wheat; and while it may sell freely, it would be absolutely suicidal, in my opinion, for the government to step out and say, "Now, regardless of any world crop condition or regardless of what others do, we are going to sell this carry-over within the next three months."

Hon. Mr. RALSTON: Nobody suggested that.

The WITNESS: No, but that is the extreme. On the other hand, the extreme I would say would be for the government, through having that control, to absolutely say, "There must be no Canadian wheat sold at a fixed price that will let us out of our operations without loss."

*By Mr. Ralston:*

Q. Have you not that control to-day?—A. No, because we have these outside influences creeping in.

Q. But the government has the power to pay any price it likes, or at least the Canadian Co-operative Wheat Producers Limited have power to go into the market and pay any price they see fit, have they not?—A. For stabilizing.

Q. That would give them control, would it not?—A. But they have not got carte blanche by any means. Any guarantees, as they have been extended, have been limited, and the guarantees being limited, we had run from time to time into these difficulties that Mr. McFarland were unable to carry on any further.

Q. I think you ought to give us an illustration of that, because you have told us that in December, 1932, that happened. Any other time?—A. And in October.

Q. October of what year, 1934?—A. October, 1934.

Q. There are twice that Mr. McFarland reached the limit?—A. Twice that I know of.

Q. And were not the limits extended in October, 1934?—A. The limits were extended.

Q. Yes.—A. But the difficulty was to get it. We are a long piece away, and wires and telephones did not get the immediate response that there should have been. I do not blame the government for not giving Mr. McFarland an absolute blank authority to buy any quantity. It was always limited to certain amounts.

*By Hon. Mr. Stewart:*

Q. And properly so.—A. And properly so, absolutely.

*By Hon. Mr. Ralston:*

Q. Do you think under this act the Governor in Council will give carte blanche to that board, to buy anything they want to at that price, to commit the country to any extent whatever?—A. No. As I understand the act—

Q. The act is practically the same as the guarantee which is unlimited?—A. The limits have been placed.

Q. And when it comes to carrying out or acting under this, the authority of the orders in council or of the act, then the Governor in Council, I would imagine, would impose some limit. Now, do you think they will not?—A. Absolutely.

Q. You think they will or will not?—A. They will impose some certain limit.

Q. Then you will have the same thing, wires and telephones, to get the limit increased, will you not?—A. No. Under this act—now, I am not an attorney—

Q. No. Do not put that in all the time. It is not a question of an attorney at all.—A. The interpretation of the act as a layman—a layman's interpretation of the act would be this: The board under section 7 (e)—

Q. I am looking at section 4 (3), that is the one on guarantees.—A. Oh—"The board shall have power to enter into ordinary commercial banking arrangements on its own credit, and to borrow money on the security of grain delivered to it, and the Governor in Council may authorize the Minister of Finance to guarantee advances made to the board hereunder or to make loans or advances to the board on such terms and conditions as may be agreed upon."

Q. On such terms and conditions as may be agreed upon.

Mr. LUCAS: That would be only to support the purchases of Canadian wheat. They would not have, when they support, to buy all the grain of the world which might be thrown on the futures market to-day, as you referred to in October.

Hon. Mr. RALSTON: That is a point I would like to make.

The WITNESS: Does not the section 4 (3) refer to the purchases that the board will make?

Hon. Mr. RALSTON: Certainly.

The WITNESS: The board, as I understand it, will purchase whatever wheat or contracts for wheat the Canadian Co-operative Wheat Producers may have; and they will also have the right to purchase—no, to make advances, I want to say, under (e) to producers and other persons delivering wheat at the time of delivery. So that would only be limited.

*By Hon. Mr. Ralston:*

Q. The Prime Minister and Chairman pointed out yesterday that the board already had power under section 7 (e) to buy and sell wheat?—A. To buy and sell wheat.

Q. And he pointed out that that was not limited to buying wheat of the Canadian Co-operative Wheat Producers Limited. The government has power to guarantee advances made by the banks to the board for its purposes on such terms and conditions as may be agreed upon; and you do not contemplate for a single minute that the Governor in Council will give a blank guarantee to the bank for whatever the grain board desires to borrow, without some limit, do you?—A. No.

Q. No, certainly not.—A. I think we are at cross purposes. I do not exactly understand.

Q. Let me make myself clear. I understood you to say that there was difficulty, the way the thing was being run now?—A. Yes.

Q. Because there were always limits imposed?—A. Yes.

Q. And that trouble resulted—and I am not using that term in an invidious sense at all—because of the fact you had to telephone back and forth to find out if the government would extend the limits of its guarantee. Now, my point is: Will not that happen in exactly the same way when the board is operating?—A. Yes, absolutely. But, Mr. Ralston, the board, in my opinion, under this act, would buy all the wheat. It would pay whatever advance is agreed upon between the board, with the approval of the Governor in Council. All the actual wheat that they buy would be there as security.

Q. That is so to-day?—A. No.

Q. Is it not?—A. We are holding futures.

Q. I know, but you put up contracts?—A. Yes.

Q. Don't you put them up as security?—A. Yes, put them up, but it is a different matter entirely to have the actual wheat as security.

Q. That is only a question of the security. It is not a different matter.

Mr. PORTEOUS: There are no short sales.

The WITNESS: But without the futures market operating, suppose there is a 350 million bushel crop in Canada, and out of that 350 million bushel crop, 250 million bushels are delivered to the board.

Hon. Mr. RALSTON: All right.

The WITNESS: And the board pays for that a certain set price.

Hon. Mr. RALSTON: All right.

The WITNESS: That would be the limit so far as the crop is concerned, and the carry-over that has to be taken over from the Canadian Co-operative Wheat Producers would be the second item; but there would be no opportunity for any outside speculating interests to come in because there is no market.

*By Hon. Mr. Ralston:*

Q. You mean, they had been buying more than Canadian wheat?—A. Absolutely.

Q. That 225,000,000 bushels is not all Canadian wheat, do you mean?—A. Well, I am anxious to see how much of that 225,000,000 will actually be delivered when delivery period comes around.

Q. It has already come, it came last October didn't it?—A. Yes, but it was transferred.

Q. They could have been made to deliver?—A. You could have, but that would have dislocated the market; as long as you have this futures market operating and have no substitute for it, nothing to put in its place, you must carry on as it is carrying on now.

Q. In other words, you say you have got the bear by the tail and can't let go.

The ACTING CHAIRMAN: The other fellow has got the bear by the tail, when it comes to delivery.

Hon. Mr. STEWART: Why not make him deliver?

Hon. Mr. RALSTON: I thought that was the situation, really.

*By Mr. Lucas:*

Q. Will it not follow that this board operating under the government would know what the surplus was and exactly what they were committed for?—A. Absolutely.

Q. But with a futures market operating?—A. I would not say that they would know definitely, because if they decided sometime or other that they should push wheat out even though below world price, thereby creating a deficit, they would not know; but if there was a deficit it would naturally act to the benefit of the Canadian producer.

*By the Chairman:*

Q. But, they would be buying cash wheat?—A. They would be buying actual wheat.

*By Mr. Willis:*

Q. In addition to that, Mr. McFarland's operations were a temporary expedient, weren't they—at that time?—A. It certainly was considered a temporary expedient at that time. No one expected that it would be carried on for four and a half years.

Q. No. In addition to that at that time the operations of Mr. McFarland were not supported by legislation which had passed the Canadian House of Commons, were they; I mean, nothing in the nature of a grain board, such as they are now?—A. No, it was only one system operating until you had something to put in its place; no different action could have been taken.

Q. And the futures market was operating then but will not be operating if this goes through?—A. That is my understanding.

Q. Yes; and that the swift changes are not likely to happen under this act, where futures operations are out, as they would be under Mr. McFarland's system of operation, where operations were allowed to run wild?—A. You mean, the market?

Q. These violent fluctuations?—A. No, because there would be no market to operate in.

Q. In this particular case they are holding actual wheat?—A. Yes.

*By Hon. Mr. Ralston:*

Q. But, the market will fluctuate when they go to sell this wheat?—A. The idea I am really trying to put across is the sales would be limited, it would apply only to actual Canadian grown wheat.

Q. I agree with that; you don't have to work with me to do that?—A. Well, that is the condition.

*By Mr. Willis:*

Q. Therefore, the Canadian market is not liable to fluctuate to the same extent?—A. Of course, it has to keep in step.

Q. Quite true?—A. If sales are to be made in the export market.

Mr. WILLIS: Yes.

*By Hon. Mr. Ralston:*

Q. The market for buying wheat is not going to fluctuate because the board is going to have set prices; the market for selling wheat is going to fluctuate as it always has because it is governed by world prices—isn't it?—A. Yes.

Q. So that all you have is your loss made more certain?—A. No, I can't agree as to that.

Mr. WILLIS: No.

*By Hon. Mr. Ralston:*

Q. I thought you were arguing that?—A. Oh, for Heaven's sake, don't put anything like that into my mouth, because it was the very opposite.

Q. Is it?—A. Then I have failed entirely in my presentation, Mr. Ralston.

Hon. Mr. STEWART: Not with all of us.

Mr. WILLIS: We did not get that impression.

*By Hon. Mr. Stewart:*

Q. Mr. Bredt, you haven't got to the selling end at all yet, and that is the part I am interested in?—A. We will take care of the selling end too.

Q. That may be, but I was waiting to discuss it with you; so far we have been talking about transactions up to that point.

*By Hon. Mr. Ralston:*

Q. Just let me finish what I had in mind, if I may; the idea I got is that you would have your loss made more more certain, I mean you would have the amount of your loss made more certain—you will agree with me there?—A. Not necessarily.

Q. Let us say, the amount of the loss; or not the loss, you would at least have the dollars, the amount, more certain, whether it be loss or gain?—A. I would imagine that there would be a loss.

Q. Yes?—A. But—

Q. Might I use the word "definite", instead of "certain"; perhaps that is the thing that would bother you?—A. I would not say definitely that there would be a loss, most likely there will be.

Q. If there is a loss the amount of the loss would be more definite than it would be under the system that has been in vogue so far?—A. I would say it would be a loss.

Q. It would be more definite, we would know better what the amount of that loss would be?—A. You could tell exactly that so many bushels had been sold at such and such prices in the world markets; and you would have the satisfaction of knowing that the export price paid at least did not go to the benefit of outside interests.

Hon. Mr. RALSTON: Yes.

The WITNESS: There is only one statement I would like to make in closing my presentation and that is in connection with the act itself. We are definitely opposed to the futures system. We think it is wrong in principle, and we object to the product of our farms, wheat—Canada's most important commodity—being made a play-ball for speculators. I am giving you figures covering varying periods and the indications are that there have been changes from day to day of ten cents. No doubt you could obtain figures which would show even greater fluctuations. As a producer sitting on my farm and looking at these furious antics I certainly cannot understand what the justification is for these tremendous fluctuations. I could understand it if the market went up ten cents, for instance the night after a heavy frost over Alberta, Saskatchewan and Manitoba when the wheat is in bloom, because that would mean the loss of that whole crop, and then I would say that that fluctuation—

Mr. GOBEL: Is justified.

The WITNESS: Is justified, absolutely justified. But I can't conceive of anything happening that would justify a drop of ten cents a bushel within 24 hours; I mean, a change in the actual position or in the demand position, because usually when a calamity, an earthquake or something like that, hits any part of the world although there may be thousands of people killed there is immediately a call for food although thousands have been eliminated as consumers. There seems to be more of a demand for food stuffs than ever. I cannot conceive of any situation arising that would justify a drop of ten cents, or whatever the drop was, in excess of a reasonable amount of a cent or two; I cannot conceive of any, and so far I have not been able to get any statement from any of the people who support this system that satisfies me. Those are the reasons why we feel that the futures system does not operate in the interests of the producer, and that in this particular case when the assistance—and this is agreed upon by all of the witnesses—will have to be extended to the producer, that it should be carried on when it involves a greater loss than it would if the actual wheat was taken over from the farmer. That is all the statement I wish to make.

Mr. PORTEOUS: That is the point, Mr. Bredt; that there is no justification for a man going to the elevator on Tuesday and taking 60 cents a bushel for his grain and then coming in on Wednesday morning and taking 55 cents.

Mr. VALLANCE: Just as an illustration of the point.

The WITNESS: There is no justification for it in my opinion, as far as I can see.

*By the Acting Chairman:*

Q. Mr. Bredt, orderly marketing and reasonable prices to the producer are the chief concerns of your organization. You think this bill ensures these to a greater extent than anything we have had?—A. To a greater extent than anything—no, not that we have yet had; I would not say that, because when we had the 1919 wheat board—of course, that was under different circumstances entirely—but in our opinion the situation is much more grave at this time with the producer hovering on the brink of ruin and bankruptcy than was the situation in 1919.

The ACTING CHAIRMAN: Is there anything else? I am sure, Mr. Bredt, you have given us a lot of information, and thank you.

Shall we resume at 4 o'clock?

Hon. Mr. RALSTON: Four it is.

The ACTING CHAIRMAN: I understand that Mr. Bennett is ready to go on; I mean, the witness from Alberta, if the committee so desire, at 4 o'clock. It is quite possible that the Prime Minister will be here as Chairman. If that is agreeable we will meet at 4 o'clock.

Some Hon. MEMBERS: Agreed.

The WITNESS: Before you close might I have the opportunity just to say a word: I am speaking now just as a producer who has the interest of the producer and of Canada as a whole at heart, and I think that the producers generally would feel very much pleased if it would be possible for the parties in the House to reach a common ground on this bill, because we honestly feel that the matter is so grave and of such tremendous importance that it should not be introduced into the arena of politics.

Mr. WILLIS: Agreed.

Mr. PORTEOUS: It will depend on the opposition.

The Committee adjourned at 1.12 p.m. to resume at 4 o'clock p.m. this day.

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## AFTERNOON SESSION

THE COMMITTEE RESUMED AT 4 P.M.

The ACTING CHAIRMAN: The Prime Minister may not be in for a little while, and he asks us to go, so we will call Mr. Bennett, from Alberta, who wishes to make a statement.

GEORGE BENNETT called.

*By the Acting Chairman:*

Q. Give the reporter your full name and your business connection?—A. I am director of the Alberta Wheat Pool and vice-president of the Canadian Co-Operative Wheat Producers, Limited.

Q. You wish to make a statement. Will you proceed?

A. Mr. CHAIRMAN:

I am a member of the Alberta Wheat Pool Board, and have been farming in Alberta for the past thirty years. I have very little to add to what Mr. Brouillette and Mr. Bredt have said, as we have worked together on this and I agree with the evidence they have submitted; but I would like to give you some of the reasons why I as a farmer, in common with so many of my fellow farmers in Alberta, are in favour of a wheat board rather than the grain exchange system.

We wonder why, if the buying and selling of options is the best way to sell wheat, the same should not apply to other commodities, such as motor cars, farm machinery, etc. The price of these commodities stays stable, but our wheat, which is sold under the grain exchange system, fluctuates from day to day and often fluctuates greatly in a single day.

On the 3rd day of March, 1925, wheat closed on the Winnipeg Exchange at \$2.05 $\frac{7}{8}$ , and on the 3rd day of April (just one month later) it closed at \$1.38 $\frac{3}{8}$ , a difference of 67 cents. A month later it was back to \$1.79—41 cents

higher than the previous month. This is an extreme case, but there are many cases pretty nearly as bad. And if a Royal Commission is appointed to investigate the stabilization operations of the past few years, and the evidence of that investigation made public, there will be no doubt in the minds of the people about short selling on the Winnipeg Exchange, when they know how many millions of bushels had to be bought day after day for a week, when there was only a very few million bushels of legitimate hedging. By the time that investigation is over there will be no doubt in the minds of the western farmer that a different system of selling our wheat is needed.

The western farmer knows that the solution of the wheat question is international, and the solution would be greatly simplified if the wheat in each country was handled by a Board.

I have seldom seen the farmer taking more interest in anything than he has in this Grain Bill, and the farmers certainly will not be satisfied with anything that will retain the futures market. I mentioned earlier that motor cars, farm machinery, etc., were not sold on an option market, the crash of 1929-30 did not affect the price of them, although it affected the price of their shares. We have been told of how the Wheat Pools got into difficulties in 1929-30, and were not able to hold the price of wheat—it could not be done with 50 per cent of the wheat hedged, and those hedges held by thousands of people who, when the crash came sold out, or in most cases were sold out; other speculators bought, thinking the market would come back; they in turn were sold out, and the process went on until, to save western agriculture, the government had to step in.

So the farmer well knows that no scheme with the futures market maintained can succeed.

We farmers know that this wheat situation is one of the most serious that Canada has to face, but we also know that with the real co-operation of all interested, it can be solved.

The ACTING CHAIRMAN: Are there any questions any of you gentlemen wish to ask?

*By Mr. Lucas:*

Q. Mr. Bennett, the world importations have been dropping steadily for some time. Unless the world is prepared to take more wheat and we continue producing and adding to the surplus, what in your opinion will happen. Have you anything to say about that?—A. Well, I have given a lot of thought to this wheat situation, and I have ideas that have not been very popular. My idea is that there is over production. Now, I mean by that when the crash came in 1929 and 1930 we found that machine men and different manufacturers had over-produced just the same as we had done in wheat, but their prices did not go down. What they did was to stop producing until the stocks were used up. We farmers, instead of that, kept on producing; in fact many farmers thought because they were getting less per bushel that they should break up more acres and produce more wheat. That was done because they had obligations to meet. When you think over the whole situation that during the war we were the only country that Great Britain could get to buy from; Argentine was too far away; Australia was too far away, because ships had to be convoyed for fear of submarines, a great many people pointed to Canada, that they needed wheat to win the war, and we farmers responded to that cry to the very fullest. It may have been in some sense—some people say this—because the price was high, but I am willing to state that most of us fellows did it for patriotic reasons, because we had lots—as I had—many people over in the old country engaged in that war, and we did the best in us, the best that we could.

Hon. Mr. RALSTON: Your speech would assure us of that.

The WITNESS: Well, I know that in my own case—and this applies to others too, but I will speak of my own case—I would not have bought more land to produce more wheat if it had not been for that patriotic reason. I knew that it was not right, that we were going to over-produce. However, we did all that, and then when the war was over, Europe immediately began, as soon as they could get around to it, to build back their own agriculture again. They did that, and we went on still breaking up more prairie. Those of you who own farms know that. We still kept on breaking up more prairie, because we had already bought the outfits. We had big machinery there, and were breaking up more land; and before we knew it, Europe had come back to her previous production. In fact, they exceeded it in a very short time, because of what they had gone through during that war experience, and they were determined that they were not going to be caught again with this cloud that is always hanging over Europe of the fear of war. We should, and if we had been wise business men, or one man was doing this business, we would have cut down our production. There is no doubt we would have done that instead of keeping up with it. So that I do think that the time is coming when governments will have to face the situation; I don't like to say to reduce acreage, but I do think along the line that was agreed on internationally of quotas, that we may have to bring this question of quotas down to the individual farmer so that he should just be allowed to sell so much. Now, I know that we will resent that. I would myself.

Mr. VALLANCE: I hope so, with that tongue, if that indicates anything.

The WITNESS: We would like to carry on in our own individual way. But I think the time is coming when we will have to be taken hold of and we will have to be told just how much we can produce. To begin with, we will over-produce. We will just be allowed to sell so much and we will build up those reserves back on our farms, and that is what most farms need to-day, and we have never been able to do it, have a reserve of a few thousand bushels of wheat. If that had been done before this piled up, this reserve piled up down at the head of the lakes, look how much of this wheat would have gone into consumption. Look at what we see now over the southern part of Saskatchewan and Alberta. It would have gone into consumption, but it could not be profitably brought back from the head of the lakes. We would not continue piling up wheat like that on the farm. We would gradually begin to change our methods on the farm. There is no doubt that if we did that, those of us as live in the north part of the country where we are not affected with soil drifting, we would be better off—but when we have seen what has happened to the great stretch of Saskatchewan, Manitoba and Alberta by soil drifting, the sooner we get some of our land seeded down to grass and fibre, put back into it the fibre, we will have a more sane system of farming. I feel sure—now, I am not going to make a speech.

*By Mr. Vallance:*

Q. Mr. Bennett, how would you propose the financing of the farmer in holding a portion of his crop in reserve, as you talk about? How is he going to carry on and hold back?—A. I know that is a very difficult situation, but if we do not do it, how is he going to carry on? That is what bothers me. If we are not going to do it, I can see no solution. But if we do it, we may have a few difficult years, but you can see a solution ahead. That is the way I look at it.

Q. You are going to reduce the production either by your suggestion of keeping reserves on the farm or cutting down the acreage. I know from your statement here of thirty years' residence in the province of Alberta, you must realize that there are large portions not only in the province of Saskatchewan but also in the province of Alberta to-day that are producing wheat, that cannot produce anything else?—A. I know.

Q. What are you going to do with them?—A. I don't know. There again there is this large question. But we know there have been—or I think there have been committees appointed to investigate all that situation, this dried out area. It is a matter that governments have to take up. We have gone on just as individuals. We came out here and we scattered all over those prairies and we scattered too far. There is no question of that; and we did all those things just as we saw fit. Nobody interfered with us. I think that the whole thing has to be taken hold of the same as your other things, by governments. Governments have got to get together, and that is one thing I am sure of. What I mentioned in this brief, if we are sincere in wanting a solution—and I am sure we are—we are also capable of finding that solution if we all get down together and earnestly go after it.

*By Mr. Lucas:*

Q. Have you any opinion, Mr. Bennett, on the cost of the production of wheat?—A. I don't know. I do know about what it costs me, myself, for this number of years, but the situation varies so much. I happen to live in a part of the country where we never really had a crop failure.

*By Hon. Mr. Ralston:*

Q. Where do you live?—A. I live about 130 miles east of Edmonton, on the old C.N.R. railway, and the shortest crop I have had has been 6 bushels to the acre, and that was in 1919. In 1918, I may say we were froze, but we had a big crop of hay and we had cattle to feed it to. But that is the closest we have been to a crop failure. So that is entirely different from parts of the prairie where they have had years when they have got nothing. Now, in my own situation I will frankly tell you that it costs me—I worked it out, taking it over an average of years—65 cents; that I need clear to farm, and that would not pay debts. It will pay my taxes and pay my farm operations. It would not buy new machinery.

*By Hon. Mr. Stewart:*

Q. That is just the bare operating cost?—A. Just the bare operating cost.

*By Mr. Porteous:*

Q. Do you run any live stock on your farm?—A. Yes. I am not a straight grain farmer. I do not believe in it.

Q. Which is the most profitable, growing wheat or live stock?—A. Well, I have lost more money in live stock than I have in grain. That is true. I was caught in 1919 with live stock when the price went down to nothing.

HON. MR. STEWART: 1920, was it not?

THE WITNESS: 1920. I was advised by the bank to hold them. I was going to sell, and was advised by the bank to hold.

HON. MR. STEWART: I am afraid I was one of those who encouraged the buying of live stock at that time.

THE WITNESS: Well, it looked like the right thing to do.

*By Mr. Vallance:*

Q. So you think this bill holds out a measure of relief that you think would give to us, at least in your opinion, the solution to the present form of marketing of our wheat?—A. I do think, Mr. Vallance, that it does. What I am more concerned in, as a start, is just getting away from this futures market. I have no hesitation in saying, friends, that I have gone into that exchange in Winnipeg and watched it, and I think it is the biggest gambling hell that I ever saw.

Q. Of course, you would not suggest that, when this board is in operation, this board will not sell wheat for future delivery?—A. But not in the futures market. Sure we will sell wheat for future delivery. The miller has got to have that protection, sure.

Q. I just wanted to ask that so that there would not be any misunderstanding?—A. I have often wondered, when we have provincial governments passing legislation to do away with slot machines, and your government down here would not agree to having sweepstakes—none of these things compare with the stock exchange or the grain exchange, none of them.

*By Mr. Lucas:*

Q. I think it is generally admitted that the big speculator claims that he does not make any profit, and the small speculator does not make any; and the farmer knows he does not make any. Who makes the money on this grain exchange?—A. Well, I don't know. But I am very often in Winnipeg, and when I walk down Wellington crescent, I will tell you somebody has made some money before they have been able to build those fine, stately homes down there—the money it takes to build and the money it takes to keep them up. I know that we have not got it. I don't blame them for coming up and wanting to retain the system. That is quite natural. But we are pleading for ourselves as farmers; and not only that, when the farmer is prosperous it reflects back all over the country. There is no getting away from that.

Hon. Mr. RALSTON: Quite right.

*By Hon. Mr. Stewart:*

Q. We have been discussing the producer all the time. In speaking of this yesterday, we said, of course, that is the ultimate object in view, what will work back to him. The sales price and export price is the price that governs what he receives?—A. Yes.

Q. And it is a question of getting the highest price possible for our exports, because they govern our domestic market all along the line?—A. Yes.

Q. And it is your opinion that one board in control of the whole of the sales of Canadian wheat, even with the fact that we may have over-production—I am not going into that, because I do not think that that is the big trouble to-day; but that is my personal opinion, so I am not foisting it on the committee—you are convinced that the one board, a board with 100 per cent control of selling, because that is a thing this committee is more interested in than anything else, will be more effective than say two dozen reliable brokers or grain operators with their ramifications all over the world to sell grain?—A. Far more efficient; one would be far more efficient. I have no doubt about that at all. But the big thing in my estimation is this, this whole wheat thing is international. If we get a board up here, we know there is a certain kind of board in the Argentine, Australia working in the same way, and we will be able to come to an understanding. We can't afford to get into a dog-fight with those countries. We can't do it. We have got to avoid that if it is possible.

Q. In the meantime, I am afraid you will have to do it?—A. We may have to go through it, but if we can avoid it—the thing is if we can avoid it.

Q. I am not as optimistic about that as you are. As a matter of fact, that is one point where I do not agree with Mr. Bredt or Mr. Brouillette either. I think we have got to have an efficient and active sales agency. We cannot afford to let any other countries occupy our market. If we do, we just lose that quantity of wheat sales?—A. Well, my own idea is—I am only giving my own idea of this, but I think it is the idea of most of the men that I represent—that we should immediately open up our offices in London. We had built up a great connection there, and we could do it again. I have not the least doubt of that. Who is it to-day who is trying to sell our wheat? Just come down to that.

Who is trying to sell Canadian wheat? We were, when we were in operation, trying to sell it and were selling it and built up connections. If I were just concerned in our Alberta wheat pool as an elevator concern, I think I would be concerned in seeing that my elevators were kept full and got carrying charges for them more than I would be in selling wheat, apart from selling just enough to keep the thing moving.

*By Mr. Willis:*

Q. Do you not think that our trade commissioners all over the world assist in the selling of our Canadian wheat?—A. Sure.

Q. They are so instructed, I understand?—A. Yes. But I think if we had a sales agency of our own built up we could do it better, because it would be their job. Your other commissioners have other things to look after.

*By Hon. Mr. Stewart:*

Q. There is another aspect of this thing that has interested me greatly, and that is the statement not only of your own people, John I. McFarland as your sales representative, Mr. Smith who sat here the other day, Mr. Richardson—everybody, so they say, was convinced that wheat was going to go higher. Now, you will not blame us for getting suspicious that if more energy had been put into the sales by all of the representatives this year, more wheat would have been sold. I mean, I am being frank with you. I am telling you that is the impression I got. That is why I ask you that question, are we going to get better service from a board of three men having 100 per cent control of sales than they would with activity, despite all you say about the futures market? I confess when you take me into the futures market I am a bit lost. I am thinking about selling Canadian wheat, and that is a job that this board is going to have and it is going to be a job for a year or two; because to cut production down with thousands and thousands of farmers producing is a hopeless job, in my opinion. I think we have got to assume that Canada is going to raise about normal crops of wheat, which will be about 500,000,000 bushels. That means that we have got to sell a lot of wheat; now the question is what is going to be the most effective way of getting rid of that wheat at the best price possible to secure for it; and you say by a single agency, the board?—A. Yes, I do; and I still entertain that opinion. I might be wrong, but that is my view. I have watched it fairly close because I have been fairly closely connected with it.

Q. May I say just this other thing before you go off; we have been told, and frankly I have not brought it to the attention of the committee because this is not the place in which to discuss rumours—that the action taken by Mr. McFarland when he was appointed your sales agent in withdrawing your agencies—of course it appears to us, naturally, that that was a wrong policy; although, that may naturally have been Mr. McFarland's opinion, for he did that you see; and that undoubtedly has created some prejudice in our minds towards a single selling agency. I would like to have your opinion in that regard?—A. That is wrong—I for one thought—and many of us people in the pool did not agree with Mr. McFarland, did not agree at all with that policy.

Q. I see?—A. But there was one thing I was sure of, that Mr. McFarland was thoroughly convinced that he was doing the right thing.

Q. Oh, well, yes?—A. I would like however to give my reason for that. Several years before that I remember having breakfast one morning with Mr. McFarland in a restaurant in Calgary, we had just met by chance, and we were talking over the whole situation—in 1928 I think it was—and he said at that time, you know there is one thing I am satisfied is really wrong, and that is your opening up your London office. From that you will see that even at that time Mr. McFarland had that idea functioning in his own mind. But I think he was wrong; that, however, is a difference of opinion; but I still think he was wrong and I think events have proved that.

Q. I am not at liberty to give you the sources of my information, but I have information from one in whom I have the greatest confidence and he expresses the same opinion; however, at the same time I do not know what his opinion is to-day in the light of what has happened since 1930; but at that time he was quite decidedly of the opinion that it was a mistake for the pools to open their agencies abroad, that they had aroused the hostility of the grain trade of Britain and of Europe. That was his statement to me, and he was actively engaged in the grain trade?—A. Sure; I agree with that.

Q. Not on his own account, mark you?—A. But he was in the grain trade; naturally the trade were opposed to it.

Q. This man was not operating as a broker at all, he was hired by?—A. As Mr. Brouillette told you, I think, we have had letters from over there—in fact, I would go further than that and state that France sent a man over here to interview the pool to see if we would not open up again in France.

The ACTING CHAIRMAN: Have you any further questions, Mr. Ralston?

Hon. Mr. RALSTON: No.

*By Mr. Porteous:*

Q. He was trying to sell our grain?—A. Yes.

Q. Do you assume that it would be more profitable to the trade to hold our grain in elevators than to sell it?—A. There is that, true; and the men who are handling export wheat to-day are the three big men spoken about here on Friday as being the ones who were handling about 50 or 60 per cent of Canadian wheat, they ought to be in a position to know; it was also said that three firms were handling from 80 to 90 per cent of the world's export wheat. We do know that they are handling a large percentage of Canadian wheat. There is no question that these men are opposed to the present system and anything that interferes with their way of doing business. They are selling wheat from the Argentine and anywhere else to send to Great Britain. Wouldn't it be more than natural for them to try to get the wheat of these other countries to sell and keep down our prices and leave us with a big carry-over.

*By Hon. Mr. Ralston:*

Q. Do you mean that they are buying this other wheat to keep down our prices and build up a carry-over?—A. I am not saying they are doing that, but it would be a natural thing to expect I think.

Q. It is a pretty diabolical way of doing things?—A. Oh, I tell you there is no conscience in big business.

Hon. Mr. STEWART: We will agree about that.

Mr. VALLANCE: There is no conscience in the grain business from the grower up.

The ACTING CHAIRMAN: Have you any questions Mr. Willis?

Mr. WILLIS: No.

The ACTING CHAIRMAN: Have you Mr. Gobeil?

Mr. GOBEIL: No.

The ACTING CHAIRMAN: If there are no further questions—thank you, Mr. Bennett.

The WITNESS: Thank you very much, Mr. Chairman; I think you have been very patient with us and given us a good hearing.

The ACTING CHAIRMAN: Now, the Prime Minister desires to be present when Mr. McIvor is giving his evidence. He cannot be present today, so I suggest that we adjourn until tomorrow morning at 10.30.

Hon. Mr. RALSTON: Could you say 11 o'clock; would it make any difference to the committee if we sat at 11 o'clock instead of 10.30?

The ACTING CHAIRMAN: Would you prefer 11 o'clock?

Hon. Mr. RALSTON: I would, much; but I do not wish to impose on the committee.

Hon. Mr. STEWART: How many more witnesses have we?

The ACTING CHAIRMAN: I think there is just Mr. McIvor.

Mr. VALLANCE: Mr. Bennett would like to make another statement before retiring.

The ACTING CHAIRMAN: Just let us settle this while we are at it; we will adjourn, when he is through, until 11 o'clock tomorrow morning.

Hon. Mr. RALSTON: All right.

Mr. VALLANCE: That suits me.

The ACTING CHAIRMAN: Well, Mr. Bennett.

The WITNESS: I am sorry I forgot this, it might bring up discussion and it might not: It seemed to me that when the question of control by the board was being discussed that the matter of the minimum price was not exactly made clear, and I want to make that absolutely clear: It is that Mr. Brouillette, Mr. Bredt and myself as the executive of the Canadian Co-Operative Wheat Producers, Limited, are agreed that there should be a provision in the bill for a minimum price, that price to be decided by the board and the government, and that that price should bear a relationship to the cost of production. And now, I am sorry I did not bring that up before because it might have opened up a lot of discussion.

Mr. VALLANCE: It certainly would have.

The Witness retired.

The committee adjourned at 4.40 p.m. to meet again at 11 a.m. Thursday, June 27, 1935.

EXHIBIT "C"

FILED BY WITNESS PAUL T. BREDT

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

EXPORT OFFERS AND COMPARISON WITH MARKET PRICES

JULY, AUGUST AND SEPTEMBER 1929

Date	Option Basis	Market	Offers	Under	Over	Date	Option Basis	Market	Offers	Under	Over
July 2	July	1.34½	1.33½	(1)		Aug. 16	Oct.	1.64	1.61	*3)	
" 3	"	1.39½	1.38	(1½)		" 17	"	1.67½	1.63	(4½)	
" 4	"	1.44	1.42	(2)		" 19	"	1.64	1.61	(3½)	
" 5	"	1.43½	1.42	(1½)		" 20	"	1.61	1.59	(2½)	
" 6	"	1.41	1.42			" 21	"	1.55½	1.55½	(½)	
" 8	"	1.43	1.43	(½)		" 22	"	1.53	1.53½		
" 9	"	1.41	1.43		1½	" 23	"	1.56	1.55½	(1½)	
" 10	"	1.43	1.44		1	" 24	"	1.55½	1.54½	(1)	
" 11	"	1.44½	1.44	(½)		" 26	"	1.53	1.52	(1½)	
" 12	"	1.47½	1.46	(1½)		" 27	"	1.55	1.52	(3)	
" 13	"	1.55½	1.52	(3½)		" 28	"	1.52½	1.49½	(2½)	
" 15	"	1.66	1.64	(2½)		" 29	"	1.53	1.49½	(3½)	
" 16	"	1.67½	1.64	(3½)		" 30	"	1.53½	1.49½	(3½)	
" 17	"	1.76	1.72	(4½)		" 31	"	1.54½	1.49½	(4½)	
" 18	"	1.73	1.72	(1½)		Sept. 3	Oct.	1.54½	1.50	(4½)	
" 19	"	1.68	1.72		4	" 4	"	1.51½	1.50	(1½)	
" 20	"	1.62	1.72		10	" 5	"	1.52½	1.50	(2½)	
" 22	"	1.69½	1.72		2½	" 6	"	1.53	1.50	(3)	
" 23	"	1.70	1.72		2	" 7	"	1.54½	1.50	(4½)	
" 24	"	1.69½	1.72		2½	" 9	"	1.54½	1.50	(4½)	
" 25	"	1.76½	1.72	(4½)		" 10	"	1.54½	1.50	(4½)	
" 26	"	1.76½	1.72	(4½)		" 11	"	1.56½	1.51½	(5½)	
" 27	"	1.78½	1.72	(6½)		" 12	"	1.58½	1.53	(5½)	
" 29	"	1.78½	1.72	(6½)		" 13	"	1.56½	1.53	(3½)	
" 30	"	1.72	1.70	(2)		" 14	"	1.54½	1.51½	(2½)	
" 31	"	1.72	1.67	(5)		" 16	"	1.50½	1.50	(½)	
Aug. 1	Oct.	1.70½	1.70	(½)		" 17	"	1.50½	1.50	(½)	
" 2	"	1.67½	1.67	(½)		" 18	"	1.50½	1.50	(½)	
" 3	"	1.65½	1.65	(½)		" 19	"	1.50	1.50		
" 5	"	Holiday				" 20	"	1.48½	1.48	(½)	
" 6	"	1.54½	No offers			" 21	"	1.48½	1.48	(½)	
" 7	"	1.55½	"			" 23	"	1.46½	1.46	(½)	
" 8	"	1.54½	"			" 24	"	1.43½	1.46		2½
" 9	"	1.54½	"			" 25	"	1.43½	1.46		2½
" 10	"	1.55½	"			" 26	"	1.46½	1.46	(½)	
" 12	"	1.52½	"			" 27	"	1.44½	1.45		½
" 13	"	1.52½	1.54		1½	" 28	"	1.41½	No offers		
" 14	"	1.54½	1.55			" 30	"	1.43½	"		
" 15	"	1.56½	1.57								

SUMMARY

76 MARKET DAYS

52 under market.  
 14 over market.  
 2 on market.  
 8 no offers.



## EXHIBIT " F "

FILED BY WITNESS PAUL T. BREDT

These figures are taken from Stewart-Riddell report to Saskatchewan Government, May 3, 1921. Compiled on same basis as above table.

## DELIVERIES

Year	Total	September, October, November	Percent
1917-18.....	157,871,171	118,975,891	75.4
1918-19.....	125,422,203	97,268,894	77.6
1919-20.....	116,874,413	87,605,204	74.9

CROP YEARS 1910/11 TO 1916/17 SHOWING AVERAGE OPEN MARKET CLOSING PRICES DURING FIRST FOUR MONTHS OF CROP YEAR AS AGAINST THOSE OF OTHER EIGHT MONTHS, BASIS 1 NORTHERN FORT WILLIAM.

Year	—	September- December inclusive	January- August inclusive
1910-11.....	0.95 $\frac{3}{8}$	0.94	- 1 $\frac{3}{8}$
1911-12.....	0.98 $\frac{1}{4}$	1.02 $\frac{3}{8}$	+ 4 $\frac{1}{8}$
1912-13.....	0.86 $\frac{3}{4}$	0.90 $\frac{1}{4}$	+ 3 $\frac{1}{2}$
1913-14.....	0.83 $\frac{1}{4}$	0.92 $\frac{1}{4}$	+ 9
1914-15.....	1.16	1.41 $\frac{1}{4}$	+ 25 $\frac{1}{4}$
1915-16.....	1.01	1.18 $\frac{3}{4}$	+ 18 $\frac{3}{4}$
1916-17.....	1.75 $\frac{3}{4}$	2.20	+ 44 $\frac{1}{4}$

SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

---

MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

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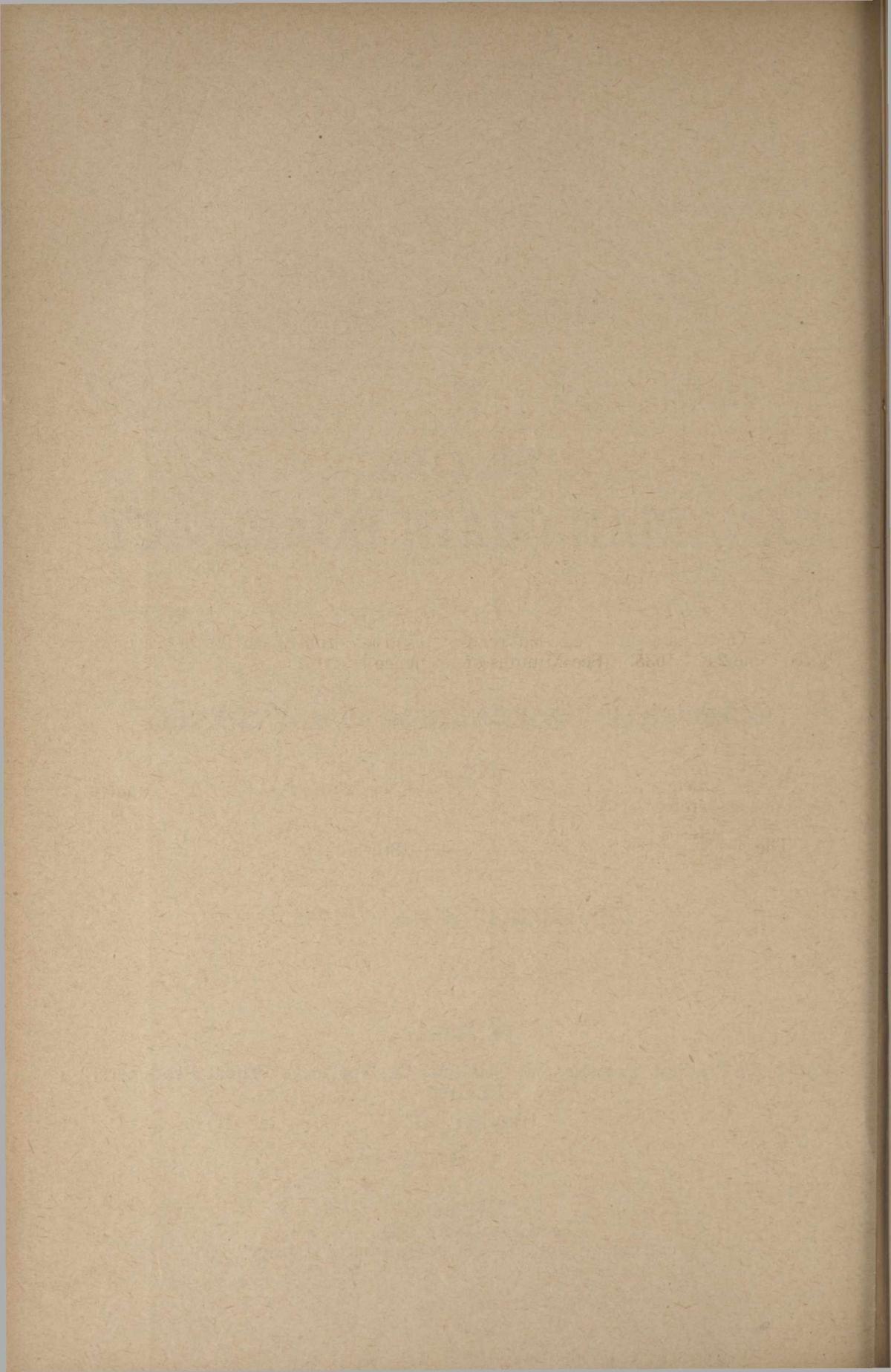
THURSDAY, JUNE 27, 1935

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WITNESS:

Robert C. Findlay, Treasurer of Canadian Co-Operative Wheat Producers,  
Limited  
Exhibit "G"

OTTAWA  
J. O. PATENAUDE, I.S.O.  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, June 27, 1935.

The meeting came to order at 11 a.m., Mr. Bennett presiding.

*Members present:* Messrs. Bennett, Gobeil, Perley, Willis, Stewart, Ralston, Vallance, Lucas and Porteous.

The Chairman produced and filed Orders in Council, P.C. 890, dated May 14, 1934; P.C. 974, dated April 12, 1935; P.C. 975, dated May 12, 1935. (See Minutes of Evidence hereto.)

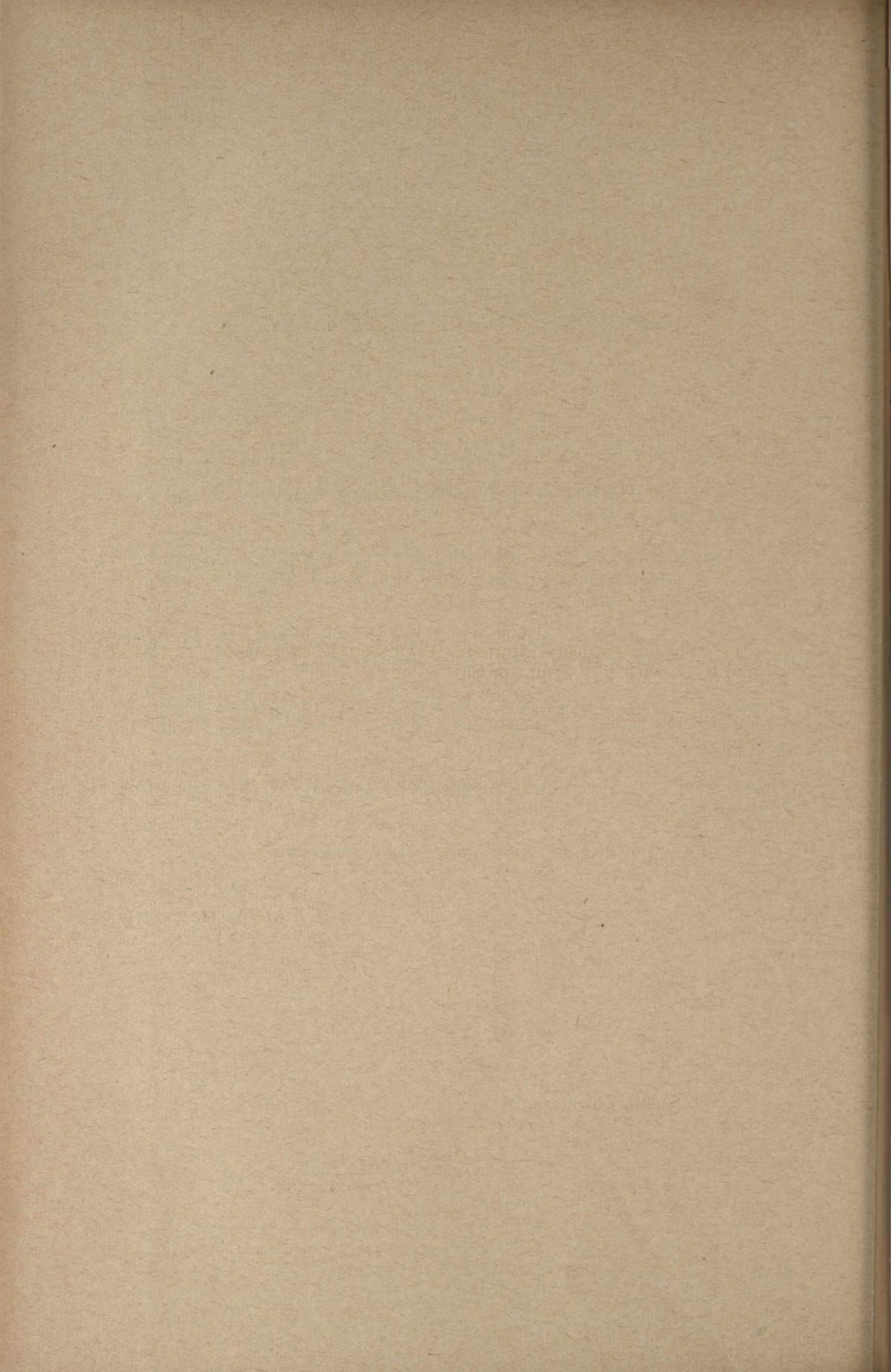
The Chairman produced and read a telegram from John T. McFarland, dated June 24th, 1935. (See Minutes of Evidence hereto.)

Robert C. Findlay, Treasurer of the Canadian Co-Operative Wheat Producers Limited, was called, examined and retired. Witness to re-appear at the next meeting.

Witness filed a statement which appears as Exhibit "G" to the Minutes of Evidence hereto.

The meeting adjourned till Friday, June 28th, at 10.30 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 27, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 11 a.m., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: We will come to order, gentlemen. Mr. Stewart has sent word that he will be here presently. I am placing on the record three orders in council asked for. The dates of the orders in council are May 14, 1934, April 12, 1935, and also April 12, 1935. Now, Mr. Findlay will be our first witness.

Hon. Mr. RALSTON: Are these the orders in council referred to in the evidence given before the Banking and Commerce committee?

The CHAIRMAN: No, these are the later ones; the ones printed in the appendix have not been reproduced. These are the ones that carry it down to date.

Hon. Mr. RALSTON: What are the dates again?

The CHAIRMAN: May 14, 1934, April 12, 1935 and April 12, 1935.

Hon. Mr. RALSTON: What is the effect of them?

The CHAIRMAN: They continue the authorization given to the Canadian Co-Operative Wheat Producers Limited, and one of the two passed on the 12th of April had to do with seed grain for Saskatchewan which, at the request of the Saskatchewan government, was purchased by Mr. McFarland and the money was supplied by the government. I do not say it was supplied temporarily—advances, I think, is the right word.

I think at this point I should read a telegram which Mr. McFarland has sent to me, before we examine these witnesses. I do it merely as a matter of courtesy.

WINNIPEG, June 24, 1935.

I have hesitated to volunteer my opinion regarding the nature or extent of the evidence which your committee should in my absence investigate, because my physical condition had removed me for an indeterminate period from the arena of active affairs but as my physician now gives me reasonable assurance that I will in all probability be fully recovered in from six to eight weeks, I now venture to suggest to you that any searching investigation of the day to day stabilization operations should not occur in my absence stop If there is any accusation or suspicion of dishonesty, negligence or even incompetence against me in the national service of the past four and one half years I want the privilege of being present in person to face my accusers on each and every detail stop At this time I am perfectly willing that McIvor or Findlay should disclose our total holdings of actual wheat and net unfilled purchases of wheat for future delivery together with the average cost per bushel of all such wheat basis delivered Fort William Stop That information will convey to this country the full extent of the national liability if any incurred in order to maintain a market for the crops produced in the past five years stop This will give members of parliament as well as members of the proposed wheat board a complete financial picture of the problem and as soon as my physician pronounces me physically fit I will gladly appear before any properly constituted authority and answer my accusers on any charge or charges they choose to make stop It should be clearly

evident neither the government or the proposed wheat board can receive or secure delivery of more wheat than is actually in storage in Canada and the Department of Dominion Statistics can provide particulars of such quantities officially while on the other hand so long as there is a legalized futures market system operating to create and establish values for the producers of this country there will occur periods of time when unwarranted short sales will exceed the total quantities of all actual Canadian wheat supplies in this country or in this continent or elsewhere just as there is at present but the proposed new board in this instance need not worry as they cannot take title to more than exists in storage.

JOHN McFARLAND.

P.C.—890

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 14th May, 1934.

The Committee of the Privy Council have had before them a report, dated 28th April, 1934, from the Minister of Finance, stating that he has had under consideration Order in Council P.C. 685, approved by His Excellency the Governor General on the 12th day of April, 1933, whereby the Governor in Council guaranteed to the chartered banks hereinafter mentioned:—

Bank of Montreal,  
The Bank of Nova Scotia,  
The Bank of Toronto,  
The Canadian Bank of Commerce,  
The Royal Bank of Canada,  
The Dominion Bank,  
Imperial Bank of Canada,

payment by the Canadian Co-Operative Wheat Producers, Limited, hereinafter called "Wheat Producers," of all advances made or to be made by said banks to Wheat Producers and interest thereon as agreed between the said banks and Wheat Producers until repayment, as in said Order in Council provided. "Advances" herein shall be deemed to include all monies loaned by the banks to Wheat Producers on account of contracts for the purchase and future delivery of wheat and other grains, and to include the final payment under such contracts when the grains so purchased are taken into possession or control of Wheat Producers.

On the 31st day of March, 1934, the powers created by the Relief Act, 1933, expired. The Minister of Finance is advised that at the 31st day of March, 1934, Wheat Producers had in its possession wheat acquired in connection with and pursuant to said Privy Council Order No. 685, and that at that date Wheat Producers had previously entered into contracts for the purchase and future delivery of wheat and other grains, as contemplated by and in pursuance of said Order in Council, in respect of and for the purposes of which advances were made under said Order in Council by the banks to Wheat Producers; that additional advances for the like purposes have been made by the banks at the request of Wheat Producers on and after said 31st day of March, and that further advances from the banks after the date of the passing of the Order in Council in pursuance of this recommendation, may be deemed necessary by Wheat Producers in respect of such contracts or in respect of contracts in substitution for or in addition to existing contracts for delivery of wheat and other grains, in order to secure the advantageous sale or disposal of such grains and contracts.

The Minister, therefore, recommends that payment of the amounts of money advanced to Wheat Producers, and interest thereon until repayment as agreed upon between the said banks and Wheat Producers, outstanding at

the 31st day of March, 1934, and that payment of the amounts of such additional and further advances made or contemplated by this Order in Council as have been or may be deemed necessary by Wheat Producers to secure the advantageous sale or disposal of all grains delivered and contracts in respect of grain to be delivered to Wheat Producers thereunder, and interest thereon until repayment, be guaranteed to said banks by the Governor in Council under the authority of The Relief Act, 1934.

The Minister, in addition, recommends that such guarantee shall become operative and payment thereunder, out of the Consolidated Revenue Fund, of the respective balances, if any, then due or accruing due, shall be made, after Wheat Producers have sold and realized upon all or practically all of such wheat and other grains in its possession or control, and have sold or disposed of all or practically all such contracts for future delivery of wheat and other grains, and application of the amounts realized, less expenses, has been made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments are to be made in pursuance of this guarantee.

The Minister further recommends that the Governor in Council may at any time fix and determine a date at which Wheat Producers shall proceed to sell and dispose of all wheat and other grains in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts, entered into and falling within this guarantee, for the future delivery to it of wheat and other grains. Application of the amounts realized, less expense, shall be made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments, if any are required, are to be made out of the Consolidated Revenue Fund in pursuance of this guarantee.

The Minister further recommends that should the Relief Act, 1934, expire and no renewal or further extension of the powers therein contained be then enacted, and any portion of such advances to Wheat Producers, or interest thereon, be due or payable to the said banks, Wheat Producers shall proceed to sell and dispose of all wheat and other grains, if any, in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts entered into and falling within the guarantee of the Governor in Council based on this recommendation for the future delivery to it of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest, and, if any balances of such advances and interest are unpaid, thereupon the Governor in Council, on the recommendation of the Minister of Finance shall determine the date at which payments out of the Consolidated Revenue Fund are to be made in pursuance of this guarantee.

The Minister finally recommends that whenever, under either of the recommendations contained in the two paragraphs immediately preceding, Wheat Producers is required to proceed to sell and dispose of wheat and other grains and contracts, such sale and disposal shall be subject to any instructions that may be given, from time to time, by the Minister of Finance to Wheat Producers as to quantities to be sold or disposed of and periods within which sale or disposal shall accordingly be effected, but failure or neglect on the part of Wheat Producers to proceed to sell and dispose of wheat and other grains, or to comply with any instructions given by the Minister, shall not in any way affect the guarantee as herein provided.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Sgd). H. W. LOTHROP  
*Asst. Clerk of the Privy Council.*

## P. C. 974

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by the Deputy of His Excellency the Governor General on the 12th April, 1935.

The Committee of the Privy Council have had before them a report, dated 8th April, 1935, from the Minister of Finance, submitting:—

That he has had under consideration Order in Council dated May 14th, 1934, P. C. 890, whereby Your Excellency in Council guaranteed to the following chartered banks, hereinafter called "the banks",

Bank of Montreal  
The Bank of Nova Scotia  
The Bank of Toronto  
The Canadian Bank of Commerce  
The Royal Bank of Canada  
The Dominion Bank  
Imperial Bank of Canada

payment by the Canadian Co-Operative Wheat Producers, Limited, hereinafter called "Wheat Producers," of all advances made or to be made by the banks to wheat Producers and interest thereon as agreed between the banks and Wheat Producers until repayment, as in said Order in Council provided. "Advances" herein shall be deemed to include all monies loaned by the banks to Wheat Producers on account of contracts for the purchase and future delivery of wheat and other grains, and to include the final payment under such contracts when the grains so purchased are taken into possession or control of Wheat Producers.

That on the 31st day of March, 1935, the powers created by The Relief Act, 1934, expired;

That he is advised that at the 31st day of March, 1935, Wheat Producers had in its possession wheat "and other grains acquired in connection with and pursuant to said Order in Council P. C. 890, and that at that date Wheat Producers had previously entered into contracts for the purchase and future delivery of wheat and other grains, as contemplated by and in pursuance of said Order in Council, in respect of and for the purpose of which advances were made under said Order in Council by the banks to Wheat Producers:

That additional advances for the like purposes have been made by the banks at the request of Wheat Producers on and after the said 31st day of March, and that further advances from the banks, after the date of this Order in Council may be deemed necessary by Wheat Producers in respect of such contracts or in respect of contracts in substitution for or in addition to existing contracts for delivery of Wheat and other grains, in order to secure the advantageous sale or disposal of all such grains and contracts.

The Minister therefore recommends that payment of the amounts of the advances hitherto made to Wheat Producers, and interest thereon until repayment as agreed upon between the banks and Wheat Producers, out-standing upon the date hereof whether such advances were made prior to the 31st day of March, 1935, or on or after the last mentioned date, and of the amounts of all further advances envisaged by this Order in Council and interest thereon until repayment, be guaranteed to the banks by the Governor in Council under the authority of The Relief Act, 1935.

The Minister, in addition, recommends that payment under such guarantee, out of the Consolidated Revenue Funds, of the respective balances, if any, then due or accruing due, shall be made, after Wheat Producers have sold and realized upon all or substantially all of such wheat and other grains in its possession or control, and have sold or disposed of all or substantially all such

contracts or future delivery of wheat and other grains, and application of the amounts realized, less expenses, has been made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments are to be made in pursuance of this guarantee.

The Minister further recommends that the Governor in Council may at any time fix and determine a date at which Wheat Producers shall proceed to sell and dispose of all wheat and other grains in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts, entered into and falling within this guarantee for the future delivery to Wheat Producers of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments, if any are required, are to be made out of the Consolidated Revenue Fund in pursuance of this guarantee.

The Minister also recommends that should the Relief Act, 1935, expire and no renewal or further extension of the powers therein contained be then enacted, and any portion of such advances to Wheat Producers, or interest thereon, be due or payable to the said banks, Wheat Producers shall proceed to sell and dispose of all wheat and other grains, if any, in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts entered into and falling within the guarantee of the Governor in Council hereby authorized for the future delivery to Wheat Producers of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest and if any balances of such advances and interest are unpaid, thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments out of the Consolidated Revenue Fund are to be made in pursuance of this guarantee.

The Minister finally recommends that whenever, under either of the recommendations contained in the two paragraphs immediately preceding, Wheat Producers is required to proceed to sell and dispose of wheat and other grains and contracts, such sale and disposal shall be subject to any instructions that may be given, from time to time, by the Minister of Finance to Wheat Producers as to quantities to be sold or disposed of and period within which sale or disposal shall accordingly be effected, but failure or neglect on the part of Wheat Producers to proceed to sell and dispose of wheat and other grains, or to comply with any instructions given by the Minister, shall not in any way affect the guarantee as herein provided.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Signed) H. W. LOTHROP,

*Asst. Clerk of the Privy Council.*

P.C. 975

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by the Deputy of His Excellency the Governor General on the 12th April, 1935.

The Committee of the Privy Council have had before them a report, dated 3rd April, 1935, from the Minister of Finance, submitting that the Province of Saskatchewan being desirous of purchasing 5,000,000 bushels of wheat and 8,000,000 bushels of oats, or contracts for the purchase and future delivery thereof, the wheat and oats so acquired to be used for agricultural relief pur-

poses in that Province, it was arranged that such purchase or purchases should be made for the said Province by and in the name of the Canadian Co-Operative Wheat Producers Limited and that the moneys required for the purpose would be advanced by:—

Bank of Montreal  
 The Royal Bank of Canada  
 The Canadian Bank of Commerce  
 The Bank of Nova Scotia  
 Imperial Bank of Canada  
 The Dominion Bank, and  
 The Bank of Toronto

to the Canadian Co-Operative Wheat Producers Limited on the condition that repayment of all such advances, together with interest thereon at the rate of five (5%) per centum, per annum, would be guaranteed to the said banks under the provisions of the Relief Act, 1934.

The Minister states that purchases and advances have already been made on the basis of that arrangement and further purchases and advances for the purposes of such arrangement may be required, and that in his opinion it is desirable that such guarantee be given;

The Committee, therefore, on the recommendation of the Minister of Finance, advise that under the authority of the Relief Act, 1935, payment be guaranteed to the said banks by the Governor in Council of the amounts of the advances heretofore made by said banks or any of them to Canadian Co-Operative Wheat Producers Limited, outstanding upon the date hereof, and of the amounts of all further advances envisaged by this Order in Council, and of interest at the rate of five per centum (5%) per annum on all such advances whether heretofore or hereafter made, and that payment under such guarantee, if any payment be required, shall be made out of the Consolidated Revenue Fund. It is agreed that the said banks are not to be responsible for the application of the moneys so advanced.

(Sgd. H. W. LOTHROP,  
*Asst. Clerk of the Privy Council.*

I think in fairness to Mr. McFarland I am bound to read this.

Now, we will call Mr. Findlay.

ROBERT C. FINDLAY, called.

*By the Chairman:*

Q. What is your full name?—A. Robert C. Findlay.

Q. Where do you reside?—A. Winnipeg.

Q. What is your occupation?—A. I am treasurer of the Canadian Co-Operative Wheat Producers Limited.

Q. And you have been for how long?—A. For the past five years.

Q. Since 1930?—A. Since, 1930, yes.

Q. What time in 1930?—A. June 22, 1930.

Q. Have you seen the questions prepared by Colonel Ralston?—A. Yes, I did.

Q. Have you prepared answers for those questions?—A. Yes, sir, I have.

Q. You may be seated and give the information to the committee. Read the questions and give the answers?—A. I am afraid I cannot read you the questions, except from a newspaper cutting.





On hand at the end of month, 8,360,000 bushels. That is a carry forward in order that your picture can be complete.

June, 1932—

Purchases . . . . .	7,649,000 bushels
Sales . . . . .	3,315,000 bushels
Net purchases . . . . .	4,334,000 bushels
On hand . . . . .	12,694,000 bushels
July option . . . . .	53 $\frac{1}{8}$ cents

July 1932:

Purchases . . . . .	12,266,000 bushels
Sales . . . . .	1,358,000 bushels
Net purchases . . . . .	10,908,000 bushels
On hand . . . . .	23,602,000 bushels
July option . . . . .	57 $\frac{1}{2}$ cents

August:

Purchases . . . . .	175,000 bushels
Sales . . . . .	20,926,000 bushels
Net sales . . . . .	20,751,000 bushels
On hand . . . . .	2,815,000 bushels
October option . . . . .	55 $\frac{7}{8}$ cents

September:

Purchases . . . . .	1,685,000 bushels
Sales . . . . .	9,927,000 bushels
Net sales . . . . .	8,242,000 bushels

Q. The sales were what?—A. 9,927,000 bushels, net sales 8,242,000.

Q. Yes?—A. On hand, short 5,391,000.

The CHAIRMAN: You could hardly say "on hand."

Hon. Mr. RALSTON: On hand, minus.

The WITNESS: This is the "on hand" column; minus, net.

The CHAIRMAN: Yes.

*By Hon. Mr. Ralston:*

Q. And the price?—A. October, 49 $\frac{1}{4}$  cents.

Q. Forty-nine what?—A. And a quarter.

October—

Purchases . . . . .	63,598,000 bushels
Sales . . . . .	Nil
Purchases net . . . . .	63,598,000 bushels
On hand . . . . .	58,207,000 bushels
October option . . . . .	76 $\frac{5}{8}$ cents

Hon. Mr. RALSTON: What were the purchases in that month?

*By the Chairman:*

Q. What was the month?—A. October.

Hon. Mr. RALSTON: Oh, I must have put it in the wrong column.

*By Hon. Mr. Ralston:*

Q. What were the sales then?—A. Nil.

Q. There were no sales?—A. No.

November—

Purchases . . . . .	14,652,000 bushels
Sales . . . . .	1,225,000 bushels
Net purchases . . . . .	13,427,000 bushels
On hand . . . . .	71,634,000 bushels
November option . . . . .	45 $\frac{7}{8}$ cents

December—

Purchases . . . . .	4,113,000 bushels
Sales . . . . .	30,000 bushels
Net purchases . . . . .	4,083,000 bushels
On hand . . . . .	75,717,000 bushels
December option . . . . .	41 $\frac{1}{2}$ cents

Net results for the period:

Total purchases . . . . .	104,138,000 bushels
Sales . . . . .	36,781,000 bushels
Net purchases . . . . .	67,357,000 bushels
On hand . . . . .	75,717,000 bushels

*By Hon. Mr. Ralston:*

Q. Now, does that include the 75,000,000 bushels that have been referred to as taken over from the pools?—A. No, this series of questions is dealing with wheat acquired by us. Now, by weeks from January 1, 1933.

Q. Excuse me, just let us straighten that out: the amount of wheat as of July, 1931, for which the Canadian Co-Operative Wheat Producers Limited have become responsible was the average cost per bushel as of that date. That is not intended to include the wheat taken over from the pools. Do the figures that you gave include that?—A. No. We are only dealing with "acquired" you see. When your questions came out in the newspaper I had to try and decide what information it was you wanted and I assumed that it was the wheat acquired by the Canadian Co-Operative Wheat Producers Limited; the results of our own operations.

Q. This does not say, "wheat acquired"; it says, "had become responsible for"?—A. This question deals with it in that way, and the others are headed in the same general way, I think.

Q. Of course, the others would be, after you once got started it would be wheat acquired and disposed of. Everybody is agreed in thinking that the date of the cut-off, the date on which the Canadian Co-Operative Wheat Producers Limited, became responsible for the pool wheat, was July 31, 1931. How much wheat was taken over from the pools as of that date?—A. I do not think you understand part of our operations. We became responsible for the selling of the wheat for the pools as they delivered it to us; which, of course, includes deliveries over every day throughout the period.

Q. Yes?—A. —and carried on into the second year figures until they had fully shipped out.

Q. Well, this does not include the wheat held by the pools and for which the Canadian Co-Operative Wheat Producers Limited, became responsible?—A. No, that is correct; this is what we term the wheat acquired by us.

Q. This is wheat acquired by the marketing operations of the Canadian Co-Operative Wheat Producers Limited?—A. Outside of our regular operations.

Q. Outside of or a part of the regular operations?—A. As part of, of course; after we began to deal in supporting operations.

Q. Have you here—I did not want to interrupt you, but I thought it was a good place—have you here the approximate amount of wheat which was held by the pools and for which you became responsible on July 31, 1931, as a central selling agency?—A. I think probably I have that, but I would not have that for all these different dates.

Q. There is only the one date, the 31st July, 1931?—A. I doubt if I have it for July, but I am quite sure that I have it for August of that year.

Q. Will you get that later?—A. I think I have it here reasonably clear, but I will get you the exact amount in any case.

Now, by weeks from January 1, 1933, to October 1, 1933. Now in dealing with these weeks the gentleman has asked these questions. You will find that in some cases I started out with a two or three day period, that was in order to keep the continuity with the amount carried forward.

Week of January 2—we of course had no operations, the market was closed; the carry-forward figure remains the same.

Week ending January 7—

Net purchases . . . . .	100,000 bushels
No sales.	
Net purchases . . . . .	100,000 bushels
On hand . . . . .	75,817,000 bushels
May option . . . . .	47 $\frac{3}{4}$ cents

Week ending January 14—

Purchases . . . . .	1,087,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	1,087,000 bushels
On hand . . . . .	76,904,000 bushels
May option . . . . .	45 $\frac{3}{4}$ cents

Week ending January 25—

There were no operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	45 $\frac{5}{8}$ cents

Week ending January 28—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	46 $\frac{3}{8}$

Week ending February 4—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	46 $\frac{1}{2}$ cents

Week ending February 11—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	48 $\frac{1}{8}$ cents

Week ending February 18—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	48 $\frac{1}{4}$ cents

Week ending February 25—

Purchases . . . . .	200,000 bushels
No sales.	
Net purchases . . . . .	200,000 bushels
On hand . . . . .	77,104,000 bushels
May option . . . . .	47 $\frac{1}{2}$ cents

Week ending March 4—

Purchases . . . . .	70,000 bushels
Sales . . . . .	300,000 bushels
Net sales . . . . .	230,000 bushels
On hand . . . . .	76,874,000 bushels
May option . . . . .	50 $\frac{1}{4}$ cents

Week ending May 11—

No operations.	
On hand . . . . .	76,784,000 bushels
May option . . . . .	52 $\frac{1}{4}$ cents

Week ending May 18—	
No operations.	
On hand . . . . .	76,874,000 bushels
May option . . . . .	51 $\frac{1}{8}$ cents
Week ending March 25—	
Purchases . . . . .	Nil
Sales . . . . .	4,209,000 bushels
Net sales . . . . .	4,209,000 bushels
On hand . . . . .	72,665,000 bushels
May option . . . . .	50 cents
Week ending April 1—	
No operations.	
On hand . . . . .	72,665,000 bushels
May option . . . . .	50 $\frac{1}{2}$ cents
Week ending April 8—	
No operations.	
On hand . . . . .	72,665,000 bushels
May option . . . . .	51 $\frac{3}{8}$ cents
Week ending April 15—	
Purchases . . . . .	Nil
Sales . . . . .	1,285,000 bushels
On hand . . . . .	71,380,000 bushels
May option . . . . .	53 cents
Week ending April 22—	
Purchases . . . . .	640,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	640,000 bushels
On hand . . . . .	72,020,000 bushels
May option . . . . .	58 $\frac{1}{2}$ cents
April 29—	
No operations.	
On hand . . . . .	72,020,000 bushels
May option . . . . .	59 $\frac{1}{2}$ cents
Week of May 6—	
No purchases.	
Net sales . . . . .	850,000 bushels
On hand . . . . .	71,170,000 bushels
May option . . . . .	64 $\frac{1}{4}$ cents
May 13—	
No operations.	
On hand . . . . .	71,170,000 bushels
May option . . . . .	65 cents
May 20—	
No operations.	
On hand . . . . .	71,170,000 bushels
May option . . . . .	62 $\frac{1}{4}$ cents
May 27—	
No operations.	
Net on hand . . . . .	71,170,000 bushels
May option . . . . .	65 cents
Week ending June 3— No operations. No, that is the 10th.	
Week ending June 10—No operations.	
On hand . . . . .	71,170,000 bushels
We are now in the July option . . . . .	64 $\frac{1}{4}$ cents
June 17—No operations.	

By Hon. Mr. Ralston:

Q. Did you not jump from May 27th to June 10th? You did not give June 3rd.—A. I am sorry.

June 3—There are no operations.

On hand . . . . . 71,170,000 bushels

But your July option is 64.

Q. 64?—A. For the 3rd 64¼ for the 10th.

Q. The same as for the tenth, except the price is 64¼?—A. Yes, 64¼. June 17—No operations.

On hand . . . . . 71,170,000 bushels

July option . . . . . 65⅛ cents

June 24—

Purchases . . . . . 300,000 bushels

Sales . . . . . 200,000 bushels

Net purchases . . . . . 100,000 bushels

On hand . . . . . 71,270,000 bushels

July option . . . . . 70⅛ cents

Week ending July 1—

No purchases.

Sales . . . . . 1,928,000 bushels

Net sales . . . . . 1,928,000 bushels

On hand . . . . . 69,342,000 bushels

July option . . . . . 72¼ cents

July 8—

Sales . . . . . 4,004,000 bushels

Net sales . . . . . 4,004,000 bushels

On hand . . . . . 65,338,000 bushels

July option . . . . . 82⅛ cents

July 15—

No purchases.

Sales . . . . . 16,545,000 bushels

Q. How much—A. 16,545,000 bushels.

Net sales . . . . . 16,545,000 bushels

On hand . . . . . 48,793,000 bushels

And your July option, 92½ cents. July 22nd, purchases—

Q. May I suggest if you have it right there, why do you not put in there the days of the week, because that would bring it in the record. You have another question with regard to the days of the week of July 22nd?—A. Oh, yes. Can we switch to that statement?

Q. Can you conveniently insert them right there?—A. Yes, surely. Well, if you do that, you lose the continuity of this.

Q. I thought you would go to the 22nd with the same statement.—A. But I have that in a different statement following this weekly one.

Q. All right. I thought it would come in there.—A. I think it would upset the continuity.

Q. All right. I thought it would give you the chronological sequence.—A. I will give it if you wish.

Q. Whatever you like.—A. The week ending July 29—

Q. No, the week ending the 22nd.—A. Oh, the 22nd. I didn't give you that.

July 22—

Purchases . . . . . 23,158,000 bushels

Sales . . . . . 6,332,000 bushels

Net Purchases . . . . . 16,826,000 bushels

On hand . . . . . 65,619,000 bushels

July options . . . . . 73⅓ cents

## August 5—

Purchases . . . . .	4,324,000 bushels
Q. July 29th; you jumped that.—A. Did I?	4,402,000, for July 29th.
Q. That is purchases?—A. Purchases.	
Q. Four million and what?—A.	4,402,000 bushels.
Q. Yes?—A. Sales:	936,000 bushels.

Net Purchases . . . . .	3,466,000 bushels
On hand . . . . .	69,085,000 bushels
July option . . . . .	79 $\frac{1}{8}$ cents

## August 5—

Purchases . . . . .	4,324,000 bushels
Sales . . . . .	300,000 bushels
Net Purchases . . . . .	4,024,000 bushels
On hand . . . . .	73,109,000 bushels
October option . . . . .	83 $\frac{3}{8}$ cents

## August 12—

Purchases . . . . .	4,085,000 bushels
Sales . . . . .	215,000 bushels
Net Purchases . . . . .	3,870,000 bushels
On hand . . . . .	76,979,000 bushels
October option . . . . .	72 $\frac{1}{4}$ cents

## Week ending August 19—

Purchases . . . . .	823,000 bushels
Sales . . . . .	1,327,000 bushels
Net sales . . . . .	504,000 bushels
On hand . . . . .	76,475,000 bushels
October option . . . . .	71 $\frac{3}{8}$ cents

## Week ending August 26—

Purchases . . . . .	27,000 bushels
Sales . . . . .	433,000 bushels
Net sales . . . . .	406,000 bushels
On hand . . . . .	76,069,000 bushels
October option . . . . .	72 $\frac{1}{8}$ cents

## September 2—

Purchases . . . . .	156,000 bushels
Sales . . . . .	401,000 bushels
Net sales . . . . .	245,000 bushels
On hand . . . . .	75,824,000 bushels
October option . . . . .	70 $\frac{5}{8}$ cents

Q. Did you say 70?—A. 70 $\frac{5}{8}$ , yes.

## September 9—

Purchases . . . . .	8,351,000 bushels
Sales . . . . .	559,000 bushels
Net Purchases . . . . .	7,792,000 bushels
On hand . . . . .	83,616,000 bushels
October option . . . . .	70 $\frac{1}{8}$ cents

## September 16—

Purchases . . . . .	11,696,000 bushels
No sales.	
Net Purchases . . . . .	11,696,000 bushels
On hand . . . . .	95,312 bushels
October option . . . . .	68 $\frac{1}{2}$ cents

September 23—

Purchases . . . . .	6,225,000 bushels
Sales . . . . .	589,000 bushels
Net Purchases . . . . .	5,636,000 bushels
On hand . . . . .	100,948,000 bushels
October option . . . . .	66 $\frac{5}{8}$ cents

September 30—

Purchases . . . . .	2,625,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	2,625,000 bushels
On hand . . . . .	103,573,000 bushels

Q. That is on September 30th?—A. Yes. October option, 61 $\frac{5}{8}$  cents.

October 7—

Purchases . . . . .	5,720,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	5,720,000 bushels
On hand . . . . .	109,293,000 bushels
October option . . . . .	60 $\frac{1}{8}$ cents

Q. Would you mind giving me the sales for September 30th?—A. September 30th, no sales.

Q. No sales?—A. No.

Q. And the price for the week ending October 7th?—A. 60 $\frac{1}{8}$ .

October 14—

Purchases . . . . .	14,332,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	14,332,000 bushels
On hand . . . . .	123,625,000 bushels
October option . . . . .	55 $\frac{1}{2}$ cents

Hon. Mr. RALSTON: Mr. Chairman, I notice that the stenographers are changing takes. Would it be possible or would it be a good idea to have this put in the form a statement that is tabular, rather than in narrative form?

The CHAIRMAN: I think so. I assumed it would be done that way.

Hon. Mr. RALSTON: I notice that the way they put your statement about Argentine spreads was in the narrative form. It is pretty difficult to follow.

The CHAIRMAN: Yes, it would be much better to have it tabulated. Will you note that? I quite agree as to that. I assumed they would do it.

The WITNESS: Did you get the option for the 14th?

*By Hon. Mr. Ralston:*

Q. 55 $\frac{1}{2}$  for October 14th?—A. Yes, 55 $\frac{1}{2}$ .

October 21—

Purchases . . . . .	2,600,000 bushels
Sales . . . . .	56,000 bushels
Net purchases . . . . .	2,544,000 bushels
On hand . . . . .	126,169,000 bushels
October option . . . . .	61 $\frac{1}{8}$ cents

October 28—

Purchases . . . . .	3,186,000 bushels
Sales . . . . .	730,000 bushels
Net purchases . . . . .	2,456,000 bushels
On hand . . . . .	128,625,000 bushels
October option . . . . .	62 $\frac{5}{8}$ cents

October 31st. That is a part week—

Purchases . . . . .	1,100,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	1,100,000 bushels
On hand . . . . .	129,725,000 bushels
October option . . . . .	61 $\frac{7}{8}$ cents
Total purchases for that period . . . . .	95,207,000 bushels
Sales . . . . .	41,199,000 bushels

You already have the amount on hand.

Net purchases . . . . .	54,008,000 bushels
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The next question, Mr. Chairman, is the operations by days for the week ending July 22, 1933. We begin on July 17.

Net purchases . . . . .	Nil
Sales . . . . .	6,332,000 bushels
Net sales . . . . .	6,332,000 bushels
On hand . . . . .	42,461,000 bushels
July option . . . . .	93 $\frac{1}{2}$ cents

July 18.—No operations—

On hand . . . . .	42,461,000 bushels
July option . . . . .	94 cents

July 19.—No operations—

On hand . . . . .	42,461,000 bushels
July option . . . . .	87 $\frac{1}{4}$ cents

July 20—

Purchases . . . . .	4,150,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	4,150,000 bushels
On hand . . . . .	46,611,000 bushels
July option . . . . .	78 $\frac{1}{4}$ cents

July 21—

Purchases . . . . .	15,705,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	15,705,000 bushels
On hand . . . . .	62,316,000 bushels
July option . . . . .	78 $\frac{1}{8}$ cents

July 22—

Purchases . . . . .	3,303,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	3,303,000 bushels
On hand . . . . .	65,619,000 bushels
July option . . . . .	73 $\frac{3}{8}$ cents

Your total purchases for that period . . . . .	23,158,000 bushels
Sales . . . . .	6,332,000 bushels
Net purchases . . . . .	16,826,000 bushels

The next question is for the period from November 1st, 1933, to February 28th, 1934.

Q. By months?—A. By months.

November, 1933—

Purchases . . . . .	5,490,000 bushels
Sales . . . . .	2,205,000 bushels
Net purchases . . . . .	3,285,000 bushels
On hand . . . . .	133,010,000 bushels
November option . . . . .	60 $\frac{1}{2}$ cents

Q. That was November 30?—A. Yes, November 30.

*By the Chairman:*

Q. This is December 30?—A. Yes, the end of the month in each case. I notice the question is the first of the month, but I presume you meant the end of the month.

December—

Purchases . . . . .	1,014,000 bushels
Sales . . . . .	615,000 bushels
Net purchases . . . . .	399,000 bushels
On hand . . . . .	133,409,000 bushels
December option . . . . .	61 $\frac{1}{4}$ cents

January, 1934—

Purchases . . . . .	554,000 bushels
Sales . . . . .	773,000 bushels
Net sales . . . . .	219,000 bushels
On hand . . . . .	133,190,000 bushels
May option . . . . .	69 $\frac{1}{2}$ cents

February—

Purchases . . . . .	1,120,000 bushels
Sales . . . . .	3,631,000 bushels
Net sales . . . . .	2,511,000 bushels
On hand . . . . .	130,679,000 bushels
May option . . . . .	67 $\frac{3}{4}$ cents
Net purchases for the period . . . . .	8,178,000 bushels
Net sales . . . . .	7,224,000 bushels
Net purchases . . . . .	954,000 bushels

You already have the amount on hand.

The next question has to do with the period from March 1st, 1934, to August 31st, 1934, by weeks.

Week ending March 3—

Purchases . . . . .	35,000 bushels
Sales . . . . .	626,000 bushels
Net sales . . . . .	591,000 bushels
On hand . . . . .	130,088,000 bushels
May option . . . . .	69 $\frac{1}{2}$ cents

Week ending March 10—

Purchases . . . . .	696,000 bushels
Sales . . . . .	916,000 bushels
Net sales . . . . .	220,000 bushels
On hand . . . . .	129,868,000 bushels
May option . . . . .	70 cents

Week ending March 17—

Purchases . . . . .	Nil
Sales . . . . .	2,113,000 bushels
Net sales . . . . .	2,113,000 bushels
On hand . . . . .	127,755,000 bushels
May option . . . . .	67 $\frac{7}{8}$ cents

Week ending March 24—

Purchases . . . . .	Nil
Sales . . . . .	3,135,000 bushels
Net sales . . . . .	3,135,000 bushels
On hand . . . . .	124,620,000 bushels
May option . . . . .	68 cents

## Week ending March 31—

Purchases . . . . .	Nil
Sales . . . . .	3,101,000 bushels
Net sales . . . . .	3,101,000 bushels
On hand . . . . .	121,519,000 bushels
May option . . . . .	68 cents

## Week ending April 7—

Purchases . . . . .	Nil
Sales . . . . .	2,978,000 bushels
Net sales . . . . .	2,978,000 bushels
On hand . . . . .	118,541,000 bushels
May option . . . . .	67 $\frac{1}{4}$ cents

## Week ending April 14—

Purchases . . . . .	Nil
Sales . . . . .	4,250,000 bushels
Net sales . . . . .	4,250,000 bushels
On hand . . . . .	114,291,000 bushels
May option . . . . .	66 $\frac{3}{8}$ cents

## Week ending April 21—

Sales . . . . .	3,354,000 bushels
Net sales . . . . .	3,354,000 bushels
On hand . . . . .	110,937,000 bushels
May option . . . . .	65 $\frac{5}{8}$ cents

## Week ending April 28—

Purchases . . . . .	Nil
Sales . . . . .	2,700,000 bushels
Net sales . . . . .	2,700,000 bushels
On hand . . . . .	108,237,000 bushels
May option . . . . .	65 $\frac{1}{8}$ cents

## Week ending May 5—

Purchases . . . . .	Nil
Sales . . . . .	4,548,000 bushels
Net sales . . . . .	4,548,000 bushels
On hand . . . . .	103,689,000 bushels
May option . . . . .	66 $\frac{1}{8}$ cents

## Week ending May 12—

Purchases . . . . .	Nil
Sales . . . . .	5,337,000 bushels
Net sales . . . . .	5,337,000 bushels
On hand . . . . .	98,352,000 bushels
May option . . . . .	68 $\frac{5}{8}$ cents

## Week ending May 19—

Purchases . . . . .	Nil
Sales . . . . .	2,081,000 bushels
Net sales . . . . .	2,081,000 bushels
On hand . . . . .	96,271,000 bushels
May option . . . . .	69 $\frac{3}{4}$ cents

## Week ending May 26—

Purchases . . . . .	Nil
Sales . . . . .	249,000 bushels
Net sales . . . . .	249,000 bushels
On hand . . . . .	96,022,000 bushels
May option . . . . .	73 $\frac{3}{8}$ cents

Week ending June 2—

Purchases . . . . .	100,000 bushels
Sales . . . . .	687,000 bushels
Net sales . . . . .	587,000 bushels
On hand . . . . .	95,435,000 bushels
July option . . . . .	78 <sup>3</sup> / <sub>8</sub> cents

Week ending June 9—

Purchases . . . . .	Nil
Sales . . . . .	256,000 bushels
Net sales . . . . .	256,000 bushels
On hand . . . . .	95,179,000 bushels
July option . . . . .	77 <sup>3</sup> / <sub>4</sub> cents

Week ending June 16—

Purchases . . . . .	588,000 bushels
Sales . . . . .	304,000 bushels
Net purchases . . . . .	284,000 bushels
On hand . . . . .	95,463,000 bushels
July option . . . . .	77 cents

Week ending June 23—

Purchases . . . . .	2,390,000 bushels
Sales . . . . .	26,000 bushels
Net purchases . . . . .	2,364,000 bushels
On hand . . . . .	97,827,000 bushels
July option . . . . .	77 <sup>3</sup> / <sub>4</sub> cents

Week ending June 30—

Purchases . . . . .	209,000 bushels
Sales . . . . .	117,000 bushels
Net purchases . . . . .	92,000 bushels
On hand . . . . .	97,919,000 bushels
July option . . . . .	76 <sup>1</sup> / <sub>4</sub> cents

Week ending July 7—

Purchases . . . . .	865,000 bushels
Sales . . . . .	384,000 bushels
Net purchases . . . . .	481,000 bushels
On hand . . . . .	98,400,000 bushels
July option . . . . .	76 <sup>3</sup> / <sub>8</sub> cents

Week ending July 14—

Purchases . . . . .	2,195,000 bushels
Sales . . . . .	1,472,000 bushels
Net purchases . . . . .	723,000 bushels
On hand . . . . .	99,123,000 bushels
July option until end . . . . .	82 <sup>1</sup> / <sub>8</sub> cents

Week ending July 21—

Purchases . . . . .	988,000 bushels
Sales . . . . .	2,305,000 bushels
On hand . . . . .	97,806,000 bushels
July option . . . . .	85 <sup>1</sup> / <sub>8</sub> cents

Week ending July 28—

Purchases . . . . .	2,755,000 bushels
Sales . . . . .	431,000 bushels
On hand . . . . .	100,130,000 bushels
July option . . . . .	86 cents

Week ending August 4—	
Purchases . . . . .	25,000 bushels
Sales . . . . .	1,129,000 bushels
On hand . . . . .	99,026,000 bushels
October option . . . . .	90 $\frac{1}{8}$ cents
Week ending August 11—	
Purchases . . . . .	1,650,000 bushels
Sales . . . . .	1,949,000 bushels
On hand . . . . .	98,727,000 bushels
October option . . . . .	87 $\frac{1}{4}$ cents
Week ending August 18—	
Purchases . . . . .	1,450,000 bushels
Sales . . . . .	420,000 bushels
On hand . . . . .	99,757,000 bushels
October option . . . . .	85 cents
Week ending August 25—	
Purchases . . . . .	2,285,000 bushels
Sales . . . . .	1,511,000 bushels
On hand . . . . .	100,531,000 bushels
October option . . . . .	84 $\frac{3}{8}$ cents
Week ending August 31—	
Purchases . . . . .	4,877,000 bushels
Sales . . . . .	Nil
On hand . . . . .	105,408,000 bushels
October option . . . . .	81 $\frac{5}{8}$ cents
Period from September 1st, 1934, to May 31st, 1935, by months:—	
September 30, 1934—	
Purchases . . . . .	23,974,000 bushels
On hand . . . . .	129,382,000 bushels
Sales . . . . .	Nil
October option . . . . .	81 $\frac{3}{8}$ cents
October 31—	
Purchases . . . . .	29,716,000 bushels
Sales . . . . .	292,000 bushels
On hand . . . . .	158,806,000 bushels
October option . . . . .	74 $\frac{1}{4}$ cents
November 30—	
Purchases . . . . .	922,000 bushels
Sales . . . . .	1,385,000 bushels
On hand . . . . .	158,343,000 bushels
December option . . . . .	77 cents
December 31—	
Purchases . . . . .	150,000 bushels
Sales . . . . .	10,000 bushels
On hand . . . . .	158,483,000 bushels
December option . . . . .	78 $\frac{1}{2}$ cents
January 31, 1935—	
Purchases . . . . .	25,000 bushels
Sales . . . . .	57,000 bushels
On hand . . . . .	158,451,000 bushels
May option . . . . .	82 $\frac{3}{4}$ cents
February 28—	
Purchases . . . . .	272,000 bushels
Sales . . . . .	395,000 bushels
On hand . . . . .	158,328,000 bushels
May option . . . . .	83 $\frac{5}{8}$ cents

March 31—

Purchases . . . . .	179,000 bushels
Sales . . . . .	425,000 bushels
On hand . . . . .	158,082,000 bushels
May option . . . . .	85 cents

April 30—

Purchases . . . . .	207,000 bushels
Sales . . . . .	7,627,000 bushels
On hand . . . . .	150,662,000 bushels
May option . . . . .	88 $\frac{3}{8}$ cents

The CHAIRMAN: Have you got any figures for June?

The WITNESS: No.

The CHAIRMAN: They did not ask for them?

The WITNESS: I can give them.

May—

Purchases . . . . .	3,363,000 bushels
Sales . . . . .	1,579,000 bushels
On hand . . . . .	152,446,000 bushels
July option . . . . .	82 $\frac{7}{8}$ cents
Purchases for the period . . . . .	58,808,000 bushels
Sales . . . . .	11,770,00 bushels

And you have the on hand.

The CHAIRMAN: Does that cover all Mr. Ralston's questions?

The WITNESS: No, sir; there are some others. The figures to June, up to the 20th:—

Purchases . . . . .	225,000 bushels
Sales . . . . .	6,591,000 bushels
On hand . . . . .	146,110,000 bushels
July option . . . . .	82 $\frac{7}{8}$ cents

Mr. PORTEOUS: That is to the end of June?

The CHAIRMAN: No, the 20th of June.

The WITNESS: The 20th of June. There were some questions asked with regard to our statement of total indebtedness to banks as at various dates.

The CHAIRMAN: The next question, No. 6, would be the one you have there; "the approximate average cost per bushel of all wheat being carried by Canadian Co-Operative Wheat Producers Limited.

The WITNESS: Yes, I have it.

The CHAIRMAN: Perhaps you had better take them in the order in which they have been given and complete your statement.

The WITNESS: Approximate average cost—what is the question?

Hon. Mr. RALSTON: The first one is: The average cost per bushel of wheat being carried; and the next one is, the cost of wheat acquired.

The WITNESS: Of the wheat being carried?

Hon. Mr. RALSTON: Yes.

*By the Chairman:*

Q. Is that exclusive or inclusive of the 75,000,000 bushels of pool wheat?—

A. That covers everything; it is inclusive.

Q. That covers everything?—A. Yes, all wheat.

*Canadian Co-Operative Wheat Producers, Limited.*

Approximate average cost of all wheat carried at the following dates:

In thousands of bushels.	Thousand Bushels	Approximate Cost per Bushel c.	Closing Market Value
1933			
April 30.. . . . .	148,396	64.410	May 59 $\frac{1}{4}$
June 30.. . . . .	145,718	64.998	July 79 $\frac{1}{8}$
1934			
April 30.. . . . .	184,218	74.582	May 64 $\frac{1}{2}$
June 30.. . . . .	174,036	75.838	July 75 $\frac{1}{2}$
September 30.. . . . .	205,499	76.167	Oct. 81
1935			
April 30.. . . . .	226,777	85.062	May 88 $\frac{1}{2}$
May 31.. . . . .	228,562	85.943	May 81 $\frac{3}{4}$

*By Hon. Mr. Ralston:*

Q. Have you it for June 20th; you brought the others down to June 20th, hadn't you better do that with this also—A. I am not sure that I have it here so that we can look at it; no, I haven't got the whole thing down to June 20th. I haven't that detail.

Q. But the figures of the actual quantities are down to June 20th?—A. Yes, I have the "combined" for that date; perhaps I have the other, but I don't remember. Mr. Chairman, I would like to state here that this question called for the average cost per bushel; which, of course, includes what we term pool wheat.

*By the Chairman:*

Q. I beg your pardon?—A. It includes pool wheat sales, special.

Q. Yes?—A. We did not have cut-offs at each of these dates.

Q. You what?—A. We did not have cut-offs at each of these dates; naturally we did not cut-off every month.

Q. No?—A. And the figures are approximate. We worked them out from our nearest statement date; but I dislike giving approximate figures at any time.

Hon. Mr. STEWART: Being careful.

The WITNESS: An accountant does not give approximate figures if he can get out of it.

Hon. Mr. RALSTON: But he puts "e. & o. e." at the bottom of the balance sheet though.

*By the Chairman:*

Q. Yes?—A. The approximate average cost of special wheat, is the next question, isn't it?

Hon. Mr. RALSTON: Wheat acquired at July 31st, 1931.

The WITNESS: Yes, that is it.

*Canadian Co-Operative Wheat Producers, Limited*

Approximate average cost of special wheat at the following dates:—

In Thousands of Bushels.	Bushels	Approximate Cost per Bushel c.	Closing Market Value
1933			
April 30.. . . . .	72,020	50.272	May 59 $\frac{1}{4}$
June 30.. . . . .	69,342	50.095	July 79 $\frac{1}{8}$
1934			
April 30.. . . . .	107,843	63.089	May 64 $\frac{1}{2}$
June 30.. . . . .	97,919	63.052	July 75 $\frac{1}{2}$
Sept. 30.. . . . .	129,382	65.663	Oct. 81
1935			
April 30.. . . . .	150,662	76.328	May 88 $\frac{1}{2}$
May 31.. . . . .	152,446	79.011	May 81 $\frac{3}{4}$

*By the Chairman:*

Q. What are these last questions; what do they cover exactly?—A. The approximate average cost of what we term "special wheat."

Hon. Mr. RALSTON: Wheat acquired after July, 1931.

The CHAIRMAN: Yes; I just wanted him to put that on the record clearly.

*By the Chairman:*

Q. Have you the eighth question there; the approximate average cost per bushel of all wheat acquired by Canadian Co-Operative Wheat Producers Limited, after July 31st, 1931, and carried as at the dates indicated?—A. That is, old pool wheat?

Q. That is what I take that to mean?—A. Yes. Well, Mr. Chairman and gentlemen, I dislike very much to give you those figures. I think they are valueless with the other two statements, and the use of them will be most unfair to the pool, because our practice has been to apply all sales made to "special," with the natural result that the cost of the old pool wheat is naturally increasing.

*By Hon. Mr. Ralston:*

Q. The carrying charge is piling up all the time?—A. They are piling up, and we figure that it would be most unfair, and I think you have all the information you want in the other two.

Q. You have given us the average?—A. The average cost of all wheat.

Q. Have you given us the average cost of the old pool wheat taken over as at July 31st, 1931; would it be unfair to do that, leaving out the carrying charges since?—A. No, I haven't got that. I could probably work it out for you. You see, the approximate average costs, the figures given, are on varying dates between April 30th and May 31st.

Q. It occurred to me that you might possibly break down the average cost of all your wheat into the cost of wheat acquired after July 31, 1931, and before, and in that way give us separately the cost of the old pool's wheat. Now, your only purchases to-day are in what you call special wheat; that is to say, wheat purchased after July 31st, 1931; that means that at least as a bookkeeping entry the carrying charges will be running up?—A. All loaded.

Q. —all loaded on the old pool wheat?—A. Yes.

Q. I am perfectly satisfied if you can give us the cost of the old pool wheat as of July 31st, 1931?—A. The cost of the old pool wheat as at July 31st, 1931?

Q. Yes, if that is the date of the cut-off?—A. I think I could work it out for you if I can't work it out here quickly—

The CHAIRMAN: July 31, 1931, is the date that has been used.

The WITNESS: Yes, I understand that.

*By Hon. Mr. Ralston:*

Q. Can you tell me, is that the correct date for what we have been calling the cut-off with the pools?—A. No. Our financial year ends August 31 in each year. That is what we call our cut-off date.

Q. I mean, there was some time when you took over the responsibility of these three pools, the commitments of these three pools. There must have been some time when you entered in the books these commitments as being wheat held by you for them. I wanted to get when that date was?—A. I don't quite understand your question. Do you mean the date at which we undertook responsibility for selling grain for the three provincial pools?

Q. Yes.—A. That, of course, started years ago, and as each crop started automatically we took the grain as it came in beginning on September 1.

Q. I understand, some of us have understood at least, that there was a

new arrangement in the sense that a government guarantee was given under which the Canadian Co-Operative Wheat Producers, Limited, were financed, and under which they took over definitely responsibility for that old pool wheat?—A. No, I would take it that the guarantee was to enable a continuation of operations.

Hon. Mr. RALSTON: Well, Mr. Chairman, this brings up something that I think should be on the record; that is, the amount of old pool wheat taken over and the cost of it as of the date it was taken over.

The CHAIRMAN: Yes. It could be gotten there by subtraction. It would be as well if you put it on the record; the date on which it was taken over, and the amount.

Hon. Mr. RALSTON: Yes.

Hon. Mr. STEWART: Did he not begin the taking over operations in December of 1930?

The CHAIRMAN: November 1, 1930, is my memory.

*By the Chairman:*

Q. Mr. McFarland became general manager in November of 1930, did he not?—A. Yes, sir.

Q. Was there any cut-off at that time?—A. Oh, yes, we had the usual cut-off; but, I mean, there was no distinct split.

Q. Was there no distinction made in the middle of the year, or did you continue on until the end of your fiscal year?—A. We continued on to the end of our fiscal year.

Q. And the end of your fiscal year was the 31st July, 1931?—A. No, August 31.

Q. It was August 31 in 1931?—A. Yes.

Q. We have been using the figure, 31st July, because that is the end of the crop year of the Grain Commission, isn't it?—A. That is correct.

Q. That would be 30 days before the new crop comes in?—A. We allow a month to take delivery of old pool wheat.

Q. Which date would you prefer for our convenience, for the convenience of the committee?—A. You would get a much more accurate figure at August 31.

Q. You mean, August 31, 1931?—A. Yes. We could, of course, work it back and give it to you approximately.

The CHAIRMAN: That is a matter of accounting. Would it be satisfactory to the committee if he states what the pool position was on their books as at the 31st of August, 1931?

Hon. Mr. RALSTON: Yes, as far as I am concerned.

*By the Chairman:*

Q. Is that satisfactory to you, Mr. Findlay?—A. Yes.

Q. As at the end of your fiscal year?—A. Yes.

The CHAIRMAN: That is what you want isn't it, Mr. Stewart?

Hon. Mr. STEWART: I am not so much concerned about the dates; although it seems to me at the same time in fairness to the pool it should be when Mr. McFarland took over the sales agency for them.

The CHAIRMAN: No; he became general manager. You discontinued your export sales directly after Mr. McFarland took over?

The WITNESS: After Mr. McFarland came in, yes.

*By the Chairman:*

Q. And just sold to the trade?—A. Yes.

Q. And, the end of your fiscal year next after Mr. McFarland came into the business would be the 31st day of August, 1931?—A. The 31st of August, 1931.

Q. And from that annual statement you can give us the desired information?—A. Yes, I can.

Q. Well, have you it beside you?—A. No, I haven't got it here.

The WITNESS: Is that per bushel figures?

The CHAIRMAN: Mr. Ralston will tell you what he wants.

Hon. Mr. RALSTON: The amount of wheat and the cost per bushel.

The CHAIRMAN: That is the old pool wheat.

The WITNESS: Yes.

The CHAIRMAN: That has always been spoken of as approximately 75,000,000 bushels.

The WITNESS: That is the way it has been spoken of.

*By Hon. Mr. Ralston:*

Q. You have evidently included, as far as the quantity is concerned and as far as the cost is concerned?—A. Yes.

Q. In the figures of all wheat?—A. Yes. We had to include that.

Q. Because your total of all wheat as of May 31, 1935, is 228,000,000 bushels, whereas the total of wheat acquired since is—A. 140,000,000—

Q. Since July 31, 1931, it is how much?

The CHAIRMAN: That is that long figure.

Hon. Mr. RALSTON: 152,000,000?

The WITNESS: 152,446,000.

Hon. Mr. STEWART: It has been carried right along. In fairness to them, they should have the figures.

Hon. Mr. RALSTON: Perhaps that is the figure right there. Perhaps the figure is the difference between the total figure for all wheat as of May 31, 1935, which was 228,562,000.

The CHAIRMAN: Less—

Hon. Mr. RALSTON: Less 152,446,000.

The WITNESS: Yes, it is the difference. I have the bushelage for these months; that was the objection to giving it, because the figure would be so extravagant as to be of no value, and you agreed to delete that part of it.

Hon. Mr. RALSTON: Yes.

The WITNESS: But you have the bushels there. Do you wish them for all those dates?

*By Hon. Mr. Ralston:*

Q. No. Do I understand that the bushelage for the pool wheat will remain constant as far as your books are concerned?—A. Well, no, it does not remain constant, but it remains around the same figure.

Q. Well, I mean constant, approximately?—A. Yes, approximately.

Q. You mean by tens of millions of bushels or five million bushels—is there any variation to the extent of five million?—A. No.

Q. What?—A. No. The variations have been very slight.

The CHAIRMAN: I think, without taking this down, that the maximum variation was not 2½ million. I am only speaking from subtracting as he went along.

*By Hon. Mr. Ralston:*

Q. The maximum variation of the old pool wheat?—A. Oh, since the time Mr. McFarland came in?

Q. Yes.—A. No. At August 31, 1931, 76,728,000.

Q. Yes.—A. These are our figures.

The CHAIRMAN: That is the figure we want.

The WITNESS: Yes. And as at the end of May, 1935, 76,116,000.

Hon. Mr. RALSTON: Just those two figures. You have the figures right there.

The CHAIRMAN: That answers the question of Mr. Ralston.

Hon. Mr. RALSTON: Yes. The only other thing is the average cost on August 31, 1931, if you are taking that as the conventional date when he took over.

The CHAIRMAN: Or he could have said that was August 31, 1930, probably.

Hon. Mr. RALSTON: Quite so.

The CHAIRMAN: Which ever he liked.

The WITNESS: August 31, 1930, would not really meet your requirements, I don't think.

*By the Chairman:*

Q. What is that?—A. August 31, 1930, would not meet your requirements, I do not think.

Q. All right. Then the next question. You have given the figures that Mr. Ralston required as to the quantity of pool wheat on hand on the 31st of August, 1931, and on the 31st of May, 1935. You have given those figures now.

*By Hon. Mr. Ralston:*

Q. Would you read those two figures, please—August 31, 1931, pool wheat on hand was how much?—A. 76,728,000.

Q. And May 31, 1935?—A. 76,116,000.

*By the Chairman:*

Q. The next question, I think, was Number Nine, the financial position, the net liability to the banks.—A. Did that ask for the net liability?

*By Hon. Mr. Ralston:*

Q. The total indebtedness to the banks?—A. I assume that question would mean our total indebtedness to the banks by way of loans.

The CHAIRMAN: Against wheat.

The WITNESS: That, of course, would not be a fair figure either. It is required for some specific purpose.

*By the Chairman:*

Q. Perhaps before you go into that you might make clear the methods under which financial operations are carried. The lending banks advance the money?—A. Yes, to us.

Q. And when you buy wheat or sell wheat, there is a certain amount of this money that is in the clearing houses?—A. Yes, that is correct.

Q. Or the clearing house?—A. Yes.

Q. And on that you receive interest at what rate?—A. Well, we have received interest at varying rates throughout the period, but at the moment it is four per cent.

Q. Yes.—A. Four per cent so long as our deposits do not exceed our loans. After the deposit exceeds the loans we only get one per cent.

The CHAIRMAN: I do not know whether the committee desires an explanation as to the operation of a clearing house and the operation of buying and selling grain. It might be desirable, Mr. Findlay, if you could state that shortly; or perhaps somebody else will do that, who is more familiar with it.

The WITNESS: I should be very glad to do it. Of course, that is my department, in any case.

*By the Chairman:*

Q. That is your side of the business?—A. Yes.

The CHAIRMAN: Does the committee desire to have a statement with respect to that?

Hon. Mr. STEWART: Yes.

Mr. LUCAS: I think it would be very interesting, Mr. Chairman.

*By the Chairman:*

Q. Then, Mr. Findlay, will you make that statement?—A. I think the best way to deal with that is to give you a short review of our operations in any one day. During the early part of the morning—of course, all grain operations are completed by shortly after noon in the summer time, shortly after one o'clock in the winter time. There is our difference, because of the difference in time with continental time; because we go on daylight saving time on the Grain Exchange to conform with the other exchanges. During the morning documents come in, if we have purchased wheat, either cash or options, or sold cash or options. These statements are tabulated, checked and eventually they reach our department in the form of summaries as to the amount of requirements for the day. As these documents are presented—we have a very brief time in which to prepare cheques for them. Everything has to be clear before the clearings are through for the day. These cheques go over to the bank to be marked and are paid out to the proper people. There is no difficulty with regard to cash grain. You are probably all familiar with how that is handled. It is actually a cash transaction each day. But with the options there is a little variation. If we bought a million bushels of wheat in the market to-day, we would buy it at varying, fluctuating prices, within the range of the market for that day; and at the end of the day we pay to the clearing house the variation between the price at which we purchased or sold that wheat and the market price, and we either pay to or receive from the clearing house a cheque each day.

*By Hon. Mr. Ralston:*

Q. You put or take, as they say.—A. We keep all the prices to the market every day.

*By the Chairman:*

Q. That is, the aggregate of all transactions for a given day must be brought— —A. To the close.

Q. —to a level with the closing market price, either by paying money to or receiving money from the clearing house in which you have a deposit for that purpose?—A. Yes.

Q. That is the story?—A. Yes. We issue our cheque to the clearing house. But in addition to that we have to maintain what we call original margins with the clearing house. The purpose of this original margin you will readily recognize. It is to guarantee the clearing house against loss in the case of violent fluctuations in the market. We have not had those markets for some time, but in a day of violent fluctuations during the session, in addition to your daily clearing house, you suddenly get what is called a call to market. That gives you fifteen minutes to get a marked cheque in the clearing house, so you don't waste much time. The man in charge of the clearing house keeps continually going over the

position of all the customers with relation to the ticker prices. If he thinks some of them are getting a little low—and they won't take a chance of waiting until the end of the market—they get a call to market. If at the end of the day the market had reacted and all that money was not necessary, you receive it back. But you may get calls to market two or three times a day.

Q. The first point, I think, which you should make clear to the committee is that the clearing house is an organization created to complete transactions in the sale and purchase of wheat.—A. That is correct.

Q. That is correct?—A. It is, as the name implies, a clearing house for all transaction.

Q. It is just what the word means, a clearing house?—A. Yes.

Q. Of transactions?—A. Practically a bank.

Q. And the next point that I think should be clear to the committee—probably some know more about it than I do—is that each day's transactions are balanced with the market so that, so far as the clearing house is concerned, it completes the business for that day on that day?—A. It completes the business for that date, and before the clearing house closes for that night, everybody's accounts are in balance. Everybody's accounts are in balance with everybody else's.

Q. In balance with the closing market price of that day?—A. Yes.

Q. And if you have an excess sum of money, you sometimes get a cheque back—you do get a cheque back?—A. Yes, we do.

Q. And if you have a deficiency, you must cover it with a marked cheque?—A. Yes. As a matter of fact, we make out these cheques ourselves.

Q. Yes?—A. They are signed by us.

Q. Because you keep your business as well, at the same time?—A. Yes.

*By Hon. Mr. Ralston:*

Q. Is it the same?—A. If you will permit me to go on, I think we can, perhaps, leave this. These original margins go to the banks in the joint—for deposit in the joint name of ourselves and the clearing house. We cannot withdraw that money nor can the clearing house. We jointly have to withdraw it; and on those funds we get 4 per cent interest.

*By the Chairman:*

Q. Exactly; and you pay for your loan how much?—A. Five per cent.

Q. Yes, 5 per cent. Suppose you wanted to buy 1,000,000 bushels of wheat. I will put this transaction to you: Suppose you wanted to buy 1,000,000 bushels of wheat to-day. The brokers go into the pit and buy it?—A. That is correct.

Q. And they buy it in blocks of perhaps 10,000, 20,000 or 100,000?—A. Yes.

Q. And the total cost of that million bushels is computed on the receipt of the brokers' bought notes?—A. Yes.

Q. Then, as soon as that is completed, you have to complete your transaction with the clearing house?—A. That is correct.

Q. We will take this to be the case, that the million bushels that you bought to-day was for delivery in, we will say, August. Suppose it was, and suppose it cost, we will say for the sake of argument, \$800,000. How much money would you put into the clearing house as against the ultimate delivery of that wheat in August?—A. Oh, just the variation in the market.

Q. No; how much would your initial payment be, what you mentioned as your initial margin?—A. Our original margin?

Q. Yes?—A. We would put in \$200,000.

Q. \$200,000?—A. Yes.

Q. Then 25 per cent of the purchase price of the wheat, if it were 80 cents a bushel, is put up when the brokers complete the transaction in the clearing house, is that right?—A. 20 per cent.

Q. 20 per cent?—A. Yes.

Q. Pardon me. I said 25 per cent. It is 20 per cent?—A. That is correct.

Q. 20 per cent of the purchase price; that would be \$200,000?—A. \$200,000.

Q. And if at the close of the market to-morrow that price was 75 cents, it would be incumbent upon the clearing house, when they closed out the transaction, to get an additional sum from you?—A. Yes.

Q. And if, on the other hand— —A. Or if we sold it, we would receive their cheque.

Q. Yes, if on the other hand, the market was 85 cents, they would hand back to you or pay back to you a cheque for a part of that money?—A. Yes—no, not part of the original margin until we have sold the wheat.

Q. Yes, that is right—until the transaction is closed out?—A. I think we can explain that briefly. If we buy 1,000,000 bushels of wheat to-day, we deposit \$200,000 in the bank. If we sell it to-morrow, they release the deposit and it goes back into the bank account.

Q. When the clearing house makes the final entries, that completes your dominion over that million bushels. Suppose you sell to somebody else, and they buy your option for delivery in August and pay for it. The clearing house makes the appropriate entries and closes out the transaction; is that right?—A. As a matter of fact, we do ourselves.

Q. But the entries are kept practically all in the clearing house?—A. Yes, these go over to the clearing house.

Q. And this money that is on deposit in the clearing house is kept in a joint account?—A. It is in a joint account.

Q. And on that the banks pay interest to you?—A. To us.

Q. As the depositor?—A. Yes.

Q. If you borrowed it from the bank, they would charge you 5 per cent and credit you with 4?—A. Yes. We pay 5 per cent on the monthly—at the end of each month.

Q. You pay 5 per cent at the end of each month?—A. Yes. I should have added to that, 4 per cent on that is computed only once every six months.

Q. 4 per cent on that is computed only once every six months?—A. Yes. We don't get that every month, so it is really not 4 per cent.

Q. That is the financial arrangement?—A. That is the financial arrangement.

*By Hon. Mr. Ralston:*

Q. I understand you have your borrowings, and interest on the deposits. You get only 1 per cent on the profits and pay 5 per cent on the borrowings?—A. Yes. Originally, when we made our first one I think we got 4—no, we paid 6 per cent and we got 5 per cent on the original margin deposits, and if our loans fell under the deposits, then we got 3 per cent. That has been whittled down. So long as our loans exceed the deposits we pay 5 per cent on the loans and receive 4 per cent on the deposits.

The CHAIRMAN: Mr. Ralston, I think you got it the wrong way.

The WITNESS: Let us assume—

*By Hon. Mr. Ralston:*

Q. I think I did get it the wrong way?—A. Yes.

Q. Let me understand it. Suppose your borrowings, let us say, were half a million dollars, and your deposits were \$300,000?—A. We pay 5 per cent on the half million dollars and on our deposits we receive 4 per cent.

Q. Finish your answer?—A. All right.

Q. Suppose your borrowings were \$500,000 and your deposits \$300,000, you would pay 5 per cent on the \$500,000 and you would receive what on the deposits?

—A. If our borrowings were \$500,000 and our deposits \$300,000 we would pay 5 per cent on the half million dollars of borrowings and we would receive 4 per cent—computed only twice annually on the \$300,000.

Q. The 5 per cent being computed monthly?—A. Monthly.

Q. Suppose your borrowings were \$500,000 and your deposits were \$800,000, then you would pay 5 per cent on your borrowings, computed monthly and receive what on the other?—A. 5 per cent—4 per cent on the \$500,000 and 1 per cent on the balance.

Q. 1 per cent on the balance?—A. Yes.

Q. I think where I misunderstood you was I thought you would receive only 1 per cent on the total deposit?—A. No.

Q. You receive 4 per cent up to the amount of your borrowings?—A. Yes.

Q. And only 1 per cent above that?—A. Yes.

Q. Is that per cent also computed every six months?—A. All interest coming to us is computed only every six months. We tried to get it on a monthly basis but we have not been able to argue the banks into it yet.

*By the Chairman:*

Q. Mr. Findlay, I think you have cleared up the question of the interest you receive and the interest you pay, but the clearing house transactions, the trades, are closed out, balanced every day; that is a short way to put it?—A. Yes, that is correct.

Q. That applies equally whether they are so-called long or short sales?—A. It makes no difference.

Q. Not a bit of difference in the world?—A. No.

Q. I think Colonel Ralston's last question was in regard to the indebtedness to the banks, the net liability on varying dates. Can you give that, please?—A. Yes. Would you like to have these figures straight across—

*By Hon. Mr. Ralston:*

Q. What are your headings?—A. Statement of total indebtedness to banks and net liability after deducting cash deposits; grain stocks at market values.

Q. That is somewhat different from what I asked?—A. That is perfectly all right.

Q. This gives the dates up to the time the computation is made?—A. That is correct, and that is combined, of course, pool and special.

Q. Pool wheat is not separated from wheat bought after July 31, 1931?—A. Special never is cash wheat.

*By the Chairman:*

Q. It represents the total liability by the Co-Operative Wheat Producers to the banks on the date mentioned, together with the values at market prices of the wheat held as security by the banks under the section of the Bank Act?—A. That is correct.

Q. And the margin deposits in the clearing house that you have mentioned give us the net liability and indicates what would happen if on that date you cleared out your business and converted it into cash?—A. That is correct.

Q. That is the way it is done?—A. Yes.

Q. I want to be sure that is clear.

*By Hon. Mr. Ralston:*

Q. Assuming that you could dispose of the wheat at the market price?—A. Yes.

The CHAIRMAN: Exactly. On that date. All right.

The WITNESS: July 31, 1931.

*By Hon. Mr. Ralston:*

Q. How many columns have you?—A. Five. Now, you may decide to eliminate this total security value. I put it in here for your convenience; but I think the column in regard to the bushel figure may not interest you; it is merely the combined total of our security. On the other hand, you have the margin deposits—

The CHAIRMAN: That is the important question.

Hon. Mr. RALSTON: He has really added together the value of cash, and the value of wheat, and made another figure. There is no need to do that.

The CHAIRMAN: He has to do that to get the net liability.

Hon. Mr. RALSTON: He has to do that?

The WITNESS: Mr. Ralston can take the four columns if he prefers it that way.

Hon. Mr. STEWART: There is no security except wheat.

The WITNESS: We have cash deposits.

Hon. Mr. RALSTON: And government guarantees.

The WITNESS: Oh, yes. .

The CHAIRMAN: Continue.

The WITNESS: July 31, 1931. Total bank indebtedness, \$28,387,340.49; margin deposits \$10,370,000; value of grain stocks, \$15,458,988.47; total security value \$25,828,988.47.

*By Hon. Mr. Ralston:*

Q. The sum of the two?—A. Yes. Net liability to banks, \$2,558,352.02. August 31. Total bank indebtedness \$24,613,460.55; margin deposits, \$13,355,000; value of grain stocks, \$6,823,400.02; total security value, \$20,178,400.02; net liability to banks, \$4,435,060.53. December 31. Total bank indebtedness \$14,749,777.65; margin deposits, \$13,060,000; value of grain stocks, \$943,491.83; total security value \$14,003,491.83; net liability to banks, \$746,285.82. July 1, 1932: Total bank indebtedness, \$25,565,986.18; margin deposits, \$14,440,000; value of grain stocks, \$15,878.64; total security value \$14,455,878.64; net liability to banks, \$11,110,107.54.

Q. When you speak of value of grain stocks, are you giving a figure of—  
—A. Cash grain.

Q. Cash grain?—A. Yes; always remember it is brought up to market every day.

Q. I beg your pardon?—A. Paper wheat is brought up to market every day.

*By the Chairman:*

Q. Future purchases are brought up to market every day by the clearing house?—A. Yes.

Q. Value of grain stocks means value— —A. Of physical grain on hand. December 31, 1932: Total bank indebtedness \$54,952,729.84; margin deposits, \$21,831,000; no grain stocks, total security value, \$21,831,000; net liability to banks \$33,121,729.84. May 1, 1933: Total bank indebtedness, \$30,632,694.29; margin deposits, \$20,953,000; value of grain stocks, \$229,656.25; total security value, \$21,182,656.25; net liability to banks, \$9,450,038.04. June 1, 1933: Total bank indebtedness, \$23,799,713.13; margin deposits, \$20,978,000; no grain stocks; total security value, \$20,978,000; net liability to banks, \$2,821,713.13. July 1, 1933: Total bank indebtedness, \$14,841,800.87; margin deposits, \$24,061,000; value of grain stocks, \$496.35; total security value, \$24,061,496.35; net liability to banks (plus) \$9,219,695.48.

*By the Chairman:*

Q. That is a surplus?—A. That is a surplus, yes.

Q. Owing by the banks, \$9,219,695.48?—A. That is correct. July 14—this is a plus or surplus, \$12,105,764.03; margin deposits \$21,721,000; value of grain stocks \$915,195; total security value, \$22,636,195; net liability to the banks (surplus) \$34,741,959.03.

Q. That is a surplus?—A. Yes.

Q. A net surplus?—A. A net surplus. July 16—Total indebtedness—

Q. That is total deposits?—A. Deposits, yes. \$15,975,305.28; margin deposits \$20,221,000; value of grain stocks \$962,572.50; total security value \$21,183,572.50; net surplus \$37,158,877.78.

July 17: Total bank indebtedness, (\$18,545,834.49); margin deposits, \$18,971,000; value of grain stocks, \$989,210; total security value, \$19,960,210; net surplus (\$38,506,044.49).

July 18: Deposits, total bank indebtedness (\$19,561,712.32); margin deposits, \$18,971,000; value of grain stocks, \$1,033,367.50; total security value, \$20,004,367.50; net surplus, \$39,566,079.82.

July 19: Total bank indebtedness, deposits, plus, (\$12,866,128.61); margin deposits, \$18,971,000; value of grain stocks, \$934,492.50; total security value, \$19,905,492.50; surplus, \$32,771,621.11.

July 20: Total bank indebtedness (\$2,311,572.26); margin deposits, \$19,971,000; value of grain stocks, \$774,630; total security value, \$20,745,630; surplus, \$23,057,202.26.

July 21: Total loans, \$3,631,060.59.

Hon. Mr. RALSTON: Surplus.

The CHAIRMAN: No. Liability.

The WITNESS: No. Margin deposits, \$23,016,000; value of grain stocks, \$730,870; total security value, \$23,746,870; net surplus, \$20,115,809.41.

July 22: Total bank indebtedness, \$9,552,443.09; margin deposits, \$23,656,000; value of grain stock, \$704,510; total security value, \$24,630,510; surplus, \$14,808,066.91

And then I think we jump to August 1st.

August 1: Total deposits (\$6,137,645.34); margin deposits, \$25,161,000; value of grain stocks, \$617,132.42; total security value, \$25,778,132.42; net surplus, \$31,915,777.76.

August 31: Total bank indebtedness, \$19,703,170.85; margin deposits, \$25,062,300; value of grain stocks, \$202,935; total security value, \$25,265,235; net surplus, \$5,562,064.15.

September 30: Total bank indebtedness, \$41,598,309.46; margin deposits, \$28,676,600; value of grain stocks, \$165,585; total security value, \$28,842,185; net liabilities to banks, \$12,756,134.46.

October 31: Total bank indebtedness, \$48,081,476.54; margin deposits, \$31,999,600; value of grain stocks, \$264,130.11; total security value, \$32,263,730.11; net liability to banks, \$15,817,746.43.

November 30: Total bank indebtedness, \$51,588,190.79; margin deposits, \$32,539,600; value of grain stocks, nil; total security value, \$32,539,600; net liability to banks, \$19,048,950.79.

December 31: Total bank indebtedness, \$51,577,427.60; margin deposits, \$32,717,600; value of grain stocks, nil; total security value, \$32,717,600; net liability to banks, \$18,859,827.60.

The CHAIRMAN: I am to meet my colleagues at 2 o'clock, perhaps we had better rest at the end of 1933. The stenographers have had a pretty hard morning. Shall we try for 4 o'clock.

Hon. Mr. RALSTON: As far as I am concerned.

The CHAIRMAN: And let Mr. Findlay finish as soon as possible. Mr. Findlay, you are excused until 4 o'clock. If you can in the meantime, find out how much cash wheat there was at the date you gave at the end of June, and how much option.

The WITNESS: Yes.

The committee adjourned at 1.12 p.m. to resume at 4 o'clock, p.m. this day.

## AFTERNOON SESSION

THE COMMITTEE RESUMED AT 4 P.M.

The CHAIRMAN: Mr. Findlay, we are beginning with the year 1934 to continue the statement you have been making for months and years. Will you proceed?

The WITNESS: January 31, 1934: Total bank indebtedness, \$41,184,518.66; margin deposits, \$32,662,600; no grain stocks; total security value, \$32,662,600; net liability to banks, \$8,521,918.66.

February 28: Total bank indebtedness, \$43,649,353.83; margin deposits, \$31,939,000; no grain stocks; total security value, \$31,939,000; net liability to banks, \$11,710,353.83.

March 31: Total bank indebtedness, \$41,833,848.90; margin deposits, \$29,650,000; value of grain stocks, \$667,500; total security value \$30,317,500; net liability, \$11,516,348.90.

Now, I think, Mr. Chairman, the date of April 30 was asked for. It was not on my slip, but I have the figures here:—

Total bank indebtedness, \$47,458,000; margin deposits, \$28,443,000; value of grain stocks, \$1,302,000; total security value, \$29,745,000; net liability, \$17,712,000.

May 31: Total bank indebtedness, \$28,720,923.29; margin deposits, \$22,930,000; value of grain stocks, \$15,341,538.43; total security value, \$38,271,538.43; surplus, \$9,550,615.14.

June 30: Total bank indebtedness, \$30,701,418.01; margin deposits, \$27,115,000; value of stocks, \$3,209,455.83; total security value, \$30,324,455.83, and net liability, \$376,962.18.

July 31: Total bank indebtedness, \$22,651,160.95; margin deposits, \$26,445,000; value of grain stocks, \$11,014,028.73; total security value, \$37,459,028.73; surplus, \$14,807,867.78.

August 31: Total bank indebtedness, \$25,886,571.19; margin deposits, \$28,080,000; value of grain stocks, \$2,829,731.41; total security value, \$30,909,731.41; surplus, \$5,023,150.22.

*By the Chairman:*

Q. You haven't got September, have you?—A. No, I might have it. I am afraid I have not got the value of the grain stocks at that date. I might have. I will go over my figures.

Q. You might make a note of it and give it to the reporter after we rise, so that he can complete the statement in detail?—A. I may have to wire for some of the details.

Q. You need not bother now.

Hon. Mr. RALSTON: We will leave a blank.

The WITNESS: October 1st.

Hon. Mr. RALSTON: That is what the Prime Minister is asking for.

The WITNESS: Apparently this request mentioned specifically the 1st.

The CHAIRMAN: I think it was as you saw it in the newspapers, and probably you got it wrong. Is that October 31st or October 1st?

The WITNESS: October 1st.

The CHAIRMAN: That is what I have been asking for; that is September 30th. You can change those to September 30th.

The WITNESS: These are October 1st. I had better put in September 1st. I thought there might have been a special reason for asking for this.

The CHAIRMAN: I do not know. Colonel Ralston can say.

Hon. Mr. RALSTON: I do not know.

The WITNESS: I think, perhaps, we had better leave a blank.

The CHAIRMAN: Leave a blank for September and October.

Hon. Mr. RALSTON: Between September 30th and October 1st.

The CHAIRMAN: The next will be October 31st, instead of the 1st, and November also.

Hon. Mr. RALSTON: In my memorandum I just jumped from September 31st to May 31st, but you might as well put them all in if you have them.

The CHAIRMAN: That is what I said before you came in; get them all in. Then you come to May 31st, 1935.

The WITNESS: And you wish January, February, March and April for 1935, do you?

The CHAIRMAN: Yes, if you have them.

The WITNESS: Yes. December 31st.

Hon. Mr. RALSTON: Are you giving us October 1st since you have it there?

The WITNESS: Do you want it in?

Hon. Mr. RALSTON: If you will.

The WITNESS: October 1st: Total bank indebtedness, \$30,842,710.09; margin deposits, \$32,785,000; value of grain stocks, \$347,049.22; total security value, \$33,132,049.22; surplus, \$2,289,339.13.

Hon. Mr. RALSTON: Now, we are leaving a blank for November and December.

The WITNESS: Yes.

Hon. Mr. RALSTON: No, for October 31st.

The CHAIRMAN: We are leaving a blank for October 31st and November 30th.

The WITNESS: December 31st: Total bank indebtedness, \$44,545,642.99; margin deposits, \$37,000,000; value of grain stocks, \$2,208,437.47; total security value, \$39,208,437.47; net liability to banks, \$5,337,205.52.

Hon. Mr. RALSTON: Now we are leaving a blank for January, February, March, and April, are we?

The WITNESS: Yes.

Hon. Mr. RALSTON: Are you going to bring up to June 20?

The WITNESS: Oh, yes, I can give you June 22.

Hon. Mr. RALSTON: I meant the corresponding figures.

The CHAIRMAN: You gave us June 21st and 22nd.

The WITNESS: I gave you the 21st; the 22nd is the same figure. I can give you the information for the same day.

*By the Chairman:*

Q. Now, Mr. Findlay, the reporters have taken your figures down in round numbers, but your statement is in detail; will you check with them so that they can get the figures accurately?—A. Yes, sir.

Q. I understand that you have prepared all this?—A. Yes, as a matter of fact, they have copies of these sheets.

May 31, 1935: Total bank indebtedness, \$80,301,741.78; margin deposits, \$28,395,000; value of grain stocks, \$41,610,816.15; total security value, \$70,005,816.15; net liability to banks, \$10,295,925.63.

As of June 22nd: Total bank indebtedness, \$79,333,662.88; margin deposits, \$27,510,000; value of grain stocks, \$40,202,264; total security value, \$67,712,264; net liability, \$11,621,399.

*By the Chairman:*

Q. You have finished the figures for January, February, March, and April, 1935, and the other months?—A. That is correct.

Q. Mr. Findlay, the large value of grain stocks at the end of May is what would have been the value if you had demanded delivery of cash wheat, I take it?—A. Yes, that is correct.

Q. I would suggest that you might give us the number—or, perhaps Mr. McIvor could give the number of bushels taken of cash wheat as of the beginning of May; is it the beginning of May?—A. The beginning of May, yes. 57,278,000 bushels.

Q. That is on the 1st of May?—A. From the 1st of May to the 31st.

The CHAIRMAN: That is all, so far as I am concerned.

The WITNESS: There is one figure which I think was requested this morning: That was the number of bushels of old pool wheat—I think you got this—as at the 31st of August. I think you put that down.

*By the Chairman:*

Q. In what year?—A. 1931.

Q. Yes?—A. 76,728,000 bushels.

Q. Yes, I think you gave us that?—A. And the average cost was 60.534 cents.

Q. Not including any carrying charges?—A. Yes. That is for the cost up to that date, accruing everything.

Q. Did that include everything?—A. That includes all liabilities against the grain.

Q. Up to that date?—A. Up to August 31st.

*By Hon. Mr. Ralston:*

Q. And that was sold at—what did you say?—A. 60.534 cents.

Q. Would you mind giving the figure again.—A. The bushels?

Q. As of August 31st, yes?—A. 76,728,000.

Q. Didn't you give that to us?—A. Yes.

Q. Pool wheat as of August 31, 1931, 76,728,000 bushels; is that right?—A. Correct.

Q. The average cost as of that date?—A. 60.534 cents; and it would have been considerably less than that at July 31st, but I can't figure out how much.

Q. Give me the amounts—you mean the amount would have been less, or the cost, or both?—A. The cost; and the amount would vary—slightly lower.

The CHAIRMAN: Mr. Lucas, any questions?

*By Mr. Lucas:*

Q. I notice in October of 1934, the very large purchases at October 31st—29,716,000 bushels—that is for the whole month; have you any figures showing how that was acquired by weeks or days?—A. October, 1934?

Q. October of 1934?

The CHAIRMAN: 1934 did you say?

Mr. LUCAS: Yes.

The WITNESS: Do you want this by days for that month?

Mr. LUCAS: I think it would be all right.

The WITNESS: The amounts are as follows:—

Date	Purchases (bushels)	Sales (bushels)
October 1.. . . . .	10,520,000	
October 6.. . . . .	10,520,000	
October 2.. . . . .	2,295,000	
October 3.. . . . .	5,000,000	
October 4.. . . . .	85,000	
October 5.. . . . .		157,000
October 7.. . . . .		40,000
October 9.. . . . .	70,000	
October 10.. . . . .		26,000
October 11.. . . . .		69,000
October 13.. . . . .	200,000	
October 15.. . . . .	260,000	
October 16.. . . . .	20,000	
October 17.. . . . .	425,000	
October 18.. . . . .	440,000	
October 19.. . . . .	475,000	
October 20.. . . . .	450,000	
October 21.. . . . .	—	
October 22.. . . . .	19,000	
October 25.. . . . .	1,815,000	
October 26.. . . . .	3,200,000	
October 27.. . . . .	300,000	
October 29.. . . . .	1,072,000	
October 30.. . . . .	660,000	
October 31.. . . . .	2,410,000	

The CHAIRMAN: Have you anything more, Mr. Lucas?

Mr. LUCAS: That is all, thank you.

The CHAIRMAN: Mr. Vallance?

Mr. VALLANCE: No, thank you.

The CHAIRMAN: Mr. Ralston?

*By Hon. Mr. Ralston:*

Q. In the first place, with regard to the statement that you gave us with regard to the wheat on hand and the handlings from July 31, after July 31, 1931, am I correct in saying that the totals on hand which you have given us in the next to the last column should be increased by approximately 76,000,000 bushels in order to show the total that you had on hand including the old pool wheat?—A. What statement are you referring to?

Q. I am referring to all the statements that you have given us showing the amount of wheat acquired or disposed of during each month, week or day from

June 1, 1932, down to May 31, 1935?—A. Yes, that is correct. You will find them in this chart of the days in which you got the average cost.

Q. Yes, I know. What you were asked for, the amount of wheat acquired or disposed of during each month, week or day as indicated below, by Canadian Co-operative Wheat Producers Limited, with the amount on hand and the price of nearest future, at end of each month, week or day as the case may be. Now, as I understand it, in showing the amount on hand in the statement you have given us from June 1, 1932, to May 31, 1935—which in some case is by months, in other cases by weeks and in another case it is by days—you have only shown the amount on hand of the so-called "special" wheat?—A. That is correct.

Q. And you have not included in that column the 76,000,000 which was on hand and taken over from the pools?—A. No.

Q. So that in order to show the total on hand we have to add approximately 76,000,000 to that column right straight through?—A. That is correct, yes.

Q. In other words, to get that absolutely clear, when you show the total on hand as of May 31, 1935, at 152,446,000 bushels, that is really 228,562,000 bushels—as you have shown in another statement when you come to make up costs?—A. That is correct. Yes.

Q. Now, with regard to the financial statement that you have given us, that statement reporting the bank indebtedness and the security held; what does that bank indebtedness represent? Might I ask you a leading question to see if I understand it correctly: Does the bank indebtedness represent the money borrowed from the bank in order to put up these margins you have spoken about, and any money necessary to purchase cash wheat?—A. Yes.

Q. That is what it represents?—A. Yes.

Q. The bank indebtedness does not in any sense represent the obligation which the Canadian Co-Operative Wheat Producers Limited have undertaken in the way of buying wheat for future delivery?—A. Yes, it includes all liability.

Q. It does?—A. All liabilities up to the close of business on these days.

Q. Do you mean that it includes all liabilities, for instance, on July 1, 1933, for 145,718,000 bushels of wheat?—A. Yes, up to the close of business on that day.

Q. I am afraid we are at cross purposes. I know you don't mean that, there must be a misunderstanding, the cost of 145,718,000 bushels would be let us say about \$110,000,000 if you took delivery of it?—A. Yes.

Q. Perhaps I am wrong, probably that is a large amount; it would be somewhere about a hundred million dollars.—A. Yes, if this is represented by cash wheat.

Q. Sure, and in addition to the liability to the bank represented by actual cash borrowings, in order to pay for your wheat and in order to pay up margins of the Canadian Co-Operative Wheat Producers Limited—they were on the risk for further purchases of wheat to the extent of 145,000,000 bushels, were they not?—A. I didn't quite get your question.

Q. Well, I want to make it as clear as I can. They borrowed cash in order to undertake the current operations; that is to say, put up margin and buy cash wheat?—A. Yes.

Q. Quite outside of the cash wheat, they had an obligation to take wheat in the future—let us say it might be in June;—so that they had an obligation to take wheat in October at a certain price, didn't they?—A. Yes, at a price, which, of course, in June you can't determine.

Q. Yes, the price was fixed in June. The price of October futures was fixed in June, was it not?—A. It was fixed in June for June 30. It may be entirely different to-morrow or the next day.

Q. They had undertaken to take delivery of wheat in October and to pay so much for it, hadn't they?—A. Yes, if we still retained October futures.

Q. Certainly; and they were liable on that obligation, were they not?—  
A. You mean that we would be liable in October to take delivery of wheat if it was delivered to us?

Q. Right, and put up that money?—A. Yes, if we still had October futures.

Q. Certainly, if you still had October futures. Is it not something the same as a promissory note, making it payable in October?—A. Yes.

Q. At which time the wheat would be delivered?—A. Yes.

Q. But in the meantime they were on the note, were they not?—A. Yes. The obligation, of course, is there.

Q. And that obligation is no included in the statement you have given here, is it?—A. No.

Q. No; because you have attempted to balance it off by saying that on that particular day on which you have given your obligation a future could have been sold for the price which you paid for it, plus or minus the margin which was put up or taken down, as the case might be?—A. No, you are getting the margin confused. Assume we had sold out that wheat at the close of business on that day, we would have had no future obligation for that.

Q. I agree with you there. I say that is why you have not included it in the liability.—A. Of course, any liability you can compare in a statement of this kind—you call that a contingent liability.

Q. That is, I understand, a contingent liability. But it was a real liability, was it not?—A. Well, assuming we are going to take delivery.

Q. Yes, and the contract says you are going to take delivery of the wheat?—A. Yes, but we have the privilege, of course—

Q. Of selling?—A. Yes.

Q. Just the same as if I buy a house and agree to pay for it next year, say \$5,000; I have the privilege of selling that house in the meantime and getting my \$5,000 back?

Mr. PORTEOUS: Or \$10,000.

Hon. Mr. RALSTON: Well, we will see if the ten came out.

*By Hon. Mr. Ralston:*

Q. I have the privilege of selling and getting my \$5,000 or \$10,000 back, if I can sell?—A. Yes.

Q. In the meantime I am obligated for that house to the extent of \$5,000 or \$10,000, and I have the house, whatever it may be worth, as security?—A. Yes.

Q. That is so; and is not that your position exactly with regard to the future contracts, that you are under solemn obligation or promissory note to pay for wheat in October to the extent of 145,000,000 bushels—I am looking at July 1st, 1933—and assuming that wheat went down to nothing, you would have to put up the full amount of the purchase price of 145,000,000 bushels of wheat?—A. Quite. And if, at May 31, we had done that, assuming that all this was in the May future—

Q. Right?—A. Naturally our bank indebtedness would have increased, but this would be offset by the value of the grain taken delivery of.

Q. Just as it was, for instance, on June 21, 1935—let us say May 31, 1935, when you took delivery of 57,000,000 bushels of wheat during May, 1935?—A. Yes.

Q. Your bank loans went up to \$80,000,000?—A. Yes.

Q. But as security you had wheat?—A. Yes.

Q. But you still were holding your wheat. You had not sold your wheat, had you?—A. No.

Q. And it depends on how much you can sell your wheat for. You had not sold it on that day because you still had that on hand, as shown here; is that correct?—A. Well, we didn't have the full amount of the deliveries, because we had sold some.

Q. But you had wheat to the market value of \$41,610,000?—A. That is correct.

Q. The only way you can say that was worth \$41,610,000 is by saying that had you gone out and put on the market, say, 50,000,000 bushels of wheat that day, you could have realized the quoted price for it?—A. No, there is no suggestion of that kind.

Q. How is the value of the wheat made up for the purpose of valuing the security?—A. It is valued on the closing market price as of that date.

Q. Certainly, taking the number of bushels on hand?—A. Yes.

Q. You then say, in effect, with that number of bushels of wheat on hand, we have so many dollars on hand?—A. That is correct.

Q. That is correct. But as a matter of fact, whether those bushels of wheat represent dollars depends on whether you could dispose of that 50,000,000 bushels of wheat at that day's price, does it not?—A. That is correct.

Q. Suppose that I were taking over the total obligations of Canadian Co-Operative Wheat Producers Limited, as of June 21, 1935. First, how much cash would I have to put up, and secondly what is the extent of the dollar obligation which I would have to assume, the gross dollar obligation which I would have to assume, in connection with all future contracts which Canadian Co-Operative Wheat Producers Limited have?—A. Well, your total liability, if you were taking that—

Q. May I add this to the question: Assuming that Canadian Co-Operative Wheat Producers Limited were going to get out without loss?—A. The total bank indebtedness of that date was \$80,301,000. You would naturally also take over the asset value of cash deposits.

Q. That is right; that represents \$52,000,000?—A. And the grain stocks.

Q. I am putting the grain stocks to one side. I am going to have those, but I want to know the cash obligation I undertake. I may have property to represent it, but I would like to know the gross obligation I am going to undertake, having grain stocks or future contracts against it, which I would have to undertake, I would have \$52,000,000, would I not, because that is the indebtedness to the bank?—A. Yes.

Q. That is so?—A. Yes.

Q. How many bushels of wheat represented by future contracts would I have to take over?—A. Well, I think the only way—the only answer to that question is, you would have a contingent liability. You may not have a contingent liability either as at that date. You would have a contingent liability of an undetermined amount that there is no means of telling.

Q. I can tell at least what will be the gross liability that I take over. The contingency arises from how much I can realize from that wheat in the future?—A. Yes.

Q. There is no doubt about that. You can arrive with absolute certainty at the gross liability I take over, can you not?—A. Yes, quite.

Q. Will you do that for me?—A. But not in the case of the futures.

Q. Why?—A. Because you may or may not take delivery of the cash grain.

Q. I am going to assume I am going to take delivery of the cash wheat. That is part of my gross liability. If I sell it afterwards, that is my business. I want to know what is the full extent of the liability, the total gross liability that I take over, to let Canadian Co-Operative Wheat Producers Limited out even. I will have wheat or I will have contracts. But how much in dollars have I got to figure either in the way of actual cash payments or in the way of obligations, the obligations being offset by wheat or futures, as the case may be?—A. That is a rather difficult question.

Q. Well, but is it now?—A. Yes, it is. There are too many factors which cannot be determined.

Q. There are only two factors, as I understand it. Will you correct me if I am wrong? I am only just thinking that it is more simple than perhaps you may suggest. In the first place, you have the cash liability, that is sure, of \$80,000,000 to the bank, and they have got \$28,000,000 cash deposit; that leaves \$52,000,000 liability?—A. Yes.

Q. I have got to pay that; I have got to let them out of that?—A. Yes.

Q. To make them come out square?—A. Yes.

Q. In addition to that they are obligated—they have given promissory notes to buy wheat, to pay for wheat which is to be delivered in, probably, July. Suppose it is in May. Taking the date as May, having given promissory notes to pay for wheat in July, what is the total gross amount of those promissory notes in the form of future contracts?—A. No, Mr. Ralston, that liability cannot be determined.

Q. Can you not figure the amount at which you buy the wheat and the number of bushels?—A. Well, I think May 31st was one of your dates. I have not got those figures. I lent them.

Q. May 31st; you can take mine. I just took them down.—A. Give me the total, will you?

Q. Yes, you can look at this. This is May 31, 1935.—A. No, I do not mean that.

Q. What would you like?—A. I mean the cost statement.

Q. Here it is, right here.—A. Let us assume for your purposes that you require \$197,000,000, providing that grain is delivered to you at October, during the month of October, less whatever variation there is in spread between the opinion and the cash wheat at those two dates.

Q. I have all that. I require a gross of \$197,000,000.—A. Approximately.

Q. Is that to pay for 228,586,000 bushels of wheat at an average cost of 85.943 cents?—A. Yes.

Q. \$197,000,000?—A. Yes.

Q. That is what you call—and quite properly so, I think—a contingent liability; that is, the amount is contingent?—A. Yes.

Q. It is contingent.

The CHAIRMAN: Not the whole of it.

Hon. Mr. RALSTON: What is that?

The CHAIRMAN: Not the whole of it.

Hon. Mr. RALSTON: No, I am afraid the whole of it is not. But I was hoping that we might hope that it was all contingent, and that we would get more for it than we paid for it. But I am afraid it is not.

*By Hon. Mr. Ralston:*

Q. \$197,000,000 is the amount of cash I would have to put up if I took that wheat?—A. Yes, providing you held the quantity which we have already shown.

Q. If I am taking over from Canadian Co-Operative Wheat Producers Limited?—A. On that date.

Q. And this bill which we are talking about—which you do not know anything about; or you may have read it, I do not know—provides that we are to buy the wheat and the contracts from Canadian Co-Operative Wheat Producers Limited; that the Canadian Grain Board is to buy wheat and the contracts from Canadian Co-Operative Wheat Producers. In order to do that, and to let Canadian Co-Operative Wheat Producers out, if they did it as of May 31st, they would have to put up \$52,000,000. That is clear?—A. That is clear.

Q. And they would also have to become responsible for future contracts amounting to \$197,000,000?—A. Approximately.

Q. Approximately \$197,000,000?—A. Yes.

Q. And whether they would get out or not, whether they would be able to come out clear or not, or how much their ultimate liability would be, depends altogether on whether or not wheat goes above 85·943 or blew it when the time comes for delivery?—A. Quite.

The CHAIRMAN: You might just ask him what it would cost to transfer the options.

Hon. Mr. RALSTON: What was that, Mr. Chairman?

The CHAIRMAN: I said you might ask him what would be involved in transferring the options to the board.

Hon. Mr. RALSTON: Oh, yes.

*By Hon. Mr. Ralston:*

Q. The Chairman suggests that I ask what it would cost to transfer the options as of May 31, 1935.—A. Well, as a matter of fact, the option at May 31 was practically wholly in the October. I am speaking from meory. I think it was practically wholly in the October.

Q. Could you give any forecast as to what it would cost to transfer the options on 228,000,000 bushels of wheat as of May 31, 1935, suppose you transferred all those options as of that date?—A. Assuming that they had been in the May month?

Q. I beg your pardon?—A. I say, assuming that they had been in the month of May.

Q. Yes.—A. And at May 31st you wanted to switch them to October. Well, I have not got the price cards. It would probably be 3 and a fraction cents.

Q. But all it would do in transferring the option would be to increase the cost by 3 cents, would it not?—A. Yes.

Q. I am only postponing my liability, am I not?—A. Yes. Of course, do not forget that your liability on May 31st for those options would be less the spread. In other words you have paid the carrying charges on that grain up to October 31st or at the month of October, pardon me.

Q. I am saying the transfer of an option from May to October is simply postponing my liability, is it not?—A. Yes.

Q. Simply renewing the note?—A. Yes, you are renewing the note.

Q. You are paying something for carrying charges, or in lieu of carrying charges?—A. Yes.

Q. What is that amount. About how much do you pay?—A. Oh, approximately, if you are carrying cash wheat, a cent a month plus interest.

Q. Approximately a cent a month plus interest?—A. By using the option it is generally considered to be less than that. To begin with you have some amount on hand involving a saving in interest charges and you save also on the carrying cost, storage, in other words.

Q. Transferring an option, Mr. Findlay—I am not using the term invidiously—is simply betting on what the future will show as to a rise or a fall in the price of wheat, is it not?—A. That, depends, of course, on what purpose you hold it for. If I buy options personally in the hope that the market will rise, yes; by all means that is a bet, a gamble.

Q. The \$52,000,000 that you would pay out would be actual cash, the \$197,000,000 would mean another payment that we would undertake for Canadian Co-Operative Wheat Producers Limited. They would not be liable on their promisory note and on their options, perhaps amounting in all to \$197,000,000?—A. Yes; in other words, you would assume our line of option.

Q. Now, we yet have not done anything about the new crop. So far we have been dealing with what the Canadian Co-Operative Wheat Producers Limited have taken over?—A. Yes.

Q. This new crop has to be dealt with as well. Can you tell me what the price of Octobers is to-day?—A. No, I cannot.

Q. There is no October on the board, is there?—A. No; August.

Q. What is the price of August?—A. You ask that from Mr. McIvor.

Q. Yes.—A. He has all those prices.

Q. Now, let us go back to the pool operations, and it is only to get the thing clear in my mind, everybody else may have it quite clear. I understand there were three pools that were operating at one time, let us say, in 1930, Manitoba, Saskatchewan and the Alberta pool?—A. Yes.

Q. Is that correct?—A. Provincial pools.

Q. The Canadian Co-Operative Wheat Producers Limited was the central selling agency for those pools?—A. That is correct.

Q. They had some backing from the provincial governments, or had they?—A. In 1930?

Q. Yes, or 1929?—A. Oh, in 1929.

Q. 1929.—A. 1929-1930 season anyway.

Q. And then they had some backing later from the federal government?—A. Well, I believe so. But you see I do not belong to the provincial pools; I am afraid I cannot deal with that.

Q. Then in November, 1930, I think you said Mr. McFarland became general manager of Canadian Co-Operative Wheat Producers Limited?—A. Yes.

Q. Is that so? And was it at that time there was a change in policy with regard to marketing to the export market? Was it at that time the agencies overseas were withdrawn or discontinued?—A. I think probably some time during December. I am speaking from memory.

Q. Some time during December, 1930?—A. Yes, 1930.

Q. Then January, 1931—I do not know whether you know this or not, but I am just putting it in to make it chronological—there was a letter of guarantee given to the banks with respect to the operations of Canadian Co-Operative Wheat Producers Limited?—A. Probably, I do not know.

Q. You do not know about that?—A. No. I know that it must have been around that time something was given, what it was I do not know.

Q. Was there any time at which a cut-off was made or some books were closed, as it were, on the operations of the Canadian Co-Operative Wheat Producers Limited, without the assistance of the federal government, and the time when the assistance of the federal government came into play?—A. I think we had a statement to nearest—I am speaking from memory now—I think October 31st.

Q. What year?—A. That year.

Q. 1930 you mean?—A. Yes, 1930.

Q. At the time— —A. That really was a cut-off. Mr. McFarland, I think, came in about the middle of the month or probably around the 20 something when he came in.

Q. Now, were purchases made by Canadian Co-Operative Wheat Producers Limited up to June 1, 1932?—A. Were purchases made?

Q. Yes?—A. Of cash wheat?

Q. Yes?—A. Oh, yes, at varying times.

Q. By Canadian Co-Operative Wheat Producers Limited; that is, not by the pools, Canadian Co-Operative Wheat Producers Limited?—A. Yes. You are applying the entire operations under that heading, Canadian Co-operative Wheat Producers Limited.

Q. I do not mean that; I mean Canadian Co-Operative Wheat Producers Limited under Mr. McFarland's management. Did it make purchases of wheat in the spring of 1931?—A. Oh, yes.

Q. It did?—A. Yes.

Q. And was it those purchases that helped to run up the 76,000,000 bushels which you have spoken of as on hand August 31, 1931?—A. Yes, 76,000,000 the net result between any purchases made and sales made.

Q. What I am getting at, Mr. Findlay, is, I understand that there was no authority for Canadian Co-Operative Wheat Producers Limited to buy until some time later. I thought that authority was only issued later. I did not know it was in the spring of 1932. Perhaps you do not know anything about it. I do not want you to try to explain it if somebody should do it. I understood that the first order in council, 2238, of September 12, 1931, authorized the government to guarantee advances incidental to the marketing of wheat grown in the year 1930, but there did not seem to be in that any authority to purchase wheat. I was wondering under what authority or in what capacity purchases were made in the spring of 1931?—A. Oh, yes. I think I begin to follow some of your previous questions. Let me make this very clear. During the season—you asked me previously did we make purchases.

Q. Yes?—A. Of course, when you refer to the term “purchases” did we take delivery from our feeding organizations, that was the three pools, I answered you that we did; we took delivery of grain from them for the purpose of sale.

Q. But it was only in that connection that you made purchases; that is to say you made purchases from what I might call your principles?—A. Yes.

Q. The people for whom you were acting as agents?—A. Yes.

Q. You did not make purchases in the market?—A. What was the period, again?

Q. Spring of 1931?—A. In the spring of 1931?

Q. Yes?—A. No.

Q. Up to June, 1931?—A. June, 1931.

Q. When did your special purchases begin. I am using the word “special” because you used it?—A. I think I gave you the first date of that—July.

Q. July?—A. 1931.

Q. Are you quite sure of that?—A. Yes.

Q. Do you mean special purchases for the purposes of what we call stabilization began in July, 1931?—A. No. That is one question I cannot answer, what the reason was for the purchases of those options at that time. I cannot remember. I am being very sincere when I say that.

Q. Of course?—A. I cannot answer it, because I do not remember it; that is four years ago, a long time.

Q. I have here pool wheat, August 31, 1931, 76,728,000 bushels and then the next figure I think you gave us was June, 1932, 10,150,000 bushels. Have you that right in front of you?—A. No. Which statement are you referring to?

Q. The very first one you have given?—A. This is the first one.

Q. What does it say?—A. August 31, 1931, 1,740,000 bushels purchases, sales, 1,672,000 bushels.

Q. August 31?—A. That is the month of August.

Q. 1931?—A. 1931.

Q. You had purchases of how much?—A. Purchases of 1,740,000 bushels.

Q. And sales of?—A. And sales of 1,672,000 bushels.

Q. You had on hand at that time 76,728,000 bushels?—A. Oh, yes.

Q. Then, the first purchase you made was August 1, 1931. Was that a purchase in the market—shall I put it that way—a purchase not from your principals but in the market?—A. Yes.

Q. I do not seem to have that figure again?—A. You took it this morning.

Q. What is the next one?—A. September, 3,009,000 bushels.

Q. 1931?—A. 1931, sales, 166,000 bushels.

Q. Leaving a total on hand?—A. At September.

Q. Yes.—A. 6,980,000 bushels.

Q. We can put it down, then, there were purchases and sales all during the fall of 1931?—A. Well, from time to time, anyway, some in October; November, no purchases, nor any in January or February.

Q. Since the end of December, 1931, what is your total on hand including the 76,000,000?—A. Including the 76,000,000?

Q. Yes.—A. You will have to take these as approximately 83,801,000.

Q. December 31, 1931?—A. Yes.

Q. December 31, 1932, the total amount on hand including the 76,000,000 pool wheat was approximately 152,000,000 bushels?—A. That is correct.

Q. And December 31, 1933, the total on hand including the 76,000,000 pool wheat would be 209,000,000 bushels?—A. Approximately.

The CHAIRMAN: What did he say the figure was for the pool at the end of the year?

Hon. Mr. RALSTON: I assume the figure was 76,000,000.

The CHAIRMAN: I thought he gave the exact figure for the end of the year.

The WITNESS: I gave them at the end of May, 1935.

*By Hon. Mr. Ralston:*

Q. That is not the year I am asking. I am asking about December 31, 1933. I am asking what the total amount of wheat on hand was including pool wheat?—A. Well, the pool wheat is approximately the same in any case.

Q. 209,000,000 bushels, is it not?—A. Approximately 209,000,000 bushels.

Q. Then on the 31st December, 1934, the amount on hand including the pool wheat was 234,000,000 bushels, approximately?—A. Yes.

Q. And on June 20, 1935, the amount on hand including pool wheat was approximately 222,000,000 bushels?—A. 222,000,000 bushels.

Q. Did the Canadian Co-Operative Wheat Producers Limited purchase any coarse grain or futures?—A. No.

Q. None at all?—A. No.

Q. During this whole period?—A. No.

Q. They have never dealt in coarse grains at all?—A. Yes, we have. We, of course, took the coarse grains from the provincial pools the same as in the case of wheat.

*By the Chairman:*

Q. But those operations are not included in these operations?—A. No.

Hon. Mr. RALSTON: What did you say?

The CHAIRMAN: It has nothing to do with these operations.

*By Hon. Mr. Ralston:*

Q. I wanted to get your previous answer. I had asked you about the coarse grains and you said you did not include any.

The CHAIRMAN: He said they handled some through their pools.

The WITNESS: We handled some for the pools.

*By Hon. Mr. Ralston:*

Q. What I am getting at is there was no liability involved or no money paid out in connection with the handling of coarse grains, and it is not contained in the bank records that you have spoken of?—A. In the statement we just finished reading?

Q. Yes?—A. Yes.

Q. It is?—A. Yes. In the statement we have just finished reading? Oh, yes.

Q. It is?—A. Yes.

Q. Is there any large amount of coarse grains?—A. No.

Q. I mean is it \$1,000,000 or \$500,000? I am not pinning you down?—  
A. No. Probably \$500,000 or \$600,000.

Q. Now, you were the financial man, and when you were borrowing from the bank and making commitments for the purchase of futures, did you report to the bank the amount you bought each week, the amount you committed yourself for?—A. We reported each day.

Q. Not only the cash that you borrowed and the cash wheat you bought, but you also reported the futures?—A. Oh, yes.

Q. Why did you do that?—A. Well, I am quite sure it was required by the banks.

Q. Because of the fact that you were becoming liable for futures; would not that be the reason?—A. Of course, I cannot talk for the banks.

Q. Would you think that would be a fairly reasonable reason?—A. Yes, I assume—

Q. Because they were interested in the credit of their customer and the amount of commitments he was making?—A. Yes, it is a natural assumption.

Q. And you reported every day?—A. We reported every day.

Q. The amount of futures which you held?—A. Yes.

Q. The amount bought and the amount sold?—A. Oh, not generally—the net increase.

Q. Or decrease?—A. Yes, or decrease, as the case may be.

Q. The tickets themselves or whatever you call them, are they lodged with the bank to represent actual documentary evidence for futures which you hold?—A. No, nothing.

The CHAIRMAN: Oh, yes. I think he does not understand you. Security is given under the Bank Act.

Hon. Mr. RALSTON: What I was asking was whether there was any documentary evidence lodged with the bank except this report as to the futures held.

The CHAIRMAN: The clearing house certificate.

Hon. Mr. RALSTON: The clearing house certificate.

The WITNESS: Oh, yes. They are on deposit, as I explained this morning to the joint credit of ourselves and the clearing house.

*By Hon. Mr. Ralston:*

Q. So that the bank has the credit of these futures contracts as security?—  
A. I do not know what benefit they would get from them. Certainly in the case of the original margin.

Q. Assume that I have a futures contract that I purchased for 85 cents for October wheat and in October it was 93 cents; would not that future contract be worth something?

Mr. LUCAS: It might be worth 75 cents.

The WITNESS: Yes. You have bought it at a lower price.

*By Hon. Mr. Ralston:*

Q. Yes?—A. I think I know what you are after now. Assuming that we bought options at 75 cents and assuming that they go up to 90 cents in the interval between the time you have made this purchase and the date which we are discussing now, whatever it may be—

Q. The delivery date?—A. That fifteen cents would have come back to us.

Q. Out of the clearing house?—A. Yes.

Q. That would have been deposited in the bank?—A. Yes.

Q. Therefore, it was of interest to the bank to have these clearing house certificates in order that they might be sure to get the benefit of that increase, if increase there was?—A. Yes, quite.

Q. Therefore, a clearing house certificate with regard to the purchase of futures is of interest to the bank; it is either a real security or a real asset or a real liability, depending upon whether the wheat goes up or down?—A. I wonder if you feel there is a document representing the option, assuming that you buy ten thousand?

Q. I understood the chairman to indicate that there was a clearing house certificate. That represents the whole day's transaction, does it?—A. That merely represents the original margins.

Q. Does it speak of bushels at all? Does it deal with bushels?—A. Oh, yes—no, just the amount of money involved.

Q. It is so many bushels at so much with a certain percentage of margin?—A. No. Assume that we have to provide \$50,000 on original margins in any one day, the certificate—I haven't got one with me—practically what it amounts to is a form of deposit slip—we have deposited in certain banks on this particular day \$50,000 and that is endorsed to the joint account of ourselves and the clearing house.

Q. Is that certificate issued by yourselves or by the bank?—A. It is issued by ourselves.

Q. And lodged with the—A. Clearing house.

Q. I wonder if we are at cross purposes there. I thought I understood the chairman to say it was lodged with the bank.

The CHAIRMAN: What I meant was that the bank had knowledge of the transaction that took place through the clearing house. He calls it a deposit slip; I call it a certificate. Perhaps deposit slip is the better word.

*By Hon. Mr. Ralston:*

Q. Does it balance off the purchase of future with the final closing price of future?—A. No. You are becoming confused always with the day to day fluctuations of the market. The certificate we are discussing has nothing to do with it; it merely represents the amount of money we have on hand in the way of original margins.

Q. The amount of money you have on hand by way of original margins, in other words, it represents that you have that much at your credit?—A. Yes.

Q. That is an asset?—A. That is an asset.

Q. Does the bank take any interest in the futures contracts which you hold as a part of this security, as an asset out of which it might realize something, in order to help liquidate your account?—A. Nothing beyond the original margin.

Q. Nothing beyond the original margin?—A. That is only tangible.

Q. Don't they also take an interest in subsequent margins which are put up, if there are any put up?—A. The day to day margins?

Q. Yes.—A. Oh, yes.

Q. The bank, in effect, does have security on the futures contracts by reason of having security on the deposit which is made?—A. On subsequent days.

Q. In other words, what I am trying to get at—it seems to me if I have a contract to buy a certain article three months hence and pay so much money for it, it is quite possible that the contract might be an asset?—A. Quite.

Q. In the sense that the price I have agreed to pay for it is less than the price which will ultimately be realized and, therefore, that I have something to put up with my creditor as a contingent asset?—A. Oh, well, when you put it up it is merely getting back to the same old thing of a contingent liability or a contingent asset.

Q. And the margin represents, in order to provide a cushion—represents the actual asset?—A. That is the actual asset.

Q. In connection with that matter?—A. As a matter of fact—

Acting Chairman, Mr. E. E. PERLEY, presiding.

Hon. Mr. RALSTON: Mr. Chairman, I have not had a chance to go into figures. I take it that Mr. Findlay will be here when we meet again. I have not any more to ask him now.

*By Mr. Porteous:*

Q. I would like to get it clear with regard to the obligations that were taken over from the pool. You stated that as of August 31, 1931, there were 76,728,000 bushels and the cost was 60·53 cents?—A. Yes.

Q. Was that the cost to the Canadian Co-Operative Wheat Producers Limited?—A. Yes.

Q. Or was that the cost of the wheat when it was bought?—A. No, that is the cost of the wheat plus the carrying charges, based on the closing market price of that day.

Q. Then the obligation would be 76,728,000 bushels at 60·53 cents a bushel; is that right?—A. Yes, that is correct.

Q. And we are still carrying that wheat?—A. Yes. For instance, in the previous statement to that we had a surplus, and if I had shown the average cost per bushel as at that previous date—well, the cost would have been considerably under the market. In other words, we would have had an apparent profit.

Hon. Mr. STEWART: Say that again?

The WITNESS: In the previous statement the actual cost of our wheat would have been less than the prevailing market at that time. We would have had a surplus, and I would have shown you the cost—assuming the market at 56 cents and we had a sufficient amount of surplus to equal 6 cents a bushel on that 76,000,000 bushels, we would have shown the average cost of our wheat at 49 cents.

Hon. Mr. STEWART: How many months previously, roughly?

The WITNESS: Oh, very few—two or three months.

Hon. Mr. STEWART: So that it jumped from 49 cents to 60 cents in a short period?

The WITNESS: As I took off the statement on June 27th, the cost would have been slightly over the market at that time, but the previous statement was probably two months before that. We were considerably less than the average cost of the market.

*By Mr. Porteous:*

Q. Assuming you could sell that 76,000,000 bushels at 60·53, plus the carrying charges since that time, that would relieve you of the obligation that you assumed from the pool; is that right?—A. No. If you could sell your total number of bushels.

Q. I mean if you could sell that wheat. Perhaps it is hard to identify it.—A. No, just a moment. Let me see if I have that clear. Perhaps that was not understood. The average cost that I gave you is over all wheat. I think you understood that, Mr. Ralston?

Hon. Mr. STEWART: I do not get that.

Mr. VALLANCE: Over all wheat.

Hon. Mr. STEWART: I may be wrong, but I had the impression that that was the average cost of the 76,000,000 bushels.

The WITNESS: No.

Mr. VALLANCE: Over all wheat.

Hon. Mr. RALSTON: The cost of the 76,000,000 bushels was 60·53 cents and he hesitated about adding to that a cent a month from July 31, to date, which would amount to roughly 40 to 45 cents. He said it would not be fair to the pools to do that.

The WITNESS: No, that is the point I was going to make to this gentleman.

*By Hon. Mr. Stewart:*

Q. Then we have not got the actual cost of the 76,000,000 bushels on the date mentioned?—A. No. You have it on August 31, 1931. I think that is where you are probably astray.

Q. I am quite clear about that. I thought you said that that was not correct; that that did not represent— —A. No, you are going back now to August 31.

Q. Yes.—A. Yes, that is quite correct.

*By Mr. Porteous:*

Q. I am right in saying if you could identify that wheat—if you could identify that 76,000,000 bushels— —A. —and all the expense attending to it, then we could give you the cost.

Q. If you could sell it at 60·53 a bushel plus the carrying charges on it to date?—A. That includes the carrying charges to date.

Q. No, that includes carrying charges, as I understand it, as to the 31st August, 1931?—A. Oh, yes, you are referring back now to the figure we were discussing before. Yes, you are correct.

Q. Now, in your statement in answer to question 6: "Approximate average cost per bushel, season 1930-31 on net stocks at respective dates shown?—now, I am coming to May 31, 1935, when it was 228,000,000 bushels?—A. Yes.

Q. At an average cost of 85·9?—A. 85·943.

Q. Assuming that wheat goes up 5 cents a bushel and you can liquidate your stock it would almost balance your minus as of May 31, 1935, of 10,295,000 bushels?—A. Yes.

Q. That is if wheat went up 5 cents a bushel, you could liquidate your stock?—A. Our net liability would disappear.

Hon. Mr. RALSTON: If you can sell your 225,000,000 bushels?

The WITNESS: Yes. .

Hon. Mr. STEWART: Assuming you have it sold.

Mr. PORTEOUS: It is not a correct assumption which is taken that the wheat is not worth anything; that is what Mr. Ralston said.

Hon. Mr. RALSTON: I did not say anything of the kind. I endeavoured to get the gross liability.

The CHAIRMAN: Any further questions? Mr. Willis?

*By Mr. Willis:*

Q. Just one question: I think your statement is that the total liability as of June 22, 1935 was \$11,621,000—in round figures?—A. Yes.

Q. I assume that is arrived at by the ordinary methods of book-keeping employed by grain farmers?—A. Oh, yes.

Mr. WILLIS: Quite so.

*By the Acting Chairman:*

Q. We might add further to Mr. Willis' question: In the case of a demand for the transfer or these options from the wheat board to the trade it involved taking for the options cash grain. However, as Mr. Willis said, in assuming that liability they put up in cash \$11,621,000?—A. Yes.

Q. And thus they acquired that wheat?—A. Yes. You put up the amount of the deficit and you would be acquiring whatever of asset value, or of liability, there might be.

The ACTING CHAIRMAN: Mr. Lucas, have you anything you want to ask further?

Mr. LUCAS: That is all, thank you.

The ACTING CHAIRMAN: There are some figures with respect to what it would cost, or what amount would be involved, if the present holdings of this organization were liquidated, with respect to which Mr. Findlay would like to take a little time.

Aside from that we are done with Mr. Findlay. I understand some of the committee do not want to sit this evening, and I think the Prime Minister would rather not sit until to-morrow morning at 10.30.

Hon. Mr. RALSTON: Would rather not sit when?

The ACTING CHAIRMAN: This evening; he would prefer 10.30 o'clock to-morrow morning.

Hon. Mr. RALSTON: Has anybody in this committee been talking about sitting in the evenings; let them stand up.

The ACTING CHAIRMAN: Mr. McIvor I think will be our witness tomorrow. We will meet at 10.30.

The committee adjourned at 5.35 p.m., to meet again tomorrow, June 28, 1935, at 10.30 a.m.

EXHIBIT "G"

FILED BY WITNESS ROBERT C. FINDLAY

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

DETAILS OF SPECIAL OPTION TRADES

Amount of Wheat Acquired as at July 31st, 1931

3,178,000 Bushels, October Wheat.—Average Cost 59.66c.

Amount of Wheat Disposed of by Months from August 1st, 1931 to May 31st, 1932

	Purchases	Sales	Net Sales or (Purchases)	On Hand	Option Price Closing Day
(In Thousands of Bushels)					cents
July 31st Balance.....				3,178	
August, 1931.....	1,740	1,672	( 68)	3,246	October 53½
September, 1931.....	3,900	166	(3,734)	6,980	" 53¾
October, 1931.....	2,550		(2,550)	9,530	" 68
November, 1931.....		2,105	2,105	7,425	November 59½
December, 1931.....				7,425	December 59¾
January, 1932.....				7,425	May 62½
February, 1932.....				7,425	" 67
March, 1932.....	1,050	315	( 735)	8,160	" 61½
April, 1932.....	445	610	165	7,995	" 59¾
May, 1932.....	465	100	( 365)	8,360	" 62¾
Purchases and Sales for period.....	10,150	4,968			
Net Purchases and On Hand.....			(5,182)	(8,360)	

## CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF BY PERIODS  
SPECIAL OPTION TRADES

By Months—From May, 1932 to December, 1932

	Purchases	Sales	Net Sales or (Purchases)	On Hand Long (Short)	Option Price Closing Day
(In Thousands of Bushels)					cents
May, 1932.....				8,360	
June, 1932.....	7,649	3,315	(4,334)	12,694	July 53½
July, 1932.....	12,266	1,358	(10,908)	23,602	" 57½
August, 1932.....	175	20,926	20,751	2,851	October 55½
September, 1932.....	1,685	9,927	8,242	(5,391)	" 49½
October, 1932.....	63,598		(63,598)	58,207	" 46½
November, 1932.....	14,652	1,225	(13,427)	71,634	November 45½
December, 1932.....	4,113	30	(4,043)	75,717	December 41½
Purchases and Sales for period.....	104,138	36,781			
Net Purchases and On Hand.....			(67,357)	75,717	

By Weeks—From January 1st, 1933 to October 31st, 1933

Balance.....				75,717	
Week Ending:					
January 2nd, 1933.....				75,717	May 41½
" 7th, 1933.....	100		(100)	75,817	" 47½
" 14th, 1933.....	1,087		(1,087)	76,904	" 45½
" 21st, 1933.....				76,904	" 45½
" 28th, 1933.....				76,904	" 46½
February 4th, 1933.....				76,904	" 46½
" 11th, 1933.....				76,904	" 48½
" 18th, 1933.....				76,904	" 48½
" 25th, 1933.....	200		(200)	77,104	" 47½
March 4th, 1933.....	70	300	230	76,874	" 50½
" 11th, 1933.....				76,874	" 52½
" 18th, 1933.....				76,874	" 51½
" 25th, 1933.....		4,209	4,209	72,665	" 50
April 1st, 1933.....				72,665	" 50½
" 8th, 1933.....				72,665	" 51½
" 15th, 1933.....		1,285	1,285	71,380	" 53
" 22nd, 1933.....	640		(640)	72,020	" 58½
" 29th, 1933.....				72,020	" 59½
May 6th, 1933.....		850	850	71,170	" 64½
" 13th, 1933.....				71,170	" 65
" 20th, 1933.....				71,170	" 62½
" 27th, 1933.....				71,170	" 65

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF BY PERIODS—Continued

SPECIAL OPTION TRADES—Continued

By Weeks—From January 1st, 1933, to October 31st, 1933—Concluded

(In Thousands of Bushels)

—		Purchases	Sales	Net Sales or (Purchases)	On Hand, Long (Short)	Option Price Closing Day
Week ending:						c.
June	3rd, 1933				71,170	July 64
"	10th, 1933				71,170	" 64½
"	17th, 1933				71,170	" 65½
"	24th, 1933	300	200	( 100)	71,270	" 70½
July	1st, 1933		1,928	1,928	69,342	" 72½
"	8th, 1933		4,004	4,004	65,338	" 82½
"	15th, 1933		16,545	16,545	48,793	" 92½
"	22nd, 1933	23,158	6,332	(16,826)	65,619	" 73½
"	29th, 1933	4,402	936	( 3,466)	69,085	" 79½
August	5th, 1933	4,324	300	( 4,024)	73,109	October 83½
"	12th, 1933	4,085	215	( 3,870)	76,979	" 72½
"	19th, 1933	823	1,327	504	76,475	" 71½
"	26th, 1933	27	433	406	76,069	" 72½
September	2nd, 1933	156	401	245	75,824	" 70½
"	9th, 1933	8,351	559	( 7,792)	83,616	" 70½
"	16th, 1933	11,696		(11,696)	95,312	" 68½
"	23rd, 1933	6,225	589	( 5,636)	100,948	" 66½
"	30th, 1933	2,625		( 2,625)	103,573	" 61½
October	7th, 1933	5,720		( 5,720)	109,293	" 60½
"	14th, 1933	14,332		(14,332)	123,625	" 55½
"	21st, 1933	2,600	56	( 2,544)	126,169	" 61½
"	28th, 1933	3,186	730	( 2,456)	128,625	" 62½
"	31st (part week)	1,100		( 1,100)	129,725	" 61½
Purchases and Sales for Period		95,207	41,199			
Net Purchases and on Hand				( 54,008)	129,725	

By Days—Week Ending July 22nd, 1933

Balance				48,793	
July 17th, 1933		6,332	6,332	42,461	July 93½
" 18th, 1933				42,461	" 94
" 19th, 1933				42,461	" 87½
" 20th, 1933	4,150		( 4,150)	46,611	" 78½
" 21st, 1933	15,705		(15,705)	62,316	" 78½
" 22nd, 1933	3,303		( 3,303)	65,619	" 73½
Purchases and Sales for Period		23,158	6,332		
Net Purchases and on Hand				(16,826)	65,619

## CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF—SPECIAL OPTION ACCOUNT—BY PERIODS

Period from November 1st, 1933, to February 28th, 1934

(In Thousands of Bushels)

Balance.....				129,725		c.
November, 1933.....	5,490	2,205	( 3,285)	133,010	November 60 $\frac{1}{2}$	
December, 1933.....	1,014	615	( 399)	133,409	December 61 $\frac{1}{4}$	
January, 1934.....	554	773	219	133,190	May	69 $\frac{1}{2}$
February, 1934.....	1,120	3,631	2,511	130,679	"	67 $\frac{3}{4}$
Purchases and Sales for Period.....	8,178	7,224				
Net Purchases and on Hand.....			( 954)	130,679		

Period from March 1st, 1934, to August 31st, 1934—By Weeks

Balance.....				130,679		
Week Ending:						
March 3rd, 1934.....	35	626	591	130,088	May	69 $\frac{1}{2}$
" 10th, 1934.....	696	916	220	129,868	"	70
" 17th, 1934.....		2,113	2,113	127,755	"	67 $\frac{7}{8}$
" 24th, 1934.....		3,135	3,135	124,620	"	68
" 31st, 1934.....		3,101	3,101	121,519	"	68
April 7th, 1934.....		2,978	2,978	118,541	"	67 $\frac{1}{2}$
" 14th, 1934.....		4,250	4,250	114,291	"	66 $\frac{3}{8}$
" 21st, 1934.....		3,354	3,354	110,937	"	65 $\frac{5}{8}$
" 28th, 1934.....		2,700	2,700	108,237	"	65 $\frac{1}{8}$
May 5th, 1934.....		4,548	4,548	103,689	"	66 $\frac{1}{8}$
" 12th, 1934.....		5,337	5,337	98,352	"	68 $\frac{5}{8}$
" 19th, 1934.....		2,081	2,081	96,271	"	69 $\frac{2}{2}$
" 26th, 1934.....		249	249	96,022	"	73 $\frac{2}{8}$
June 2nd, 1934.....	100	687	587	95,435	July	78 $\frac{3}{8}$
" 9th, 1935.....		256	256	95,179	"	77 $\frac{2}{4}$
" 16th, 1934.....	588	304	( 284)	95,463	"	77
" 23rd, 1934.....	2,390	26	( 2,364)	97,827	"	77 $\frac{2}{4}$
" 30th, 1934.....	209	117	( 92)	97,919	"	76 $\frac{1}{2}$
July 7th, 1934.....	865	384	( 481)	98,000	"	76 $\frac{3}{8}$
" 14th, 1934.....	2,195	1,472	( 723)	99,123	"	82 $\frac{1}{4}$
" 21st, 1934.....	988	2,305	1,317	97,806	"	85 $\frac{1}{8}$
" 28th, 1934.....	2,755	431	( 2,324)	100,130	"	86
August 4th, 1934.....	25	1,129	1,104	99,026	October	90 $\frac{1}{8}$
" 11th, 1934.....	1,650	1,949	299	98,727	"	87 $\frac{1}{4}$
" 18th, 1934.....	1,450	420	( 1,030)	99,757	"	85
" 25th, 1934.....	2,285	1,511	( 774)	100,531	"	84 $\frac{3}{8}$
" 31st, 1934.....	4,877		( 4,877)	105,408	"	81 $\frac{3}{8}$
Purchases and Sales for Period.....	21,108	46,379				
Net Sales and on Hand.....			25,271	105,408		

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF—SPECIAL OPTION ACCOUNT—BY PERIODS

Period from September 1, 1934 to May 31, 1935—By Months

	Purchases	Sales	Net Sales or (Purchases)	On Hand Long (Short)	Option Price Closing Day
(In Thousands of Bushels)					cents
Balance.....				105,408	
September, 1934.....	23,974		(23,974)	129,382	October 81 $\frac{3}{8}$
October, 1934.....	29,716	292	(29,424)	158,806	" 74 $\frac{1}{2}$
November, 1934.....	922	1,385	463	158,343	December 77
December, 1934.....	150	10	( 140)	158,483	" 78 $\frac{1}{2}$
January, 1935.....	25	57	32	158,451	May 82 $\frac{1}{2}$
February, 1935.....	272	395	123	158,328	" 83 $\frac{3}{8}$
March, 1935.....	179	425	246	158,082	" 85
April, 1935.....	207	7,627	7,420	150,662	" 88 $\frac{3}{8}$
May, 1935.....	3,363	1,579	( 1,784)	152,446	July 82 $\frac{3}{8}$
Purchases and Sales for Period.....	58,808	11,770			
Net Purchases and On Hand.....			(47,038)	152,446	

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

APPROXIMATE AVERAGE COST OF ALL WHEAT CARRIED AT THE FOLLOWING DATES

(In Thousands of Bushels)

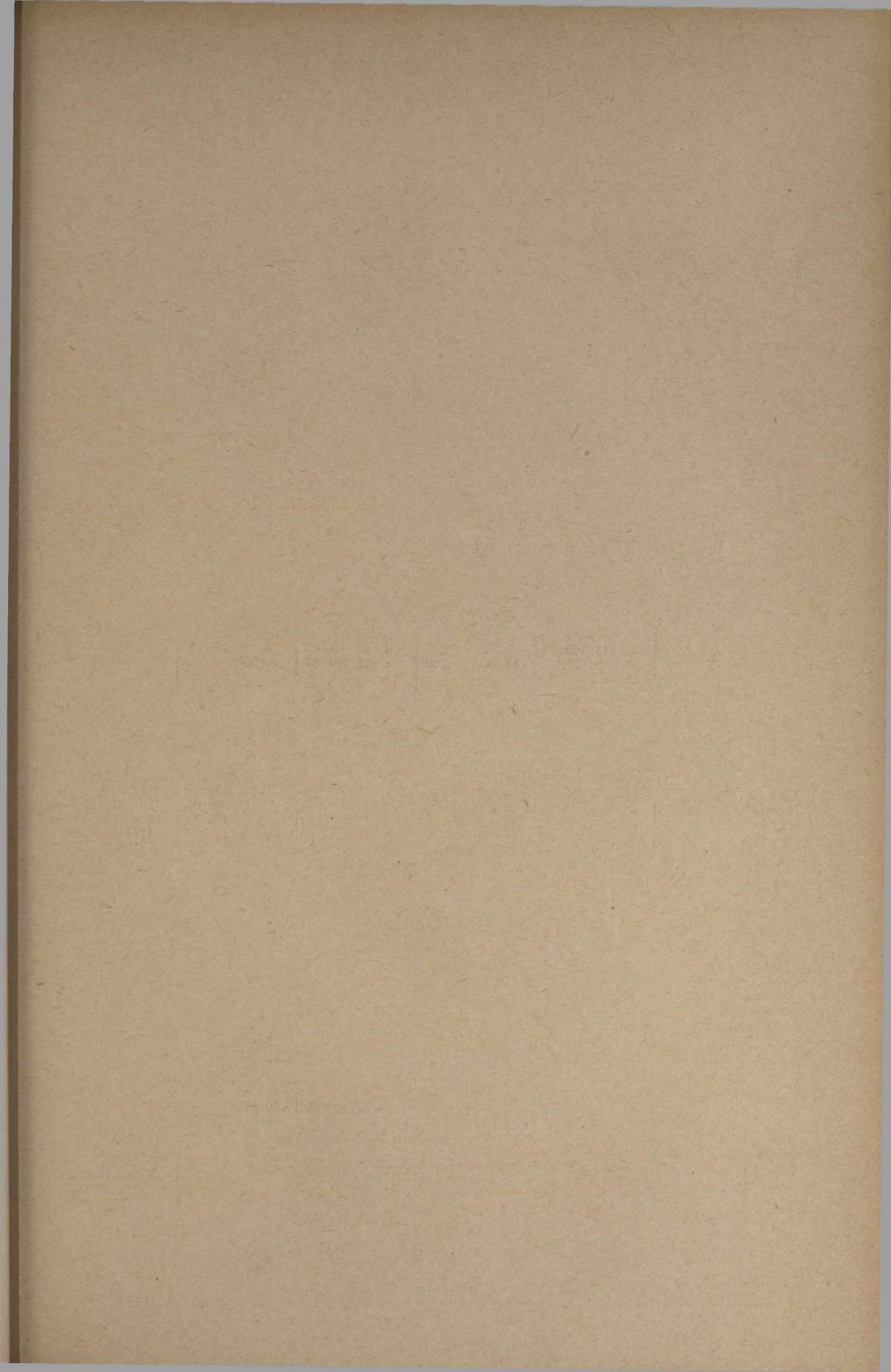
	Bushels	Approximate Cost per Bushel
1933		cents
April 30.....	148,396	64.410
June 30.....	145,718	64.998
1934		
April 30.....	184,218	74.582
June 30.....	174,036	75.838
September 30.....	205,499	76.167
1935		
April 30.....	226,777	85.062
May 31.....	228,562	85.943

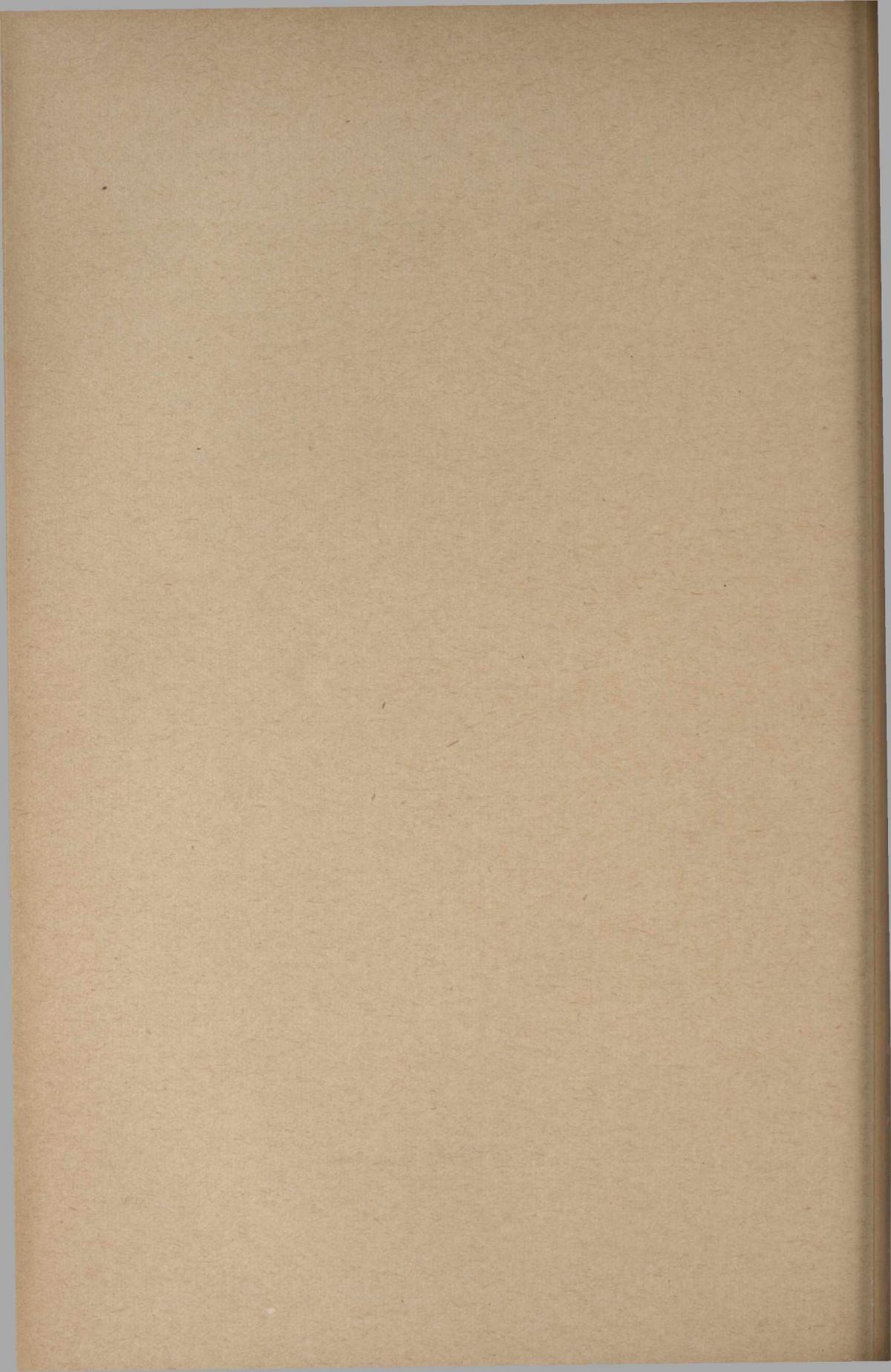
CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED  
APPROXIMATE AVERAGE COST OF SPECIAL WHEAT AT THE FOLLOWING DATES  
(In Thousands of Bushels)

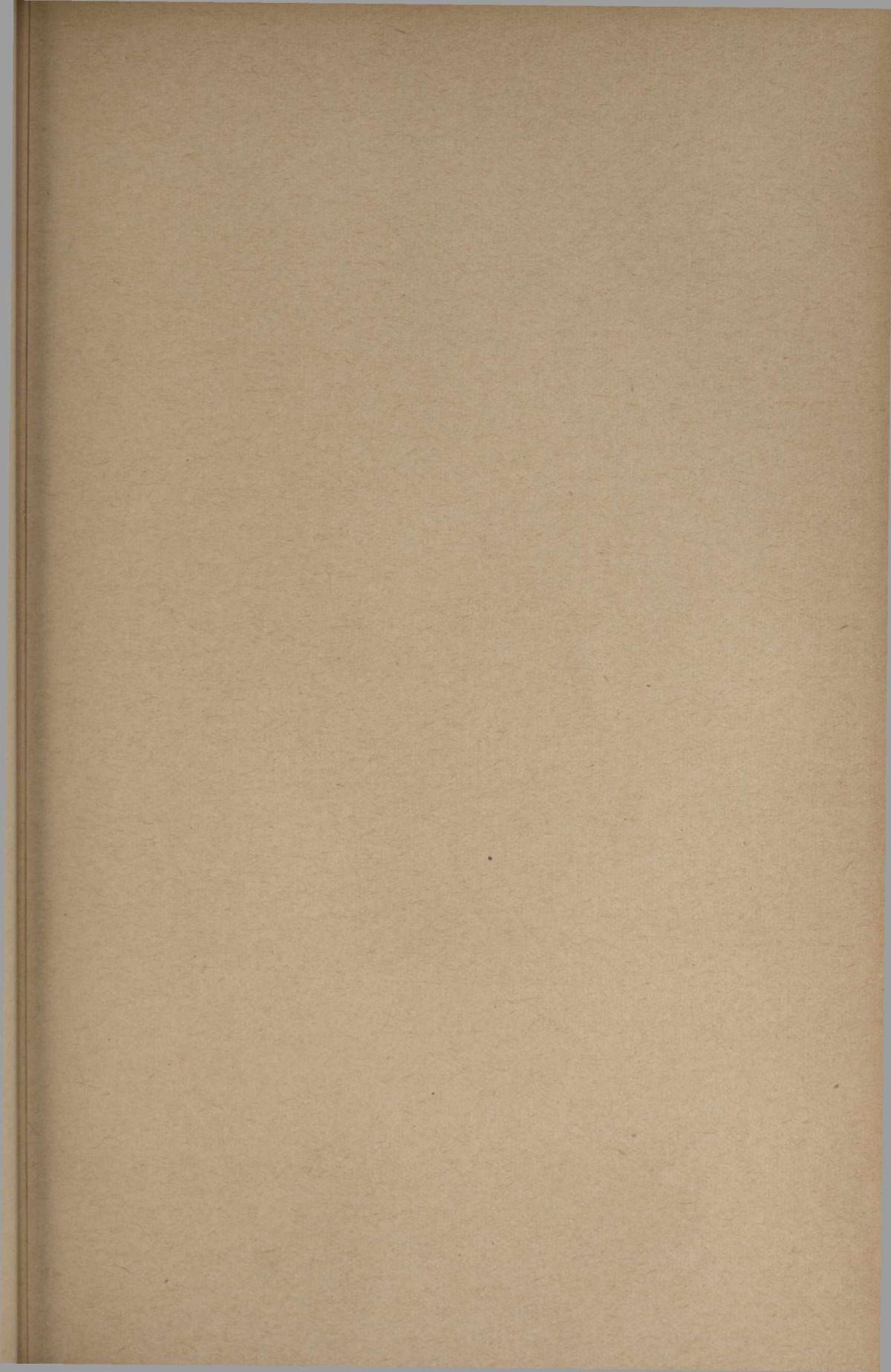
	Bushels	Approximate Cost per Bushel
1933		
April 30.....	72,020	50-272
June 30.....	69,342	50-095
1934		
April 30.....	107,843	63-089
June 30.....	97,919	63-052
September 30.....	129,382	65-663
1935		
April 30.....	150,662	76-328
May 31.....	156,446	79-011

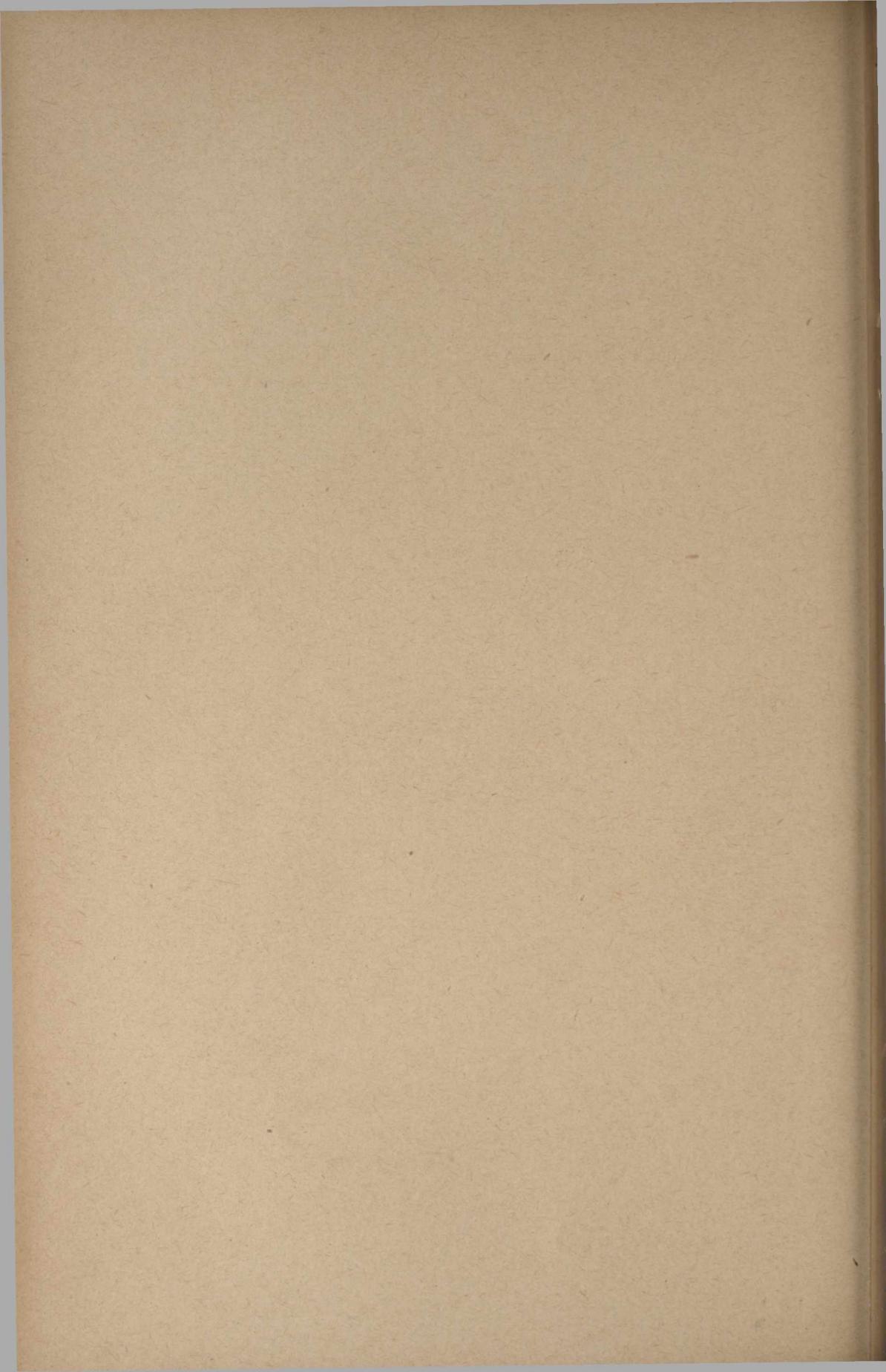
CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED  
STATEMENT OF TOTAL INDEBTEDNESS TO BANKS AND NET LIABILITY AFTER DEDUCTING CASH DEPOSITS AND GRAIN STOCKS AT MARKET VALUES  
SEASON 1930-1931 POOL AND SPECIAL ACCOUNT

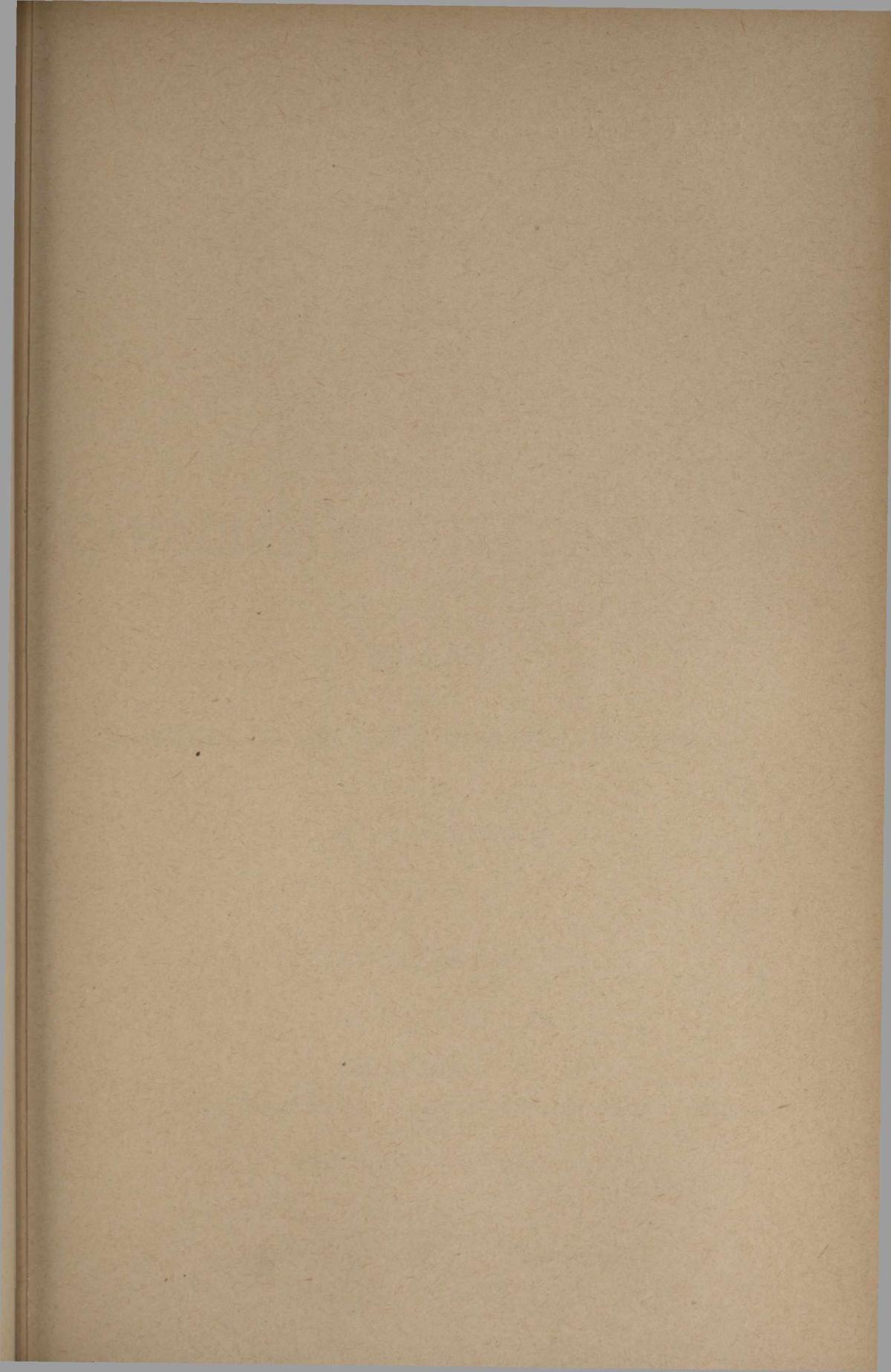
	Total Bank Indebtedness		Margin Deposits		Value of Grain Stocks		Total Security Value		Net Liability to Banks	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
1931										
July 31st.....	28,387,340	49	10,370,000	00	15,458,988	47	25,828,988	47	2,558,352	02
August 31st.....	24,613,460	55	13,355,000	00	6,823,400	02	20,178,400	02	4,435,060	53
December 31st.....	14,749,777	65	13,060,000	00	943,491	83	14,003,491	83	746,285	82
1932										
July 1st.....	25,565,986	18	14,440,000	00	15,878	64	14,455,878	64	11,110,107	54
December 31st.....	54,952,729	84	21,831,000	00			21,831,000	00	33,121,729	84
1933										
May 1st.....	30,632,694	29	20,953,000	00	229,656	25	21,182,656	25	9,450,038	04
June 1st.....	23,799,713	13	20,978,000	00			20,978,000	00	2,821,713	13
July 1st.....	14,841,800	87	24,061,000	00	496	35	24,061,496	35	(9,219,695)	48
July 14th.....	(12,105,764)	03	21,721,000	00	915,195	00	22,636,195	00	(34,741,959)	03
July 16th.....	(15,975,305)	28	20,221,000	00	962,572	50	21,183,572	50	(37,158,877)	78
July 17th.....	(18,545,834)	49	18,971,000	00	989,210	00	19,960,210	00	(38,506,044)	49
July 18th.....	(19,561,712)	32	18,971,000	00	1,033,367	50	20,004,367	50	(39,566,079)	82
July 19th.....	(12,866,128)	61	18,971,000	00	934,492	50	19,905,492	50	(32,771,621)	11
July 20th.....	(2,311,572)	26	19,971,000	00	774,630	00	20,745,630	00	(23,057,202)	26
July 21st.....	3,631,060	59	23,016,000	00	730,870	00	23,746,870	00	(20,115,809)	41
July 22nd.....	9,552,443	09	23,656,000	00	704,510	00	24,360,510	00	(14,808,066)	91
August 1st.....	(6,137,645)	34	25,161,000	00	617,132	42	25,778,132	42	(31,915,777)	76
August 31st.....	19,703,170	85	25,062,300	00	202,935	00	25,265,235	00	(5,562,064)	15
September 30th.....	41,598,309	46	28,676,600	00	165,585	00	28,842,185	00	12,756,124	46
October 31st.....	48,081,476	54	31,999,600	00	264,130	11	32,263,730	11	15,817,746	43
November 30th.....	51,588,190	79	32,539,600	00			32,539,600	00	19,048,590	79
December 31st.....	51,577,427	60	32,717,600	00			32,717,600	00	18,859,827	60
1934										
January 31st.....	41,184,518	66	32,662,600	00			32,662,600	00	8,521,918	66
February 28th.....	43,649,353	83	31,939,000	00			31,939,000	00	11,710,353	83
March 31st.....	41,833,848	90	29,650,000	00	667,500	00	30,317,500	00	11,516,348	90
April 1934.....	47,458,217	85	28,443,000	00	1,302,500	00	29,745,500	00	17,712,717	85
May 31st.....	28,720,923	29	22,930,000	00	15,341,538	43	38,271,538	43	(9,550,615)	14
June 30th.....	30,701,418	01	27,115,000	00	3,209,455	83	30,324,455	83	376,962	18
July 31st.....	22,651,160	95	26,445,000	00	11,014,028	73	37,459,028	73	(14,807,867)	78
August 31st.....	25,886,581	19	28,080,000	00	2,829,731	41	30,909,731	41	(5,023,150)	22
October 1st.....	30,842,710	09	32,785,000	00	347,049	22	33,132,049	22	(2,289,339)	13
December 31st.....	44,545,642	99	37,000,000	00	2,208,437	47	39,208,437	47	5,337,205	52
1935										
May 31st.....	80,301,741	78	28,395,000	00	41,610,816	15	70,005,816	15	10,295,925	63
June 22nd.....	79,333,662	88	27,510,000	00	40,202,264	00	67,712,264	00	11,621,399	00













SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98  
CANADIAN GRAIN BOARD ACT

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REPRINT  
OF  
MINUTES OF PROCEEDINGS AND EVIDENCE

No. 7

AS CORRECTED

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THURSDAY, JUNE 27, 1935

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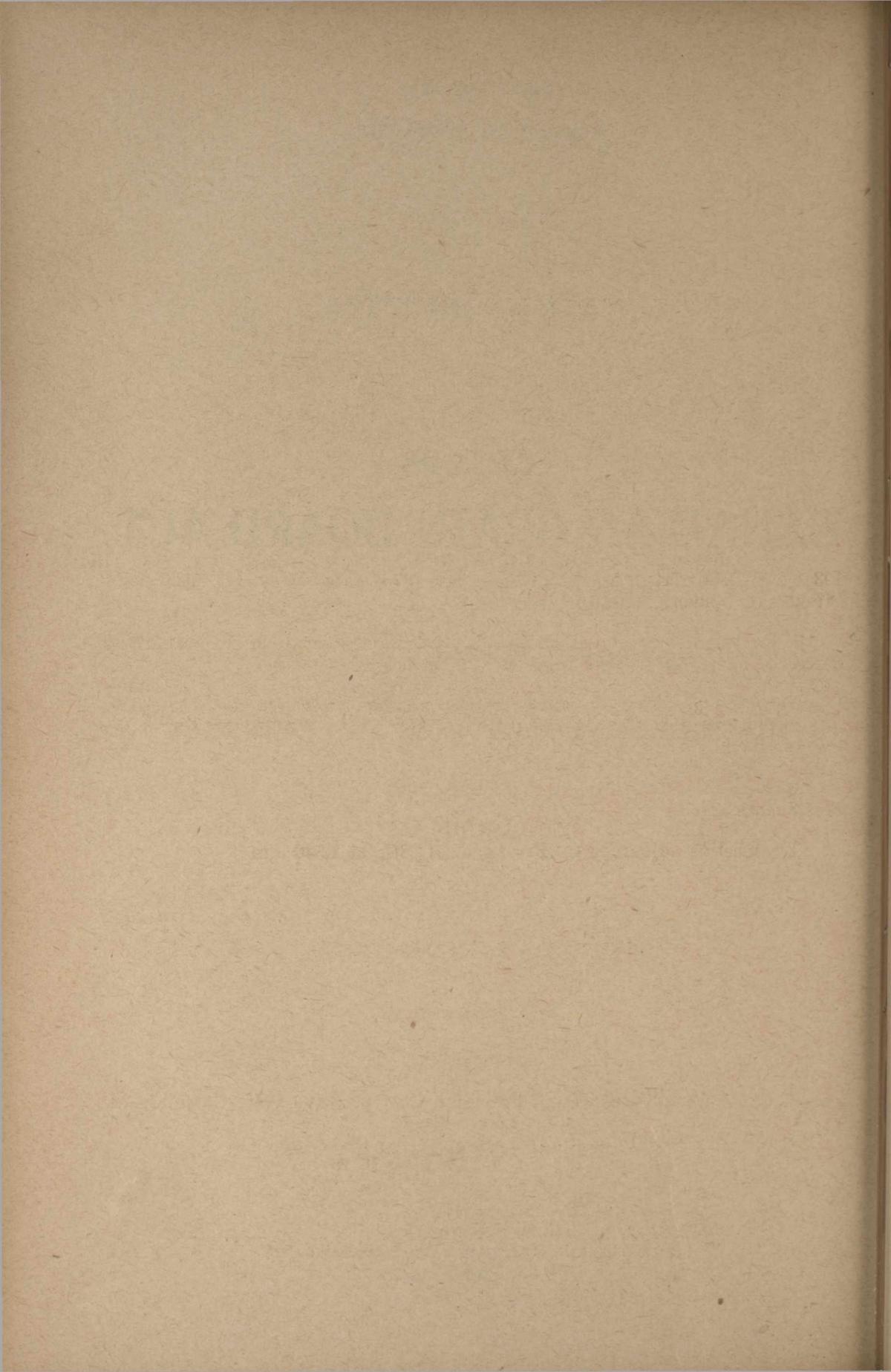
WITNESS:

Robert C. Findlay, Treasurer of Canadian Co-Operative Wheat Producers,  
Limited

Exhibit "G," as Corrected

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

1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, June 27, 1935.

The meeting came to order at 11 a.m., Mr. Bennett presiding.

*Members present:* Messrs. Bennett, Gobeil, Perley, Willis, Stewart, Ralston, Vallance, Lucas and Porteous.

The Chairman produced and filed Orders in Council, P.C. 890, dated May 14, 1934; P.C. 974, dated April 12, 1935; P.C. 975, dated May 12, 1935. (See Minutes of Evidence hereto.)

The Chairman produced and read a telegram from John T. McFarland, dated June 24th, 1935. (See Minutes of Evidence hereto.)

Robert C. Findlay, Treasurer of the Canadian Co-Operative Wheat Producers Limited, was called, examined and retired. Witness to re-appear at the next meeting.

Witness filed a statement which appears as Exhibit "G" to the Minutes of Evidence hereto.

The meeting adjourned till Friday, June 28th, at 10.30 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 27, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 11 a.m., Rt. Hon. R. B. Bennett, presiding.

The CHAIRMAN: We will come to order, gentlemen. Mr. Stewart has sent word that he will be here presently. I am placing on the record three orders in council asked for. The dates of the orders in council are May 14, 1934, April 12, 1935, and also April 12, 1935. Now, Mr. Findlay will be our first witness.

Hon. Mr. RALSTON: Are these the orders in council referred to in the evidence given before the Banking and Commerce committee?

The CHAIRMAN: No, these are the later ones; the ones printed in the appendix have not been reproduced. These are the ones that carry it down to date.

Hon. Mr. RALSTON: What are the dates again?

The CHAIRMAN: May 14, 1934, April 12, 1935 and April 12, 1935.

Hon. Mr. RALSTON: What is the effect of them?

The CHAIRMAN: They continue the authorization given to the Canadian Co-Operative Wheat Producers Limited, and one of the two passed on the 12th of April had to do with seed grain for Saskatchewan which, at the request of the Saskatchewan government, was purchased by Mr. McFarland and the money was supplied by the government. I do not say it was supplied temporarily—advances, I think, is the right word.

I think at this point I should read a telegram which Mr. McFarland has sent to me, before we examine these witnesses. I do it merely as a matter of courtesy.

WINNIPEG, June 24, 1935.

I have hesitated to volunteer my opinion regarding the nature or extent of the evidence which your committee should in my absence investigate, because my physical condition had removed me for an indeterminate period from the arena of active affairs but as my physician now gives me reasonable assurance that I will in all probability be fully recovered in from six to eight weeks, I now venture to suggest to you that any searching investigation of the day to day stabilization operations should not occur in my absence stop If there is any accusation or suspicion of dishonesty, negligence or even incompetence against me in the national service of the past four and one half years I want the privilege of being present in person to face my accusers on each and every detail stop At this time I am perfectly willing that McIvor or Findlay should disclose our total holdings of actual wheat and net unfilled purchases of wheat for future delivery together with the average cost per bushel of all such wheat basis delivered Fort William Stop That information will convey to this country the full extent of the national liability if any incurred in order to maintain a market for the crops produced in the past five years stop This will give members of parliament as well as members of the proposed wheat board a complete financial picture of the problem and as soon as my physician pronounces me physically fit I will gladly appear before any properly constituted authority and answer my accusers on any charge or charges they choose to make stop It should be clearly

evident neither the government or the proposed wheat board can receive or secure delivery of more wheat than is actually in storage in Canada and the Department of Dominion Statistics can provide particulars of such quantities officially while on the other hand so long as there is a legalized futures market system operating to create and establish values for the producers of this country there will occur periods of time when unwarranted short sales will exceed the total quantities of all actual Canadian wheat supplies in this country or in this continent or elsewhere just as there is at present but the proposed new board in this instance need not worry as they cannot take title to more than exists in storage.

JOHN McFARLAND.

P.C.—890

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by His Excellency the Governor General on the 14th May, 1934.

The Committee of the Privy Council have had before them a report, dated 28th April, 1934, from the Minister of Finance, stating that he has had under consideration Order in Council P.C. 685, approved by His Excellency the Governor General on the 12th day of April, 1933, whereby the Governor in Council guaranteed to the chartered banks hereinafter mentioned:—

Bank of Montreal,  
The Bank of Nova Scotia,  
The Bank of Toronto,  
The Canadian Bank of Commerce,  
The Royal Bank of Canada,  
The Dominion Bank,  
Imperial Bank of Canada,

payment by the Canadian Co-Operative Wheat Producers, Limited, hereinafter called "Wheat Producers," of all advances made or to be made by said banks to Wheat Producers and interest thereon as agreed between the said banks and Wheat Producers until repayment, as in said Order in Council provided. "Advances" herein shall be deemed to include all monies loaned by the banks to Wheat Producers on account of contracts for the purchase and future delivery of wheat and other grains, and to include the final payment under such contracts when the grains so purchased are taken into possession or control of Wheat Producers.

On the 31st day of March, 1934, the powers created by the Relief Act, 1933, expired. The Minister of Finance is advised that at the 31st day of March, 1934, Wheat Producers had in its possession wheat acquired in connection with and pursuant to said Privy Council Order No. 685, and that at that date Wheat Producers had previously entered into contracts for the purchase and future delivery of wheat and other grains, as contemplated by and in pursuance of said Order in Council, in respect of and for the purposes of which advances were made under said Order in Council by the banks to Wheat Producers; that additional advances for the like purposes have been made by the banks at the request of Wheat Producers on and after said 31st day of March, and that further advances from the banks after the date of the passing of the Order in Council in pursuance of this recommendation, may be deemed necessary by Wheat Producers in respect of such contracts or in respect of contracts in substitution for or in addition to existing contracts for delivery of wheat and other grains, in order to secure the advantageous sale or disposal of such grains and contracts.

The Minister, therefore, recommends that payment of the amounts of money advanced to Wheat Producers, and interest thereon until repayment as agreed upon between the said banks and Wheat Producers, outstanding at

the 31st day of March, 1934, and that payment of the amounts of such additional and further advances made or contemplated by this Order in Council as have been or may be deemed necessary by Wheat Producers to secure the advantageous sale or disposal of all grains delivered and contracts in respect of grain to be delivered to Wheat Producers thereunder, and interest thereon until repayment, be guaranteed to said banks by the Governor in Council under the authority of The Relief Act, 1934.

The Minister, in addition, recommends that such guarantee shall become operative and payment thereunder, out of the Consolidated Revenue Fund, of the respective balances, if any, then due or accruing due, shall be made, after Wheat Producers have sold and realized upon all or practically all of such wheat and other grains in its possession or control, and have sold or disposed of all or practically all such contracts for future delivery of wheat and other grains, and application of the amounts realized, less expenses, has been made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments are to be made in pursuance of this guarantee.

The Minister further recommends that the Governor in Council may at any time fix and determine a date at which Wheat Producers shall proceed to sell and dispose of all wheat and other grains in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts, entered into and falling within this guarantee, for the future delivery to it of wheat and other grains. Application of the amounts realized, less expense, shall be made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments, if any are required, are to be made out of the Consolidated Revenue Fund in pursuance of this guarantee.

The Minister further recommends that should the Relief Act, 1934, expire and no renewal or further extension of the powers therein contained be then enacted, and any portion of such advances to Wheat Producers, or interest thereon, be due or payable to the said banks, Wheat Producers shall proceed to sell and dispose of all wheat and other grains, if any, in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts entered into and falling within the guarantee of the Governor in Council based on this recommendation for the future delivery to it of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest, and, if any balances of such advances and interest are unpaid, thereupon the Governor in Council, on the recommendation of the Minister of Finance shall determine the date at which payments out of the Consolidated Revenue Fund are to be made in pursuance of this guarantee.

The Minister finally recommends that whenever, under either of the recommendations contained in the two paragraphs immediately preceding, Wheat Producers is required to proceed to sell and dispose of wheat and other grains and contracts, such sale and disposal shall be subject to any instructions that may be given, from time to time, by the Minister of Finance to Wheat Producers as to quantities to be sold or disposed of and periods within which sale or disposal shall accordingly be effected, but failure or neglect on the part of Wheat Producers to proceed to sell and dispose of wheat and other grains, or to comply with any instructions given by the Minister, shall not in any way affect the guarantee as herein provided.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Sgd). H. W. LOTHROP  
*Asst. Clerk of the Privy Council.*

## P. C. 974

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by the Deputy of His Excellency the Governor General on the 12th April, 1935.

The Committee of the Privy Council have had before them a report, dated 8th April, 1935, from the Minister of Finance, submitting:—

That he has had under consideration Order in Council dated May 14th, 1934, P. C. 890, whereby Your Excellency in Council guaranteed to the following chartered banks, hereinafter called "the banks",

Bank of Montreal  
 The Bank of Nova Scotia  
 The Bank of Toronto  
 The Canadian Bank of Commerce  
 The Royal Bank of Canada  
 The Dominion Bank  
 Imperial Bank of Canada

payment by the Canadian Co-Operative Wheat Producers, Limited, hereinafter called "Wheat Producers," of all advances made or to be made by the banks to wheat Producers and interest thereon as agreed between the banks and Wheat Producers until repayment, as in said Order in Council provided. "Advances" herein shall be deemed to include all monies loaned by the banks to Wheat Producers on account of contracts for the purchase and future delivery of wheat and other grains, and to include the final payment under such contracts when the grains so purchased are taken into possession or control of Wheat Producers.

That on the 31st day of March, 1935, the powers created by The Relief Act, 1934, expired;

That he is advised that at the 31st day of March, 1935, Wheat Producers had in its possession wheat "and other grains acquired in connection with and pursuant to said Order in Council P. C. 890, and that at that date Wheat Producers had previously entered into contracts for the purchase and future delivery of wheat and other grains, as contemplated by and in pursuance of said Order in Council, in respect of and for the purpose of which advances were made under said Order in Council by the banks to Wheat Producers:

That additional advances for the like purposes have been made by the banks at the request of Wheat Producers on and after the said 31st day of March, and that further advances from the banks, after the date of this Order in Council may be deemed necessary by Wheat Producers in respect of such contracts or in respect of contracts in substitution for or in addition to existing contracts for delivery of wheat and other grains, in order to secure the advantageous sale or disposal of all such grains and contracts.

The Minister therefore recommends that payment of the amounts of the advances hitherto made to Wheat Producers, and interest thereon until repayment as agreed upon between the banks and Wheat Producers, out-standing upon the date hereof whether such advances were made prior to the 31st day of March, 1935, or on or after the last mentioned date, and of the amounts of all further advances envisaged by this Order in Council and interest thereon until repayment, be guaranteed to the banks by the Governor in Council under the authority of The Relief Act, 1935.

The Minister, in addition, recommends that payment under such guarantee, out of the Consolidated Revenue Funds, of the respective balances, if any, then due or accruing due, shall be made, after Wheat Producers have sold and realized upon all or substantially all of such wheat and other grains in its possession or control, and have sold or disposed of all or substantially all such

contracts or future delivery of wheat and other grains, and application of the amounts realized, less expenses, has been made against such advances and interest, and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments are to be made in pursuance of this guarantee.

The Minister further recommends that the Governor in Council may at any time fix and determine a date at which Wheat Producers shall proceed to sell and dispose of all wheat and other grains in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts, entered into and falling within this guarantee for the future delivery to Wheat Producers of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest and thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments, if any are required, are to be made out of the Consolidated Revenue Fund in pursuance of this guarantee.

The Minister also recommends that should the Relief Act, 1935, expire and no renewal or further extension of the powers therein contained be then enacted, and any portion of such advances to Wheat Producers, or interest thereon, be due or payable to the said banks, Wheat Producers shall proceed to sell and dispose of all wheat and other grains, if any, in its possession or control to which the guarantee herein recommended is applicable, and shall proceed to sell and dispose of all contracts entered into and falling within the guarantee of the Governor in Council hereby authorized for the future delivery to Wheat Producers of wheat and other grains. Application of the amounts realized, less expenses, shall be made against such advances and interest and if any balances of such advances and interest are unpaid, thereupon the Governor in Council, on the recommendation of the Minister of Finance, shall determine the date at which payments out of the Consolidated Revenue Fund are to be made in pursuance of this guarantee.

The Minister finally recommends that whenever, under either of the recommendations contained in the two paragraphs immediately preceding, Wheat Producers is required to proceed to sell and dispose of wheat and other grains and contracts, such sale and disposal shall be subject to any instructions that may be given, from time to time, by the Minister of Finance to Wheat Producers as to quantities to be sold or disposed of and period within which sale or disposal shall accordingly be effected, but failure or neglect on the part of Wheat Producers to proceed to sell and dispose of wheat and other grains, or to comply with any instructions given by the Minister, shall not in any way affect the guarantee as herein provided.

The Committee concur in the foregoing recommendations and submit the same for approval.

(Signed) H. W. LOTHROP,  
*Asst. Clerk of the Privy Council.*

P.C. 975

CERTIFIED to be a true copy of a Minute of a Meeting of the Committee of the Privy Council, approved by the Deputy of His Excellency the Governor General on the 12th April, 1935.

The Committee of the Privy Council have had before them a report, dated 3rd April, 1935, from the Minister of Finance, submitting that the Province of Saskatchewan being desirous of purchasing 5,000,000 bushels of wheat and 8,000,000 bushels of oats, or contracts for the purchase and future delivery thereof, the wheat and oats so acquired to be used for agricultural relief pur-

poses in that Province, it was arranged that such purchase or purchases should be made for the said Province by and in the name of the Canadian Co-Operative Wheat Producers Limited and that the moneys required for the purpose would be advanced by:—

Bank of Montreal  
The Royal Bank of Canada  
The Canadian Bank of Commerce  
The Bank of Nova Scotia  
Imperial Bank of Canada  
The Dominion Bank, and  
The Bank of Toronto

to the Canadian Co-Operative Wheat Producers Limited on the condition that repayment of all such advances, together with interest thereon at the rate of five (5%) per centum, per annum, would be guaranteed to the said banks under the provisions of the Relief Act, 1934.

The Minister states that purchases and advances have already been made on the basis of that arrangement and further purchases and advances for the purposes of such arrangement may be required, and that in his opinion it is desirable that such guarantee be given;

The Committee, therefore, on the recommendation of the Minister of Finance, advise that under the authority of the Relief Act, 1935, payment be guaranteed to the said banks by the Governor in Council of the amounts of the advances heretofore made by said banks or any of them to Canadian Co-Operative Wheat Producers Limited, outstanding upon the date hereof, and of the amounts of all further advances envisaged by this Order in Council, and of interest at the rate of five per centum (5%) per annum on all such advances whether heretofore or hereafter made, and that payment under such guarantee, if any payment be required, shall be made out of the Consolidated Revenue Fund. It is agreed that the said banks are not to be responsible for the application of the moneys so advanced.

(Sgd. H. W. LOTHROP,  
*Asst. Clerk of the Privy Council.*

I think in fairness to Mr. McFarland I am bound to read this.

Now, we will call Mr. Findlay.

ROBERT C. FINDLAY, called.

*By the Chairman:*

Q. What is your full name?—A. Robert C. Findlay.

Q. Where do you reside?—A. Winnipeg.

Q. What is your occupation.—A. I am treasurer of the Canadian Co-Operative Wheat Producers Limited.

Q. And you have been for how long?—A. For the past five years.

Q. Since 1930?—A. Since, 1930, yes.

Q. What time in 1930?—A. June 22, 1930.

Q. Have you seen the questions prepared by Colonel Ralston?—A. Yes, I did.

Q. Have you prepared answers for those questions?—A. Yes, sir, I have.

Q. You may be seated and give the information to the committee. Read the questions and give the answers?—A. I am afraid I cannot read you the questions, except from a newspaper cutting.

Q. The answers will show what the questions were. It will be all right as long as the answers make clear what the questions were?—A. Do you wish me to read the questions?

Q. As long as your answers make clear what the questions were, that is satisfactory for the committee?—A. Well, Mr. Chairman and gentlemen, the first question deals with the amount of wheat acquired as at July 31st, 1931. We had acquired at that time 3,178,000 bushels, the average cost of which was 59.66 cents per bushel.

Q. Yes, continue Mr. Findlay?—A. Question No. 2: amount of sales disposed of by months from August 1, 1931 to May 31, 1932. I did not quite understand what is meant by that. If I had taken it literally, I would merely put in the sales figures. However, I have the purchases and sales here.

Q. You have what?—A. I have both the purchases and sales by months.

Hon. Mr. RALSTON: I think in asking that question it was taken from something Mr. McFarland said to the Banking and Commerce committee that he did not purchase between August 1, 1931, and June 1, 1932. That has been the cause of the misunderstanding, and that is why purchases are not included.

The CHAIRMAN: I think he made clear that is the difference between purchases and purchases for stabilization; I think that is a distinction. He did not purchase for stabilization.

Hon. Mr. RALSTON: I got the impression that he did not make any purchases up to June 1, 1932, but you have included in the different statements you are filing, both purchases and sales.

The WITNESS: Yes.

August, 1931—

Purchases . . . . .	On . . . . .	1,740,000 bushels
Sales . . . . .	On . . . . .	1,672,000 bushels
Net . . . . .	is t . . . . .	68,000 bushels

The net purchases per month—

September, 1931—

Purchases . . . . .	A. C . . . . .	3,900,000 bushels
Sales . . . . .	?—A . . . . .	166,000 bushels
Net purchases . . . . .		3,734,000 bushels

The CHAIRMAN: The . . . . . for October?

The WITNESS: No, September.

October, 1931—

Purchases . . . . .	2,550,000 bushels
Sales . . . . .	Net
Net purchases . . . . .	2,550,000 bushels

November, 1931—

Purchases . . . . .	Nil
Sales . . . . .	2,105,000 bushels
Net sales . . . . .	2,105,000 bushels

December, 1931—

Nil

March, 1932: That is the next month in which there were any operations.

The CHAIRMAN: There were none in January and February?

The WITNESS: No operations.

March, 1932—

Purchases . . . . .	1,050,000 bushels
Sales . . . . .	315,000 bushels
Net purchases . . . . .	735,000 bushels



On hand at the end of month, 8,360,000 bushels. That is a carry forward in order that your picture can be complete.

June, 1932—

Purchases . . . . .	7,649,000 bushels
Sales . . . . .	3,315,000 bushels
Net purchases . . . . .	4,334,000 bushels
On hand . . . . .	12,694,000 bushels
July option . . . . .	53½ cents

July 1932:

Purchases . . . . .	12,266,000 bushels
Sales . . . . .	1,358,000 bushels
Net purchases . . . . .	10,908,000 bushels
On hand . . . . .	23,602,000 bushels
July option . . . . .	57½ cents

August:

Purchases . . . . .	175,000 bushels
Sales . . . . .	20,926,000 bushels
Net sales . . . . .	20,751,000 bushels
On hand . . . . .	2,815,000 bushels
October option . . . . .	55½ cents

September:

Purchases . . . . .	1,685,000 bushels
Sales . . . . .	9,927,000 bushels
Net sales . . . . .	8,242,000 bushels

Q. The sales were what?—A. 9,927,000 bushels, net sales 8,242,000.

Q. Yes?—A. On hand, short 5,391,000.

The CHAIRMAN: You could hardly say "on hand."

Hon. Mr. RALSTON: On hand, minus.

The WITNESS: This is the "on hand" column; minus, net.

The CHAIRMAN: Yes.

*By Hon. Mr. Ralston:*

Q. And the price?—A. October, 49¼ cents.

Q. Forty-nine what?—A. And a quarter.

October—

Purchases . . . . .	63,598,000 bushels
Sales . . . . .	Nil
Purchases net . . . . .	63,598,000 bushels
On hand . . . . .	58,207,000 bushels
October option . . . . .	76½ cents

Hon. Mr. RALSTON: What were the purchases in that month?

*By the Chairman:*

Q. What was the month?—A. October.

Hon. Mr. RALSTON: Oh, I must have put it in the wrong column.

*By Hon. Mr. Ralston:*

Q. What were the sales then?—A. Nil.

Q. There were no sales?—A. No.

November—

Purchases . . . . .	14,652,000 bushels
Sales . . . . .	1,225,000 bushels
Net purchases . . . . .	13,427,000 bushels
On hand . . . . .	71,634,000 bushels
November option . . . . .	45½ cents

December—

Purchases . . . . .	4,113,000 bushels
Sales . . . . .	30,000 bushels
Net purchases . . . . .	4,083,000 bushels
On hand . . . . .	75,717,000 bushels
December option . . . . .	41 $\frac{7}{8}$ cents

Net results for the period:

Total purchases . . . . .	104,138,000 bushels
Sales . . . . .	36,781,000 bushels
Net purchases . . . . .	67,357,000 bushels
On hand . . . . .	75,717,000 bushels

*By Hon. Mr. Ralston:*

Q. Now, does that include the 75,000,000 bushels that have been referred to as taken over from the pools?—A. No, this series of questions is dealing with wheat acquired by us. Now, by weeks from January 1, 1933.

Q. Excuse me, just let us straighten that out: the amount of wheat as of July, 1931, for which the Canadian Co-Operative Wheat Producers Limited have become responsible was the average cost per bushel as of that date. That is not intended to include the wheat taken over from the pools. Do the figures that you gave include that?—A. No. We are only dealing with "acquired" you see. When your questions came out in the newspaper I had to try and decide what information it was you wanted and I assumed that it was the wheat acquired by the Canadian Co-Operative Wheat Producers Limited; the results of our own operations.

Q. This does not say, "wheat acquired"; it says, "had become responsible for"?—A. This question deals with it in that way, and the others are headed in the same general way, I think.

Q. Of course, the others would be, after you once got started it would be wheat acquired and disposed of. Everybody is agreed in thinking that the date of the cut-off, the date on which the Canadian Co-Operative Wheat Producers Limited, became responsible for the pool wheat, was July 31, 1931. How much wheat was taken over from the pools as of that date?—A. I do not think you understand part of our operations. We became responsible for the selling of the wheat for the pools as they delivered it to us; which, of course, includes deliveries over every day throughout the period.

Q. Yes?—A. —and carried on into the second year figures until they had fully shipped out.

Q. Well, this does not include the wheat held by the pools and for which the Canadian Co-Operative Wheat Producers Limited, became responsible?—A. No, that is correct; this is what we term the wheat acquired by us.

Q. This is wheat acquired by the marketing operations of the Canadian Co-Operative Wheat Producers Limited?—A. Outside of our regular operations.

Q. Outside of or a part of the regular operations?—A. As part of, of course; after we began to deal in supporting operations.

Q. Have you here—I did not want to interrupt you, but I thought it was a good place—have you here the approximate amount of wheat which was held by the pools and for which you became responsible on July 31, 1931, as a central selling agency?—A. I think probably I have that, but I would not have that for all these different dates.

Q. There is only the one date, the 31st July, 1931?—A. I doubt if I have it for July, but I am quite sure that I have it for August of that year.

Q. Will you get that later?—A. I think I have it here reasonably clear, but I will get you the exact amount in any case.

Now, by weeks from January 1, 1933, to October 1, 1933. Now in dealing with these weeks the gentleman has asked these questions. You will find that in some cases I started out with a two or three day period, that was in order to keep the continuity with the amount carried forward.

Week of January 2—we of course had no operations, the market was closed; the carry-forward figure remains the same.

Week ending January 7—

Net purchases . . . . .	100,000 bushels
No sales.	
Net purchases . . . . .	100,000 bushels
On hand . . . . .	75,817,000 bushels
May option . . . . .	47 $\frac{3}{4}$ cents

Week ending January 14—

Purchases . . . . .	1,087,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	1,087,000 bushels
On hand . . . . .	76,904,000 bushels
May option . . . . .	45 $\frac{3}{4}$ cents

Week ending January 25—

There were no operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	45 $\frac{5}{8}$ cents

Week ending January 28—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	46 $\frac{3}{8}$

Week ending February 4—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	46 $\frac{1}{2}$ cents

Week ending February 11—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	48 $\frac{1}{8}$ cents

Week ending February 18—

No operations.	
On hand . . . . .	76,904,000 bushels
May option . . . . .	48 $\frac{1}{4}$ cents

Week ending February 25—

Purchases . . . . .	200,000 bushels
No sales.	
Net purchases . . . . .	200,000 bushels
On hand . . . . .	77,104,000 bushels
May option . . . . .	47 $\frac{1}{2}$ cents

Week ending March 4—

Purchases . . . . .	70,000 bushels
Sales . . . . .	300,000 bushels
Net sales . . . . .	230,000 bushels
On hand . . . . .	76,874,000 bushels
May option . . . . .	50 $\frac{1}{4}$ cents

Week ending May 11—

No operations.	
On hand . . . . .	76,874,000 bushels
May option . . . . .	52 $\frac{1}{4}$ cents

Week ending May 18—	
No operations.	
On hand . . . . .	76,874,000 bushels
May option . . . . .	51 $\frac{1}{8}$ cents
Week ending March 25—	
Purchases . . . . .	Nil
Sales . . . . .	4,209,000 bushels
Net sales . . . . .	4,209,000 bushels
On hand . . . . .	72,665,000 bushels
May option . . . . .	50 cents
Week ending April 1—	
No operations.	
On hand . . . . .	72,665,000 bushels
May option . . . . .	50 $\frac{1}{2}$ cents
Week ending April 8—	
No operations.	
On hand . . . . .	72,665,000 bushels
May option . . . . .	51 $\frac{3}{8}$ cents
Week ending April 15—	
Purchases . . . . .	Nil
Sales . . . . .	1,285,000 bushels
On hand . . . . .	71,380,000 bushels
May option . . . . .	53 cents
Week ending April 22—	
Purchases . . . . .	640,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	640,000 bushels
On hand . . . . .	72,020,000 bushels
May option . . . . .	58 $\frac{1}{2}$ cents
April 29—	
No operations.	
On hand . . . . .	72,020,000 bushels
May option . . . . .	59 $\frac{1}{2}$ cents
Week of May 6—	
No purchases.	
Net sales . . . . .	850,000 bushels
On hand . . . . .	71,170,000 bushels
May option . . . . .	64 $\frac{1}{4}$ cents
May 13—	
No operations.	
On hand . . . . .	71,170,000 bushels
May option . . . . .	65 cents
May 20—	
No operations.	
On hand . . . . .	71,170,000 bushels
May option . . . . .	62 $\frac{1}{4}$ cents
May 27—	
No operations.	
Net on hand . . . . .	71,170,000 bushels
May option . . . . .	65 cents
Week ending June 3— No operations. No, that is the 10th.	
Week ending June 10—No operations.	
On hand . . . . .	71,170,000 bushels
We are now in the July option . . . . .	64 $\frac{1}{4}$ cents
June 17—No operations.	

By Hon. Mr. Ralston:

Q. Did you not jump from May 27th to June 10th? You did not give June 3rd.—A. I am sorry.

June 3—There are no operations.

On hand . . . . . 71,170,000 bushels

But your July option is 64.

Q. 64?—A. For the 3rd 64¼ for the 10th.

Q. The same as for the tenth, except the price is 64¼?—A. Yes, 64¼. June 17—No operations.

On hand . . . . . 71,170,000 bushels

July option . . . . . 65½ cents

June 24—

Purchases . . . . . 300,000 bushels

Sales . . . . . 200,000 bushels

Net purchases . . . . . 100,000 bushels

On hand . . . . . 71,270,000 bushels

July option . . . . . 70½ cents

Week ending July 1—

No purchases.

Sales . . . . . 1,928,000 bushels

Net sales . . . . . 1,928,000 bushels

On hand . . . . . 69,342,000 bushels

July option . . . . . 72¼ cents

July 8—

Sales . . . . . 4,004,000 bushels

Net sales . . . . . 4,004,000 bushels

On hand . . . . . 65,338,000 bushels

July option . . . . . 82½ cents

July 15—

No purchases.

Sales . . . . . 16,545,000 bushels

Q. How much—A. 16,545,000 bushels.

Net sales . . . . . 16,545,000 bushels

On hand . . . . . 48,793,000 bushels

And your July option, 92½ cents. July 22nd, purchases—

Q. May I suggest if you have it right there, why do you not put in there the days of the week, because that would bring it in the record. You have another question with regard to the days of the week of July 22nd?—A. Oh, yes. Can we switch to that statement?

Q. Can you conveniently insert them right there?—A. Yes, surely. Well, if you do that, you lose the continuity of this.

Q. I thought you would go to the 22nd with the same statement.—A. But I have that in a different statement following this weekly one.

Q. All right. I thought it would come in there.—A. I think it would upset the continuity.

Q. All right. I thought it would give you the chronological sequence.—A. I will give it if you wish.

Q. Whatever you like.—A. The week ending July 29—

Q. No, the week ending the 22nd.—A. Oh, the 22nd. I didn't give you that.

July 22—

Purchases . . . . . 23,158,000 bushels

Sales . . . . . 6,332,000 bushels

Net Purchases . . . . . 16,826,000 bushels

On hand . . . . . 65,619,000 bushels

July options . . . . . 73½ cents

## August 5—

Purchases . . . . .	4,324,000 bushels
Q. July 29th; you jumped that.—A. Did I?	4,402,000, for July 29th.
Q. That is purchases?—A. Purchases.	
Q. Four million and what?—A.	4,402,000 bushels.
Q. Yes?—A. Sales:	936,000 bushels.

Net Purchases . . . . .	3,466,000 bushels
On hand . . . . .	69,085,000 bushels
July option . . . . .	79 $\frac{1}{8}$ cents

## August 5—

Purchases . . . . .	4,324,000 bushels
Sales . . . . .	300,000 bushels
Net Purchases . . . . .	4,024,000 bushels
On hand . . . . .	73,109,000 bushels
October option . . . . .	83 $\frac{3}{8}$ cents

## August 12—

Purchases . . . . .	4,085,000 bushels
Sales . . . . .	215,000 bushels
Net Purchases . . . . .	3,870,000 bushels
On hand . . . . .	76,979,000 bushels
October option . . . . .	72 $\frac{1}{4}$ cents

## Week ending August 19—

Purchases . . . . .	823,000 bushels
Sales . . . . .	1,327,000 bushels
Net sales . . . . .	504,000 bushels
On hand . . . . .	76,475,000 bushels
October option . . . . .	71 $\frac{3}{8}$ cents

## Week ending August 26—

Purchases . . . . .	27,000 bushels
Sales . . . . .	433,000 bushels
Net sales . . . . .	406,000 bushels
On hand . . . . .	76,069,000 bushels
October option . . . . .	72 $\frac{1}{8}$ cents

## September 2—

Purchases . . . . .	156,000 bushels
Sales . . . . .	401,000 bushels
Net sales . . . . .	245,000 bushels
On hand . . . . .	75,824,000 bushels
October option . . . . .	70 $\frac{5}{8}$ cents

Q. Did you say 70?—A. 70 $\frac{5}{8}$ , yes.

## September 9—

Purchases . . . . .	8,351,000 bushels
Sales . . . . .	559,000 bushels
Net Purchases . . . . .	7,792,000 bushels
On hand . . . . .	83,616,000 bushels
October option . . . . .	70 $\frac{1}{8}$ cents

## September 16—

Purchases . . . . .	11,696,000 bushels
No sales.	
Net Purchases . . . . .	11,696,000 bushels
On hand . . . . .	95,312 bushels
October option . . . . .	68 $\frac{1}{2}$ cents

September 23—

Purchases . . . . .	6,225,000 bushels
Sales . . . . .	589,000 bushels
Net Purchases . . . . .	5,636,000 bushels
On hand . . . . .	100,948,000 bushels
October option . . . . .	66 $\frac{5}{8}$ cents

September 30—

Purchases . . . . .	2,625,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	2,625,000 bushels
On hand . . . . .	103,573,000 bushels

Q. That is on September 30th?—A. Yes. October option, 61 $\frac{5}{8}$  cents.

October 7—

Purchases . . . . .	5,720,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	5,720,000 bushels
On hand . . . . .	109,293,000 bushels
October option . . . . .	60 $\frac{1}{8}$ cents

Q. Would you mind giving me the sales for September 30th?—A. September 30th, no sales.

Q. No sales?—A. No.

Q. And the price for the week ending October 7th?—A. 60 $\frac{1}{8}$ .

October 14—

Purchases . . . . .	14,332,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	14,332,000 bushels
On hand . . . . .	123,625,000 bushels
October option . . . . .	55 $\frac{1}{2}$ cents

Hon. Mr. RALSTON: Mr. Chairman, I notice that the stenographers are changing takes. Would it be possible or would it be a good idea to have this put in the form a statement that is tabular, rather than in narrative form?

The CHAIRMAN: I think so. I assumed it would be done that way.

Hon. Mr. RALSTON: I notice that the way they put your statement about Argentine spreads was in the narrative form. It is pretty difficult to follow.

The CHAIRMAN: Yes, it would be much better to have it tabulated. Will you note that? I quite agree as to that. I assumed they would do it.

The WITNESS: Did you get the option for the 14th?

*By Hon. Mr. Ralston:*

Q. 55 $\frac{1}{2}$  for October 14th?—A. Yes, 55 $\frac{1}{2}$ .

October 21—

Purchases . . . . .	2,600,000 bushels
Sales . . . . .	56,000 bushels
Net purchases . . . . .	2,544,000 bushels
On hand . . . . .	126,169,000 bushels
October option . . . . .	61 $\frac{1}{8}$ cents

October 28—

Purchases . . . . .	3,186,000 bushels
Sales . . . . .	730,000 bushels
Net purchases . . . . .	2,456,000 bushels
On hand . . . . .	128,625,000 bushels
October option . . . . .	62 $\frac{5}{8}$ cents

October 31st. That is a part week—

Purchases . . . . .	1,100,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	1,100,000 bushels
On hand . . . . .	129,725,000 bushels
October option . . . . .	61 $\frac{7}{8}$ cents
Total purchases for that period . . . . .	95,207,000 bushels
Sales . . . . .	41,199,000 bushels

You already have the amount on hand.

Net purchases . . . . .	54,008,000 bushels
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The next question, Mr. Chairman, is the operations by days for the week ending July 22, 1933. We begin on July 17.

Net purchases . . . . .	Nil
Sales . . . . .	6,332,000 bushels
Net sales . . . . .	6,332,000 bushels
On hand . . . . .	42,461,000 bushels
July option . . . . .	93 $\frac{1}{2}$ cents

July 18.—No operations—

On hand . . . . .	42,461,000 bushels
July option . . . . .	94 cents

July 19.—No operations—

On hand . . . . .	42,461,000 bushels
July option . . . . .	87 $\frac{1}{4}$ cents

July 20—

Purchases . . . . .	4,150,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	4,150,000 bushels
On hand . . . . .	46,611,000 bushels
July option . . . . .	78 $\frac{1}{4}$ cents

July 21—

Purchases . . . . .	15,705,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	15,705,000 bushels
On hand . . . . .	62,316,000 bushels
July option . . . . .	78 $\frac{1}{8}$ cents

July 22—

Purchases . . . . .	3,303,000 bushels
Sales . . . . .	Nil
Net purchases . . . . .	3,303,000 bushels
On hand . . . . .	65,619,000 bushels
July option . . . . .	73 $\frac{3}{8}$ cents

Your total purchases for that period . . . . .	23,158,000 bushels
Sales . . . . .	6,332,000 bushels
Net purchases . . . . .	16,826,000 bushels

The next question is for the period from November 1st, 1933, to February 28th, 1934.

Q. By months?—A. By months.

November, 1933—

Purchases . . . . .	5,490,000 bushels
Sales . . . . .	2,205,000 bushels
Net purchases . . . . .	3,285,000 bushels
On hand . . . . .	133,010,000 bushels
November option . . . . .	60 $\frac{1}{2}$ cents

Q. That was November 30?—A. Yes, November 30.

*By the Chairman:*

Q. This is December 30?—A. Yes, the end of the month in each case. I notice the question is the first of the month, but I presume you meant the end of the month.

December—

Purchases . . . . .	1,014,000 bushels
Sales . . . . .	615,000 bushels
Net purchases . . . . .	399,000 bushels
On hand . . . . .	133,409,000 bushels
December option . . . . .	61 $\frac{1}{4}$ cents

January, 1934—

Purchases . . . . .	554,000 bushels
Sales . . . . .	773,000 bushels
Net sales . . . . .	219,000 bushels
On hand . . . . .	133,190,000 bushels
May option . . . . .	69 $\frac{1}{2}$ cents

February—

Purchases . . . . .	1,120,000 bushels
Sales . . . . .	3,631,000 bushels
Net sales . . . . .	2,511,000 bushels
On hand . . . . .	130,679,000 bushels
May option . . . . .	67 $\frac{3}{4}$ cents
Net purchases for the period . . . . .	8,178,000 bushels
Net sales . . . . .	7,224,000 bushels
Net purchases . . . . .	954,000 bushels

You already have the amount on hand.

The next question has to do with the period from March 1st, 1934, to August 31st, 1934, by weeks.

Week ending March 3—

Purchases . . . . .	35,000 bushels
Sales . . . . .	626,000 bushels
Net sales . . . . .	591,000 bushels
On hand . . . . .	130,088,000 bushels
May option . . . . .	69 $\frac{1}{2}$ cents

Week ending March 10—

Purchases . . . . .	696,000 bushels
Sales . . . . .	916,000 bushels
Net sales . . . . .	220,000 bushels
On hand . . . . .	129,868,000 bushels
May option . . . . .	70 cents

Week ending March 17—

Purchases . . . . .	Nil
Sales . . . . .	2,113,000 bushels
Net sales . . . . .	2,113,000 bushels
On hand . . . . .	127,755,000 bushels
May option . . . . .	67 $\frac{7}{8}$ cents

Week ending March 24—

Purchases . . . . .	Nil
Sales . . . . .	3,135,000 bushels
Net sales . . . . .	3,135,000 bushels
On hand . . . . .	124,620,000 bushels
May option . . . . .	68 cents

## Week ending March 31—

Purchases . . . . .	Nil
Sales . . . . .	3,101,000 bushels
Net sales . . . . .	3,101,000 bushels
On hand . . . . .	121,519,000 bushels
May option . . . . .	68 cents

## Week ending April 7—

Purchases . . . . .	Nil
Sales . . . . .	2,978,000 bushels
Net sales . . . . .	2,978,000 bushels
On hand . . . . .	118,541,000 bushels
May option . . . . .	67 $\frac{1}{4}$ cents

## Week ending April 14—

Purchases . . . . .	Nil
Sales . . . . .	4,250,000 bushels
Net sales . . . . .	4,250,000 bushels
On hand . . . . .	114,291,000 bushels
May option . . . . .	66 $\frac{3}{8}$ cents

## Week ending April 21—

Sales . . . . .	3,354,000 bushels
Net sales . . . . .	3,354,000 bushels
On hand . . . . .	110,937,000 bushels
May option . . . . .	65 $\frac{5}{8}$ cents

## Week ending April 28—

Purchases . . . . .	Nil
Sales . . . . .	2,700,000 bushels
Net sales . . . . .	2,700,000 bushels
On hand . . . . .	108,237,000 bushels
May option . . . . .	65 $\frac{1}{8}$ cents

## Week ending May 5—

Purchases . . . . .	Nil
Sales . . . . .	4,548,000 bushels
Net sales . . . . .	4,548,000 bushels
On hand . . . . .	103,689,000 bushels
May option . . . . .	66 $\frac{1}{8}$ cents

## Week ending May 12—

Purchases . . . . .	Nil
Sales . . . . .	5,337,000 bushels
Net sales . . . . .	5,337,000 bushels
On hand . . . . .	98,352,000 bushels
May option . . . . .	68 $\frac{5}{8}$ cents

## Week ending May 19—

Purchases . . . . .	Nil
Sales . . . . .	2,081,000 bushels
Net sales . . . . .	2,081,000 bushels
On hand . . . . .	96,271,000 bushels
May option . . . . .	69 $\frac{3}{4}$ cents

## Week ending May 26—

Purchases . . . . .	Nil
Sales . . . . .	249,000 bushels
Net sales . . . . .	249,000 bushels
On hand . . . . .	96,022,000 bushels
May option . . . . .	73 $\frac{3}{8}$ cents

Week ending June 2—

Purchases . . . . .	100,000 bushels
Sales . . . . .	687,000 bushels
Net sales . . . . .	587,000 bushels
On hand . . . . .	95,435,000 bushels
July option . . . . .	78 $\frac{3}{8}$ cents

Week ending June 9—

Purchases . . . . .	Nil
Sales . . . . .	256,000 bushels
Net sales . . . . .	256,000 bushels
On hand . . . . .	95,179,000 bushels
July option . . . . .	77 $\frac{3}{4}$ cents

Week ending June 16—

Purchases . . . . .	588,000 bushels
Sales . . . . .	304,000 bushels
Net purchases . . . . .	284,000 bushels
On hand . . . . .	95,463,000 bushels
July option . . . . .	77 cents

Week ending June 23—

Purchases . . . . .	2,390,000 bushels
Sales . . . . .	26,000 bushels
Net purchases . . . . .	2,364,000 bushels
On hand . . . . .	97,827,000 bushels
July option . . . . .	77 $\frac{3}{4}$ cents

Week ending June 30—

Purchases . . . . .	209,000 bushels
Sales . . . . .	117,000 bushels
Net purchases . . . . .	92,000 bushels
On hand . . . . .	97,919,000 bushels
July option . . . . .	76 $\frac{1}{4}$ cents

Week ending July 7—

Purchases . . . . .	865,000 bushels
Sales . . . . .	384,000 bushels
Net purchases . . . . .	481,000 bushels
On hand . . . . .	98,400,000 bushels
July option . . . . .	76 $\frac{3}{8}$ cents

Week ending July 14—

Purchases . . . . .	2,195,000 bushels
Sales . . . . .	1,472,000 bushels
Net purchases . . . . .	723,000 bushels
On hand . . . . .	99,123,000 bushels
July option until end . . . . .	82 $\frac{1}{8}$ cents

Week ending July 21—

Purchases . . . . .	988,000 bushels
Sales . . . . .	2,305,000 bushels
On hand . . . . .	97,806,000 bushels
July option . . . . .	85 $\frac{1}{8}$ cents

Week ending July 28—

Purchases . . . . .	2,755,000 bushels
Sales . . . . .	431,000 bushels
On hand . . . . .	100,130,000 bushels
July option . . . . .	86 cents

Week ending August 4—	
Purchases . . . . .	25,000 bushels
Sales . . . . .	1,129,000 bushels
On hand . . . . .	99,026,000 bushels
October option . . . . .	90½ cents
Week ending August 11—	
Purchases . . . . .	1,650,000 bushels
Sales . . . . .	1,949,000 bushels
On hand . . . . .	98,727,000 bushels
October option . . . . .	87¼ cents
Week ending August 18—	
Purchases . . . . .	1,450,000 bushels
Sales . . . . .	420,000 bushels
On hand . . . . .	99,757,000 bushels
October option . . . . .	85 cents
Week ending August 25—	
Purchases . . . . .	2,285,000 bushels
Sales . . . . .	1,511,000 bushels
On hand . . . . .	100,531,000 bushels
October option . . . . .	84⅔ cents
Week ending August 31—	
Purchases . . . . .	4,877,000 bushels
Sales . . . . .	Nil
On hand . . . . .	105,408,000 bushels
October option . . . . .	81⅔ cents
Period from September 1st, 1934, to May 31st, 1935, by months:—	
September 30, 1934—	
Purchases . . . . .	23,974,000 bushels
On hand . . . . .	129,382,000 bushels
Sales . . . . .	Nil
October option . . . . .	81⅔ cents
October 31—	
Purchases . . . . .	29,716,000 bushels
Sales . . . . .	292,000 bushels
On hand . . . . .	158,806,000 bushels
October option . . . . .	74¼ cents
November 30—	
Purchases . . . . .	922,000 bushels
Sales . . . . .	1,385,000 bushels
On hand . . . . .	158,343,000 bushels
December option . . . . .	77 cents
December 31—	
Purchases . . . . .	150,000 bushels
Sales . . . . .	10,000 bushels
On hand . . . . .	158,483,000 bushels
December option . . . . .	78½ cents
January 31, 1935—	
Purchases . . . . .	25,000 bushels
Sales . . . . .	57,000 bushels
On hand . . . . .	158,451,000 bushels
May option . . . . .	82¾ cents
February 28—	
Purchases . . . . .	272,000 bushels
Sales . . . . .	395,000 bushels
On hand . . . . .	158,328,000 bushels
May option . . . . .	83⅝ cents

March 31—

Purchases . . . . .	179,000 bushels
Sales . . . . .	425,000 bushels
On hand . . . . .	158,082,000 bushels
May option . . . . .	85 cents

April 30—

Purchases . . . . .	207,000 bushels
Sales . . . . .	7,627,000 bushels
On hand . . . . .	150,662,000 bushels
May option . . . . .	88 $\frac{3}{8}$ cents

The CHAIRMAN: Have you got any figures for June?

The WITNESS: No.

The CHAIRMAN: They did not ask for them?

The WITNESS: I can give them.

May—

Purchases . . . . .	3,363,000 bushels
Sales . . . . .	1,579,000 bushels
On hand . . . . .	152,446,000 bushels
July option . . . . .	82 $\frac{7}{8}$ cents
Purchases for the period . . . . .	58,808,000 bushels
Sales . . . . .	11,770,00 bushels

And you have the on hand.

The CHAIRMAN: Does that cover all Mr. Ralston's questions?

The WITNESS: No, sir; there are some others. The figures to June, up to the 20th:—

Purchases . . . . .	225,000 bushels
Sales . . . . .	6,591,000 bushels
On hand . . . . .	146,110,000 bushels
July option . . . . .	82 $\frac{7}{8}$ cents

Mr. PORTEOUS: That is to the end of June?

The CHAIRMAN: No, the 20th of June.

The WITNESS: The 20th of June. There were some questions asked with regard to our statement of total indebtedness to banks as at various dates.

The CHAIRMAN: The next question, No. 6, would be the one you have there; "the approximate average cost per bushel of all wheat being carried by Canadian Co-Operative Wheat Producers Limited.

The WITNESS: Yes, I have it.

The CHAIRMAN: Perhaps you had better take them in the order in which they have been given and complete your statement.

The WITNESS: Approximate average cost—what is the question?

Hon. Mr. RALSTON: The first one is: The average cost per bushel of wheat being carried; and the next one is, the cost of wheat acquired.

The WITNESS: Of the wheat being carried?

Hon. Mr. RALSTON: Yes.

*By the Chairman:*

Q. Is that exclusive or inclusive of the 75,000,000 bushels of pool wheat?—

A. That covers everything; it is inclusive.

Q. That covers everything?—A. Yes, all wheat.

*Canadian Co-Operative Wheat Producers, Limited.*

Approximate average cost of all wheat carried at the following dates:

In thousands of bushels.	Thousand Bushels	Approximate Cost per Bushel c.	Closing Market Value
1933			
April 30.. . . . .	148,396	64.410	May 59 $\frac{1}{4}$
June 30.. . . . .	145,718	64.998	July 79 $\frac{1}{8}$
1934			
April 30.. . . . .	184,218	74.582	May 64 $\frac{1}{2}$
June 30.. . . . .	174,036	75.838	July 75 $\frac{1}{2}$
September 30.. . . . .	205,499	76.167	Oct. 81
1935			
April 30.. . . . .	226,777	85.062	May 88 $\frac{1}{2}$
May 31.. . . . .	228,562	85.943	May 81 $\frac{3}{4}$

*By Hon. Mr. Ralston:*

Q. Have you it for June 20th; you brought the others down to June 20th, hadn't you better do that with this also—A. I am not sure that I have it here so that we can look at it; no, I haven't got the whole thing down to June 20th. I haven't that detail.

Q. But the figures of the actual quantities are down to June 20th?—A. Yes, I have the "combined" for that date; perhaps I have the other, but I don't remember. Mr. Chairman, I would like to state here that this question called for the average cost per bushel; which, of course, includes what we term pool wheat.

*By the Chairman:*

Q. I beg your pardon?—A. It includes pool wheat sales, special.

Q. Yes?—A. We did not have cut-offs at each of these dates.

Q. You what?—A. We did not have cut-offs at each of these dates; naturally we did not cut-off every month.

Q. No?—A. And the figures are approximate. We worked them out from our nearest statement date; but I dislike giving approximate figures at any time.

Hon. Mr. STEWART: Being careful.

The WITNESS: An accountant does not give approximate figures if he can get out of it.

Hon. Mr. RALSTON: But he puts "e. & o. e." at the bottom of the balance sheet though.

*By the Chairman:*

Q. Yes?—A. The approximate average cost of special wheat, is the next question, isn't it?

Hon. Mr. RALSTON: Wheat acquired at July 31st, 1931.

The WITNESS: Yes, that is it.

*Canadian Co-Operative Wheat Producers, Limited*

Approximate average cost of special wheat at the following dates:—

In Thousands of Bushels.	Bushels	Approximate Cost per Bushel c.	Closing Market Value
1933			
April 30.. . . . .	72,020	50.272	May 59 $\frac{1}{4}$
June 30.. . . . .	69,342	50.095	July 79 $\frac{1}{8}$
1934			
April 30.. . . . .	107,843	63.089	May 64 $\frac{1}{2}$
June 30.. . . . .	97,919	63.052	July 75 $\frac{1}{2}$
Sept. 30.. . . . .	129,382	65.663	Oct. 81
1935			
April 30.. . . . .	150,662	76.328	May 88 $\frac{1}{2}$
May 31.. . . . .	152,446	79.011	May 81 $\frac{3}{4}$

*By the Chairman:*

Q. What are these last questions; what do they cover exactly?—A. The approximate average cost of what we term “special wheat.”

Hon. Mr. RALSTON: Wheat acquired after July, 1931.

The CHAIRMAN: Yes; I just wanted him to put that on the record clearly.

*By the Chairman:*

Q. Have you the eighth question there; the approximate average cost per bushel of all wheat acquired by Canadian Co-Operative Wheat Producers Limited, after July 31st, 1931, and carried as at the dates indicated?—A. That is, old pool wheat?

Q. That is what I take that to mean?—A. Yes. Well, Mr. Chairman and gentlemen, I dislike very much to give you those figures. I think they are valueless with the other two statements, and the use of them will be most unfair to the pool, because our practice has been to apply all sales made to “special,” with the natural result that the cost of the old pool wheat is naturally increasing.

*By Hon. Mr. Ralston:*

Q. The carrying charge is piling up all the time?—A. They are piling up, and we figure that it would be most unfair, and I think you have all the information you want in the other two.

Q. You have given us the average?—A. The average cost of all wheat.

Q. Have you given us the average cost of the old pool wheat taken over as at July 31st, 1931; would it be unfair to do that, leaving out the carrying charges since?—A. No, I haven't got that. I could probably work it out for you. You see, the approximate average costs, the figures given, are on varying dates between April 30th and May 31st.

Q. It occurred to me that you might possibly break down the average cost of all your wheat into the cost of wheat acquired after July 31, 1931, and before, and in that way give us separately the cost of the old pool's wheat. Now, your only purchases to-day are in what you call special wheat; that is to say, wheat purchased after July 31st, 1931; that means that at least as a bookkeeping entry the carrying charges will be running up?—A. All loaded.

Q. —all loaded on the old pool wheat?—A. Yes.

Q. I am perfectly satisfied if you can give us the cost of the old pool wheat as of July 31st, 1931?—A. The cost of the old pool wheat as at July 31st, 1931?

Q. Yes, if that is the date of the cut-off?—A. I think I could work it out for you if I can't work it out here quickly—

The CHAIRMAN: July 31, 1931, is the date that has been used.

The WITNESS: Yes, I understand that.

*By Hon. Mr. Ralston:*

Q. Can you tell me, is that the correct date for what we have been calling the cut-off with the pools?—A. No. Our financial year ends August 31 in each year. That is what we call our cut-off date.

Q. I mean, there was some time when you took over the responsibility of these three pools, the commitments of these three pools. There must have been some time when you entered in the books these commitments as being wheat held by you for them. I wanted to get when that date was?—A. I don't quite understand your question. Do you mean the date at which we undertook responsibility for selling grain for the three provincial pools?

Q. Yes.—A. That, of course, started years ago, and as each crop started automatically we took the grain as it came in beginning on September 1.

Q. I understand, some of us have understood at least, that there was a

new arrangement in the sense that a government guarantee was given under which the Canadian Co-Operative Wheat Producers, Limited, were financed, and under which they took over definitely responsibility for that old pool wheat?—A. No, I would take it that the guarantee was to enable a continuation of operations.

Hon. Mr. RALSTON: Well, Mr. Chairman, this brings up something that I think should be on the record; that is, the amount of old pool wheat taken over and the cost of it as of the date it was taken over.

The CHAIRMAN: Yes. It could be gotten there by subtraction. It would be as well if you put it on the record; the date on which it was taken over, and the amount.

Hon. Mr. RALSTON: Yes.

Hon. Mr. STEWART: Did he not begin the taking over operations in December of 1930?

The CHAIRMAN: November 1, 1930, is my memory.

*By the Chairman:*

Q. Mr. McFarland became general manager in November of 1930, did he not?—A. Yes, sir.

Q. Was there any cut-off at that time?—A. Oh, yes, we had the usual cut-off; but, I mean, there was no distinct split.

Q. Was there no distinction made in the middle of the year, or did you continue on until the end of your fiscal year?—A. We continued on to the end of our fiscal year.

Q. And the end of your fiscal year was the 31st July, 1931?—A. No, August 31.

Q. It was August 31 in 1931?—A. Yes.

Q. We have been using the figure, 31st July, because that is the end of the crop year of the Grain Commission, isn't it?—A. That is correct.

Q. That would be 30 days before the new crop comes in?—A. We allow a month to take delivery of old pool wheat.

Q. Which date would you prefer for our convenience, for the convenience of the committee?—A. You would get a much more accurate figure at August 31.

Q. You mean, August 31, 1931?—A. Yes. We could, of course, work it back and give it to you approximately.

The CHAIRMAN: That is a matter of accounting. Would it be satisfactory to the committee if he states what the pool position was on their books as at the 31st of August, 1931?

Hon. Mr. RALSTON: Yes, as far as I am concerned.

*By the Chairman:*

Q. Is that satisfactory to you, Mr. Findlay?—A. Yes.

Q. As at the end of your fiscal year?—A. Yes.

The CHAIRMAN: That is what you want isn't it, Mr. Stewart?

Hon. Mr. STEWART: I am not so much concerned about the dates; although it seems to me at the same time in fairness to the pool it should be when Mr. McFarland took over the sales agency for them.

The CHAIRMAN: No; he became general manager. You discontinued your export sales directly after Mr. McFarland took over?

The WITNESS: After Mr. McFarland came in, yes.

*By the Chairman:*

Q. And just sold to the trade?—A. Yes.

Q. And, the end of your fiscal year next after Mr. McFarland came into the business would be the 31st day of August, 1931?—A. The 31st of August, 1931.

Q. And from that annual statement you can give us the desired information?—A. Yes, I can.

Q. Well, have you it beside you?—A. No, I haven't got it here.

The WITNESS: Is that per bushel figures?

The CHAIRMAN: Mr. Ralston will tell you what he wants.

Hon. Mr. RALSTON: The amount of wheat and the cost per bushel.

The CHAIRMAN: That is the old pool wheat.

The WITNESS: Yes.

The CHAIRMAN: That has always been spoken of as approximately 75,000,000 bushels.

The WITNESS: That is the way it has been spoken of.

*By Hon. Mr. Ralston:*

Q. You have evidently included, as far as the quantity is concerned and as far as the cost is concerned?—A. Yes.

Q. In the figures of all wheat?—A. Yes. We had to include that.

Q. Because your total of all wheat as of May 31, 1935, is 228,000,000 bushels, whereas the total of wheat acquired since is—A. 140,000,000—

Q. Since July 31, 1931, it is how much?

The CHAIRMAN: That is that long figure.

Hon. Mr. RALSTON: 152,000,000?

The WITNESS: 152,446,000.

Hon. Mr. STEWART: It has been carried right along. In fairness to them, they should have the figures.

Hon. Mr. RALSTON: Perhaps that is the figure right there. Perhaps the figure is the difference between the total figure for all wheat as of May 31, 1935, which was 228,562,000.

The CHAIRMAN: Less—

Hon. Mr. RALSTON: Less 152,446,000.

The WITNESS: Yes, it is the difference. I have the bushelage for these months; that was the objection to giving it, because the figure would be so extravagant as to be of no value, and you agreed to delete that part of it.

Hon. Mr. RALSTON: Yes.

The WITNESS: But you have the bushels there. Do you wish them for all those dates?

*By Hon. Mr. Ralston:*

Q. No. Do I understand that the bushelage for the pool wheat will remain constant as far as your books are concerned?—A. Well, no, it does not remain constant, but it remains around the same figure.

Q. Well, I mean constant, approximately?—A. Yes, approximately.

Q. You mean by tens of millions of bushels or five million bushels—is there any variation to the extent of five million?—A. No.

Q. What?—A. No. The variations have been very slight.

The CHAIRMAN: I think, without taking this down, that the maximum variation was not 2½ million. I am only speaking from subtracting as he went along.

*By Hon. Mr. Ralston:*

Q. The maximum variation of the old pool wheat?—A. Oh, since the time Mr. McFarland came in?

Q. Yes.—A. No. At August 31, 1931, 76,728,000.

Q. Yes.—A. These are our figures.

The CHAIRMAN: That is the figure we want.

The WITNESS: Yes. And as at the end of May, 1935, 76,116,000.

Hon. Mr. RALSTON: Just those two figures. You have the figures right there.

The CHAIRMAN: That answers the question of Mr. Ralston.

Hon. Mr. RALSTON: Yes. The only other thing is the average cost on August 31, 1931, if you are taking that as the conventional date when he took over.

The CHAIRMAN: Or he could have said that was August 31, 1930, probably.

Hon. Mr. RALSTON: Quite so.

The CHAIRMAN: Which ever he liked.

The WITNESS: August 31, 1930, would not really meet your requirements, I don't think.

*By the Chairman:*

Q. What is that?—A. August 31, 1930, would not meet your requirements, I do not think.

Q. All right. Then the next question. You have given the figures that Mr. Ralston required as to the quantity of pool wheat on hand on the 31st of August, 1931, and on the 31st of May, 1935. You have given those figures now.

*By Hon. Mr. Ralston:*

Q. Would you read those two figures, please—August 31, 1931, pool wheat on hand was how much?—A. 76,728,000.

Q. And May 31, 1935?—A. 76,116,000.

*By the Chairman:*

Q. The next question, I think, was Number Nine, the financial position, the net liability to the banks.—A. Did that ask for the net liability?

*By Hon. Mr. Ralston:*

Q. The total indebtedness to the banks?—A. I assume that question would mean our total indebtedness to the banks by way of loans.

The CHAIRMAN: Against wheat.

The WITNESS: That, of course, would not be a fair figure either. It is required for some specific purpose.

*By the Chairman:*

Q. Perhaps before you go into that you might make clear the methods under which financial operations are carried. The lending banks advance the money?—A. Yes, to us.

Q. And when you buy wheat or sell wheat, there is a certain amount of this money that is in the clearing houses?—A. Yes, that is correct.

Q. Or the clearing house?—A. Yes.

Q. And on that you receive interest at what rate?—A. Well, we have received interest at varying rates throughout the period, but at the moment it is four per cent.

Q. Yes.—A. Four per cent so long as our deposits do not exceed our loans. After the deposit exceeds the loans we only get one per cent.

The CHAIRMAN: I do not know whether the committee desires an explanation as to the operation of a clearing house and the operation of buying and selling grain. It might be desirable, Mr. Findlay, if you could state that shortly; or perhaps somebody else will do that, who is more familiar with it.

The WITNESS: I should be very glad to do it. Of course, that is my department, in any case.

*By the Chairman:*

Q. That is your side of the business?—A. Yes.

The CHAIRMAN: Does the committee desire to have a statement with respect to that?

Hon. Mr. STEWART: Yes.

Mr. LUCAS: I think it would be very interesting, Mr. Chairman.

*By the Chairman:*

Q. Then, Mr. Findlay, will you make that statement?—A. I think the best way to deal with that is to give you a short review of our operations in any one day. During the early part of the morning—of course, all grain operations are completed by shortly after noon in the summer time, shortly after one o'clock in the winter time. There is our difference, because of the difference in time with continental time; because we go on daylight saving time on the Grain Exchange to conform with the other exchanges. During the morning documents come in, if we have purchased wheat, either cash or options, or sold cash or options. These statements are tabulated, checked and eventually they reach our department in the form of summaries as to the amount of requirements for the day. As these documents are presented—we have a very brief time in which to prepare cheques for them. Everything has to be clear before the clearings are through for the day. These cheques go over to the bank to be marked and are paid out to the proper people. There is no difficulty with regard to cash grain. You are probably all familiar with how that is handled. It is actually a cash transaction each day. But with the options there is a little variation. If we bought a million bushels of wheat in the market to-day, we would buy it at varying, fluctuating prices, within the range of the market for that day; and at the end of the day we pay to the clearing house the variation between the price at which we purchased or sold that wheat and the market price, and we either pay to or receive from the clearing house a cheque each day.

*By Hon. Mr. Ralston:*

Q. You put or take, as they say.—A. We keep all the prices to the market every day.

*By the Chairman:*

Q. That is, the aggregate of all transactions for a given day must be brought— —A. To the close.

Q. —to a level with the closing market price, either by paying money to or receiving money from the clearing house in which you have a deposit for that purpose?—A. Yes.

Q. That is the story?—A. Yes. We issue our cheque to the clearing house. But in addition to that we have to maintain what we call original margins with the clearing house. The purpose of this original margin you will readily recognize. It is to guarantee the clearing house against loss in the case of violent fluctuations in the market. We have not had those markets for some time, but in a day of violent fluctuations during the session, in addition to your daily clearing house, you suddenly get what is called a call to market. That gives you fifteen minutes to get a marked cheque in the clearing house, so you don't waste much time. The man in charge of the clearing house keeps continually going over the

position of all the customers with relation to the ticker prices. If he thinks some of them are getting a little low—and they won't take a chance of waiting until the end of the market—they get a call to market. If at the end of the day the market had reacted and all that money was not necessary, you receive it back. But you may get calls to market two or three times a day.

Q. The first point, I think, which you should make clear to the committee is that the clearing house is an organization created to complete transactions in the sale and purchase of wheat.—A. That is correct.

Q. That is correct?—A. It is, as the name implies, a clearing house for all transaction.

Q. It is just what the word means, a clearing house?—A. Yes.

Q. Of transactions?—A. Practically a bank.

Q. And the next point that I think should be clear to the committee—probably some know more about it than I do—is that each day's transactions are balanced with the market so that, so far as the clearing house is concerned, it completes the business for that day on that day?—A. It completes the business for that date, and before the clearing house closes for that night, everybody's accounts are in balance. Everybody's accounts are in balance with everybody else's.

Q. In balance with the closing market price of that day?—A. Yes.

Q. And if you have an excess sum of money, you sometimes get a cheque back—you do get a cheque back?—A. Yes, we do.

Q. And if you have a deficiency, you must cover it with a marked cheque?—A. Yes. As a matter of fact, we make out these cheques ourselves.

Q. Yes?—A. They are signed by us.

Q. Because you keep your business as well, at the same time?—A. Yes.

*By Hon. Mr. Ralston:*

Q. Is it the same?—A. If you will permit me to go on, I think we can, perhaps, leave this. These original margins go to the banks in the joint—for deposit in the joint name of ourselves and the clearing house. We cannot withdraw that money nor can the clearing house. We jointly have to withdraw it; and on those funds we get 4 per cent interest.

*By the Chairman:*

Q. Exactly; and you pay for your loan how much?—A. Five per cent.

Q. Yes, 5 per cent. Suppose you wanted to buy 1,000,000 bushels of wheat. I will put this transaction to you: Suppose you wanted to buy 1,000,000 bushels of wheat to-day. The brokers go into the pit and buy it?—A. That is correct.

Q. And they buy it in blocks of perhaps 10,000, 20,000 or 100,000?—A. Yes.

Q. And the total cost of that million bushels is computed on the receipt of the brokers' bought notes?—A. Yes.

Q. Then, as soon as that is completed, you have to complete your transaction with the clearing house?—A. That is correct.

Q. We will take this to be the case, that the million bushels that you bought to-day was for delivery in, we will say, August. Suppose it was, and suppose it cost, we will say for the sake of argument, \$800,000. How much money would you put into the clearing house as against the ultimate delivery of that wheat in August?—A. Oh, just the variation in the market.

Q. No; how much would your initial payment be, what you mentioned as your initial margin?—A. Our original margin?

Q. Yes?—A. We would put in \$200,000.

Q. \$200,000?—A. Yes.

Q. Then 25 per cent of the purchase price of the wheat, if it were 80 cents a bushel, is put up when the brokers complete the transaction in the clearing house, is that right?—A. 20 per cent.

Q. 20 per cent?—A. Yes.

Q. Pardon me. I said 25 per cent. It is 20 per cent?—A. That is correct.

Q. 20 per cent of the purchase price; that would be \$200,000?—A. \$200,000.

Q. And if at the close of the market to-morrow that price was 75 cents, it would be incumbent upon the clearing house, when they closed out the transaction, to get an additional sum from you?—A. Yes.

Q. And if, on the other hand— —A. Or if we sold it, we would receive their cheque.

Q. Yes, if on the other hand, the market was 85 cents, they would hand back to you or pay back to you a cheque for a part of that money?—A. Yes—no, not part of the original margin until we have sold the wheat.

Q. Yes, that is right—until the transaction is closed out?—A. I think we can explain that briefly. If we buy 1,000,000 bushels of wheat to-day, we deposit \$200,000 in the bank. If we sell it to-morrow, they release the deposit and it goes back into the bank account.

Q. When the clearing house makes the final entries, that completes your dominion over that million bushels. Suppose you sell to somebody else, and they buy your option for delivery in August and pay for it. The clearing house makes the appropriate entries and closes out the transaction; is that right?—A. As a matter of fact, we do ourselves.

Q. But the entries are kept practically all in the clearing house?—A. Yes, these go over to the clearing house.

Q. And this money that is on deposit in the clearing house is kept in a joint account?—A. It is in a joint account.

Q. And on that the banks pay interest to you?—A. To us.

Q. As the depositor?—A. Yes.

Q. If you borrowed it from the bank, they would charge you 5 per cent and credit you with 4?—A. Yes. We pay 5 per cent on the monthly—at the end of each month.

Q. You pay 5 per cent at the end of each month?—A. Yes. I should have added to that, 4 per cent on that is computed only once every six months.

Q. 4 per cent on that is computed only once every six months?—A. Yes. We don't get that every month, so it is really not 4 per cent.

Q. That is the financial arrangement?—A. That is the financial arrangement.

*By Hon. Mr. Ralston:*

Q. I understand you have your borrowings, and interest on the deposits. You get only 1 per cent on the profits and pay 5 per cent on the borrowings?—A. Yes. Originally, when we made our first one I think we got 4—no, we paid 6 per cent and we got 5 per cent on the original margin deposits, and if our loans fell under the deposits, then we got 3 per cent. That has been whittled down. So long as our loans exceed the deposits we pay 5 per cent on the loans and receive 4 per cent on the deposits.

The CHAIRMAN: Mr. Ralston, I think you got it the wrong way.

The WITNESS: Let us assume—

*By Hon. Mr. Ralston:*

Q. I think I did get it the wrong way?—A. Yes.

Q. Let me understand it. Suppose your borrowings, let us say, were half a million dollars, and your deposits were \$300,000?—A. We pay 5 per cent on the half million dollars and on our deposits we receive 4 per cent.

Q. Finish your answer?—A. All right.

Q. Suppose your borrowings were \$500,000 and your deposits \$300,000, you would pay 5 per cent on the \$500,000 and you would receive what on the deposits?

—A. If our borrowings were \$500,000 and our deposits \$300,000 we would pay 5 per cent on the half million dollars of borrowings and we would receive 4 per cent computed only twice annually on the \$300,000.

Q. The 5 per cent being computed monthly?—A. Monthly.

Q. Suppose your borrowings were \$500,000 and your deposits were \$800,000, then you would pay 5 per cent on your borrowings, computed monthly and receive what on the other?—A. 5 per cent—4 per cent on the \$500,000 and 1 per cent on the balance.

Q. 1 per cent on the balance?—A. Yes.

Q. I think where I misunderstood you was I thought you would receive only 1 per cent on the total deposit?—A. No.

Q. You receive 4 per cent up to the amount of your borrowings?—A. Yes.

Q. And only 1 per cent above that?—A. Yes.

Q. Is that per cent also computed every six months?—A. All interest coming to us is computed only every six months. We tried to get it on a monthly basis but we have not been able to argue the banks into it yet.

*By the Chairman:*

Q. Mr. Findlay, I think you have cleared up the question of the interest you receive and the interest you pay, but the clearing house transactions, the trades, are closed out, balanced every day; that is a short way to put it?—A. Yes, that is correct.

Q. That applies equally whether they are so-called long or short sales?—A. It makes no difference.

Q. Not a bit of difference in the world?—A. No.

Q. I think Colonel Ralston's last question was in regard to the indebtedness to the banks, the net liability on varying dates. Can you give that, please?—A. Yes. Would you like to have these figures straight across—

*By Hon. Mr. Ralston:*

Q. What are your headings?—A. Statement of total indebtedness to banks and net liability after deducting cash deposits; grain stocks at market values.

Q. That is somewhat different from what I asked?—A. That is perfectly all right.

Q. This gives the dates up to the time the computation is made?—A. That is correct, and that is combined, of course, pool and special.

Q. Pool wheat is not separated from wheat bought after July 31, 1931?—A. Special never is cash wheat.

*By the Chairman:*

Q. It represents the total liability by the Co-Operative Wheat Producers to the banks on the date mentioned, together with the values at market prices of the wheat held as security by the banks under the section of the Bank Act?—A. That is correct.

Q. And the margin deposits in the clearing house that you have mentioned give us the net liability and indicates what would happen if on that date you cleaned out your business and converted it into cash?—A. That is correct.

Q. That is the way it is done?—A. Yes.

Q. I want to be sure that is clear.

*By Hon. Mr. Ralston:*

Q. Assuming that you could dispose of the wheat at the market price?—A. Yes.

The CHAIRMAN: Exactly. On that date. All right.

The WITNESS: July 31, 1931.

*By Hon. Mr. Ralston:*

Q. How many columns have you?—A. Five. Now, you may decide to eliminate this total security value. I put it in here for your convenience; but I think the column in regard to the bushel figure may not interest you; it is merely the combined total of our security. On the other hand, you have the margin deposits—

The CHAIRMAN: That is the important question.

Hon. Mr. RALSTON: He has really added together the value of cash, and the value of wheat, and made another figure. There is no need to do that.

The CHAIRMAN: He has to do that to get the net liability.

Hon. Mr. RALSTON: He has to do that?

The WITNESS: Mr. Ralston can take the four columns if he prefers it that way.

Hon. Mr. STEWART: There is no security except wheat.

The WITNESS: We have cash deposits.

Hon. Mr. RALSTON: And government guarantees.

The WITNESS: Oh, yes. .

The CHAIRMAN: Continue.

The WITNESS: July 31, 1931. Total bank indebtedness, \$28,387,340.49; margin deposits \$10,370,000; value of grain stocks, \$15,458,988.47; total security value \$25,828,988.47.

*By Hon. Mr. Ralston:*

Q. The sum of the two?—A. Yes. Net liability to banks, \$2,558,352.02. August 31. Total bank indebtedness \$24,613,460.55; margin deposits, \$13,355,000; value of grain stocks, \$6,823,400.02; total security value, \$20,178,400.02; net liability to banks, \$4,435,060.53. December 31. Total bank indebtedness \$14,749,777.65; margin deposits, \$13,060,000; value of grain stocks, \$943,491.83; total security value \$14,003,491.83; net liability to banks, \$746,285.82. July 1, 1932: Total bank indebtedness, \$25,565,986.18; margin deposits, \$14,440,000; value of grain stocks, \$15,878.64; total security value \$14,455,878.64; net liability to banks, \$11,110,107.54.

Q. When you speak of value of grain stocks, are you giving a figure of—  
—A. Cash grain.

Q. Cash grain?—A. Yes; always remember it is brought up to market every day.

Q. I beg your pardon?—A. Paper wheat is brought up to market every day.

*By the Chairman:*

Q. Future purchases are brought up to market every day by the clearing house?—A. Yes.

Q. Value of grain stocks means value— —A. Of physical grain on hand. December 31, 1932: Total bank indebtedness \$54,952,729.84; margin deposits, \$21,831,000; no grain stocks, total security value, \$21,831,000; net liability to banks \$33,121,729.84: May 1, 1933: Total bank indebtedness, \$30,632,694.29; margin deposits, \$20,953,000; value of grain stocks, \$229,656.25; total security value, \$21,182,656.25; net liability to banks, \$9,450,038.04. June 1, 1933: Total bank indebtedness, \$23,799,713.13; margin deposits, \$20,978,000; no grain stocks; total security value, \$20,978,000; net liability to banks, \$2,821,713.13. July 1, 1933: Total bank indebtedness, \$14,841,800.87; margin deposits, \$24,061,000; value of grain stocks, \$496.35; total security value, \$24,061,496.35; net liability to banks (plus) \$9,219,695.48.

*By the Chairman:*

Q. That is a surplus?—A. That is a surplus, yes.

Q. Owing by the banks, \$9,219,695.48?—A. That is correct. July 14—this is a plus or surplus, \$12,105,764.03; margin deposits \$21,721,000; value of grain stocks \$915,195; total security value, \$22,636,195; net liability to the banks (surplus) \$34,741,959.03.

Q. That is a surplus?—A. Yes.

Q. A net surplus?—A. A net surplus. July 16—Total indebtedness—

Q. That is total deposits?—A. Deposits, yes. \$15,975,305.28; margin deposits \$20,221,000; value of grain stocks \$962,572.50; total security value \$21,183,572.50; net surplus \$37,158,877.78.

July 17: Total bank indebtedness, (\$18,545,834.49); margin deposits, \$18,971,000; value of grain stocks, \$989,210; total security value, \$19,960,210; net surplus (\$38,506,044.49).

July 18: Deposits, total bank indebtedness (\$19,561,712.32); margin deposits, \$18,971,000; value of grain stocks, \$1,033,367.50; total security value, \$20,004,367.50; net surplus, \$39,566,079.82.

July 19: Total bank indebtedness, deposits, plus, (\$12,866,128.61); margin deposits, \$18,971,000; value of grain stocks, \$934,492.50; total security value, \$19,905,492.50; surplus, \$32,771,621.11.

July 20: Total bank indebtedness (\$2,311,572.26); margin deposits, \$19,971,000; value of grain stocks, \$774,630; total security value, \$20,745,630; surplus, \$23,057,202.26.

July 21: Total loans, \$3,631,060.59.

Hon. Mr. RALSTON: Surplus.

The CHAIRMAN: No. Liability.

The WITNESS: No. Margin deposits, \$23,016,000; value of grain stocks, \$730,870; total security value, \$23,746,870; net surplus, \$20,115,809.41.

July 22: Total bank indebtedness, \$9,552,443.09; margin deposits, \$23,656,000; value of grain stock, \$704,510; total security value, \$24,630,510; surplus, \$14,808,066.91

And then I think we jump to August 1st.

August 1: Total deposits (\$6,137,645.34); margin deposits, \$25,161,000; value of grain stocks, \$617,132.42; total security value, \$25,778,132.42; net surplus, \$31,915,777.76.

August 31: Total bank indebtedness, \$19,703,170.85; margin deposits, \$25,062,300; value of grain stocks, \$202,935; total security value, \$25,265,235; net surplus, \$5,562,064.15.

September 30: Total bank indebtedness, \$41,598,309.46; margin deposits, \$28,676,600; value of grain stocks, \$165,585; total security value, \$28,842,185; net liabilities to banks, \$12,756,134.46.

October 31: Total bank indebtedness, \$48,081,476.54; margin deposits, \$31,999,600; value of grain stocks, \$264,130.11; total security value, \$32,263,730.11; net liability to banks, \$15,817,746.43.

November 30: Total bank indebtedness, \$51,588,190.79; margin deposits, \$32,539,600; value of grain stocks, nil; total security value, \$32,539,600; net liability to banks, \$19,048,950.79.

December 31: Total bank indebtedness, \$51,577,427.60; margin deposits, \$32,717,600; value of grain stocks, nil; total security value, \$32,717,600; net liability to banks, \$18,859,827.60.

The CHAIRMAN: I am to meet my colleagues at 2 o'clock, perhaps we had better rest at the end of 1933. The stenographers have had a pretty hard morning. Shall we try for 4 o'clock.

Hon. Mr. RALSTON: As far as I am concerned.

The CHAIRMAN: And let Mr. Findlay finish as soon as possible. Mr. Findlay, you are excused until 4 o'clock. If you can in the meantime, find out how much cash wheat there was at the date you gave at the end of June, and how much option.

The WITNESS: Yes.

The committee adjourned at 1.12 p.m. to resume at 4 o'clock, p.m. this day.

## AFTERNOON SESSION

THE COMMITTEE RESUMED AT 4 P.M.

The CHAIRMAN: Mr. Findlay, we are beginning with the year 1934 to continue the statement you have been making for months and years. Will you proceed?

The WITNESS: January 31, 1934: Total bank indebtedness, \$41,184,518.66; margin deposits, \$32,662,600; no grain stocks; total security value, \$32,662,600; net liability to banks, \$8,521,918.66.

February 28: Total bank indebtedness, \$43,649,353.83; margin deposits, \$31,939,000; no grain stocks; total security value, \$31,939,000; net liability to banks, \$11,710,353.83.

March 31: Total bank indebtedness, \$41,833,848.90; margin deposits, \$29,650,000; value of grain stocks, \$667,500; total security value \$30,317,500; net liability, \$11,516,348.90.

Now, I think, Mr. Chairman, the date of April 30 was asked for. It was not on my slip, but I have the figures here:—

Total bank indebtedness, \$47,458,000; margin deposits, \$28,443,000; value of grain stocks, \$1,302,000; total security value, \$29,745,000; net liability, \$17,712,000.

May 31: Total bank indebtedness, \$28,720,923.29; margin deposits, \$22,930,000; value of grain stocks, \$15,341,538.43; total security value, \$38,271,538.43; surplus, \$9,550,615.14.

June 30: Total bank indebtedness, \$30,701,418.01; margin deposits, \$27,115,000; value of stocks, \$3,209,455.83; total security value, \$30,324,455.83, and net liability, \$376,962.18.

July 31: Total bank indebtedness, \$22,651,160.95; margin deposits, \$26,445,000; value of grain stocks, \$11,014,028.73; total security value, \$37,459,028.73; surplus, \$14,807,867.78.

August 31: Total bank indebtedness, \$25,886,571.19; margin deposits, \$28,080,000; value of grain stocks, \$2,829,731.41; total security value, \$30,909,731.41; surplus, \$5,023,150.22.

*By the Chairman:*

Q. You haven't got September, have you?—A. No, I might have it. I am afraid I have not got the value of the grain stocks at that date. I might have. I will go over my figures.

Q. You might make a note of it and give it to the reporter after we rise, so that he can complete the statement in detail?—A. I may have to wire for some of the details.

Q. You need not bother now.

Hon. Mr. RALSTON: We will leave a blank.

The WITNESS: October 1st.

Hon. Mr. RALSTON: That is what the Prime Minister is asking for.

The WITNESS: Apparently this request mentioned specifically the 1st.

The CHAIRMAN: I think it was as you saw it in the newspapers, and probably you got it wrong. Is that October 31st or October 1st?

The WITNESS: October 1st.

The CHAIRMAN: That is what I have been asking for; that is September 30th. You can change those to September 30th.

The WITNESS: These are October 1st. I had better put in September 1st. I thought there might have been a special reason for asking for this.

The CHAIRMAN: I do not know. Colonel Ralston can say.

Hon. Mr. RALSTON: I do not know.

The WITNESS: I think, perhaps, we had better leave a blank.

The CHAIRMAN: Leave a blank for September and October.

Hon. Mr. RALSTON: Between September 30th and October 1st.

The CHAIRMAN: The next will be October 31st, instead of the 1st, and November also.

Hon. Mr. RALSTON: In my memorandum I just jumped from September 31st to May 31st, but you might as well put them all in if you have them.

The CHAIRMAN: That is what I said before you came in; get them all in. Then you come to May 31st, 1935.

The WITNESS: And you wish January, February, March and April for 1935, do you?

The CHAIRMAN: Yes, if you have them.

The WITNESS: Yes. December 31st.

Hon. Mr. RALSTON: Are you giving us October 1st since you have it there?

The WITNESS: Do you want it in?

Hon. Mr. RALSTON: If you will.

The WITNESS: October 1st: Total bank indebtedness, \$30,842,710.09; margin deposits, \$32,785,000; value of grain stocks, \$347,049.22; total security value, \$33,132,049.22; surplus, \$2,289,339.13.

Hon. Mr. RALSTON: Now, we are leaving a blank for November and December.

The WITNESS: Yes.

Hon. Mr. RALSTON: No, for October 31st.

The CHAIRMAN: We are leaving a blank for October 31st and November 30th.

The WITNESS: December 31st: Total bank indebtedness, \$44,545,642.99; margin deposits, \$37,000,000; value of grain stocks, \$2,208,437.47; total security value, \$39,208,437.47; net liability to banks, \$5,337,205.52.

Hon. Mr. RALSTON: Now we are leaving a blank for January, February, March, and April, are we?

The WITNESS: Yes.

Hon. Mr. RALSTON: Are you going to bring up to June 20?

The WITNESS: Oh, yes, I can give you June 22.

Hon. Mr. RALSTON: I meant the corresponding figures.

The CHAIRMAN: You gave us June 21st and 22nd.

The WITNESS: I gave you the 21st; the 22nd is the same figure. I can give you the information for the same day.

*By the Chairman:*

Q. Now, Mr. Findlay, the reporters have taken your figures down in round numbers, but your statement is in detail; will you check with them so that they can get the figures accurately?—A. Yes, sir.

Q. I understand that you have prepared all this?—A. Yes, as a matter of fact, they have copies of these sheets.

May 31, 1935: Total bank indebtedness, \$80,301,741.78; margin deposits, \$28,395,000; value of grain stocks, \$41,610,816.15; total security value, \$70,005,816.15; net liability to banks, \$10,295,925.63.

As of June 22nd: Total bank indebtedness, \$79,333,662.88; margin deposits, \$27,510,000; value of grain stocks, \$40,202,264; total security value, \$67,712,264; net liability, \$11,621,399.

*By the Chairman:*

Q. You have finished the figures for January, February, March, and April, 1935, and the other months?—A. That is correct.

Q. Mr. Findlay, the large value of grain stocks at the end of May is what would have been the value if you had demanded delivery of cash wheat, I take it?—A. Yes, that is correct.

Q. I would suggest that you might give us the number—or, perhaps Mr. McIvor could give the number of bushels taken of cash wheat as of the beginning of May; is it the beginning of May?—A. The beginning of May, yes. 57,278,000 bushels.

Q. That is on the 1st of May?—A. From the 1st of May to the 31st.

The CHAIRMAN: That is all, so far as I am concerned.

The WITNESS: There is one figure which I think was requested this morning: That was the number of bushels of old pool wheat—I think you got this—as at the 31st of August. I think you put that down.

*By the Chairman:*

Q. In what year?—A. 1931.

Q. Yes?—A. 76,728,000 bushels.

Q. Yes, I think you gave us that?—A. And the average cost was 60.534 cents.

Q. Not including any carrying charges?—A. Yes. That is for the cost up to that date, accruing everything.

Q. Did that include everything?—A. That includes all liabilities against the grain.

Q. Up to that date?—A. Up to August 31st.

*By Hon. Mr. Ralston:*

Q. And that was sold at—what did you say?—A. 60.534 cents.

Q. Would you mind giving the figure again?—A. The bushels?

Q. As of August 31st, yes?—A. 76,728,000.

Q. Didn't you give that to us?—A. Yes.

Q. Pool wheat as of August 31, 1931, 76,728,000 bushels; is that right?—A. Correct.

Q. The average cost as of that date?—A. 60.534 cents; and it would have been considerably less than that at July 31st, but I can't figure out how much.

Q. Give me the amounts—you mean the amount would have been less, or the cost, or both?—A. The cost; and the amount would vary—slightly lower.

The CHAIRMAN: Mr. Lucas, any questions?

*By Mr. Lucas:*

Q. I notice in October of 1934, the very large purchases at October 31st—29,716,000 bushels—that is for the whole month; have you any figures showing how that was acquired by weeks or days?—A. October, 1934?

Q. October of 1934?

The CHAIRMAN: 1934 did you say?

Mr. LUCAS: Yes.

The WITNESS: Do you want this by days for that month?

Mr. LUCAS: I think it would be all right.

The WITNESS: The amounts are as follows:—

Date	Purchases (bushels)	Sales (bushels)
October 1.. . . . .	10,520,000	
October 2.. . . . .	2,295,000	
October 3.. . . . .	5,000,000	
October 4.. . . . .	85,000	
October 5.. . . . .		157,000
October 6.. . . . .		40,000
October 9.. . . . .	70,000	
October 10.. . . . .		26,000
October 11.. . . . .		69,000
October 13.. . . . .	200,000	
October 15.. . . . .	260,000	
October 16.. . . . .	20,000	
October 17.. . . . .	425,000	
October 18.. . . . .	440,000	
October 19.. . . . .	475,000	
October 20.. . . . .	450,000	
October 21.. . . . .	—	
October 22.. . . . .	19,000	
October 25.. . . . .	1,815,000	
October 26.. . . . .	3,200,000	
October 27.. . . . .	300,000	
October 29.. . . . .	1,072,000	
October 30.. . . . .	660,000	
October 31.. . . . .	2,410,000	

The CHAIRMAN: Have you anything more, Mr. Lucas?

Mr. LUCAS: That is all, thank you.

The CHAIRMAN: Mr. Vallance?

Mr. VALLANCE: No, thank you.

The CHAIRMAN: Mr. Ralston?

*By Hon. Mr. Ralston:*

Q. In the first place, with regard to the statement that you gave us with regard to the wheat on hand and the handlings from July 31, after July 31, 1931, am I correct in saying that the totals on hand which you have given us in the next to the last column should be increased by approximately 76,000,000 bushels in order to show the total that you had on hand including the old pool wheat?—A. What statement are you referring to?

Q. I am referring to all the statements that you have given us showing the amount of wheat acquired or disposed of during each month, week or day from

June 1, 1932, down to May 31, 1935?—A. Yes, that is correct. You will find them in this chart of the days in which you got the average cost.

Q. Yes, I know. What you were asked for, the amount of wheat acquired or disposed of during each month, week or day as indicated below, by Canadian Co-operative Wheat Producers Limited, with the amount on hand and the price of nearest future, at end of each month, week or day as the case may be. Now, as I understand it, in showing the amount on hand in the statement you have given us from June 1, 1932, to May 31, 1935—which in some case is by months, in other cases by weeks and in another case it is by days—you have only shown the amount on hand of the so-called "special" wheat?—A. That is correct.

Q. And you have not included in that column the 76,000,000 which was on hand and taken over from the pools?—A. No.

Q. So that in order to show the total on hand we have to add approximately 76,000,000 to that column right straight through?—A. That is correct, yes.

Q. In other words, to get that absolutely clear, when you show the total on hand as of May 31, 1935, at 152,446,000 bushels, that is really 228,562,000 bushels—as you have shown in another statement when you come to make up costs?—A. That is correct. Yes.

Q. Now, with regard to the financial statement that you have given us, that statement reporting the bank indebtedness and the security held; what does that bank indebtedness represent? Might I ask you a leading question to see if I understand it correctly: Does the bank indebtedness represent the money borrowed from the bank in order to put up these margins you have spoken about, and any money necessary to purchase cash wheat?—A. Yes.

Q. That is what it represents?—A. Yes.

Q. The bank indebtedness does not in any sense represent the obligation which the Canadian Co-Operative Wheat Producers Limited have undertaken in the way of buying wheat for future delivery?—A. Yes, it includes all liability.

Q. It does?—A. All liabilities up to the close of business on these days.

Q. Do you mean that it includes all liabilities, for instance, on July 1, 1933, for 145,718,000 bushels of wheat?—A. Yes, up to the close of business on that day.

Q. I am afraid we are at cross purposes. I know you don't mean that, there must be a misunderstanding, the cost of 145,718,000 bushels would be let us say about \$110,000,000 if you took delivery of it?—A. Yes.

Q. Perhaps I am wrong, probably that is a large amount; it would be somewhere about a hundred million dollars.—A. Yes, if this is represented by cash wheat.

Q. Sure, and in addition to the liability to the bank represented by actual cash borrowings, in order to pay for your wheat and in order to pay up margins of the Canadian Co-Operative Wheat Producers Limited—they were on the risk for further purchases of wheat to the extent of 145,000,0000 bushels, were they not?—A. I didn't quite get your question.

Q. Well, I want to make it as clear as I can. They borrowed cash in order to undertake the current operations; that is to say, put up margin and buy cash wheat?—A. Yes.

Q. Quite outside of the cash wheat, they had an obligation to take wheat in the future—let us say it might be in June;—so that they had an obligation to take wheat in October at a certain price, didn't they?—A. Yes, at a price, which, of course, in June you can't determine.

Q. Yes, the price was fixed in June. The price of October futures was fixed in June, was it not?—A. It was fixed in June for June 30. It may be entirely different to-morrow or the next day.

Q. They had undertaken to take delivery of wheat in October and to pay so much for it, hadn't they?—A. Yes, if we still retained October futures.

Q. Certainly; and they were liable on that obligation, were they not?—  
A. You mean that we would be liable in October to take delivery of wheat if it was delivered to us?

Q. Right, and put up that money?—A. Yes, if we still had October futures.

Q. Certainly, if you still had October futures. Is it not something the same as a promissory note, making it payable in October?—A. Yes.

Q. At which time the wheat would be delivered?—A. Yes.

Q. But in the meantime they were on the note, were they not?—A. Yes. The obligation, of course, is there.

Q. And that obligation is no included in the statement you have given here, is it?—A. No.

Q. No; because you have attempted to balance it off by saying that on that particular day on which you have given your obligation a future could have been sold for the price which you paid for it, plus or minus the margin which was put up or taken down, as the case might be?—A. No, you are getting the margin confused. Assume we had sold out that wheat at the close of business on that day, we would have had no future obligation for that.

Q. I agree with you there. I say that is why you have not included it in the liability.—A. Of course, any liability you can compare in a statement of this kind—you call that a contingent liability.

Q. That is, I understand, a contingent liability. But it was a real liability, was it not?—A. Well, assuming we are going to take delivery.

Q. Yes, and the contract says you are going to take delivery of the wheat?—A. Yes, but we have the privilege, of course—

Q. Of selling?—A. Yes.

Q. Just the same as if I buy a house and agree to pay for it next year, say \$5,000; I have the privilege of selling that house in the meantime and getting my \$5,000 back?

Mr. PORTEOUS: Or \$10,000.

Hon. Mr. RALSTON: Well, we will see if the ten came out.

*By Hon. Mr. Ralston:*

Q. I have the privilege of selling and getting my \$5,000 or \$10,000 back, if I can sell?—A. Yes.

Q. In the meantime I am obligated for that house to the extent of \$5,000 or \$10,000, and I have the house, whatever it may be worth, as security?—A. Yes.

Q. That is so; and is not that your position exactly with regard to the future contracts, that you are under solemn obligation or promissory note to pay for wheat in October to the extent of 145,000,000 bushels—I am looking at July 1st, 1933—and assuming that wheat went down to nothing, you would have to put up the full amount of the purchase price of 145,000,000 bushels of wheat?—A. Quite. And if, at May 31, we had done that, assuming that all this was in the May future—

Q. Right?—A. Naturally our bank indebtedness would have increased, but this would be offset by the value of the grain taken delivery of.

Q. Just as it was, for instance, on June 21, 1935—let us say May 31, 1935, when you took delivery of 57,000,000 bushels of wheat during May, 1935?—A. Yes.

Q. Your bank loans went up to \$80,000,000?—A. Yes.

Q. But as security you had wheat?—A. Yes.

Q. But you still were holding your wheat. You had not sold your wheat, had you?—A. No.

Q. And it depends on how much you can sell your wheat for. You had not sold it on that day because you still had that on hand, as shown here; is that correct?—A. Well, we didn't have the full amount of the deliveries, because we had sold some.

Q. But you had wheat to the market value of \$41,610,000?—A. That is correct.

Q. The only way you can say that was worth \$41,610,000 is by saying that had you gone out and put on the market, say, 50,000,000 bushels of wheat that day, you could have realized the quoted price for it?—A. No, there is no suggestion of that kind.

Q. How is the value of the wheat made up for the purpose of valuing the security?—A. It is valued on the closing market price as of that date.

Q. Certainly, taking the number of bushels on hand?—A. Yes.

Q. You then say, in effect, with that number of bushels of wheat on hand, we have so many dollars on hand?—A. That is correct.

Q. That is correct. But as a matter of fact, whether those bushels of wheat represent dollars depends on whether you could dispose of that 50,000,000 bushels of wheat at that day's price, does it not?—A. That is correct.

Q. Suppose that I were taking over the total obligations of Canadian Co-Operative Wheat Producers Limited, as of June 21, 1935. First, how much cash would I have to put up, and secondly what is the extent of the dollar obligation which I would have to assume, the gross dollar obligation which I would have to assume, in connection with all future contracts which Canadian Co-Operative Wheat Producers Limited have?—A. Well, your total liability, if you were taking that—

Q. May I add this to the question: Assuming that Canadian Co-Operative Wheat Producers Limited were going to get out without loss?—A. The total bank indebtedness of that date was \$80,301,000. You would naturally also take over the asset value of cash deposits.

Q. That is right; that represents \$52,000,000?—A. And the grain stocks.

Q. I am putting the grain stocks to one side. I am going to have those, but I want to know the cash obligation I undertake. I may have property to represent it, but I would like to know the gross obligation I am going to undertake, having grain stocks or future contracts against it, which I would have to undertake, I would have \$52,000,000, would I not, because that is the indebtedness to the bank?—A. Yes.

Q. That is so?—A. Yes.

Q. How many bushels of wheat represented by future contracts would I have to take over?—A. Well, I think the only way—the only answer to that question is, you would have a contingent liability. You may not have a contingent liability either as at that date. You would have a contingent liability of an undetermined amount that there is no means of telling.

Q. I can tell at least what will be the gross liability that I take over. The contingency arises from how much I can realize from that wheat in the future?—A. Yes.

Q. There is no doubt about that. You can arrive with absolute certainty at the gross liability I take over, can you not?—A. Yes, quite.

Q. Will you do that for me?—A. But not in the case of the futures.

Q. Why?—A. Because you may or may not take delivery of the cash grain.

Q. I am going to assume I am going to take delivery of the cash wheat. That is part of my gross liability. If I sell it afterwards, that is my business. I want to know what is the full extent of the liability, the total gross liability that I take over, to let Canadian Co-Operative Wheat Producers Limited out even. I will have wheat or I will have contracts. But how much in dollars have I got to figure either in the way of actual cash payments or in the way of obligations, the obligations being offset by wheat or futures, as the case may be?—A. That is a rather difficult question.

Q. Well, but is it now?—A. Yes, it is. There are too many factors which cannot be determined.

Q. There are only two factors, as I understand it. Will you correct me if I am wrong? I am only just thinking that it is more simple than perhaps you may suggest. In the first place, you have the cash liability, that is sure, of \$80,000,000 to the bank, and they have got \$28,000,000 cash deposit; that leaves \$52,000,000 liability?—A. Yes.

Q. I have got to pay that; I have got to let them out of that?—A. Yes.

Q. To make them come out square?—A. Yes.

Q. In addition to that they are obligated—they have given promissory notes to buy wheat, to pay for wheat which is to be delivered in, probably, July. Suppose it is in May. Taking the date as May, having given promissory notes to pay for wheat in July, what is the total gross amount of those promissory notes in the form of future contracts?—A. No, Mr. Ralston, that liability cannot be determined.

Q. Can you not figure the amount at which you buy the wheat and the number of bushels?—A. Well, I think May 31st was one of your dates. I have not got those figures. I lent them.

Q. May 31st; you can take mine. I just took them down.—A. Give me the total, will you?

Q. Yes, you can look at this. This is May 31, 1935.—A. No, I do not mean that.

Q. What would you like?—A. I mean the cost statement.

Q. Here it is, right here.—A. Let us assume for your purposes that you require \$197,000,000, providing that grain is delivered to you at October, during the month of October, less whatever variation there is in spread between the opinion and the cash wheat at those two dates.

Q. I have all that. I require a gross of \$197,000,000.—A. Approximately.

Q. Is that to pay for 228,586,000 bushels of wheat at an average cost of 85.943 cents?—A. Yes.

Q. \$197,000,000?—A. Yes.

Q. That is what you call— —and quite properly so, I think— —a contingent liability; that is, the amount is contingent?—A. Yes.

Q. It is contingent.

The CHAIRMAN: Not the whole of it.

Hon. Mr. RALSTON: What is that?

The CHAIRMAN: Not the whole of it.

Hon. Mr. RALSTON: No, I am afraid the whole of it is not. But I was hoping that we might hope that it was all contingent, and that we would get more for it than we paid for it. But I am afraid it is not.

*By Hon. Mr. Ralston:*

Q. \$197,000,000 is the amount of cash I would have to put up if I took that wheat?—A. Yes, providing you held the quantity which we have already shown.

Q. If I am taking over from Canadian Co-Operative Wheat Producers Limited?—A. On that date.

Q. And this bill which we are talking about—which you do not know anything about; or you may have read it, I do not know—provides that we are to buy the wheat and the contracts from Canadian Co-Operative Wheat Producers Limited; that the Canadian Grain Board is to buy wheat and the contracts from Canadian Co-Operative Wheat Producers. In order to do that, and to let Canadian Co-Operative Wheat Producers out, if they did it as of May 31st, they would have to put up \$52,000,000. That is clear?—A. That is clear.

Q. And they would also have to become responsible for future contracts amounting to \$197,000,000?—A. Approximately.

Q. Approximately \$197,000,000?—A. Yes.

Q. And whether they would get out or not, whether they would be able to come out clear or not, or how much their ultimate liability would be, depends altogether on whether or not wheat goes above 85·943 or below it when the time comes for delivery?—A. Quite.

The CHAIRMAN: You might just ask him what it would cost to transfer the options.

Hon. Mr. RALSTON: What was that, Mr. Chairman?

The CHAIRMAN: I said you might ask him what would be involved in transferring the options to the board.

Hon. Mr. RALSTON: Oh, yes.

*By Hon. Mr. Ralston:*

Q. The Chairman suggests that I ask what it would cost to transfer the options as of May 31, 1935.—A. Well, as a matter of fact, the option at May 31 was practically wholly in the October. I am speaking from memory. I think it was practically wholly in the October.

Q. Could you give any forecast as to what it would cost to transfer the options on 228,000,000 bushels of wheat as of May 31, 1935, suppose you transferred all those options as of that date?—A. Assuming that they had been in the May month?

Q. I beg your pardon?—A. I say, assuming that they had been in the month of May.

Q. Yes.—A. And at May 31st you wanted to switch them to October. Well, I have not got the price cards. It would probably be 3 and a fraction cents.

Q. But all it would do in transferring the option would be to increase the cost by 3 cents, would it not?—A. Yes.

Q. I am only postponing my liability, am I not?—A. Yes. Of course, do not forget that your liability on May 31st for those options would be less the spread. In other words you have paid the carrying charges on that grain up to October 31st or at the month of October, pardon me.

Q. I am saying the transfer of an option from May to October is simply postponing my liability, is it not?—A. Yes.

Q. Simply renewing the note?—A. Yes, you are renewing the note.

Q. You are paying something for carrying charges, or in lieu of carrying charges?—A. Yes.

Q. What is that amount. About how much do you pay?—A. Oh, approximately, if you are carrying cash wheat, a cent a month plus interest.

Q. Approximately a cent a month plus interest?—A. By using the option it is generally considered to be less than that. To begin with you have some amount on hand involving a saving in interest charges and you save also on the carrying cost, storage, in other words.

Q. Transferring an option, Mr. Findlay—I am not using the term invidiously—is simply betting on what the future will show as to a rise or a fall in the price of wheat, is it not?—A. That, depends, of course, on what purpose you hold it for. If I buy options personally in the hope that the market will rise, yes; by all means that is a bet, a gamble.

Q. The \$52,000,000 that you would pay out would be actual cash, the \$197,000,000 would mean another payment that we would undertake for Canadian Co-Operative Wheat Producers Limited. They would not be liable on their promissory note and on their options, perhaps amounting in all to \$197,000,000?—A. Yes; in other words, you would assume our line of option.

Q. Now, we yet have not done anything about the new crop. So far we have been dealing with what the Canadian Co-Operative Wheat Producers Limited have taken over?—A. Yes.

Q. This new crop has to be dealt with as well. Can you tell me what the price of Octobers is to-day?—A. No, I cannot.

Q. There is no October on the board, is there?—A. No; August.

Q. What is the price of August?—A. You ask that from Mr. McIvor.

Q. Yes.—A. He has all those prices.

Q. Now, let us go back to the pool operations, and it is only to get the thing clear in my mind, everybody else may have it quite clear. I understand there were three pools that were operating at one time, let us say, in 1930, Manitoba, Saskatchewan and the Alberta pool?—A. Yes.

Q. Is that correct?—A. Provincial pools.

Q. The Canadian Co-Operative Wheat Producers Limited was the central selling agency for those pools?—A. That is correct.

Q. They had some backing from the provincial governments, or had they?—A. In 1930?

Q. Yes, or 1929?—A. Oh, in 1929.

Q. 1929.—A. 1929-1930 season anyway.

Q. And then they had some backing later from the federal government?—A. Well, I believe so. But you see I do not belong to the provincial pools; I am afraid I cannot deal with that.

Q. Then in November, 1930, I think you said Mr. McFarland became general manager of Canadian Co-Operative Wheat Producers Limited?—A. Yes.

Q. Is that so? And was it at that time there was a change in policy with regard to marketing to the export market? Was it at that time the agencies overseas were withdrawn or discontinued?—A. I think probably some time during December. I am speaking from memory.

Q. Some time during December, 1930?—A. Yes, 1930.

Q. Then January, 1931—I do not know whether you know this or not, but I am just putting it in to make it chronological—there was a letter of guarantee given to the banks with respect to the operations of Canadian Co-Operative Wheat Producers Limited?—A. Probably, I do not know.

Q. You do not know about that?—A. No. I know that it must have been around that time something was given, what it was I do not know.

Q. Was there any time at which a cut-off was made or some books were closed, as it were, on the operations of the Canadian Co-Operative Wheat Producers Limited, without the assistance of the federal government, and the time when the assistance of the federal government came into play?—A. I think we had a statement to nearest—I am speaking from memory now—I think October 31st.

Q. What year?—A. That year.

Q. 1930 you mean?—A. Yes, 1930.

Q. At the time— —A. That really was a cut-off. Mr. McFarland, I think, came in about the middle of the month or probably around the 20 something when he came in.

Q. Now, were purchases made by Canadian Co-Operative Wheat Producers Limited up to June 1, 1932?—A. Were purchases made?

Q. Yes?—A. Of cash wheat?

Q. Yes?—A. Oh, yes, at varying times.

Q. By Canadian Co-Operative Wheat Producers Limited; that is, not by the pools, Canadian Co-Operative Wheat Producers Limited?—A. Yes. You are applying the entire operations under that heading, Canadian Co-operative Wheat Producers Limited.

Q. I do not mean that; I mean Canadian Co-Operative Wheat Producers Limited under Mr. McFarland's management. Did it make purchases of wheat in the spring of 1931?—A. Oh, yes.

Q. It did?—A. Yes.

Q. And was it those purchases that helped to run up the 76,000,000 bushels which you have spoken of as on hand August 31, 1931?—A. Yes, 76,000,000 the net result between any purchases made and sales made.

Q. What I am getting at, Mr. Findlay, is, I understand that there was no authority for Canadian Co-Operative Wheat Producers Limited to buy until some time later. I thought that authority was only issued later. I did not know it was in the spring of 1932. Perhaps you do not know anything about it. I do not want you to try to explain it if somebody should do it. I understood that the first order in council, 2238, of September 12, 1931, authorized the government to guarantee advances incidental to the marketing of wheat grown in the year 1930, but there did not seem to be in that any authority to purchase wheat. I was wondering under what authority or in what capacity purchases were made in the spring of 1931?—A. Oh, yes. I think I begin to follow some of your previous questions. Let me make this very clear. During the season—you asked me previously did we make purchases.

Q. Yes?—A. Of course, when you refer to the term "purchases" did we take delivery from our feeding organizations, that was the three pools, I answered you that we did; we took delivery of grain from them for the purpose of sale.

Q. But it was only in that connection that you made purchases; that is to say you made purchases from what I might call your principles?—A. Yes.

Q. The people for whom you were acting as agents?—A. Yes.

Q. You did not make purchases in the market?—A. What was the period, again?

Q. Spring of 1931?—A. In the spring of 1931?

Q. Yes?—A. No.

Q. Up to June, 1931?—A. June, 1931.

Q. When did your special purchases begin. I am using the word "special" because you used it?—A. I think I gave you the first date of that—July.

Q. July?—A. 1931.

Q. Are you quite sure of that?—A. Yes.

Q. Do you mean special purchases for the purposes of what we call stabilization began in July, 1931?—A. No. That is one question I cannot answer, what the reason was for the purchases of those options at that time. I cannot remember. I am being very sincere when I say that.

Q. Of course?—A. I cannot answer it, because I do not remember it; that is four years ago, a long time.

Q. I have here pool wheat, August 31, 1931, 76,728,000 bushels and then the next figure I think you gave us was June, 1932, 10,150,000 bushels. Have you that right in front of you?—A. No. Which statement are you referring to?

Q. The very first one you have given?—A. This is the first one.

Q. What does it say?—A. August 31, 1931, 1,740,000 bushels purchases, sales, 1,672,000 bushels.

Q. August 31?—A. That is the month of August.

Q. 1931?—A. 1931.

Q. You had purchases of how much?—A. Purchases of 1,740,000 bushels.

Q. And sales of?—A. And sales of 1,672,000 bushels.

Q. You had on hand at that time 76,728,000 bushels?—A. Oh, yes.

Q. Then, the first purchase you made was August 1, 1931. Was that a purchase in the market—shall I put it that way—a purchase not from your principals but in the market?—A. Yes.

Q. I do not seem to have that figure again?—A. You took it this morning.

Q. What is the next one?—A. September, 3,009,000 bushels.

Q. 1931?—A. 1931, sales, 166,000 bushels.

Q. Leaving a total on hand?—A. At September.

Q. Yes.—A. 6,980,000 bushels.

Q. We can put it down, then, there were purchases and sales all during the fall of 1931?—A. Well, from time to time, anyway, some in October; November, no purchases, nor any in January or February.

Q. Since the end of December, 1931, what is your total on hand including the 76,000,000?—A. Including the 76,000,000?

Q. Yes.—A. You will have to take these as approximately 83,801,000.

Q. December 31, 1931?—A. Yes.

Q. December 31, 1932, the total amount on hand including the 76,000,000 pool wheat was approximately 152,000,000 bushels?—A. That is correct.

Q. And December 31, 1933, the total on hand including the 76,000,000 pool wheat would be 209,000,000 bushels?—A. Approximately.

The CHAIRMAN: What did he say the figure was for the pool at the end of the year?

Hon. Mr. RALSTON: I assume the figure was 76,000,000.

The CHAIRMAN: I thought he gave the exact figure for the end of the year.

The WITNESS: I gave them at the end of May, 1935.

*By Hon. Mr. Ralston:*

Q. That is not the year I am asking. I am asking about December 31, 1933. I am asking what the total amount of wheat on hand was including pool wheat?—A. Well, the pool wheat is approximately the same in any case.

Q. 209,000,000 bushels, is it not?—A. Approximately 209,000 bushels.

Q. Then on the 31st December, 1934, the amount on hand including the pool wheat was 234,000,000 bushels, approximately?—A. Yes.

Q. And on June 20, 1935, the amount on hand including pool wheat was approximately 222,000,000 bushels?—A. 222,000,000 bushels.

Q. Did the Canadian Co-Operative Wheat Producers Limited purchase any coarse grain or futures?—A. No.

Q. None at all?—A. No.

Q. During this whole period?—A. No.

Q. They have never dealt in coarse grains at all?—A. Yes, we have. We, of course, took the coarse grains from the provincial pools the same as in the case of wheat.

*By the Chairman:*

Q. But those operations are not included in these operations?—A. No.

Hon. Mr. RALSTON: What did you say?

The CHAIRMAN: It has nothing to do with these operations.

*By Hon. Mr. Ralston:*

Q. I wanted to get your previous answer. I had asked you about the coarse grains and you said you did not include any.

The CHAIRMAN: He said they handled some through their pools.

The WITNESS: We handled some for the pools.

*By Hon. Mr. Ralston:*

Q. What I am getting at is there was no liability involved or no money paid out in connection with the handling of coarse grains, and it is not contained in the bank records that you have spoken of?—A. In the statement we just finished reading?

Q. Yes?—A. Yes.

Q. It is?—A. Yes. In the statement we have just finished reading? Oh, yes.

Q. It is?—A. Yes.

Q. Is there any large amount of coarse grains?—A. No.

Q. I mean is it \$1,000,000 or \$500,000? I am not pinning you down?—  
A. No. Probably \$500,000 or \$600,000.

Q. Now, you were the financial man, and when you were borrowing from the bank and making commitments for the purchase of futures, did you report to the bank the amount you bought each week, the amount you committed yourself for?—A. We reported each day.

Q. Not only the cash that you borrowed and the cash wheat you bought, but you also reported the futures?—A. Oh, yes.

Q. Why did you do that?—A. Well, I am quite sure it was required by the banks.

Q. Because of the fact that you were becoming liable for futures; would not that be the reason?—A. Of course, I cannot talk for the banks.

Q. Would you think that would be a fairly reasonable reason?—A. Yes, I assume—

Q. Because they were interested in the credit of their customer and the amount of commitments he was making?—A. Yes, it is a natural assumption.

Q. And you reported every day?—A. We reported every day.

Q. The amount of futures which you held?—A. Yes.

Q. The amount bought and the amount sold?—A. Oh, not generally—the net increase.

Q. Or decrease?—A. Yes, or decrease, as the case may be.

Q. The tickets themselves or whatever you call them, are they lodged with the bank to represent actual documentary evidence for futures which you hold?—A. No, nothing.

The CHAIRMAN: Oh, yes. I think he does not understand you. Security is given under the Bank Act.

Hon. Mr. RALSTON: What I was asking was whether there was any documentary evidence lodged with the bank except this report as to the futures held.

The CHAIRMAN: The clearing house certificate.

Hon. Mr. RALSTON: The clearing house certificate.

The WITNESS: Oh, yes. They are on deposit, as I explained this morning to the joint credit of ourselves and the clearing house.

*By Hon. Mr. Ralston:*

Q. So that the bank has the credit of these futures contracts as security?—  
A. I do not know what benefit they would get from them. Certainly in the case of the original margin.

Q. Assume that I have a futures contract that I purchased for 85 cents for October wheat and in October it was 93 cents; would not that future contract be worth something?

Mr. LUCAS: It might be worth 75 cents.

The WITNESS: Yes. You have bought it at a lower price.

*By Hon. Mr. Ralston:*

Q. Yes?—A. I think I know what you are after now. Assuming that we bought options at 75 cents and assuming that they go up to 90 cents in the interval between the time you have made this purchase and the date which we are discussing now, whatever it may be—

Q. The delivery date?—A. That fifteen cents would have come back to us.

Q. Out of the clearing house?—A. Yes.

Q. That would have been deposited in the bank?—A. Yes.

Q. Therefore, it was of interest to the bank to have these clearing house certificates in order that they might be sure to get the benefit of that increase, if increase there was?—A. Yes, quite.

Q. Therefore, a clearing house certificate with regard to the purchase of futures is of interest to the bank; it is either a real security or a real asset or a real liability, depending upon whether the wheat goes up or down?—A. I wonder if you feel there is a document representing the option, assuming that you buy ten thousand?

Q. I understood the chairman to indicate that there was a clearing house certificate. That represents the whole day's transaction, does it?—A. That merely represents the original margins.

Q. Does it speak of bushels at all? Does it deal with bushels?—A. Oh, yes —no, just the amount of money involved.

Q. It is so many bushels at so much with a certain percentage of margin?—A. No. Assume that we have to provide \$50,000 on original margins in any one day, the certificate—I haven't got one with me—practically what it amounts to is a form of deposit slip—we have deposited in certain banks on this particular day \$50,000 and that is endorsed to the joint account of ourselves and the clearing house.

Q. Is that certificate issued by yourselves or by the bank?—A. It is issued by ourselves.

Q. And lodged with the—A. Clearing house.

Q. I wonder if we are at cross purposes there. I thought I understood the chairman to say it was lodged with the bank.

The CHAIRMAN: What I meant was that the bank had knowledge of the transaction that took place through the clearing house. He calls it a deposit slip; I call it a certificate. Perhaps deposit slip is the better word.

*By Hon. Mr. Ralston:*

Q. Does it balance off the purchase of future with the final closing price of future?—A. No. You are becoming confused always with the day to day fluctuations of the market. The certificate we are discussing has nothing to do with it; it merely represents the amount of money we have on hand in the way of original margins.

Q. The amount of money you have on hand by way of original margins, in other words, it represents that you have that much at your credit?—A. Yes.

Q. That is an asset?—A. That is an asset.

Q. Does the bank take any interest in the futures contracts which you hold as a part of this security, as an asset out of which it might realize something, in order to help liquidate your account?—A. Nothing beyond the original margin.

Q. Nothing beyond the original margin?—A. That is only tangible.

Q. Don't they also take an interest in subsequent margins which are put up, if there are any put up?—A. The day to day margins?

Q. Yes.—A. Oh, yes.

Q. The bank, in effect, does have security on the futures contracts by reason of having security on the deposit which is made?—A. On subsequent days.

Q. In other words, what I am trying to get at—it seems to me if I have a contract to buy a certain article three months hence and pay so much money for it, it is quite possible that the contract might be an asset?—A. Quite.

Q. In the sense that the price I have agreed to pay for it is less than the price which will ultimately be realized and, therefore, that I have something to put up with my creditor as a contingent asset?—A. Oh, well, when you put it up it is merely getting back to the same old thing of a contingent liability or a contingent asset.

Q. And the margin represents, in order to provide a cushion—represents the actual asset?—A. That is the actual asset.

Q. In connection with that matter?—A. As a matter of fact—

Acting Chairman, Mr. E. E. PERLEY, presiding.

Hon. Mr. RALSTON: Mr. Chairman, I have not had a chance to go into figures. I take it that Mr. Findlay will be here when we meet again. I have not any more to ask him now.

*By Mr. Porteous:*

Q. I would like to get it clear with regard to the obligations that were taken over from the pool. You stated that as of August 31, 1931, there were 76,728,000 bushels and the cost was 60·53 cents?—A. Yes.

Q. Was that the cost to the Canadian Co-Operative Wheat Producers Limited?—A. Yes.

Q. Or was that the cost of the wheat when it was bought?—A. No, that is the cost of the wheat plus the carrying charges, based on the closing market price of that day.

Q. Then the obligation would be 76,728,000 bushels at 60·53 cents a bushel; is that right?—A. Yes, that is correct.

Q. And we are still carrying that wheat?—A. Yes. For instance, in the previous statement to that we had a surplus, and if I had shown the average cost per bushel as at that previous date—well, the cost would have been considerably under the market. In other words, we would have had an apparent profit.

Hon. Mr. STEWART: Say that again?

The WITNESS: In the previous statement the actual cost of our wheat would have been less than the prevailing market at that time. We would have had a surplus, and I would have shown you the cost—assuming the market at 56 cents and we had a sufficient amount of surplus to equal 6 cents a bushel on that 76,000,000 bushels, we would have shown the average cost of our wheat at 49 cents.

Hon. Mr. STEWART: How many months previously, roughly?

The WITNESS: Oh, very few—two or three months.

Hon. Mr. STEWART: So that it jumped from 49 cents to 60 cents in a short period?

The WITNESS: As I took off the statement on June 27th, the cost would have been slightly over the market at that time, but the previous statement was probably two months before that. We were considerably less than the average cost of the market.

*By Mr. Porteous:*

Q. Assuming you could sell that 76,000,000 bushels at 60·53, plus the carrying charges since that time, that would relieve you of the obligation that you assumed from the pool; is that right?—A. No. If you could sell your total number of bushels.

Q. I mean if you could sell that wheat. Perhaps it is hard to identify it.—A. No, just a moment. Let me see if I have that clear. Perhaps that was not understood. The average cost that I gave you is over all wheat. I think you understood that, Mr. Ralston?

Hon. Mr. STEWART: I do not get that.

Mr. VALLANCE: Over all wheat.

Hon. Mr. STEWART: I may be wrong, but I had the impression that that was the average cost of the 76,000,000 bushels.

The WITNESS: No.

Mr. VALLANCE: Over all wheat.

Hon. Mr. RALSTON: The cost of the 76,000,000 bushels was 60·53 cents and he hesitated about adding to that a cent a month from July 31, to date, which would amount to roughly 40 to 45 cents. He said it would not be fair to the pools to do that.

The WITNESS: No, that is the point I was going to make to this gentleman.

*By Hon. Mr. Stewart:*

Q. Then we have not got the actual cost of the 76,000,000 bushels on the date mentioned?—A. No. You have it on August 31, 1931. I think that is where you are probably astray.

Q. I am quite clear about that. I thought you said that that was not correct; that that did not represent—A. No, you are going back now to August 31.

Q. Yes.—A. Yes, that is quite correct.

*By Mr. Porteous:*

Q. I am right in saying if you could identify that wheat—if you could identify that 76,000,000 bushels—A. —and all the expense attending to it, then we could give you the cost.

Q. If you could sell it at 60·53 a bushel plus the carrying charges on it to date?—A. That includes the carrying charges to date.

Q. No, that includes carrying charges, as I understand it, as to the 31st August, 1931?—A. Oh, yes, you are referring back now to the figure we were discussing before. Yes, you are correct.

Q. Now, in your statement in answer to question 6: "Approximate average cost per bushel, season 1930-31 on net stocks at respective dates shown?—now, I am coming to May 31, 1935, when it was 228,000,000 bushels?—A. Yes.

Q. At an average cost of 85·9?—A. 85·943.

Q. Assuming that wheat goes up 5 cents a bushel and you can liquidate your stock it would almost balance your minus as of May 31, 1935, of \$10,295,000?—A. Yes.

Q. That is if wheat went up 5 cents a bushel, you could liquidate your stock?—A. Our net liability would disappear.

Hon. Mr. RALSTON: If you can sell your 225,000,000 bushels?

The WITNESS: Yes.

Hon. Mr. STEWART: Assuming you have it sold.

Mr. PORTEOUS: It is not a correct assumption which is taken that the wheat is not worth anything; that is what Mr. Ralston said.

Hon. Mr. RALSTON: I did not say anything of the kind. I endeavoured to get the gross liability.

The CHAIRMAN: Any further questions? Mr. Willis?

*By Mr. Willis:*

Q. Just one question: I think your statement is that the total liability as of June 22, 1935 was \$11,621,000—in round figures?—A. Yes.

Q. I assume that is arrived at by the ordinary methods of book-keeping employed by grain farmers?—A. Oh, yes.

Mr. WILLIS: Quite so.

*By the Acting Chairman:*

Q. We might add further to Mr. Willis' question: In the case of a demand for the transfer or these options from the wheat board to the trade it involved taking for the options cash grain. However, as Mr. Willis said, in assuming that liability they put up in cash \$11,621,000?—A. Yes.

Q. And thus they acquired that wheat?—A. Yes. You put up the amount of the deficit and you would be acquiring whatever of asset value, or of liability, there might be.

The ACTING CHAIRMAN: Mr. Lucas, have you anything you want to ask further?

Mr. LUCAS: That is all, thank you.

The ACTING CHAIRMAN: There are some figures with respect to what it would cost, or what amount would be involved, if the present holdings of this organization were liquidated, with respect to which Mr. Findlay would like to take a little time.

Aside from that we are done with Mr. Findlay. I understand some of the committee do not want to sit this evening, and I think the Prime Minister would rather not sit until to-morrow morning at 10.30.

Hon. Mr. RALSTON: Would rather not sit when?

The ACTING CHAIRMAN: This evening; he would prefer 10.30 o'clock to-morrow morning.

Hon. Mr. RALSTON: Has anybody in this committee been talking about sitting in the evenings; let them stand up.

The ACTING CHAIRMAN: Mr. McIvor I think will be our witness tomorrow. We will meet at 10.30.

The committee adjourned at 5.35 p.m., to meet again tomorrow, June 28, 1935, at 10.30 a.m.

EXHIBIT "G"

FILED BY WITNESS ROBERT C. FINDLAY

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

DETAILS OF SPECIAL OPTION TRADES

Amount of Wheat Acquired as at July 31st, 1931

3,178,000 Bushels, October Wheat.—Average Cost 59.66c.

Amount of Wheat Disposed of by Months from August 1st, 1931 to May 31st, 1932

	Purchases	Sales	Net Sales or (Purchases)	On Hand	Option Price Closing Day
(In Thousands of Bushels)					cents
July 31st Balance.....				3,178	
August, 1931.....	1,740	1,672	( 68)	3,246	October 53½
September, 1931.....	3,900	166	(3,734)	6,980	" 53½
October, 1931.....	2,550		(2,550)	9,530	" 68
November, 1931.....		2,105	2,105	7,425	November 59½
December, 1931.....				7,425	December 59½
January, 1932.....				7,425	May 62½
February, 1932.....				7,425	" 67
March, 1932.....	1,050	315	( 735)	8,160	" 61½
April, 1932.....	445	610	165	7,995	" 59½
May, 1932.....	465	100	( 365)	8,360	" 62½
Purchases and Sales for period.....	10,150	4,968			
Net Purchases and On Hand.....			(5,182)	(8,360)	

## CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF BY PERIODS  
SPECIAL OPTION TRADES

By Months—From May, 1932 to December, 1932

	Purchases	Sales	Net Sales or (Purchases)	On Hand Long (Short)	Option Price Closing Day
(In Thousands of Bushels)					cents
May, 1932.....				8,360	
June, 1932.....	7,649	3,315	(4,334)	12,694	July 53 $\frac{1}{8}$
July, 1932.....	12,266	1,358	(10,908)	23,602	" 57 $\frac{1}{2}$
August, 1932.....	175	20,926	20,751	2,851	October 55 $\frac{1}{2}$
September, 1932.....	1,685	9,927	8,242	(5,391)	" 49 $\frac{1}{4}$
October, 1932.....	63,598		(63,598)	58,207	" 46 $\frac{1}{2}$
November, 1932.....	14,652	1,225	(13,427)	71,634	November 45 $\frac{1}{2}$
December, 1932.....	4,113	30	(4,043)	75,717	December 41 $\frac{1}{8}$
Purchases and Sales for period.....	104,138	36,781			
Net Purchases and On Hand.....			(67,357)	75,717	

By Weeks—From January 1st, 1933 to October 31st, 1933

Balance.....				75,717	
Week Ending:					
January 2nd, 1933.....				75,717	May 41 $\frac{1}{8}$
" 7th, 1933.....	100		(100)	75,817	" 47 $\frac{1}{2}$
" 14th, 1933.....	1,087		(1,087)	76,904	" 45 $\frac{1}{2}$
" 21st, 1933.....				76,904	" 45 $\frac{1}{8}$
" 28th, 1933.....				76,904	" 46 $\frac{1}{8}$
February 4th, 1933.....				76,904	" 46 $\frac{1}{2}$
" 11th, 1933.....				76,904	" 48 $\frac{1}{2}$
" 18th, 1933.....				76,904	" 48 $\frac{1}{4}$
" 25th, 1933.....	200		(200)	77,104	" 47 $\frac{1}{2}$
March 4th, 1933.....	70	300	230	76,874	" 50 $\frac{1}{4}$
" 11th, 1933.....				76,874	" 52 $\frac{1}{4}$
" 18th, 1933.....				76,874	" 51 $\frac{1}{8}$
" 25th, 1933.....		4,209	4,209	72,665	" 50
April 1st, 1933.....				72,665	" 50 $\frac{1}{2}$
" 8th, 1933.....				72,665	" 51 $\frac{1}{8}$
" 15th, 1933.....		1,285	1,285	71,380	" 53
" 22nd, 1933.....	640		(640)	72,020	" 58 $\frac{1}{2}$
" 29th, 1933.....				72,020	" 59 $\frac{1}{2}$
May 6th, 1933.....		850	850	71,170	" 64 $\frac{1}{4}$
" 13th, 1933.....				71,170	" 65
" 20th, 1933.....				71,170	" 62 $\frac{1}{4}$
" 27th, 1933.....				71,170	" 65

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF BY PERIODS—Continued

SPECIAL OPTION TRADES—Continued

By Weeks—From January 1st, 1933, to October 31st, 1933—Concluded

(In Thousands of Bushels)

—		Purchases	Sales	Net Sales or (Purchases)	On Hand, Long (Short)	Option Price Closing Day
Week ending:						c.
June	3rd, 1933.....				71,170	July 64
"	10th, 1933.....				71,170	" 64½
"	17th, 1933.....				71,170	" 65½
"	24th, 1933.....	300	200	( 100)	71,270	" 70½
July	1st, 1933.....		1,928	1,928	69,342	" 72½
"	8th, 1933.....		4,004	4,004	65,338	" 82½
"	15th, 1933.....		16,545	16,545	48,793	" 92½
"	22nd, 1933.....	23,158	6,332	(16,826)	65,619	" 73½
"	29th, 1933.....	4,402	936	( 3,466)	69,085	" 79½
August	5th, 1933.....	4,324	300	( 4,024)	73,109	October 83½
"	12th, 1933.....	4,085	215	( 3,870)	76,979	" 72½
"	19th, 1933.....	823	1,327	504	76,475	" 71½
"	26th, 1933.....	27	433	406	76,069	" 72½
September	2nd, 1933.....	156	401	245	75,824	" 70½
"	9th, 1933.....	8,351	559	( 7,792)	83,616	" 70½
"	16th, 1933.....	11,696		(11,696)	95,312	" 68½
"	23rd, 1933.....	6,225	589	( 5,636)	100,948	" 66½
"	30th, 1933.....	2,625		( 2,625)	103,573	" 61½
October	7th, 1933.....	5,720		( 5,720)	109,293	" 60½
"	14th, 1933.....	14,332		(14,332)	123,625	" 55½
"	21st, 1933.....	2,600	56	( 2,544)	126,169	" 61½
"	28th, 1933.....	3,186	730	( 2,456)	128,625	" 62½
"	31st (part week).....	1,100		( 1,100)	129,725	" 61½
Purchases and Sales for Period.....		95,207	41,199			
Net Purchases and on Hand.....				( 54,008)	129,725	

By Days—Week Ending July 22nd, 1933

Balance.....				48,793	
July 17th, 1933.....		6,332	6,332	42,461	July 93½
" 18th, 1933.....				42,461	" 94
" 19th, 1933.....				42,461	" 87½
" 20th, 1933.....	4,150		( 4,150)	46,611	" 78½
" 21st, 1933.....	15,705		(15,705)	62,316	" 78½
" 22nd, 1933.....	3,303		( 3,303)	65,619	" 73½
Purchases and Sales for Period.....	23,158	6,332			
Net Purchases and on Hand.....			(16,826)	65,619	

## CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF—SPECIAL OPTION ACCOUNT—BY PERIODS

Period from November 1st, 1933, to February 28th, 1934

(In Thousands of Bushels)

	Purchases	Sales	Net Sales or (Purchases)	On Hand Long (Short)	Option Price Closing Day
Balance.....				129,725	c.
November, 1933.....	5,490	2,205	( 3,285)	133,010	November 60½
December, 1933.....	1,014	615	( 399)	133,409	December 61½
January, 1934.....	554	773	219	133,190	May 69½
February, 1934.....	1,120	3,631	2,511	130,679	" 67½
Purchases and Sales for Period.....	8,178	7,224			
Net Purchases and on Hand.....			( 954)	130,679	

Period from March 1st, 1934, to August 31st, 1934—By Weeks

Balance.....				130,679	
Week Ending:					
March 3rd, 1934.....	35	626	591	130,088	May 69½
" 10th, 1934.....	696	916	220	129,868	" 70
" 17th, 1934.....		2,113	2,113	127,755	" 67½
" 24th, 1934.....		3,135	3,135	124,620	" 68
" 31st, 1934.....		3,101	3,101	121,519	" 68
April 7th, 1934.....		2,978	2,978	118,541	" 67½
" 14th, 1934.....		4,250	4,250	114,291	" 66½
" 21st, 1934.....		3,354	3,354	110,937	" 65½
" 28th, 1934.....		2,700	2,700	108,237	" 65½
May 5th, 1934.....		4,548	4,548	103,689	" 66½
" 12th, 1934.....		5,337	5,337	98,352	" 68½
" 19th, 1934.....		2,081	2,081	96,271	" 69½
" 26th, 1934.....		249	249	96,022	" 73½
June 2nd, 1934.....	100	687	587	95,435	July 78½
" 9th, 1935.....		256	256	95,179	" 77½
" 16th, 1934.....	588	304	( 284)	95,463	" 77
" 23rd, 1934.....	2,390	26	( 2,364)	97,827	" 77½
" 30th, 1934.....	209	117	( 92)	97,919	" 76½
July 7th, 1934.....	865	384	( 481)	98,000	" 76½
" 14th, 1934.....	2,195	1,472	( 723)	99,123	" 82½
" 21st, 1934.....	988	2,305	1,317	97,806	" 85½
" 28th, 1934.....	2,755	431	( 2,324)	100,130	" 86
August 4th, 1934.....	25	1,129	1,104	99,026	October 90½
" 11th, 1934.....	1,650	1,949	299	98,727	" 87½
" 18th, 1934.....	1,450	420	( 1,030)	99,757	" 85
" 25th, 1934.....	2,285	1,511	( 774)	100,531	" 84½
" 31st, 1934.....	4,877		( 4,877)	105,408	" 81½
Purchases and Sales for Period.....	21,108	46,379			
Net Sales and on Hand.....			25,271	105,408	

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

AMOUNT OF WHEAT ACQUIRED OR DISPOSED OF—SPECIAL OPTION ACCOUNT—BY PERIODS

Period from September 1, 1934 to May 31, 1935—By Months

—	Purchases	Sales	Net Sales or (Purchases)	On Hand Long (Short)	Option Price Closing Day
(In Thousands of Bushels)					cents
Balance.....				105,408	
September, 1934.....	23,974		(23,974)	129,382	October 81 <sup>3</sup> / <sub>8</sub>
October, 1934.....	29,716	292	(29,424)	158,806	“ 74 <sup>1</sup> / <sub>4</sub>
November, 1934.....	922	1,385	463	158,343	December 77
December, 1934.....	150	10	( 140)	158,483	“ 78 <sup>1</sup> / <sub>2</sub>
January, 1935.....	25	57	32	158,451	May 82 <sup>3</sup> / <sub>8</sub>
February, 1935.....	272	395	123	158,328	“ 83 <sup>3</sup> / <sub>8</sub>
March, 1935.....	179	425	246	158,082	“ 85
April, 1935.....	207	7,627	7,420	150,662	“ 88 <sup>3</sup> / <sub>8</sub>
May, 1935.....	3,363	1,579	( 1,784)	152,446	July 82 <sup>7</sup> / <sub>8</sub>
Purchases and Sales for Period.....	58,808	11,770			
Net Purchases and On Hand.....			(47,038)	152,446	

CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

APPROXIMATE AVERAGE COST OF ALL WHEAT CARRIED AT THE FOLLOWING DATES

(In Thousands of Bushels)

—	Bushels	Approximate Cost per Bushel
1933		cents
April 30.....	148,396	64.410
June 30.....	145,718	64.998
1934		
April 30.....	184,218	74.582
June 30.....	174,036	75.838
September 30.....	205,499	76.167
1935		
April 30.....	226,777	85.062
May 31.....	228,562	85.943

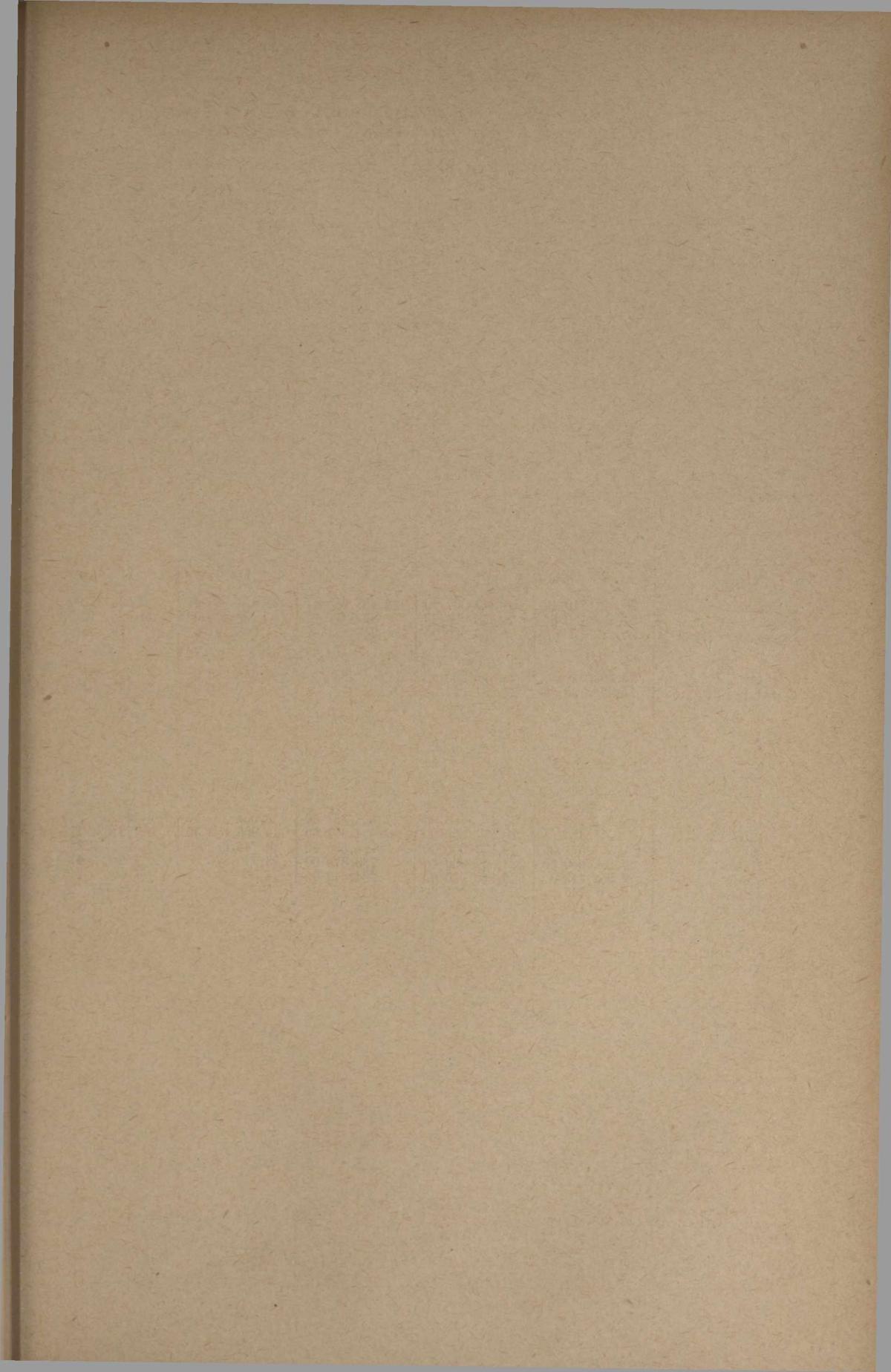
CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED  
APPROXIMATE AVERAGE COST OF SPECIAL WHEAT AT THE FOLLOWING DATES  
(In Thousands of Bushels)

	Bushels	Approximate Cost per Bushel
1933		
April 30.....	72,020	50-272
June 30.....	69,342	50-095
1934		
April 30.....	107,843	63-089
June 30.....	97,919	63-052
September 30.....	129,382	65-663
1935		
April 30.....	150,662	76-328
May 31.....	156,446	79-011

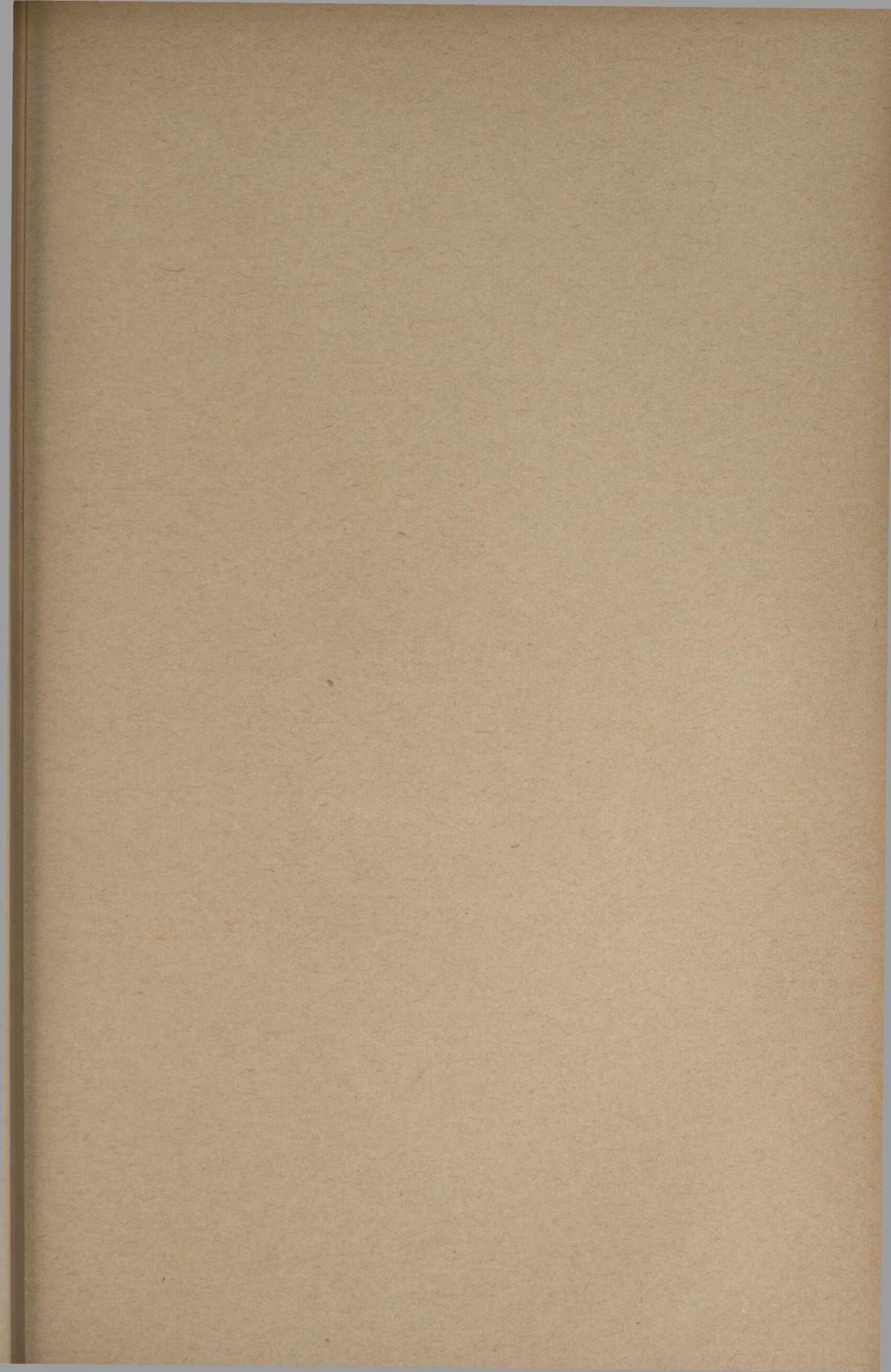
CANADIAN CO-OPERATIVE WHEAT PRODUCERS LIMITED

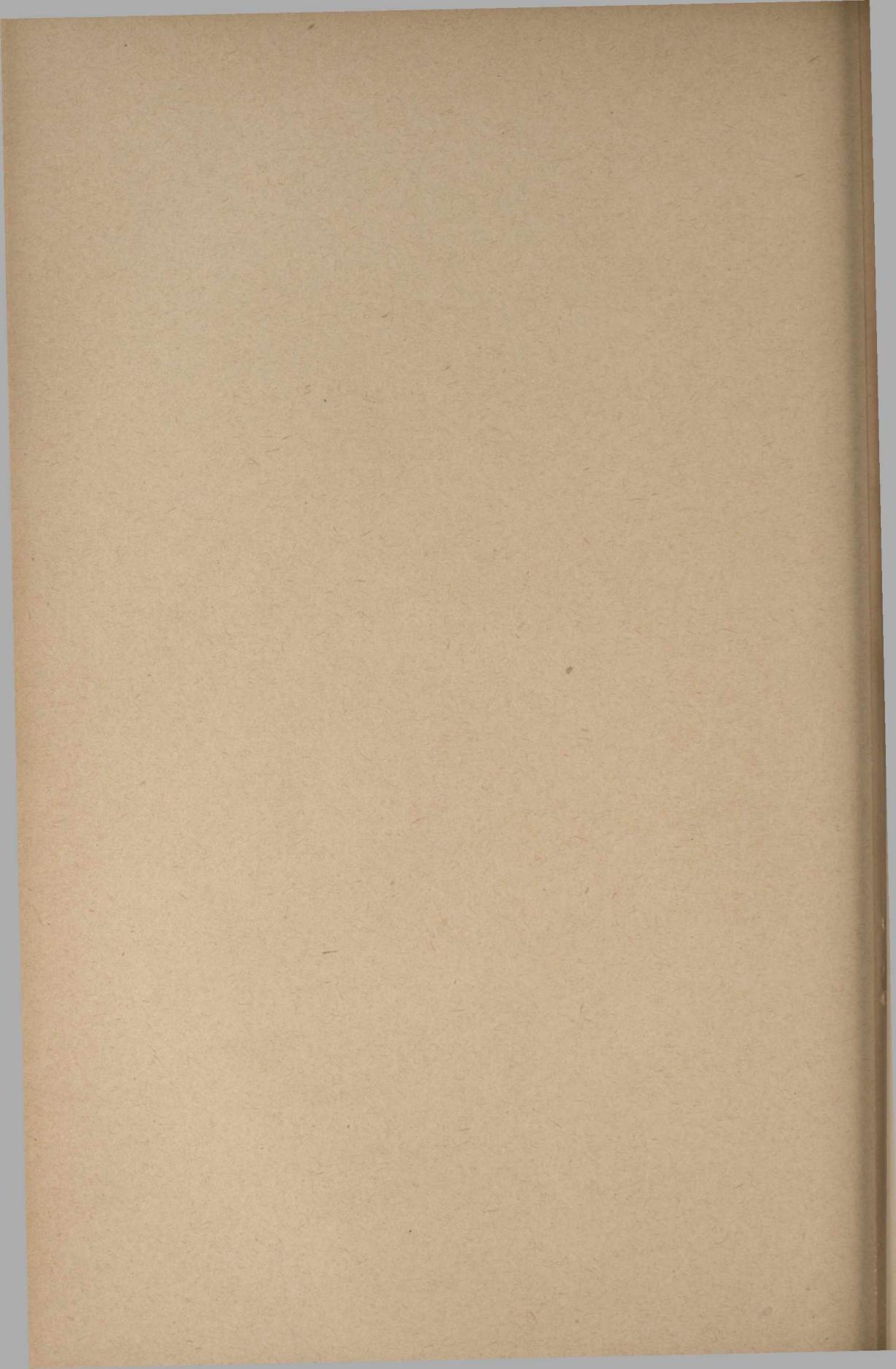
STATEMENT OF TOTAL INDEBTEDNESS TO BANKS AND NET LIABILITY AFTER DEDUCTING CASH DEPOSITS AND GRAIN STOCKS AT MARKET VALUES  
SEASON 1930-1931 POOL AND SPECIAL ACCOUNT

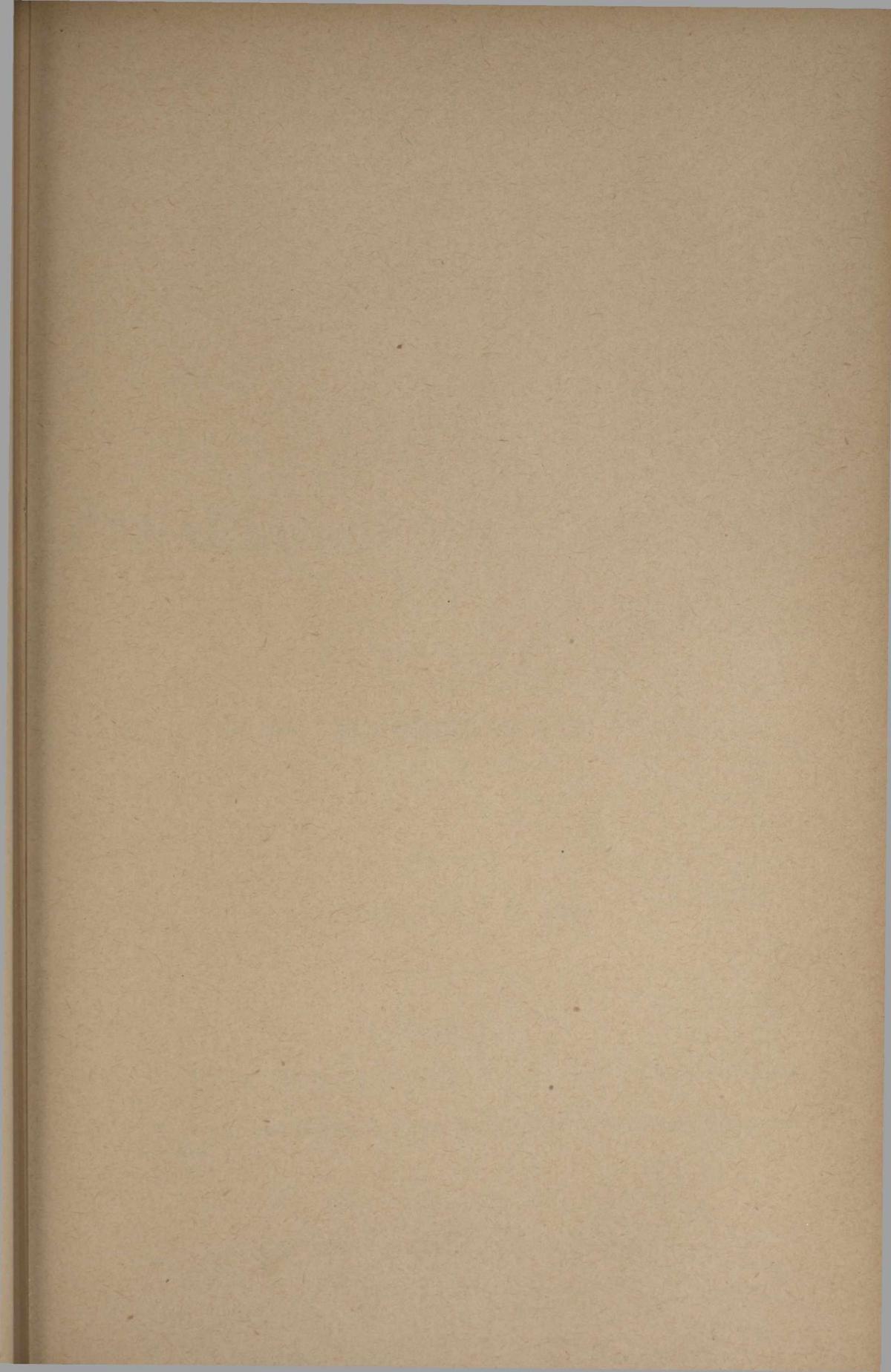
	Total Bank Indebtedness or (Surplus)		Margin Deposits		Value of Grain Stocks		Total Security Value		Net Liability to Banks or (Surplus)	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
1931										
July 31st.....	28,387,340	49	10,370,000	00	15,458,988	47	25,828,988	47	2,558,352	02
August 31st.....	24,613,460	55	13,355,000	00	6,823,400	02	20,178,400	02	4,435,060	53
December 31st.....	14,749,777	65	13,060,000	00	943,491	83	14,003,491	83	746,285	82
1932										
July 1st.....	25,565,986	18	14,440,000	00	15,878	64	14,455,873	64	11,110,107	54
December 31st.....	54,952,729	84	21,831,000	00			21,831,000	00	33,121,729	84
1933										
May 1st.....	30,632,694	29	20,953,000	00	229,656	25	21,182,656	25	9,450,038	04
June 1st.....	23,799,713	13	20,978,000	00			20,978,000	00	2,821,713	13
July 1st.....	14,841,800	87	24,061,000	00	496	35	24,061,496	35	( 9,219,695	48)
July 14th.....	(12,105,764	03)	21,721,000	00	915,195	00	22,636,195	00	(34,741,959	03)
July 16th.....	(15,975,305	28)	20,221,000	00	962,572	50	21,183,572	50	(37,158,877	78)
July 17th.....	(18,545,834	49)	18,971,000	00	989,210	00	19,960,210	00	(38,506,044	49)
July 18th.....	(19,561,712	32)	18,971,000	00	1,033,367	50	20,004,367	50	(39,566,079	82)
July 19th.....	(12,866,128	61)	18,971,000	00	934,492	50	19,905,492	50	(32,771,621	11)
July 20th.....	( 2,311,572	26)	19,971,000	00	774,630	00	20,745,630	00	(23,057,202	26)
July 21st.....	3,631,060	59	23,016,000	00	730,870	00	23,746,870	00	(20,115,809	41)
July 22nd.....	9,552,443	09	23,656,000	00	704,510	00	24,360,510	00	(14,808,066	91)
August 1st.....	( 6,137,645	34)	25,161,000	00	617,132	42	25,778,132	42	(31,915,777	76)
August 31st.....	19,703,170	85	25,062,300	00	202,935	00	25,265,235	00	( 5,562,064	15)
September 30th.....	41,598,309	46	28,676,600	00	165,585	00	28,842,185	00	12,756,124	46
October 31st.....	48,081,476	54	31,999,600	00	264,130	11	32,263,730	11	15,817,740	43
November 30th.....	51,588,190	79	32,539,600	00			32,539,600	00	19,048,590	79
December 31st.....	51,577,427	60	32,717,600	00			32,717,600	00	18,859,827	60
1934										
January 31st.....	41,184,518	66	32,662,600	00			32,662,600	00	8,521,918	66
February 28th.....	43,649,353	83	31,939,000	00			31,939,000	00	11,710,353	83
March 31st.....	41,833,848	90	29,650,000	00	667,500	00	30,317,500	00	11,516,348	90
April 1934.....	47,458,217	85	28,443,000	00	1,302,500	00	29,745,500	00	17,712,717	85
May 31st.....	28,720,923	29	22,930,000	00	15,341,538	43	38,271,538	43	( 9,550,615	14)
June 30th.....	30,701,418	01	27,115,000	00	3,209,455	83	30,324,455	83	376,962	18
July 31st.....	22,651,160	95	26,445,000	00	11,014,028	73	37,459,028	73	(14,807,867	78)
August 31st.....	25,886,581	19	28,080,000	00	2,829,731	41	30,909,731	41	( 5,023,150	22)
September 30th.....	29,949,878	46	32,110,000	00	140,204	18	32,250,204	18	( 2,300,325	72)
October 31st.....	52,083,505	49	37,810,000	00	694,308	63	38,504,308	63	13,579,196	86
November 30th.....	47,195,587	53	38,130,000	00	283,293	67	38,413,293	67	8,782,293	86
December 31st.....	44,545,642	99	37,000,000	00	2,208,437	47	39,208,437	47	5,337,205	52
1935										
January 31st.....	45,558,615	72	37,195,000	00	542,203	45	37,737,203	45	7,821,412	27
February 28th.....	42,818,672	26	36,885,000	00	541,950	47	37,426,950	47	5,391,721	79
March 31st.....	39,274,660	78	36,375,000	00	523,717	65	36,898,717	65	2,375,943	13
April 30th.....	23,423,824	95	28,905,000	00	529,991	62	29,434,991	62	( 6,011,166	67)
May 31st.....	80,301,741	78	28,395,000	00	41,610,816	15	70,005,816	15	10,295,925	63
June 22nd.....	79,333,662	88	27,510,000	00	40,202,264	00	67,712,264	00	11,621,399	00













SESSION 1935  
HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98

# CANADIAN GRAIN BOARD ACT

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MINUTES OF PROCEEDINGS AND EVIDENCE

No. 8

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FRIDAY, JUNE 28, 1935

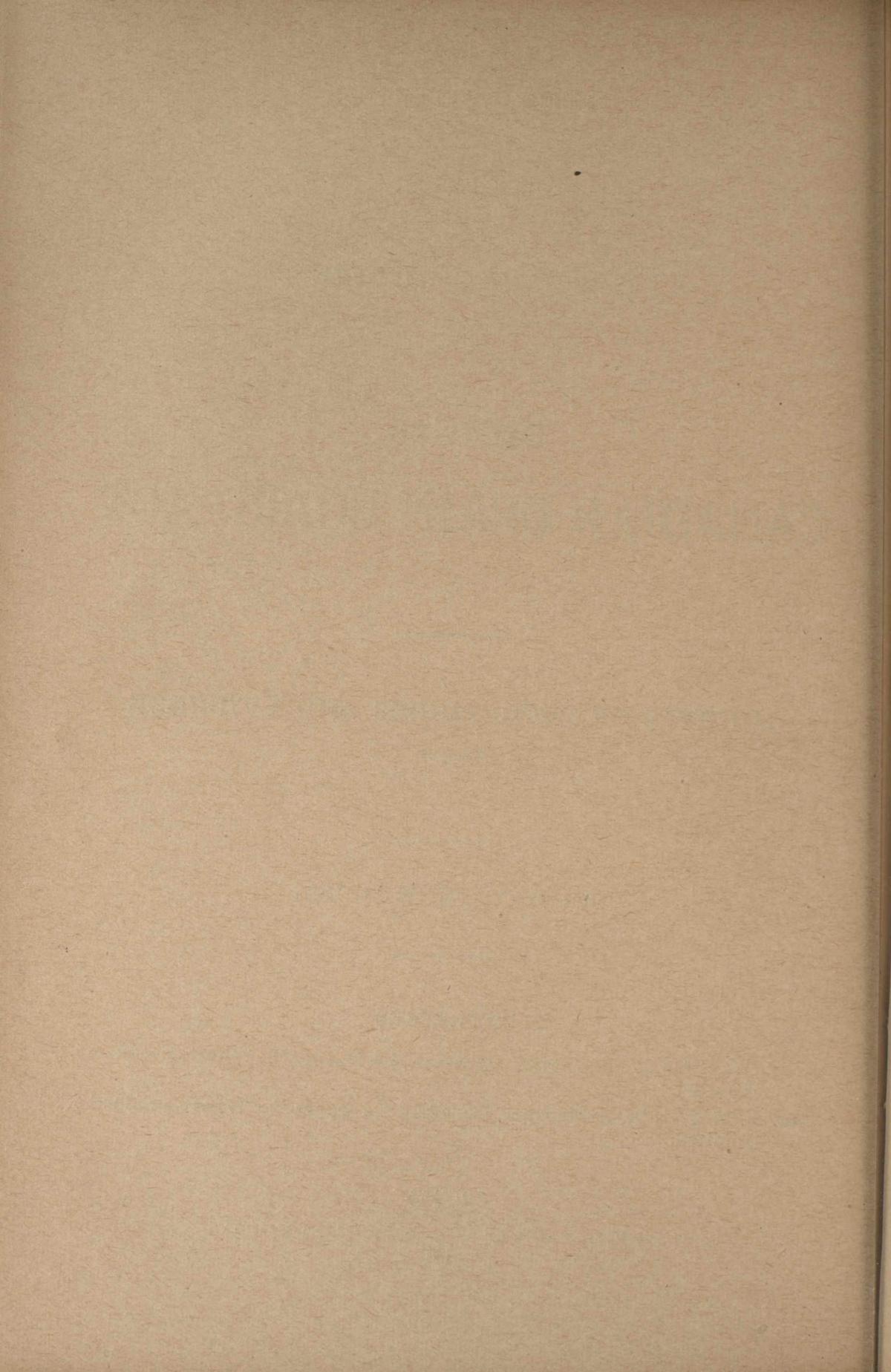
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WITNESSES:

Robert C. Findlay, Secretary, Canadian Co-Operative Wheat Producers,  
Limited.

Geo. H. McIvor, Sales Manager, Canadian Co-Operative Wheat Producers,  
Limited.

OTTAWA  
J. O. PATENAUDE, I.S.O.,  
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY  
1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, June 28, 1935.

The meeting came to order at 10.30 a.m., Mr. Bennett presiding.

*Members present:* Messrs. Bennett, Gobeil, Perley, Willis, Porteous, Stewart, Ralston, Lucas and Vallance.

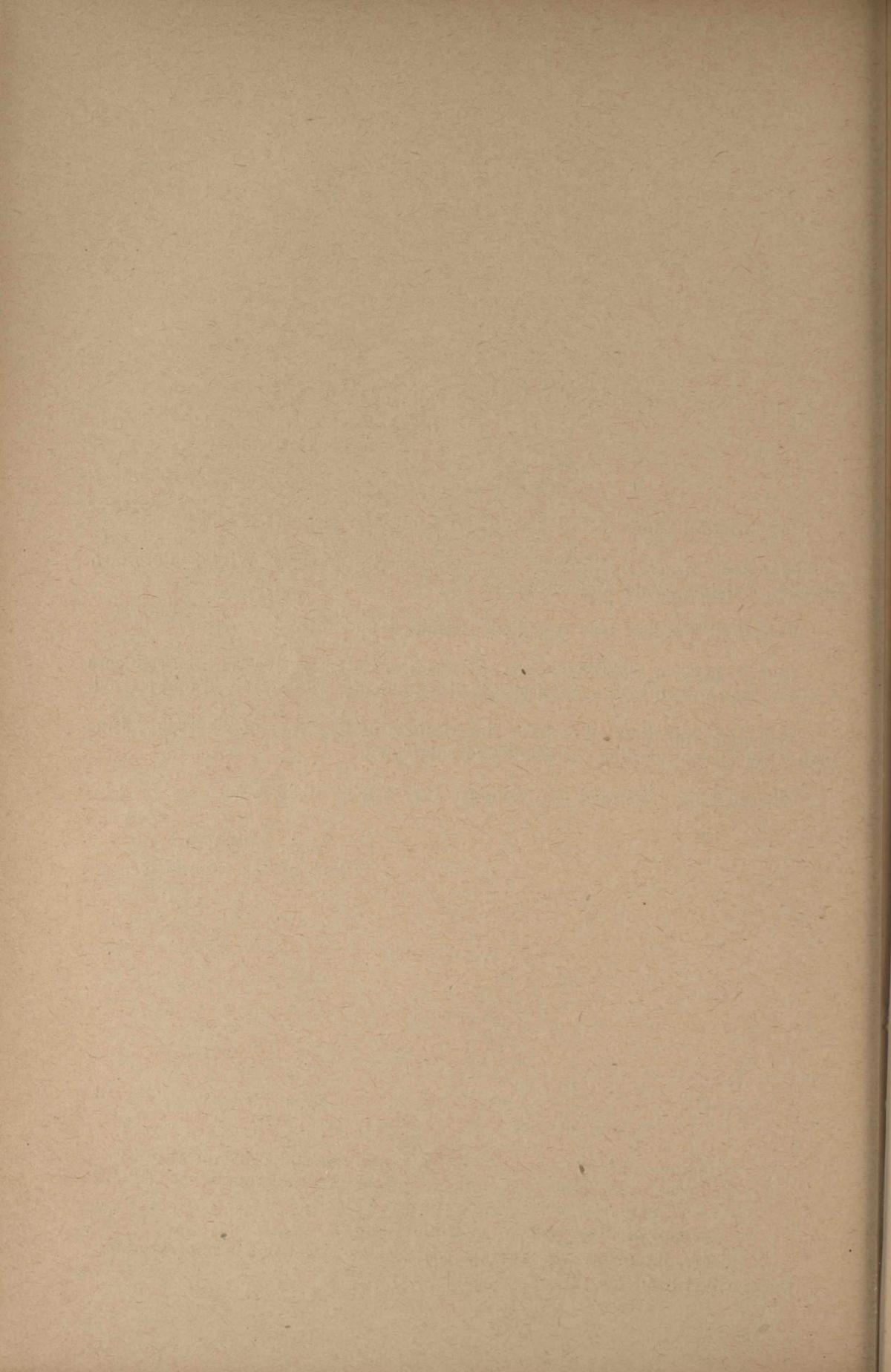
Robert C. Findlay was re-called, examined and retired.

Geo. H. McIvor, Sales Manager of Canadian Co-Operative Wheat Producers Limited, was called, read several prepared statements, was examined and retired.

The clerk was directed to have the Minutes of Evidence of Thursday, June 27th (No. 7) reprinted as corrected and completed.

The meeting adjourned till Monday, July 1st, at 10.30 a.m.

A. A. FRASER,  
*Clerk of the Committee.*



## MINUTES OF EVIDENCE

HOUSE OF COMMONS,

June 28, 1935.

The special committee on Bill 98, an Act to provide for the Constitution and Powers of the Canada Grain Board met at 10.30 a.m., Right Hon. R. B. Bennett presiding.

The CHAIRMAN: Gentlemen, a quorum being present we will come to order. Mr. Ralston, I think you want to conclude with the witness.

ROBERT C. FINDLAY, recalled.

*By Hon. Mr. Ralston:*

Q. Mr. Findlay, I was asking you yesterday, assuming I were going to take delivery of the operations of Canadian Co-Operative Wheat Producers Limited and let them out absolutely clear, what is the gross obligation which I would have to assume, and you pointed out that there were on the 1st of May, 228,000,000 bushels of wheat on hand. I understand that includes both futures and cash wheat?—A. That is correct.

Q. And the average cost of that to May 31, 1935, is 85·9 cents?—A. Yes.

Q. There is a liability to the bank of \$52,000,000?—A. That is correct, roughly.

Q. The net cash liability after deducting cash on deposit. Now, what would be my total payments in cash and the gross liability, the total amount of the gross liability which I would assume, supposing I took over and let them out?—A. Your total liability to allow you to get out would be approximately \$52,000,000 which you have to pay to the banks, and you assume the obligations, both cash grain and the options.

Q. Which would amount to how much?—A. If you can tell me, Mr. Ralston, the quantity of grain which will be delivered against those options, what you can get for the balance of the options for which no grain might be delivered, I might make an answer to your question.

Q. I am going to assume, for the purposes of my question, that the total amount of grain would be delivered against the option?—A. That the total amount would be delivered against the options. That involves also the question of grades. We would naturally have to assume what the average grade would be, and I can't give you the figure.

Q. No; you have grain on hand of all grades?—A. Yes.

Q. And the average cost of that per bushel regardless of grade is 85·9 cents?—A. You are talking about our cash wheat position.

Q. Your cash wheat position and your futures position too?—A. No, not for the futures position.

Q. Is 85·9 not also the cost of the grain as represented by the future contracts?—A. The cost of all grain on hand bringing the futures up to the market price on May 31.

Q. Bringing the futures what?—A. Up to the market price on May 31.

Q. The cost is 85·9 for both cash grain and for grain represented by future contracts?—A. Yes.

The CHAIRMAN: The cost is a variable item.

HON. MR. RALSTON: The average cost he has to get out is not variable.

The WITNESS: Yes, that is variable.

*By Hon. Mr. Ralston:*

Q. You want to get out whole; you want to get rid of your obligations?—A. The average cost per bushel at any one day is fairly different—

Q. But it is this day, May 31, 1935?—A. As of that date.

Q. That is what I am talking about. I am asking you what total obligation I would have to assume, total gross obligation.

The CHAIRMAN: Mr. Ralston, I do not want to interfere with your question; but as a matter of fact that is not the way in which in practice the matter is done at all.

*By Hon. Mr. Ralston:*

Q. Well—

The CHAIRMAN: You cannot say any gross obligation; in practice, that is not so.

*By Hon. Mr. Ralston:*

Q. I have to figure out how much obligation I am going to assume in toto. There are certain contracts which I am taking over from Canadian Co-Operative Wheat Producers Limited, under which, if the grain is delivered they have to pay as of May 31, 85·9 cents per bushel?—A. No.

Q. No?—A. What they would pay at May 31, assuming that the grain had all been delivered to us on May 31—of course, you realize that could not have happened—you would take the delivery at the market price.

Q. No; it is not my taking delivery; is it that they have to be reimbursed for all their losses and for the total cost of the grain averaged over all they have handled. I want to let them out. I am not interested in the market price at the moment. They are not interested in the market price. The market price does not represent their real liability or their real loss or profit, as the case may be, at all. The grain which they have cost 85·9 cents, represented by future contracts and cash wheat.

The CHAIRMAN: As at May 31st.

*By Hon. Mr. Ralston:*

Q. Yes?—A. Yes.

Q. 31st May, 1935. Is it true the total amount of dollars which I would assume, against which I would have cash grain and against which I would have grain when it was delivered under the future contracts, would be 85·9 cents multiplied by 228,000,000 bushels?—A. No.

Q. Is it not?—A. No.

Q. Why?—A. In the event of your having taken delivery on May 31st of all grain, providing it could be delivered, all the grain you were carrying in the shape of futures as of May 31st, it would be delivered to you at the market price.

Q. I do not care about that. I have to let the Canadian Co-Operative Wheat Producers Limited out, and I do not care whether it is delivered to me at the market price or not. I have to relieve you of your obligations and expenditures that you have made in the past for carrying that grain?—A. That is correct. Then you do that.

Q. I would do that by doing what?—A. If the grain had been delivered to you on May 31st and assuming the average grade was—you quite realize you have to take all grades.

Q. Yes.—A. I assume that a fair average, more than a fair average there on future points would be perhaps 78 cents a bushel. That is what we would have to pay for the cash grain. That would total approximately \$138,000,000.

Q. What would be \$138,000,000?—A. The cash wheat upon which you took delivery.

Q. All right.—A. To replace all options.

Q. In addition would I have to pay \$52,000,000?—A. You would have to pay \$52,000,000.

Q. \$190,000,000 cash. I would have to pay the gross liability which I must undertake in respect of future contracts?—A. That is correct.

Q. And against that I would have 228,000,000 bushels of grain; is that right?—A. You would have 228,000,000 bushels of grain, yes.

Q. Or \$180,000,000?—A. \$180,000,000.

Q. Or \$180,000,000; what does that figure out per bushel?—A. It would figure out—I will take this roughly.

*By Mr. Porteous:*

Q. Less than 80 cents?—A. Yes.

*By Hon. Mr. Ralston:*

Q. \$190,000,000. It should not be \$180,000,000, it should be \$190,000,000.—A. No—\$190,000,000, yes, the way you are figuring it, against which we would have 180,000,000 of grain.

Q. No, against which you would have 228,000,000 bushels of grain.

The CHAIRMAN: He said \$180,000,000 worth.

The WITNESS: No, you would have grain of 180,000,000.

*By Hon. Mr. Ralston:*

Q. Now, Mr. Findlay, it is not any use for you to figure that way if we are going at cross purposes. I understood you to say that you would have—you would take 78 cents a bushel for your grain?—A. No, that is not correct. I said I assumed that a fair average at which we would take delivery—

Q. Would be 78 cents?—A. Yes, 78 cents per bushel.

Q. All right; 78 cents on what, on 176,000,000?—A. Roughly 177,000,000.

Q. On 177,000,000?

*By Mr. Perley:*

Q. You have got a margin of 20 cents to take off that?—A. Yes.

Hon. Mr. RALSTON: Mr. Chairman, I would just like to be allowed to finish in order that we may get this straight.

*By Hon. Mr. Ralston:*

Q. You have got 176,000,000 bushels of grain at 78 cents, is that right?—A. At 78 cents.

Q. How much does that come to?—A. Approximately \$138,000,000.

Q. In addition to that I have to pay to the bank \$52,000,000?—A. That is correct.

Q. \$190,000,000 in all, is that not right?—A. Yes.

Q. For that I get the 176,000,000 bushels of grain which were represented by future contracts—176,000,000 or 178,000,000.—A. It is 177,000,000 roughly.

Q. 177,000,000 bushels of grain delivered under future contract, and I have also got about approximately 50,000,000 of cash grain?—A. That is correct.

Q. Then I have 227,000,000 bushels of grain on hand which cost me \$190,000,000, is that right?—A. 228,000,000.

Q. 228,000,000 bushels of grain?—A. Yes.

Q. Which cost me \$190,000,000, is that right?—A. That is correct.

Q. What is that per bushel?

Mr. PORTEOUS: That is the average price you had before.

The WITNESS: Approximately 83¼.

*By Hon. Mr. Ralston:*

Q. Approximately  $83\frac{1}{4}$  cents a bushel?—A. Yes.

Q. Then you would be repaid for your cost, which was 85.9 cents per bushel, by being paid  $83\frac{3}{4}$  cents per bushel?—A. You are dealing, of course, with two entirely different figures. The average cost of grain any time is based on basis No. 1. Now you are bringing in another fact.

Q. I am bringing in your average cost of 85.9. If that is wrong, tell us.—A. It is—no, your average cost is already represented in your bank loan, in your \$52,000,000.

Q. I understand that exactly. But according to you I have only paid \$190,000,000, and I have got 228,000,000 bushels of grain?—A. Yes.

Q. And that is  $83\frac{3}{4}$  cents a bushel?—A. Yes.

Q. But I want to let you out completely, and you told me that the average cost per bushel has been 85.9. How can you be paid for grain which cost you 85.9 by my paying you  $83\frac{3}{4}$ ?—A. I think we are talking at cross purposes here.

Q. No.—A. You are bringing in a question of what would have happened as at May 31st. Let us review that as if we had actually taken delivery of the grain.

Q. Quite.—A. As far as we are concerned, if you pay off, to begin with, our bank indebtedness, you let us out for our carrying charges.

Q. That is \$52,000,000?—A. Yes. Now, you assume on that had we taken delivery of the balance of our options and cash wheat—

Q. Let me stop you there. I am entitled to credit for that \$52,000,000 if I pay it off, am I not?—A. Yes, quite right; and that has been received by you.

Q. Towards the cost of carrying and towards the cost of your cash wheat?—A. Yes.

Q. Then payment to the bank is payment to you, is it not?—A. In effect, yes.

Q. Yes.—A. If you made a payment to us—

Q. You would immediately hand it over to the bank?—A. Yes, hand it over to the bank.

Q. Go ahead.—A. What is your next question.

Q. You said it depends on what happened at May 31, and that we were talking at cross purposes.—A. Yes. Then you want us to assume we had taken delivery of the cash grain?

Q. No, I want you to take that I have to take delivery of that cash grain.—A. That you have to? I can't tell what you would have paid for that grain.

Q. I have got to pay to you what it cost you, and that is what I am asking.—A. All right, assume 78 is a fair price.

Q. As to what it cost you?—A. No, of the grain that you are going to take delivery of.

Q. No, I have got to pay you what it cost you. It is not the market price, it is what it cost.—A. Then the answer to your question is that you would pay us approximately \$52,000,000.

Q. Right.—A. That is the picture so far as we are concerned.

Q. All right.—A. And there it ends.

Q. And then we have to pay— —A. If you took over our business at May 31st, you would have to pay us \$52,000,000, and you would assume the cash grain we had at that time.

Q. How much was that?—A. Approximately 50,000,000.

Q. In other words, I would pay \$1.04 per bushel for that grain, would I?—A. No.

Q. Of course I would, if I got 50,000,000 bushels of grain that cost me \$52,000,000.—A. You are dividing that by the 50,000,000?

Q. Certainly.—A. But you have 228,000,000 options.

Q. You said you were done, that I was done with you so long as I bought that grain at \$52,000,000. You have got something else besides your bank loan, have you not? You have got the obligations to purchase grain under

future contracts, and it will not do you any good on those obligations for me to just simply pay your bank loan. You are still liable on those and still liable to take delivery of the grain?—A. Yes.

Q. I want to bail you out on that too.—A. All right; let us call it a contingent liability for which the amount is undetermined.

Q. No, the amount is not undetermined, because it is the amount that it cost you; you told us it is 85·9 cents a bushel?—A. Yes, at May 31.

Q. That is the date we are talking about, at May 31?—A. Yes, but at June 5 or June 10, it might be something different.

Q. Never mind June 5 or June 10 it might be something different. We have got to cut off dates somewhere.—A. All right.

Q. Is that the amount I have got to pay or have got to assume, including my payment in cash, 228,000,000 bushels at 85·9 cents? Can it be anything else than that, if that is what the grain cost you, and if I am going to let you out on your cost?—A. Yes, that is correct.

Q. Certainly. At least, I think so. I should not say certainly, because there is nothing certain about this thing. But I would think that that is the obligation, and against that \$197,000,000 I have 228,000,000 bushels of grain?—A. That is correct.

Q. That is correct; and 228,000,000 bushels of grain at 85·9 figures out at \$197,000,000?—A. Roughly, yes.

Q. Yes, roughly. Now then, I have got the grain. I have 225,000,000 bushels of grain.—A. 228,000,000.

Q. I have 228,000,000 bushels of grain. The contingency you speak of depends on what I can sell that grain for, does it not?—A. No. The contingency to which I referred was dealing with the liability for your options.

Q. All right.—A. That is the contingent liability.

Q. What contingency is there there?—A. The contingency is what you are going to pay for your cash grain and what you are exchanging your option for.

Q. But I have already paid.—A. All right.

Q. I have got my grain.—A. All right. We have taken delivery of the grain.

Q. Yes.—A. That is different; go ahead.

Q. I say there is no contingent liability there.—A. Not any more.

Q. No, not any more. The only other contingency—suppose I took over the futures and instead of the grain being delivered to me I took your place on the futures contracts.—A. Yes?

Q. Your place on the futures contracts to let you out means payment of cash of \$52,000,000 and the taking over of the futures at 85·9?—A. That is correct.

Q. That is correct. Now, let us see what the contingency is. Is the contingency anything more than this, that my liability then or the ultimate result of my transactions then will depend on the amount for which I can sell that grain?—A. No.

Q. It does not?—A. No. You are dealing specifically with May 31; you cannot go beyond that.

Q. But I say, does not my contingency depend on that?—A. As far as you are concerned. You are talking now of yourself?

Q. Yes, certainly.—A. You have bought this?

Q. Yes, certainly; it depends on the amount for which I can sell that grain?—A. Yes. You might sell at a higher or lower price.

Q. I might sell at a higher or lower price?—A. Yes.

Q. But you introduced another contingency; you suggested that there was also a contingency as to whether or not the grain would actually be delivered?—A. That is correct. But we are assuming now that the grain has been delivered.

Q. Yes, that the grain has been delivered.—A. So that is waived out.

Q. All right, that is waived out. Even if there was a contingency as to the delivery of the grain, do you think the contingency is very much more than the doubt as to whether a bank would present a note for payment when it comes due?—A. It would be restricted to the quantity of grain that was available.

Q. Restricted to what?—A. To the quantity of cash grain which could be delivered.

Q. In other words, if I could catch somebody short, then I could get out of that particular contract?—A. Yes.

Q. But that is the only contingency that you can think of on which I will be let out of my contract, is it not?—A. Yes. Eventually you would either have to take delivery of the grain or continue to switch your option.

Q. And continuing to switch my option costs me about how much a month or year?—A. Well, various amounts. It has been running under a cent.

*By the Chairman:*

Q. It has been what?—A. It has been running under a cent.

*By Hon. Mr. Ralston:*

Q. How much a year?—A. Roughly, ten cents.

Q. Roughly, ten cents a year?—A. Yes, but that varies.

Q. Does it vary appreciably?—A. Yes, it varies very considerably.

Q. Very considerably?—A. Yes, different seasons, different years.

Q. How much has it cost in reference to pool grain, the 76,000,000 of grain?—A. Per year?

Q. Yes.—A. You are asking a question now that I cannot answer, because we have both cash grain and options. I think Mr. McIvor, if you would refer that question to him, could give the position.

Q. I am perfectly willing to ask him. But I thought you, as accountant, would know?—A. No, because our cash grain and options are all combined in our costs. It would be a physical impossibility to separate them.

Q. Can we take ten cents a year as a fair figure?—A. Subject to Mr. McIvor's answer, because he has the information there as to what it costs.

Q. Then if I am going to roll my options over, to switch my options, as you say, forward, it will cost me in the vicinity of ten cents a year: let us say from 8 to 12; would that be all right?—A. I think 8 to ten is good enough.

Q. All right, from 8 cents to 10 cents a year; my grain is increasing in cost all the time?—A. Yes.

Q. The cost of switching options is a little less than the cost of carrying physical grain, is it?—Yes. As a rule it is considerably less.

Q. The cost of switching options is considerably less than the cost of switching the grain?—A. Yes.

*By Mr. Vallance:*

Q. Does that \$52,000,000 bank loan include sums borrowed to pay margins on options?—A. Yes.

Q. On options held?—A. Yes.

*By Hon. Mr. Ralston:*

Q. Mr. Perley mentioned something about 20 cents margin. Does that come in anywhere?—A. Yes, you have included that in your net \$52,000,000. Our bank loans were roughly \$80,000,000.

Q. I have taken advantage of the margin?—A. Yes, you have taken advantage of the margin.

Q. Taken advantage of the margin and gotten the benefit of it.—A. We washed the margins out and replaced them by cash grain.

Q. You got the benefit of getting credit from the bank of \$28,000,000?—  
A. That is correct.

Q. Is that correct?—A. Yes.

Q. My ultimate situation with regard to these future contracts depends on whether or not the grain increases in value in accordance with the carrying charges?—A. That is correct.

Q. That is correct, yes; and my ultimate profit or loss depends on whether grain goes up 10 or 20 or 30 cents, or whether it goes down 10 or 20 or 30 cents?—A. Yes.

Q. And my ultimate loss is dependent also on whether I can market that large amount of grain in face of the large crop which is coming in this year?—A. No—I won't answer that question, you are bringing in too many factors of undetermined figures.

Q. Is one of the factors in connection with my ultimate loss or profit dependence on whether I can market that grain this year, or next year or the next year?—A. That is correct.

Q. Certainly?—A. But it does not take in the coming crop in this country only, but from all other countries as well.

Q. The crops of all countries as well?—A. In other words, the world wheat situation.

Q. In other words, the world wheat situation. Do you know when the peg was put on, was there a peg put in in 1933?—A. Yes.

Q. For how long, do you remember? From what time?—A. I think you might ask Mr. McIvor that question also.

Q. You do not?—A. Not from memory.

Q. Now, looking at your statement, take it as of May 31, 1935—that is your bank statement that you have right there?—A. Yes.

Q. You have shown there an indebtedness to the bank of \$80,301,000—gross?—A. Yes.

Q. Cash on deposit, \$28,395,000?—A. Correct.

Q. Grain on hand, 41,610,000?—A. Check.

Q. At what price is that grain valued for that purpose?—A. At the market price.

Q. Do you know what it is; have you got it there?—A. Approximately. It varies with the grade, on a basis of  $81\frac{3}{4}$  for No. 1.

Q. The figure you gave us here as the price of the nearest future as of May 31, 1935, was  $82\frac{7}{8}$ ?—A.  $82\frac{7}{8}$ .

Q. Is that the price at which the grain is figured when you assume that you have on hand in dollars \$41,610,000?—A. No.

Q. What is it?—A. This represents entirely cash grain.

Q. Then the price is what?—A.  $81\frac{3}{4}$ , basis No. 1.

Q.  $81\frac{3}{4}$  basis No. 1?—A. Other grades would be lower.

Q. How many bushels would that represent, about?—A. Approximately 50,000,000.

Q. Approximately 50,000,000; and in figuring that grain at \$41,610,000 it is on the assumption that you have sold that grain and received cash for it as of that date?—A. No, we have not assumed we have sold it; but it is the practice at a cut-off date—

The CHAIRMAN: To assume so much realizable value.

*By Hon. Mr. Ralston:*

Q. You have assumed that it could be sold on that day for  $81\frac{3}{4}$ ?—A. No, we haven't. We did not assume that. We closed it out at the market price at that date. We did not assume that it could be sold at that.

Q. But you are only figuring that you owed the bank \$10,295,000?—A. That is correct.

Q. Then you assumed it was worth that in dollars, didn't you?—A. Yes.

Q. And the only way you could know what it was worth in dollars is by having got that many dollars for it on that day?—A. Yes, at that date.

Q. Could you have got that many dollars for 50,000,000 bushels of grain as of that day?—A. That is something I cannot answer you.

Q. You see, it is very easy to reduce indebtedness to a bank if you call grain dollars, no matter how much grain it is?—A. That is correct, yes.

Q. You can't tell us whether you could have realized that much money on that day for that quantity of grain?—A. No.

Q. Did you notice that in that week you actually purchased grain?—A. In the week of May 31st?

Q. I beg your pardon; in the month of May you actually purchased grain?—A. Oh, yes.

Q. You purchased 1,800,000 bushels, didn't you?—A. That is correct.

Q. So, it does not appear as if you could have sold 50,000,000 if you actually had to purchase 1,800,000?—A. Yes, I think we may assume that.

Hon. Mr. RALSTON: That is all for the moment, Mr. Chairman.

The CHAIRMAN: Has anybody any further questions?—Mr. Stewart?

Hon. Mr. STEWART: No.

The CHAIRMAN: Mr. Porteous?

*By Mr. Porteous:*

Q. I would just like to get one thing clear; it is about that \$52,000,000 that Colonel Ralston refers to?—A. Yes.

Q. Quite a lot of that would be margin on your futures would it not?—A. Yes—no, Colonel Ralston has deducted net bank loans; our bank loans at that time were \$80,301,000, in round figures, against which we had margin deposits of \$28,395,000.

Q. What does that \$52,000,000 represent?—A. The difference between the two. Colonel Ralston is assuming that that is our net indebtedness to the bank.

*By Hon. Mr. Ralston:*

Q. And I am assuming correctly on that point?—A. Yes.

*By Mr. Porteous:*

Q. Assuming you took delivery of cash grain you would be credited with the amount you put up by way of margin as against the futures; when you took delivery of it?—A. Yes. The option would be closed out.

*By Hon. Mr. Ralston:*

Q. Just to follow it out: You have been credited with the margin when you deduct \$28,000,000 from your total indebtedness?—A. Yes.

The CHAIRMAN: Mr. Willis?

*By Mr. Willis:*

Q. Mr. Findlay, I wish to return to page 336 of Vol. 7 of the Minutes and Proceedings of this committee. You will notice that the statement covers, "amount of wheat acquired or disposed of—special option account—given by periods." In order to correct the record, the heading of the first column, which has been omitted, should be "purchases," should it not?—A. Oh, yes.

Q. And the top of the next column should be "sales"?—A. Yes.

Q. And the heading of the next column should be "net sales or (purchases)"?—A. Yes.

Q. Just the same as the table at the top of page 337?—A. Yes, that is correct.

Q. And the heading for the fourth column should be "on hand long (short)"?—A. Yes.

Q. And the heading of the last column should be "option price closing day"?—A. That is correct.

Q. Now, again to correct the record, please turn to page 338 of the same volume; turning to the lower table on that page, statement of total indebtedness to banks, and net liability after deducting cash deposits and grain stocks at market values; and turning then to the first column, "Total Bank Indebtedness"?—A. Yes.

Q. Where brackets appear there the figure concerned does not indicate indebtedness, but rather it indicates a surplus?—A. A deposit, surplus deposits; there were no loans. The loans had been washed out where these brackets appear.

Q. Then turning to the 5th column of the same table, "Net Liabilities to Banks"; where you show the figures in brackets it is not a liability to the banks, it is a surplus?—A. It is just the reverse.

Hon. Mr. RALSTON: Really the heading should be, "Total Bank Indebtedness or (surplus)"—with the word surplus in brackets.

Mr. WILLIS: That would be right.

*By Mr. Willis:*

Q. Then I notice on the table we are looking at that you did not give us the figures for October or November, 1934. Have you those figures to complete the table for the year 1934?—A. Yes, I have.

Q. Could we have them now, although they are in the wrong place, under the same heading as on page 338?—A. The same as in the other place?

Q. Exactly?—A. Yes.

September 30, 1934:

Total Bank Indebtedness . . . . .	\$29,949,878.46
Margin Deposits . . . . .	32,110,000.00
Value of Grain Stocks . . . . .	140,204.18
Total Security Value . . . . .	32,250,204.18
And (surplus) . . . . .	2,300,325.72

October 31, 1934:

Total Bank Indebtedness . . . . .	\$52,083,505.49
Margin Deposits . . . . .	37,810,000.00
Value of Grain Stocks . . . . .	694,308.63
Total Security Value . . . . .	38,504,308.63
Net Liability to Banks . . . . .	13,579,196.86

November 30, 1934:

Total Bank Indebtedness . . . . .	\$47,195,587.53
Margin Deposits . . . . .	38,130,000.00
Value of Grain Stocks . . . . .	283,293.67
Total Security Value . . . . .	38,413,293.67
Net Liability to Banks . . . . .	8,782,293.86

January 31, 1935:

Total Bank Indebtedness . . . . .	\$45,558,615.72
Margin Deposits . . . . .	37,195,000.00
Value of Grain Stocks . . . . .	542,203.45
Total Security Value . . . . .	37,737,203.45
Net liability to Banks . . . . .	7,821,412.27

## February 28, 1935:

Total Bank Indebtedness.. . . . .	\$42,818,672.26
Margin Deposits.. . . . .	36,885,000.00
Value of Grain Stocks.. . . . .	541,950.47
Total Security Value.. . . . .	37,426,950.47
Net liability.. . . . .	5,391,721.79

## March 31, 1935:

Total Bank Indebtedness.. . . . .	\$39,274,660.78
Margin Deposits.. . . . .	36,375,000.00
Value of Grain Stocks.. . . . .	523,717.65
Total Security Value.. . . . .	36,898,717.65
Net liability to Banks.. . . . .	2,375,943.13

## April 30, 1935:

Total Bank Indebtedness.. . . . .	\$23,423,824.95
Margin Deposits.. . . . .	28,905,000.00
Value of grain stocks.. . . . .	529,991.62
Total Security Value.. . . . .	29,434,991.62
Surplus.. . . . .	6,011,166.67

Mr. WILLIS: I should like to suggest that if any new prints of this report are made the corrections be made in the original so that they all appear together.

Mr. LUCAS: I would like to ask that the committee turn to page 320. I think there must be some error there in the figures. I asked for the purchases during the month of October, 1934, and I notice October 1st, 10,520,000 bushels and then October 6th the same figure.

The WITNESS: Yes, that is incorrect. What is the page?

Mr. LUCAS: Page 320.

The WITNESS: That second figure should be 2,295,000.

Mr. LUCAS: It should be. That entry of October 6 should be struck out, should it?

The WITNESS: Yes.

The CHAIRMAN: The 6th of October is in there by error; it comes out altogether?

The WITNESS: Yes.

The CHAIRMAN: What were the purchases on the 6th?

*By Mr. Willis:*

Q. That was a Sunday, was it not?—A. No.

Q. We have the days in there 1 to 7?—A. The 7th and 8th, one was a Sunday and the other must have been a holiday.

Q. You do not work on Sunday, do you?—A. Yes, there was a sale—the 8th and 9th are out.

Q. You have the first seven days in October in there?—A. One goes out.

The CHAIRMAN: The easy way would be to check your figures that you read yesterday.

The WITNESS: Yes, I am doing that, and they are completely wrong from the 13th down.

The CHAIRMAN: The 15th, is it not? The table on page 320 is not correctly printed.

The WITNESS: Yes, it is not correctly printed.

The CHAIRMAN: Will you prepare a new table for those days and give it to the reporter, from the 1st to the 31st.

The WITNESS: Yes.

The CHAIRMAN: Make it so that it will be correctly stated. There is no value attached to the table as it is printed.

The WITNESS: No, none at all. I see on the 15th here there are purchases of 260,000 bushels; actually there were sales.

*By the Chairman:*

Q. Now, may I ask you a question: I go into your office this morning in Winnipeg to take over your wheat holdings, and first of all we will deal with your options; you sign them over to me—sell me your options?—A. Yes.

Q. For what they cost you?—A. At the market.

Q. For what they cost you at the market; and then I take your cash wheat?—A. Yes.

Q. And I assume your debts at the bank?—A. Yes.

Q. And that is the transaction?—A. That is the transaction.

Q. That is the end of it?—A. As far as we are concerned.

Q. I have your wheat and I have assumed your place at the bank, and your place at the bank to-day is something like \$78,000,000 less whatever—A.—is in the deposit account.

Q. The question of losses arises when you realize?—A. That is correct.

Q. That is the story as I understand it; there is no mystery about that, is there?—A. No, none at all.

Q. You are the treasurer of the company, and I go in and I take over your options and take over your wheat and arrange with the lending banks that they take me instead of you, and that is the end of the transaction, is it not?—A. Yes, they change the name on the account.

Q. That is done through the clearing house?—A. Yes.

Q. And with the banks?—A. And with the banks.

Q. There is nothing more to do than that, is there?—A. No, sir.

Q. Are you clear in that?—A. If you are going to assume our business, certainly—

Q. I am talking of assuming your grain. That is all there is to it, is it not?—A. Yes.

Q. As a matter of fact, options are sold from day to day?—A. Quite.

Q. And you may sell part of those options that you hold—you said how many bushels there were—you might sell options every day?—A. Yes, sir.

Q. And you do, as a matter of fact, if you can find purchasers?—A. Yes, if we can find purchasers.

Hon. Mr. RALSTON: Hear, hear.

*By the Chairman:*

Q. And the cash wheat is in exactly the same position?—A. Quite so.

Q. You sell it if there are any purchasers for it?—A. Yes.

Q. At the market price. All right.

*By Mr. Vallance:*

Q. Before you go, there was some question raised yesterday about your handling coarse grains. Did the Canadian Co-Operative Wheat Producers Limited, handle coarse grains?—A. Oh, yes.

Q. Under what authority did they do that?—A. Under what authority?

Q. Yes. I thought it was only wheat?—A. I do not understand your question.

The CHAIRMAN: He did not say they were handling coarse grains for the government; he said for the trade.

Hon. Mr. RALSTON: He said the result of it was in this bank account.

The CHAIRMAN: He said in the bank account.

Hon. Mr. RALSTON: The bank account was guaranteed by the government.

*By Mr. Vallance:*

Q. Was that set aside from the government account? Was Mr. McFarland merely handling coarse grains as delivered to the pool?—A. Oh, yes.

Q. There was no guarantee about that at all?—A. Yes, I think—I do not know the terms of the guarantee, as a matter of fact.

Q. So far it has not been brought out just where the authority came in. The orders in council show the authority for the wheat transactions, but none for the coarse grains.

The CHAIRMAN: There is none for the coarse grains, as far as I know.

Mr. VALLANCE: There is none?

The CHAIRMAN: Not as far as I know.

Mr. VALLANCE: How did they operate? Why did they operate?

The CHAIRMAN: They had their own credit.

Mr. VALLANCE: That is what I want Mr. Findlay to say; that he was operating merely in the interest of the Canadian Co-Operative Wheat Producers Limited themselves; that is, those who delivered to the pool just the same as they might have delivered to the Federal or the A.P. or anybody else.

The WITNESS: Yes.

*By Mr. Vallance:*

Q. You say there was a guarantee for the coarse grain. If there was as you say there was, I would like to know where the authority came from to do this?—A. At the time they got the guarantee it covered all our operations.

Q. It was not generally known in the country that that was so?—A. I do not agree with you.

Q. It surprised me when you made that statement yesterday in answer to a question raised by Mr. Porteous.

The CHAIRMAN: Yes, that is right. That is what he said. Look into your books and see what was involved by the coarse grains. You were going to start to answer Mr. Ralston yesterday—grains other than wheat.

Mr. VALLANCE: Instead of wheat you say grain.

The WITNESS: I think I answered Mr. Ralston yesterday—roughly 600,000—584,803.

Q. In your statement you say value of grain stocks. Now, does that include your oat stocks too, or should that have been wheat?—A. No, grain. There are trifling quantities.

Q. Colonel Ralston is all out when he starts to figure out against the wheat?—A. Yes, Colonel Ralston's question—I can realize how that was done—his question in dealing with this statement was the net liability of bank indebtedness.

Q. But in that bank indebtedness, of course, they have security on coarse grains as well as wheat?—A. Yes.

Q. On the other hand, you have your loans to offset that.

*By Hon. Mr. Ralston:*

Q. Mr. Vallance has suggested my calculation is out. It is only out \$584,000 on \$52,000,000.—A. That is it.

*By the Chairman:*

Q. In coarse grain?—A. Yes.

*By Hon. Mr. Ralston:*

Q. So it is not very far out?—A. No, it is minor.

Q. Then the Chairman said, if he went out and took over all the options at cost and the grain at cost, paid your bank loans—

The CHAIRMAN: I did not say "paid it," assumed it.

*By Hon. Mr. Ralston:*

Q. I am assuming you have credit to assume it. You have to have credit or cash, one of the two.—A. Yes.

Q. And he suggested, there is no mystery about it.—A. No.

Q. The only mystery is if he can market 228,000,000 bushels of grain at 85·9 cents or better; is not that it?—A. I think you had better ask the Chairman that.

Q. You answered him. He has it now. You answered him, "No mystery." That is the mystery, is it not? That is the uncertain factor?—A. That is the uncertain factor. But don't forget the question was put, "if I assumed."

Q. I know. You said there was no mystery. The mystery or the uncertain factor is whether or not he can market that 228,000,000 bushels of grain which he has taken over from you in the form of future contracts and cash wheat at 85·9 cents or better?—A. I think that would be his problem.

The CHAIRMAN: 85·9 cents is hardly the correct way to put it.

Hon. Mr. RALSTON: That is the cost.

The CHAIRMAN: Cost is computed on the market at that particular time, and the market varies from day to day. He made that clear.

Hon. Mr. RALSTON: The cost is computed on the market the amount which you have bound yourself to pay under those futures, is it not?

The WITNESS: Yes, boiled down it would take—

*By the Chairman:*

Q. They change from day to day?—A. Yes, they vary from day to day in that way.

Q. You must remember, that is the whole story.

*By Hon. Mr. Ralston:*

Q. You have bound yourself to pay as of 31st May, a certain amount?—A. Yes.

Q. That cost of 85·9 is based on that figure.—A. Well, put this the other way. You were asking a question, if you were taking over the grain.

Q. No, we are saying that Canadian Co-Operative Wheat Producers Limited have bound themselves to pay a certain amount as of May 31, 1935?—A. Yes, they have to pay that.

Q. If I am taking over your liability, I would take it over at 85·9 cents; is that right?—A. Yes, subject to whatever you took over, the balance of your cash grain—

Q. All the wheat has cost you as of May 31st, 85·9 cents, has it not?—A. Yes.

Q. If I took over your liability and assumed the cash output to the bank and assumed your liability on these futures, I have assumed a liability of 85·9 on 228,000,000 bushels of grain?—A. Yes.

Q. Therefore the mystery is the uncertainty as to whether or not I can market that grain at 85·9 or better.—A. Yes.

Q. Plus whatever carrying charges there are in the meantime until I have disposed of it?—A. Yes.

Q. And when you show as of May 31, 1935, a bank indebtedness of only \$10,295,000, that is counting you grain on hand as being worth and saleable at the market price that day?—A. That is correct.

Q. And it is also leaving out of the consideration altogether your liability on your future contracts which have cost you 85.9 cents.—A. Yes; in other words, we do not consider taking delivery of the cash wheat as on May 31st.

Q. It is leaving out of consideration the possible loss which you may have on account of the 170 odd million bushels of wheat represented by future contracts?—A. That is correct. That, of course, is a statement of the bank position as of that date, prepared in the usual way.

*By the Chairman:*

Q. Not allowing for May futures?—A. Not allowing for May futures.

Q. That is perfectly clear?—A. Yes.

Q. They were shifted to other months?—A. Yes.

Q. Neither computing possible losses or possible gains in making these figures, just taking things as they are on that particular day?—A. Quite so. In other words, you take the balance sheet position as of that day.

Q. Perhaps you do not know this, but there is no one here that I can ask about the clearing house. Suppose a man drops his contract, moves his option; is that possible?—A. A. If he drops his—

Q. May he drop his contracts, lose his margin money or his option money?—A. Oh, yes. If he drops his option, the broker with whom he is doing business would have to buy or sell for him in order to protect himself.

Mr. PERLEY: He would lose his margin.

The WITNESS: He would lose his margin.

*By Hon. Mr. Ralston:*

Q. Would not he be liable for the difference, supposing the margin was not sufficient to cover it?—A. No.

The CHAIRMAN: That is the point.

The WITNESS: No.

Mr. PERLEY: His losses are limited.

The WITNESS: That is so. It occurs many times.

*By Mr. Willis:*

Q. What is the ordinary option?—A. It depends on the fluctuations of the market. The average broker will take business at 10 cents per bushel. That is, he clears through the clearing house. That 10 cents per bushel is protection and if the market goes down two cents, he calls on the customer for two cents to maintain his ten cents.

*By the Chairman:*

Q. The clearing house requirement is more than 10 cents.—A. I am talking now, Mr. Chairman, of the broker with whom the customer is doing business.

Q. Quite so. What he has to pay out to the clearing house.—A. Broker.

Q. Yes?—A. He has to meet his requirements from day to day to protect the price at market.

Q. To maintain his margin required?—A. Plus any margin required.

Q. What do they require?—A. It varies.

Q. What percentage?—A. They have a line.

*By Mr. Perley:*

Q. A line of how much?—A. I cannot tell you, because naturally I do not know what other people have.

*By the Chairman:*

Q. Is used to be 15 per cent, 20 per cent?—A. Yes, it goes up, progressively, depending upon the size of your line.

The CHAIRMAN: Anything more, gentlemen?

Hon. Mr. RALSTON: Let us finish that.

*By Hon. Mr. Ralston:*

Q. Does that mean that you, Canadian Co-Operative Wheat Producers, Limited, can get out to-day and have no further liability if you lose 20 cents a bushel on 228,000,000 bushels?

Mr. WILLIS: That is not all margin wheat.

The WITNESS: Not, 228,000,000, merely on the options, balance.

*By Hon. Mr. Ralston:*

Q. If you lose 20 cents a bushel on the 178,000,000?—A. Yes, providing we did not maintain our price in the market from day to day.

Q. That means you can get out to-day by losing 20 cents a bushel on 178,000,000 bushels?—A. Yes.

Q. And the result would be 178,000,000 bushels would be thrown on the market immediately?—A. Yes.

Q. And it would press the market down to whatever extent would be necessary to absorb that tremendous amount of wheat?—A. Yes.

Q. And then you would have an additional loss on the 50,000,000 bushels of what which you have on hand?—A. On the cash wheat—might not.

Q. Corresponding to the amount the market would go down as a result of it being flooded with the 178,000,000 bushels of wheat?—A. It would certainly lose its value temporarily. It might come back. There have been lines closed out before and it has an immediate affect on the market, depending on the buoyancy of the market. The next day it might come back—

Q. Has there been any line closed out to the extent of 50,000,000 bushels?—A. Well, I cannot tell that.

Q. Have you ever heard of it?—A. Well, I have in the States.

Q. Not up here?—A. No, not here.

Q. Certainly, not to the extent of 100,000,000 bushels?—A. It is pretty difficult ever to ascertain what has been done. In a case of that kind the brokers concerned would get together and they would feed it on the market, try to minimize their losses.

Hon. Mr. RALSTON: I have nothing more.

The CHAIRMAN: Thank you, Mr. Findlay.

GEORGE HAROLD McIVOR, called.

*By the Chairman:*

Q. What is your present position?—A. Sales Manager, Canadian Co-Operative Wheat Producers Limited.

Q. At Winnipeg?—A. Yes.

Q. How long have you been with the enterprise?—A. I have been associated with the Canadian Co-Operative Wheat Producers Limited since November, 1934.

Q. At Winnipeg?—A. Four years in Calgary and the balance of the time in Winnipeg.

Q. Prior to that time you were interested in the grain trade?—A. I was manager of James Richardson & Sons, Calgary.

Q. In the earlier days?—A. Yes.

Q. Now, Mr. McIvor, you have prepared a statement you would like to make to this committee?—A. Yes; I have a statement here which I have prepared in answer to the official statement of the Grain Exchange as submitted by Mr. Milner. I think there are some copies, Mr. Chairman.

Q. Continue, Mr. McIvor.—A.

Mr. Prime Minister and members of this committee, I am here with the approval of Mr. John McFarland, General Manager of the Canadian Co-Operative Wheat Producers Ltd., and who, as you are aware, is in charge of the stabilization operations. Mr. McFarland sincerely regrets that on account of the fact that he is confined to the General Hospital in Winnipeg, he is unable to be here in person to present his views before this committee. I am pleased, however, to be able to advise that he has made a very rapid recovery, and will be discharged from the hospital early in July, and in a few weeks time will give the public the benefit of his views.

When it was suggested to me by Mr. McFarland that I appear before this committee, it was our view that my remarks to you should be brief. But since that time statements have been presented by Mr. Roy Milner, President of the Winnipeg Grain Exchange and Mr. Robert McKee, representing the Vancouver Board of Trade, Merchants' Exchange, Chamber of Shipping and the Vancouver Grain Exchange. It is my purpose to-day to deal with these statements and with your permission I will deal with them paragraph by paragraph.

First, the following statement was made with regard to hedging:—

This practice has received the approval of the best economic authorities—Prof. Arch. B. Clark, until recently head of the Department of Economics in the University of Manitoba, says, "so common is the practice of hedging that the elevator company, the wheat merchant, or the miller who does not protect himself as far as possible against the risk of an adverse movement in price by hedging is with reason regarded as extraordinarily reckless. It is also recognized by these authorities that the existence and encouragement of professional speculative trading strengthens the future market and through the complementary relations of buyers and sellers and the ultimately inevitable balance between purchases and sales tends," to quote Prof. Clark, "to relieve the farmer from the risk of price fluctuations, permits of more and keener competition for his grain and ensures a better price."

I would like the committee to carefully note the above remarks, for in the light of information which I will submit to you later, these remarks are important.

I would refer you to the statement issued by Mr. McFarland on futures trading which was published several months ago. This statement in my opinion very aptly and thoroughly outlines the operations of the futures market and Mr. McFarland at that time described it in the following words:—

Not many people outside the grain trade have a clear understanding of the meaning of the word "hedge." There are various definitions in the dictionaries. I prefer that which defines a "hedge" as: "A means to secure oneself against loss on a bet or a speculation by making other bets." It was described before the Stamp Commission as an insurance used by grain dealers to protect themselves against adverse changes in market values. It is very frequently called insurance, and that definition has in my opinion confused the public mind. It differs from ordinary insurance in that the protection costs the grain company nothing, whereas

if you insure your property or your life, you pay a premium for such protection. It is, therefore, a misnomer to describe it as insurance. It must, however, be admitted, so far as the grain merchant and his banker is concerned, that a hedge is a most effective insurance against the effects of market fluctuations.

In actual practice in the Grain Trade, in plain language, hedging involves a SALE by the elevator company of actual wheat of defined grades for delivery in store at Fort William or Port Arthur at a future date, varying from one to seven months from the date of the transaction. That is a hedge. The sale is made in a Grain Exchange, which is organized to trade in grain, whether for immediate delivery or for future delivery, as above indicated.

Obviously, where grain is sold there must be a buyer as well as a seller. We may illustrate it by assuming that an elevator company purchases at its many country elevators, say, half a million bushels of wheat in one day. The cost of the wheat to the elevator company was the price ruling on that day at country stations, which is always presumed to be at a sufficient discount under Fort William values to pay freight, handling charges and a margin of profit. The banker advances the elevator company the money necessary to enable them to pay the farmers, but the bank requires that the elevator company shall hedge its purchases by immediately selling in the Grain Exchange half a million bushels of wheat for future delivery, possibly in the month of May, at Fort William. We will presume for illustration, the price of May delivery was 80 cents per bushel. The broker for the elevator company then sells, through the Grain Exchange, half a million bushels of wheat for such delivery at 80 cents. The banker is protected. The wheat is hedged, sold, and the risk of the elevator company is transferred to a buyer who may or may not be known to the seller.

There is an organization called the Winnipeg Grain and Produce Exchange Clearing Association, commonly known as the "Clearing House." After the close of the market on the day our elevator company SOLD the 500,000 bushels of May wheat, they transferred or cleared their sale to the "Clearing House" at the price sold, and at the same time the commission company who PURCHASED the 500,000 May Wheat from the elevator company, also transfers or clears their purchase to the Clearing House at the price paid. The Clearing House now becomes responsible to the purchaser as well as to the seller for the due performance of each party to the contract.

If the closing price is lower than 80 cents on the following day, the Clearing House collects the difference from the buyer and pays it to the seller (the elevator company). This procedure is followed daily. If the price in successive stages drops down to say 60 cents, it follows that the elevator company will have received from the Clearing House a total in all of 20 cents per bushel or \$100,000, on the 500,000 bushels. That money has gone into the bank and reduced the banker's loan by \$100,000. The wheat is worth 20 cents per bushel less, and the elevator company's obligation to the bank has been reduced accordingly. If May wheat is 60 cents on the day in May when the elevator company delivers the documents representing the actual wheat to the Clearing House, they then receive from the Clearing House 60 cents per bushel for the wheat delivered. The bank is paid off. The elevator company's profit on the original purchase and sale has been realized. This is a simple illustration of a purchase and hedge of farmers' grain as performed every day by elevator companies.

It will be observed that unless there is some one to buy the wheat from the elevator company and thus complete the hedge, there can be no protection afforded to the bank and the elevator company would, therefore, be unable to make the purchase from the farmer. It is at this point that the organization, whose destinies I have directed during the past four years, has come into the picture, for with the depression, the lack of purchasing power abroad, the increased production by former importing countries of wheat, there were no buyers in the Grain Exchange to purchase from the elevator companies the wheat they purchased from the farmers, except at sacrifice prices. Except as to purchases made by a very reduced number of speculators, and the purchases made for export and domestic use, I have during the last four years been buying the hedges on the wheat produced by the farmers of Western Canada.

We have used for illustration a half million bushels, but it works just the same on hundreds of millions. For instance, farmers sold around 400 millions of wheat from the 1932 crop.

The Winnipeg Grain Exchange is what is known as an Open Futures Market. That is, a market open to the world, where anyone may buy or sell unlimited millions of bushels for delivery at a future date. That is anyone's privilege so long as they can provide the money required by the Clearing House. Beyond certain quantities the money requirements become heavier, but the ability to provide cash is the only limitation imposed in an open market. Naturally, the speculator with the largest resources can handle the most bushels. There is nothing to prevent a man or a group of men from selling, say 50 million bushels or 100 million bushels of wheat for future delivery and these men may not own a bushel of real wheat. Such sales have precisely the same effect on the market for the time being, as if that many more bushels of wheat had been added to our supplies, and necessitates corresponding buying power to purchase it. It means additional speculative buyers must be forthcoming, together with necessary cash margins, or otherwise such sales depress and demoralize values. A speculator may sell future wheat without owning or controlling a bushel of real wheat. **THIS IS AN OPEN FUTURES MARKET.** In the stock market a speculator may sell shares of a company short, but only to the extent that he can borrow shares (actual share certificates) from an owner of such shares, and deliver them on his sale. A wheat speculator can sell wheat, and does sell wheat, for delivery at a future date, without owning or borrowing a bushel of wheat. He does, however, expect to buy it back, and, in fact, he must buy it back or deliver actual wheat before the end of the delivery month, which may be as far as seven or even nine months distant. In the interim, such sales are an additional load on the market.

Now it is such a market in which our half million bushels of wheat were sold in the Grain Exchange. It is clear there must be some way of financing and carrying the millions of bushels of grain we produce. It is clear it cannot pass into actual consumption as rapidly as farmers dispose of their crop in the fall of each year. The crop may be threshed in a month, but consumption extends over twelve months. Farmers could store their wheat on their farms if they had sufficient granary accommodation, which they have not, and even if they had, their creditors would insist upon their selling and turning it into cash. Furthermore, does not elevator storage capacity of 419 million bushels in this Dominion, which has cost many millions of dollars, does not this fact alone give ample proof that large quantities of grain must be stored until required for consumption? We must face the fact that the actual ownership of a large quantity of grain produced in this country, from year to year, must

be undertaken from the time it leaves the farms until it moves into consumptive channels and whoever assumes ownership must assume risk—that is must speculate. Under our present system some person or many persons must take the responsibility of owning outright the actual real wheat, or otherwise buyers must be found who will carry futures wheat and put up the necessary money to enable them to do so. Now, who is going to take that risk? The banks frown upon anyone who would ask them for money to carry actual wheat unhedged, or futures wheat on margins. It is evident there is not much help to be expected from grain dealers or millers. They pride themselves upon doing a legitimate business, and that means safe business without speculation. That is why they "hedge."

We cannot expect our grain and milling companies to assume the ownership and risk of the in-between-season's surplus stocks. The evidence given before the Stamp Commission, both by bankers and grain companies, fully supports that statement. Furthermore, it requires large lines of credit and capital to finance the actual grain carried in elevators, and it is important that grain and milling companies should protect their capital for that purpose.

With regard to the short interest and allegation made by Mr. McFarland on October 1, 1934, the following interview was given by him in the press under date of October 1:

Investigation into wheat futures operations in Winnipeg was suggested by John I. McFarland, general manager of the Canadian government wheat agency, with a view to ascertaining the source of the heavy selling of futures in the Winnipeg market during recent weeks while the farmers of western Canada have been delivering and marketing moderate quantities day by day.

Some will say this is none of my business, said Mr. McFarland. I had some doubt about that myself, but having regard to the position I hold I had become convinced that it may my duty to place the matter before the proper authorities at Ottawa.

Asked what action he had recommended, Mr. McFarland intimated he had simply brought the matter to the attention of the authorities, but if he were asked what should be done he would suggest that, in addition to the investigation of the selling in the Winnipeg market, representations might be made by the Canadian government to the government of Argentina as well as the government of the United Kingdom to take similar action in regard to the Buenos Aires market and the Liverpool futures market.

None of these markets has been investigated, he said, while on the other hand Chicago, which has always been the largest option market in the world, has been investigated and the government has placed on that market definite restrictions and regulations as a result of such investigation. Such restrictions are defined to prevent unwarranted short selling. "There are, as most people know," said Mr. McFarland, "only three big option markets in the world, namely, Chicago, Winnipeg and Liverpool. Buenos Aires is a smaller market, but being a smaller market it lends itself to operations designed to unduly influence market trends.

I should like to know who has any moral right to sell huge quantities of futures in the Winnipeg market at a time when Canadian farmers are delivering and selling only very moderate quantities and when pressed to be specific I want to know what would have happened to prices in Winnipeg if there had been no support in this market in recent times when Argentine and Liverpool prices have been tumbling to absurd levels?

I think we should find out just what has been the nature of these huge sales. Certainly the supply and demand situation does not justify any such absurd prices as are being quoted at the present time in Buenos Aires and Liverpool.

Asked as to the influence of small scalpers, Mr. McFarland denied that their influence was appreciable. They came in in the morning and get out before the close, so that their influence is only momentary, or at least does not continue longer than the daily session. Operations which have the effect are large-scale operations which are not changed from day to day or from hour to hour. Mr. McFarland concluded that he was not suggesting the way to any government as to how it should proceed, nor was he suggesting whether it be made a trade or a government investigation. In the meantime it is not unfair to assume, in view of the London Wheat Agreement, bearing signatures of some 20 countries, that these countries must all be interested in regard to how the system operates in the establishment of prices.

With reference to the so-called mischievous dispatch reporting to be an inside story of an organized bear raid on the Winnipeg market and the suggestion that this dispatch must have originated from Mr. McFarland's organization, I wish to state definitely before this committee that we have absolutely no knowledge of this dispatch. It did not originate in, nor was it suggested by our organization, nor any member of the organization. The Grain Exchange statement would lead one to believe that charges had been made by us against well-known international grain firms. No such charges were ever made by our organization. The international grain firms in question have been dealt with on exactly the same basis as any other exporter.

With respect to the appointment of a Government supervisor, I would refer you to Mr. McFarland's statement to the press on November 6, 1934.

Replying to a statement made by the council of the Winnipeg Grain Exchange on November 2, the president of the Exchange did suggest to me quite recently that they would co-operate with the government in the selection of a supervisor as suggested in the report of the Stamp commission. I told him that was a matter I could not decide, but that in my opinion such a supervisor could not affect in any way the daily operations in the pit, for in the event of such a supervisor discovering any irregularity, he would be powerless to act, because the Stamp proposal is merely one of supervision without authority.

It does state that such a supervisor could make a report to the government and they in turn could make inquiry. How futile! It would again be an instance of locking the stable door after the horse is stolen. Supervision to be effective must be clothed with authority as well as power to demand and receive from all members, instant and complete information. (Those who are interested will find the proposed duties of the supervisor outlined on page 61 of the Stamp report).

The other point which is stressed in the Grain Exchange statement, is that there is no evidence in the figures showing the market position of grain firms as at September 17 and October 1 secured by the council from the Clearing House, which had been disclosed to Mr. McFarland that any bear raid was attempted.

The answer to this statement is that the exchange suggested to me they would voluntarily investigate themselves. My reply was that such an investigation of themselves, by themselves, would be of little value to anyone other than themselves, but if they wanted to make such investigation I could have no objections. I did, however, express a grave doubt of their being successful in securing from the large outside wire houses fully

authenticated information of the position of their many customers, the records of which are not kept in Winnipeg. A few days ago I was handed a copy of their finding. It consisted of a few figures showing totals but the detail and information so necessary to appraise its value were not there.

So far as investigations are concerned I would say that our own records of the futures' situation are quite sufficient evidence of what has occurred.

My attitude is fully explained in my public statement of October 29 and remains unchanged. What I want to bring about is such control and restrictions as will protect the "futures system" of the Grain Exchange from influences destructive to the public good of this country.

*By Hon. Mr. Ralston:*

Q. Just one moment; is this statement of October 29 here?—A. I am sorry I haven't got it, Mr. Ralston.

Mr. Milner states further:—

But it was not until June, 1932 that Mr. McFarland began, under guarantee of the Dominion Government, to support prices in the Winnipeg market. From the time that wheat prices in Winnipeg began to be sustained above the natural level of the markets of the world, the ability of the futures market to absorb hedging transactions began to decline.

In June, 1932 the average price of the July future quoted on the Winnipeg Grain Exchange was  $55\frac{1}{4}$  cents. During that period the average price of Two Northern wheat from the Atlantic, c.i.f. Liverpool in Canadian funds, was  $65\frac{1}{8}$  cents, and the average price of Argentine Rosa Fe wheat was  $63\frac{1}{2}$  cents.

In July, 1932 the average price of Winnipeg July wheat was  $54\frac{5}{8}$  cents. The average price of Two Northern wheat from the Atlantic  $63\frac{7}{8}$  cents c.i.f. Liverpool, and Argentine Rosa Fe wheat  $62\frac{3}{4}$  cents.

In August, 1932 the average price of Winnipeg October wheat future was  $57\frac{7}{8}$  cents. The average price of Two Northern Atlantic wheat  $67\frac{1}{8}$  cents and Rosa Fe  $66\frac{1}{4}$  cents.

In September, 1932 the average price of October wheat was  $52\frac{3}{8}$  cents, the average price of Two Northern wheat at the Atlantic was  $64\frac{1}{2}$  cents and Rosa Fe was 65 cents.

In October, 1932 the average price of October future was  $48\frac{1}{4}$  cents, the average price of Two Northern wheat from the Atlantic 61 cents and Rosa Fe 61 cents.

In November, 1932 the average price of November wheat was  $46\frac{3}{4}$  cents, the average price of Two Northern Atlantic  $59\frac{7}{8}$  cents and Rosa Fe 56 cents.

In December, 1932 the average price of December wheat future was  $42\frac{3}{8}$  cents, the average price of Two Northern from the Atlantic  $57\frac{1}{2}$  cents and Rosa Fe  $53\frac{3}{8}$  cents.

It is recognized by all importers that Two Northern wheat has an intrinsic value for milling purposes of at least 7 cents to 8 cents over Argentine Rosa Fe. During all this period our organization was required to make heavy purchases of futures in order to sustain the market even at the low prices quoted. In view of these facts, is there any justification for Mr. Milner's statement that wheat prices began to be sustained above the natural level of prices in the markets of the world?

Mr. Milner further states, "In the face of the uncertainty as to the course which might from time to time be pursued by the Government Wheat Agency and the artificial level of prices on the Winnipeg Grain Exchange established by its operations, the futures market has been increasingly less able to cope with

hedging requirements. In other words the breakdown of the Winnipeg market has been the natural accompaniment of the Government's operations and its failure to take the hedges to the extent that there has been failure as a result of the co-operation of the Exchange in the policy of the Government."

In reply to this statement I would like to call the attention of this committee to grains other than wheat. As you are undoubtedly aware, the Grain Exchange provide for trading in futures in Oats, Barley, Rye and Flax, and I would particularly draw your attention to Rye and Flax. In neither of these grains have the stabilization operations any interest. Let us review what happened to the Flax market in the month of May, 1935. May flax close on May 1st at \$1.37½ and on May 31 at \$1.22. The stocks of flax in Canada, according to the Dominion Bureau of Statistics on May 31st were only 373,000 bushels. These were the total stocks of flax in all of Canada, yet during the month, flax prices declined 15½ cents per bushel. Then I would call your attention to the flax market back in October, 1934, when from October 1st to 2nd there was a break of 7 cents a bushel in flax in one day.

Mr. Chairman, just in regard to that matter I would call your attention to the situation October 1 and 2.

Mr. CHAIRMAN: Yes. What year?

The WITNESS: 1934. October flax closed—pardon me, December flax closed on October 1st at \$1.40; it opened on October 2nd at \$1.27 to \$1.19; the high on that day was \$1.33½, the low \$1.10.

*By Hon. Mr. Ralston:*

Q. That is October 2nd?—A. Yes.

Q. \$1.33 and \$1.19, is it?—A. Yes; and the close \$1.32½.

This resulted in the Grain Exchange placing a price limit fluctuation which became effective on November 8th. I think that the Prime Minister will recall that this matter was brought to his personal attention by business interests in eastern Canada.

I think you will recall that, Mr. Chairman.

The CHAIRMAN: Well, I remember some firm—I was trying to think who it was—complained of the great fluctuations and the limited quantity of flax there was in the country.

The WITNESS: Yes, sir.

The CHAIRMAN: I recall that.

In the case of Rye, in which the stabilization operations have no interest, this market declined 8½ cents a bushel in the same period. The total stocks of rye in Canada, according to the official figures were only 3,659,000 bushels.

There was no uncertainty as to the course which might from time to time be pursued by the Government Agency; there was no establishment of so-called artificial levels of prices, yet these two grains declined to the extent which I have mentioned.

Or, viewing the problem in a broader way, let us examine the Chicago futures market.

*By Hon. Mr. Ralston:*

Q. Now, this is wheat?—A. Yes, sir.

With a total production in the United States of winter and spring wheat of 496 million bushels for the season 1934-35, following the short crop of 1933-34, as compared to a normal crop of approximately 800 million bushels; with approximately half a crop of other grains, oats, barley, rye and corn; with the United States required to import grain in order to take care of their home requirements, and being removed entirely from the export market owing to their short crop,

Chicago July wheat closed on May 1st, 1935, at 98 cents per bushel, and on May 31st, 1935, at 85 cents per bushel, a decline of 13 cents. During the same period the Winnipeg market, stabilized by the Government, declined  $6\frac{3}{4}$  cents per bushel. Surely if the buying power which has been referred to existed in the futures market, it would have been demonstrated in the Chicago market, the chief market of a country not only on a domestic basis so far as supplies were concerned, but required to import to feed themselves.

Mr. Milner refers to the co-operative measures taken by the Trade with respect to Mr. McFarland. He does not, however, mention the fact that Mr. McFarland on the other hand has co-operated with the Trade to the very fullest extent. He has used all facilities of the Trade that were available. He has protected all interests in the Trade.

Mr. McFarland has brought to the administration of these stabilization operations all of the skill and experience that he possesses, a skill and experience built on a very successful career in the Grain Trade. He has used his abilities to keep all sections of the Trade functioning and functioning as normally as possible under the conditions with which he has been confronted. He has had a two-fold purpose in mind: First, to protect the producer in Canada from being forced to sell his wheat at a fire sale price. Second, to keep all sections of the Trade functioning normally.

My attention has been drawn to a statement issued to this Committee by the Grain Exchange showing the wheat position as at June 14th, 1935, as it relates to the stabilization holdings. This is not a correct statement of the position and it will be my purpose to deal with the errors that have been made. I wonder if this Committee realizes just what the statement means? If the Grain Exchange statement were correct it would mean that not in the whole world is there a single person carrying a bushel of Canadian wheat or flour unhedged. In stabilizing the futures market as he has done, Mr. McFarland has been required to stabilize not only the wheat in Canada being delivered by the farmers, but the flour in Canada, the flour in the United States, the flour afloat, the flour in British Isles and Foreign countries, Canadian wheat in United States in transit, and in non-reporting mills and feed plants in bond, Wheat out of bond, Wheat on ocean passage and in British and Foreign ports, Wheat in non-reporting mills in process of grinding, other grains hedged in wheat futures and spreads with other markets.

The question might be asked, "If these stabilization operations did not carry the load, who would carry it?" Would the elevator companies carry any portion of it? Their own statements indicate that they are required to hedge all the wheat they purchase. The same applies to the shipping and exporting companies. Would the flour miller carry any wheat unhedged? It is evident by the Grain Exchange statement that the flour miller too, hedges all of his purchases. Would the importer carry any wheat unhedged? There is no evidence of this in the Grain Exchange statement. Would the foreign buyer carry wheat unhedged? The Grain Exchange state that there is wheat on ocean passage and in foreign ports amounting to  $7\frac{1}{2}$  million bushels, in which hedges have been placed in this market, adding to the load. Then in addition to this, the Grain Exchange statement shows that someone has purchased grains other than wheat and has hedged these in the wheat futures market, further adding to the load. Then someone has sold wheat in Winnipeg and bought it in other markets, again increasing the burden. The question is, who is going to carry the burden? None of the above named interests seem to be willing, so it resolves itself down to the Canadian public. Will the Canadian public carry this load? There is no evidence of them doing so, and the fact that the Prime Minister, in the House of Commons, stated that there was 220 to 225 million

bushels of wheat being carried by the stabilization agency, and that there was 200 million bushels in all of the Canadian visible, indicates the situation more clearly than I can state it.

Now, with the permission of this committee, I would like to analyze the statement as submitted by the Grain Exchange.

First: Flour in Canada totals 4,621,000 bushels. Are we to understand from this that there is no flour in Canada that is sold and that the hedges have been purchased in the futures market? In conversation with one of our leading Canadian millers several days ago, he told me that the flour he had on hand was practically balanced by future flour sales. That is, he had flour in his warehouse, we will say, to the extent of one million bushels, but he had sold flour for future delivery to bakers and others, to practically the extent of one million bushels, and against this, the hedges had been covered in the market in Winnipeg. Why then should such stocks be included in the Grain Exchange statement?

The same thing applies to items Two and Three. Is it conceivable that none of this flour that is in the United States and none of the flour afloat has been sold for future delivery?

What about item four, flour in British Isles and foreign countries? Can it be that none of this flour has been sold?

Item five: Wheat in United States in transit and in non-reporting mills and feed plants in bond, 4,625,000 bushels. Is it possible that none of this wheat is sold?

Then we will deal with wheat out of bond, 596,000 bushels. Surely this wheat is sold. Why would anyone pay duty on wheat that is not sold?

Then wheat on ocean passage and at British and foreign ports, 7½ million bushels. Some of this wheat must be sold and hedges lifted in the Winnipeg market.

Item seven: Wheat in non-reporting Canadian mills in process of grinding. Have these non-reporting Canadian mills no flour sales to take care of this wheat?

Item eight: Wheat en route from country points, 8,711,000 bushels. My information received from the railways indicates that over the Canadian National Railway on June 14th (which is the day on which this statement was filed), there were 3,298,000 bushels and over the Canadian Pacific Railway 4,417,000 bushels, making a total of 7,715,000 bushels. These figures have been given to me by the Railway Companies and I am accepting them as correct.

Other grains hedged in wheat futures are shown as 2,559,000 bushels. Would the Grain Exchange call this legitimate hedging?

Finally, an item for 4,414,000 bushels is shown as spreads with other markets. This apparently represents sales in Winnipeg with the hedges in some other market, thus adding to the load in Winnipeg. Surely this could not be termed hedging.

Our advices from the Pool Elevator organizations are to the effect that on June 14th they held a total of 4,000,000 bushels of farmers' unsold wheat. In other words this wheat appeared in the visible but had not been sold nor hedged. As the Pools have been handling about 40 per cent of all the wheat delivered in western Canada and using 4,000,000 bushels as representing 40 per cent of all the wheat that is unsold by farmers, it would mean there is 10,000,000 bushels of wheat unsold in farmers' hands, and yet appearing in the Canadian visible. I notice that no reference has been made to this item although the elevator companies must be well aware of this fact.

My view, after analysing the figures of the Canadian visible and having in mind the amount of wheat which is on hand for stabilization purposes, is that there is no question of doubt that there is a large short interest in the Winnipeg market and the figures which I have quoted absolutely prove this fact.

In conclusion I would like to quote herewith the following paragraphs from Mr. McFarland's address to the Canadian Club of Winnipeg on April 11, 1935.

For the sake of argument let us assume we had decided to attempt selling our wheat in the manner so often suggested. We will admit it would for a time at least increase our exports, in a measure depending entirely upon its cheapness, relative to other wheats. That, mark you, would not be on account of, or because of, any increase in the world consumption of wheat. It would only constitute a change in the position of that portion of the world's over-supply of wheat. The lowest price in over 400 years occurred in the season 1932-33, and Stanford University shows the world consumption of wheat in that year of record low prices, was less than in either of the two preceding years, and was only a few million bushels greater than the disappearance of last year, which is clear evidence that record low prices did not increase world consumption. It is also a proof that there is a saturation point, even for the most essential product.

There is one important fact which many people appear to overlook and that is, "Exports increased by reason of price sacrifice," do not all go into immediate consumption, but also go to create increased reserve stocks, visible and invisible, in some other country. While Canada continued selling her wheat at prices relatively lower than prices at which other countries might decide to dump theirs, there would no doubt be more of our wheat sold and more consumed. There is, however, another angle to this picture, and that is, we would at the same time be displacing the surplus wheat of other countries, and they would have that much more on their hands, which would eventually be forced into competition with our remaining supplies, or our subsequent harvests. Therefore, so long as there continued to be excessive world production, we would have to face recurring and similar dilemmas.

There need be no surmise or doubt on the outcome of a selling policy such as some people suggest, of selling our wheat at what it will bring if pressed rapidly on the market. Some people have short memories, otherwise they would recall our experience as recently as 1932. It is true the experience of 1932 was forced and involuntary, but it was nevertheless an impressive demonstration of how fatuous it would be to deliberately adopt a policy based upon such suggestions.

This country in 1932 produced close to 450 million bushels, which was the third largest crop in our history. In five weeks from September 9th to October 7th, farmers' deliveries in Western Canada reached the record total of 145 millions of bushels or an average of 29 million bushels per week. In nine weeks 206 million bushels were delivered. The wheat had to move out of the country or the railways and elevators would have been congested. It was a choice between exports or chaos. The price dropped to 50 cents, then to 45 cents and 40 cents. Finally it was forced down to 38½ cents delivered at Fort William. This record low price occurred, despite enormous purchases under the Government guarantee. Purchases so large day after day as to be terrifying. It might be pertinent to ask, "How much lower would the price have gone in the absence of Government support?" At the same time, despite the fact that prices were ruinously cheap, there were not nearly enough buyers to absorb the offerings. Speculators, investors and importing countries, believed values would go lower still.

The heavy movement from the farms began in early September and the price of spot One Northern wheat from September to January inclusive averaged 46½ cents per bushel delivered at Fort William. Our exports recorded by the Dominion Bureau of Statistics in those five months, averaged 29½ millions per month, and the average price netted Western

farmers less than 30 cents per bushel for No. 1 Wheat. That was what occurred in 1932 when we were compelled by force of circumstances to permit an export policy such as has been suggested by some critics. In February, March and April, 1933, the price average was around 49 cents in store Fort William, or only 30 cents per bushel for No. 1 wheat at elevators in Western Canada. Exports at this low level of prices, averaged only 11 million bushels per month during that three-month period. Just imagine our exports only 11 millions per month and prices the lowest in 400 years. The only explanation I can offer, is that importing countries had accumulated enough wheat at bankrupt prices for the time being, and were using up what they had already bought before buying more, in the hope, or in the fear, that wheat might become cheaper.

During the last three months of that crop year, namely, May, June and July, there was an advancing market and buyers in importing countries bought and cleared on average of 21 million bushels per month from our shores, at an average of 70 cents per bushel f.o.b. Fort William.

Hon. Mr. RALSTON: That would be 1933?

The WITNESS: 1932-33.

Hon. Mr. RALSTON: May, June and July.

The WITNESS: Yes, sir.

The prices in that crop year were the lowest in 400 years and more, and yet the Stanford University Statistical Service shows in that year of record low prices, world's consumption was less than in either of the two preceding years, and only a few million bushels more than that of last year.

There is another tragic feature to relate of that experience of 1932. There was marketed up to the end of January, 285 million bushels, and the Sanford Evans Statistical Service estimated that our farmers received only 86 million dollars for that huge quantity of wheat. Where in the same six month period this season

That is the 1934-35 season.

there was marketed a total of 177 million bushels and producers received 107 million dollars for that very much smaller quantity. Our farmers sold 108 million bushels less wheat this year and they received 21 million dollars more money. In the first six months of the 1932-33 season, our farmers, in effect, paid 21 million dollars for the mere privilege of producing and feeding the world with 108 million bushels of wheat. Certainly no man can claim our farmers have received from the world consumer any fancy price for this year's crop and yet, even with the stabilized moderate prices this season, the producers received during the first six months of this crop year, 21 million dollars more money and delivered 108 million less bushels than in 1932. The pressure from that huge crop was so great that conditions over which we had no control forced us to permit an export policy at that time which some people this season, under greatly changed conditions, have openly and in other ways, advocated we should have deliberately adopted. Therefore, I repeat, some of us have very short memories, or on the other hand, some of those who gave advice have not given much study to the problem.

Before the grain business of this country can again be carried on by the Grain Trade on an open market basis, without Government restrictions and assistance, the world must return to normal. So long as all important countries of the world continue to subsidize wheat production, I am sure the unassisted open futures system can not be permitted to serve as the medium for the fixation of values in this country. Governments in surplus countries will find it necessary, in the public interest,

to maintain price structures by intervention of some sort. While there continues a world over-production, encouraged and sustained by such world-wide subsidies, no surplus producing country such as Canada, can afford to discontinue Governmental mediation.

With due deference to those who have at times held views different from those which I have held, I want to candidly say that I cannot agree with a policy, which would inevitably lead to another debacle in export prices. My unprejudiced view is that we should not deliberately contemplate another experience similar to that of 1932, which was unavoidable because of such great pressure of over-supply. If production again makes such a course of action imperative, it will then be time to put on a fire sale and repeat those harrowing experiences. Simply because one other country pursues a policy of slaughter, at a time when it is unwarranted, is not sufficient reason for us to join in the parade.

*By the Chairman:*

Q. Have you anything to add to that statement at the moment?—A. I have nothing to add with regard to that statement, Mr. Chairman. I have a statement here regarding the discussion in connection with the liability in the taking over of the 228,000,000 bushels that I would like to read to the commission.

Q. There was another point—I do not know whether you have the documents or not, but I asked one of my assistants to speak to you about it—in connection with the operations of a week in July to which Colonel Ralston directed attention the other day. Have you any particulars?—A. What year, Mr. Chairman?

Q. That was 1933?—A. 1933-34; yes, sir, I have gone into our files and I have a complete record of this transaction.

The CHAIRMAN: Which would you prefer, Colonel Ralston? That he should make a statement or that you should examine him?

Hon. Mr. RALSTON: Oh, let him make the statement.

*By the Chairman:*

Q. Colonel Ralston suggests that you make a statement with regard to this matter?—A. With regard to 1933-34.

Q. What day of the week—what week in July was it?—A. We have covered the months of June and July, 1933, Mr. Chairman.

Q. There was one week in July particularly in 1933 which, I think, Colonel Ralston had in mind?—A. Information was asked for by days as to our operations.

Q. You might take the stabilization operations of your company in the months of June and July?—A. Yes, I have the statement here.

Q. You have a statement prepared?—A. Yes, I have. When the matter was asked for by days, I presumed the committee would be particularly interested.

Hon. Mr. RALSTON: I would like to ask when you got to your lowest point, and I found that you got to your lowest point on July 19, of 42,461,000 bushels of what we call "special wheat" on hand, and the pool wheat?

The WITNESS: Yes, I have a statement covering all that period of operations. (Reads):—

*Stabilization Operations in June and July, 1933*

In entering upon a discussion of stabilization operations during the months of June and July, 1933, it is necessary in the first instance to consider two factors:—

(a) After the extremely low levels to which wheat prices fell in the fall of 1932, there was evidence of recovery in the early months of 1933, and this move-

ment was accelerated in the last two months of the crop year when it became evident that crops in Canada and the United States were going to be exceedingly small.

*By the Chairman:*

Q. What months would that be?—A. June and July, 1933.

Q. The crop year being the year ending 31st July in each year?—A. The tail end of the 1932-33 crop.

(b) It must also be remembered that the purpose and aim of stabilization was for the protection of the producer in so far as possible, and having this in mind it is well to state here that stabilization operations could not be completed by simply transferring the load to speculators, but stabilization operations require to realize that only two parties would ultimately consume our surplus wheat, i.e., the domestic consumer in Canada, and the buyer, for actual consumption abroad. Therefore for stabilization operations to have decided on a policy of simply transferring their wheat to thousands of small speculators, and then enjoy the feeling that by having done so they had carried out their responsibility would have developed a period of chaos in the market such as we have never witnessed. The following figures, will, I think, indicate definitely the soundness of these views.

For the sake of historical reference, I propose to take you through the hectic market days of this period, showing what was done and showing what the reaction was. I think that you will agree with me after a review of these figures that no other course could have been pursued, other than the course that was taken.

During the month of June prices in all markets advanced steadily with a gain of approximately six cents a bushel in both this country and in Liverpool. During this period Canadian prices rose along with price quotations from Australia and Argentine. Developments during this month were extremely important for the reason that the price level for the new crop year was in the process of being established, and with crop conditions as they were, no one would have taken any action to demoralize the hopeful price trend, not only in this country, but in other countries. During the month of June we had very heavy deliveries of wheat at country elevators, as farmers delivered the balance of the 1932 crop in response to improved prices. The hedging of this 20 million bushels was absorbed by the market during the month of June, and in addition to that the market absorbed about two million bushels of stabilization holdings.

The Winnipeg market continued to advance during the first ten days of July, and once again this advance was accompanied by an almost identical advance in the prices at which Australian and Argentine wheat was being offered. At this time Mr. McFarland, considered that the market had reached the stage where he could commence to offer government holdings for sale without prejudicing the basic trend which was evident in the international market and without injuring the producer in respect of the marketing of the new crop, which was maturing rapidly under then existing conditions. During this time, however, I can say to you that the fear of what ultimately would happen entered his mind, and in spite of judicious selling—i.e., wheat fed into the market—he had no doubt in his mind that there was an element of danger in the situation that was developing.

In judicious sales commencing on the first trading day in July and continuing up to July 10th, a total of 4,376,000 bushels was sold in the pit on behalf of stabilization.

On July 11th a new development occurred upon the Winnipeg market and wheat prices advanced four cents a bushel, an advance which was not shared by markets abroad. With the market showing independent strength we sold 4,697,000 bushels, bringing our total sales for the month to approximately nine million bushels.

On July 12th, we sold a further amount of 2,842,000 bushels bringing our total sales to about 11,842,000 bushels.

On July 13th, the Winnipeg market closed unchanged and no sales were made.

On July 14th, during the session in which prices advanced  $2\frac{3}{4}$  cents per bushel, we sold 1,000,000 bushels.

On July 15th, the market advanced another  $1\frac{1}{2}$  cent a bushel, and we sold 7,634,000 bushels.

July 16th was a Sunday, but on Monday the Winnipeg market was again strong and closed up a cent a bushel, while we were able to dispose of 6,332,000 bushels, bringing our total sales from July 1st to July 17th inclusive, to a total of 27 million bushels, or an average of about two million bushels per day for the period. In view of the heavy sales made during the first seventeen days of July it was apparent that the market had reached a point where further sales would only result in a complete break in the price structure. Mr. McFarland's views were sound and the price structure did break. During this period the high for July wheat was on July 15th when the price was  $95\frac{3}{4}$  cents, not \$1.04 which was the quotation for May delivery 1934.

I made that reference because one of the witnesses would leave the impression that the high was \$1.04.

Q. For May futures?—A. Yes.

On July 19th a disastrous situation developed on markets in the United States and wheat prices at Chicago crashed from \$1.14 $\frac{7}{8}$  to \$1.05 for the July future, and substantial sales were made in our market. The net result was that the Winnipeg market declined  $6\frac{3}{4}$  cents a bushel without either sales or purchases by Mr. McFarland.

On July 20th a complete debacle was witnessed in United States grain markets when wheat prices at Chicago fell 15 cents per bushel, making a total break of 25 cents per bushel in two days' trading.

On the same day selling orders flooded the Winnipeg market and prices broke 9 cents a bushel. Feeling that developments of the past two days in the United States were due to factors wholly unrelated to the basic wheat situation and with due regard to the fact that the new Canadian wheat crop (a small one) was about to be harvested, Mr. McFarland felt that it was his duty to exercise all the control he could over a situation which might have proved disastrous to Canadian producers.

On July 20th, we purchased a total of 4,150,000 bushels and in spite of this support prices showed a net loss of 9 cents a bushel for the day. I would like to ask you a simple question. What would have happened to prices at Winnipeg if we had not supported the market to the extent we did, with Chicago breaking to the extent of 15 cents a bushel. It was apparent that the situation had got out of control in the United States and the Chicago Board of Trade decided to close their market until such time as they felt the trade could cope with the situation. Winnipeg, therefore, was the only North American market of consequence remaining open on July 21st.

In the four years of stabilization operations, and through all the difficulties which Mr. McFarland was confronted with from time to time, and I assure you that probably there has not been a day in his whole four years of operations that he has not been required to make decisions of great importance to the country as a whole, one day probably stands out more vividly in his memory than any of the other days, i.e., July 21st, 1933. Remember the Chicago market was closed. A feeling of panic existed every place, and when the Winnipeg market opened on the 21st July, it became apparent that only

by a courageous stand could a complete breakdown in the price structure be averted. The Winnipeg Free Press of July 21st makes the following comment:—

The market advanced two cents on the opening. This advance was short-lived as Chicago traders began to sell wheat in a big way causing prices to slump 3 to 4 cents.

On this day it was necessary for Mr. McFarland to purchase 15,705,000 bushels of wheat. I wonder if it is realized what the results would have been had this action not been taken. Remember the price structure, due to the changed crop conditions in North America was gradually being worked back to a basis where the producer could obtain a more liveable price for his wheat, and had this huge quantity of wheat been thrown on the market without support surely one does not need to stretch the imagination to realize what a condition of chaos would have developed.

On July 22nd, in spite of the tremendous purchases of the previous day and further purchases on July 22nd by Mr. McFarland of 3,303,000 bushels, the market broke  $4\frac{3}{4}$  cents. Remember Chicago market was still closed, but was re-opened again on July 24th, and a minimum price was established.

Q. You said you wished to make some statement with respect to liabilities?—A. Yes.

Q. In consequence of the interrogations of Mr. Ralston. Will you make it, please?—A. This Mr. Chairman, is in connection with the discussion of last night regarding the liability of the Canadian Co-operative Wheat Producers Limited.

Last night I received a long distance call from Winnipeg stating that the press there had featured in headlines a statement to the effect that should the government stabilization take delivery of their present holdings, this would involve the government of Canada in obligations amounting to a hundred and ninety-six million dollars. I am sure that it was not the desire of any member of this committee or the press that such misleading information should be conveyed to the people of Western Canada, because such a statement assumes that the 228 million bushels of wheat which would be held by Canadian Co-operative Wheat Producers Limited, on May 31st, if delivery had been taken at that time, would have been of no value whatsoever.

It would also mean that the government would have to take over 228 million bushels of wheat. Information has already been given to this committee showing that a large quantity of futures have been sold over and above the existing wheat stocks in all of Canada, which can only be termed as wheat sold short, and those who have effected these short sales would of course be required to purchase these futures in order to take care of their short contracts. The only obligation of the government would be to take delivery of the stocks in a visible position in Canada. These stocks at the present time are under two hundred million bushels.

The exports from now until the 31st of August will have to be deducted from this approximate two hundred million bushels of wheat, as well as the amount required for domestic consumption during that period. The government would therefore require to take over only the visible stocks in Canada as at August 31st.

In any case speaking for the Canadian Co-operative Wheat Producers Limited, we do not admit that the government would be liable for such an obligation. The only liability which we are prepared to admit is a contingent one and this would be the difference between the cost of the wheat as shown and the ultimate price for which it will finally be sold.

Q. Is there anything more you wish to add to your statement, Mr. McIvor?—A. Nothing further, sir, at the moment.

The CHAIRMAN: Would you like to go into it now or later, Mr. Ralston?

Hon. Mr. RALSTON: Whenever it is convenient.

The CHAIRMAN: I mean now.

*By Hon. Mr. Ralston:*

Q. In reference to this statement I do not think there is any difference between them, Mr. McIvor, with regard to liability. I asked for the gross liability. The gross liability is \$197,000,000, is it not?—A. Yes. I merely brought that to the attention of the committee. I am not disagreeing with your figures; I merely draw it to the attention of the committee, because apparently misleading impressions have been given to the press.

Q. The gross liability would be \$197,000,000 against which there would be 228,000,000 bushels of wheat?—A. Provided the wheat could be delivered.

Q. And as you say the uncertainty, the contingency so-called depends on the amount at which the wheat could be ultimately marketed?—A. The wheat that is delivered to the Canadian Co-Operative.

Q. Yes?—A. You are holding up a hypothetical case.

The CHAIRMAN: It could never happen.

*By Hon. Mr. Ralston:*

Q. Let us take 200,000,000 bushels.—A. It would depend.

Q. 25,000,000 bushels is nothing when you are talking about 228,000,000 bushels.

The CHAIRMAN: It means an awful lot—a lot of shorts.

*By Hon. Mr. Ralston:*

Q. Take 200,000,000 bushels. The contingency exists in the uncertainty as to the price which will be realized for that wheat?—A. I realize that point.

Q. Is that true?—A. Yes. Just before you go on, you mentioned yesterday, correct me if I am wrong, that the government would largely be in the position of a man who had purchased a house for \$5,000.

Q. I suggested that as an illustration?—A. Yes. I want to clear up that point if you don't mind. The position would not be the same because 200,000,000 bushels of wheat is food. And as the food is sold, your liability would be reduced.

Q. Yes?—A. Whereas you would have to sell the whole house before you got your \$5,000 back.

Q. I do not think that changes it?—A. That point was mentioned yesterday.

Q. It is only a method of realizing?—A. Yes.

Q. And judging by the fact that we had 75,000,000 bushels of wheat in 1930 to market and our success in marketing is represented by the fact we have, four years afterwards, 225,000,000 bushels of wheat on hand, what do you think of the prospects of our disposing of the 225,000,000 bushels?—A. Mr. Ralston, I think it ought to be made clear to the committee that during that period Canada has grown about one billion and a half bushels of wheat.

The CHAIRMAN: And sold it.

The WITNESS: And other than the wheat that has been used by the farmers for seed, that huge quantity has been sold.

*By Hon. Mr. Ralston:*

Q. We have had two short crops?—A. We have had one very large crop.

Q. And two shorts?—A. I would say our crops were fairly average.

Q. 1930 was what?—A. 300,000,000 bushels; that is a fairly average crop.

Q. 1932 was how much?—A. 1932-33 crop was roughly 275,000,000 bushels

—I am only speaking from memory.

Q. 1931-32?—A. 1931-32 was the large crop, 459,000,000 bushels.

Q. 1933-34?—A. 1933-34 about 275,000,000 bushels.

Q. You would not call that a normal crop, would you?—A. No, but when off-set by the large crop—

Q. I am just asking about the crops.—A. We had average crops.

Q. Was 1933-34 a short crop?—A. Yes.

Q. Now come back to my question. I say, having regard to long and short crops and to average crops, if we have after four years in our attempt to market 75,000,000 bushels of wheat only succeeded in accumulating 225,000,000 bushels, how long will it take to dispose of 225,000,000 in your opinion?—A. In the first place I do not think there was any suggestion that we were attempting to market 75,000,000 bushels of wheat in so far as stabilization was concerned.

The CHAIRMAN: Two separate and distinct things.

*By Hon. Mr. Ralston:*

Q. Let us see. The Order in Council plainly says that. The first thing and the only thing that was to be done, according to the first Order in Council was to market the 1930 crop. The next two Orders in Council are for the purpose of completing the marketing operations; stabilization operations may be carried on; but it was for the purpose of marketing the 1930 crop?—A. I don't agree with that.

Q. Don't you?—A. No.

Q. Let us have a look at the Orders in Council.—A. It may read that way, but I do not agree with the purpose.

Q. We have to take what is written. You were acting under the Orders in Council, were you not?—A. Probably the Chairman has the Orders in Council.

Q. They were put in the other day. I have them here somewhere. The first one was P.C. 2238, of the 12th September, 1931, and the guarantee there was that the government would "guarantee repayment to the chartered banks hereinafter mentioned—and then it mentions seven banks—of the amounts of money advanced by them to the Canadian Co-Operative Wheat Producers Limited, hereinafter called 'Wheat Producers,' and interest thereon until repayment as agreed between the said banks and Wheat Producers in connection with and incidental to the marketing of the wheat and other grains grown in the provinces of Manitoba, Saskatchewan and Alberta in the year 1930 and delivered to or in process of delivery to Wheat Producers, and including advances for purchases of wheat or other grains deemed necessary by Wheat Producers to secure the advantageous sale of such grains already delivered to or to be delivered to Producers." That is clear; that is the job, the marketing of that 1930 crop?—A. That order in council was issued when?

Q. September 12, 1931.

The CHAIRMAN: Yes, but Mr. Ralston, be fair to the witness. There were other orders in council also.

Hon. Mr. RALSTON: I am going into that.

The CHAIRMAN: Yes, for the pools marketing the crop of that year.

Hon. Mr. RALSTON: He asked me this first.

The WITNESS: I will answer that question in this way: I don't think it was contemplated at that time by anyone that the situation which later developed, would develop.

*By Hon. Mr. Ralston:*

Q. We will deal with the later situation.—A. The whole thing is involved there.

Q. We have to take what the order in council says; and I take it that the order in council in effect set out what the job of Canadian Co-Operative Wheat Producers was?—A. I don't agree with that.

Q. Do you not?—A. No.

Q. Will you tell us what job you thought you had, and where your authority was outside of that order in council?—A. As far as that order in council is concerned—I have not read the order in council; you read it to me this morning.

Q. Yes?—A. Probably Mr. McFarland has. That has reference to the marketing of the 1930-31—the balance of the 1930-31 pool.

Q. "Wheat and other grains grown in the provinces of Manitoba, Saskatchewan and Alberta in the year 1930."—A. Yes. Now, then, are there any further orders in council issued with regard to stabilization? I want to clear that up.

Q. Yes, let us read that, pointing out that stabilization operations there were to be different operations. Order in council P.C. 1576, of July 11, 1932, recites P.C. 2238, which I have mentioned, and it says: "The Minister is advised that a portion of the wheat and other grains in the possession or control of Wheat Producers as contemplated by said order in council"—that is the order in council I have just read?—A. Yes.

Q. "—had not on the 30th day of April, 1932, at which date the powers created by the said Unemployment and Farm Relief Act, 1931, expired, been sold or realized upon and it has since been and may hereafter be deemed necessary by Wheat Producers, in order to secure the advantageous sale or disposition of the grains purchased or under its control, to procure, in addition to advances already made, further advances from the said banks to protect purchases of wheat or other grains already made or to be made.

The Minister, therefore, having regard to the undertakings entered into in the order in council referred to, and under the authority of the Relief Act, 1932, recommends that the Governor in Council guarantee to the said banks payment by the Canadian Co-Operative Wheat Producers Limited of all such advances made and to be made, and interest thereon as agreed between the said banks and Wheat Producers until repayment; such guarantee shall become operative and payment thereunder, out of Consolidated Revenue Fund, of the respective balances, if any, then owing shall be made after Wheat Producers have sold or realized upon all or practically all of such wheat and other grains in its possession or control, and application of the amounts realized less expenses has been made against such advances."—A. What date is that?

Q. This is July 11, 1932. It is still referring to the order in council 2238. It says, "It has since been necessary for Wheat Producers, in order to secure the advantageous sale or disposition of the grains purchased or under its control, to procure, in addition to advances already made, further advances from the said banks to protect purchases of wheat or other grains already made or to be made."—A. Well, Mr. Ralston, you are endeavouring, as I see it, to involve me in a discussion with regard to the order in council.

Q. I do not want to involve you in that at all. You raised it yourself, I thought.—A. Yes.

Q. By saying that the job was not selling the 1930 wheat?—A. Absolutely.

The CHAIRMAN: The order in council of April 12, 1933, covers that.

Hon. Mr. RALSTON: I have got it here.

The CHAIRMAN: The witness is not bound to answer questions of law. The documents speak for themselves.

Hon. Mr. RALSTON: I am not asking him a question of law.

The CHAIRMAN: It is not fair to the witness or the committee.

The WITNESS: Pardon me, I will answer—

The CHAIRMAN: The documents speak for themselves.

The WITNESS: Our job, as you put it, was to stabilize the wheat for the producer.

*By Hon. Mr. Ralston:*

Q. So as to sell the 1930 crop?—A. No, I don't admit that at all.

Q. All right. This order in council is P.C. 685, of April 12, 1933, and it says: "On the 31st day of March, 1933, the powers created by the Relief Act, 1932, expired. The Minister is advised that at such date Wheat Producers had in its possession wheat acquired in connection with and pursuant to said order in council"—that is the last order in council I referred to.—A. Yes.

Q. "—and that contracts for the purchase and future delivery of wheat and other grains had previously been entered into by Wheat Producers, as contemplated by and in pursuance of said order in council, in respect of and for the purposes of which advances were made under said order in council by said banks to Wheat Producers, and that further advances have been and may be deemed necessary by Wheat Producers after said thirty-first day of March in respect of such contracts or in respect of contracts in substitution for or in addition to existing contracts for delivery of wheat and other grains, in order to secure the advantageous sale or disposal of such grains and contracts." That is the basis on which I am assuming your job was to sell the 1930 crop, and to conduct the stabilization operations in connection with that sale. Now, I may be wrong in assuming that?—A. You certainly are.

Q. I am, am I? Will you tell me this: Have you any knowledge of any other instructions than those?—A. No.

Q. No?—A. Just wait till I make my point.

Q. All right, make your point, then?—A. As far as I can see, you are suggesting that stabilizing agency did not follow the instructions of the government, as reading the orders in council.

Q. Because you suggested that when I asked you when this 225,000,000 bushels of wheat was going to be disposed of, something to the effect that you had what I thought was an entirely different idea from what I had gained from the order in council as to what your job was?—A. Getting back to my statement, you are suggesting that the stabilization agency did not follow the instructions of the order in council?

Q. Right, as I understand it?—A. Well, I can't accept that statement.

Q. All right, that is first rate. Let us get back to my question. My question is, regardless of whether you followed the instructions of the order in council or not, if it has taken four years to dispose of 75,000,000 bushels of wheat, how long will it take to dispose of 225,000,000 bushels, if the government is under the responsibility?—A. You are not back to the 225,000,000 bushels again?

Q. I am?—A. Let us talk about the wheat that is in Canada. Let us not talk about short wheat.

Q. No, talking about wheat you are under contract to purchase?—A. Yes, and short wheat will be bought in by the shorts themselves.

Mr. WILLIS: Sure.

*By Hon. Mr. Ralston:*

Q. According to your statement?—A. Yes.

Q. Let us say 200,000,000.

Mr. WILLIS: And they will be sweating too when they are buying it.

The WITNESS: Well, Mr. Ralston, in answering your question, I consider that the marketing outlook of Canada for the next three months—I will go farther than that, for the next six months, contingent on several factors, is very promising; very promising. Now, I have prepared a statement on that which deals with the various factors, that I would not be able to get to to-day. If you will be kind enough, I think we will leave that question until such time as I can get to it.

*By Hon. Mr. Ralston:*

Q. Certainly?—A. I mean, I could go into the thing roughly, but I do not care to do that. I would rather give you the situation as I see it.

Q. I am just interested in knowing frankly, and I think you are— —A. I understand.

Q. —too, when you think, or if you can form any opinion as to when we will get out of this very large carry-over?—A. If you will be kind enough, I would like to deal with that more fully, because there are so many things involved.

Q. That is perfectly satisfactory?—A. Thank you.

Hon. Mr. RALSTON: Shall we adjourn now?

The CHAIRMAN: In view of what is on in the House, shall we be able to get here again?

Hon. Mr. RALSTON: I do not know what is on.

The CHAIRMAN: The estimates are on, and the balance of those bills, other than the election bill.

Hon. Mr. RALSTON: So far as I am concerned, we can meet this afternoon.

The CHAIRMAN: We shall try, and let you know.

Hon. Mr. RALSTON: Are we going to meet to-morrow?

The CHAIRMAN: I thought we might finish with this witness and meet among ourselves.

Hon. Mr. STEWART: We should have a meeting in camera when we are through; I mean, when we are through with the evidence.

The CHAIRMAN: After we have finished with the witnesses.

Hon. Mr. RALSTON: Shall we try to meet this afternoon?

The CHAIRMAN: Yes.

Hon. Mr. RALSTON: You will call us?

The CHAIRMAN: Yes, we will try. We will try to make it four o'clock, if we can, and I will have somebody telephone or let you know.

The committee adjourned at 12.55 p.m., to meet again at 4 p.m.

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#### AFTERNOON SESSION

The committee resumed at 4 o'clock.

The CHAIRMAN: Gentlemen, would it be convenient if we adjourned now. Suppose we meet at 8.30 and close up the evidence tonight, and then as the House will not meet on Monday, probably we may meet in camera at 10.30 o'clock to see what we can do.

Hon MEMBERS: Agreed.

The CHAIRMAN: The meeting will adjourn until 8.30 tonight.

The committee adjourned at 4.05, to meet again this evening at 8.30 o'clock.

## EVENING SESSION

THE COMMITTEE RESUMED AT 8.30 P.M.

The CHAIRMAN: We are all present; we will come to order and Mr. McIvor will resume his testimony.

ROBERT C. McIVOR resumes.

The CHAIRMAN: Mr. Ralston, I think, has some questions to ask.

The WITNESS: Mr. Chairman, there was a question this morning with respect to the exports of wheat from Canada and I was able only to give an approximate answer. I have the figures here tonight. For the years 1930 to 1934 the average crop in all Canada for the five years was 348,000,000 bushels a year.

*By Mr. Stewart:*

Q. How many years?—A. Five, 1930 to 1934 inclusive.

*By the Chairman:*

Q. The grain crops in 1930, 1931, 1932, 1933 and 1934?—A. That is the average.

Q. Yes.—A. The exports for the crop years 1930-31 to 1933-34 averaged 231,000,000 bushels for the four years; the average of the 1935 season not being completed it is impossible to compute it with any degree of accuracy. Just at that point I should like to mention the carry-over on July 31, 1930, was 117,000,000 bushels, so that actually the only accumulation of wheat that there could be at the end of this year over and above that actual carry-over figure must be the difference between our visible wheat as at July 31 and the carry-over on July 31, 1930. That is all that can be charged to stabilization as an accumulation.

Q. My memory was, in all positions the carry-over was 127,000,000 bushels in 1930?—A. 1930; I am sorry, I may have the wrong figures, I got them from the Leyland-Stanford figures. There may be some differences particularly with regard to the stocks in the United States.

Q. That is what I had in mind. Last year, I think the carry-over was 193,000,000 bushels, in all positions 219,000,000?—A. Last year I think it was 203,000,000 bushels, the previous year, 219,000,000 bushels.

*By Mr. Porteous:*

Q. What do you estimate the carry-over is for July 31 of this year?—A. I do not know.

Q. Can you give us an approximate figure; any idea?—A. That depends on the exports between now and that period, and I would not like even to hazard a guess.

*By the Chairman:*

Q. The figures I had from the department of the Bureau of Statistics were 111,094,912 in Canada in the crop year 1930 plus 10,065,242 for the next, a total of 121,160,150?—A. Very likely the American wheat, wheat in store in the United States is where the difference comes in. The only figures I had available were Leyland-Stanford figures. Mr. Chairman, Mr. Ralston asked me a question this morning as to what the prospects were for our exports, and I have prepared a statement. I do not know whether it is the desire of the committee that I should read the statement or not; the only reason I suggest that is probably it might forestall some questions which are contained in the statement. Whatever the committee decides I shall do.

Q. Whether or not it would serve any useful purpose to have your opinion as to what the sales would be, I cannot say. It is entirely for the committee to say. My own opinion is I attach not too much importance to expectations; perhaps that is because I am inured to disappointment?—A. I really have not mentioned any figures. I merely covered the situation with a view to try to give some explanation of the position as it is to-day.

*By Hon. Mr. Ralston:*

Q. Have you said something like this factor, and on the other hand this factor?—A. I do not think you will find it in here.

Q. Not on the other hand?—A. No.

Hon. Mr. STEWART: What I do not like about these market predictions is that they are usually wrong.

Hon. Mr. RALSTON: Outside of that they are perfectly all right.

Hon. Mr. STEWART: No. Nobody on earth can tell what is going to happen to-day, it is so dependent on so many factors.

The WITNESS: There are really no market predictions, Mr. Stewart. However, it is a matter for the committee to decide.

The CHAIRMAN: If he has prepared the statement and desires to make it, I suppose we have no objection.

Hon. Mr. STEWART: I am not objecting.

The CHAIRMAN: What do you say, Mr. Ralston?

Hon. Mr. RALSTON: Yes, certainly.

The WITNESS

### *Stabilization and Exports*

In the press and before this Committee, the suggestion has been advanced that stabilization has in some way interfered with the export movement of Canadian wheat. I therefore propose to deal with this matter and present some views which may be of interest to the Committee.

Let me first advance the point that we have been operating under conditions of a limited world demand and that nothing that this country could do would alter this fact. I make this statement with one reservation—that if Canada, along with other exporting countries, had so acted as to depress world values still further, the net result might have been to cause even further restrictions on imports into those countries which were endeavouring to maintain an artificial price level for their producers, and hence a further restriction in the volume of world trade in wheat.

Furthermore, in a discussion of this subject the question of world surplus stocks of wheat is not involved. The fact is clear that there has been more surplus wheat in the world than importing countries were prepared to buy at any price and an accumulation in world wheat stocks was inevitable. The international wheat position would not be affected by the shifting of such stocks from one exporting country to another. It would still be available for the market. Therefore, an effort to redistribute surplus stocks among exporting countries would have had only one effect upon the international price level; the destructive effects of methods which might be employed in the attempt to force redistribution.

The problem therefore resolves itself into the clearcut issue of what percentage of world trade Canada has received and the possibility of having secured a larger percentage of world import requirements.

In his speech in Parliament on the second reading of this Bill, the Prime Minister submitted a statement showing the percentage of world trade secured by Canada over a period of years. That statement shows what has been accomplished in maintaining Canada's share of world trade in wheat, and provides

a record which can be submitted to you as the only policy that could have been safely followed, especially if the competitive situation is taken into consideration and attention paid to large Russian shipments in 1930 and 1931, and subsidized exports from other countries during the past five years.

There are still those who say, however, that Canada might have done better, and this suggestion prompts me to place before this committee a few relevant facts:—

(1) All exporting countries, including Canada, have been affected by the reduction of imports into France, Germany and Italy. Broadly speaking, such decreases as have taken place in the other importing countries have been offset by increased requirements in the United Kingdom, Netherlands, Belgium, etc.

Let us examine the situation in France, Germany and Italy. From 1924-25 to 1928-29 these countries imported an average of 215 million bushels annually. From 1929-30 to 1933-34 these countries imported an average of 95 million bushels—an annual reduction of 120 million bushels in the latter period as compared with the former.

Let us look at the situation last year. France, Germany and Italy imported a total of 26 million bushels. Germany, in fact, became a net exporter of approximately 5 million bushels. What has this situation meant to Canada? Assuming that we received 40 per cent of the imports of these three countries prior to 1929-30 (a moderate percentage) a market was afforded for about 85 million bushels of Canadian wheat. Last year if we had secured the entire market of these three countries (and we did receive a very large share) we had an outlet for only 26 million bushels. This is one phase of the export problem which must be realized.

(2) It has been repeatedly stated before this committee that Canada should have lowered her price and sold more wheat. Mr. Richardson stated that he could have sold more Canadian wheat if the price had been 70 cents per bushel. I cannot agree with that type of reasoning. Those who hold that Canada could have sold more wheat by lowering prices must at the same time demonstrate, first that such action would have resulted in the lowering of the spread between Canadian wheat and other wheats, particularly Argentine; and secondly that a narrowing of the spread between Canadian wheat and other wheats would have curtailed the movement of competitive wheats—chiefly Argentine wheat.

Let us briefly deal with these two points. In regard to the first point, namely the possibility of narrowing the spread between Canadian wheat and other wheats, I wish to point out that price as such may not be significant. It is not the absolute price of Canadian wheat which is important but rather the relative price; that is, the relation between the price of Canadian wheat and the price of other wheats.

If we dropped our price 10 cents and the Argentine dropped 10 cents the relative positions would not have changed and both countries would lose. Actually that is what happened last fall. The following table shows the price of Canada (No. 2 N.) and Argentine (Rosafe) at Liverpool on August 1st and November 1st—(cents per bushel):—

	August 1	November 1	Change
Canadian .....	97 $\frac{3}{8}$	85 $\frac{3}{4}$	11 $\frac{5}{8}$
Argentine .....	75	63 $\frac{1}{8}$	11 $\frac{7}{8}$

In spite of the fact that our wheat was quoted at about 22 cents over Argentine, the latter followed our reduction to the cent.

*By Hon. Mr. Stewart:*

Q. Just there, if you do not mind my interrupting you; that was about the widest spread that ever existed, was it not?—A. I think it was a little wider than that.

Q. For a very short period?—A. Yes.

Q. You mean every time you reduced your price, or the price of Canadian wheat fell, Argentine wheat fell in sympathy?—A. Yes. These figures would show that.

*By Hon. Mr. Ralston:*

Q. Just two months?—A. That was in August, September, October and November.

Q. You only show one year and two months, September-October, November?—A. Four months.

Q. Three months.

The CHAIRMAN: I gave you the figures, I think, for that.

Hon. Mr. RALSTON: The Prime Minister gave the figures for them all.

The WITNESS: I have those figures here.

The CHAIRMAN: At least, when I say "I gave them" I mean I gave them as I received them from the Bureau.

*By Hon. Mr. Ralston:*

Q. They do not show anything like that universally?—A. If you can go over them and find a number of examples, like that—

Q. You could find examples just the opposite to that. You could find examples with a spread of 2 or 3 cents and you could find others with a spread of 11 or 12?—A. You find them in 1932-33. The foregoing data is sufficient to illustrate the unreasonableness of stating what would be the result of raising or lowering the price of Canadian wheat.

Q. That is what I object to, a statement like that—"the foregoing data is sufficient to illustrate"—A. I think if you go over the whole picture you will find that in most cases the Argentine would follow our declines. There are reasons why it did not follow our declines, but in a general way.

The result in terms of possible exports rests entirely upon what action other countries would have taken to meet the new situation created by a decision of this nature on the part of Canada.

In regard to the second proposition, i.e., that a narrowing of the spread between Canadian and other wheats would have curtailed the movement of competitive wheats, especially Argentine wheat, I desire to present some data which, I trust, will receive the careful consideration of this Committee. To assist in discussing this very important point, it will be necessary to present some statistics relative to stocks of wheat in various countries. The following table (x) shows world carry-over, Canadian carry-over, United States carry-over, as at July 31st, and stocks of wheat in the Argentine, as at November 30th and December 31st respectively.

Q. At what years?—A. From 1922-23 to 1933-34. I might point out actually those dates are really the end of the crop year in the Argentine. For the purpose of figuring we—actually that is before the new crop comes on.

*By the Chairman:*

Q. When is the new crop generally available for shipment?—A. It starts in January, usually.

Q. At the present time what is the condition of their crop?—A. Too early, I think—

Q. I do not mean the condition of it. What is the study of it; how far advanced is it?—A. It has just really been planted a short time.

Q. It has just been what?—A. My recollection is the seeding dates there are from April to June, so that it would be dependent upon climatic conditions

Q. That is what I want. What about the Australian crop?—A. A very similar situation.

Q. Excuse me for interrupting. You were going on with your table.—A. Yes.

*World carry-over Canada (From Hansard) United States Argentine*

(million bushels)

1922-23.. . . . .	560	12	146	10
1923-24.. . . . .	685	44	146	10
1924-25.. . . . .	528	28	114	10
1925-26.. . . . .	611	38	105	35
1926-27.. . . . .	647	53	118	15
1927-28.. . . . .	704	91	120	15
1928-29.. . . . .	971	127	241	20
1929-30.. . . . .	992	127	304	20
1930-31.. . . . .	1,007	141	325	20
1931-32.. . . . .	998	138	385	14
1932-33.. . . . .	1,097	219	391	10
1933-34.. . . . .	1,141	204	290	15

Now if you will examine closely the figures shown in the foregoing table, you will notice that in every year since 1922-23 the Argentine has sold her entire surpluses within 12 months time. You will notice that the increase in world carry-overs starting in 1925, the increase in the United States carry-over commencing in 1926, the increase in the Canadian carry-over starting in 1925, were not reflected in any increase in stocks carried in the Argentine after 12 months of selling. In other words, no matter what conditions have existed in the international market, no matter what selling methods were utilized in their own and in other countries, no matter whether our market in Canada was entirely free, affected by pool operations, or stabilized, no matter how world demand has expanded or contracted, Argentine crops have disappeared within a year from the time of harvest.

Q. Have you any record of how rapidly the Argentine sells its crop? You spoke this morning of the market conditions in our country in the fall. Have you anything to show what proportion or percentage of the Argentine crop is sold in the early months of their crop year? I am just asking if you have that.—A. I have not the record, but it is quite heavy.

Q. Is it anything like our own?—A. No.

Q. No?—A. No, it is not.

Q. Thank you. Excuse me for interrupting. Just proceed with your statement.—A. All right. These are statistics which bear consideration in discussing the matter of exports. I am of the opinion that there is ample evidence to show that exports from the Argentine take place irrespective of conditions in international markets, irrespective of price levels existing.

This may appear to be a rather broad statement and you ask if there is any reason for this situation. The fact of the matter is that the Argentine has no storage capacity as we know it in Canada, and once wheat leaves the farm it must go into international trade within a relatively short time. Lacking country elevators and lacking terminals, the Argentine must utilize ocean shipping for storage. The result is that a large part of the Argentine wheat crop is placed afloat unsold and directed towards various markets. It takes approximately 30 days for an ocean freighter to travel from Buenos Aires to Liverpool, and within those 30 days that cargo must be sold, and a buyer must be ready to take delivery when the boat docks at its destination, otherwise it becomes a distressed cargo.

To those who say that Canada should lower her price to compete with the Argentine, I simply reply that the problem is much larger than it appears on the surface. I must point out to them that at no time since the war has any country been able to displace Argentine wheat. I further state that if, under the circumstances, and evidence seems to support this view, that the Argentine crop must move into export trade because there is presently no alternative, then I suggest that efforts on the part of other exporting countries to displace Argentine wheat will only result in a complete demoralization of markets with little change in the quantities of grain supplied by each competing country. I further suggest that the price at which Argentine exports could be forced out of their usual trade channels would be a price which would be so low as to not make it worth while for the Argentine farmer to harvest or move his crop off the farm. This is a price which we cannot afford to extend to our producers in Canada, which we cannot afford nationally, and which would constitute a dissipation of our most valuable natural resources.

I am firmly of the opinion that Canada has a storage system for a purpose and that this storage system, if it has any value, must return a higher price to the producer than he would otherwise receive. The grain marketing organization in Canada has been utilized for this purpose in recent years. We have succeeded in getting the best possible price for the Canadian producer and in doing so we have been a helpful influence in international markets. We have failed to do the thing which many people suggest we should have done, that is, to force the world price level to the point where wheat would not be delivered by Argentine farmers, and in failing to take that action we claim we have served the best interests of the farmer of the country, and have prevented the absolute demoralization of grain prices and the total collapse of grain marketing machinery.

In view of the foregoing facts, is it not a reasonable proposition that Canada should make use of her storage facilities to carry stocks of wheat which cannot, under any circumstances, be profitably marketed under existing conditions, especially when we could only escape that responsibility by forcing the international price level down to the point where wheat would become neither an asset to our producers or to the country at large. By following the policy which we have, we have accepted the inevitable responsibility of carrying surplus stocks of wheat, and we have been repaid for performing that function by getting an additional premium in world markets for our wheat in addition to maintaining an international price level which, with due regard to existing conditions, gives us some return for our product. I am confident that before long there will be a sufficient recovery in world trade in wheat to enable us to market the bulk of our accumulated stocks in a satisfactory manner. Prospects at the moment indicate an increase in the demand for wheat in Europe during 1935-36. The present prospects are for smaller harvests in Italy, in France, in Spain, and other European countries. I am reasonably confident that, barring unforeseen factors, Canada's position for the next seven months will be sound, and it will be a matter of satisfaction to us if we have so conducted ourselves during the intervening years to prevent what might have been tragedy both for the producers and the country at large.

*By the Chairman:*

Q. Mr. MeIvor, if I followed you correctly in what you have read, your opinion is that Mr. Richardson is mistaken in saying that a market could be obtained in the United Kingdom and other countries for 50 or 75 million bushels of wheat if they reduced their price to 70 cents?—A. Yes, I am quite satisfied on that point.

Q. I thought that was the inference from what you have said.—A. Yes. From August 1st to May 1st inclusive—that is 1934-35—the United Kingdom has imported 156,000,000 bushels of wheat, and Canada has supplied 54,000,000

bushels or 35 per cent. This is exactly the same percentage of the United Kingdom trade we had during the same period in 1933-34. Now, with regard to Mr. Richardson's suggestion, I would just point out that to have sold another 75,000,000 bushels to the United Kingdom would have meant our getting 85 per cent of the British market. The largest percentage we ever received was during 1932-33, when the United Kingdom took slightly over 50 per cent of her requirements from Canada.

Q. What were the requirements that year? We do not carry that in our heads accurately—was it 204,000,000 that year?—A. 1932-33?

Q. Yes.—A. I have the figures here, Mr. Chairman, some place.

Q. Never mind if you have not them right at hand.—A. It would be approximately running from 204,000,000 up to 220,000,000.

Q. I didn't know they ever got as high as 220,000,000. For the reasons you have given, your opinion is that Mr. Richardson was mistaken as to that?—A. Yes, I am; and there is another point that might be mentioned. If the market price was reduced to 70 cents in Canada, we still might not move out very much wheat due to the reduction in price because there is a short position in the market.

Q. You mean the shorts would cover their commitments at 70 cents and it might not go out of the country; is that what you say?—A. Yes. You, of course, would move some wheat.

Q. I had not thought of that.—A. But at the same time there is a great deal you would not have moved.

Q. Might I ask one more question which has to do with something said here about the acreage in Australia and Argentine being increased at the expense of Canada. I suppose you have the world tables prepared by Broomhall. It might be better for you to give them?—A. Yes, I think I have them here.

Q. You might put them on the record, although I think part of them are in Hansard now. We may as well have them here.—A. I have the figures here, the sown acreage in exporting countries. These are the figures of the International Institute of Agriculture.

Q. At Rome?—A. Yes. In 1928 the Argentine acreage was 22.78 million; in 1934, 18.48 million. In other words, from 1928 to 1934, they reduced their acreage 4.30 million acres.

Q. 4,300,000?—A. 4½, really.

Q. What is the position of Canada during the same period?—A. Canada in 1928 had 24.34 million acres; in 1934, 24.26—a reduction of .08.

*By Hon. Mr. Ralston:*

Q. .08 million, is that it?—A. Yes.

Australia in the same period had 14.84 in 1928 and 12.97 in 1934, a reduction of 1.87 million acres. The United States in 1928 had 48.43—

The CHAIRMAN: Perhaps it would be easier if you say 48,430,000 acres.

The WITNESS: Yes. And then a reduction in 1934 to 41,000,000 acres; a reduction of almost 7½ million acres. The figures for 1930 to 1934 are interesting. In 1930 reduction of acreage in the Argentine 21,500,000; in 1934, 18.5 million; a reduction of 2.80.

*By Hon. Mr. Ralston:*

Q. 2.80 what?—A. 2,800,000 acres.

Q. You have got acres, not percentages?

The CHAIRMAN: At any rate you have 2.8, or 2,800,000 acres.

*By Hon. Mr. Ralston:*

Q. You haven't these in percentages have you?—A. No, these are actual acreage, it can be worked out. Australia in that period, 1930, had 18,160,000 acres; reduced to 12,970,000 acres, a reduction of 5,190,000 acres.

*By the Chairman:*

Q. These figures are supplied by the International Institute of Agriculture at Rome are they?—A. Yes, sir.

Q. I think Mr. Richardson must have been mistaken, or else he has taken years rather than acres. When he made the statement it certainly did not agree with my understanding of the figures?—A. I did not notice his figures, were they for the same period?

Hon. Mr. RALSTON: He gave percentages.

The CHAIRMAN: He gave percentages; said there had been increased acreage in the Argentine and Australia; at the expense of Canada, were the words he used, if I remember right.

The WITNESS: That is not the fact.

The CHAIRMAN: I remember when the Wheat conference met the figures were quite different from that. However, these are figures you have taken from the Agricultural Institute at Rome.

The WITNESS: Yes, sir.

*By the Chairman:*

Q. You are quite sure as to the correctness of these figures as shown by the reports of that Institute?—A. They should be correct.

Q. I mean, you have taken them off correctly?—A. I think I have, yes.

Q. Yes. I did not follow you quite; you said that we sold this year, or last year I think you said, 35 per cent of the United Kingdom requirements of wheat; is that right?—A. Yes, sir.

Q. Have you the figures of the percentages for previous years?—A. I am sorry, I haven't.

Q. But you have one year and said we sold—?—A. I merely made a comparison between this year and last year.

The CHAIRMAN: Yes.

*By Mr. Vallance:*

Q. Would that be our quota, 35 per cent?—A. Our quota, of course, covers all the world.

Q. As far as Great Britain is concerned our quota should be that?—A. I think that is a fair consideration, 35 per cent is a large percentage.

*By Hon. Mr. Stewart:*

Q. You have said there was one year when we had 50 per cent?—A. 1932-33.

*By Hon. Mr. Ralston:*

Q. Was what?—A. 50 per cent.

The CHAIRMAN: Our position in world shipments according to reports furnished us indicated the highest in 15 years was 48 per cent of the entire world shipments; however, that is not a matter of moment.

*By Mr. Lucas:*

Q. I understood you to say that the Argentine crop was mostly sold afloat?—A. A good deal of it, yes.

Q. Have you any idea what percentage of Canadian wheat is sold afloat, if any?—A. Apart from the wheat that goes out from Vancouver the percentage is not very large; although, I think probably there is a little more in recent years; but really, the Vancouver wheat is largely put afloat before it is sold on account of the long distance.

Q. Was that policy pursued when you were in operation, on shipments by the pools?—A. Yes, it is a necessity as far as Vancouver is concerned.

Q. What is your opinion in regard to this world's surplus being distributed among the various exporting countries, or the surplus largely being held by one country; what effect does that have on the market, do you think it makes any difference?—A. Well, I think I have covered that in my statement here; that the wheat held by Canada is probably in a more satisfactory condition so far as the world is concerned than it would be if held by the Argentine or Australia; because these figures show that this year they are going to ship out all their wheat.

Q. Mr. Richardson in his evidence the other day in answer to a question I asked him said it was much more depressing for Canada, for one country, to hold a large amount of surplus—

The CHAIRMAN: A little louder, Mr. Lucas; I didn't hear you.

*By Mr. Lucas:*

Q. I was asking in regard to world surpluses being distributed among the various exporting countries or being held largely in one country. Mr. Richardson in his statement the other day said we should not have allowed the Argentine and Australia to have sold so much wheat. I asked, if we had pursued that policy then these other countries would have had a larger surplus, and what difference would that have made; he was strongly of the opinion that it made a great difference as a depressing influence if this wheat surplus was held by Canada. Is that your opinion?—A. No, I can't agree with that.

Q. The surplus is still there hanging over the market?—A. As long as the wheat is available.

*By Hon. Mr. Stewart:*

Q. Well, Mr. McIvor, you would not take the ground that it would have a less depressing effect on world markets to have that surplus in Canada rather than to have it distributed in other countries?—A. Then you would have to accept the position that Canada was the only exporter of wheat.

Q. Not necessarily?—A. How could you, if—

Q. Because you know perfectly well there is a time when other countries' wheat is going on the market in very heavy volume, and each country will get its turn at the market, and if we miss that market—at least, that is the explanation I have been given—we are bound to have some carry-over. But the point is this, to have a concentration either in the United States or Canada rather than distributed in all the competing countries would seem to me to be much more depressing to the country in which it is held?—A. What difference does it make?

Q. What difference does it make; it means that we are holding the bag?—A. Well, I know; but would not the rest of the world be holding their share, what difference is there so far as the crop is concerned?

Q. Quite right; but if it were distributed I cannot see your point in stating that it is better for one country to have that excess surplus than it is to have it distributed?—A. I didn't say it was better; I said I did not think it made any difference as far as the market was concerned.

Q. I got the impression that you said it would be better?—A. What I mean is that the Argentine sell their wheat every year.

Q. Because she has no storage—A. Yes.

*By Mr. Vallance:*

Q. Because of lack of facilities?—A. Yes.

*By Hon. Mr. Stewart:*

Q. Would you say then that because of the fact that we have the facilities we should hold the wheat?—A. I would say—put it this way—but the fact that we have the facilities indicates—you see, this is not a new departure.

Q. I know it is not?—A. Of course, we have always held supplies of wheat.

*By Mr. Vallance:*

Q. Of course we have. The point Mr. Stewart was trying to make, and I think he is making it, was: is it in the interest of the grower in Canada to know that we are carrying a larger volume of the world's carry-over than any other country; having in mind the producers of the country?—A. Well, the best answer to that is, if the other countries are going to ship their wheat freely on the markets of the world we can only expect to get our share of the trade.

Q. You think not?

*By Hon. Mr. Ralston:*

Q. We would not have as much stock, or the need to dispose of it?—A. What do you mean, Mr. Ralston?

Q. I mean that, as Mr. Vallance suggests, the carry-over is distributed among different countries of the world we have a smaller amount to dispose of; we would get our share and it would carry back to the other countries as well?—A. We get our share—the world's countries though sell all the wheat that they grow.

Mr. VALLANCE: And we don't.

The WITNESS: We grow more wheat than they do.

The CHAIRMAN: That is the answer given the other day.

*By Hon. Mr. Ralston:*

Q. We are suggesting it might be distributed?—A. How?

Q. By Canada not holding so much; by Canada selling her share?—A. These other countries will sell it anyway.

*By Mr. Vallance:*

Q. Why shouldn't we do that anyway?—A. Then it becomes a matter of the law of the jungle.

Hon. Mr. RALSTON: It is also a matter of business.

*By Mr. Vallance:*

Q. At one time we sold 50 per cent—

The CHAIRMAN: One year.

*By Mr. Vallance:*

Q. One year we supplied Britain with 50 per cent; what year was that?—A. 1932-33.

Q. And we have a preference in that market now?—A. Yes.

Q. And yet we only get 35 per cent of that market in spite of the fact that we have the preference?—A. We are getting more than our normal share.

Q. We got it without the preference, in the world preference but we didn't hold it; what is the answer to that?—A. The answer to that is that in 1932-33, as Mr. McFarland outlined in his statement, we had no alternative. We grew 450,000,000 bushels of wheat in this country and we had to throw it on the market at any price we could get.

Q. Then you have got to come back to world production and find out what percentage of world production we got at that time; did we have a world's share and percentage of the world market; remembering that we created a precedent?—A. I agree with that. Every year there are certain factors which you have got to take into consideration. I do not know offhand what the trading factors were in 1932-33. There is no doubt some explanation of that.

Q. There was a favourable condition for Canada to dispose of 50 per cent of Britain's requirements?—A. Yes.

Q. And since then that condition has not existed, we have not been able to supply 50 per cent; is that your conclusion?—A. Yes.

Q. What was the reason which caused that condition to change?—A. I did not say there has been any change in the condition in Britain, it is a question rather of the change in the crops in other countries. For example, this present year there is an export war.

Q. We know that in the last crop year Australia did not produce as much wheat as she did before?—A. That is true. The Argentine produced a very good crop.

Q. If we have come to the point now that we produce a large crop, irrespective of what the others do, we ought to hold back for the others?—A. You are not holding back for the others, you are holding it back for yourself.

Q. Your argument is this, there is world over-production of wheat somewhere?—A. Yes.

Q. And because of the fact that Canada has the facilities for holding the wheat we should hold wheat?—A. We should hold some of it.

Q. Then, it is not in the interest of the producer to have these facilities?—A. The facilities are here and as long as we grow wheat in Canada we have to use the facilities.

Q. So your advice to Australia is not to have these facilities?—A. I should imagine the Argentine would want facilities.

Q. I appreciate your position?—A. We have been giving them all the encouragement we could to find them.

*By Mr. Lucas:*

Q. The fact that the Argentine hasn't any storage of any kind practically forces them to get rid of their surplus?—A. Yes.

Q. I think the figures that Mr. McFarland gave there in regard to the carry-over are very illuminating. They show that over a period of 12 years the Argentine carry-over was fairly steady running from 10 to 15 to 20 to 14 etc.

Mr. VALLANCE: Yes.

Mr. LUCAS: One year it was 35,000,000, but that was back in 1934.

Mr. VALLANCE: As I understand it Canada in 1922-23 carried nearly 12,000,000 bushels; for 1933-34 she carries over 204,000,000 bushels. Are you making the same argument in respect to that?

Mr. LUCAS: Did you say that the Argentine having no storage facilities had been compelled to carry out pretty much the same policy every year even back in the years when there was a small carry-over?

Mr. VALLANCE: Irrespective of price we find that in 1922-23 we carried over only 12,000,000 bushels. The same policy was in existence in 1933-34 when we carried over 204,000,000 bushels.

The WITNESS: How much wheat did you grow in 1922-23?

Mr. VALLANCE: I haven't got the amount here; but you have got to take world production into account.

The CHAIRMAN: Take the acreage; you will find that there is little over half the acreage.

Mr. VALLANCE: When you go back to 1915, we produced over 500,000,000 bushels away back in 1915.

The WITNESS: We had a war on.

Mr. VALLANCE: The war didn't produce wheat.

The WITNESS: But it consumed it.

Mr. VALLANCE: That is all right, sure; but the Argentine and Australia were producing, but not to the same extent I think.

*By the Chairman:*

Q. The fact of the matter is there are no elevators or storage facilities in the Argentine, only ships afloat?—A. Yes.

Q. And, as demurrage charges to the trade are very high on the ship and cargo, the cargo is sold against arrival?—A. My main point, Mr. Chairman—I will be candid with you, I did not know this until I sort of checked over the situation—the Argentine wheat policy has been unchanged in the last ten years as far as disposing of the surplus is concerned. Every year they have been disposing of their surplus, but there has been during that period a shrinkage of imports.

Q. I believe the explanation, according to what men say on the street, is that the Argentine has to sell her wheat, since, having no facilities, she loads it on to ships?—A. Yes.

Q. And then it has to be sold because the charge of holding ships laden at the dock is too high, and they sell the wheat against arrival?—A. They sell it practically at whatever price they get for it.

Q. That is they sell it on arrival because they cannot hold the ship?—A. Largely on arrival, and on the ocean.

Mr. VALLANCE: Because of the fact that we have changed our policy for the last ten years we are holding 200,000,000.

The WITNESS: No, I would not say that; we are growing much bigger quantities of wheat.

The CHAIRMAN: The real truth about it, as these witnesses have said, is that Canada's production in—

Mr. VALLANCE: —in acres.

The CHAIRMAN: No, production in bushels is out of line with the production of wheat by other countries in the world as they were before, ten years ago, and the countries that then were importing are now exporting. For instance, France, Germany and other countries. That is the story.

Mr. VALLANCE: The point we are trying to raise is the fact that you have only had three great exporting countries—Argentine, Australia and Canada. True, as you say, some of those countries which previously were consuming countries or importing countries are now exporting countries; but we are comparing our position with the position of those two other countries who have been our keenest competitors in past years, and their position to-day is much more enviable than ours is.

The CHAIRMAN: Because they have not produced relatively so much wheat. That is what Mr. McIvor says.

The WITNESS: I do not know whether their position is more enviable or not; you have to take into consideration the price they have received, which is very important factor.

Mr. VALLANCE: I agree with that.

The CHAIRMAN: Fifteen cents a bushel the Argentine man was getting for his wheat.

The WITNESS: They simply were taking a very low world's price. I cannot see that their position is more enviable than ours.

*By Mr. Vallance:*

Q. You know there was one year they received—just as the chairman of the committee said, that the Argentine received as low as 15 cents and still were holding the bag?—A. Have you read the report of the Royal Commission investigating the market?

Q. I certainly have.—A. Will you say you would be perfectly satisfied with conditions?

Q. No, as previous witnesses said, the Argentine farmer is not happy to-day, but I ask you where there is a wheat producing country to-day on a similar basis where the producers are happy?—A. I do not know.

Q. It is a fact, nevertheless, that there are no producing countries on an export basis where the producers are happy?—A. I agree with that.

Q. Neither in Australia nor the Argentine nor Canada?—A. A very unhappy position for all of us.

Q. We seem to be—I mean to say—I was going to say we are in the most unhappy position?—A. I cannot agree with that.

Q. At least, we are not in a happy position?—A. Neither are these others, as far as that is concerned.

*By Hon. Mr. Ralston:*

Q. Mr. McIvor, in connection with the Argentine and Canada we are comforting ourselves with the fact that we are maintaining our percentage of exports to the United Kingdom. That is to say, we are maintaining our percentage of imports into the United Kingdom. I had a table made up showing the percentage of wheat and flour which Canada had of Britain's imports for the five years from 1923-24 until 1927-28 and for those five years it was 34·5 per cent—Canada had 34·5 per cent of Britain's imports. For the five years from 1928-29 to 1932-33 Canada had 30·04 per cent, even including that 50 per cent of 1932-33?—A. Yes.

Q. For the year 1933-34 she had 35·36 per cent—not over the average of the previous five years of 2 per cent.

The CHAIRMAN: Not quite.

*By Hon. Mr. Ralston:*

Q. And for 1934-35 up to April 30th she had 36·56 per cent. So that based on those figures you say that Canada is maintaining the position with regard to the proportion of British imports on wheat and flour which she was sending?—A. Yes.

Q. The fact is that there are some other countries that have fallen off in supplying Britain, are there not? I refer to the United States particularly?—A. Yes; but then you have to take into consideration the fact that the world demand has shrunk.

Q. I am talking about imports into the United Kingdom.—A. You have to look at the whole picture.

Q. Oh, no.—A. Oh, yes, of course.

Q. You have been saying that we should comfort ourselves with the fact that we have been maintaining our proportion of our imports into Great Britain. Let us assume that. But in the five years 1923-24 to 1927-28 the United States supplied of British imports 28·62 per cent; in the five years 1928-29 to 1932-33 the United States supplied only 13·21 per cent, less than half; and in the year 1933-34 the United States supplied only ·18 per cent; and in the year 1934-35 up to April 30, the United States supplied only ·23 per cent. Now, who got

that amount that the United States ceased to supply. Who supplied that? Did Canada?—A. The Danubian countries, France and various countries. They replaced that demand. But the point I would like to make in order to arrive on a fair basis would be the shrinkage in world's demands; you have to take that into consideration.

Q. I am taking you on your own basis, that we, at least, ought to comfort ourselves that we have been supplying the same proportion of British imports, and I asked you who had taken the place of the United States in supplying Britain's demands. It was not Canada, that is sure.

The CHAIRMAN: In part, Mr. Ralston.

Hon. Mr. RALSTON: No—only a part.

The CHAIRMAN: If you will look at Hansard, page 3887, you will find that is accurate.

The WITNESS: Russia in one year, and practically two years, Danubian countries, France has shipped wheat into England, also selling it at slaughter prices.

*By Hon. Mr. Ralston:*

Q. Would you mention the Argentine?—A. I do not like to go on with this point without having the figures.

Q. I have these figures, and you can check them. The figures are that the Argentine in the five years ending 1923-24 to 1927-28 supplied 16·26 per cent. In the next five years, although Canada went down by 1 per cent, Argentine went up nearly 4 per cent to 20·7 per cent. In the year 1933-34 when Canada went up 2 per cent the Argentine went up 4 per cent to 24·4 per cent, and in this particular year that we are now in up to April 30, while Canada went up 1·2 per cent the Argentine went up 7 per cent. In other words, the Argentine compared with the five years 1928-29 to 1932-33 supplied—in the five years I have mentioned—20·7 per cent, and this year up to April 30, the Argentine supplied 31·4 per cent and Canada stood still.

The CHAIRMAN: We supplied 35 per cent.

Hon. Mr. RALSTON: I say Canada stood still.

The CHAIRMAN: No, we increased.

Mr. VALLANCE: We held our own.

The CHAIRMAN: No, we increased our percentage up to the 30th of April to 35·1 per cent.

Hon. Mr. RALSTON: No, Mr. Chairman, my figures are these: I said Canada stood still—she increased 1 per cent—Canada in 1933-34 supplied 35·36 per cent—1934-35 up to April 30, 36·56 per cent.

The CHAIRMAN: Even that is higher than I have.

*By Hon. Mr. Ralston:*

Q. For Canada for the five years from 1928-29 to 1932-33 the figure was 33·4 per cent. In other words, while Canada went up 3·52 per cent, Argentine went up 11 per cent, or 10·7 per cent. That is one country that has helped to displace the United States, and it is not Canada?—A. Oh, yes, I know, but at what price?

Q. Well, she has sold her wheat in Great Britain and in the very year we have a preference of 6 cents Argentine has gone up to 70 cents?—A. You can see what the spread has been between Argentine and our wheat. That is the argument.

Q. I do not think your argument gets us very far if you say we ought to be comforted by the fact that we are supplying the same proportion of Britain's requirements as we were before, if the Argentine is taking the place of the

United States, and if Australia has gone up by 3 per cent, and if other countries have fallen off by 4 per cent—that is, United States and other countries have fallen off, 13 per cent for the United States, and other countries have fallen off 4 per cent and the place has been taken largely by Argentine and by Australia?—A. Well, now, Mr. Ralston, how are you going to look at this point. Are we going to take into consideration the prices the Argentine got for their wheat and the prices we got for our wheat?

Q. I am going to take into consideration the fact that we have to pay the producer a fair price, and I am also going to take into consideration the fact that we cannot indefinitely roll this wheat up, and it is no use for us to just count wheat as cash unless we can sell it?—A. As a matter of fact, unless I am altogether mistaken, and I do not think I am, Canada will be in the position this year of having sold all of her wheat crop, all of the crop she raised plus a percentage of the carry-over.

Q. Now, you have not said that in your memorandum, but you go that far, do you?—A. I think it is a fact.

Q. You have not said that in your memorandum, but you go that far?—A. I think it is a fact. You can easily figure it out: we raised 275,000,000 bushels, we used for our own home use 110,000,000 bushels, that is 165,000,000 bushels.

Q. You are talking of 1934-35, and I thought you were talking about futures?—A. No, the present year, 1934-35. Canada shipped out to date, up to the 17th of June, 142,000,000 bushels. That leaves a balance of 23,000,000 bushels from last year's crop.

The CHAIRMAN: The other witnesses gave a larger figure than that, that we had to ship up to the end of June.

The WITNESS: This table shows shipments both of wheat and flour for the first forty-six weeks of the present crop year, totalling 142,000,000 bushels.

Hon. Mr. STEWART: Your contention is that we will sell the present year's crop and sell the carry-over.

The WITNESS: I am sorry, Mr. Chairman, the figure should be 150,000,000.

Hon. Mr. RALSTON: What figure should be that much?

The WITNESS: The shipments up to the present time. That leaves us with 15,000,000 bushels of this year's crop, this year's production, and we have here at June 17, six weeks. Our shipment should average 4,000,000 bushels a week.

*By Hon. Mr. Ralston:*

Q. What are they averaging now?—A. About two and a half.

Q. Since when?—A. Oh, the last several weeks.

Q. When you say several weeks who do you mean?—A. The last week in the shipment.

Hon. Mr. STEWART: They have not gone much over 2,000,000 bushels.

The WITNESS: Yes, but you have a strike in Vancouver.

Hon. Mr. RALSTON: I thought they were less than a million for several weeks.

The WITNESS: They have had one week, Colonel Ralston, of about 900,000 bushels.

Hon. Mr. RALSTON: What were they up to April?

The CHAIRMAN: Mr. Richardson put the shipments to June 21st at 153,000,000 on page 180.

*By Hon. Mr. Ralston:*

Q. What were they for April?—A. You can get different figures on them. It is possibly correct. I am not doubting, and it might be correct. You want to know what the shipments were? 13,240,000.

Q. For April?—A. Yes.

Q. 3,000,000 a week? What were they for May?—A. It is not 3,000,000 a week, because there are five weeks figured in that. May, 14,176,000 bushels.

Q. That is a four-week month?—A. Yes, sir.

Q. That is 3,000,000. Then, you have six weeks to ship how many bushels?—A. 24,000,000.

Q. 24,000,000?—A. Yes.

Q. To clean up the old crop?—A. No, that will lead into our carry-over to the extent of 10,000,000 bushels.

Q. Now, can you tell us if you had anything to do with the estimate that was made that we would not have a carry-over of more than 100,000,000 bushels?—A. What estimate?

Q. An estimate made in Moose Jaw, an address delivered in Moose Jaw.—A. I did not deliver any address.

Q. Did you have anything to do with making up the estimate?—A. No.

Q. You did not, or did not concur in that. I am not asking you anything more than that.—A. I did not have anything to do with making up the estimate.

Q. That is all right; I thought you had made the estimate because you were the sales manager.—A. No.

Q. —of the C.C.W.P.—A. I am responsible for the sales.

Q. You are not responsible for the rest of it?—A. No, except what I am giving you here to-night. These are my own personal figures.

Q. Now, we will cut into our surplus in Canada, our carry-over with 10,000,000 bushels because of the fact we have that—our crop of 1933-34 was how many million bushels?—A. 275,000,000 bushels.

The CHAIRMAN: That is what he put it at.

Hon. Mr. RALSTON: Yes.

The WITNESS: We cannot tell what the crop is until the grain is all delivered; it is an estimate, of course.

*By Hon. Mr. Ralston:*

Q. It was supposed to be a fairly accurate estimate?—A. Well, very often it is.

Q. Within five or ten million bushels?—A. Perhaps 10 or 20 million bushels.

Q. What do you say is a normal crop? I am rather interested in what you said this morning, because I thought you were a little low, but perhaps not.

The CHAIRMAN: He said 300,000,000 this morning. He has produced figures to show 324,000,000 is the average.

The WITNESS: That depends a good deal on your acreage and other considerations. I gave you the figures of the average crop for the last five years.

*By Hon. Mr. Ralston:*

Q. What is the latest estimate of our crop for the 1935-36 year?—A. I never like to use an estimate made in the month of June.

Q. Would you be good enough to give us what the estimate is, as there are plenty of them being made?—A. Well, all the way from—Well, Colonel Ralston, these estimates are all unofficial. There have been no estimates made with anybody—

Q. Everybody has given them.—A. I have heard estimates as high as 350,000,000 to 375,000,000 and I have heard estimates as low as 300,000,000 bushels.

*By Hon. Mr. Stewart:*

Q. Is there much of a reduction in acreage this year?—A. Yes, sir, according to the—mind you, there is a difference of opinion with respect to that, too. According to the *Free Press* figures, there is quite a substantial reduction.

The CHAIRMAN: Miss Hind estimated a substantial reduction in acreage.

The WITNESS: Yes, sir.

The CHAIRMAN: Miss Hind gave a detailed report of a substantial reduction.

The WITNESS: In figuring a crop, Col. Ralston,—let us talk about acreage. Take here decrease of 21,000,000 acres this year—

*By Hon. Mr. Ralston:*

Q. Is that the estimate made?—A. That is Miss Hind's estimates. In order to realize a crop of 300,000,000 bushels, you would have to have 15 bushels to the acre, and of course, with a return of 20 bushels to the acre, the average would go to 400,000,000 bushels for those acres, or a little better.

The CHAIRMAN: Mr. Vallance knows as much about that as we do.

The WITNESS: 15 bushels to the acre is fairly substantial.

Mr. VALLANCE: The province of Saskatchewan has averaged 16 bushels to the acre over a period of years.

The WITNESS: I think that is a fair average. Mind you, we are talking about something that is not—

Hon. Mr. RALSTON: We are talking about something that is in the newspapers every day, that Canada is going to have a good crop this year.

The CHAIRMAN: We might help you out if you asked the witness whether or not the wheat is headed out yet.

Hon. Mr. RALSTON: No. I am only talking about these people who are predicting in the newspapers as to what the crop will be this year.

The WITNESS: Most of the June crop estimates are made from the train windows.

*By Hon. Mr. Ralston:*

Q. You must have some reports that you are getting that we are going to have a good crop this year?—A. I have this on the subject—I did not want to mention this, because it really has nothing to do with what we have been talking about.

Q. It has something to do with what my question is.—A. I had a wire from Winnipeg to-day and mind you, this is just somebody else's view that there was a possibility of rust in western Canada.

*By the Chairman:*

Q. What is that?—A. A possibility of rust.

Hon. Mr. STEWART: He is premature, too.

The WITNESS: Yes. I am just mentioning that to indicate that this time of the year it is a very dangerous thing to say what the crop will be.

*By Mr. Lucas:*

Q. There is more danger of rust in a wet season?—A. Yes, there is.

Mr. VALLANCE: July will tell.

The WITNESS: This is the way this wire reads: "Rust reported in Nebraska." Ordinarily rust moves up in Canada. "Also reported Canadian west all set for rust." He means by that, conditions are such it would make rust. Now, if you have rust, it would change the whole crop picture around, because nothing reduces a crop like rust.

Mr. VALLANCE: If you have a crop, you may have grasshoppers.

*By Hon. Mr. Ralston:*

Q. You are not betting on rust?—A. I am not betting on anything.

The CHAIRMAN: Miss Hind made a detailed and careful estimate of the crop, in which she intimated it was premature to make any prophecy on what the crop might be, because the crop was very late. She gave dates of maturity in each section over which she travelled, putting the maturity date at very late in the year. She gave the exact number of days—I daresay you remember that.

Mr. VALLANCE: Not only that, but I left here on the 29th of June last year and got on the farm, and I never had a nicer crop grow on the farm, but I had no crop.

The CHAIRMAN: Exactly.

Mr. VALLANCE: I had grasshoppers. I think my friend from Rosetown can bear that out.

*By Hon. Mr. Ralston:*

Q. There is nothing on which you can base an opinion as to what the position will be at the end of the crop year, 1935-36, with regard to the carry-over?—A. I would rather not, Col. Ralston.

Q. You have not?—A. I can only tell you what I think, and the situation in the United States, from our standpoint has been much better in the last couple of weeks, because in the winter wheat area, where they are now in the harvest period, they are getting tremendous rains and it is causing crop lodge and they cannot harvest it. Now, they have rust in Nebraska, and when rust spreads over those other territories, it would mean that Canada's wheat position would be substantially better. The Chicago market went up three or four cents to-day, indicating their fears in regard to the southwest, so that I say it is only a guess.

*By Hon. Mr. Stewart:*

Q. The thing that disturbs me, Mr. McIvor, is, looking at past performances and the probable world market, we are not going to be able to market and get our fare share of the market or at least more than 200,000,000 bushels annually.—A. You might have to face that, Mr. Stewart, unless you are prepared to get out and compete with those other countries at low prices.

Q. I am not a bit afraid of competition from any country but Argentine.

The CHAIRMAN: Russia, this year.

Hon. Mr. STEWART: Russia is not liable to come back.

The WITNESS: You cannot tell.

The CHAIRMAN: According to the report in the paper about a week ago, the Russian crop was the largest in her present history, and the crop in 1930, when our sales in the United Kingdom went down 25 per cent of the whole, was over a thousand million bushels. It is a tremendous crop.

Hon. Mr. STEWART: It is a tremendous country.

The CHAIRMAN: The wheat area.

*By Hon. Mr. Ralston:*

Q. Just about this time last year there was an expectation, or at least there seemed to be a possibility of there being a drought in the United States, was there not?—A. It materialized.

Q. What happened to the crop?—A. They raised a total of 496,000,000 bushels.

Q. Instead of?—A. 800,000,000 bushels.

Instead of 800,000,000 bushels, and we raised 200,000,000 bushels instead of, let us say— —A. 275,000,000 bushels.

Q. Let us say a normal crop of 300,000,000 or 348,000,000 bushels.

The CHAIRMAN: 324,000,000 for average.

*By Hon. Mr. Ralston:*

Q. Instead of an average of 324,000,000. United States only raised half of their normal crop last year?—A. Yes.

Q. We still find ourselves with this 200,000,000 or 225,000,000 bushels on hand?—A. Probably, Col. Ralston, they were carrying very big stocks on hand from the previous crop.

Q. It appears here in the statement. They were carrying 180,000,000 bushels less than the year before?—A. Yes.

Q. So that you cannot give much hope of running off this carry-over next year or the year after?—A. I would not say that, Col. Ralston.

Q. Can you give any?—A. Yes, I certainly can. I would not like to make a statement of that kind.

Q. What do you say?—A. I would not like to agree to a statement of this kind this year or the year after.

Q. You would not?—A. I would not.

Q. Therefore you have hope?—A. This whole picture can change at any time.

Mr. VALLANCE: To-night.

The WITNESS: Yes, depending on the growing crop.

*By Hon. Mr. Ralston:*

Q. If a number of different factors materialize; if they have rust in the Argentine, if drought in the United States, if rust in the United States, or if there is a small crop here, then the picture might change.—A. That is all that counts in the growing crop. If you have a big crop, perfect conditions, lots of wheat—that seems to be the thing that takes care of the situation.

Q. You are basing that hope on two factors that are absolutely impossible of ascertaining at this stage.—A. What other factors can you base it on?

Q. I am asking you if that is so.—A. Yes.

Q. I want to see the ground of your hope.—A. What other factors are there?

Q. I want to see the ground for your hope.—A. You have made the statement there that I cannot see any hope for the next year or two.

Q. No; you said you had a hope.—A. Yes.

Q. I say you are basing that hope on factors which are absolutely impossible of ascertaining at this time.—A. I would not altogether agree with that.

Q. Will you tell me anything that is ascertainable at this time?—A. Yes, I would say irrespective of all this rust and all this we have been discussing.

Q. Irrespective of our crop, irrespective of the United States crop, irrespective of the Argentine crop.—A. Yes, that Canada should have a very good business in the next seven months.

Q. Yes?—A. A very good business in wheat.

Q. Amounting to?—A. Well, I do not know the quantity.

Q. Let us get down to something.—A. Col. Ralston, how can you say?

Q. I do not know; you were saying it, I am not.—A. I said, "very good business."

Q. I say, "very good business" does not help very much in arriving at anything in regard to this problem we have before us. I asked you just before we left this morning as to when you think we might get this 225,000,000 bushels run off. You stopped there, and wanted to think it over. I have looked through

your statement here to try and find any answer to the question and all I can find is this last paragraph which said, "I am confident that before long there will be a sufficient recovery in world trade in wheat to enable us to market the bulk of our accumulated stocks in a satisfactory manner." Now, what does "before long" mean?—A. Well, as I mentioned, I hold the view that we are going to have a very good trade in Canadian wheat in the next seven months. I think you will understand that it is impossible for Canada to say, "we will sell so much wheat." It depends entirely on what the demand is. But I think we are going to have a very good trade.

*By Mr. Vallance:*

Q. Mr. McFarland held that view last February when addressing that convention in Moose Jaw, didn't he?—A. We are using hind-sight now.

*By Hon. Mr. Ralston:*

Q. We will have to be using hind-sight with regard to your estimate too, sooner or later?—A. That is true.

*By the Chairman:*

Q. As a matter of fact, those figures were taken from Broomhall's estimate?—A. Yes.

Q. Which he subsequently revised by saying that his estimate of world requirements was entirely too high for importing countries?—A. He based his figures on Broomhall's figures.

Q. And I say Broomhall subsequently pointed out that his estimates as to the requirements of importing countries had been made too high?—A. Yes.

Hon. Mr. RALSTON: Too high by how much?

The CHAIRMAN: As a matter of fact, I don't carry the figures in my head.

Hon. Mr. STEWART: 82 million to 44 million.

The WITNESS: 76 was the original estimate—576 million.

Hon. Mr. STEWART: The other night we were given 82,000,000, and it dropped down to 44,000,000.

The CHAIRMAN: That is right.

Hon. Mr. RALSTON: In other words, Broomhall was 46,000,000 bushels too high.

Hon. Mr. STEWART: Yes.

The CHAIRMAN: The full figure was higher than that.

The WITNESS: 576,000,000 was Broomhall's original estimate.

*By Hon. Mr. Ralston:*

Q. And that was the one Mr. McFarland used?—A. Yes, that is what he based his estimate on.

Q. What is Broomhall's subsequent figure?—A. There are so many papers here—I think it was 544,000,000, but I have just mislaid my papers. I have the figures here, but I have just mislaid them for the moment.

Q. All I really want to know is how much too high was Broomhall's estimate?—A. 544,000,000—

Q. How much too high was Broomhall's estimate?—A. 576,000,000 to 544,000,000.

Q. 32,000,000 too high?—A. Yes.

The CHAIRMAN: I could not quite hear that?

Hon. Mr. RALSTON: He said Mr. Broomhall was 32,000,000 too high.

*By Hon. Mr. Ralston:*

Q. And what proportion does Canada supply of the world's requirements, approximately?

The CHAIRMAN: About one-third, roughly.

Hon. Mr. RALSTON: About how much?

The CHAIRMAN: Roughly, say a third.

The WITNESS: Roughly, 35 per cent.

*By Hon. Mr. Ralston:*

Q. That would make a difference in Mr. McFarland's estimate of 12,000,000 bushels on that basis?—A. No, because Broomhall reduced his estimate.

The CHAIRMAN: His world requirement figures.

Hon. Mr. RALSTON: It is world requirements that I am speaking of.

The WITNESS: Yes, he reduced his Canadian figures.

*By Hon. Mr. Ralston:*

Q. He reduced his what?—A. His Canadian—expectation of Canadian.

Q. By how much?—A. By 36,000,000 bushels.

Q. You say Mr. McFarland, so far as he is out by 36,000,000, was Broomhall to blame for that?—A. I didn't say that.

Q. Well, that is the situation?—A. I said that he used his figures.

Q. I didn't use the expression in any invidious sense?—A. I know what you meant. I say that he used Broomhall's estimates. What is his estimate there?

Q. Mr. McFarland's?—A. Yes. I am talking in circles here, because I don't know what it was.

The CHAIRMAN: Page 140 of the evidence.

Hon. Mr. RALSTON: Exports to December 31st—I will just read this:—

The Canadian Government estimated the crop at 275 million bushels and carry-over from last year was 194 million—a total of 469 million on hand August 1st. Home requirements would be about 120 million leaving 349 million for export and carry-over. Exports to December 31st were 100 million so that 249 million bushels remained from which to draw 168 million, the quantity necessary to balance Broomhall's estimated world demand of 552 million.

Not 574 million, whatever you had?

The WITNESS: 576 million.

Hon. Mr. RALSTON: Not 576 million; so Mr. McFarland was assuming that on Mr. Broomhall's estimated world demand of 522 million. Reading on: "This would mean a carry-over on August 1 next of 81 million. From whatever angle you approach the question of exports, our carry-over will be well under 100 million August 1 next, which contrasts with the whispering campaign going around recently to the effect that Canada's foolish policy will leave us with a carry-over of 200 million—said Mr. McFarland."

The CHAIRMAN: I think it is unfair to ask this witness to answer for what Mr. McFarland said. I do not think he can do it. He could not. That is one of the difficulties that I said arose at the very start. If Mr. McFarland were here, he could give some explanation.

The WITNESS: I will try, Mr. Ralston, to answer any of your questions.

Hon. Mr. RALSTON: I did not ask you. Mr. Vallance did. Mr. Vallance was pointing out that estimates were dangerous.

The WITNESS: Yes.

*By Hon. Mr. Ralston:*

Q. Because there was an estimate which had been given of 100,000,000 bushels, but it turned out to be 200,000,000 bushels or approximately 200,000,000.—A. If Mr. McFarland were here—

Q. Might I finish that; probably it will be 180,000,000, I suppose, the carry-over.—A. Yes. I will tell you, I think there is something which, in fairness, we should take into consideration. You all agree that the carry-over figures are obtained from July 31 to July 31; but this year our crop year is late, and we will have a longer period in which to ship the old wheat. I am just making that point.

Hon. Mr. RALSTON: May I correct what I said back there? I said there would be 180,000,000 bushels, I was going to say to August 31, but I see that Mr. McFarland's estimate was 100,000,000 as of August 1st, and his 200,000,000 was of August 1st.

The CHAIRMAN: That is the end of the crop year.

Hon. Mr. RALSTON: Yes, that is the end of the crop year.

The WITNESS: I was just mentioning, Mr. Chairman, that this year we will have a longer period.

*By the Chairman:*

Q. Mr. Richardson made it clear he did not think wheat would move out in volume until the 20th of September, and that this country would be free to sell wheat until the new crop came in, until about that time, which he pointed out would be the whole month of July, the whole of August and about three weeks in September, and the balance of the month of June?—A. Yes.

Q. I suppose you agree with that?—A. I do, sir.

Hon. Mr. STEWART: From the statistical standpoint, it will not help us with our carry-over; that will be computed at the end of the crop year. It will help us to sell.

The CHAIRMAN: It would help us to this extent, that from the standpoint of carry-over—whatever quantity of grain remained on hand unsold of the old crop until the new comes on the market is the figure that they have to keep in mind; that is, it is the old crop that will be sold up to about the 20th of September.

The WITNESS: Yes, that is right.

*By the Chairman:*

Q. And the carry-over, therefore—that is, the carry-over of last year's crop into this year's total will be lessened by what is sold between now and the 20th of September?—A. Yes.

Mr. VALLANCE: And next year's might be increased because of that fact.

The CHAIRMAN: Conceivably, it might be, yes; that is, if we had a bumper crop. But that is the reason you spoke of the crop year as July 31st.

*By Hon. Mr. Ralston:*

Q. Mr. McIvor, do you know anything about the limits of the guarantees? I wanted to ask you about the limits of the guarantees in 1932. Were you going to give us anything with regard to those limits, Mr. Chairman?

The CHAIRMAN: Well, there is nothing to be said about the limits because the guarantees speak for themselves. The purchases were made up to 235,000,000 bushels, as appeared by the evidence.

Hon. Mr. STEWART: There is only one place—there were two weeks in which Mr. McFarland was not purchasing.

Hon. Mr. RALSTON: He said he was not purchasing because the guarantee had run out.

Hon. Mr. STEWART: The statement is abroad that he had no money to purchase with.

The CHAIRMAN: He meant to state his credit had been exhausted.

Hon. Mr. STEWART: Yes.

The CHAIRMAN: That is, he had reached the limit—that the lending bank had reached the limit that they had been authorized to lend to him.

Hon. Mr. STEWART: One of those periods when wheat was going right down to the last point.

The CHAIRMAN: Well, that is when he was examined last year before the committee.

Hon. Mr. STEWART: I have taken that from the evidence.

Hon. Mr. RALSTON: What I wanted to ask is what was the limit at that time, to which he referred? Mr. Stewart says that his money ran out. I do not think he used that expression; but when he intimated that he had reached the limit, what was the limit in bushels? Do you know?

The WITNESS: I have not the guarantees here.

The CHAIRMAN: No, they do not show that.

Hon. Mr. RALSTON: The chairman is right that the guarantees do not show the limit, but there was some statement, and the bankers all said that there was a limit to which they could go.

The WITNESS: I am sorry, but I have not the figures.

The CHAIRMAN: Could Mr. Findlay tell us that? Is he here?

The WITNESS: He is not here to-night. I doubt if he would have the figures with him, Mr. Bennett. He may.

*By the Chairman:*

Q. The banks have the original information upon which it is based?—A. Yes.

Q. My memory is that the maximum is 235,000,000 bushels?—A. Yes, that is correct.

Q. Is that correct?—A. Yes.

*By Hon. Mr. Ralston:*

Q. Was that always so from the first?—A. No, sir.

The CHAIRMAN: No, no.

*By Hon. Mr. Ralston:*

Q. That is what I want to get. What was it at first, how many bushels?

—A. Well, I hesitate to answer. I could only answer from memory.

Q. I only want it as a matter of opinion.

*By the Chairman:*

Q. Give the best answer you can as to it, because it is a matter of record. The banks have it. I have not got it.—A. You are going back now to the early part?

Hon. Mr. RALSTON: The first time the government guaranteed the loans. Do you not think we had better get it from the banks, or would you get it from the banks, Mr. Chairman?

The CHAIRMAN: Yes, I think I can get that. I think the position, shortly put, would be this: that the banks were asked to advance what might be neces-

sary to meet the additional requirements that McFarland thought necessary to carry forward the undertaking in which he was engaged, but the maximum was 235,000,000. That is my memory of it.

Hon. Mr. RALSTON: 235,000,000 bushels?

The CHAIRMAN: Yes.

*By the Chairman:*

Q. Is that right, do you know?—A. I know that the maximum is 235,000,000.

Q. You know that the maximum is 235,000,000?—A. Yes. But that is something Mr. McFarland has handled himself.

*By Hon. Mr. Ralston:*

Q. But there must have been another limit because at the time Mr. McFarland spoke of, I don't think he had more—and we can easily tell—I don't think he was carrying more than 150,000,000 bushels.—A. Yes. He mentioned that in his evidence, I remember, that his limits were exhausted.

Q. Yes, that would be at the end of December, 1932?—A. Yes.

Q. At the end of December, 1932, he was carrying 75,717,000 for special account, and he had 76,728,000 bushels of pool wheat, making a total of 151,000,000. Now, he speaks of that time as being the time when his credit was cut off?—A. Yes. Well, I suggest you get this from him, because I am not certain of the dates.

Hon. Mr. RALSTON: Mr. Chairman, I will not ask you to tell it, but if you can get it, I would like the limit at the time McFarland said his credit was cut off.

The CHAIRMAN: What date is that?

Hon. Mr. RALSTON: It is in December, 1932.

The CHAIRMAN: Well, it is somewhere between 75 and 100 million, at that time. In November, 1932, he had 75,000,000.

Hon. Mr. RALSTON: No, he had pool wheat of 76,728,000.

The CHAIRMAN: I am talking about that; and the other, he had 75,717,000. That is right. That is what it rose from 75,000,000 in November, 1932, to 235,000,000 up to the maximum of that high figure we had this morning—234,000,000 and some odd thousand. What month was that?

Hon. Mr. RALSTON: I do not know. All I was inquiring about there was what the limit was at the time McFarland said his line of credit was cut off.

The CHAIRMAN: I will check that up for you.

*By Hon. Mr. Ralston:*

Q. Now, did you have anything to do with the returns made to the government?—A. No, sir, that is Mr. Findlay's department.

The CHAIRMAN: They made no return to the government.

The WITNESS: They were made to the bank.

*By Hon. Mr. Ralston:*

Q. Made to the bank?—A. Yes.

The CHAIRMAN: The banks made them.

*By Hon. Mr. Ralston:*

Q. I think you said there was evidence of recovery in the early months of 1933; I mean, I think that is in your statement?—A. Yes.

Q. Let me put it this way; when wheat was going up so sharply as it was in July, the month you spoke of, why was it that you didn't offer more wheat on the market?—A. We offered all that the market would take.

Q. The price was still going up, Mr. McIvor?—A. Colonel Ralston; of course, I am afraid I will have to talk about grain trading now, because that is the point I wanted to make. I will use this as an illustration: If, for example the market was say 70 cents and stabilization decided to sell and we kept on selling wheat at 70 cents, all the time selling at 70 cents, they would not sell as much as on the scale upwards.

Q. I don't get the point. I am pointing out that wheat went up in July, on July first it was  $72\frac{1}{4}$ , and July 8th wheat was  $82\frac{1}{8}$ —that was the close?—A. Yes.

Q. July 15th wheat,  $92\frac{1}{2}$ . If you had offered more wheat would not the price have been reduced that is to say it would make a lower price?—A. We probably would not have sold as much.

Q. I beg your pardon?—A. We probably would not have sold as much.

Q. You probably would not have sold as much?—A. Yes.

Q. Would you answer my question first if you had offered more wheat would not the price have come down?—A. Yes.

Q. There would have been a boom and there would have been a depression?—A. I am not so sure about the decline.

Q. Generally declines come from booms, don't they; that is what they told us about this last depression, if we had not had a boom we would not have had the depression?—A. The decline in 1932?

Q. I am talking about 1933?—A. Let us consider the question of booms and declines, because that is what we are talking about.

Q. Yes?—A. When wheat went down to 36.5 it was not a decline from a boom.

Q. It was a decline from a very heavy crop?—A. Yes, it was a crop decline.

Q. Which rather was indicative that wheat had something to do with the price?—A. Oh, yes, that enters into it.

Q. Now, on wheat values as of May 31st, 1935, as they are shown in the statements to the banks; I am asking you as a salesman, when there is shown 50,000,000 bushels of wheat valued at \$41,610,000, that would not be the realizable value on that day?—A. You would not expect to try to realize it all in one day.

Q. This is really a fictitious figure so far as the actual cash position that day is concerned?—A. That is the market on that day.

Q. I say it is a fictitious figure so far as realizable dollars are concerned?—A. No, I don't agree with that.

Q. Did you say it could be realized?—A. Not in one day, no.

Q. That is the day we are talking about—could it have been realized in a month?—A. Could it be realized in the next month?

Q. Yes?—A. Your point is, that if you went out to try—what is the quantity of wheat?

Q. 50,000,000 bushels?—A. —to try to dispose of 50,000,000 bushels of wheat, just merely sell it, could that price be realized; was that your point?

Q. Yes.—A. Well, the answer must be, no.

*By Mr. Vallance:*

Q. But your statement in the bank that day was the value of that wheat at the price of the market that day, wasn't it?—A. I would say this, the bank are accepting that; they are not placing any doubt on the value of the grain, they are accepting it at that value.

*By the Chairman:*

Q. For credit purposes that is the value?—A. For credit purposes, that is the value.

*By Hon. Mr. Ralston:*

Q. Supposing there had been no cut-off agreement?—A. They would accept it.

The CHAIRMAN: They would accept it just the same, exactly.

*By Hon. Mr. Ralston:*

Q. For instance, if I had forty-one million they would treat that as forty-one million actual cash; they would not regard it as margin at all?—A. Nothing more at that point; they would require at the same time for the grain to be hedged.

Q. Yes?—A. Nevertheless, they would accept it at that price as collateral value.

Q. Providing I put margin up?—A. Provided you had the grain hedged.

Q. Providing I had the grain hedged?—A. Yes.

Q. What I am trying to get at is this; as it is shown in this statement apparently all you owe the banks is \$10,000,000 as of May 31, 1935; that is considering that 50,000,000 bushels as actually sold at the market price that day?—A. Let us talk about something other than wheat.

Q. I think probably wheat is the most important thing we have to talk about here.—A. I mean, just to illustrate the point.

Q. Yes?—A. For example: Suppose I am a shoe merchant and I have a large stock of shoes and I have borrowed money at the bank against these shoes. It stands to reason that I can't liquidate all those shoes in a week or ten days. Wheat is in exactly the same position.

Q. Certainly; but if you were a shoe merchant you would not expect the bank to lend you the full market value of that stock, they would only loan you a part of its value.—A. I do not know what position they would take—

Q. I suggest to you that they would not take that view.—A. I don't know about that.

Q. I suggest they would treat it as worth 50 per cent as far as borrowing is concerned?—A. That would depend entirely on their estimation as to the period required to liquidate these shoes.

Q. I never saw collateral borrowed on to the extent of the full market price and that value subtracted from the indebtedness.

The CHAIRMAN: That has always been done in the grain trade.

Hon. Mr. RALSTON: I have never seen it.

*By Mr. Vallance:*

Q. Shoes would not be hedged?—A. No.

Q. Grain is?—A. Yes.

Q. Sure; that is the answer to that?

*By Hon. Mr. Ralston:*

Q. Is this grain hedged?—A. No, sir, I didn't say it was hedged.

Q. I know you didn't, but the impression is rather left there?—A. No.

Q. It was Mr. Vallance's question. This grain was not hedged?—A. No, it was not hedged.

Q. When was the peg put in in 1933?—A. On August 15th.

Q. The hedge was put in on August 15, 1933?—A. Yes.

Q. By the word "peg" you mean what?—A. That is using the word "peg"—it is really what you would term a minimum price—and would mean exactly this, that a minimum price was put in and that the market could not trade below that figure.

Q. Yes?—A. And we were obligated only to accept farmers hedges.

Q. Yes?—A. No speculative hedges at that price.

Q. In other words, no sales could take place on the exchange at a less price than what we call "peg" price?—A. Yes.

Q. What was the amount?—A.  $70\frac{1}{8}$ .

Q. Was that increased or changed in any way until the peg was taken off?—A. Not that year, Colonel Ralston. It was taken off on September 14, 1933.

*By the Chairman:*

Q. It was only on a few weeks at that time?—A. Yes.

*By Mr. Porteous:*

Q. What date did it go on?—A. August 15, 1933. It was taken off on September 14, 1933.

*By Hon. Mr. Ralston:*

Q. And the amount of wheat on hand at the end of that month—it was only a small amount, 202,000 bushels—would be shown at the peg price, would it?—A. Yes.

Q. In the bank statement?—A. At the top market trading price, or the peg price if that was high that day.

Q. At the peg or above?—A. At the peg or above.

*By the Chairman:*

Q. I think during all that time the sales were above peg prices?—A. I think the market was above peg prices. I have the figures here if you like.

*By Hon. Mr. Ralston:*

Q. Well, we have them right here?—A. Yes.

Q. We haven't it exactly, because?—A. I have them here, it is—

Q. It is about  $70\frac{5}{8}$ , September 2?—A. What month would that be?

Q. August 31, 1933—you have the sheet in front of you?—A. I think I have it here. On the 15th it was  $70\frac{1}{8}$ .

Q. Yes, I know; what was it on August 31?—A. August 31,  $70\frac{1}{4}$ .

*By Mr. Lucas:*

Q. What was it when the peg was taken off?—A. The peg was taken off—

Q. September 14?—A. September 14, 1933 was the date it was taken off. It was  $70\frac{1}{8}$  that day. The following day the market closed at  $66\frac{7}{8}$ .

*By Hon. Mr. Ralston:*

Q. When was the peg put in in 1934?—A. October 31.

Q. October 31?—A. Yes, sir.

Q. At what price?—A. 75 cents for the December.

Q. Give us any changes that were made, and for each year; or, is it still on?—A. It is still on. 80 cents for the May. It is still on in this effect that on July and August the trade are under a peg of 80 cents.

Q. Is it correct that in 1934 we sold out of the 1934-35 crop—that we made an additional sale, shall we say an unusual sale—of 15,000,000 bushels to the United States?—A. Who sold it, Canada?

Q. Canada, yes?—A. Yes.

Q. For feed and durum?—A. Yes.

Q. When was that, do you remember?—A. It was stretched out over a period, it was not one sale it was a number of sales.

Q. A number of sales?—A. Yes.

Q. Have you had any offers from the United States for wheat?—A. Recently?

Q. Last fall or this spring?—A. None that I am aware of.

Q. None that you are aware of?—A. No.

Q. When did Mr. McFarland get back from Rome?—A. He was in Rome in May of 1934.

Mr. Chairman, when was he in Rome?

The CHAIRMAN: I am not quite sure of the date.

*By Hon. Mr. Ralston:*

Q. You have been using the word "stabilization." I have been looking at Mr. McFarland's evidence and he apparently does not like that word?—A. We had some discussion about that before he appeared before the Banking committee. He looked up the word specially in the dictionary and the meaning was not exactly as he saw it.

Q. Do you agree with this: Reading from his evidence at page 221 of the report of the proceedings of the Select Standing Committee on Banking and Commerce last year—

Stabilization is a misnomer; it is really not stabilization; it is really a supporting operation in that period of the year when the farmers are delivering wheat?

A. Do I agree with that?

Q. As a description of the operation you were carrying on?—A. Do you mean the question of stabilization, or the period, or what?

Q. The whole thing; stabilization, and the description of the operations you were carrying on?—A. Just read that again, Colonel Ralston.

Q. Just look at it? (showing witness)—A. Yes, I agree with that.

Q. You agree with that?—A. Yes.

Q. You were taking hedges all the time were you not; you were buying futures. Other people were hedging. You were hedging.

The CHAIRMAN: Taking hedges.

*By Hon. Mr. Ralston:*

Q. You were taking hedges?—A. Yes.

Q. And do you agree with Mr. McFarland's definition that a hedge "means to secure oneself against loss on a bet or a speculation by making other bets"?—A. I think that is from the dictionary, the meaning in the dictionary.

Q. Do you agree with that?—A. I do not necessarily agree with it; I think it is the description of the dictionary. I think he has carefully outlined what a hedge is in the record.

Q. What he says is, "I prefer that which defines a 'hedge' as: 'A means to secure oneself against loss on a bet or speculation by making other bets' "?—A. I think he is merely using Webster.

The CHAIRMAN: I think he said before that there were many meanings given to it, and that was the dictionary definition, and he said that he preferred that as more accurate than the other ones.

Hon. Mr. RALSTON: And he preferred this one.

*By Hon. Mr. Ralston:*

Q. Now, with regard to these instances you mentioned about short selling, one thing that struck me about them was that I think, perhaps, you could make a more positive statement with regard to them—or perhaps it is Mr. McFarland's statement, but I think it is yours?—A. No, it is Mr. McFarland's. If you are referring to my contention—

Q. Yes, it is your statement. You say: "First: flour in Canada totals 4,621,000 bushels. Are we to understand from this that there is no flour in Canada that is sold and that the hedges have been purchased in the futures market. In conversation with one of our leading Canadian millers several days ago he told me that the flour he had on hand was practically balanced by future flour sales. That is, he had flour in his warehouse, we will say, to the extent of one million bushels, but he had sold flour for future delivery to bakers and others, to practically the extent of one million bushels, and against this, the hedges had been covered in the market in Winnipeg. Why then should such stocks be included in the Grain Exchange statement?" The thing I noticed about your discussion of these different items was that every one of them ended with a question and not with a statement?—A. Well, Colonel Ralston, I have not the books of the Grain Exchange and I cannot make a definite statement, but I can say that if that is the position of one of the largest milling companies of Canada the others must necessarily be in the same position.

Q. It seems to me that a definite statement was better than putting it in the form of a question which does not help the committee much?—A. As I see it, I am merely trying to give information, and I am not making positive statements without having facts; but the general manager of this milling company showed me his position and I took it from that—naturally I am not using his name—

Q. Nobody wants it. I am only pointing out that it struck me as I heard you read it over that your comments on every one of these was a question, rather than a statement?—A. Well, I go so far as to say that this is not a correct statement of the position, but I would not like to say how much it is incorrect because I do not know.

Q. Well, that is a definite statement, as far as it goes?—A. I have made that statement in my memorandum.

Q. The next question was: "The same thing applies to items two and three. Is it conceivable that none of this flour that is in the United States and none of the flour afloat has been sold for future delivery." I cannot answer that question. I have not any idea. I thought, perhaps, you could answer it?—A. I will put it this way. What items did you mention?

The CHAIRMAN: Flour in the United States.

Hon. Mr. RALSTON: Two and three. Of course, it is all flour in the United States.

The CHAIRMAN: I do not know whether it is all.

*By Hon. Mr. Ralston:*

Q. "The same thing applies to items two and three. Is it conceivable that none of this flour that is in the United States and none of the flour afloat has been sold for future delivery"?—A. I may say this that some of this flour that is in the United States and some of this flour that is afloat has been sold for future delivery.

Q. Now, there is mention made in Mr. McFarland's statement on page 11 of the memorandum in reference to a drop in price in December, 1932: "Purchases so large day after day as to be terrifying." What was the largest purchase?—A. What period was that?

Q. 1932—just about the time the low price was reached?—A. I think if I might say it he had particular reference to the period previous to that period, the period previous to the really drastic break.

Q. I wanted to see how large the purchases had to be to be terrifying?—A. We had them large enough to be terrifying. What period was that?

Q. 1932?—A. What month?

Q. I do not know.—A. November.

Q. He does not say.

The CHAIRMAN: It is shown in that statement you gave yesterday as to purchases.

The WITNESS: Yes, sir.

The CHAIRMAN: I think 16 millions was the largest figure that day.

The WITNESS: There is 4,080,000 on the 2nd of November, and going back into October, eight and a half million—one day 6,300,000.

*By Hon. Mr. Ralston:*

Q. Are those the purchases of the terrifying size he refers to?—A. Yes.

Q. Now, at the bottom of the page—and you can tell me if you do not know what he refers to—he says: “Our exports recorded by the Dominion Bureau of Statistics in those five months, averaged 29½ millions per month, and the average price netted western farmers less than 30 cents per bushel for No. 1 wheat. That was what occurred in 1932 when we were compelled by force of circumstances to permit an export policy such as has been suggested by some critics.” What was the force of circumstances referred to?—A. The very large crop, I should imagine. Now, I cannot read his mind. I imagine it was the very large crop.

Q. What occurs to you as the force of circumstances?—A. Well, the very large crop.

Q. You were then carrying on the supporting operations?—A. Oh, yes.

The CHAIRMAN: Before you leave that, Mr. Ralston, the purchases on July 22, were 23,158,000 bushels; that is the largest day, I think, there was.

Hon. Mr. RALSTON: He was not referring to that.

The WITNESS: It was another period, Mr. Chairman.

Hon. Mr. RALSTON: He was referring to 1932. I notice that his whole statement really refers to 1932.

*By Hon. Mr. Ralston:*

Q. I will just put it in there in order to show that: “This country in 1932 produced close to 450 million bushels, which was the third largest crop in our history. In five weeks from September 9th to October 7th, farmers’ deliveries in western Canada reached the record total of 145 millions of bushels or an average of 29 million bushels per week. In nine weeks 206 million bushels were delivered. The wheat had to move out of the country or the railways and elevators would have been congested. It was a choice between exports and chaos. The price dropped to 50 cents, then to 45 cents and 40 cents. Finally it was forced down to 38½ cents delivered at Fort William. This record low price occurred, despite enormous purchases under the government guarantee. Purchases so large day after day as to be terrifying.” And you have told me the size of the purchases?—A. He mentions the reasons there previously—the size of the crop.

Q. That is in another paragraph. What I want to know is if you had that in mind, if you had made that statement, if it was force of circumstances which required that export policy, that it was the large crop?—A. Yes, sir.

The CHAIRMAN: Look at page 293 of our evidence: “Purchases in October 1932, were 63,598,000, no sales.”

Hon. Mr. RALSTON: Yes, I beg your pardon.

The CHAIRMAN: Yes. You have got the purchases for June, July, August, September and October, 1932, as 7,000,000, 12,000,000, 175,000, 1,685,000, and then into October when the price dropped down. The price, October, 49¼ cents, and he bought 63,598,000 bushels and sold none in that month.

Hon. Mr. RALSTON: There is some mention here somewhere of a fire sale.

The CHAIRMAN: The next month, October, the purchases were 14,652,000.

*By Hon. Mr. Ralston:*

Q. If there were any necessity for a fire sale it would be because of this large accumulation, would it not?—A. No, it might be on account of the very large crop.

Q. If there were any necessity for a fire sale now it would be because of this large accumulation?—A. No. There would not be any necessity of a fire sale unless you had a very large crop coming along.

Q. I would say not; but if there were a large crop, then it would be this accumulation which would make for the necessity for a fire sale?—A. Plus the large crop.

*By Mr. Vallance:*

Q. Mr. McIvor, there is one question I would like to discuss with you. Do you know anything about the handling facilities of Australia?—A. I have read their report, Mr. Vallance. I have read the report and recommendations in regard to the handling system, and I have discussed the matter with several gentlemen who came out here from Australia to look into our system. As I understand it, in two states—I think they are New South Wales and Victoria—they intend to install a system of country elevators.

Q. They have not got that now?—A. They have—

The CHAIRMAN: They have some.

The WITNESS: They have a few, I think, which they call silos mostly of fairly large capacity and located at widely spread out points.

Q. The reason I asked you that is I find that the report of M. T. Stewart, assistant trade commissioner, deals with that situation. It is dated Melbourne, December 19, 1934, and is as follows:—

During the wheat export year which ended on November 30, the total shipments of wheat and flour from Australia amounted to 95,598,318 bushels as compared with 149,006,859 bushels for the previous year.

Now, let us see how much they carried over, because it is the carry-over in Australia I am interested in:—

The stocks on hand from the old crop are of inferior quality as compared with the new wheat now being harvested, and the presence of relatively high carry-over stocks, amounting to 20,000,000 bushels, adversely affects the position of the new wheat crop.

Do you agree with that statement, that 20,000,000 bushels would affect Australia's new wheat crop?—A. What date is that statement?

Q. This was taken from the Commercial Intelligence Journal as issued under the authority of Honourable R. B. Hanson, K.C., minister of Trade and Commerce of February 9, 1935. You know the crop year of Australia; it ends in November, and the new crop begins to move in December. You are up to date on this?—A. The Minister claims that the carry-over at that period affected the price of the new crop?

Q. He says: "The stocks on hand from the old crop are of inferior quality as compared with the new wheat now being harvested, and the presence of relatively large carry-over stocks amounting to 20,000,000 bushels, adversely affects the position of the new wheat crop." Now, would you consider, bearing in mind that they had exported some 95,000,000 bushels that 20,000,000 bushels was a large carry-over for Australia as her proportion of the world's carry-over?—A. That is only his opinion that it did affect the position.

Q. In your opinion would it affect the position?—A. No, because the actual fact is that from that period which he mentions there until the end of March

the market advanced 12 cents a bushel. Now, how could the carry-over affect the price?

Q. He makes that statement. Let us go on and see what they did with the 20 millions:—

Owners of storage space are insisting upon the sale of a portion of the stored wheat, as it is in the best interests of all concerned in the production and marketing of wheat that all the past season's grain should be cleared by the end of January. Consequently, large quantities of wheat have been offered for sale, and the low price has attracted buying from Japan and Shanghai. Considerable sales have been made to that area, and although the prices are unattractive to the farmers, the position is greatly relieved thereby.

Do you believe that?—A. In the first place, he states that that is low grade wheat.

Q. He says that is inferior. Of course, you are not going to argue that our 228,000,000 bushels is all high grade wheat, are you?—A. The bulk of it is.

Q. You say that. I am comparing their position with ours?—A. I am not arguing anything about Australia, because I have already stated that they sell their crop every year.

Q. I thought you dealt with the Argentine?—A. Australia is in the same position.

Q. The reason I am asking you these questions is because I asked you first if you knew anything about the storage facilities of Australia; were they comparable with ours considering the volume that we grow and they grow, and you have made your statement. What I want to get clear in the evidence is this: I would not like the farmers of Canada to think that because of the facilities they have created and paid for—because, as you know, they have—that it is now working to the detriment of the producer?—A. I do not think you would want to give them that impression.

Q. That is what I do not want them to get?—A. I did not make that statement.

Q. The inference is because of the fact— —A. The inference is not that at all.

Q. That is what I got.—A. No, the inference is that Canada has been accustomed to carrying wheat. Those other countries have been accustomed to disposing of it, and the facilities helped the custom that was carried on in this country.

Q. So that you would say this for the information of the farmer talking on the prairie that simply because of the fact that he has paid for and created facilities, these facilities, because of their existence are not working as a detriment to his position as a wheat exporter in the world market?—A. They certainly are not.

Q. That is the only thing I want you to say. I am through, Mr. Chairman.

*By Hon. Mr. Stewart:*

Q. Mr. McIvor, what I am trying to find out is, what is the best method of disposing of Canadian wheat, both the carry-over and the possible crop that will have to be disposed of this year and therefore in succeeding years. You have been assisting Mr. McFarland in his stabilization process that I am going to admit at once has been very helpful.—A. I am glad to hear you say that.

Q. Well, I say that with sincerity. I may not agree with all you have done, but I say that.—A. I admit we have not been always right; we have done the best we could.

Q. But now we have a proposal for a different scheme. What I am anxious to know is this: If you do not care to express an opinion, do not do it; I do not want to force it upon you. Do you think that the Canadian wheat crop can be handled more successfully by one agency than by having the exporters we have always had in the business exporting on their own. I mean, a multitude, if you like to put it that way, of sales agents, rather than one?—A. Well, in the first place, Mr. Stewart, I have been asked by Mr. McFarland to appear before this committee in connection with the stabilization operations. Those were the instructions that I was given by Mr. McFarland; and in view of the fact that he is my chief and is in charge of those operations, I think he is the man who should answer those questions. I will say this, though. You speak about wheat being offered by one agency or a great many agencies. Probably that wheat to-day is being bought by very few agencies.

Q. That is another question, of course, the purchasing of the wheat.—A. That is a very important question.

Q. Then, there are factors that possibly kept producers out of the market. Remember you have under control a very large quantity of wheat. If I were an exporter, I do not know that I would want to monkey much with the market, at the present time. I will be very frank about it.—A. The local exporters have always been able to cover requirements in Canada.

Q. He would have to cover at your price?—A. Has he ever found it very difficult?

Q. I do not say he has.—A. He certainly has not.

Q. I just put it to you this way: I have to make up my mind within the next day or two what attitude I am going to take in connection with this proposed legislation, and I am raising the question in my mind as to whether one sales agency in absolute control of Canadian wheat is going to be as successful in handling it in the various markets where it is sold, as the individual, if you like to put it in the broader sense, competition.—A. Well, in going over your question, you have got to consider the method that would be followed by such a sales agency. They could use the present existing companies. When I say "Companies," I mean exporting companies, for the offering of the wheat, or, of course they can go direct. One would be a question of evolution and the other revolution, and that is a very big question, Mr. Stewart. Your question embraces a lot of territory.

Q. It is a question we have to decide within the next few days. That is the point. However, I do not press this upon you, but I do not mind saying to you that in the evidence you have given here as well as the evidence of other pool officials there seems to be—if I am wrong, put me right—a feeling that, somewhere or other by the fact that you claim there has been short selling, you are handicapped without complete 100 per cent control.—A. There is one thing I want to make clear, Mr. Stewart. You said "in evidence given here, and evidence given by other pool officials." Actually I am representing Mr. McFarland here; he is in charge of the stabilization operations.

Q. You are selling the pool wheat?—A. Plus the stabilization. I just want to point out my position here is a little different from that of the other officials; but my evidence is there, and I think my views, too.

Q. Well, you have not expressed very definite views on this particular question. I am not asking you, but I am simply putting it to you?—A. I can read—

Q. Yes; I do not know that I would care to give a definite answer if I were in your position?—A. I am trying to outline the situation to you as I see it.

Q. I quite appreciate that. All these factors have to be given consideration. That is all, Mr. Chairman.

*By Mr. Lucas:*

Q. You stated before this committee that there were three large international exporting companies that handled a great part of the Canadian business. There have been differences of opinion as to the percentage; have you any idea as to what amount they handle?—A. Well, my own view would be that they probably handle about 60 per cent.

Q. 60 per cent?—A. Yes; now, that is just a guess.

Q. Who do they buy wheat from?—A. They buy it from the different terminal elevators, and ship it down to the seaboard, and export it.

*By Mr. Vallance:*

Q. In your opinion, would the one agency be able to cope with that much better from the standpoint of the producer than the present system as we have it, of buying from everybody. I am a producer and I want to get it down to the producer's viewpoint?—A. I know you are, Mr. Vallance. I do not see one agency would be handicapped.

Q. I see.

*By Hon. Mr. Ralston:*

Q. It is a matter of statistics. I am trying with you to peer into the future to see what is going to happen next year, and in the last paragraph you say: "Prospects at the moment indicate prospects are for smaller harvests in Italy, in France, in Spain, and other European countries." Can you give us the slightest conception of what that would mean to Canadian exports to those countries?—A. Well, my only reason for putting that in there was that I have noted that Broomhall referred to that; and I had a direct cable from London the other day giving merely that statement as I have it there, but I do not know what the quantities would be that were involved. They apparently had rainy weather over there that affected the growing crop.

Q. Have you the slightest conception what that would mean in Canadian wheat exported to those countries?—A. I have not.

Q. It is not helpful at all if you do not have something like that?—A. I know, but it is impossible to state.

Q. It does not seem to me the statement is very much good.

*By Mr. Lucas:*

Q. Do you know if the Argentine has exporting firms or is their business all handled by those international grain firms?—A. The bulk is handled by three firms, Bunge, Dreyfuss and Weillhermanos.

*By Mr. Willis:*

Q. Just in connection with this amount carried on May 31, of this year, 1935, of 228 million bushels; is that all one northern?—A. Well, in the first place it is not 228 million bushels. That is the open futures contract as at that date. Now, talking about the point that you mentioned, Mr. Willis, the wheat that we would take delivery of will be probably the average of about 2 northern; figuring the lower grades and the higher grades it would average about 2 northern.

Q. Which would decrease the liability of anyone taking over?—A. By the spread.

Q. Difference in price?—A. Yes.

Q. Stocks taken over would be only the stocks taken over at the actual time that the board stepped in?—A. Yes, sir.

Q. Even after that the elevator company would carry the grain until it was required by the board; you would not have to take actual delivery of it?—A. No. Of course, that would depend on how your board would operate.

Q. Yes.—A. Under the old board it was the policy of the elevator companies to carry the grain and deliver it to the terminal markets to the board, for a charge, and also carrying charges, if carrying charges were involved. That is, at the terminal market that wheat was turned over to shippers, who paid for it, and carried it to the seaboard, also for a charge. That is the way the old board operated. In other words, the grain companies financed the grain exactly the same as they do to-day. The old board borrowed from the bank, retained the stocks until finally delivering it to the board at seaboard.

Q. I think it was your evidence, Mr. McIvor, I want to be certain, in your opinion, there is a short interest?—A. No doubt about it.

Q. What effect would that short interest have on the price ultimately received?—A. That depends on the price they pay for the wheat they buy in.

Q. I was after your opinion. There exists a short interest; would that not help the market price?—A. Absolutely, it should.

*By Mr. Perley:*

Q. Mr. McIvor, I think we all agree on one important point, what the operations have meant to the western producer, if the position at present is say we have an increased carry-over of 70 odd million of bushels in the meantime, which meant the farmers have sold all the grain that has been produced over this four or five years at say an increase price, what would you estimate that increased price or the actual saving to the farmers meant, fifteen cents a bushel or twenty?—A. I would like to be fair in answering that question. I would say fifteen cents a bushel. I want to be fair. It is only an estimate. There is no way of computing that.

Q. It is really about 1,700,000,000 bushels, is it not?—A. Well, those are not your exports, of course. Those are the crops you have grown.

Q. And that amount has been sold?—A. Well—

Q. Less what is on hand?—A. You have to take out the wheat that has not moved from the farms. To get some idea of it I will quote these figures that I gave earlier to Col. Ralston. I think we were discussing that this morning.

Q. I understand it really meant 1,700,000,000 bushels that had gone into the market, less the extra amount of surplus, the saving.—A. Here are the figures here, Mr. Perley. The production during that period was 1,743,000,000.

Q. Yes?—A. That is the production.

*By Hon. Mr. Ralston:*

Q. That is the period of what?—A. 1930 to 1934, inclusive.

Q. Excuse me for interrupting, but I just wanted to get the period. That is from the year ending July 30—ending July 31, 1930?—A. No, that is the crop year. That is including 1930.

Q. July 31, 1931?—A. Yes, up to the period ending July 31, 1934, five years exactly.

Q. Two, three, four?—A. No, there is the 1934 crop year ending July 31. I am sorry, I meant 1935 in my last statement.

*By the Chairman:*

Q. Of course, that is what I thought you must have meant.—A. Well, production was 1,743,000,000.

*By Mr. Perley:*

Q. Yes?—A. The exports for the four years, and we have not completed the four years yet—

*By the Chairman:*

Q. Have not completed the five years yet you mean?—A. Have not completed the five years yet, and the exports were 923,000,000. The exports so far this year, we will take Mr. Richardson's figures which, I think, were 153,000,000, were they not?

Q. That is right, to the 21st of June.

*By Mr. Perley:*

Q. That is one billion.—A. 1,076,000,000.

Q. What do you figure is the saving that would be made on that?—A. Well, I would say that the policy followed has resulted in an increase in price, over the policy that might have been followed, of at least 15 cents.

Q. That would be about one hundred and fifty odd million dollars.—A. In addition to that, Mr. Perley, you have got to consider the wheat sold for domestic consumption in Canada.

*By the Chairman:*

Q. And to the mills.—A. And to the mills. This would be included in the export mills.

Q. I mean, outside of the export?—A. Yes. That would be 250,000,000 bushels of wheat in that period.

*By Mr. Perley:*

Q. And it has also carried the increase in the price?—A. Yes.

Q. On 250,000,000 there would be a saving then, really—an increase in price to the farmer of \$187,000,000?—A. Over a policy that might have been followed.

Hon. Mr. STEWART: Are you through?

Mr. PERLEY: Yes.

*By Hon. Mr. Stewart:*

Q. Is it not a fact that you only handled about 50 per cent of the total crop?—A. Who?

Q. In your stabilization, during the whole period?—A. Yes, but the effects were the same.

Q. No.—A. Oh, yes, they were.

Q. Wait a minute. The statement was made here to this committee that about 50 and not more than 51 per cent was handled by the pool, and the stabilization.—A. You are talking about the old pools, Mr. Stewart.

Q. Well, do you mean to say—A. Prior to the time when we took over.

Q. But the trade was in the market all the time?

Mr. LUCAS: A part of 1930.

The WITNESS: The trade are short to-day.

*By Hon. Mr. Stewart:*

Q. They are short?—A. Yes.

Q. Somebody is short.—A. Yes.

Q. I presume it is the trade?—A. Somebody is short.

Q. And the statement was also made that up to date no loss had been sustained in the wheat sold, except a very small amount?—A. But my point is this—

Q. Just let me get this; because when you say 15 cents a bushel, I am going to say to you that I think it is a wild guess, unless you admit that you have sold wheat and taken a loss up to date, and a very heavy loss.—A. We were only talking about the position as at the present time.

Q. But you have got 225 odd million bushels of wheat, which is estimated at a certain figure, all the wheat that you have sold, and all this amount you have mentioned. The statement was made to this committee that no loss of any moment had been sustained. Therefore you sold wheat at world prices. A.—No, we didn't.

Q. You did not?—A. No.

The CHAIRMAN: They made the price, he says.

The WITNESS: What is the world price?

Mr. PERLEY: Nobody knows.

Hon. Mr. STEWART: We will get into an argument right away if he makes assertions of that kind.

The WITNESS: There is a dozen different definitions.

Hon. Mr. RALSTON: Well, Hornby says it is the quoted price.

*By Hon. Mr. Stewart:*

Q. You do not make the world price, surely?—A. We do a lot to make it.

Q. Then you are making a very, very—I can understand where you get your 15 cents a bushel now, if you make that claim.—A. I am sorry. Of course, you don't need to accept it unless you want to.

Q. I am not going to accept it, because I do not believe any Canadian agency can make the world price for wheat. That is No. 1 so far as I am concerned.—A. I didn't say we made the world price. I said we had a very substantial effect on it.

Q. Because you are the seller and someone is the buyer, and they make the price.—A. I said that our stabilization—

Q. Let me say this to you, that when you make the statement that you saved 15 cents a bushel to the farmers of this country, in the same breath you say you have not lost any money on the wheat sold. Then the only amount that you have saved the farmer would be the amount of the loss which you would sustain, if you sustained any—and I am hoping you will not.—A. What do you mean by loss?

Q. On the 225,000,000 bushels that you are carrying.

Mr. PERLEY: You can throw it in the lake, and you would still be ahead of the game.

Hon. Mr. STEWART: No, I would not make any such extravagant statement as that.

*By Hon. Mr. Stewart:*

Q. But when you make the statement that you have saved 15 cents a bushel, that is the wildest kind of guess, and I say that in all sincerity.—A. Mr. Stewart, I did not say that we saved 15 cents a bushel.

Q. Yes, you did. You said that you saved 15 cents—you estimated 15 cents a bushel.—A. Will you read what I said?

Q. To the producer.—A. The increase in price.

Mr. PERLEY: On the amount that has been sold.

The WITNESS: That was my estimate.

The CHAIRMAN: You differ from him as to that?

Mr. PERLEY: That is the average.

The CHAIRMAN: Mr. Stewart differs from you on that. What he says, Mr. Stewart, is that by reason of operations that have been carried on and by the stabilizing activities of the Canadian Co-operative Wheat Producers, the sales to the farmers have produced for them an average of 15 cents a bushel more than they otherwise would have received.

Hon. Mr. RALSTON: No, no, he did not—more than they would have received had some other policy been followed.

The WITNESS: Yes, that was my statement.

*By the Chairman:*

Q. What do you mean by some other policy?—A. If we had thrown our wheat on the world's markets.

Q. That is what I thought you meant.

Mr. VALLANCE: The point Mr. Stewart is making, you have not sold the wheat. You have 228,000,000 bushels.

The WITNESS: Is not the wheat worth anything?

The CHAIRMAN: They have sold a billion bushels.

The WITNESS: Is the wheat not worth anything?

Mr. VALLANCE: Absolutely, but not to the extent you are trying to claim.

*By the Chairman:*

Q. Mr. McIvor, there is no doubt about the fact that the actual sales of wheat exceeded a billion bushels during that period of time, up to date?—A. Over a billion. The actual sales were 1,076,000,000 bushels.

Q. That have gone out of this country in that five years?—A. Yes.

*By Mr. Vallance:*

Q. Has the farmer got 15 cents more in that period that he otherwise would have got?—A. Yes.

The CHAIRMAN: Yes.

*By Mr. Vallance:*

Q. We will go back to 1932, when it was sold on the Winnipeg market lower than it has been sold for 400 years; and you are trying to tell us now, as producers, that we got 15 cents more at that time than we otherwise would have got?—A. I said over the period.

The CHAIRMAN: He said over the period.

The WITNESS: I said over the five-year period.

*By Mr. Vallance:*

Q. Over the five-year period?—A. Yes, over the five-year period.

Q. There must have been periods when you were getting 45 cents more, because there are producers who got less than 15 cents, so the other fellow must at the same time have got over 15 cents. I would like you or anybody else to come out to Saskatchewan and show any farmer where he got more than 15 cents than he otherwise would have got.—A. Let us get back to the question asked me by Mr. Perley as to what in my opinion Canada had gained over that period, and my answer was that I considered that they had obtained 15 cents more than they otherwise would have had another policy been followed. I understood by that answer—

*By the Chairman:*

Q. What policy do you mean?—A. I mean dumping your wheat on the world's markets.

*By Mr. Vallance:*

Q. That is, a billion and some odd hundred million, is it not?—A. Yes.

*By Hon. Mr. Ralston:*

Q. You mean dumping the wheat on the world's markets and making the farmer take the world's market prices?—A. Yes.

Q. Has anybody suggested that that policy should be adopted?—A. We are getting mixed up again.

Q. Has anybody ever suggested that the farmer should take the world's market price in the year 1932?—A. I have not suggested it.

Mr. PORTEOUS: Somebody thought so.

Hon. Mr. RALSTON: Nobody that I know of has ever suggested that the farmer should take the world price.

The WITNESS: No, I didn't.

Hon. Mr. STEWART: I certainly never did.

*By Hon. Mr. Ralston:*

Q. That is a hypothetical case that did not happen?—A. It was a hypothetical question and it was a hypothetical answer.

Mr. VALLANCE: I am glad we were getting a hypothetical answer.

The WITNESS: What other answer could we give?

Mr. VALLANCE: That is all right, as long as the farmer knows it is a hypothetical case; the 15 cents is hypothetical to him.

The WITNESS I know the farmers.

Mr. VALLANCE: I know you do.

Mr. WILLIS: If we could get out of this hypothetical busines, we might adjourn.

Hon. Mr. STEWART: All right.

*By the Chairman:*

Q. Just a question or two more, Mr. McIvor. I gathered from what you have said that, in your opinion, the fact is that the 225,000,000 odd bushels to which you are entitled, either for cash or for option, cannot be supplied to you in Canada?—A. No, sir.

Q. That in order to meet the demand which you have a right to make under your options, someone would have to buy wheat from your organization?—A. Yes.

Q. That is your view?—A. Yes.

Q. To the extent of how many bushels?—A. Well, I estimate—

Q. This is only an opinion, I take it?—A. Yes. I estimated—I think 25 to 35 million bushels.

Q. Yes. That is that. And to that extent you stand to have this figure reduced?—A. Yes.

Q. That is your view?—A. Yes.

Q. The next point that I desire to clear up arises out of the statement that you made to Mr. Ralston—I think perhaps it was cleared up—as to the fictitious price with respect to your credit with banks. Is the course that you have pursued, in your answers to Mr. Ralston, as indicated by your books and by your treasurer, the usual course followed in connection with the grain companies?—A. Yes.

Q. Running credit with the bank?—A. Yes.

Q. There is no doubt as to that?—A. No.

Q. You were with Richardson before you came to the pool?—A. Yes.

Q. That is the way in which pool balances were kept?—A. Yes.

Q. That is the way you dealt with your customers in Calgary?—A. Yes.

Mr. WILLIS: Even in Calgary?

The CHAIRMAN: Yes.

*By the Chairman:*

Q. I gathered, more from inference than from your own statements, that you shared the views expressed by Mr. McFarland in the memorandum from which you quoted, that under present world conditions, and under present Canadian conditions, the maintenance of a futures market was injurious to the producer in this country?—A. I share those views.

Q. You share that view?—A. Yes.

Hon. Mr. STEWART: Did Mr. McFarland state that?

The CHAIRMAN: Yes, you read what he said.

Hon. Mr. STEWART: I was reading his evidence before the committee.

The CHAIRMAN: No, in the memorandum he quoted.

The WITNESS: You said, Mr. Chairman, under present conditions?

The CHAIRMAN: Present conditions.

The WITNESS: Yes.

The CHAIRMAN: He says that, Mr. Stewart—under present conditions.

Hon. Mr. STEWART: He was not of that opinion when he appeared before the committee.

The CHAIRMAN: No, but he has given the reason why in that memorandum.

*By the Chairman:*

Q. But that represents your own opinion as well?—A. Yes, sir.

Q. From what you know of the present condition I gather from what you say to Mr. Stewart that you are of the opinion that the organization will be able to handle the wheat situation in Canada this year?—A. That is my view.

Q. That is your view?—A. Yes, that is my view.

Q. With respect to the question of the various export houses, including the large three, the Continental, and Bunge and Dreyfus, I would say if I got you correctly that you see no reason why existing facilities should not be utilized for the purpose of handling this grain, to dispose of this wheat in direct contacts; is that right?—A. That is my view.

Q. That is your view?—A. Yes.

Q. The only difference between present conditions and the one suggested is that these export houses would acquire their supplies from the one body instead of from terminal elevators and others?—A. That is right.

Q. That is it?—A. Yes.

Q. All the wheat that is sold on futures is held, as I understand it, for delivery from the head of the Lakes terminals?—A. Those are the terms of the contract.

Q. Those are the terms of the contract?—A. Yes.

Q. And on payment of the purchase price you are entitled to delivery of the wheat at the terminal elevators?—A. At Fort William or Port Arthur.

Q. That is the head of the Lakes terminals; Port Arthur or Fort William?—A. Yes.

Q. I think you have made it sufficiently clear as to the quantity of wheat that is going into the United Kingdom that comes from Canada, as compared with previous years. That is cleared up so far as the record is concerned I think?—A. Yes.

Q. I don't want to go over it again. You said that the whole import requirements of Italy, France and Germany last year were but 26,000,000 bushels?—A. Yes, the net requirements.

Q. And you are only able to sell in France when France is able under government control to make sales of their wheat?—A. Yes.

Q. And in Italy the sales of the wheat are practically nothing, because of their arrangements with the Danubian countries and Roumania?—A. Yes, sir.

Q. All right, we will not go further into that; that situation has been made clear. Now, that diminution in sales has been terrific in these last three years?—A. There has been a great shrinkage.

Q. For in one year we sold France, according to figures supplied by France, 31,000,000 bushels of wheat?—A. Yes.

Q. In the last five years—so the whole amount was—you are clear about that figure are you?—A. 26,000,000 bushels; I obtained that figure from the Dominion Bureau of Statistics.

Q. I understand that that was since you have been here?—A. Yes.

Q. Just one question more: As influencing the situation regarding imports from Great Britain, the fact that Britain has been paying her farmers a fixed price for their wheat, or a price for their wheat which has no relation to the market price, has increased the quantity of wheat available to the British miller from the British producer?—A. Yes, there was an increase last year.

The CHAIRMAN: Last year, yes.

Mr. VALLANCE: To what extent?

The CHAIRMAN: Roughly speaking, as you gave it to us, they produced for their millers 50,000,000 bushels of wheat. That is a fair way to put it.

Mr. VALLANCE: A 7 per cent increase?

The CHAIRMAN: Yes, a 7 per cent increase. Exactly.

The WITNESS: I think there will be a reduction this year.

The CHAIRMAN: It is felt there will be.

The WITNESS: Owing to the weather they have had.

*By the Chairman:*

Q. Roughly speaking, the amount is 50,000,000 bushels; an increase, as Mr. Vallance says, of 7 per cent?—A. Yes.

Q. Which would take care of a part of the suggested deficiency from the United States. The Russian wheat came on the market you know in 1930?—A. Yes.

Q. And that demoralized prices in the months of August and September of that year—I forget which months it was?—A. September and October, I think it was.

*By Mr. Vallance:*

Q. Do you know the extent to which it come on?—A. I think 90,000,000 bushels, wasn't it, that year?

The CHAIRMAN: A very substantial amount. They offered it at any rate at a price delivered at Liverpool and London in the millions at something less than 60 cents a bushel, if I remember right.

The WITNESS: I have the figures here, if the committee want to get it.

The CHAIRMAN: I don't care to keep you at this time of night, beyond that.

*By the Chairman:*

Q. Since then Russia has not been a great factor in the market?—A. A much smaller factor.

Q. Not an important factor in the market; that is the fair way to put it?—A. Yes, sir.

Q. And now, just to clear up one thing: You told us that the Argentine begins to sell their wheat in January?—A. Yes.

Q. And, over a long period of years, have you any information as to what percentage of her entire exports she ships in the next 6 or 7 months?—A. My impression is 80 per cent, but I would not like to say that definitely.

Q. Have you got the figures beside you; I do not want to take your time new, let us have it subject to correction from memory—it is about that, is it?  
A. My memory is, 80 per cent.

Q. Over a period of how many years—A. Over a period I think of five years. I have not the figures here, I am sorry.

Q. That is all right, don't bother about that. Has there been any what you would call marked variation in that during the last four or five years?—A. It has been very regular.

Q. Very regular?—A. Yes.

Q. When you said a moment ago that you were representing Mr. McFarland's view—as I understand it Mr. Findlay telephoned you that you were wanted here before the committee?—A. Yes, he did.

Q. And the opinion that you refer to as coming from Mr. McFarland are those set out in the memorandum which you read this morning?—A. I had an interview with Mr. McFarland before I left.

Q. Quite so?—A. And I told him that this very question that has been asked me tonight would probably be asked. I said, of course, in fairness to you I can only represent your view because I am representing you before the committee.

Q. I mean, in the evidence you have been giving you have been giving us your opinions?—A. Yes.

Q. I didn't quite understand you, because I was not quite sure from what you said. I asked Mr. Findlay whether you were expressing the views—that you thought Mr. McFarland had, or your own personal viewpoint?—A. As far as the evidence I have given here is concerned, these are my own views.

Q. Quite so; but with relation to the matters that you put in quotation marks in your memorandum, those represent the views which Mr. McFarland has expressed?—A. It is set out in this memorandum when his views are expressed.

Q. That is what I want to make clear.

*By Hon. Mr. Ralston:*

Q. May I ask the witness two questions arising out of what you asked him? I am interested in this bank account still. Do you say that it is the custom in the grain trade to take the net debit balance which you owe the bank and subtract from that the amount of wheat you have on hand at the current day's market price and then say that you only owe the bank the difference between those two amounts?—A. With this proviso, that the grain company's wheat is hedged. You see that is the custom of the grain companies. I made that point clear before.

Q. Which makes all the difference, does it not? Because, if the grain company's wheat is hedged then it can be sold at that price?—A. It is very important.

Q. Yes, very important; but by taking wheat that is not hedged and without a government guarantee you could not possibly say you would only owe the bank the difference between the net debit balance and the market value of the wheat on hand taken at that day's price?—A. What would happen in the case—quoting a hypothetical case—if you went to the bank with 100,000 bushels of wheat unhedged and delivered the documents to them? They would, of course, ask you to place a hedge on the wheat. That is the customary thing.

Q. Which means they would value it at less than the market price?—A. They would ask you to put a hedge on the wheat for their sake.

Q. Or else put up a margin?—A. It would be unlikely that they would carry their wheat without a hedge.

Q. At least, they would not lend you the full amount of the market price as of that day?—A. No. I doubt if they loan anything without the wheat being hedged.

Q. I am going to take an individual who has not a guarantee and who owes the bank \$80,000,000—if you can conceive of an individual doing that—he owes the bank \$52,000,000, and he has wheat on hand which if it could be sold at that day's market price would bring \$41,000,000; would anybody say he only owed the bank \$11,000,000 in the grain trade or anywhere else?—A. Repeat that.

Q. I say, take an individual who owes the bank \$52,000,000 and he has wheat pledged to the bank which if sold that day at that day's price, if it could be sold that day, would bring \$41,000,000; I say would anyone in the grain trade or anywhere else in the world say that he only owed the bank \$11,000,000?—A. That would depend entirely on the price that the wheat is sold at.

Q. The wheat is not sold?—A. When it is sold; you cannot arrive until it is sold.

Q. I am talking of what he owes on that day?—A. He could not sell that quantity on one day.

Q. And, therefore, you could not possibly, and nobody in the grain trade ever suggests that they only owe the bank the difference between the debit balance from their account and the value of the grain taken at that day's market price?—A. That is all actually that they do owe; and along with that is the question of the liquidation of the wheat.

Q. Certainly. The other question was in reference to this short interest you have spoken of. Some other witness here told us, or I understood him to say, that this short interest existed in October?—A. There was no October on the board.

Q. Last October?—A. That has reference to the sales that were made in the early part of October into which the Grain Exchange held an investigation.

Q. The short interest existed in October?—A. It did.

Q. Did you hold October futures?—A. Yes.

Q. You held October futures for more wheat than was visible?—A. Yes.

Q. And you did not ask them to make a delivery?—A. No.

Q. But you allowed them to switch to what?—A. Probably to May.

Q. If they were short you could have called them, could you not?—A. By dragging the wheat from all over the world, but you would not do that.

Q. Would not you send the price up?—A. Yes.

The CHAIRMAN: We have not the storage capacity to start with.

The WITNESS: If we wanted to upset all the grain trade of Canada where it would never come back again.

*By Hon. Mr. Ralston:*

Q. I thought you told me that a short interest was a thing which sent the price up?—A. It does. What would you do, Mr. Ralston, with this present shortage if you have a short interest of 25 or 35,000,000 bushels of wheat. Then there is 190,000,000 bushels of wheat apart from that. You would leave that where it is. You would make your adjustments of that the same as you would switch with somebody else.

Q. If you were short and you wanted to squeeze them at all you would make them buy your wheat?—A. Yes.

Q. You did not do that?—A. They have been transferred from one week to another.

Q. You did not do that in October?—A. No.

Q. You allowed them to switch to when?—A. Probably to May; and I say we should not have done it either in October.

The CHAIRMAN: Because it had not become apparent until after the end of the crop year.

The WITNESS: You would have to ship back from Montreal to Fort William.

*By Hon. Mr. Ralston:*

Q. You had your wheat?—A. What about wheat in Vancouver and Churchill?

Q. You had your wheat. You could make them buy from you?—A. Oh, you could not discover the short interest.

Q. You did not know the short interest?—A. Oh, yes, certainly.

Q. Why did you not make them buy from you then?—A. Because the only way you could demand delivery was by taking delivery of all the stuff; then the man who did not have any actual wheat would have to go into the pit and buy it, and when you disorganize all the grain trade, you simply—

Q. In other words, you let the shorts out?—A. What else could you do?

The CHAIRMAN: That does not let them out permanently.

The WITNESS: They may be short in May and go into July.

Hon. Mr. RALSTON: Do you propose to let them out again?

The CHAIRMAN: That is not a matter of which you have a right to ask.

Hon. Mr. RALSTON: I am wondering if that is going to be rolled over.

The CHAIRMAN: I am more familiar with it than you are.

*By the Chairman:*

Q. I put this to the witness: when you suggest that you could call the shorts in October last, there were three insuperable difficulties: one was storage, the other was getting the wheat, the third was that the position of the crop was not then ascertainable with definiteness; is that so?—A. The chief problem would be the question of storage.

Q. Quite so. And suppose you had said you would call for deliveries in October under all your contracts and refused to extend them to May, what would be the result?—A. In the first place, you encourage shippers to ship wheat to the seaboard in order to co-operate with you in the moving of wheat out of the country.

Q. Have it available for tramp space or whatever you may have?—A. Yes. You would demand that they would take that wheat and send it back to Fort William, and when it go there, due to the fact that other wheat would have come in, taking up the surplus storage from your country elevators, it would mean that the man who had conscientiously shipped his wheat to the seaboard to assist you would not be able to deliver the wheat because his wheat would be in boats on the lakes and not in a deliverable position at the elevators; it would mean the disorganization of the whole trade.

*By Hon. Mr. Stewart:*

Q. In that connection, you answered the question I asked you a few moments ago by stating that you thought short interest was beneficial to keeping price levels up—at least, if I am wrong, that was the effect of it?—A. Yes, the wheat has to be bought back.

Q. For that reason it creates more demand in the market. I can quite appreciate all you are saying. If this is true, there could be a very considerable short interest in the market without disturbing it much?—A. There has been.

Q. It has not been a very disturbing factor?—A. It is on the down side so far. You cannot tell what will happen in a short interest.

Q. If they get into the next crop they will possibly buy?—A. How are they going to get into the next crop?

Q. If they keep extending.

*By Hon. Mr. Ralston:*

Q. When are you going to call them?—A. That is up to you gentlemen.

*By the Chairman:*

Q. In your judgment, under existing conditions in Canada, the open futures market as operating in Winnipeg has been detrimental to the interests of the producer—under existing conditions—is that your view?—A. Yes, sir.

Q. And that is the view Mr. McFarland holds?—A. Yes.

Q. The only other question is the question of credits—it is not a matter of great importance in one sense. The banks require their grain customers to execute security under the Bank Act, to start with, for all the wheat they own. That is number 1. Is that so?—A. Yes.

Q. And the customer executes the documents in accordance with the provisions of the Bank Act?—A. Yes, sir.

Q. And every day there is an adjustment of his account through the operations of the clearing house, as mentioned by Mr. Findlay?—A. That is correct.

Q. And so far as credit with the banks is concerned, it is based upon the market value of the grain held by the customers at the close of business on every day?—A. Yes.

Q. That is the position?—A. I will point out that the difference between Mr. Ralston and myself on this point is the question of hedging.

Hon. Mr. RALSTON: There is no difference. I agree that if you hedge wheat then you have perfect security, if you have a good buyer.

The WITNESS: There, of course, is where the difference comes in.

*By the Chairman:*

Q. And the banks decline to permit any of their grain customers to establish a line of credit unless they hedge?—A. Absolutely.

Q. And in your case, you being the taker and having known that with the hedge you have the government guarantee—A. They have no other place to hedge.

Q. And the government guarantee takes the place of the hedge which you otherwise would make?—A. Yes.

*By Hon. Mr. Ralston:*

Q. You still owe the bank the difference between the debit balance on the amount of wheat you ultimately realized on hand and the market value on that day.

Mr. LUCAS: I have one question.

Hon. Mr. STEWART: The Government of Canada is behind this.

Hon. Mr. RALSTON: Yes. I am interested in seeing the debit balance of \$11,000,000.

The CHAIRMAN: Can we meet Monday morning?

Mr. LUCAS: I have one question.

*By Mr. Lucas:*

Q. It has been stated that these three large international exporting firms handle a large percentage of Canadian and Argentine wheat exports; that is right, is it not?—A. Yes.

Q. Would you say that that same condition applied to Australia?—A. No.

Q. For export?—A. They handle considerable of the Australian crop, but the pools are operating there, and they handle considerable of the Australian crop. The pools handle a great proportion—

Q. They do not handle the same proportion of the Australian crop as they do of the Canadian and Argentine?—A. No, they do not.

*By Hon. Mr. Ralston:*

Q. For my information, is wheat that is not in a deliverable position technically short?—A. Yes.

Q. That means any wheat that was at Fort William would be technically short?—A. The contract calls for delivery of wheat in Fort William or Port Arthur; the grain business has always been conducted up until recent years by method of hedge, and the wheat would be shipped out and the hedge retained at Winnipeg; but as far as the contract is concerned—

Q. Wheat is technically short when you cannot deliver?—A. Yes.

Q. Unless he ships it back again?—A. Yes.

The committee adjourned.

SESSION 1935

HOUSE OF COMMONS

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SPECIAL COMMITTEE

ON

BILL 98

# CANADIAN GRAIN BOARD ACT

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MINUTES OF PROCEEDINGS

No. 9

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MONDAY, JULY 1, 1935

TUESDAY, JULY 2, 1935

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REPORT.

OTTAWA

J. O. PATENAUDE, I.S.O.,

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1935



## MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

MONDAY, July 1, 1935.

The meeting came to order, Mr. Bennett presiding.

*Members present:* Messrs. Bennett, Gobeil, Perley, Willis, Stewart, Porteous, Ralston, Lucas and Vallance.

The committee again took under consideration Bill No. 98, the Canadian Grain Board Act, 1935.

Mr. Ralston, seconded by Mr. Stewart, moved an amendment to the Bill as section 10, namely:—

10. The operations of the Board shall not extend beyond the fifteenth day of August, 1936, except for the purpose of sale and realization of assets, collections, payments and generally for the winding up of the affairs and business of the Board, unless on or before the first day of July, 1936, the operation of this Act be extended by order of the Governor-in-Council for one year from the date first mentioned in this section, in which event such operations with the exceptions above mentioned shall terminate on August 15, 1937, unless further extended by Parliament.

Motion negatived.

The committee adopted the bill, with amendments and ordered it printed as amended.

Bill to be reported to the House.

The meeting adjourned sine die.

A. A. FRASER,  
*Clerk of the Committee.*

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HOUSE OF COMMONS,

TUESDAY, July 2, 1935.

### SECOND REPORT

The Special Committee to which was referred Bill No. 98, an Act to provide for the Constitution and Powers of the Canadian Grain Board, begs leave to submit its Second Report, as follows:—

Your committee has duly considered the said Bill and begs leave to report the same, with amendments.

All of which is respectfully submitted.

R. B. BENNETT,  
*Chairman.*



