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**"THE MARKETING OF CANADIAN WHEAT"**

**WITH SPECIAL REFERENCE TO**

**"THE WHEAT POOL"**

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**M.A. THESIS**

**APRIL 1929.**

"THE MARKETING OF CANADIAN WHEAT"

WITH SPECIAL REFERENCE TO

"THE WHEAT POOL"

Being a Thesis respectfully submitted  
to the University of Manitoba under the direction of the Department of Economics, as  
partial requirement for the degree of Master  
of Arts.

*Robert Grayne*

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## INTRODUCTION

"The Marketing of Canadian Wheat" is a theme that has proven itself to the writer to be one of great dimensions. One can scarcely enter into it at all without being drawn into other realms of research that are closely related and inter dependent; for example, it has been suggested in this thesis that the extent of agricultural production and that of industrial production are very closely related. Therefore, what concerns the marketing of the one, indirectly concerns the other.

But within the actual "Marketing" of Canadian wheat there is sufficient room for intensive study from an economic viewpoint. Leading up to some of these problems, data has been introduced that might well be termed "economic history". Into this, there have, of necessity, entered several principles of economy that have been dealt with briefly.

With this setting before us, it has been our aim to examine the marketing machinery existent up to the formation of the Wheat Pool -- after which an especial emphasis is placed upon it. It has been found that there are some problems common to both the "pool" and "open market", and therefore these have been treated as such.

The germ of dissatisfaction, from which the Wheat Pool emerged, is traced through the first sections of this thesis. The germ itself has proven to be a "study". It has been the aim (whether or not this has been achieved) to treat the subject under review without any element of prejudice.

More details might have been given, but we did not feel our concern with such. For example, in the section on "The Exchange Method of Marketing" we did not go into too great detail in connection with its structure, but singled out one or two points that had offered themselves for explanation.

Then again, in connection with the Pool, several "propaganda planks" have been taken and examined in the light of economic truths, and facts -- and have been found wanting -- at least in some regards. This has been done simply to show that even co-operative promoters, in their enthusiasm for organization, sometimes speak first and think afterwards. For instance, the theory of Orderly Marketing, as at first advanced by Pool organizers, has of necessity been modified to meet actual conditions without apparently hindering the market machinery of the Pool in the least.

Then again, it was contended by Pool organizers that the Pool could control price; and while it has affected price, and while this has been salutary, a modification had also to be made in the "extent" to which the price could be affected.

Two features that directly have a bearing on both the Open Market and the Pool, have been singled out and examined, these being "Grading" and "Mixing". As a foundation for study in connection with these, the Canada Grain Act took a great place. The reason that these two factors were selected, was on account of their being "points of dissatisfaction and controversy." In both sections some criticism of the present Grain Act is given, and suggestions offered, which, in the mind of the writer at least, are constructive, and if adopted would tend to a more adequate system of marketing.

The final section takes the form of a resume and conclusion, in which a general outline is given of the chief points noted in the preceding chapters, and particularly their direct bearing on the Wheat Pool.

The charts have been worked out to illustrate, graph-

ically, the points in question. These will be referred to by their "letters" and "page numbers."

The Bibliography and Reference Sheet will be referred to from time to time, and when this is done the authority will be stated by its corresponding number in the Reference Sheet; and whenever a specific page or item is referred to, such will be given along with the Reference number.

It is not the contention of the writer to set this thesis forth as an exhaustive study of grain marketing -- for such would be ill-founded, because whether it be under the open market, or by the Pool, it is still in its early adolescence.

Therefore, we have reviewed the development of Grain Marketing in the Canadian West up to 1929 in a general way, and have singled out some specific portions of the marketing machinery and dealt with them on their own merits, from our point of view.

The writer expresses his obligation to Prof. Jones, of the University of Manitoba, for his very helpful suggestions.



THE GROWTH AND IMPORTANT FACTORS  
in  
CANADIAN WHEAT PRODUCTION.

(A) -- NATIONALLY

Canadians have a noble heritage. Stretching from the majestic Rockies in the West, to the surging waters of the St. Lawrence in the East, our country lies in one striking panorama of productive hills, plains, lakes and rivers. Mines, forests and oil wells in the hills, supply precious metals, coals, woods and oils. Canada's lakes and rivers abound in most marketable fish. But it is left to the plains to stand first among her natural resources, and although as it has been estimated, more than two thirds of the land tillable for wheat still lies in its' virgin state, Canada ranks third among the wheat-producers of the world. When it is noted that approximately 70% of her wheat is sold on the World Market, because of her vast lands and scattered populace, it places Canada in a very important role as far as the International Market is concerned.

The three prairie provinces; Manitoba, Saskatchewan and Alberta, are left to do 93% of the wheat producing of Canada.

The older Eastern provinces of Ontario, Quebec and the Maritimes go in for mixed farming, and therefore grow wheat only as a rotation crop -- and then generally it is one of the softer varieties. Swinging to the extreme west of the prairie provinces, and examining the crop reports of British Columbia, we find that she follows the suit of the Maritimes and more or less passes up wheat farming, and therefore can only boast of an acreage that is almost negligible in the light of her three prairie sisters lying just to the East of her.

At present the wheat producing land in Canada forms what might be called a triangle. The South-east corner of this area is found at Emerson, just South of Winnipeg on the International boundary. The base of the triangle follows the border West until it reaches a point due South of Calgary. Angling Northward to Edmonton -- the second side of this tremendous triangle is formed. The area is completed when the crow is followed from Edmonton back to Winnipeg and Emerson. The outline of the above is readily seen by following the railway lines in the directions indicated. The acreage of this land given over to the production of wheat is in the neighborhood of 22,000,000 acres, while the total acreage

under cultivation according to statistics is about 39,000,000. Government inspectors place the arable land in Manitoba, Saskatchewan and Alberta at approximately 170,000,000 acres. As marketing facilities play a very important role in a country's development, it is important that we take cognizance of the fact that there are 25,000,000 acres of fertile land lying within 15 miles of railroads, and as yet unoccupied. The Government has still lands open for homesteads, while much land is offered by the railroad companies at from \$15.00 to \$20.00 an acre. The average price of farm lands, taking all three provinces into consideration, and also the farm lands as yet unbroken, is \$26.00 per acre (approximately).

It is very apparent, therefore, from the above facts, that the great necessity for the continued stimulation of agriculture is a better market and better market conditions. By this, we mean that at the present rate of immigration, and with the present percentage of overproduction, the one determining factor will be "price."

Despite the outstanding industrial development in the Canadian West during the present century, the growth of her wheat production, still forms by far the greatest percentage of Canada's economic advancement. In 1900 the annual wheat

(Chart D -- Page 88)

yield amounted to 50,000,000 bushels. This was increased eight times by 1915, with a yield of almost 400,000,000 bushels. During the war years there was the natural slump that always follows the depleted "home hands" of war days. In 1928 the former record of 400 millions had been reached, and beaten. In 1923, even this was overcome with a yield of 470,000,000 bushels. 1924 proved a poor year for the Canadian Wheat producer, and not until 1927 was the loss overcome. Then with the record year of 1928, with a production of 550,000,000 bushels, Canada had attained to a production that made her certain of third place in the wheat producing ranks of the world. While the increase during the past 25 years has almost been phenomenal, Canada cannot expect to increase her yield, or establish such new records, in the next 25 years as she has done since the commencement of the century. . Many factors will have to be taken into consideration, and not least amongst these will be the rate of increase in population, the opening up of new territory as suggested by proposed railroad schemes, the breaking up of land already at a "marketable" distance from the railroad, and lastly, but not least, the exhaustive or non-exhaustive qualities of the non-producing wheat land.

In connection with the latter fact, economists ask "What effect will the law of Diminishing Returns have upon the production of wheat in the Canadian West?" Nicholson asks this question, "What are the limits to the increase of national wealth (or produce) imposed by land (or nature)?... (Ref. 12 Page 68)

The law stated by Nicholson is as follows: "As applied to a portion of land (say an acre) after a certain point is reached, other things remaining the same, the returns to successive applications or 'doses' of labour and capital will continually diminish.".....(Ref. 12 Chapter 6.)

Fifteen years ago, farmers in Manitoba learned what the farmers in Ontario had learned thirty-five years ago; i.e., that land will not grow wheat year after year and still maintain the grade and yield. The law of diminishing returns had come into play. The successive applications of labour took the form of 'summer-fallow', or in the older sections of the country, of crop-rotation. Saskatchewan and Alberta have also more or less succumbed to the workings of this silent law. Instead of employing the method of Crop-Rotation, the Western farmer usually resorts to Summer-Fallow to rest and rebuild his land.

The term 'Summer-Fallow' in itself is rather misleading,

and therefore, in order to justify our line of thought on the above, it might be wise to briefly explain it. While Summer-Fallow means to 'rest' the land from a producing standpoint, it does not mean to 'rest' it as far as tillage is concerned. The chief reasons for Summer-Fallowing a piece of land are (1) To cleanse it from weeds, and (2) To rebuild the land from a moisture and plant-food standpoint.

In regard to the latter reason, J.M. Pearen, Chief Chemist for the Lake of the Woods Milling Company, Ltd., provides us with some interesting facts. Mr. Pearen, after a careful analytical and statistical study tells us that the general quality of Canada's wheat crop is lower today than it was ten years ago. As the first cause of this - he attributes the gradual impoverishment of soil condition, in the older sections of the country, and particularly Manitoba. It is this impoverishment that forces the wheat producer to "fallow."

In order that this may be accomplished there are involved successive applications or doses of labour. These take the form of "ploughing", "harrowing", "discing", "cultivating", etc. Thus, looking back, we find that for the first few crops -- summer-fallow was not necessary; but if the land was still to produce, the farmer in most cases - not wishing to rotate - had no alternative but to "idle", from a productive viewpoint, one

portion of his land for this purpose. In order to cause the least inconvenience, the farm is usually divided into sections of one hundred or more acres, according to the size of the farm, and one section is "fallowed" each year.

In the average section, the ratio of summer-fallow is 1-2; that is, two seasons of production to one of fallow. This naturally forces the farmer out in his cultivation, so that while the one field is "resting" the other will be producing. We must of course, take into consideration the fact, that owing to abundance of arable land, the working of Economic Rent has not been very noticeable. But more and more this law will come into play--and more especially in the older farming centres where resort will be made to the marginal land. Then again, the virgin soil, newly broken will produce an economic rent over the older land, owing to the longer period of production without fallow. The amount of the rent, however, will depend on the price obtained for grain.

All these factors, in the long run, will exert their influence on the grand total of Canada's wheat production, because the farmer is more and more taking them into consideration. These to him are "by-issues" of the main problem; i.e., a paying market.

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(B) -- INTERNATIONALLY

Internationally, Canada occupies third place in the

wheat producing ranks of the World, the United States and Russia - almost tying for first place; but the United States having a slight margin. However, when we take the ratio of production to population, Canada certainly is placed in the enviable place in the export world. Twenty-five years ago, the position that Canada held in the World Wheat Market was almost unnoticeable. Then she was tenth and now she is third among the wheat producing nations. At that time she ranked fifth amongst exporters -- today she is first. In 1925, for instance, the United States produced 669,360,000 bushels and exported 258,000,000 bushels; while Canada produced 411,375,000 bushels and exported 271,150,000 bushels. The great difference between the production and export of the two countries is indeed noteworthy. During the year '27-'28, Canada exported in wheat and flour, 332,963,283 bushels, which amounted to about 70% of her entire production.

Owing to certain national conditions that are more favourable than those existing in many parts of the U.S.A., the Canadian farmer can produce more cheaply than the American farmer. An interesting study was made by the United States Tariff Commission in this regard.

The Commission took the year 1923 as a working basis, and



taking all things into consideration, allowing for a land charge, figured that 82 cents was the cost per bushel of producing wheat in Western Canada. Striking an average on the same plan for Montana, North and South Dakota, and Minnesota, it was calculated that it would cost about \$1.45 to produce the same amount; namely one bushel. Not only that, it was also reported by this Commission that the intermediate marketing costs were higher in the States than in Canada.

For such facts and conditions, therefore, the Canadian farmer has much to be thankful. But notwithstanding this situation, there have been many irritating and trying conditions in the marketing of his wheat that have led to an almost incessant series of protests and their resultant enquiries.

Realizing that wheat forms Canada's chief production, and that it is of utmost importance, not only to the farmers, but also to every Canadian, that the marketing machinery for wheat should be the very best possible, an earnest study of the present and proposed machinery is advisable from the side of political economy.

Canada and her prosperity is dependent on the price obtained for her grain. Every company, large or small (Chart B...Page 86 ) is dependent on this price. Why? Because the nearest rival to the agricultural production of 1928, amounting to \$506,000,000, was that of pulp and its\* products amounting to less than \$150,000,000.

A single illustration will suffice:- The Toronto Financial Post - January 1929, says --"In the last analysis the prosperity of Winnipeg Electric is solely dependent on the fluctuations in the price of grain, coupled with the results which the Western farmer obtains for his crop." There is no doubt but that the "Post" has put it rather strongly. But, nevertheless, while not apparently affecting "industry" by its daily fluctuations on the grain market -- it most certainly does so with the average yearly price - based on these fluctuations.

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PIONEER MARKETING -- ITS DISSATIS-  
FACTION & RESULT

The study of the development of Canada as a wheat producer is inseparably bound up with her constitutional and railroad development. The study of the marketing of the grain is also, by virtue of its' inclusiveness, related very closely to both.

Before Sir William Van Horne and Donald B. Smith ("Men of esteem whom by virtue of what they have done for Canada and the world, should never be forgotten" --- Lord Baldwin at Calgary) commenced their aggressive plan of railway construction the Canadian West was what might be termed agriculturally undeveloped. This was no doubt on account of the fact that up to 1869, what is known as Western Canada was not a part of Canada at all, and it was not until that date that the Hudson's Bay Company sold it to the government.

It was then that Sir William Van Horne and Donald Smith set their eyes westward. Behind their surveyors came the ribbons of steel -- and over the steel came settlers. New regions and districts were thrown open for settlement, and it was not long before branch lines were running out into these.

Terminal elevators had been constructed at the lake ports with the object of encouraging as great a flow of grain as possible before the "lake freeze up."

It was here that the germ of difficulty found its' source --

a germ that developed into a discontent on the part of the farmers and called for investigation after investigation.

For a while the railway was tempted sorely to enter the "line elevator" business; but, as yet the railway was not a paying proposition and capital was not forth coming. However, what the railway lacked in capital it made up in land holdings. The directors, therefore, after much consultation, made a public offer to any who would consider building elevators at country points. This offer included (1) Free building site. (2) An absolute car monopoly at that point. The latter clause, being interpreted, meant that every farmer in that district was forced to load his grain through that elevator -- or not load it at all. In return the line elevator had to possess elevating and cleaning facilities.

Naturally, a monopoly of such a nature, was provocative of real criticism. First of all, farmers claimed that they were often cheated on their grade. Then this criticism grew into claims of "shortage" in weight. Because their grain was thrown in bins with other grain, farmers found it almost impossible to store grain. Owing to these continual charges, a Royal Commission was formed in 1899, but its' investigation revealed very little.

Farmers could not ship grain loaded by themselves from

wagon to car -- because they could not get cars spotted at the sidings, and they felt this point very keenly. The Royal Commission had done one thing, however, that was to influence the marketing of Canadian Wheat; and that was their recommendation as expressed in the "Manitoba Grain Act."

It was at this point that both parties took sides. The Elevator Companies formed a trade Association, and the farmers "The Territorial Grain Growers Association." We must recall that it was the railway (C.P.R.) that had made the monopoly agreement with the line companies, and therefore the farmers' greatest grudge was against the C.P.R. A legal action was commenced in the fall of 1902 and continued into 1903, for violation of the Manitoba Grain Act. The Lower Court maintained that the railway was guilty of sinning against this act. The Board of Directors of the C.P.R. appealed the case but the Supreme Court maintained the decision of the Lower Court.

For a time then, the complaints of "spotting cars" and "shipment" were more or less eliminated. But the matter of "grading" was still an irritating point of controversy. There did not seem to be any solution, and to overcome this, headed by E.A. Partridge, a group of farmers made their way to the City of Winnipeg to establish their own selling agency.

Out of the protests lodged against the line elevator companies and the railways there grew a sort of esprit de couer,

that in turn grew into a cooperative movement evidenced by the United Grain Growers' Limited, and the Saskatchewan Co-operative Elevator Company.

With farmers' cooperative companies in Alberta, Saskatchewan and Manitoba, an interprovincial organization was formed, in 1907 under the heading "The Interprovincial Council". This body was composed of the executives, or their representatives, of each of the provincial organizations. With the formation of a cooperation in Ontario, the Interprovincial Council was reorganized to include that of Ontario, and accordingly from then on was called "The Canadian Council of Agriculture".

In the history of Marketing Canadian Grain this Council has played a very important part. Being composed of farmers, the policies outlined held great weight not only with the Provincial Government, but also with the Dominion Government.

The membership of the Council in 1926 was composed of the executives of "The Grain Growers Guide, United Grain Growers, United Farmers of Alberta, The Saskatchewan Grain Growers, United Farmers of Manitoba, United Farmers Cooperative Company of Ontario, and United Farmers of Quebec."

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THE EFFECT OF THE WORLD WAR AND POST-WAR  
CONDITIONS ON THE WHEAT MARKET  
AND ON PRICES

Nationally, internationally, and industrially, war-times are unnatural or abnormal times. As a result of this, conditions in all realms of life and trade are "out of the ordinary."

In 1913 Canadian industry was in what we call, a stable state of economy. In December 1914, industry was anything but stable, for the international market was nothing but a whirlpool of uncertainty. Productive peace-time concerns were immediately converted into Government war-time concerns. Agriculture found itself handicapped by a marked shortage of labour. This was the usual situation for nations at war.

The cry of Europe was for munitions and food, and by 1917 this cry had reached a high pitch.

As we turn our eyes towards Canada, we find her, during the war days, exerting every effort to produce what was, and is her basic product; i.e. wheat. Notwithstanding the more or less reduced yield owing to crop failures in some sections, wheat was at a premium. From statistics gathered, and from the Chart (A) Page 85, it is evident that wheat was worth one and one half times its' own value per bushel -- in terms of

the great majority of commodities that the Western farmer must purchase.

This state of affairs naturally produced what is known as a period of prosperity, and in some municipalities we find that during this period, farmers set a new standard for farm equipment, as well as purchasing several extra quarters or half sections of land.

Not only did the farmer, in a vast number of cases, confine himself to merely farm equipment as such, but he also reflected this in his other purchases. As a result of this, and the general reflection, "Canada at Home" economically enjoyed a period of prosperity, caused by abnormal international, political and economic conditions. Such conditions -- whether applied to the physical world, to the world of society, or the realm of economics -- are bound to give forth a reaction, just in proportion to the degree of "unnaturalness" which had hitherto existed.

In 1917 the wheat and flour situation -- from the British Empire viewpoint -- looked rather uncertain, and as an outcome of this uncertainty the British Government created a monopoly export control in the capacity of the Wheat Export Company. This monopoly was held from 1917 - 1919, with a fixed price and with the Board of Grain Supervisors appointed by



the Dominion Government to supervise and control the production and marketing of wheat within the Dominion. Practically the same conditions existed in Australia, which country, in affiliation with the British Government, had also formed a system of Government Monopoly.

The Wheat Board of Canada continued to function during the crop year of 1919. This board had an absolute monopoly by Government enactment. Every bushel grown for market was under its' control.

Apparently the farmers were satisfied with this method of marketing their grain -- but the Dominion Government showed signs of uneasiness, and did not desire the continued task and responsibility of finding a market for Canadian wheat.

In August 1920 the wheat board closed its' offices with a base price of \$2.63 per bushel, and the open market was once again established. The result of this action on the part of the Government was that wheat took a 20% leap on the future market. This was followed by a rapid decline -- until the average price had dropped more than \$1.00 per bushel.

Looking back the farmers realized that the "Wheat Board Method" was in reality a compulsory Wheat Pool -- Government controlled; and although there was evidence of dissatisfaction during the period of its' operation, there was now an appeal

for the re-establishment of the same or a similar organization. Failing this, the alternative was a voluntary organization run along somewhat similar lines.

The aggravation was still furthered by a continued drop in wheat prices at the outset of 1922, in proportion to the average price of necessities required by the farmer.

Taking 100 as the average price line of goods and implements purchased by the farmer during the period from 1914 to 1925, we discover that in 1917 the peak was reached with wheat prices at 140 and other goods etc. at 100. Chart (A)

Page 85 There was a gradual decline from that peak until the Fall of 1921 when the average line was crossed on the downward trend, the minimum point being reached in 1923 with a score of 80. It was not until the summer of 1927 that the average or par line was reached again by the purchasing power of a bushel of wheat. Chart (A) Page 85

It was, therefore, this period of price depression that created the most violent discontent. To find a solution for the drastic drop in wheat prices was not only the concern of Canada, but also every other wheat-producing country. Some of the Governments appointed Commissions composed of eminent economists to especially study the situation. The majority of these brought in their finding, that co-operative marketing was "The Supreme Hope" in the stabilizing of the price of agricultural produce.

Whether or not these findings would justify themselves later on was purely conjecture, and as our thesis progresses we will probably be able to throw some light on this stipulated assertion.

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"THE EXCHANGE METHOD OF MARKETING  
CANADIAN WHEAT"

To date, the most favourable grain market machinery has been regarded by economists as "The Exchange." In order, therefore, that we might make as comprehensive a study of the marketing of Canadian wheat as possible, and yet be brief, we would do well to make a few historic observations that bear on the economics of our study, and then finally to analyze the economic justification of the system under our study.

It was into a world marketing discontent, dissatisfaction, and continued protest, that the present Winnipeg Grain Exchange was born.

Being organized as a voluntary, non-incorporated association in 1908, it is by nature a self governing institution, based on the mutual control and consent of the members as set forth in its' constitution.

The exchange is composed of individuals and not companies, although through the individual members the grain companies carry on trading. While the membership is not absolutely fixed at 335 -- it runs in the neighborhood of that figure. The membership includes elevator managers, millers, brokers,

shippers and commission men. The division is as follows:  
Elevator Managers - 180; Millers and Malsters - 81; Cash  
grain brokers - 13 ; Shippers and Exporters - 81; Insurance  
men - 10; Bankers - 8; Officials - 3; Retired - 17;  
Ref. 25,.....Page 122.

The secretary of the Grain Exchange in statements be-  
fore the Royal Grain Inquiry Commission 1925 (Ref. 25), set  
forth the following as the functions of the Exchange:

1. To provide a market place.
2. To provide market news.
3. To provide a system of arbitration.
4. To fix minimum commission rate.
5. To regulate the forms of contracts used in future trading.
6. To make rules and regulations required by the above functions.

At the annual meeting the executive is elected - consist-  
ing of a President, Vice-president, Secretary - Treasurer and  
12 members. All committees are elected by this council, ex-  
cepting the committees of arbitration and appeal which are  
elected by the annual meeting of members.

W.F.A. Turgeon, Chairman of the Royal Grain Inquiry Com-  
mission, states emphatically that "of all the institutions  
connected with the grain trade of Canada, the most important  
is the Winnipeg Grain Exchange."

Going back to the commencement of this chapter, we find that it was into a grain world of complaint that the Exchange was born; and the complaints did not cease at its' birth; in fact, instead of ceasing their point of emphasis was changed to focus not on the C.F.R., but this time on the Exchange itself. These complaints grew in vigor and intensity, and aggravated and fed by the abnormal post-war conditions, took definite form in 1924. These charges were resultant in the formation of the Royal Grain Inquiry Commission, headed by Mr. W.F.A. Turgeon. Of all the commissions appointed, there is no doubt but that the findings of the "Turgeon" report are the most all-inclusive, and economically sound. Mr. Turgeon summarized the "charges" or "grievances" under a five-fold heading --

1. That the Winnipeg Grain Exchange is an organization in restraint of trade.
2. That speculation (either cash or future) has an injurious effect upon the farmer.
3. That there is too large a spread between the prices in the Winnipeg Exchange and those on the Liverpool Exchange.
4. That the minimum Commission Rule is too rigid.
5. That the Grain Exchange exercises a sinister influence over the official grading of grain

What were the findings of the Commission on the above charges?

In regard to the first -- "In so far as the exchange, therefore, is an organization to provide for the maintenance of a market place, it forms, without undue restriction, a necessary and beneficial link in the marketing of western grain. The Exchange does not of itself buy or sell grain. It does set up the machinery under which grain can be conveniently bought and sold. It does not appear, then, that there are any undue restrictions placed either upon obtaining membership in the exchange, or upon making use of this machinery in the buying and selling of grain."

Regarding speculation in its' relation to "hedging" and "futures", the conclusion of the Commission included the following:

- (a) "That a future market permits hedging and that hedging by dividing and eliminating risks in price variations, reduces the spread between the price paid to the farmer for his product and that obtained for it upon the ultimate market."
- (b) "That hedging facilitates the extension of credit."
- (c) "That a speculative element is necessary in an Exchange."

(d) "That prices thereby tend to be stabilized."

Page 139.....Ref.25

The undue spread in prices between Winnipeg and London was explained by "elevator charges, ocean insurance, guaranteeing the outturn, and brokerage charges to man at the other end."

Page 140.....Ref.25

As a finding re the sinister influence of the Exchange, the report says -- "after a very thorough and careful examination of the conditions under which the farmer's grain is graded, there is no ground whatever for these rumours and suspicions."

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In the marketing of grain -- or in fact, any agricultural product -- an ideal market would mean that every week 1/52 of the crop produced was marketed and consumed in that same week. This of course, as Prof. Marshall says, would mean that the quantity, quality of production, demand and price remained the same; and cash was paid.

Let us look at the above for a moment. First of all the supply and demand are never constant. As a result of this there comes into being what is known as "price fluctuation."



Because the supply and demand are not constant, the whole process of marketing, which includes production, storage, transportation, credit and selling, is affected. Because of this five-fold division of marketing, it is evident that before the final consumer obtains the product, a long time has elapsed. The Grain Companies have always worked on the "cash payment" basis; and because of this and the lapse of time until the consumer's payment is obtained, it is evident that there is a great place for a credit system.

The workings of this credit system are a part of that great system known as the "Grain Exchange.", and we can readily see the important place it holds, and the necessary role it plays in a grain producing country such as our own.

Prof. Marshall, in writing of the activities of the professional dealers, says that they buy in advance when they think that the supply will run short, and they sell in advance when they think the supply will be greater than estimated. As individuals they gain if they are right -- and lose if they are wrong --- "But their actions result in benefit to the public as a whole by lessening variations in price from place to place - and from year to year." (Ref. 36 Page 562)

Taking the "Exchange" method of marketing as a whole, we realize that it is an involved "system", in which a remarkable machinery for marketing has been established and a successful system of credit and finance adopted. Just because of its' very nature the Exchange is bound up with our Nation's weal or woe.

Prof. Marshall says in contrast that the service rendered by constructive speculation is illustrated by the way in which the risks of grain merchants and millers are decreased by dealing in futures (i.e. - grain to be delivered at some specified future time). But then the question, what effect will that have on the producer -- or even on the public? The answer to this is given very concisely by Ferguson (Page 139.....Ref.25) when he holds that "Speculative transactions tend to keep prices as between grades and as between present cash prices and cash prices in the future in proper adjustment to each other and to future conditions of supply and demand." -- and also that "Prices thereby tend to be stabilized and fluctuations reduced."

Therefore, let us conclude -- that any system or method of marketing that stabilizes prices can find a justification.

Not only does such a system benefit those directly connected with it, but it also casts a beneficial reflection on the producers as well as on the general public. In a study of the relationship between industrial and agricultural progress, it is clearly illustrated that inflated prices are unhealthy prices, and that progress only comes when prices have found their normal level. During war-time the price of certain products took an immediate rise; e.g., wheat and flour, thus for a time paying extra dividends or extra rent. By 1917 other prices had adjusted themselves to the basic price of wheat. But then, following the war, as explained elsewhere, wheat dropped in price, contrary to other commodities which continued at the same price. (See Chart A Page 85) It was not until 1926 that the adjustment was made, and prices once again had found their true level. It was not until 1926 that Industrial Production really made any noticeable advancement.

Therefore -- any system which lends itself as a force for stabilizing prices -- has a justification so long as it stays within the ordinary rules of trade and commerce. The Exchange method of marketing, in as much as it comes under the above category, is therefore justified.

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THE RISE OF THE CANADIAN WHEAT POOL  
AND ITS METHOD OF FINANCE.

The Canadian Wheat Pool did not come into being spontaneously, but was the outgrowth of "the wheat marketing dissatisfaction plant" which started to grow in 1869 (see Chapter on Pioneer Marketing), and which had been well watered all along.

This plant took root in Saskatchewan, when at the beginning of this century, the first branch was called the "Territorial Grain Growers Association", this being changed within a few years to the "Saskatchewan Grain Growers Association". Encountering the same difficulty regarding loading, grading, and mixing, it was not long before Manitoba and Alberta followed with similar organizations to that of Saskatchewan. These three found a ready response from the farmers, and this response can be attributed to the environment in which it was made.

On the agricultural frontier of Canada, farmers had learned of necessity to co-operate. For instance, in the case of building a place in which to live, settlers would get together after hewing the logs, and forming a "bee" would go from section to section "raising" both houses and barns; thus illustrating Kipling's "The strength of the

wolf is the Pack, and the strength of the Pack is the Wolf." Then again, following the passing of the Grain Act in 1900, farmers went together in filling the car which had been taken out in the name of one of them. From 1901 to 1903 many complaints were lodged regarding the lack of enforcement, on the part of the Government and Railway, of the Grain Act. It was to give these protests weight that two of the largest co-operative concerns were formed; i.e., The Saskatchewan Co-operative Elevator Company, and the United Grain Growers Ltd. As we examine the motive of these companies, we find that it was not a "Co-operative Motive" as such -- but that it was an attempt to lower "the competitive base", and by so doing aid its members materially. As we read, therefore, of the early practices and customs of the Canadian settler -- and of the various co-operative concerns formed during the years of concentrated dissatisfaction, we can surely say with some degree of truth, the education in co-operation came by virtue of environment and circumstances; and that almost for any discontent it was bound to be offered as the one and only solution.

During the years 1917 and 1918 all the wheat produced in Canada was handled by the "Wheat Export Company" which represented the British Government. The price paid to the farmer

amounted to an initial payment of \$2.15 a bushel, with a second payment of 48¢.

When the War ended, the Government did not wish to continue in the Grain business, and therefore withdrew the Wheat Board.

It was what followed this governmental action that created such a stir. Wheat, the stable product of Canada, became worth less than half as much as it was under the Wheat Board. In fact from \$2.65 a bushel, it fell to less than \$1.00.

What were the wheat producers to do. Prices of other commodities showed no evidence of coming down in anything like the same proportion. (Chart A. Page 35 ). First of all, an attempt was made to re-establish the Wheat Board. Legislation was introduced, but the Government was not to be shaken in its conviction, or changed in its policy.

Having failed in their first endeavor, a proposal was made to the Canadian Council of Agriculture, following a suggestion from the Pool in Washington formed in January 1920. The Council, however, took no action; and it was then that the appeal was made to the three Provincial Bodies of organized farmers -- "to do something." Following these demands, the Alberta group took the lead, with Aaron Sapiro as Campaign Manager, which resulted in the securing of a membership of

26,000 and 2,536,300 acres, under contract. The Alberta Pool opened on October 19th 1923.

The Manitoba and Saskatchewan groups followed suit, and in September 1924, they opened with 8,000 and 47,000 members respectively. In July of the same year, the Executives of the three pools met in Regina, and under Dominion Charter, the central selling agency was incorporated as the "Canadian Co-operative Wheat Producers, Limited." All the wheat from the "amalgamated" pools passes through the hands of this agency, and by it is placed on the world market.

By the term "The Canadian Wheat Pool" we mean the combined provincial pools and the Canadian Co-operative Wheat Producers Limited.

Regarding membership, it is open to any who produce wheat. The membership fee is \$2.00, and because the pools are capital-stock organizations, a \$1.00 nominal share is also purchased in order to comply with the company laws of each of the three provinces. The purchase of the share does not complete the transaction, but the farmer, before becoming a member of the Pool must sign a contract binding himself to deliver all the

wheat produced by him for five years. This was known as "The Five-Year Contract." The contract rather than the share is the basic principle of control. Upon the delivery of the grain to the Pool Elevator, the Pool takes possession, and is supposed to make an initial payment at that time, and subsequent payments, terminating with a final payment. The Pool assumes all responsibility for receiving, storing, cleaning, shipping, and selling. For any breach of contract the Pool is entitled to collect from the contract-breaker a per-bushel charge as agreed upon by the association.

In the matter of democratic control the Pool member is the unit, as a controlling force in the local Pool Elevator Subsidiary Company. The Provinces are divided into districts and subdistricts, each subdistrict choosing a delegate to represent it. The delegates chosen by the subdistricts elect one from among themselves as director. A Board composed of seven directors is elected each year. The Central Selling Agency bears the same relationship to the Provincial Pool, that the Provincial Pool, in turn, bears to the individual member. And thus it is that the Central Selling Agency has control of the wheat from the time it is delivered at the country elevator,



until it finally reaches its destination of disposal.

In order that it might better accommodate itself, and accept direct or indirect bids, the Agency has secured a representative in the Grain Exchange.

The primary objectives of the Pool movement are set forth in the Dominion Charter, which reads thus:-

"To be an agricultural organization instituted for the purpose of mutual help to serve as the Central Marketing Organization for the corporations and persons mentioned in section 'A' hereof, but for no others; to improve methods and reduce costs of marketing grain, to reduce speculation, manipulation and waste, and all unnecessary transactions in such marketing; to increase consumption, build up new markets and develop new uses for grain; to market same directly and with regularity, so as to furnish it economically to the users thereof, and to preserve for the growers and the public their proper profits."

In reply to the question "How were the marketing costs to be reduced?" the promoters contended one and all, that owing to the contract assurance of the bulk of the grain produced in the West, greater bargaining power would be secured

as to lake-head, lake, and ocean shipment expense. That this was one of their correct contentions, and that it was based on fact, is shown by J.F. Booth, in his chapter on "Volume of Business" (Ref. 6 - Page 87 ). Perhaps the outstanding finding of this expert in this regard is stated by him thus "The large volume at the disposal of pool terminal elevators also has made possible large savings in operating costs as well as profits on the mixing and reconditioning of grain."

Quite in contrast to the above contention is the one put forth by the promoters, that "Grain trade profits would be eliminated." There is no doubt about it that this was mere conjecture and that it has since been proved that in the final analysis (*ceteris paribus*) it does not hold.

Dealing with the clause in the Charter "To market same directly and with regularity" we conclude also that in substance this was more or less conjecture built on theory. The truth or falsity of this contention will be dealt with in the section on "Orderly Marketing."

The latter clauses in the "purpose" paragraph of the Charter state that the Orderly Marketing would offer a means of providing the grain economically "to the users thereof",

as well as "to preserve for the growers and the public their proper profits." Both these reasons are quite legitimate, but in spirit are more or less in contradiction with the primary and prompting motive of the Pool, which, stated briefly and abruptly was -- "Better Price for grain for the farmer." Just how far the Pool has justified itself as to the motive, has been considered in the chapter on "From Price to Profits."

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A BRIEF ECONOMIC STUDY OF THE  
POOL'S METHOD OF PAYMENT.

If the Pool's method of payment to the farmer for his grain is to prove successful and satisfactory it will first of all be necessary for the farmer to alter his method of finance; for with the Pool there came into being a new system of finance. Prior to the formation of the Pool, and as far back as wheat has been produced in Canada, upon delivery or within a few days of delivery of the grain to the country elevator, the cheque to cover the grain was forth-coming.

With this available cash the farmer met his notes, which were usually made out for payment in October or November, paid his threshing bill, his taxes, insurance, and then with the surplus spent a comfortable Christmas and winter, and if necessary purchased his seed grain.

In contrast to this, the Initial Payment by the Pool is just sufficient to pay the "general running expenses of the farmer", and until the farmer adjusts himself to this new system, embarrassment to a certain extent, will prevail.

In 1928, the first interim payment was made on March 9th; with the basis set at 15¢ per bushel, and this gave the members \$27,916,663 on approximately 186,250,000 bushels. This first interim payment was followed by corresponding mid-summer, and fall payments. The first interim payment on the 1928 crop was made in February of this year, on a basis of 12¢ per bushel on wheat grades one to five, and on flax and rye. When it is considered that on this 12¢ basis more than \$26,000,000 was distributed to the Western farmers, it is very apparent that this method of payment will more or less revolutionize the system of finance in the Canadian West.

As would be expected, this delay in receiving payment has

led to considerable discontent on the part of the producer. Not because of the injustice, or the unsoundness of the method, but because of the complete change in his own method of finance. In some cases it has been necessary for the banks to carry the farmer, and of course this would be an extra expense. In other cases, where farmers were running on the "margin", merchants were asked to carry them with interest. In some instances, municipalities felt the reaction in the form of delayed payment of taxes.

To the farmer, who has been fortunate in building up a surplus, the pool's system of finance appeals in general. It might be said however, that farmers of the above class are in the minority.

At present, in lieu of a chattel mortgage or such, for security to the creditor, the interim payment certificates are turned over to them. The office of each of the Provincial Pools executes the necessary adjustments; and as a result of this extra "banking" the offices are kept extremely busy, therefore have set apart departments to deal with this part of their business of finance.

In time, after the transition period of adjustment has passed, and with one or two crops such as that of 1928, there is no doubt but that the pool's method of payment will tend

to "the cash" system on the part of the farmer himself. This in turn, will do away with what has been called "The Frozen Credit System." And again, when the transition period has ended, the new method will mean that promissory notes on next years crop will have given way to payment from return of last years crop.

If these predictions prove themselves to be true, even in part, it means that at least one great salutary effect has been registered in the economic history of the Canadian West, and will probably be headed as a Great Transformation -- from "Credit to Cash."

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THE THEORY OF ORDERLY MARKETING

The theory of Orderly Marketing, while being no new thing in other industries, particularly in the realm of manufacture, remains yet to have its practicability proven in the sphere of grain marketing. Before dealing with it in relation to the last mentioned, let us examine briefly the general economic theory from which the theory of Orderly Marketing has emanated.

There can be no doubt at all in the mind of the student of political economy that "Orderly Marketing" finds its beginning in some of the greater laws and theories as advanced and held by such men as John Stuart Mill, Marshall and Nicholson. On a wide and rather free interpretation of the Law of Demand and Supply, as given to us by Mill (Ref.23 Page 412) and by Nicholson (Ref.12 Pages 229 and 230) we find that the above theory might have had its beginning. But as all three of the writers have said, it is to be remembered that the nature of the product under study must also come under the survey.

Stated briefly the theory as Mill contends is -- "If the demand increases, the value rises; if the demand diminishes,

the value falls; again, if the supply falls off, the value rises; and falls if the supply is increased. The rise or fall continues until the demand and supply are again equal to one another; and the value which a commodity will bring in any market is no other than the value which, in that market, gives a demand just sufficient to carry off the existing or expected supply."

(Ref. 23 Page 448).

Before Mill stated the above "Law of Supply" he very clearly outlined that the nature of the product and its marketing must of necessity be taken into account.

Our study is concerned with the marketing of wheat as at present grown in Canada. Wheat, owing to the physical aspects of our land and climate, is produced for market once a year; and that between the months of September and November.

Then also taking into account the fact that although it is produced for market in the three months of September, October and November, we must remember that the ultimate or final market has not been reached until the grain is in the hands of the consumer.

While locally it appears, and quite correctly so, that



about 75% of the wheat is marketed in the fall, the world shipments continue throughout the year with astounding regularity; and so have they always done. As an illustration of this fact, let us examine ocean shipments during the ten years prior to the Great war; and taking the basis or percentage on the twelve month shipment, we find the averages thus:- September, October and November 28.4 percent; December, January, and February 23.4 percent; March, April and May 25.4 percent; June, July and August 22.7 percent. Mr. Sanford Evans, writing in his booklet "St. Lawrence Deep Waterway" (Page 7) says that "the heavier shipments in the autumn months may be accounted for by the fact that some European countries distribute a part of their winter's supply before navigation closes on their rivers and canals."

There are several economic truths that the local wheat producer has, at least apparently so, at times, more or less, overlooked. One is, that with such a basic product as wheat, price is not determined by any local demand or supply, but by "The World Market"; and secondly, that a product, whether it be wheat or cloth, is not considered marketed until it has reached its final destination.

Maintaining that the price of wheat, during the three months of September, October and November, was low, and that it was

during these three months that the bulk of the Canadian wheat crop was marketed, and that therefore it would be in the interest of the producer for "the movement of wheat to be more evenly distributed throughout the year, thus allowing him to deliver to the elevator at his leisure." This is, in short, the principle of "Orderly Marketing as promulgated by the organizers of the Wheat Pool. There was also a hint that this would have a salutary effect upon freight rates.

In response to this suggestion many farmers held their grain back, believing that it was in the best interests of themselves, as well as the Pool, to do so. However, they learned that this was not the policy of the Pool; as is seen in the following statement by Mr. A.J. McPhail, President of the Central Selling Agency: "The impression that farmers who held their wheat back were helping the Pool was wrong. Wheat should be moved to selling position in the fall as rapidly as it can be got out." (Western Producer - Nov. 11th )

The Pool has followed the policy of the Grain Companies in the principle of moving all the wheat possible to a position East of the Great Lakes -- either to East-lake terminals, or to Ocean port-elevators. This principle or policy is prompted by the saving in rail-lake rates over all rail rates.

In the following of the example set by the Grain Companies, the Pool was departing from the proposed policy laid down at the time of its formation; for by means of it; i.e., "Orderly Marketing", the Pool was to be able to control market prices and to get a better return than under the open market system.

It was in the foregoing contention that the Pool Promoters failed to make good. No doubt, it was thought that by creating a "monopoly" by an "easy" supply, price could be maintained at a high level. So it could -- if the monopoly could be created. But when the officials realized that the law as given by the three economists, quoted at the commencement of this section, still functioned; and also that there were the two difficulties of (1) local storage, and (2) lake freeze-up -- to be contended with, it was decided that in the best interests of the Pool; the principle of "Orderly Marketing", as such, should be abandoned. Hence we have the reason for the following figures -- From the 1925 crop there was a carry-over of 10,300,000 bushels; From the 1926 crop one of 7,400,000 bushels; and from the 1927 crop -- no carry over. (Statistics by A.S. Cairns - Statistician)

Perhaps the reversal of this policy is one of the most striking examples of "action without economics." There are certain fundamental laws or principles of trade and commerce that cannot hastily be set aside, and any policy which fails to take them into consideration is doomed to failure, or at least to serious modification.

As we examine the monthly price fluctuations based on the average closing price of the Winnipeg Grain Exchange, for the years 1921 - 1928, and especially for the six months of each year - i.e., from July to December, we find that 1921 was a striking example of "price depression" during the fall marketing period; 1922 followed suit, more or less; 1923 varied some, but not to the extent of the 1921 prices; 1924 moved in direct contrast - with a rise in price from \$1.55 to \$1.75. (Chart E. Page 89 ) We must remember also that the years "1919 - 1924" were the years of what might be termed "Economic Recovery." Turning to the two years 1927 and 1928, we find that during the five month period, August to December, there was practically no noticeable fluctuation. (Chart E Page 89 and Chart C Page 87 )

Just what influence the operation of the Wheat Pool has

had in this regard, it is impossible to say. What can be said, with a creditable degree of certainty is this; that as a direct force, this influence would be scarcely noticeable; but indirectly, any system of marketing, which comes within the working machinery of the existing system, thus possesses, to a considerable degree, stabilizing potentialities that are most difficult to enumerate or evaluate.

There is no doubt that it is in the best interests of the Grain Trade, the farmer, and the community, that wheat prices should follow the examples set by them during the last two years, when abnormal fluctuations were absent. The extent of this effect is dealt with elsewhere, in the study under review.

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FROM PRICE TO PROFITS

One of the first lessons that the members of the Canadian Wheat Pool were forced to learn was that Canadian wheat, though grown in Canada, was not priced in Canada, and that the old economic potentialities "Demand and Supply" could not be altogether forgotten. There is no doubt but that the average farmer thought that his wheat was priced by a few men in "Winnipeg" who could raise or lower the price to suit their own purposes. This most prevalent, but incorrect hypothesis, was one of the agitants that led to the formation of the pool in Western Canada. To observe the gradual enlightening and discovery of a correct hypothesis on the part of not only the average member, but also some of the leaders of the "Pool" has been most interesting.

The following data, compiled by the Sanford Evans Statistical service is indeed enlightening, and establishes beyond any doubt the fact that Canada has an enviable place in the Foreign Market, and that the Foreign Market is an over-riding fact in determining "price" in Canada. From August 1st 1927 to July 31st 1928, forty-five countries purchased of Canada's wheat and wheat flour, a total of 332,963,283 bushels. This total was divided as follows:-

AUGUST 1st 1927 to JULY 31st 1928

<u>Exported to</u>	<u>Wheat &amp; Flour bus.</u>
Africa	1,123,692
Austria	114,660
Azores	168,979
Belgium	12,223,081
Bermuda	66,618
Central America	145,512
China	4,858,147
Czecho-Slovakia	524,250
Denmark	2,310,526
Esthonia	150,261
Egypt	650,081
Finland	1,329,145
France	3,351,270
Germany	17,907,220
Gibraltar	11,994
Greece	5,595,004
Hongkong	1,402,947
Italy	8,152,157
Irish Free State	2,412,721
Japan	11,073,698
Korea	34,000
Malta	146,903
Mexico	52,334
Netherlands	19,113,434
Newfoundland	1,606,752
Norway	2,522,922
New Zealand	188,355
Nicaragua	2,500
Phillippine Islands	164,444
Poland	220,468
Portugal	652,017
Russia	412,445
Spain	524,947
South America	2,092,604
Sweden	2,696,323
United Kingdom	215,681,903
United States	8,462,777
West Indies	
Jamaica	1,508,010
O. B. W. Ind.	52,117
Barbadoes	263,259
Cuba	96,930
Hayti	152,953
French West Indies	192,164
San Domingo	778,999
Trinidad and Tob.	1,316,158
Other countries	356,042
<b>TOTAL</b>	<b><u>332,963,233</u></b>

From this data it is very apparent that "pricing" is not an affair for local grain merchants but for world markets. The above "Economic Law", although stated in a negative form, has been one of the forces tending to a re-adjustment of aims in the policy of the Pool Management. There has been a gradual "shifting of purpose" until there has come about the same "raison d'etre" as any other business, private or otherwise; i.e., the payment of dividends on capital invested; or value for utility.

Of course we must here remember that the Pool is a true co-operative, and therefore as such it must work for the ultimate good of its members. But in reality, the member of the Pool does invest -- while not actual capital (as such) potential capital in the form of his grain, and by so doing he has a right to expect returns on his investment, other than the 6% that is paid on the reserve. The Pool propaganda, which was issued for the Campaign purposes, without a doubt misled the farmer by causing him to believe that by its marketing power, it (the Pool) could more or less control price. There is no doubt but that the Pool has affect-



ed price -- but not to the extent of "Campaign Provisions." Other than that, though, there is the growing attempt on the part of the Pool Officials to increase the earnings on the basis of the amount of grain invested by the pool member.

#### "Profit Analyses"

John S. Mill maintains that "the reason agricultural capital yields a profit is because human beings can grow more food than is necessary to feed them while it is being grown, including the time occupied in constructing the tools, and making all the other needful preparations."...Ref. 25 P. 416.

Mill goes on to show that the reason capital invested in industry can yield a profit is on account of the necessaries employed by the workman lasting a longer time than it actually takes to produce them. The profit, therefore, varies with the length of life of these necessaries.

It is here where Nicholson and many other renowned economists disagree with Mill. The writer of this thesis tends to agree with Nicholson, when he contends that profits

do not depend on the productive power of labour but upon differences in relative prices.....Ref.12. Book4 Chap.4

This difference and the importance underlying the economic truism has been clearly shown during the past ten years, and it was owing to this very reason that the Canadian Wheat Pool first came into being.

Under a system of monetary economy then, for the farmer, profits do not depend so much on the productive power of labor, as upon the differences in relative prices.....  
(Chart A.....Page 85)

During the period from 1913 to 1921, as the chart shows, grain producers were being repaid more than the cost of production with the usual profits. This condition was due, of course, to the heavy war-time demand. Then, as always follows, there came the re-adjustment; which took the form of an acute subnormal fall in the price of wheat, for there was no longer the "foreign demand". It was an "acute" fall because the international market had not yet become stabilized nor adjusted.

The general rule is that "things tend to exchange for one another at such values as will enable the producer to obtain the cost of production with an ordinary profit."

Therefore, from 1922 to 1925 this was not possible for the farmer -- for the reason that other commodities that had followed the grain prices up, did not "drop" as quickly as the grain price. It took these commodities five years to adjust themselves in their prices. In normal times therefore, the above rule holds; but in the abnormal period between 1920 and 1924 it did not hold.

The following speech made by H.A.Hoey, at the Farmers' Convention, Portage la Prairie, during the campaign, is typical of the ideas then prevalent in the Canadian West --

"The primary object of the Wheat Pool is to obtain for the Canadian grain the premium to which this product is entitled on the markets of the world." However, there did seem to be a conflict of motive, for while C.H.Burnell, President of the Manitoba Wheat Pool, was away at an International Wheat Pool, Sapiro, the great co-operative leader, was advocating "Improved standards of living."

Nevertheless, the predominating idea in the minds of the Western farmers was that they were doing the work and someone else was getting the profit. Therefore, if the pool by obtaining control of the greater percentage of the crop, and by controlling the flow to market, could better the price, the pool would most certainly get his support.

The farmer is still waiting on evidence to prove the above. The only satisfaction the member of the pool has, in regard to price, is that as soon as the line of country and terminal elevators is established, and cover-charges sufficiently met -- the saving in the cost of handling his grain will increase with the volume that passes through the hands of the Pool. Owing to the cost of "establishing" the farmer has not yet appreciably felt this saving. When he does, can it be claimed as part of the result of the price motive -- or does it not come under the heading "profits". There is no doubt that this will mean much to the farmer, in time -- but not until the cost of "establishment" has first been covered.

As a price controlling factor, then, as far as the actual World Market is concerned, the Wheat Pool, as such, cannot exert any influence, other than its' usual supply force -- but as a large co-operative organization it can work for the good of its' members and by striving to keep the "handling" charges at a minimum, can maintain and justify its' existence as a "Profit making" concern.

An interesting light is thrown on the motive prompting co-operation by the following quotation:

"Co-operative spirit does not go far when the farmer is not getting a good price for his product. Consequently it is possible to build a co-operative association without appealing primarily to the ideal of co-operation. Instead, a successful centralized association can be created by appealing to the farmers' desire for a higher price and by building a co-operative spirit upon the basis of economic gain.".....Ref.22...Page 89.

There is no doubt but that the Price Motive was "the" motive that prompted the Wheat Pool; therefore, the justification of the Pool hinges on the attainment or non-attainment of that objective. If the Pool fails there, it has failed at least in its' initial endeavour -- if it succeeds in bettering the price, it has justified its' existence, at least from that standpoint -- and according to "Pool Officials" it has.

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THE CANADIAN GRAIN ACT  
IN RESPECT TO

- A. GRADING.  
B. MIXING.
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GRADING

In 1925, the present Act respecting Grain, and known as the Canada Grain Act, came into being. The sections of this Act provide regulations for the complete marketing and supervision of the Canadian Grain Crop.

Of first importance and created by the Grain Act is the Board of Grain Commissioners, appointed by the Governor in Council. The Board has a membership of three, and is vested not only with the power of inspection, but also of investigation and appeal. The Board makes its annual report to the Minister on all "such matters as appear to the Board to be of public interest in connection with the inspection, weighing, storage and transportation of grain". (Canada Grain Act - Section 15 )

Under the control of the Board, there is a Chief Inspector, who in turn has under him a staff of inspectors and deputy inspectors. All are responsible to the Board of Grain Commissioners.

One of the great difficulties in the marketing of Canadian

Grain has been, and still is, in connection with the present system of grading. Under the Grain Act, Section 31, inspecting officers are to grade all grain in accordance with the grades defined in the Act -- and it is between this "final" grading and "initial" grading that discrepancies have arisen and caused much dissatisfaction and discontent on the part of the farmer. It must be clearly understood, however, that the difficulty does not arise from the "standard of quality" as set down in the Act, for this is indeed a necessity. Because if dealers, including millers and importers, are to deal in "futures" at all, they can only be assured of satisfaction if there is a standard upon which a basis of transaction can be formed. Therefore, we maintain, that in the marketing of grain, a government standard is necessary as a gauge for export trade, as well as trade within the country.

However, it has not been the fixed standard of quality that has caused the discontent in Western Canada. It has been the method of administration. An agricultural economic truism, that is well worth noting in this regard is:- "The nearer the grading is done to the source of supply -- consistent with efficiency and economy, the more satisfactory the system is to both the consumer and the producer." Of late, in Western Canada, there has been a growing discontent which

can be traced to the lack of following the above law or rule. The Dominion Board of Grain Commissioners was confronted with the problem at the commencement of this year, 1929, when it faced "criticism of administration" expressed in the most forceful manner by members of parliament from Manitoba and the two western provinces of Saskatchewan and Alberta.

One of the difficulties involved in the administration of standard grading is to carry out the "standardization". Failure to do so, has been, and is yet, one of the inherent weaknesses of the present "mode d'operandi" of grading in Canada. Wheat might be graded No. 1 and bought for such at the line elevator -- and at Fort William be graded even by the same department - No.2.

As an illustration of this, the Searle Terminal Elevator Company, Fort William, bought wheat in Winnipeg, graded No.2 Northern by the inspection department. When the same wheat arrived in Fort William, it was graded No. 3 Northern - by the same inspection department. Such administration is undoubtedly economically unsound, and its effect upon general trade is anything but salutary. This mal-administration, if it might be termed as such, cannot be laid to the account of the Grain Act itself, but to the "human element" which enters into all walks of political, social, industrial and economic



life.

Mr. Justice Turgeon, in his report (Ref. 25.....Page 51) says that the "keystone of the arch of Canada's grain grading system " is the sample. Because of its importance, and because the confidence of the producer and purchaser of grain must be established and maintained, Mr. Turgeon lays much stress on this feature.

If Canada is to maintain the place she holds on the World Wheat Market, she must also establish and maintain a system of grain grading which is satisfactory to the producer and understandable to the purchaser. There is always bound to be some dissatisfaction in any system, but there is no necessity of general dissatisfaction. Therefore, in order to insure the producer against "error of grade" it might be wise to introduce a separate duplicate, or even triplicate system of "sampling for grading", these to be taken as near the point of loading as possible. Then also, if the purchaser is to deal with any degree of surety and satisfaction, he must be assured that the "grade" is constant from year to year. Of course, there are difficulties that are ever prevalent; but at least, the purchaser who is buying by wire, or for

future delivery, should be furnished with percentages of comparison of this year's grade to that of former years. This would give him an adequate purchasing knowledge, and would have a salutary effect upon the grain trade, both local and general.

In order that this could be accomplished it would be necessary to alter or modify the present method of grading. The present method of arriving at a "grade" is more or less a method of conveniency. It is reasonable to say that this method is not satisfactory to the farmer, neither is it economically sound.

The Grain Act of 1925 - Part 2 - Chapt.86 - Section 96, outlines the grade classification for the Western Inspection Division, and let us quote, for example, the rule of grade, say for No. 1 Manitoba Hard, and then No.3 Manitoba Northern.

(a) "No.1 Manitoba Hart wheat shall include all varieties of hart red spring wheat equal in value to "Marquis" wheat; shall be sound and well cleaned, weighing not less than 62 lbs to the bushel; shall contain 75% of hard red vitreous kernels."(1925-96)

(b) "No.3 Manitoba Northern wheat shall consist of red spring wheat varieties which are excluded from the preceding grades

(i.e. No.1 Hard; No.1 Northern; No.2 Northern) on account of damage; shall be reasonably sound and reasonably clean; of fair milling quality, weighing not less than 57 pounds to the bushel, and may contain Amber or Red Durum, singly or in combination up to 3 percent."

As we examine these "rules" for grading, we find that certain factors which should be taken into consideration are apparently absent. Is it not a fact that the uses to which iron is to be put, determine the classification and price of the various "raw" materials? Wheat is primarily used for the manufacture of flour; therefore, because of that fact, should it not be graded according to its "flour" or "protein" content? Exponents of the present grain act tell us that indirectly it is. But is such the case? In 1924 the difference in price between No.1 Northern and No.4 was twenty cents per bushel; and yet the milling value of No.4 (based on protein content) was only three cents less than that of No.1. Thus the producer was obtaining approximately 17 cents less per bushel than the actual milling value of his product.

Some of the Flour Mills, not only in other lands to which Canadian Wheat is exported, but also in our own land -- and even in St. Boniface, use the lower grades for milling purposes, simply because the "flour" or "protein" content is far above the grade prices in comparison with those of the higher grades.

Therefore, we would maintain -- in order to establish a more equitable system of grading, that not only should the cleanliness and weight be taken into consideration, but also "the protein or flour" content, this latter to be obtained by an analytical department which would of course be a sub or joint department of the system now in vogue.

The effect of this would be twofold. Firstly, it would have a salutary and satisfying result for the grain producer. He would feel then that he was getting "value" for goods delivered. Secondly, this proposed method of grading would have a stabilizing and salutary effect upon the grain trade in general. Millers who were purchasing Canadian wheat would know by the "grade" its exact "milling value" and therefore would be able to bargain accordingly. At present the milling value of "grades" is more or less of a speculation, and remains so until the protein test is applied. One Canadian Miller

is using exclusively "No. 6" wheat for the manufacture of flour. We can see by this that some adjustment will of necessity have to be made very quickly -- and this adjustment will take the form of a change in the present method of grading, if satisfaction is to be realized by Canadian producers and foreign purchasers.

#### MIXING

Besides being inseparably joined, Grading and Mixing are bound up in the term "Grain Marketing", and therefore come under the perview of this study.

In regard to Mixing, the Canada Grain Act, Sections 86:1, and 86:2; says that "all grain of the same grade in public terminal or public elevators shall be kept together and stored only with grain of a similar grade, and a selection of different qualities of the same grade is prohibited. Should grain of different grades be loaded together in the same compartment of any vessel or car at any point within the division, a certificate shall be issued for such mixed shipment, which certificate shall have written across its face a statement of the quantities of each grade entering into the composition of such

shipment, but no certificate for a straight grade shall be issued for such mixed shipment."

There are in reality two forms or practices of mixing; one being before the official or legal grade is fixed -- and the other after the grade has been fixed. The former practice is usually carried on by the country elevators, although it was learned by the Turgeon Commission (Ref.25 - Section on Mixing in Private Terminal Elevators) that Companies usually discouraged their country operators from mixing, realizing that they did not have the proper machinery or accommodation for so doing. However, the "Mixing" proper, is carried on by the terminal elevators, and it has been against them that growing criticisms have been launched. The objections can all be put in the one main objection, that being "that mixing lowers the quality of grain exported under the official Canadian Certificate".

Some evidence of the truth of this complaint was seen with the crop of 1927, when the practice of mixing at the terminal was most prevalent. The first thing the Canadian Market knew was that there was a strong element of dissatisfaction on the World Market, and especially so in Britain.

This was evidenced by an appeal that the Prime Minister of Canada received from one of the most important exchanges of Great Britain regarding the above matter. Then again, a strong protest was also made by the National Association of British and Irish Millers against this practice which was detrimental to them in their milling. Going back to 1925, Mr. Turgeon's Commission was confronted with a delegation from the Millers of Canada -- which informed him that owing to the inability to secure straight grades the small miller was being forced out. No doubt there is some truth in this latter complaint, but there also must be taken into account the fact that large line Companies with their bargaining, purchasing, and handling facilities, were in "competition", forcing the small producer out.

The practice of mixing has gone on, and the market of 1928 has seen a reversal of 1927 in "Canada's grain reputation" on the British Market, so that the protests must have been urged by other forces as well, and no doubt the unfavourable climatic conditions of 1927 were in part to blame.

The main reason given for the prohibition of mixing is that it lowers the quality for export, thus causing a slump

on the foreign market, and like the boomerang -- comes home with its depression on the Winnipeg Grain Exchange. The Commission of 1925, with data accumulated by it (Ref. 25.....Pages 86-95) discredits the above contention and places its finding as follows: "We cannot say from the evidence we have of conditions overseas that the quality or reputation of Canada's grain, and therefore the price, has suffered in Britain as a result of mixing in private elevators being allowed". (Ref. 25....Page 95 - Clause 3.)

At a conference of the three western pools, it was unanimously agreed that "prohibition of grain-mixing" was not practicable -- at least not for the present -- and especially not for barley, rye, and Durum wheat. As a policy -- the pool is opposed to grain-mixing -- but countenances it until some method is discovered by which it could be eliminated, and in the meantime refers to it as a necessary evil.

There are several sound reasons for mixing grain, as given to us by exponents of this practice. Canadian wheat is classed by grade from No. 1 to No. 6, and any grain of poorer grade than No. 6 being classed as feed. Durum wheat comes under special classification. We are told that more than 200



grades or grade-combinations have been actual facts in the past six years. The grain of the above grades arrives at the terminal elevators in cars; upon arrival there it can no longer be handled and its identity kept, and if it is for export it must be mixed for cargo purposes. If the "car-load" happened to be an "off-grade" it would possibly be mixed with a higher grade and thus a better average price obtained.

The Grain Act 1925 (116 - Section 8) says regarding the above:- "In no case, whether in a terminal or public elevator, shall grain of different grades be mixed together while in store." Of course, Hospital Elevators, which possess licences, after treating the grain and mixing it, could by virtue of the Act of 1920, ship it out under a straight grade, although under Sub-Section 5 - Section 115, no treated grain could be graded higher than No.3. We must take cognizance of the fact that Hospital Elevators, licensed as such, come under an entirely different category than terminal elevators, and it is the latter which have been accused of mixing without classification.

It is our contention that if an adequate system of grain marketing is to be established and maintained, at least from Canada's point of view, the Canada Grain Act of 1925 should be enforced as regards mixing, and modified and altered in regard to grading. There is no doubt but that in regard to the former, the millers who take Canada's export wheat would rather buy "straight-pure-grades", and if necessary, do the mixing themselves. To what degree "mixing" has entered into the dissatisfaction of export of Canadian wheat, is difficult to determine. But the fact remains that Millers would rather buy on a straight grade basis than on a "composite grade" -- blended to suit the purpose of the exporter. At the outset of this section on Grading and Mixing it was pointed out that there must be a standard to form a basis of transaction. It can be readily seen that grading and mixing both bear heavily on this standard and present problems that are most difficult to solve with a full degree of practicability.

Let us conclude then with the following statements. We differ with Mr. Turgeon by maintaining that in the best interests of the marketing of Canadian grain, mixing should not be allowed, except in the case of "hospital elevators", and

also where in mixing the percentage of mixture is maintained and sent with shipment, the latter being in full accordance with the Canadian Grain Act. In respect to grading, we would alter the present method of grading so that a proper emphasis would be placed on the "protein" content of the wheat. By following the above suggestions it is our contention that the "standard of transaction" would be greatly improved, and as a result of this there would be a salutary effect upon the entire grain trade.

The ideal state of economy in this regard will be reached when an international set of laws will be introduced bearing on these problems which to the present time have been dealt with by the individual nations concerned.

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RESUME AND CONCLUSION

The study of the marketing of Canadian Grain has naturally introduced of its own accord what might be termed continued references to historical developments. After all, it is only by a close observation of these with their economic foundation, or lack of such, that any progress might be made. In the first sections of this study we dealt with the Growth and Important Factors of Canadian Wheat Production from National and International standpoints, concluding that Canada holds an enviable place in the grain trade of the world. The section on "Pioneer Marketing" carried us forward to 1914 when the world market found itself in a state of eruption. The effect of this eruption was outlined in the section on "The effect of the World War and Post War Conditions on the Wheat Market and on Prices." From the very outset of our study it has been apparent that the marketing of grain in the Canadian West has been accompanied by an element of dissatisfaction. Whether or not the dissatisfaction, as outlined by the farmers themselves, was entirely justified, has been dealt with elsewhere in this thesis. However, one thing was certain, and that was "That

there were grounds for complaint" in the then prevailing system of marketing, and the farmer sought for a solution. It was into this atmosphere that the "Exchange" was born, and which before long had established a marketing system of its own, and which, as such, worked very efficiently. Slowly the spirit of dissatisfaction among the farmers seemed to centre on the "Exchange" itself. Certain abnormal conditions tended to oil the flame, and chief amongst these was the period of depression that followed the Great War.

Prior to the Great War, and during it, farmers had tried to work out their salvation by the formation of "United Farmers" and "Grain Growers" societies - but no real advancement was made. One of the reasons for the "lack of accomplishment" might be attributed to the fact that these groups were endeavoring to accomplish what true co-operatives might have been able to do -- and the very fact that they were not true co-operatives led to their comparative failure.

In direct contrast to these former societies, the Canadian Wheat Pool came into being as a "true co-operative", and therefore, as such, its bargaining power was very much increased. The Wheat Pool was born, just as the "Grain Exchange" was born -- into an atmosphere of dissatisfaction. Wheat

prices during the war were inflated, thus giving, over the par line average of other commodities, a large return.

(Chart A Page 85 )

Following the war, there was the readjustment. In this period of re-adjustment, dissatisfaction took ready root. The marketing machinery, as such, seemed to be satisfactory; but within it there appeared to be, as contended by the farmers, too great a discrepancy between the price paid to the farmer, and that received from the consumer. One of the ways that this was accomplished, according to the farmers, was by lowering the prices during the three months, October, November and December, when the bulk of the grain was sold to the elevators -- and then following this to start the price on the upward climb. We have dealt with the "economics" of this logic elsewhere in our study.

It was to exert an influence tending to more satisfactory conditions as far as the farmer is concerned, and to exert a direct influence on "price" -- that the Canadian Wheat Pool came into existence. The extent to which this has been accomplished is almost impossible to ascertain. Pool officials contend that "Not only has the Canadian Wheat Pool been of distinct advantage to the wheat farmers of Canada, and tended

to increase the prices they have obtained for their product, but it has had an influence on the whole wheat market."

(A.J. McPhail - Pres. of Central Selling Agency) Just to what degree this influence has been -- is difficult to say; but without a doubt, there has been an influence. Thus we can say that during the last two years; i.e., 1927 and 1928, the usual slump in prices during the months of August to December -- did not take place; and the chart (Chart E Page 89) clearly shows, ever since 1925 there has been a steadying of the price line.

The Pool, as a factor in controlling price, as such, has also been dealt with elsewhere in this study.

The writer believes that the Pool has justified itself, and that it will continue to do so, if it adheres to the laws of political economy which govern it; i.e., in regard to membership, methods, and management. Already the Pool has had a salutary effect upon the Grain Marketing of Canada. While this effect is not completely tangible -- we can say that slight reductions in freight rates might be attributed to it. The revision of the Canadian Grain Act might also be credited at least in part to its influence. In this regard, I believe

a further influence is necessary, and that it will not be long before the Act is again revised in respect to Grading and Mixing. Here the Pool, with its enormous membership, can play a great part.

Examining the economics, the attainments, the present status, and the method of finance of the Pool, we are astounded at the immensity with which it looms before us. Marketing from 52 to 54 percent of the wheat grown in Western Canada, we can get a glimpse of the vastness of the business end of the pool. When we read that \$26,000,000 is distributed at one time among the farmers of Western Canada, as an interim payment of only 12 cents a bushel, we learn just how large a part the Pool is playing in the financing of our Country. At one time, statistics given by the Pool office tell us that as much as \$65,000,000 was borrowed by it from the banks -- not from the government. As a business concern the Pool is indeed immense.

Then again, the fact is before us that during the past three years there has been a marked increase in industrial production in Canada, and especially in the Canadian West. From Chart B -- Page 86, it is evident that the grain pro-



duction line and industrial production line are very closely related. If the Wheat Pool has aided the agricultural interests -- it has also aided the industrial interests -- and therefore Canada as a whole has been speeded on in her progress toward a greater nation; at least to some degree, by means of a "true co-operative."

Prof. C.R. Fay (Toronto) writing in the Economic Journal, March 1939 - Page 113, says in regard to the financing of the Pool from the farmer's viewpoint:- "Moreover the scheme is self-financing, and from the farmer's standpoint costs him less than nothing.....Thus the farmers of the Canadian West, without any previous accumulation of capital, are gradually becoming the owners of a vast business."

Prof. Fay goes on to say that the above attainment hinged, and still hinges, on the strict observance of the contract.

It is very apparent from statistics at hand, and clearly illustrated by J.F. Booth in his chart (Ref. 6 Page 35) that the per bushel cost of handling grain depends entirely on the volume of grain passing through the marketing machinery. Therefore, with what might be termed "monopoly" in this regard, the Pool has bright prospects. Already it has reported a sav-

ing of one cent and a fraction per bushel in the handling of grain.

One difficulty has been encountered, and that is that the Pool elevators have not been of sufficient capacity to carry all the other pool wheat. Owing to this, there has arisen difficulty in the determining of who was to finally market the wheat -- or to which terminal elevator the grain should go. The Pool members claim that it should go to the "Pool" Terminals, and the line Elevator to the Line Terminals. According to the Grain Commission, the latter was quite in order, and to make things easier for the Pool member who was under contract to deliver all his grain to the Pool, the private Elevator Company gave the member a ticket, which stated that such and such a company was handling the grain for him. This is known as the "Hybrid" Ticket -- and this is still a matter of great concern to the Pool authority, and the individual member.

Apart from the financial interest involved in the grain marketing on the part of the farmer, it is readily seen that such controversies as the one over the "hybrid" ticket call for explanation and for statistics. Because the pool member is vitally interested in "his own business" he wants to know.

On account of this, the average Canadian farmer today knows more of "marketing" than he has ever known in the economic history of the West. This might be termed as an "educational" result of co-operative marketing.

There is no doubt also that some of the slogans and policies set forth during the campaign for membership, were simply "campaign policies"; one of these being "Orderly Marketing." However, as factors tending towards awakening interest, these served their purpose; and the pool is establishing itself on a sound economic basis. The binding contract is one of these. In regard to the last fact, Ernest Drury says in The Financial Post of March 23rd, 1928 "Contracts are dangerous." We do not agree with him; as the contract is one of the factors that makes a co-operative -- a true co-operative. It has been found a necessity.

Another "Campaign" weakness was the idea that the "Exchange" or "Commission" system was directly opposed to that of the Pool system. This has since proven itself to be simply "Campaign" propoganda, for some 48% of Canadian wheat still passes through the hands of private elevator

companies. The two systems are more or less inter-locked, and as long as there is a "Pool" there will be an Exchange. Of late, the early antagonism has more or less disappeared, its place being taken by a tolerance growing out of a feeling of necessity, as The Pool is making use of the former machinery in the advancement of its own ends.

When the writer commenced the study of "Co-operative Marketing in the Canadian West" some four years ago, the Wheat Pool was simply an experiment. It has ceased to be such -- and is now a successful factor in the economic and rural life of the Canadian West.

Up to the time of the United Farmers, and other Co-operative movements, farming was more or less "individual". Each farm seemed to become for the farmer -- a solar system of interest. This has been changed and along with the school, and the church, there has come this new force exerted by the Pool, that is bound to be a welding factor in communities made up of people who have come from all the corners of the earth. The Pool, by its very nature, will bring the New Canadian farmer into touch with our institutions, our ideals, and more than that, with us "ourselves."

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CHART SECTION

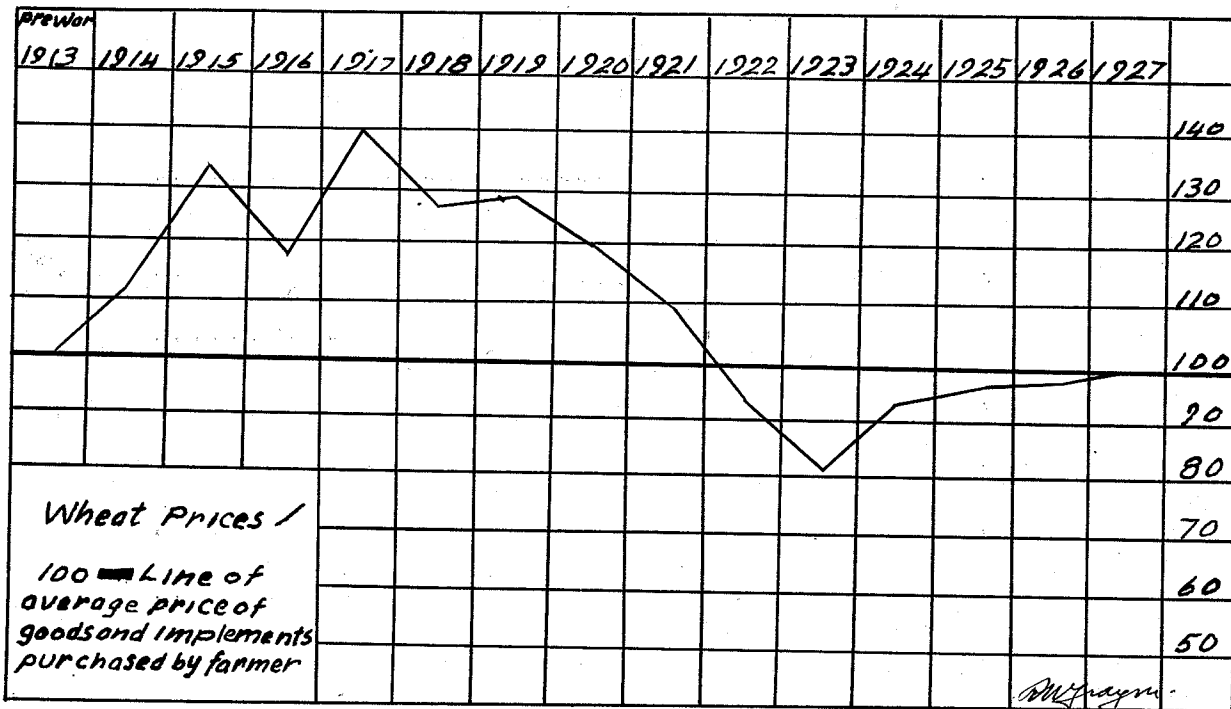
PAGES

85 to 89

INCLUSIVE

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CHART "A"

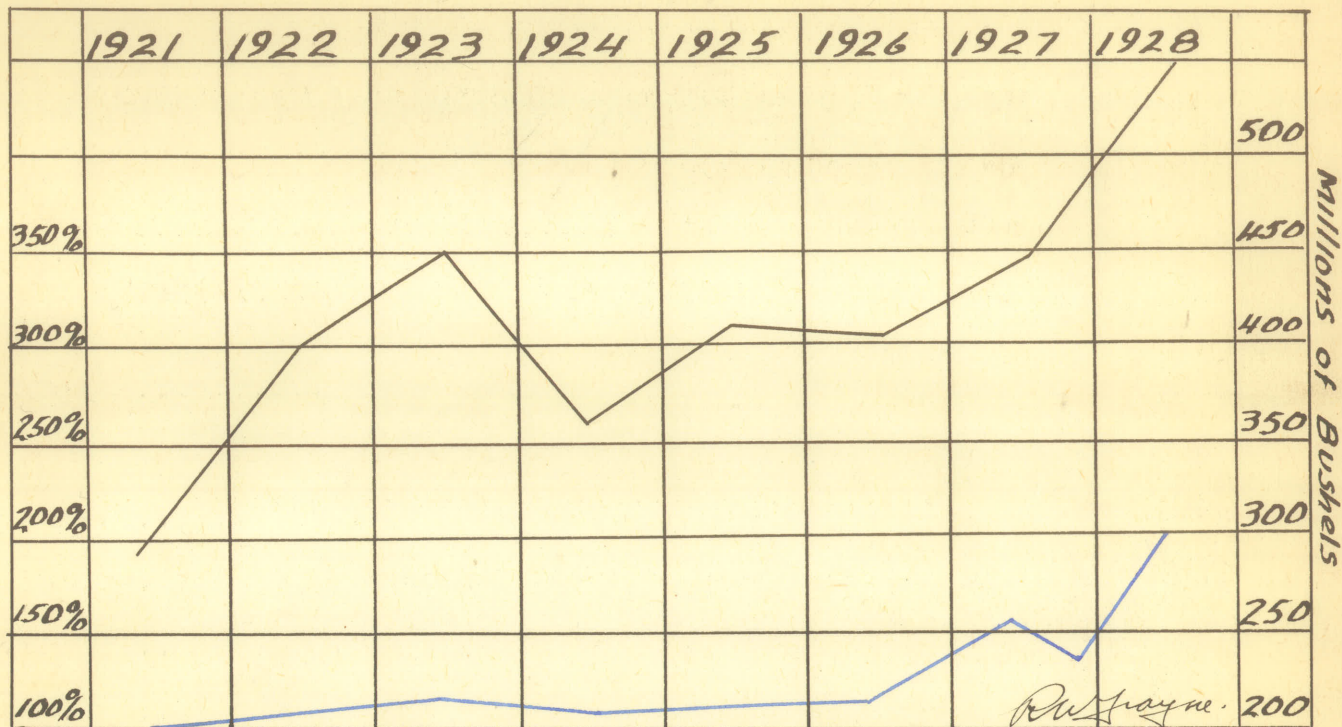


RELATIVE PRICES

The above graph might be termed one on "Relative Prices" or "Relative Values." The "100" line represents the average price line of goods (excepting farm tractors - for up to the year 1916 these were not found a necessity - or deemed as such - and since 1925 this decision has been confirmed to a certain extent. There are exceptions, such as "breaking and extensive summer-fallowing"), groceries, and other household necessities; excepting of course, flour.

It is seen from this graph, even after allowing for some error in calculation, that from 1914 to the fall of 1921, the farmer was getting a higher price on value given than he was paying for value received. The slump of 1921 - 1923 was the reaction, and out of this reaction there grew the co-operative organization known as the Wheat Pool. I believe that the Wheat Pool has helped to bring the wheat price line back to the par line -- and only while it is there are values in "Normal relativity".

CHART "B"



Grain Production Increase —  
 Industrial Production Increase —

RELATIVE INCREASES IN CANADIAN GRAIN PRODUCTION AND INDUSTRIAL PRODUCTION--1924 to 1928--BASED ON RECORDS OF DOMINION BUREAU OF STATISTICS.

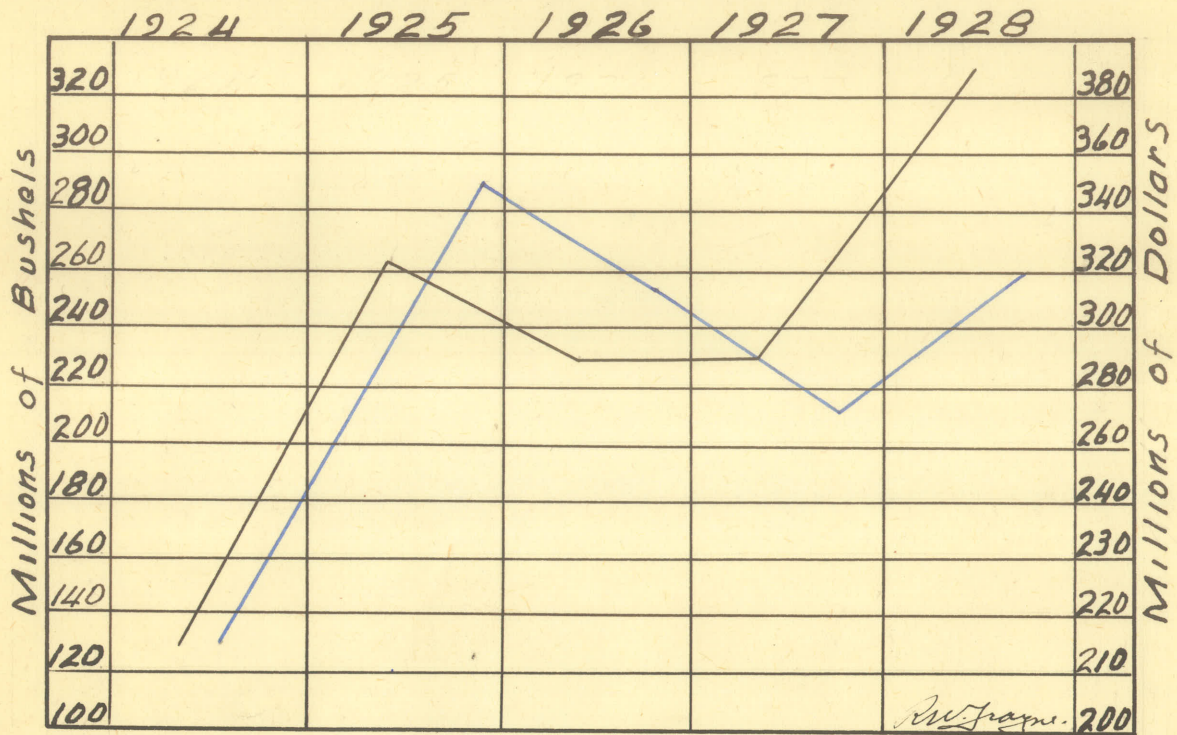
1928 -- High level of Prosperity • 200

The average conditions existent from 1919 - 1921 are represented by index of 100%.

From this chart it is apparent that a large, well marketed field crop, is a powerful stimulus to Eastern and Western trade.

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CHART "C"



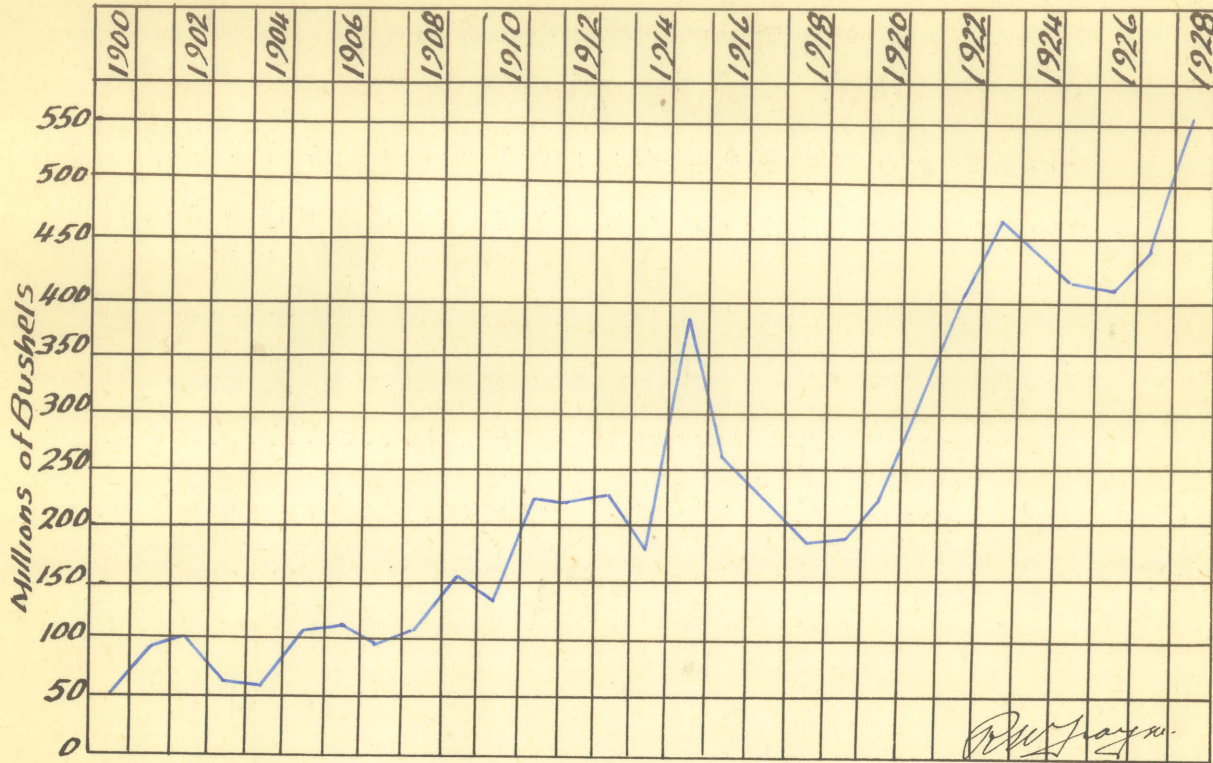
Bushels ———  
Value ———

GRAPH SHOWING GRAIN MOVEMENT DURING  
FIVE MONTHS AUGUST TO DECEMBER, 1924-28,  
WITH CORRESPONDING VALUES

From this graph it is very plain that there have been no marked price inflations or depressions in the five month period. The stabilizing of the market during this period + appears to have a salutary effect upon the Grain Trade in general.



CHART "D"

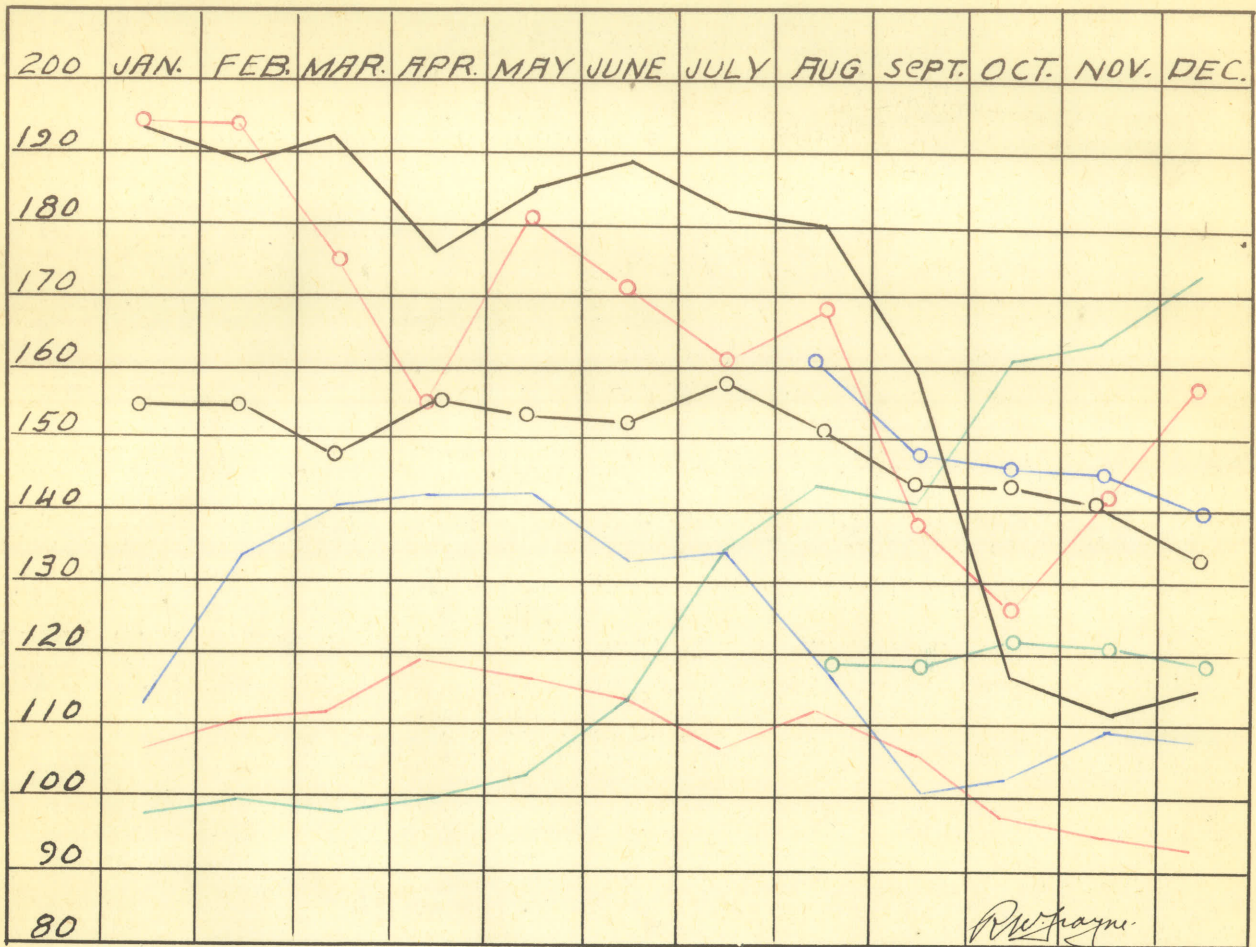


YIELD OF CANADIAN WHEAT DURING PAST 28 YEARS.

The importance and growth of the production of wheat in Canada is very clearly pointed out in the above graph which is based on figures of the Dominion Bureau of Statistics. Approximately 93% of the above grain was produced in the three prairie provinces; Manitoba, Saskatchewan, and Alberta. In 1900 the annual yield was 50,000,000 bushels. Putting this alongside of 550,000,000 bushels - 1928's yield - the extent of the growth is amazing.

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CHART "E"



1921— 1922— 1923— 1924— 1925○ 1926○ 1927○ 1928○

MONTHLY PRICE FLUCTUATIONS BASED ON AVERAGE CLOSING PRICES WINNIPEG GRAIN EXCHANGE.

1925 is a striking example of what is called "the fall price slump", the price lowering from \$1.68 in August to \$1.26 in October, with a rise through November and December to \$1.58. A contrast is seen in comparing 1925 with the subsequent years. Just to what degree the Wheat Pool has materially aided in stabilizing the price line, is difficult to determine, but it has certainly been one of the factors within the marketing machinery that has greatly helped.

1927 & 1928 prices remained more or less steady during the five month period August to December.

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