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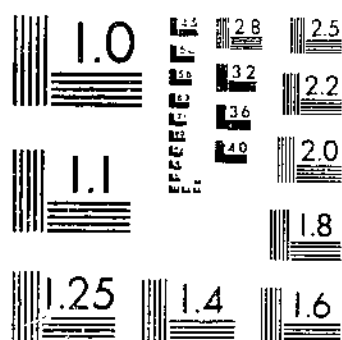
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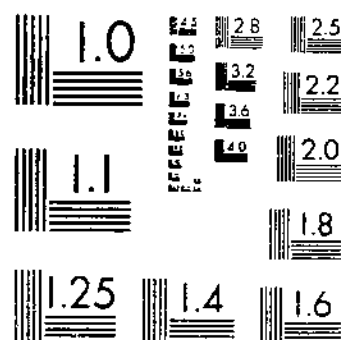
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COOPERATIVE MARKETING OF GRAIN IN WESTERN CANADA
BOOTH, J. F.

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UNITED STATES DEPARTMENT OF AGRICULTURE
WASHINGTON, D. C.

COOPERATIVE MARKETING OF GRAIN IN WESTERN CANADA

By J. F. BOOTH

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INTRODUCTION

For about 30 years the farmers of western Canada have applied the principle of cooperation to the marketing of their grain crops. Beginning with independent local elevators similar to those found in the wheat-producing region of the United States, Canadian farmers have gradually developed a group of cooperatives which coordinate local and terminal elevator facilities with centralized selling. In this evolution the independent local unit has disappeared. Briefly stated, the net result of these years of experimentation is the existence of several large-scale cooperative associations marketing more than one-half of the grain crop of western Canada. The combined volume of grain handled by these farmer-owned organizations during the crop year 1926-27 amounted to more than 220,000,000 bushels out of a total of approximately 420,000,000 bushels of all western Canadian grain marketed. It is with the development, experiences, and operating practices of these organizations that this bulletin deals.

The cooperative grain-marketing associations of western Canada have been closely associated with the settlement and agricultural development of the region referred to as the Prairie Provinces. They are also closely linked with, and are quite properly referred to as the product of, a group of general farm organizations engaged in educational and economic reform. Therefore, in this study, some consideration will be given to agricultural progress in western Canada and to the farm organizations that have played such a significant part in the development of agricultural cooperation.

In obtaining the information presented in this study, the writer spent considerable time in western Canada studying the development and operating practices of farmers' cooperative organizations and the effect of such operations on economic conditions. Thanks are due to the officials of these organizations for access to their records and for their cooperation in furthering this investigation.

CANADA'S PLACE IN THE GRAIN TRADE

Canada's claim to consideration among the important grain-producing and exporting countries of the world is based upon the production and export of wheat. Other grains such as oats, barley, rye, and flax are produced in considerable volume, but mainly for home consumption. The wheat production of Canada, however, is exceeded only by that of the United States and of Russia (Table 1), and in volume of wheat exported Canada has taken first place in recent years (Table 2).

TABLE 1.—Wheat production in principal producing countries, 1922-1925 (25, pp. 752-753)

[In thousand bushels; i. e., 000 omitted]

Country	1922	1923	1924	1925
Argentina.....	195,842	247,897	191,138	214,765
Australia.....	109,455	124,983	164,612	107,000
Canada.....	399,789	474,190	262,097	411,379
France.....	243,315	275,509	281,170	320,077
Germany.....	71,926	100,448	89,109	118,213
India.....	306,987	372,303	380,640	324,651
Italy.....	161,641	224,836	179,144	240,849
Rumania.....	92,007	102,120	70,421	104,008
Russia.....	1,202,368	1,326,885	1,381,727	691,130
Spain.....	125,409	157,110	121,778	162,594
United States.....	867,598	797,381	862,627	690,305
Other countries.....	549,006	627,280	525,438	690,807
World total.....	3,389,009	3,837,000	3,481,000	4,094,525

¹Excluding Turkestan and Transcaspia.

²Corrected to comply with later estimates reported by the Dominion Bureau of Statistics.

TABLE 2.—Exports of wheat from principal exporting countries, 1923-1925 (25, p. 763)

[In thousand bushels; i. e., 000 omitted]

Country	Year ending June 30			Average
	1923	1924	1925	
Argentina.....	145,428	179,000	127,029	147,489
Australia.....	49,025	83,384	123,680	85,530
British India.....	24,145	118,924	145,209	29,427
Canada.....	274,889	348,781	164,849	271,172
United States.....	221,023	156,430	258,023	212,125

¹12 months' sea trade, 9 months' land trade.

²Sea trade only.

More than 90 per cent of the wheat produced in Canada is grown in the Provinces of Manitoba, Saskatchewan, and Alberta, commonly known as the "Prairie Provinces." (Table 3.) In this region agriculture is the important industry and the production of wheat the principal occupation of farmers. (Fig 1.) In these three Provinces there are 256,000 farms (¹) which, on the basis of the 1926 crop of 383,440,000 bushels, gave in that year a production of nearly 1,500 bushels per farm. Since there are regions within these Provinces in which oats, barley, and flax are grown extensively, and other regions where the production of livestock still predominates, it will be recog-

nized that the output of wheat per farm in the more exclusive wheat areas is much larger than is shown for the Provinces as a whole.

TABLE 3.—*Relation of the production of grain in the Prairie Provinces to the total production in Canada, 1925 (10, pp. 39, 44)*

Kind of grain	Production		
	Total Canadian	Prairie Provinces	Percentage of total Canadian
Wheat.....	<i>Bushels</i> 411,375,700	<i>Bushels</i> 382,959,000	93.09
Oats.....	513,384,000	222,254,000	62.77
Barley.....	112,088,300	94,141,000	83.56
Rye.....	13,088,500	11,545,000	84.34
Flaxseed.....	9,297,100	9,138,600	98.20

The population of Canada is given as 9,364,200 and that of the Provinces of Manitoba, Saskatchewan, and Alberta as 2,141,000 (8, p. 93). In these Provinces the percentage of rural population, as

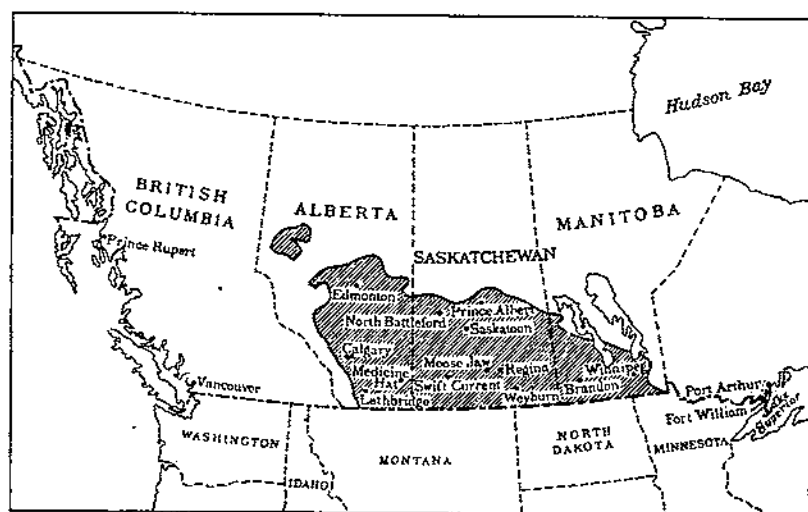


FIG. 1.—AGRICULTURAL AREA OF THE PRAIRIE PROVINCES OF CANADA

In the Provinces of Manitoba, Saskatchewan, and Alberta, often referred to as the "Prairie Provinces," over 90 per cent of the Canadian wheat crop is produced. The shaded portion of this map represents the agricultural area of these Provinces, in which wheat is the principal crop raised.

shown by the census of 1921, was 57, 71, and 62, respectively. Since a large percentage of the urban population is indirectly dependent upon agriculture for its existence, it is apparent that the interests of the people in this region are predominantly agricultural and their welfare dependent upon the prosperity of farmers. This, in brief, means that the net income from the production of wheat is the index of prosperity for western Canada and to a large extent for the Dominion as a whole.

The importance of the wheat crop, not only to farmers but to the people of Canada generally, insures to the producers of this crop the

sympathetic consideration of all classes whenever the prosperity of the wheat farmer is threatened. This fact explains the support accorded farmers in matters affecting the production and marketing of the grain crop of Canada by legislatures, both Dominion and provincial, and by organizations and individuals not directly concerned with agriculture.

The bulk of the wheat from western Canada moves eastward to Fort William and Port Arthur on Lake Superior, thence over the Great Lakes, canals, and railroads to eastern milling centers or ports for export. (Fig. 2.) Reports of the Dominion Bureau of Statistics for the crop year 1925-26 (11) indicate that 264,395,888 bushels moved over this route. The quantity moved westward to the port of Vancouver was 52,954,762 bushels. The quantity of Canadian wheat

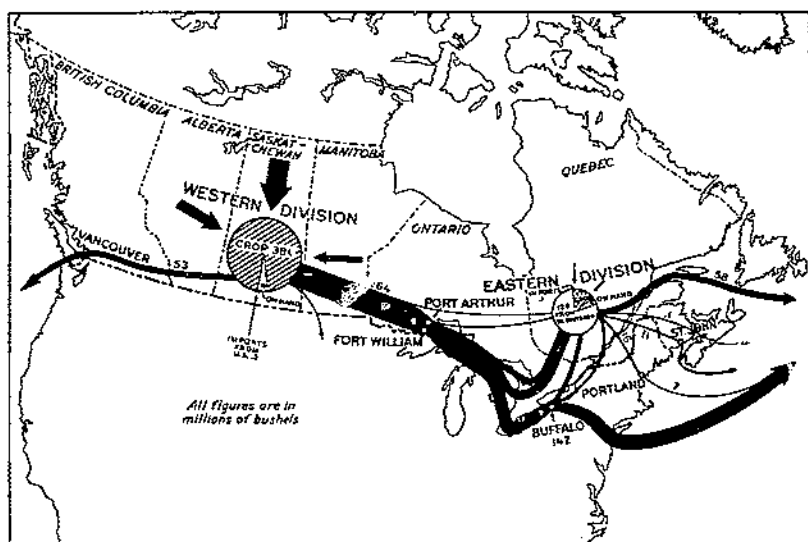


FIG. 2.—MOVEMENT OF CANADIAN WHEAT CROP

The bulk of the wheat produced in western Canada moves eastward by rail and inland waterway. The quantity moving westward to Pacific ports has increased in recent years, however, and now represents a considerable volume. In this map only the major movements are shown. The balance of the crop is represented in carry-over, domestic requirements, and in exports through various ports.

exported for the same crop year, according to the bureau, was 275,557,078 bushels out of a total Canadian crop of 411,875,700 bushels.

DEVELOPMENT OF THE WEST

RAILWAYS OPEN NEW AREAS

In 1885 the Canadian Pacific Railway was completed across Canada. This provided an eastern outlet for grain from the prairie region of the west. Earlier development had been retarded primarily because of inadequate transportation facilities, although scattered settlements had been established, particularly in Manitoba near the present city of Winnipeg. Land was available for homesteading and for preemption, and additional acreage could be purchased at

low prices from agencies which had acquired land by purchase or by grant from the Government. The growth of settlement in this region is indicated by census data for the period under consideration. (Table 4.) Thus in a region which, in 1871, had only 25,228 inhabitants, the population by 1925 had increased to 2,141,100. The opening of new territory, stimulated by the railway development of the early eighties, reached significant proportions during the decade from 1901 to 1911. This development was made possible by additional transcontinental railroads and by the rapid extension of branch lines to all parts of the prairie region.

The rapidity with which land was prepared for grain crops is shown in Table 5. Because of this rapid development there arose a host of problems demanding solution, among the most important of which was that of providing adequate facilities for the handling, transportation, and sale of grain.

TABLE 4.—*Population of the Provinces of Manitoba, Saskatchewan, and Alberta, census years 1871-1925 (8, pp. 83, 93)*

Year of census	Population	Percentage of total Canadian population	Year of census	Population	Percentage of total Canadian population
	<i>Number</i>			<i>Number</i>	
1871	25,228	0.7	1911	1,328,121	18.4
1881	62,260	1.4	1921	1,966,082	22.3
1891	132,500	3.2	1925	2,141,100	22.9
1901	410,512	7.8			

TABLE 5.—*Acreage of grain crops in the Provinces of Manitoba, Saskatchewan, and Alberta,¹ for stated years*

Year	Wheat	Oats	Barley	Rye	Flaxseed	Total
	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>	<i>Acres</i>
1900	2,495,474	833,410	102,560	3,276	14,731	3,509,460
1905	3,041,309	1,607,170	370,890	7,708	45,812	6,062,009
1910	7,867,804	3,880,004	657,072	10,164	572,185	12,997,919
1915	13,867,716	6,480,081	1,171,082	34,677	457,750	22,011,914
1920	16,841,174	10,070,476	1,738,701	482,011	1,391,076	30,623,528
1921	22,181,329	10,819,641	2,100,065	1,688,228	516,972	37,315,235
1922	21,223,448	8,564,212	1,983,202	1,926,117	555,043	34,252,112
1923	20,879,538	9,032,821	2,180,472	1,303,210	620,172	34,016,233
1924	21,008,221	9,199,426	2,820,545	743,039	1,205,895	35,096,126
1925	20,942,590	9,391,234	3,492,474	732,536	1,114,426	35,673,280
1926	21,764,788	9,011,130	3,385,233	689,010		

¹ Data for the years 1900 to 1920, exclusive of 1910 (17). Data for 1910 are from Natural Resources of the Prairie Provinces (3). Data for the years 1921-1925 (10, p. 41-48). Data for 1926 were obtained from the statistical branches of the departments of agriculture of the Provinces named.

SHORTAGE OF GRAIN-HANDLING FACILITIES

With the construction of railway branch lines and the opening of new regions for settlement and cultivation, there arose an acute need for country elevators. Storage facilities at country points were inadequate and the railway car supply was not sufficient to move the grain from the prairies to the lake ports before freeze-up (23). The Canadian Pacific Railway, even had it deemed the policy advisable, could not itself construct elevators because of a shortage of capital. It seemed advisable, therefore, to encourage the building of grain elevators on the railway right of way by outside interests.

As a special inducement to those who would build elevators of 25,000 bushels capacity, having cleaning facilities and elevating machinery operated by steam or gas engines, the railway offered free sites, and agreed that at such points they would not provide cars for loading from "flat warehouses"¹ nor allow farmers to load grain directly from their own vehicles into cars. The effect was to force producers to use the facilities provided by the elevator companies. The companies, in turn, under their agreement with the railway, were required to furnish storage and shipping facilities to the farmers.

The apparent monopoly enjoyed by elevator companies was the cause of much complaint between 1887 and 1898. The Royal commission of 1899 (23) found "little if any competition" in the making of prices at country points. Farmers charged that they were subjected to excessive dockage and short weights. Special bins for storing grain were not available in many cases, and farmers who wished to store grain were compelled to place it in bins with other grain. Since elevators were not required to guarantee delivery of the same grade of grain as that taken in (except in the case of special bin grain) farmers complained that, in some instances, the grain loaded out for their account was of lower grade than that which they had delivered to the elevator. The charge for receiving, elevating, cleaning, and loading was 1½ cents per bushel. Many farmers preferred to load their own grain directly from their wagons into cars, thus saving the elevator charges, although by so doing they were subject to the cost of freight on screenings if their grain was not clean.

GRAIN-TRADE LEGISLATION

Before the Canadian Provinces were united by the act of confederation of 1867, the grain trade had been subject to local legislation (17). In 1874 the general inspection act, dealing with the grading of grain in the whole of Canada, was passed. This act was amended in 1885, extending the grades of grain to recognize the hard wheats being produced in Manitoba and the Northwest Territories.² Legislation known as the Manitoba grain act was passed in 1900 combining previous legislation on the warehousing and transportation of grain. In 1912 the Canada grain act was passed. This act included all previous legislation affecting the grain trade of Canada, and in addition provided many new features of a comprehensive nature, among them being the creation of a board of grain commissioners which was intrusted with the control and management of the grain trade of Canada.

In 1923 a Royal commission was appointed by the Dominion Government to inquire into the methods of handling and marketing of grain in Canada, and to make recommendations for the improvement thereof. In January, 1925, the commission made its report after an exhaustive study, offering suggestions which resulted in a revision of the Canada grain act the same year.

The present act does not differ fundamentally from the act of 1912 so far as the actual control of the grain trade is concerned. Complete

¹ A grain warehouse without elevating machinery.

² The Provinces of Alberta and Saskatchewan were created in 1905 from the area previously known as the Northwest Territories.

control is still vested in the board of grain commissioners. Among its various duties, the board sets the maximum charges which the trade may collect for the handling of grain. It supervises the grading and weighing of all grain that enters trade channels. Co-operative companies are subject to the provisions of the Canada grain act and regulations of the board of grain commissioners, just as are private concerns.

As indicative of the part played by the producers of grain in bringing about the various changes referred to, it is of interest that, between 1897 and 1914, 13 investigations were made by commissions appointed by Federal or Provincial authorities. According to the report of the Royal Grain Inquiry Commission (12) "all of these investigations were prompted by complaints emanating from the producers of grain and they all resulted in the bringing about of at least some beneficial changes in the conditions complained of."

The various farmers' organizations in the Prairie Provinces, including those of an economic nature,* as well as the cooperative associations handling grain, were formed to assist in bringing about the improvements referred to. To a very large extent they are tangible evidences of the farmers' dissatisfaction with the conditions under which grain was being handled.

THE WINNIPEG GRAIN EXCHANGE

In 1881 a grain exchange was established by a few commission merchants in Winnipeg (19). Several years of light crops followed, causing dissolution of the exchange, but it was reestablished in 1887 and incorporated in 1891. A futures market was opened in 1903. Previously future trading had been transacted through Minneapolis and Chicago exchanges.

The Winnipeg Grain Exchange functioned as an incorporated body until 1908. At that time the Manitoba government passed certain regulatory measures dealing with the exchange at the instigation of the recently organized Grain Growers' Grain Co. (Ltd.). The exchange objected to this interference, pointing out (1) that this dispute with the farmers' organization had been settled; and (2) that both the court and the Royal commission of 1907, referred to in a later section of this bulletin, had exonerated the exchange of wrongdoing as charged by the farmers. As a protest against "Government interference," the exchange was dissolved, and trading was conducted on the curb for about six months. In September of the same year the exchange was reorganized as an unincorporated voluntary association, and as such it is still in operation.

The Winnipeg Grain Exchange has not been popular with western farmers. Farmers' objections to this organization are based upon the principle of marketing represented by it. They have felt that selling, as conducted on the exchange, depressed the price of grain during the period of heavy marketing and that there was unnecessary specu-

*In each of the grain-producing Provinces of western Canada and in certain other Provinces of the Dominion, farmers have organized associations for the purpose of meeting to discuss their common problems and to formulate plans for the solution thereof. These organizations are concerned primarily with bettering the economic condition of agriculture, and to that end have devoted much time to problems connected with marketing, taxation, tariff, and freight rates. Social and, to some extent, political activities have also centered in these agencies. Although there are differences in their activities and in their viewpoint toward various matters, they have a similarity of purpose, and for the want of a better name are referred to in this bulletin as farmers' economic associations.

lation. Many have held that hedging of grain was detrimental to the producers' interests.

Grain exchanges exist in certain other cities of western Canada, but their activities are small compared with those of the Winnipeg market. Previous to the organization of the wheat pool the bulk of the wheat of western Canada was marketed through the Winnipeg exchange. Since the organization of the wheat pool a large part of the Canadian crop is marketed direct to millers and others, but non-pool wheat is still marketed largely through the Winnipeg Grain Exchange.

FEW COMPANIES CONTROL COUNTRY ELEVATOR BUSINESS

In 1899 there were 417 elevators in operation in the Prairie Provinces (23). Two large milling companies owned 95 of these elevators, 3 line elevator companies owned 206, individual millers and grain dealers owned 120, and 26 were owned by farmers' companies. The fact that it was difficult to make an elevator successful without the profits made by buying grain forced many small elevator companies to seek consolidation with larger organizations represented on the Winnipeg Grain Exchange.

Local farmers' elevators found it difficult to compete with line elevators and milling companies. In only a few cases were they able to obtain volume enough to operate successfully on a storage and handling basis. Furthermore, they were unable to compete in the purchase of grain for the reason that their larger competitors, with elevators at many points, could pay more than the market justified at points where farmers' companies operated and could balance their losses by profits at other points.

ROYAL COMMISSION TO INVESTIGATE ALLEGED COMBINATION

Conditions on the prairies became so acute that farmers asked for assistance from the Dominion Government (23). The result of this request was the appointment of a royal commission in 1899. All persons interested in grain production and marketing were given a chance to appear before the commission to present complaints or offer suggestions. Hearings were held in important centers throughout the grain belt and in the market centers. The investigation was later carried into Minnesota, where trade practices and grain-trade legislation were studied for suggestions that might help solve the Canadian difficulties. Many features of the Minnesota grain-trade legislation were later incorporated in the proposals submitted to the Canadian Government and which formed the basis of the Manitoba grain act.

The commission found reasonable grounds for complaint on the part of farmers and in its report suggested, among other things: That the railways (which had the year previous permitted farmers to load grain into cars from their wagons) be required to provide loading platforms to be used by shippers free of charge; that farmers be given the right to construct and use flat warehouses, and that the railway be compelled to provide sidings and sites for them; and that elevators be required to guarantee the grades of stored grain and to give grade and weight statements for all grain received. In addition,

it was suggested that a commissioner be appointed to regulate the grain trade. The recommendations made by the commission were embodied in legislation passed in 1900, known as the Manitoba grain act.

REGIONAL ORGANIZATION ATTEMPTED BY FARMERS

THE TERRITORIAL GRAIN GROWERS' ASSOCIATION⁴

The adoption of the Manitoba grain act did not entirely remove the causes for complaint. It provided that railways were to supply cars to farmers for direct loading, but many producers did not realize the full significance of the legislation. Furthermore, the conditions under which cars were to be provided were not specifically set forth, with the result that farmers were often unable to get cars when they were wanted. Although the law provided that elevator companies were to receive cars in rotation with farmers, the latter felt that the companies often received more than their share.

Shortly after the Manitoba grain act was passed in 1900, the grain dealers organized the North West Elevator Association, afterwards known as the North West Grain Dealers' Association. This association was organized for the purpose of avoiding duplication and unnecessary expense in deciding on prices and in transmitting them to local elevator managers, but farmers felt that it was a combination of grain dealers to reduce competition.

The feeling among farmers, aroused by their inability to get cars to ship grain, was very keen. They saw the principal decision of the Royal commission in their favor nullified by the failure, as they believed, of the railway to live up to the intent of the commission's recommendation as expressed in the Manitoba grain act. Added to the discontent was the feeling of suspicion aroused by the action of the grain dealers in forming their trade association. The outcome of this situation was the formation in December, 1901, of a farmers' organization known as the Territorial Grain Growers' Association.⁵ Membership in the new association increased rapidly during the summer of 1902 and, in the fall of that year, this newly organized farmers' association took legal action against the Canadian Pacific Railway for violation of the car distribution and other clauses of the grain act. The decision of the lower court, later confirmed by the supreme court, was in favor of the farmers.

It is worthy of note here that earlier attempts at organization on the part of farmers had resulted in the formation of the Farmers Union during the eighties, and of the Patrons of Industry in the early nineties. Both of these organizations passed out of existence after showing promise of real worth. Unfortunate financial losses and the use of the organizations for political purposes were responsible for their failure. Many expected the Territorial Grain Growers' Association to go the same way; but, by adherence during its early years to a program of education and economic reform for agricul-

⁴ For a history of the early development of the farmers' organization in western Canada, written in story form, read *Deep Furrows*, by Hopkins Moorhouse (20).

⁵ The name of the Territorial Grain Growers' Association was changed to that of the Saskatchewan Grain Growers' Association in 1905, when the Province of Saskatchewan was formed. It operated under that name until 1926, when an amalgamation with the Farmers Union (organized in 1921) was effected. The new name of the combined organization is United Farmers of Canada (Saskatchewan Section).

ture, the new association proved its usefulness and during ensuing years fathered many of the farmers' business organizations that have made western Canada prominent in the field of cooperation.

MANITOBA AND ALBERTA FARMERS ORGANIZE

Early in 1903 the farmers of Manitoba organized a provincial association under the name of the Manitoba Grain Growers' Association.⁶

In 1904 farmers in the extreme western part of the Northwest Territories, now known as the Province of Alberta, formed a number of branches of the American Society of Equity which they united under the name of the Canadian Society of Equity. Meanwhile branches of the Territorial Grain Growers' Association had been formed in the western section also. In 1905 some differences of opinion arose in the Society of Equity which resulted in the formation of a new association combining a section of the Society of Equity with locals of the Territorial Grain Growers' Association. This association took the name of Alberta Farmers' Association.⁷

ROYAL COMMISSION AGAIN INVESTIGATES TRADE PRACTICES

The adoption of regulatory legislation did not entirely remedy the unsatisfactory condition surrounding the handling of grain. During the years 1900 to 1906 many complaints were registered by farmers. The recently formed farmers' economic associations provided mediums through which these complaints were brought to the attention of legislatures, both provincial and Dominion. Farmers held that they were not yet getting fair treatment in the matter of weights, grades, dockage, and prices. It was also contended that the provision of the Canada grain act dealing with the distribution of cars was still being violated, with the result that producers were often unable to get cars when needed.

In 1906 the Dominion Government again appointed a royal commission to study the grain trade. Again the commission found grounds for complaint (22). Evidence of improper grading at country points was obtained. It was also found that cars were not being distributed equitably between stations, and at given stations the provisions of the car-order book (which provided for the equitable distribution of cars among shippers) were being violated to the disadvantage of both farmers and elevators. Complaints by farmers that excess dockage was being taken were not substantiated.

Farmers had held that the action of the North West Grain Dealers' Association in sending out uniform prices to elevator agents was, in effect, a restraint of trade. The commission found no clause in the association by-laws requiring elevators to abide by the prices quoted, nor did it find evidence of a penalty should an elevator pay more or less than those prices. It did, however, find that "where a buyer persists in breaking prices he is brought into line by the combined action of other buyers." It also found an agreement among line elevator companies to pool the receipts at points where their local elevators were in competition with one another. Complaints against the practices of the Winnipeg Grain Exchange were not substantiated.

⁶ Later changed to United Farmers of Manitoba.

⁷ In 1909 the main body of the Society of Equity united with the Alberta Farmers' Association to form the United Farmers of Alberta.

In its report the commission recommended certain changes in the Manitoba grain act to remedy conditions complained of and made certain other suggestions which it believed would improve trade practices.

THE GRAIN GROWERS' GRAIN CO. (LTD.) ORGANIZED

The conditions which resulted in the appointment of the Royal commission of 1906 had caused much discontent among producers. Besides the dissatisfaction at country points, there was a strong feeling of resentment against market practices centering in the Winnipeg Grain Exchange and charges were freely made that they were discriminatory. Farmers believed the grain trade of western Canada was controlled by a few large concerns represented on the exchange and at country points. These firms, it was claimed, were able to restrict competition and control prices.

To strengthen their argument, producers pointed to the failures among local farmers' elevators. Only a few had been organized, but they had, for the most part, been forced out of business. It was held that the large companies with elevators at many points overpaid producers at the few points where farmers' elevators were located and underpaid at the many points where no such elevators existed.

Deprived of the profits from the purchase and resale of grain, local elevators were unable to operate successfully on the revenue obtained from storage and handling charges alone.

The efforts of most farm leaders were concentrated upon legislative enactments to remedy the situation, but a few persons argued in favor of the organization of a farmers' commission company to sell grain on the Winnipeg exchange. It was contended that by loading their own grain into cars from loading platforms to the extent that cars were available, farmers could save local handling charges and avoid the necessity of taking a local elevator's weights, grades, and dockage. If such grain could then be consigned to a farmers' company for sale on the exchange, there would be fewer losses and less cause for complaint. Advocates of this means of solving the problem presented their case at the meeting of the Territorial Grain Growers' Association in 1905 and urged the association to establish such an agency. But many members were opposed to an economic organization engaging in business on the grounds that, should its business activities fail, the association's usefulness in other ways would be impaired.

Notwithstanding the failure of the main body of farmers to indorse the scheme as an association activity, a few enterprising members of the association in January, 1906, organized a joint-stock cooperative company known as the Grain Growers' Grain Co. (Ltd.). The new company was indorsed by the members of the Territorial Grain Growers' Association as a separate entity, because of the fact that they did not approve of the conduct of such business by their own association. Because the new company was organized by leaders of the association and received the indorsement of its members, it has always been referred to as an outgrowth of the Territorial Grain Growers' Association.

During the spring and summer of 1906 an active stock-selling campaign was conducted in Manitoba and Saskatchewan. The company

was incorporated under a Manitoba charter and purchased a seat on the Winnipeg Grain Exchange. It began business in September, 1906 (20).

GRAIN EXCHANGE OPPOSES COOPERATIVE FEATURES OF FARMERS' COMPANY

From the outset the new company experienced difficulties. It had been decided to divide profits cooperatively but the exchange held this to be contrary to its regulations which opposed rebating and accordingly expelled the farmers' company from trading privileges.

The Manitoba government intervened, threatening the exchange with cancellation of its charter upon a certain date if, at that time, it still refused to recognize the farmers' company. In the meantime the new company, with considerable difficulty, disposed of grain consigned to it by direct sales to eastern concerns and, at one time, was materially assisted by a large order from the Scottish Cooperative Wholesale Society.

When it was found later by officials of the company that their intention to prorate profits was also a violation of the charter under which they were incorporated, the officials of the company decided to modify their statements concerning the distribution of profits. They also made application to the exchange for reinstatement, agreeing at the same time to advertise that such a division of profits was doubtful (19). The application was refused.

The publicity received by the company as a result of its expulsion and failure to secure reinstatement had the effect of rallying support in the country districts, resulting in a tremendous increase in business.

At the annual meeting of the Grain Growers' Grain Co. (Ltd.), early in 1907, the shareholders passed a resolution canceling the decision to prorate profits. In April following the meeting the company again applied for readmission to the exchange. In the meantime, the threat of the Manitoba government to cancel the exchange's charter of incorporation had been made. As a result of this compromise on the part of the farmers' company and the government's threat, the exchange, after reaffirming the justice of its original action, reinstated the company to trading privileges.

During the fall of 1906 and spring of 1907, while the controversy between the farmers' company and the exchange was in progress, the grain trade in general was undergoing a thorough investigation by a commission, the findings of which have already been referred to.

Not content to await the decision of the Royal commission, the Manitoba Grain Growers' Association began legal proceedings against certain members of the exchange on the ground that they had conspired to restrain trade. The charges of the company were, in the main, directed against the restrictive rules of the grain exchange, the maintenance of elevator pools, and the operations of the Northwest Grain Dealers' Association. These charges were also the subject of investigation by the Royal commission, whose findings have already been dealt with.

The court decided against the farmers' company, although the charge of the existence of an elevator pool at country points was substantiated. It was held, however, that neither in this nor in the activities of the Northwest Grain Dealers' Association and the grain exchange was there ground for finding these agencies guilty of wrongdoing.

Although it appeared that the grain exchange had been exonerated by both court and commission, the Manitoba government thought it expedient to compel a revision of certain exchange regulations. This decision was influenced by the fact that the government was about to appeal to the electors for renewed support. Members of the exchange opposed such interference with their operation, and in protest dissolved their organization on February 26, 1908 (19). Trading until September of that year was conducted on the curb, at which time an unincorporated voluntary association was formed. As such the Winnipeg exchange has operated since that time.

The business of the Grain Growers' Grain Co. (Ltd.) increased rapidly in 1907 and again in 1908, but all was not yet smooth sailing. Six months after the reorganization of the exchange, the by-law fixing a uniform commission rate for selling grain at 1 cent per bushel was rescinded. The effect of this was to cause competition in the matter of commission rates, with the result that mills and line elevator companies having other sources of revenue were able to handle grain on lower commissions than those agencies which were dependent entirely upon revenue from sale of grain on commission. The farmers' company was one of the firms in this latter group.

Officers and members of the Grain Growers' Grain Co. (Ltd.) considered this a further attempt to force their company out of business. Accordingly they decided to retain the rate on wheat in spite of lower rates offered by competitors, and to appeal to farmers for continued support. Farmers rallied to the support of their company with increased consignments, resulting in a business on the crop of 1909 greater than the combined handlings of the three previous crops.

AGITATION FOR COUNTRY ELEVATORS

There still remained a good deal of dissatisfaction with conditions at country points, in spite of the various improvements effected by legislative enactments and by the competition of the farmers' company on the terminal market. During the decade ended with 1910, a very rapid expansion in grain production had taken place. Many thousands of farmers unfamiliar with grain growing settled in the Canadian west. Most of these knew little about the problems confronting the grain trade and were possibly somewhat unsympathetic with those engaged in the business. To add to the dissatisfaction, the improvements effected by legislative efforts lagged behind popular demand. In any event, there appeared reasonable ground for complaint and no small part of the agitation centered upon the operation of country elevators.

The country elevator agent is the point of contact between the farmer and the company and his position is a difficult one. Upon him depends, very largely, the maintenance of friendly relations between farmers and elevator companies. It is not unreasonable to suppose that among the several thousand agents there should be some who could not satisfy their patrons. Farmers, however, felt that there were too many unsatisfactory local representatives and furthermore that the conditions complained of were not alone attributable to human weakness on the part of agents. In short, they stren-

uously opposed, not only the conduct of many local agents, but also the policies of the elevator companies with respect to local elevator management. In spite of all that had been done there still remained dissatisfaction with weights, grades, dockage, and prices given by local elevators.

It is true that by loading their grain into cars from sidetracks or platforms farmers could avoid the necessity of utilizing the elevators' facilities; but this method of loading was laborious and time consuming and, furthermore, was of little value to the farmer who had less than a carload or to the man living a considerable distance from the railroad.

Because of these conditions there arose a renewed demand for farmer-owned elevator facilities. It had already been demonstrated that small farmers' companies operating single elevators could not compete successfully with companies operating a chain of elevators. The solution of the problem appeared to be the establishment of a line of elevators devoted primarily to the producers' interests. This could not be done, however, without considerably more capital than appeared available for that purpose. Furthermore, a pronounced sentiment had developed in favor of Government ownership of elevator facilities, both country and terminal. Farmers in 1906 had asked the Royal commission to recommend the establishment of interior terminal elevators, but the commission had refused to do so, believing the scheme would prove of little value. In 1907 farm leaders turned their attention to Government ownership of country elevators. The Manitoba government was approached on the subject but held that it was a matter for the cooperative action of the three Prairie Provinces. Conferences of the premiers resulted, at which counter proposals were agreed to and submitted to the agricultural leaders. These were to the effect that the provincial governments endeavor to persuade the railways to provide elevators and that the managers of these elevators be appointed and controlled by the farmers' organizations. This proposal was rejected by the farmers' representatives. Efforts to obtain joint action by the provincial governments were abandoned when the premiers finally issued a statement opposing the scheme and questioning the constitutional authority of the Provinces to do the things asked by the farmers.

MANITOBA EXPERIMENTS WITH GOVERNMENT OWNERSHIP

In 1909, after all attempts at interprovincial participation had failed, the Manitoba government alone decided to acquire and operate elevators at country points as a public utility.

A total of 174 elevators was acquired, but after two years' operation the government decided to retire from the elevator business. The scheme had proven a failure and the treasury of the Province had been called upon to meet heavy operating deficits. Among the more important reasons for the failure of the project were: Purchase of elevators at prices in excess of their true value; acquisition of elevators at points where the volume of business was too small for successful operation, and the attempt to operate on a storage and handling basis only, when competitors were also engaged in buying grain. Charges of political interference in the election of managers, irregularities in the purchase of supplies, and juggling of accounts were also made (19). In addition, there had grown up a difference

of opinion among the officials of the farmers' organizations and the Government concerning the acquisition and operation of the elevators. This difference in viewpoint, the Government claimed, caused a withdrawal of support and lack of patronage.

In 1912 the Government leased its elevators to the Grain Growers' Grain Co. (Ltd.). By this action the farmers' company acquired the nucleus of an elevator system. Most of these elevators have since been purchased by the company and additional ones have been acquired from time to time.

Although the government's operation of country elevators proved a failure when considered from a financial point of view, it nevertheless had an important bearing on later developments, for by this experiment a line of elevators was provided for the use of Manitoba farmers. It is doubtful if these facilities could have been acquired by farmers themselves at that time. The Manitoba government's venture may, therefore, have had more significance and a greater bearing on later developments than has at any time been credited to it.

SASKATCHEWAN ELEVATOR COMMISSION APPOINTED

In February, 1910, the Saskatchewan government appointed a commission (24) to study the grain trade with particular emphasis upon the conditions at country points. Upon the basis of its study the commission was asked to submit to the government recommendations for the establishment of a system of country elevators.

The executives of the Saskatchewan Grain Growers' Association (Ltd.) prepared for the commission an outline of a plan for government ownership of both country and terminal elevators. Included in the plan were many new features, such as government loans for advance payments to growers; provision of sample markets; and the use of country elevators, instead of terminals, for storage purposes. This scheme was not approved by the commission. Other plans for government ownership, in addition to the system proposed for Manitoba, were then considered by the commission, and the operations of local farmers' elevators were studied. About 60 of these were in operation in Manitoba and Saskatchewan in 1909, most of them having been organized following the discontent which resulted in the appointment of the royal commission of 1906. Many farmers' elevators had failed, one of the principal causes being competition, but poor management was believed by the commission to have been of even greater importance. It was observed that, where capable managers were employed, local elevators had been successful. This led to the conclusion by the commission that a cooperative line elevator system, with capable centralized management to select and supervise local managers, could be made successful.

After condemning as unsound all of the schemes for government control brought to its attention, the commission finally worked out a plan for the creation of a cooperative elevator company, controlled by farmers but assisted financially by the provincial government.

COOPERATIVE ELEVATOR COMPANY RECOMMENDED

The suggestions made by the elevator commission were embodied in a special act of the Saskatchewan Legislature incorporating the Saskatchewan Cooperative Elevator Co. (Ltd.) in 1911. Briefly

stated, these were as follows: Establishment of a cooperative line elevator company with as much local control as possible consistent with centralized management; limitation of the amount of stock which might be owned by one person; ownership of stock confined to farmer stockholders who should pay in only 15 per cent of the amount subscribed, the remainder being loaned by the provincial government on a 20-year amortization plan; limitation of stock dividends and a provision that the company should not begin operations until 25 locals had been organized. Details of the set-up and operating methods of the company will be dealt with later.

THE ALBERTA FARMERS' COOPERATIVE ELEVATOR CO. (LTD.)

The farmers in Alberta, along with their neighbors in Manitoba and Saskatchewan, had taken a keen interest in government ownership of elevators during the agitation leading up to the Manitoba government's significant experiment. When the attempt at inter-provincial action on the matter failed, farmers in Alberta, like those in Saskatchewan, decided to work out their own problem. Although the matter was under consideration for several years, nothing definite was done until 1913. In the meantime Alberta had the benefit of several years' experience in Manitoba and Saskatchewan and, since government operation had failed in Manitoba and cooperative ownership and operation assisted financially by the government was succeeding in Saskatchewan, Alberta farmers decided to organize on a cooperative basis, but with a provision for financial assistance from the provincial treasury.

In Alberta farmers were asked to subscribe for the full cost of an elevator and to pay one-fifth of the amount at the time of organization and the remainder in four successive annual payments. The government in turn advanced 85 per cent of the money invested in elevators, taking a first mortgage on the property. Loans were to be repaid on the amortization plan over a period of 20 years. The Alberta lawmakers refused to pledge the provincial security for working capital as had been done in Saskatchewan. When it was found that more working capital was needed, the Grain Growers' Grain Co. furnished it. This company also acted as the sales agency for the Alberta company.

About 52 elevators were built or purchased during the first year of operation, 1914, and 26 more were built during the following year. The company also established departments to handle livestock and farm supplies.

By 1917 the subscribed capital in the company was \$1,291,620, of which \$563,689 was paid in. The volume of grain handled that year was 16,375,333 bushels. Over \$2,000,000 worth of livestock was sold and about \$750,000 worth of farm supplies were purchased for members.

ALBERTA AND MANITOBA COMPANIES UNITE

Soon after the organization of the Alberta Farmers' Cooperative Elevator Co. (Ltd.) farm leaders in the several organizations gave their attention to the matter of amalgamation. Resolutions favoring the principle were adopted by the boards of the three cooperative grain companies. The Canadian Council of Agriculture and the

farmers' economic associations in each of the Provinces also favored a union of the grain companies.

Conferences to effect the amalgamation were held, but the Saskatchewan Cooperative Elevator Co. (Ltd.) was unable to agree to any of the proposals made. Several difficulties were encountered. The Saskatchewan company, which had in its early operation used the Grain Growers' Grain Co. (Ltd.) as a sales agency, later established its own sales department at Winnipeg and was unwilling to give up this department. The Alberta company was using the Grain Growers' Grain Co. (Ltd.) as a sales agency, so no difficulties were encountered there. Another problem arose out of the fact that the Saskatchewan company staunchly adhered to the handling of grain only, whereas the others favored the purchase of supplies, the handling of livestock, and provision for additional activities on behalf of farmers. Because of these and other differences the Saskatchewan Cooperative Elevator Co. (Ltd.) decided to continue as a separate organization while the Alberta Farmers' Cooperative Elevator Co. (Ltd.) and the Grain Growers' Grain Co. (Ltd.) amalgamated, in 1917, under the name of United Grain Growers (Ltd.).

THE CANADIAN COUNCIL OF AGRICULTURE

On the major economic issues confronting agriculturists in the region between the Great Lakes and the Rockies there is a remarkable unanimity of viewpoint. It is not surprising, therefore, that when the farmers of the three Provinces had established associations within their own boundaries to better economic conditions they should attempt to strengthen their position by interprovincial action along the same lines. The outward expression of this feeling was the formation, in 1907, of the interprovincial council, a central body made up of the executives of the provincial associations.

In 1909 farmers of Ontario thought they had enough in common with western farmers to justify uniting with the latter in a national agricultural organization. Accordingly, the interprovincial council was reorganized and renamed the Canadian Council of Agriculture (27). The Dominion Grange represented eastern agriculture in the new council.

Since 1909 other farmers' economic associations and business organizations of a provincial nature have been formed. Many of these have been added to the membership of the council. For the year 1926 the following organizations were represented: United Farmers of Manitoba, United Farmers of Ontario, United Farmers of Quebec, The Grain Growers' Guide, United Grain Growers (Ltd.), United Farmers Cooperative Co. (Ltd.) of Ontario, United Farmers of Alberta, and Saskatchewan Grain Growers' Association (Ltd.).

In 1926 the Saskatchewan Grain Growers' Association (Ltd.) and the Farmers' Union of the same Province amalgamated. The new association, known as United Farmers of Canada (Saskatchewan Section), decided against joining the Canadian Council of Agriculture. This action left Saskatchewan without representation in the council in 1927.

The Canadian Council of Agriculture has represented farmers on most of the major economic issues that have arisen since 1909 (13).

The council has adopted a definite policy on many questions, such as the tariff, taxation, rural credits, grain-trade legislation, and freight rates.

It is noteworthy that Canadian farmers have had a national organization combining the larger provincial associations and working in their interests for nearly 20 years. The existence of a national body of this kind has done much to formulate agricultural policies and to present the viewpoint of farmers to legislative bodies, both provincial and federal. It has also widened the perspective of farmers and farm leaders giving them an interprovincial or national, rather than a local, point of view.

UNITED GRAIN GROWERS (LTD.)

The activities of United Grain Growers (Ltd.) and its predecessor the Grain Growers' Grain Co. (Ltd.) have been referred to briefly in connection with the general development of the farmers' movement in the Prairie Provinces. In this section the organization set-up and the operating practices of this company, particularly the company's methods of handling grain, will be dealt with in more detail.

ORGANIZATION SET-UP

The by-laws of United Grain Growers (Ltd.) have been changed from time to time, but the important features remain essentially as they were originally adopted by the parent organization.

United Grain Growers (Ltd.) is a capital-stock organization incorporated under a special act of the Dominion Parliament. Its authorized capital is \$5,000,000 and the par value of the stock is \$25 per share. No one person may own more than 100 shares, and ownership is restricted to farmers, farm owners, or lessees of farms, and the wives of such persons. The privilege of ownership may be extended to other persons by a two-thirds vote at any meeting of the company. Shareholders have only one vote regardless of the amount of stock held.

The company has wide powers, including, in addition to those activities already developed and referred to elsewhere, the right to acquire and operate on land owned or controlled by the company, roads, bridges, reservoirs, manufactories, electric works, shops, stores, office buildings, and "all such things as are incidental or conducive to the attainment of the object or purposes of the company." The objects of the company are, in short, to sell all kinds of farm products for farmers, to buy for them supplies of all kinds, and to engage in any business of benefit to farmers.

A number of subsidiary companies have been formed by United Grain Growers (Ltd.) for the purpose of carrying on certain phases of its business. These companies, which are referred to later in more detail, are owned and controlled by the parent organization. The directors of each are chosen from the board of United Grain Growers (Ltd.). The subsidiaries operate, however, as independent units, each directly in charge of its own manager.

LOCAL ORGANIZATION

A local association may be formed whenever 267 shares of stock are purchased by not less than 40 persons. Locals are formed about

shipping points where elevators are built or acquired by the company on behalf of local members. The territorial limits of local associations are determined by the directors of the company. Some of the locals now in existence were formed before the time when the company embarked upon its elevator policy and at a number of such points no elevator is maintained.

At the annual meeting of a local association a board of five members is chosen. This local board, as it is called, is the means of contact between the central association and the local members. The board is supposed to keep in touch with conditions and to develop the company's business locally. It is to supervise and make recommendations, and to handle any disputes that may arise between farmers and the company. The board does not operate the local elevator.

MANAGEMENT

The parent company is controlled by a board of 12 directors, who are elected for three years and in such order that 4 of the 12 retire each year. It has become a custom to elect directors from each Province in proportion to the company's membership therein. The present representation gives Alberta 5 directors; Saskatchewan, 4; and Manitoba, 3. Directors are chosen at the annual meeting of the company, which is a gathering of elected delegates from local associations. Locals are ordinarily represented by one delegate, but any local with a membership of 188 or more may elect two delegates. A director may be removed from office by a three-fifths vote of delegates at any general meeting.

Following the annual meeting, the directors meet and elect a president, one or more vice presidents, and a secretary who may or may not be a member of the board of directors. An executive committee, consisting of the president, first vice president, and three directors, is chosen by the board and may be removed from office by the same agency. The duties of the executive committee are outlined by the board.

The directors appoint the administrative staff. Officers of the company to the number of three may be chosen from the board of directors. It has been the practice to appoint the president or first vice president as general manager of the company. Of the present board of directors, one man has served since the company was organized 21 years ago, another has been in office 20 years, and five have served for 12 or more years.

FINANCING

The company is financed by the sale of capital stock. Additional working capital is, of course, obtained by borrowing, the security being the physical assets of the company and inventories of grain and other merchandise on hand. During the season of heavy grain movements United Grain Growers (Ltd.), like other grain firms, borrow on warehouse receipts and other commercial paper.

The paid-up capital of the company is \$2,920,620, and the reserves, including the balance in the profit and loss account and the amount set aside for depreciation, total \$3,940,614. In 1921 a loss of more than \$400,000 was sustained on inventories of machinery and sup-

plies. Because of its reserve fund the company was able to write off this loss without any impairment of operating efficiency.

A study of the larger cooperative organizations in Canada impresses one with the fact that great stress is placed upon adequacy of reserves. It is clearly recognized that if farmers' organizations are going to compete successfully with private business they must be at least as well financed as their competitors. It is not considered that a cooperative association, in order to qualify for that title, must return all of the savings or profits made. Adequate provision for contingencies is recognized as a first claim against the earnings of an association. The total assets of United Grain Growers (Ltd.) and its subsidiaries at August 31, 1926, was \$11,451,492. Current assets were \$4,349,990, or about 40 per cent of the total. Current liabilities were \$2,176,400. The ratio of current assets to current liabilities was, therefore, better than two to one. The total liabilities to outsiders were only \$4,221,143, leaving a membership equity of \$7,230,349, or about 64 per cent.

DISTRIBUTION OF EARNINGS

Dividends have been paid on stock in all years but one of the company's history. For some time past the amount has been 8 per cent, but in earlier years much higher dividends were paid. The rate of dividends is determined by the directors. Sentiment against the payment of stock dividends of rates higher than prevailing interest rates has been more pronounced in recent years than in the early years of the company's existence. The original intention of the organizers of the company was to pay patronage dividends, but because of the opposition of the Winnipeg Grain Exchange this plan was abandoned. Later, when the company acquired country elevators and began the purchase of wheat on its own account, the matter again came up for discussion, since the company could pay a patronage dividend on all business except grain sold on commission. The payment of patronage dividends based on commission sales was interpreted by the exchange as a violation of its rule dealing with rebating.

As the company from time to time added other lines of business, the demand for the payment of patronage dividends was renewed. It is no secret that the agitation reached considerable proportions and was a factor in causing some farmers to withdraw their support from their own company.

The answer of the company's officials, which has apparently found favor with a majority of the shareholders, has been: (1) That the company has not been in a position to pay patronage dividends. Profits, they say, after paying interest on capital, were no more than needed to meet the rapid expansion of facilities demanded by the members and the need for working capital and adequate reserves. (2) It has been maintained that no equitable basis of patronage payment could be devised, because of the variety of the company's activities and the fact that some of their profits were made on the handling of commodities in which their members had no direct interest. How, they ask, should profits made by their New York subsidiary, on the purchase and sale of wheat grown in the United States, be prorated among their members? (3) It has been held that

profits per unit of volume handled have been small. To keep the records necessary to enable them to pay a patronage dividend would compel the company to take wider margins in its purchases of grain. Since the company is an important factor in determining prices at country points, this would mean a lowering of prices to all producers by the trade in general, the net result of which would be a loss to all grain farmers.

In accordance with a decision of the shareholders at the annual meeting of 1924, the directors in 1926 announced a change of policy and declared a patronage dividend of 1 cent per bushel on all street grain purchased by the company, the total dividend being \$78,000. It was believed that, for the first time in its history, conditions had become such as to justify the payment of a patronage dividend.

THE GRAIN BUSINESS

The volume of grain, which constitutes the major portion of the company's business, is shown in Table 6. As already stated, the company began operation in 1906 as a commission agency on the Winnipeg Grain Exchange. In 1910 an export department was added and, in 1914, a subsidiary export company was incorporated with headquarters in Winnipeg. In 1917 another export company was incorporated under the New York laws, with headquarters in New York City. Previous to this the Winnipeg company had operated an office in New York City.

TABLE 6.—Comparative business development of United Grain Growers (Ltd.) and of its predecessors¹

Company and year	Paid-up capital	Grain receipts ²	Profits
Grain Growers' Grain Co. (Ltd.):		<i>Bushels</i>	
1906	\$5,000		
1907	11,785	2,340,000	\$790
1908	20,385	4,990,541	30,190
1909	120,708	7,043,140	52,902
1910	292,067	10,332,045	95,093
1911	494,062	18,845,305	109,575
1912	586,472	27,775,000	121,614
1913	645,302	29,975,000	164,333
1914	771,409	20,920,225	151,081
1915	867,422	18,821,402	226,903
1916	1,075,180	49,375,420	572,804
1917	1,357,382	27,722,552	607,896
Alberta Farmers' Cooperative Elevator Co. (Ltd.):			
1914	101,039	3,774,396	17,210
1915	163,809	5,039,100	28,826
1916	391,737	19,320,558	282,484
1917	563,689	16,375,393	210,502
United Grain Growers (Ltd.):			
1918	2,150,763	29,870,679	441,760
1919	2,415,185	22,208,007	148,540
1920	2,098,547	24,503,237	463,075
1921	2,705,095	36,581,371	233,743
1922	2,810,561	31,545,778	³ 115,350
1923	2,821,305	32,944,008	532,171
1924	2,857,984	47,163,179	552,433
1925	2,906,627	30,855,532	418,574
1926	2,920,020	43,013,807	676,378
Total		575,240,879	6,007,775

¹ In 1917 the Grain Growers' Grain Co. (Ltd.) and the Alberta Farmers' Cooperative Elevator Co. (Ltd.) were amalgamated under the name United Grain Growers (Ltd.).

² Exclusive of grain handled by terminal elevators and exporting company.

³ Loss.

In 1912 the company had leased the country elevators of the Manitoba government, and the same year it had leased a terminal elevator at the head of Lake Superior from the Canadian Pacific Railway. Country elevators have been added year by year until the number owned on August 31, 1926, was 380. Nineteen additional elevators were operated under lease. Terminal-elevator facilities have been added by the construction of an elevator at Port Arthur, on Lake Superior, and by acquisition of the controlling interest and management of a small elevator at Vancouver, B. C.

The head office of United Grain Growers (Ltd.) is in Winnipeg, but an administrative office is also maintained in Calgary. The Winnipeg office handles the business from Manitoba and Saskatchewan and supervises the business as a whole. The Calgary office handles the Alberta business. There are several reasons for the Calgary office. First, a large part of Alberta's grain goes west through Pacific coast ports. This grain can be handled more easily from a separate office near the center of operations. Second, the company has more warehouses, elevators, and coal sheds in Alberta than in either of the other Provinces. This concentration of facilities, so far from the head office, made a divisional office advisable.

COUNTRY ELEVATOR AND COMMISSION DEPARTMENTS

In the operation of its country elevators, United Grain Growers (Ltd.) may be considered as a cooperative line elevator association. The ownership and operation of country elevators is vested in the parent company, which selects the operators and dictates the policies. Local elevators are grouped into districts, each of which is in charge of a district inspector. The inspectors, in turn, are responsible to the elevator superintendent for the division in which they are engaged.

The operations at country points are subject to the regulations of the Canada grain act, and, in general, are similar to the methods adopted by private competitors. The company's elevators, for the most part, are better equipped to clean grain and, because of a larger number of bins, can do more special binning than is ordinarily done by private companies. To this extent they are able to give a little better service than many of their competitors.

The company will either buy a farmer's grain or handle it for him on consignment. In the purchase of street grain, the local agents use a price list sent out by the company rather than the daily price sent to the trade in general by price-reporting agencies.

United Grain Growers (Ltd.) use the facilities provided by the Winnipeg Grain Exchange. It disposes of all of its grain through this channel. The sales office is advised daily of purchases at country elevators, and these are hedged by the sale of futures. In actual practice, sales of futures are made on the basis of estimated daily purchases, corrections being made from day to day as returns are received from country points. The company is not engaged in speculative trading and consequently aims to protect itself at all times against price fluctuations.

Grain is accepted from nonshareholders without restriction. No contracts with producers have ever been used. Consequently, shareholders as well as nonshareholders are free to patronize competitors

if they so wish. Since the early years of the company's existence, little has been said or written about the loyalty of shareholders, and few appeals have been made for support on this basis.

TERMINAL ELEVATOR OPERATIONS

The operations of public terminal elevators are subject to government regulations laid down in the Canada grain act and administered by the board of grain commissioners. The tariff for handling and storage is also set. The public terminal operations of United Grain Growers (Ltd.) are thus subject to the same control as the operations of other terminal companies. A public terminal elevator is operated by the company at Fort William. This elevator is leased from the Canadian Pacific Railway and, as it is operated as a public elevator, its services are available to anyone desiring them. The company also operates a small public terminal at Vancouver.

Until July, 1927, the company owned and operated an elevator of 600,000 bushels capacity at Port Arthur, which was used for mixing purposes and for the reconditioning of low-grade grain. During the summer of 1927 the company disposed of this elevator and began the construction of a modern elevator of 5,000,000 bushels capacity, which will be ready for operation early in 1928. For the handling of the crop of 1925 and 1926, the company also leased an elevator at Winnipeg from the Canadian Pacific Railway, for the purpose of increasing its drying facilities.

The operation of terminal elevators has, on the whole, been very profitable. Earnings on these operations have enabled the company to give better service at country elevators and better prices for street grain than would otherwise have been possible. These earnings are derived from storage, elevation, and cleaning; from improving the quality of low-grade grain by reconditioning and by mixing; and from overages and the sale of screenings in the operation of its public elevators.

EXPORT COMPANIES

The export business of the company has been conducted by two subsidiaries, one at Winnipeg, the other in New York. The New York company has a seat on the Chicago Board of Trade. In its export business, as in all of its activities, the company has adopted the better practices of the trade in general, believing that it can render the maximum of service as a competitor with the producers' interests in view. The export companies do not confine their operations to the handling of grain belonging to the parent company, but buy from any source where it may be obtained to advantage. For instance, the New York subsidiary has at times handled more American grain than Canadian.

MACHINERY AND FARM SUPPLIES

In 1912 the company handled flour for farmers. During the year 1913, lumber and other building material, fence posts, wire, and binder twine were also handled in considerable quantities. In 1914,

contracts were made with several firms for the handling of certain lines of farm machinery. Since that time the volume of such business has increased considerably, as shown in Table 7.

TABLE 7.—Value of machinery and farm supplies handled by United Grain Growers (Ltd.), 1914–1923¹

Year	Value	Year	Value
1914.....	\$580,000	1919.....	\$6,180,759
1915.....	1,148,734	1920.....	6,908,896
1916.....	1,353,495	1921.....	4,670,919
1917.....	1,957,215	1922.....	2,838,424
1918.....	6,927,389	1923.....	2,249,597

¹For the years 1914 to 1917, inclusive, this business was done by the Grain Growers' Grain Co. (Ltd.) and the Alberta Farmers' Cooperative Elevator Co. (Ltd.), which, in 1917, united to form the present company.

In spite of the increased volume, the machinery section of this department has not been entirely successful. In order to give service on machinery it was found necessary to enlarge greatly the company's warehouse accommodations. Accordingly, warehouses were built in Winnipeg and Calgary at considerable expense, and additional facilities were rented in Regina, Saskatoon, and Edmonton. The expense of maintaining these widely scattered distributing points, on a volume of sales such as was obtained, was rather heavy. Machinery and most lines of farm supplies were handled on a mail-order basis, but this method proved unsatisfactory. Later, 57 local retail agencies, consisting largely of local farmers' associations, were established, which carried stocks of machinery and supplies; and, in addition, agents were appointed who sold on commission but did not carry stocks. This action was taken in 1920, after losses had been sustained of \$59,426 for 1918–19 and of \$52,069 for 1919–20.

Some supplies, such as coal and flour, were handled by the company's elevator managers, and facilities for that purpose were maintained at most points. (Table 8.)

TABLE 8.—Elevators and other properties of United Grain Growers (Ltd.) located at country points in the Prairie Provinces, 1926

Province	Elevators owned	Annexes	Elevators leased	Flour houses and commission warehouses	Coal sheds	Supply sheds	Cottages
Alberta.....	186	37	150	130	1	39
Saskatchewan.....	73	5	34	42	2	17
Manitoba.....	121	2	19	60	56	5	15
Total.....	380	44	19	263	234	8	71

The company's experiment with agencies was not successful. Whether this was entirely due to the deflation of 1920 and 1921, and its resulting heavy inventory losses, or to other causes, is not disclosed, but the operations of 1920–21 show a loss of \$282,303 on

machinery and supplies. During the following season a further loss was sustained.

Following this series of reverses the machinery business was discontinued and stocks of supplies were reduced to the point where the company was handling mainly such commodities as coal, flour, twine, and fencing material, which are usually handled in carload lots. This policy has been continued.

LIVESTOCK DEPARTMENT

The Alberta Farmers' Cooperative Co. (Ltd.) established a livestock department in 1913. Cooperative shipping was encouraged and a sales office was opened on the livestock market at Calgary. An office was later opened at Edmonton. The Grain Growers' Grain Co. (Ltd.), established a livestock department in 1916 with a sales office on the livestock exchange at St. Boniface, which adjoins Winnipeg. In 1917 the two companies were amalgamated and the livestock department continued as an activity of the new company. In 1920 offices were opened in the newly established cooperative stockyards at Moose Jaw and at Prince Albert, Saskatchewan. Both of these offices were closed in 1922, but the Moose Jaw office was reopened in July, 1923.

The company has encouraged cooperative shipping and to that end has maintained at times a small field force to assist in the establishment of local shipping associations. For several years the company cooperated in this work with the markets branch of the Saskatchewan Department of Agriculture.

In 1923 the livestock department was reorganized and incorporated as a separate company, known as United Livestock Growers (Ltd.), the capital stock and operating capital being provided by United Grain Growers (Ltd.). Its directors were drawn from the board of United Grain Growers (Ltd.). In January, 1926, the Alberta Cooperative Livestock Producers (Ltd.) purchased a one-third interest in the capital stock of United Grain Growers (Ltd.), and were given representation on the board of directors.

The volume of livestock handled from 1917 to 1926, inclusive, is shown in Table 9. Up to 1923 livestock was marketed on the various livestock exchanges in a manner similar to that followed by private competitors. In 1923 a pooling policy covering cattle was inaugurated and has been in operation since. At first weekly pools were operated, but these were soon abandoned in favor of a yearly pool. Under this plan cattle are appraised by a representative of the company on the basis of their market value and the producer is paid the full amount of the appraisal. The stock then becomes the property of the pool and is sorted into grades and car lots for sale to the best advantage. This policy enables the pool to ship carloads of graded cattle to other markets or to sort such cars for the feed lots. Many cars of stock have moved on this basis to markets in eastern Canada, the United States, and the British Isles. The advantages of this plan are said to be that the company performs the services previously undertaken by speculators and returns the profits thus obtained to the producers in the form of patronage dividends.

TABLE 9.—*Curloads of livestock handled by United Grain Growers (Ltd.) livestock department, 1917-1926¹*

Year	Livestock handled	Year	Livestock handled
	<i>Cars</i>		<i>Cars</i>
1917.....	1, 217	1922.....	5, 254
1918.....	4, 402	1923.....	6, 850
1919.....	5, 237	1924.....	17, 000
1920.....	5, 554	1925.....	3, 053
1921.....	6, 065	1926.....	7, 820

¹The livestock department was reorganized as a separate company in 1923.²Estimated from number of animals handled.

PUBLISHING COMPANY

In 1907, soon after the farmers' organizations had become fairly well established in each of the Prairie Provinces, it was felt that they should publish a farm paper. Such a paper, besides carrying the principles of cooperation to the farmers of the three Provinces, it was contended, would be the medium through which the farmers' viewpoint might be crystallized and brought to the attention of those interested in the problems of agriculture. Accordingly, a paper known as the Grain Growers' Guide was sponsored by the Grain Growers' Grain Co. (Ltd.), after having been approved by the executives of the provincial farmers' associations. Begun as a monthly farm journal, the Guide, in 1909, was changed into a weekly publication. Since April, 1926, it has been published semimonthly.

The Grain Growers' Guide is now published by the Public Press (Ltd.), a subsidiary of United Grain Growers (Ltd.). Its subscribers number more than 110,000, which means that it enters more than one-third of the farm homes of the prairies. Undoubtedly, the establishment of the Guide has done a great deal toward unifying western thought, and, at the same time, has done much to increase the understanding of cooperative principles among farmers of the West.

OTHER SUBSIDIARIES

SAWMILLS

The demand for lumber on the part of western farmers was very great during the period of rapid settlement, and shareholders of the old Grain Growers' Grain Co. (Ltd.) felt that great savings could be effected by having their own company engage in the lumber business. Acceding to the request of its members, the company bought in 1911 a timber tract in British Columbia and soon after amalgamation with the Alberta Farmers' Cooperative Elevator Co. (Ltd.), in 1917, the reorganized company erected a sawmill.

The lumber business has not been successful. Difficulties were encountered from the outset. The cost of getting the business under way was much greater than anticipated. Much difficulty was experienced in getting competent help, and very high wages prevailed at that time. Soon after the plant was placed in operation the period of depression set in, and there was a heavy decrease in the use of lumber. The progress of land settlement, in the meantime, had slackened. The policy at first adopted of selling direct to farmers

proved a failure. Increases in freight rates cut off the market established by the company in eastern Canada and in the United States. Mistakes resulting from inexperience also caused some losses.

In 1924, the directors decided to acquire a few retail agencies for the distribution of lumber, but not sufficient success attended this venture to justify its expansion. After reviewing carefully the experiences of 10 years and, in view of the fact that the mill was entirely destroyed by fire early in 1925, the directors decided, in 1926, to close out the lumber business.

BRITISH COLUMBIA AGENCY

For a number of years the company operated a feed business through a subsidiary in British Columbia. The depression of 1920-21 caught this agency with rather large inventories, resulting in heavy loss, and business fell off badly because of the financial condition of farmers. Furthermore, it was difficult to get the farmers of British Columbia to take stock in the company. This combination of circumstances impelled the directors to dispose of the business.

SECURITIES AND INVESTMENTS

In 1917, a subsidiary company was organized to do a land-settlement and securities business. The land department was to act as a sales agency for farm land, the object being to assist new settlers to acquire land at a minimum of transfer and commission costs. Farmers desirous of disposing of land would also be assured of getting what their land sold for, less a conservative commission.

The securities department was to handle general insurance for farmers and the parent and subsidiary companies. Along with the securities business an estates and investments department was conducted.

The land department did not get sufficient business after the first few years of operation to justify its continuance, largely because of the effects of the recent war. Immigration had decreased and fewer young men were in the market for farms. The after-war depression added to the difficulties faced by the land department.

The insurance department has been very successful. Through its connection with commercial companies, it now handles nearly all of the insurance written by the parent company and its subsidiaries. The investment department has assisted farmers in the selection of safe investments.

SUMMARY OF ACTIVITIES

It is important to observe that United Grain Growers (Ltd.) in all of its operations has adopted the practices and methods used by its competitors. It has attempted to remedy by competition conditions that its members and patrons considered detrimental to the interests of agriculture. It has not tried to revolutionize systems. Because of this policy, it lost favor with an important element in the west who desired to change the existing method of marketing grain. For a time, this attitude threatened the existence of the company.

Not all of the activities of United Grain Growers (Ltd.) have been successful. This is freely admitted by directors and members.

The company did a great deal of pioneering and it was reasonable to expect that some mistakes would be made. Within the membership are some who hold views that might be considered socialistic or radical. This is almost inevitable among any group of 35,000 people. To satisfy as nearly as possible all of its members, the directors have at times yielded to suggestions against their better judgment.

The company, as a unit, has been very successful, particularly in its grain-marketing activities. In the operation of the Public Press (Ltd.), in the publication of the Grain Growers' Guide, in the conduct of its livestock department, and in the operation of its securities subsidiary, the company has been successful. In its attempt to handle farm machinery and lumber similar results have not been attained. Some of the reasons for this lack of success have been discussed in the section dealing with the activities of these departments.



FIG. 3.—Formerly the head office of the Saskatchewan Cooperative Elevator Co. (Ltd.), but now owned by the Saskatchewan wheat pool. Several cooperative organizations, including the provincial poultry and livestock pools, now make this building their headquarters.

In studying the activities of this company, it becomes evident that members have been taken into the confidence of the officials at all times. The annual meetings have always been well attended and a complete statement of the company's activities for the year, supported by operating statements and balance sheets certified to by chartered accountants, has been made available. The mistakes have been presented with as much emphasis as the successes. In all cases decisions on questions of policy and issues of major importance have originated with the members in annual convention.

SASKATCHEWAN COOPERATIVE ELEVATOR CO. (LTD.)

The Saskatchewan Cooperative Elevator Co. (Ltd.), (Fig. 3), organized in 1911, was purchased by the Saskatchewan Cooperative Wheat Producers (Ltd.) (the Saskatchewan wheat pool), in time to handle the wheat crop of 1926. The reasons for the transfer will be discussed later. Before dealing with the wheat pools, it is de-

sirable to describe the development and accomplishments of the elevator company as a definite step in the history of cooperative grain marketing in western Canada.

The events preceding the organization of the Saskatchewan Co-operative Elevator Co. (Ltd.) have been described in detail. The company was incorporated under a special act passed by the Saskatchewan government. It was a capital stock cooperative with shares of \$50 par value. The authorized capital was not set, being subject to change from time to time by the government. The company was to begin operation when 25 local associations had been formed. The required number was organized in six weeks and additional locals formed later brought the total number for the first year to 46. Elevators were built at 40 points and purchased at 6 other points. These handled a total of 3,262,426 bushels of grain of the 1911 crop. Later progress in the acquisition of elevators is shown in Table 10.

TABLE 10.—Country elevators owned by the Saskatchewan Co-operative Elevator Co. (Ltd.)

Year	Elevators acquired during the year	Total	Year	Elevators acquired during the year	Total
1911.....	46	46	1919.....	1	315
1912.....	69	139	1920.....	9	324
1913.....	53	192	1921.....	15	339
1914.....	24	216	1922.....	15	354
1915.....	14	230	1923.....	32	386
1916.....	30	260	1924.....	54	440
1917.....	41	301	1925.....	11	451
1918.....	13	314	1926.....	0	451

LOCAL ELEVATOR ASSOCIATIONS

In order to obtain an elevator at a local station farmers representing at least 6,000 acres of land under crop were required to subscribe for capital stock in the parent company, equal to the cost of the desired elevator. Members thus became shareholders in the company and not in a local elevator. The local elevator in turn became one of a chain of elevators operated on what is commonly referred to as the "line system."

As a commercial concern interested in making a success of its activities, the company could refuse to comply with any request for an elevator if local competitive conditions or other factors justified such action. Furthermore, the company had the power to acquire elevators at points where the desired acreage was not signed but where other conditions, such as possibility of acreage expansion, made the action desirable.

The members of local associations elected annually a board of five persons. This board supervised the company's activities at that point and made recommendations to the head office when necessary but actual control of the elevator and its policies was vested in the central management. A general meeting of members of each local was held annually at which the company's activities, both local and provincial, were the subject of discussion and at which a delegate

to the annual general meeting of the company was appointed. Voting was on the basis of one man, one vote. Only farmers could hold stock and the limit to one person was 20 shares.

CONTROL OF THE COMPANY

The company was under the control of a board of nine directors elected in such a way that one-third retired each year. Retiring directors were eligible for reelection and many were so honored term after term. Directors were elected at annual meetings and represented the members at large, not those of any particular region.

The general policies of the company were determined by the delegates at annual meetings. Voting at these meetings was on the basis of one vote to each delegate representing a local association. Questions were decided by majority vote. The carrying out of policies was entrusted to the general manager and other officials under the supervision of the board of directors.

FINANCING

In financing the company the provincial government played an important part. It advanced 85 per cent on the capital stock subscribed by farmers. Under this arrangement, farmers paid only \$7.50 on a \$50 share; the remainder was advanced to the company from the provincial treasury. The government took, as security, a first mortgage on the properties of the company. All loans, together with interest at 6 per cent, were repayable on a 20-year amortization plan. The act of incorporation provided that the provincial auditor should audit the books of the company and that such should be open at all times to government inspection.

Loans made by the Government to the company amounted to \$393,694, during its first year of operation. Additional loans were made from year to year, the total amounting to \$4,146,308. At the time of its transfer to the Saskatchewan wheat pool, the company owed \$2,336,743 to the Government, and all payments on principal and interest then due had been met.

The company had the power to call for additional payments on subscribed stock up to the par value of the stock. This provision safeguarded the Government's loans and assured the company of additional capital if provincial funds were not available. In actual practice, however, no calls were made on stock. The company's profits were sufficient to provide substantial stock dividends in addition to reserves and funds for the retirement of loans. Stock subscribed for in 1911 and upon which \$7.50 per share was paid, had a paid-up value of \$42 in 1926, because of the accumulation of stock dividends. These stock dividends, being credited to shareholders but retained by the company, materially increased the available capital.

As a result of the sale of the company's assets to the Saskatchewan wheat pool, in 1926, for \$11,059,000, the original shares issued in 1911 acquired a value of approximately \$150 and those issued in succeeding years a proportionate value.

The by-laws of the company provided for the payment of cash dividends on stock up to 10 per cent. A patronage dividend could also be paid at the discretion of the board of directors when profits

were sufficient, but such a dividend was never paid. The reasons advanced by the company were (1) that the amount available for such distribution when figured on a per-bushel basis was too small to justify the expense involved; and (2) that the company needed its profits to strengthen its financial position and provide for the expansion desired by its shareholders and patrons. This policy, although insuring stability to the company, caused dissatisfaction among many patrons who were not shareholders in the organization.

A further provision allowed the company to retain a portion of its earnings as a reserve fund for operating or other expenses.

The financial position of the company for the period 1912 to 1926 is shown in Table 11.

TABLE 11.—Comparative financial position of the Saskatchewan Cooperative Elevator Co. (Ltd.)

Fiscal year ended July 31	Paid up capital	Value of land, buildings, and equipment	Government loans and accrued interest	Reserves	Net profits
1912.	\$176,580	\$479,702	\$303,604		\$52,461
1913.	227,132	1,290,228	1,205,843	\$51,726	167,926
1914.	382,461	1,684,080	1,436,031	116,280	285,181
1915.	603,116	1,866,099	1,569,808	286,834	133,745
1916.	627,342	2,045,621	1,639,267	322,973	567,795
1917.	938,532	3,032,456	1,794,108	612,436	350,732
1918.	1,104,500	4,172,705	1,737,442	979,831	124,811
1919.	1,122,312	4,728,790	2,176,960	1,060,591	103,599
1920.	1,132,737	5,157,398	3,150,684	1,233,119	224,988
1921.	1,408,130	5,160,271	3,256,164	1,190,622	279,413
1922.	1,451,306	5,202,067	3,305,228	1,434,359	463,056
1923.	1,719,992	5,431,981	3,340,855	1,624,094	442,212
1924.	1,950,630	6,245,708	2,570,658	2,284,453	476,534
1925.	2,396,033	6,785,781	2,480,801	2,378,439	377,672
1926.	2,608,412	7,560,871	2,336,743	2,608,412	825,547

EXTENSION OF ACTIVITIES

The Saskatchewan Cooperative Elevator Co. (Ltd.) began with the operation of country elevators, increasing its facilities until, at the time of dissolution in 1926, it owned 451 elevators. During the first year's operation the Grain Growers Grain Co. (Ltd.) acted as a sales agency for the Saskatchewan company. In 1912, however, the latter established its own commission department in Winnipeg, sales being made on the grain exchange.

In 1916 the company began the publication of the Cooperative News, a monthly journal. Besides acting as a medium through which the company kept in touch with its members, the journal enjoyed a wide circulation among persons interested in cooperative matters.

A terminal elevator was constructed in 1916, and additional terminal facilities were later acquired until the total capacity owned or leased by the company was over 16,000,000 bushels, and of this total about 15,000,000 bushels was represented by the elevators at Port Arthur. (Fig. 4.) The company owned about half of this capacity; the remainder was leased. A transfer elevator at Buffalo, N. Y., with a capacity of approximately 1,000,000 bushels was also owned. (Fig. 5.)

One of the company's elevators at the head of the Great Lakes was devoted to cleaning, drying, and mixing operations. The con-

duct of these terminal operations was very successful, resulting in considerable profit from year to year.

The decision to enter the export field was made in 1919, and a subsidiary company was incorporated early in 1920. Operations

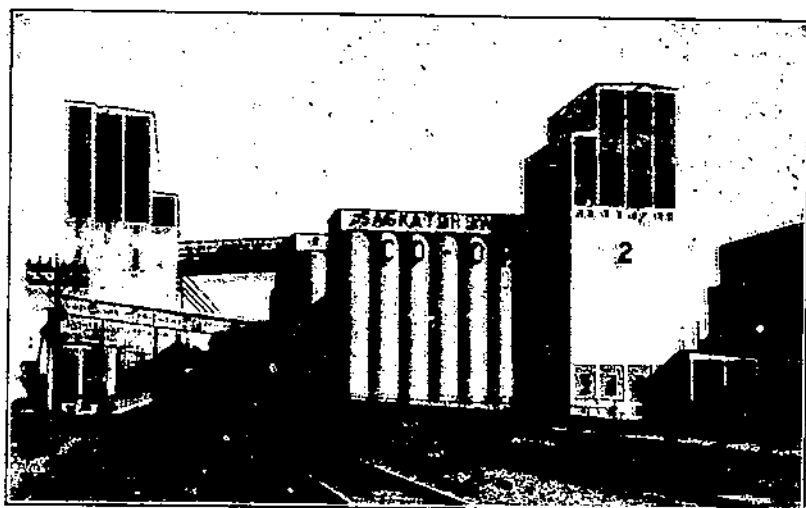


FIG. 4.--Terminal elevator at Port Arthur, formerly owned by the Saskatchewan Cooperative Elevator Co. (Ltd.), now the property of the Saskatchewan wheat pool

were conducted through offices in Winnipeg, Vancouver, and New York. In 1925 the company opened offices in London, England, and established agency connections in other European centers for the purpose of developing direct sales to millers in importing countries.

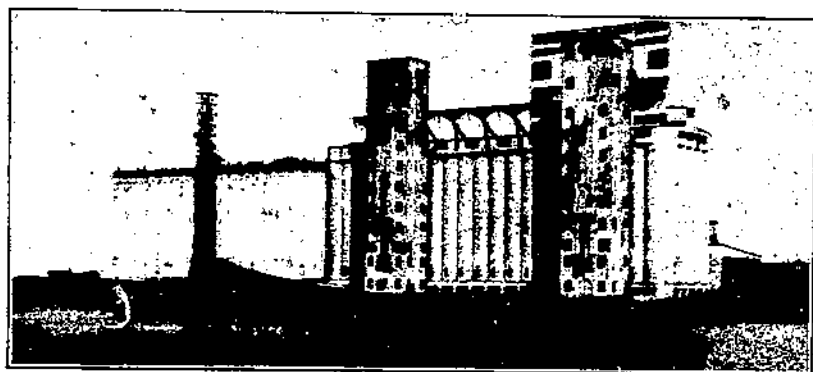


FIG. 5.--Transfer elevator at Buffalo, N. Y., built for the Saskatchewan Cooperative Elevator Co. (Ltd.), and acquired by the Saskatchewan wheat pool in 1926

METHODS OF OPERATION

The Saskatchewan Cooperative Elevator Co. (Ltd.) confined its activities to the handling of grain. To that extent its policies differed from those of its sister organization, the United Grain Grow-

ers (Ltd.). The Saskatchewan company's officials believed that activities foreign to the handling of grain could not be carried on successfully by a grain company. This attitude was partly responsible for the failure of the company to unite with the Alberta Farmers' Cooperative Elevator Co. (Ltd.) and the Grain Growers' Grain Co. (Ltd.) in the formation of United Grain Growers (Ltd.) in 1917. In the handling of grain, however, the policies of the organizations were similar. Both followed the practices common among private agencies which are engaged in the same business.

Neither shareholders nor patrons were under contract to deliver their grain to the company. The cooperative company was merely a competitive agency owned and controlled by farmers and dependent for its business upon its ability to give better service than did other agencies. That it was able to do this is indicated by the annual increase in volume of business of the company during its existence. (Table 12.)

TABLE 12.—Volume of grain handled by the Saskatchewan Cooperative Elevator Co. (Ltd.)

[In thousand bushels—i. e., 000 omitted]

Crop year ¹	Volume of grain handled by—		
	Country elevators	Commission department ²	Terminal elevators ³
1911-12	3,262		
1912-13	12,896	12,205	
1913-14	19,677	19,449	
1914-15	13,785	13,643	
1915-16	39,089	39,674	
1916-17	32,300	31,519	
1917-18	25,934	25,554	3,998
1918-19	26,812	21,634	11,531
1919-20	19,512	18,973	16,174
1920-21	26,106	27,125	21,277
1921-22	34,770	30,519	28,389
1922-23	40,773	42,957	34,793
1923-24	48,502	50,051	58,407
1924-25	27,893	30,175	32,275
1925-26	52,630	52,241	63,639

¹Crop year represents the approximate marketing season for a particular crop.

²Commission department was opened in 1912.

³Terminal elevator operations were begun in January, 1918.

Prices paid for grain were the maximum which the company felt were justified under market conditions. It sent out its own price list daily to local agents. The farmer was paid full returns at time of sale. No pooling of proceeds was practiced.

The company did not at any time merchandise its grain, in the sense in which the term has been used in recent years. Purchases of grain were hedged daily by the sale of futures and no attempt was made to increase the basic level of grain prices by withholding stocks from the market. The objective of the company was to provide the most favorable market at country points for those who sold grain in less than carload lots and to provide the best possible service for those who wished to ship their own grain.

OPERATING COSTS

The average cost per bushel for handling grain by this company during each of the 15 seasons of operation, from 1911-12 to 1925-26, is shown in Table 13.

TABLE 13.—*Relation of volume of business to cost of handling grain, Saskatchewan Cooperative Elevator Co. (Ltd.)*

Crop year	Elevators operating	Average number of bushels handled per elevator	Average cost per bushel			
			Central overhead expense	Fixed expenses	Operating expenses	Total
	Number	1,000 bushels	Cents	Cents	Cents	Cents
1911-12	44	74	0.90	0.65	1.20	2.81
1912-13	137	94	.66	.75	1.32	2.73
1913-14	192	102	.89	.75	1.15	2.02
1914-15	208	66	1.00	1.01	1.54	3.55
1915-16	230	170	.55	.53	1.08	2.06
1916-17	258	125	.84	.83	1.37	3.04
1917-18	208	87	1.13	.66	1.80	3.59
1918-19	306	68	1.50	1.06	2.11	4.67
1919-20	296	66	1.79	1.21	2.58	5.58
1920-21	310	82	1.38	1.05	2.50	4.93
1921-22	331	105	1.02	.76	2.00	3.78
1922-23	351	116	.84	1.01	1.83	3.68
1923-24	381	127	.75	.75	1.70	3.20
1924-25	433	64	1.38	2.03	2.71	6.12
1925-26	451	116	.85	1.31	1.86	4.02

The relation of volume to cost is clearly shown in Figure 6. With an average of 170,000 bushels per elevator in 1915-16, the cost per bushel amounted to but slightly over 2 cents; whereas, in 1914-15, with an average volume of only 66,000 bushels per elevator, the cost per bushel was 3.55 cents. In 1919-20, with the same volume, the cost of handling was 5.58 cents per bushel, but, because of the higher level of prices prevailing at that time, costs can not be compared fairly with those of earlier or later years. In 1924-25, with a volume of only 64,000 bushels per elevator, the cost increased to 6.12 cents per bushel; but here again the costs are not entirely comparable with pre-war costs. The variation in average handling cost per bushel is due primarily to differences in the size of the crop from year to year.

ACCOMPLISHMENTS

The Saskatchewan Cooperative Elevator Co. (Ltd.) was a very successful business organization. Its sale or transfer to the Saskatchewan Cooperative Wheat Producers (Ltd.), referred to in detail later, in no way reflected upon the company as a business concern. During its 15 years of operation it built up an enviable reputation in the grain trade. Criticisms of the company's policies were made frequently, but no one questioned its efficiency.

At the cessation of its activities in 1926 the company owned buildings and equipment valued at more than \$7,500,000, including 451 country elevators (Table 10), 3 terminal elevators, a large office building, and furniture and equipment. It had reserves amounting to \$2,608,412 (Table 11) and had met all payments that were due

to the provincial government on money borrowed for acquisition of elevators. The company handled annually about 20 per cent of the grain marketed in the Province.

CONCLUSIONS ON THE ACTIVITIES OF THE COOPERATIVE ELEVATOR COMPANIES

Because of the success of their business activities, the Saskatchewan Cooperative Elevator Co. (Ltd.) and the United Grain Growers (Ltd.) have achieved other results of even greater importance. They have unquestionably removed many of the abuses which prevailed in the grain business 20 years ago. They have improved the facilities at country points by the addition of 850 up-to-date elevators, most of which are provided with cleaning machinery and facilities for special binning of grain. These services were not com-

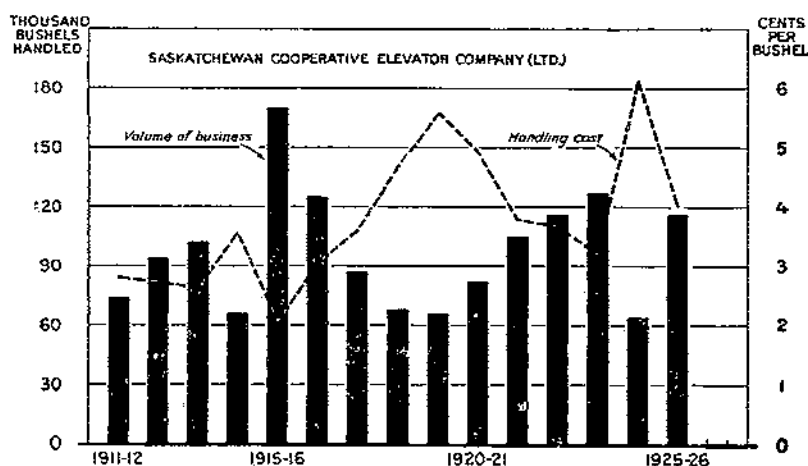


FIG. 6.—VOLUME OF BUSINESS AND COST OF HANDLING GRAIN FOR 15-YEAR PERIOD 1911-12 TO 1925-26

That the per bushel cost of handling grain is closely related to the volume of grain handled is indicated by the experience of the Saskatchewan Cooperative Elevator Co. (Ltd.) during 15 years of operation

monly provided by private agencies before the advent of the farmers' companies.

In addition to these advantages the farmers' companies have been a factor in obtaining better prices for farmers' grain than would have been possible had there been no such agencies. Evidence presented to the Royal commission when it was investigating grain marketing in 1923-24 supports this statement. The report of the commission (12) states that it was shown at certain of its hearings that the price committee of the North West Grain Dealers' Association, during certain periods of the year, sent out two price lists as bases for the purchase of grain by local agents; one went to elevators at points where the Saskatchewan Cooperative Elevator Co. (Ltd.) was represented, the other to elevators at points where the farmers' company was not a competitor. The first list contained prices designed to meet the competition provided by the farmers' company.

It should be stated that neither of the farmers' companies have used the price-reporting service provided by the grain dealers' association, but instead have provided their agents, daily, with prices believed to be somewhat higher than those furnished by the aforesaid agency.

There are still other ways in which farmers have benefited by the existence of these two companies but which can not be measured in dollars and cents. Through discussions at local meetings, through attendance at annual conventions, and through the medium of the companies' publications, farmers have been informed concerning the provisions of the Canada grain act, the establishment of grades, the inspection and weighing of grain, the registration of appeals, and many similar matters affecting the movement of grain and concerning which much misunderstanding had previously existed.

The grain cooperatives also provided a practical training in co-operation, and during the past 20 years have fostered cooperative principles among the farmers of the west. In this they have co-operated with other business concerns and with the farmers' economic organizations. In fact, a part of the funds used by these associations has been provided out of the profits of the two grain companies. The cooperative elevator companies worked closely with the economic organizations in matters of provincial interest and, through their representation on the Canadian Council of Agriculture, played an important part in obtaining for agriculture its proper consideration from other classes.

During the past 20 years the cooperative elevator companies have trained a corps of workers who have an expert knowledge of the grain business and who, in addition, have a sympathetic attitude toward the farmers' problems. When the wheat pools began operations in 1923 and 1924 they drew upon the personnel of the cooperative elevator companies for many of their officials.

Perhaps the greatest contribution of the cooperative elevator companies in Canada has been the development of a viewpoint which might be described as regional or national in scope. Membership and actual participation in concerns of the magnitude of these companies have created a feeling of confidence among farmers that they can successfully organize and operate large-scale organizations. But of even greater importance is the fact that over a period of 20 years the grain producers of western Canada have been induced to regard the marketing problems of western Canada as a whole and to subordinate local or community interests. This contribution of the cooperative elevator companies had an important bearing on the unanimity of purpose with which Canadian farmers tackled the organization of the wheat pool in 1923.

COOPERATIVE ELEVATOR COMPANIES CRITICIZED

In spite of the acknowledged success of the farmers' elevator companies as grain-handling concerns, the producers of the Prairie Provinces have, since 1923, turned their attention to the creation of another kind of marketing agency known popularly as "wheat pools." During the summer of 1926, the Saskatchewan wheat pool acquired the facilities of the Saskatchewan Cooperative Elevator Co. (Ltd.) at the request of a majority of the shareholders of the latter

who had also become contract signers of the wheat pool. For a time it looked as though the provincial pools might also purchase the facilities of United Grain Growers (Ltd.). The reasons for the development of the wheat pools will be discussed in more detail in the section dealing with these organizations, but concerning the elevator companies, it should be stated that there was a firm conviction in the minds of a majority of farmers that they had failed to raise the basic level of prices because of the fact that they had adopted the system of marketing followed by the trade in general, including sales on the grain exchange. Farmers generally believed that the low prices of grain from 1920 to 1923 were attributable to the system of marketing represented by the grain exchange. This will be discussed in more detail in succeeding sections.

There were other reasons, of course, for the turning away from the cooperative elevators, such as failure to pay patronage dividends when large profits were made, alleged payment of high salaries, charges of combinations and cliques within the organizations, dissatisfaction with local elevator managers because of the grades and dockage given by the latter, and other similar complaints which might have been directed against any large organization. Many believe that the cooperative elevator movement represents merely one stage in the development of the system which now dominates the marketing of grain in Canada. Others contend that sentiment will change and that farmers will return to the principle of marketing represented by the elevator companies. Some will see in the decision of the shareholders of the United Grain Growers (Ltd.) disapproving the sale of their facilities to the wheat pools, an indication of such a change of opinion.

Whether public opinion will change can not be foretold. The fact is that after four years of operation, sentiment is very favorable toward the pool. In any case, the point that should be emphasized is that the organization of the wheat pools is the outcome of an honest conviction on the part of farmers that the system of marketing represented by the grain exchange, which the cooperative elevator companies supported, is not the best that can be devised.

GOVERNMENT CONTROL AND ITS EFFECT ON THE WHEAT-POOL MOVEMENT

A knowledge of conditions immediately preceding the formation of the wheat pools is necessary to an adequate understanding of these organizations and their accomplishments. Some consideration will therefore be given to this side of the question before proceeding to an analysis of the pools and their methods of operation.

The Canadian wheat crops of 1917 and 1918 were marketed through a governmental agency known as the board of grain supervisors. During this time the British Government, through its representative in Canada, the Wheat Export Co., working in conjunction with the board of grain supervisors, handled the Canadian exportable surplus sent to the United Kingdom, France, and Italy. The Canadian company was one of the many purchasing agencies which the Royal commission on wheat supplies, an agency created by the British Government, set up in exporting countries. During this time the price of wheat was set and guaranteed by the Canadian Government.

For a time after the signing of the armistice in November, 1918, there was no centralized purchasing by the allied governments. During this period the royal commission on wheat supplies purchased for Great Britain alone. Following the peace conference at Versailles, the former allies again undertook the purchase of wheat through the British agency. Since most of the other European importing countries also had government control of wheat purchases, the Canadian producer was faced with the prospect of selling his 1919 crop in a market one side of which was open and competitive, the other under Government control.

CANADA WHEAT BOARD

In July, 1919, the Canadian Council of Agriculture asked the Government to create a body similar to the United States Grain Corporation. After careful consideration the Government set up a wheat board to take complete control of the marketing of Canadian wheat and to pay to producers the amount received from the sale of the crop less the necessary costs of operation.

Some farmers opposed the establishment of the wheat board and opposed the part played by the council of agriculture in obtaining it, believing that the price of wheat under competitive trading would go higher than the price which could be obtained under controlled purchase and sale. For the same reason many farmers had also opposed the activities of the board of grain supervisors which handled the crops of 1917 and 1918.

During the operation of the wheat board the futures market for wheat on the Winnipeg Grain Exchange was closed, but the trade was not seriously interfered with otherwise. Grain was received from farmers, graded, and forwarded just as it had been in pre-war days. The wheat board made full use of existing agencies, including elevator and forwarding companies. Producers were paid an advance of \$2.15 per bushel, basis "No. 1 Northern in store Fort William," and were given participation certificates entitling them to share in any further payments that might be made. Complete returns for the crop enabled the board to pay \$2.63 per bushel for No. 1 Northern which permitted additional payments of 48 cents per bushel on the above basis upon surrender of participation certificates by growers.

In its dealings with the producer the wheat board's operations were similar to those of a pooling agency. Grain was graded and pooled according to grade. Thus all producers of like grade received the same basic price. The making of an advance payment and the use of participation certificates familiarized producers with two of the fundamentals of pooling, and doubtless made easier the adoption of these practices by the wheat pools several years later.

PERIOD OF HIGH PRICES CAUSED EXPANSION

The price of wheat advanced much more rapidly during the war years than did the price of things which farmers had to buy, as indicated by the index numbers of wholesale prices in Table 14. In 1917 a bushel of wheat was worth nearly one and one-half times as much, in terms of other commodities, as it was in 1913. Some of this apparent advantage was lost because of reduced yields, which in certain regions amounted to crop failure; but, considered as a

whole, the Prairie Provinces experienced a period of prosperity. As a result farmers expanded their operations through the purchase of additional land and equipment, improved their farmsteads, and increased their standards of living.

TABLE 14.—Yearly average purchasing power of a bushel of hard spring wheat in Canada, 1913-1925

Year	No. 1 Northern wheat in store Fort William		Index of wholesale prices (236 com- modities average price '9) 1913=100)	Purchasing power of a bushel of wheat
	Average price per bushel (9)	Price index (average price, 1913=100)		
1913.....	\$0.882	100.0	100.0	100
1914.....	1.001	113.5	102.3	111
1915.....	1.282	145.4	109.9	132
1916.....	1.351	156.6	131.0	119
1917.....	2.202	249.7	178.5	140
1918.....	2.223	252.0	199.0	127
1919.....	2.371	268.8	209.2	128
1920 ¹	2.511	284.7	243.5	117
1921.....	1.649	187.0	171.8	109
1922.....	1.235	140.0	152.0	92
1923.....	1.084	122.9	153.0	80
1924.....	1.274	144.4	155.2	93

¹ On Sept. 11, 1920, No. 1 Northern cash wheat was quoted at \$2.85½ per bushel on the Winnipeg exchange and Nov. 30, 1920, at \$1.78½. Again, the same grade of wheat sold for \$2.04½ Jan. 10, 1921, and for \$1.57½ Aug. 31. By Nov. 3 the price had touched \$1.02. These rapid declines occurred each year, during the period when the bulk of the Canadian crop was being marketed, and they account in large measure for the discontent among wheat producers in spite of the relatively favorable position indicated by yearly averages.

It is not intended to suggest that these expenditures by farmers were extravagancies, although in some cases there may have been evidence of extravagance. Neither should it be assumed that the expansion was confined to farmers. City dwellers and business interests in general reflected the conditions of agriculture. In most cases the money spent during the period under discussion was no more than would seem justified by people, many of whom had for years undergone the privations of pioneer life, who suddenly received an unexpected addition to their income.

Unfortunately, as we are now able to see, this apparent prosperity was based on a temporary condition arising out of the war; and expenditures, however justifiable they may have been, only aggravated the farmers' position a few years later.

After cessation of the wheat board's activities in August, 1920, and with the resumption of future trading, the price of wheat increased for several weeks to a point about 20 cents per bushel higher than the base price of \$2.63 paid by the board on the 1919 crop. Prices then declined rapidly during October, November, and December, 1920 (Table 15), the total decline amounting to about \$1 per bushel (Fig. 7). This decline brought an agitation in some quarters for the reestablishment of the wheat board and in others for the organization of wheat pools. During the years 1920 to 1923, inclusive, public attention in western Canada was centered upon first one and then the other of these two methods of marketing. The discussion of these two agencies in succeeding sections of this bulletin is chronological.

TABLE 15.—Average monthly closing price per bushel for No. 1 Northern oash wheat on the Winnipeg Grain Exchange, 1920-1926¹

Month	1920	1921	1922	1923	1924	1925	1926
	Cents	Cents	Cents	Cents	Cents	Cents	Cents
January.....		191	114	108	97	105	156
February.....		188	134	111	100	106	155
March.....		191	141	113	98	177	148
April.....		176	143	120	90	150	157
May.....		186	144	117	104	182	154
June.....		189	133	115	111	171	163
July.....		183	136	108	135	162	159
August.....		180	118	113	144	168	161
September.....	274	149	180	106	142	138	144
October.....	232	116	101	98	160	127	144
November.....	205	111	110	97	104	142	141
December.....	191	114	109	93	173	157	133

¹ Data for years 1920-1925 (16, v. 6, p. 31-53). Data for 1926 (7).

POOLING PRINCIPLE RECEIVES CONSIDERATION

In the spring of 1920 the Grain Growers' Guide sent a representative to the State of Washington to study the proposed methods by which it was hoped to operate the wheat pool then being organized in that State.

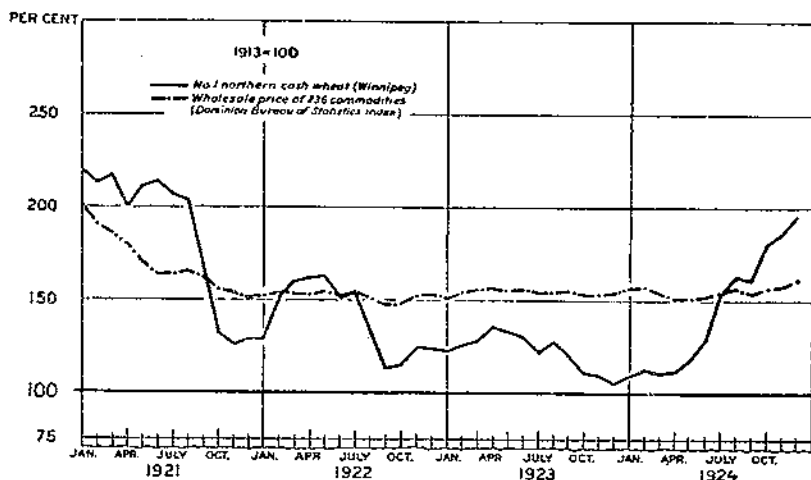


FIG. 7.—INDEX OF WHEAT AND WHOLESALE COMMODITY PRICES IN CANADA, 1921-1924

Wheat prices declined drastically between 1920 and 1923, resulting in discontent which had much to do with the formation of wheat pools

The farmers of western Canada already knew something about the compulsory pools of Australia; but there was not then, or later, any pronounced demand for the adoption of similar organizations in Canada, unless the demand for Government control may be considered as such. Interest in the pooling principle was kindled by the news from Australia and was further stimulated by pooling activities in the United States.

The report of the Guide's representative, published in May, 1920 (14), was received favorably by Canadian farmers; and, in July,

the Canadian Council of Agriculture passed a resolution favoring the formation of a voluntary wheat pool. At a meeting of the council held in October of the same year the representatives of United Grain Growers (Ltd.) presented plans for a wheat pool. A committee composed of representatives of the two cooperative elevator companies and the Saskatchewan Grain Growers' Association (Ltd.), together with officials of the United Farmers of Ontario, of Manitoba, and of Alberta, was appointed to study the proposed plans for a wheat pool and to report at a later meeting.

During the winter of 1920-21 the plans indorsed by the Canadian Council of Agriculture were given much publicity through the medium of the press and at the annual convention and local meetings of the farmers' organizations. Alberta farmers favored pooling, but their neighbors in Saskatchewan and Manitoba were lukewarm on the subject. Producers in Saskatchewan were more interested in the reestablishment of Government control.

GOVERNMENT CONTROL ADVOCATED

In January, 1921, the Saskatchewan Legislature appointed a commission composed of the former chairman and vice chairman of the Canada Wheat Board of 1919 to inquire into the possibilities of voluntary pooling. The commission, in its report, held that a board endowed with powers such as were given the wheat board of 1919 could accomplish more than could a wheat pool which controlled only a part of the crop. As between different kinds of pools the commission favored a voluntary pool without a contract.

Because of the sentiment in Saskatchewan, encouraged to some extent by the report of the commission, the idea of a wheat pool was dropped for the time being and interest again turned to the reestablishment of the wheat board. The council of agriculture again assumed the rôle of spokesman for provincial organizations.

The demand for Government control became more insistent because of market conditions which developed during the summer of 1921. Wheat prices, which had declined rapidly during the delivery period of 1920, were carried to still lower levels in 1921. No. 1 Northern wheat, which was sold for \$2.04½ January 12, 1921, was down to \$1.02 November 3 following. Most of the 1921 crop was sold at prices below \$1.50 per bushel. Since prices of things farmers had to buy did not decline so drastically as did the price of grain, there arose a strong feeling of discontent, which in places amounted to a smouldering distrust of economic conditions in general. The system of grain marketing as represented by the grain exchange was blamed for the drop in grain prices, and the banking system, the railroads, and other economic institutions were charged by farmers with having contributed to the deplorable state of agriculture.

Censure was not confined to organizations and institutions beyond the immediate control of farmers. There was, in certain sections, a strong conviction that the existing farmers' organizations were not doing enough to counteract conditions. Few realized that the unfortunate situation was really the result of conditions over which the existing organizations had little, if any, control. The effect of deflation, with its resulting crash of prices, in which those of agricultural products suffered most, was not generally understood either by

farmers or by the public at large. It is not surprising, therefore, that the responsibility for the existing condition was placed on the prevailing system of marketing.

ATTEMPTS TO REESTABLISH THE WHEAT BOARD

When it became apparent that sentiment in Saskatchewan (where approximately half of the Canadian wheat crop has been produced) was in favor of a Government wheat board, agricultural leaders turned their attention to the reestablishment of such an agency in time to handle the 1922 crop. In this they were aided by the "progressive" or farmer representatives elected to the Dominion Parliament in 1921. Strengthened by resolutions passed at the annual conventions of the provincial farmers' associations and agricultural leaders, the progressive members in the House of Commons pressed for reestablishment of the wheat board. Legal authorities, however, pointed out that the passage of legislation creating such an organization in peace times would be unconstitutional unless concurrent legislation were enacted by the provincial governments of the Provinces concerned. This put the matter up to the Provinces. Special sessions of the legislatures of Saskatchewan and Alberta were called, and enabling legislation was passed, but Manitoba was unable to take similar action because of the political situation in the Province at that time. Because of the failure of Manitoba to indorse the scheme, the other Provinces decided not to take further action for the time being.

In January, 1923, the Premier of Manitoba stated at a convention of the United Farmers of Manitoba that his government would introduce legislation similar to that of the other Provinces for the reestablishment of the wheat board to handle the 1923 crop, provided the farmers would agree to create a voluntary wheat marketing association to handle subsequent crops. The Manitoba association, and later the farmers' associations of Saskatchewan and Alberta, accepted the proposal.

True to his promise, the Manitoba Premier introduced the necessary legislation in his house, but the measure was defeated, and with it the hopes of western farmers to obtain again a wheat board.

The Premiers of Saskatchewan and Alberta, after endeavoring unsuccessfully to obtain the personnel to handle a board for their two Provinces, announced the abandonment of provincial effort to reestablish Government control.

MARKETING AUTHORITIES OPPOSED TO GOVERNMENT CONTROL IN PEACE TIMES

In connection with the efforts of the Premiers of Alberta and Saskatchewan to obtain suitable personnel to operate a wheat board, it should be recorded that the leading authorities on grain marketing, who were approached with a view to obtaining their services, were opposed to Government monopoly except under war-time conditions. The constitutionality of such an organization was seriously questioned, but, quite apart from that phase of the subject, there were many who believed that Government control could not, under normal conditions, be made a success. It was held that the success of the wheat board as a war measure could not be used as a criterion of the possibilities of such a scheme in peace times.

During the war there had been controlled purchasing by all of the principal importing countries, as well as controlled selling by certain of the larger exporting countries. For Canada to establish control when the rest of the world had returned to a competitive basis would have meant placing the Canadian board in an impossible situation, it was contended. It could not have maintained a price level higher than the world price established in a competitive market; and, since that price was at the time less than one-half the price which was returned by the wheat board of 1919, it appeared impossible to make a showing which by comparison with the results achieved by the former board would satisfy producers. The public in general placed too much confidence in the possibilities of Government control and expected much more than the marketing authorities believed possible of attainment.

It was also feared by some that the importance of a wheat board and its possible influence on the economic life of Canada, particularly the west, would make it a target for political manipulation. For these and other reasons no one with the ability and experience in grain marketing necessary to handle an organization of such magnitude could be induced by the provincial premiers to undertake the task.

FARMERS' UNION OF CANADA ORGANIZED

One of the evidences of the discontent that existed on the prairies during the period from 1920 to 1923 was the organization of the Farmers' Union of Canada. This association was formed in the northern part of Saskatchewan and extended into the edges of Manitoba and Alberta. The union, organized primarily to improve economic conditions, may be considered mainly as a product of the depression period; but unquestionably it was also a challenge to the existing farmers' associations. Some farmers felt that their old associations were not doing all that could be done to remedy conditions. Charges and countercharges were hurled back and forth. Many claimed that the leadership in the existing farmers' organizations had not kept abreast of the times and of farmer sentiment, and that many of the officials had been in office so long that they had lost contact with farm conditions. Others held that the cooperative elevator companies had failed to accomplish worth-while results because they had not changed the general system of grain marketing.

Two other factors are, to some extent, responsible for the organization of the Farmers' Union. The first of these concerned the overlapping of directorates between the economic and the business associations; the second, the decision of the economic associations to participate in politics. In Saskatchewan there was considerable sentiment opposed to these policies.

The Farmers' Union directed its attack upon the grain-marketing structure and, in that connection, included the farmers' cooperative companies as parties to a system of marketing held to be unsatisfactory. The credit structure of the west, also, received attention from the union, and the action of certain of its local organizations in boycotting sheriffs' sales drew upon the whole organization the criticism of the more conservative element in the west.

Whether the conditions in the west during this period were in any way chargeable to the grain trade, the credit system, or the farmers' cooperative agencies, or were, instead, the result of economic conditions over which these organizations had little, if any, control, will always be a matter of opinion. Certainly it is true that the union stirred up public interest, spurred farm leaders to greater action, and probably caused some outside of farm circles to give more consideration to the problems of agriculture.

In the organization of the Saskatchewan wheat pool, the Farmers' Union played an important part, and when the first directorate of the pool was chosen the Farmers Union was well represented thereon.

In July, 1926, the Farmers Union and Saskatchewan Grain Growers were amalgamated into one organization under the name United Farmers of Canada (Saskatchewan Section). The reason for the selection of this name was to permit the new association to recognize the ambition of the Farmers Union to make its organization national in scope, although its membership up to the time of the amalgamation had been obtained largely in northern Saskatchewan and the adjoining sections of Manitoba and Alberta.

The new association, in the winter of 1926-27, put on a membership drive which resulted in bringing the total enrollment up to approximately 30,000 members.

To avoid the necessity of having to solicit membership fees annually, the association obtained from each member, who was also a member of the wheat pool, an order authorizing the pool to pay to the association, out of the proceeds from the sale of his grain, the amount of the membership fee.

DEVELOPMENT OF THE WHEAT POOL

The failure to obtain the reestablishment of the wheat board at once put farmers entirely on their own resources. The Premiers of Alberta and Saskatchewan issued a joint statement, on June 22, 1923, to the effect that they had been unable to obtain suitable personnel to take charge of such a board. In less than two weeks farmers' organizations in all three Prairie Provinces were prepared for definite action. A meeting of the directors of the United Farmers of Alberta, held July 3-6, 1923, passed a resolution favoring immediate action toward the establishment of a provincial pool.^a The other Provinces were urged to take similar action to insure inter-provincial cooperation, "with the ultimate ideal of a world-wide systematized plan of wheat marketing." Here originated the germ of international interest which has since been propagated by wheat-pool officials.

The Farmers Union in Saskatchewan met in annual convention July 2-4, 1923, and during the session passed a resolution favoring the Alberta plan. A committee of 10 was appointed to foster general interest in such a scheme, and a resolution was passed promising to the Canadian Council of Agriculture cooperation in the establishment of a voluntary pool.

^a The story of developments leading up to the organization of the Canadian pools is told by J. T. Hull in the Grain Growers' Guide of Sept. 24 and Oct. 1, 1924 (18).

A meeting of the United Farmers of Manitoba was also held during the first week of July, at which a resolution was passed favoring cooperation with other associations in the creation of a cooperative wheat-marketing organization.

Finally, the western section of the Canadian Council of Agriculture, which met in Winnipeg, July 4 and 5, 1923, passed a resolution requesting that "every possible effort be made to establish a voluntary pooling system." The council, however, doubted the "possibility of organizing a comprehensive pool for this year's crop" in view of the fact that harvesting would normally begin within six weeks in certain sections of the west. At this meeting the representatives of United Grain Growers (Ltd.) presented general plans for the organization of a pool, suggesting that the necessary capital be provided jointly by this organization and by the Saskatchewan Cooperative Elevator Co. (Ltd.). This suggestion was not acted upon, because it was decided to leave the matter of organization to the farmers' associations of the three Provinces.

Thus it was that, within two weeks after it was definitely known that a wheat board would not function, four of the principal farmers' organizations had gone on record favoring definite action by farmers themselves.

The Premiers of Saskatchewan and Alberta, although unable to reestablish a wheat board, pledged the support of their governments to any sound scheme of pooling. The Alberta government appointed a committee on cooperative marketing, composed of two of its cabinet members, to give special consideration to the subject of pooling.

The Saskatchewan Grain Growers' Association (Ltd.) held an executive meeting July 17 and 18, 1923, and decided to proceed at once with the organization of a provincial wheat pool. Subsequently, a joint meeting of representatives of the Grain Growers' Association and of the United Farmers of Manitoba and the United Farmers of Alberta was held in Regina July 23 and 24, 1923. At this meeting it was decided to proceed with the organization of wheat pools on a provincial basis, with a central sales agency representing all three pools.

Following the interprovincial meeting, the executives of each of the three associations held separate meetings. The decisions reached at these meetings differed somewhat from the conclusions agreed to at the interprovincial meeting, the result being that the United Farmers of Alberta decided on a five-year contract pool; the Saskatchewan Grain Growers' Association (Ltd.) decided on a voluntary pool without contracts; and the United Farmers of Manitoba deferred action until a later date, believing that it was then too late to form a pool to handle the whole of the 1923 crop of that Province, but stating that they believed a pool might be organized in time to handle the late deliveries.

ORGANIZATION BEGINS IN ALBERTA AND SASKATCHEWAN

Early in July a prominent cooperative organizer from the United States arrived in Alberta, primarily at the invitation of two Alberta daily newspapers, to address a series of public meetings on the subject of wheat pooling. At these meetings a great deal of enthusiasm was aroused, which resulted in the appointment of a committee, com-

posed of representatives of the United Farmers of Alberta, the unorganized farmers, and the business interests of the Province, to proceed with the organization of a wheat pool.

In Saskatchewan the Farmers Union, although not officially represented at the meetings held by the other farmers' associations, had nevertheless taken considerable interest in the matter of pooling and, dissatisfied with the action taken by the Saskatchewan Grain Growers' Association (Ltd.), invited the organizer from the United States to address a public meeting in Saskatoon August 6. As a result of this meeting and conference, to which grain growers' association officials were invited, this body decided to abandon its plans for a voluntary noncontract pool, and announced that instead it would unite with the Farmers Union in the promotion of a five-year contract pool similar to the plans agreed upon in Alberta. As in Alberta, a committee was appointed to proceed with the formation of a wheat pool.

THE MEMBERSHIP CAMPAIGN

The preliminary committee in each of the Provinces gave place to larger committees for organization purposes. These committees were composed of representatives of the farmers' associations, the unorganized farmers, the grain trade, the boards of trade, the press, retail merchants, banks, and provincial governments. Such committees were also appointed to deal with contracts and with banking and elevator facilities.

The old cooperative companies, United Grain Growers (Ltd.), and the Saskatchewan Cooperative Elevator Co. (Ltd.), came to the help of the committees at this time. United Grain Growers (Ltd.) at once offered its facilities for the handling of pool grain and advanced \$5,000 to each of the Alberta and Saskatchewan organization committees. The cooperative elevator company voted \$15,000 to help defray the expense of organizing the Saskatchewan pool. These amounts were later repaid by the pool to the respective companies.

Tremendous interest was aroused throughout the west, particularly in the Provinces where the campaigns were being conducted. Public meetings and other publicity contributed largely to the general interest, but the unrest which prevailed because of the disparity between the price of wheat and the general price level following a period of extensive agricultural expansion and an increase in long-term debts, was in itself sufficient to guarantee support to any scheme that offered the possibility of a remedy for existing conditions.

The Provinces were thoroughly organized for membership drives. Districts and subdistricts were formed with committees and subcommittees and a corps of volunteer workers coached by district organizers. Alberta set an objective of 50 per cent of the 1922 wheat acreage, but provided that if the objective was not reached and the directors still deemed it advisable they might proceed with organization. When the campaign ended September 5, 1923, only 46 per cent was signed up, but the directors felt that enough interest had been shown to justify proceeding with the incorporation of the pool. In accordance with a provision of the contract which permitted withdrawals should the objective not be reached, the authorities notified all signatories of their decision to proceed with organization and

gave them until September 22 to cancel their contracts if they so wished. The few withdrawals were more than balanced by additional contracts. The pool began operation October 29, 1923.

In Saskatchewan the organizers made the mistake of providing in their contract that unless the objective of 50 per cent of the acreage was reached by September 12, 1923 (the signing of contracts began August 29), the contracts signed should be null and void. The task set involved obtaining contracts representing 6,166,149 acres in about two weeks. At the conclusion of the time limit only about two-thirds of the required acreage had been obtained. The organizers, however, decided to proceed with the campaign by obtaining signatures to waivers which extended the time limit to a date to be named by the directors. This involved getting the waivers signed by all who had previously signed contracts, otherwise such contracts could not be used by the pool. Organization proceeded during the winter and a concentrated drive was again launched in the spring of 1924, the objective being reached June 26, by which date about 45,000 farmers had signed contracts and waivers representing 50 per cent of the provincial wheat acreage. Plans were at once formulated to begin operation with the 1924 crop.

MANITOBA FARMERS ORGANIZE

In Manitoba, where the crop moves to market somewhat earlier than does the bulk of the wheat in Alberta and Saskatchewan, the United Farmers decided, August 30, 1923, that the season was too far advanced to permit of the formation of a pool to handle the early deliveries of wheat; but undertook to establish a pool as soon as possible with the hope that it might be in readiness to handle a portion of the 1923 crop. The pool was incorporated January 28, 1924, and on March 10 a membership campaign was started with an objective of 40 per cent of the 1922 wheat acreage signed up by April 1. United Grain Growers (Ltd.) loaned the pool \$10,000 for organization expenses. Only 612,000 of the required 1,000,000 acres were obtained, but after publicly stating the period during which withdrawal might be made and having actually received more new contracts than withdrawals, the provisional directors decided to proceed with organization details. It was also decided to renew the membership campaign in June after seeding was completed. This was done, and resulted in a considerable increase in acreage. By the time harvesting was begun everything was in readiness to begin operation.

ORGANIZATION EXPENSE

The expense of organizing the three provincial pools was comparatively light when the magnitude of the undertaking is considered. Settlement in the Prairie Provinces is comparatively sparse and the area covered by the pools so large that the cost of organization, including attendance at meetings and soliciting of contracts, might reasonably have been very heavy. The fact that it was not indicates that by far the greater part of the original work was done voluntarily. An organization fee of \$2, plus \$1 for one share of stock, was collected from contract signers in each of the Provinces. During the original campaign in Saskatchewan no commission was

paid for obtaining contracts, but early in 1924 a commission of 25 cents was allowed. A similar commission was paid in Manitoba during the original campaign of 1924. This was intended to compensate for actual expense incurred by the solicitor, but it was not sufficient to make contract soliciting a profitable business. In Alberta no reward was paid during the organization campaign for obtaining contracts, the whole of the \$2 going to general expenses.

In obtaining contracts since the original campaigns were concluded all of the pools have paid solicitors, but in no case has the amount exceeded \$2 per contract, and in most cases the fee has been \$1 or \$1.50. Since field-service departments have been established in Saskatchewan and Manitoba, members of the staff have given part of their time to soliciting contracts.

COORDINATED SALES POLICY AGREED UPON

The wheat handled by the Alberta pool in 1923 was sold through its own sales department, but upon completion of the organizations in Manitoba and Saskatchewan a central selling agency known as the Canadian Cooperative Wheat Producers (Ltd.) was formed and incorporated under a Dominion charter. This organization is the central sales agency for the provincial pools of Manitoba, Saskatchewan, and Alberta. The incorporated name of each of these associations, also, includes the words "cooperative wheat producers (ltd.)," prefixed by the name of the Province. Collectively these four associations are known popularly as "the wheat pool." For convenience this usage is adopted in this bulletin wherever reference is made to the movement as a whole. When spoken of separately the central association is referred to as "the central selling agency" and the provincial associations are referred to as the Manitoba, Saskatchewan, or Alberta pool, as the case may be. Occasionally it has seemed advisable to refer to the provincial organizations as "the pool."

OBJECTS OF THE WHEAT POOLS

It has already been pointed out that the Canadian wheat pool is the physical evidence of a dissatisfaction with the existing method of marketing grain in western Canada. It was held by farmers and farm leaders that the system of marketing exemplified by the grain exchange resulted in the bulk of the Canadian crop being sold during a period of three or four months and under conditions of competition which forced lower prices than, it seemed, might be obtained by such a method as that represented by the wheat pool.

The question of when grain should be marketed has been the subject of much discussion in Canada as elsewhere. Whether the sale of the Canadian crop should be distributed more or less evenly throughout the year or whether, instead, the bulk of it should be moved to market before the crop of the Southern Hemisphere came into competition with it, has been the subject of much debate. Canadian farmers have for years been led to believe that the so-called "dumping" of 70 per cent of their crop on the market in three or four months depressed prices unduly.

Previous to and during the organization of the wheat pools a great deal of publicity was given to this subject under the titles of

"orderly marketing" and "merchandizing." Prominent organizers emphasized the absence of these practices in the marketing of grain, predicting that the principle of marketing to be followed by the pool would result in better prices than could be obtained under existing methods.

The objectives of the organizers of the wheat pools of Canada were similar to those of the organizers of most of the larger centralized associations formed in the United States during the same period. These, briefly stated, were: (1) to obtain control of a large proportion of the available crop by means of long-term contracts signed by the growers of such crops; and (2) by means of the volume control thus acquired to market the crop to better advantage than could be done by many smaller competing agencies, whether private or cooperative in nature. Later, other objectives were sought in the case of the wheat pools, such as the operation of country and terminal elevator facilities with a distribution of profits to growers on a patronage basis. During the organization campaign, however, emphasis was placed on the ability of the pooling method to change the existing method of marketing and, through control of large volume, to bargain for better prices. It is to be noted that many farmers and some agricultural leaders believed it within the power of such an organization to control the price of wheat. Others, on the contrary, though disclaiming any possibility of control, believed that such a pool would have a stabilizing effect on the market.

THE CONTRACT

Since "control" became the dominant feature of the wheat-pool campaign, major consideration was given to the means by which such control was to be effected, namely, the contract. The form and provisions of the contracts used by the provincial wheat pools are similar to one another and to those used by cooperative associations in the United States, with such changes as were necessary to comply with Canadian laws and trade practices. In brief, the more important features are: The association to take title to the grain and to make an advance payment at time of delivery, the balance, if any, to be paid as interim and/or final payment; all grain of like grade to be pooled and producers thereof to receive the same base price; provision of a clause entitling the association to collect a per-bushel charge from the grower for breach of contract on his part; the association to make all contracts for the receiving, handling, and sale of grain; and the contract to run for a period of five years without provision for withdrawal during that time. (For copies of contracts, see Appendix.)

In order that contracts in all three pools should expire after the handling of the 1927 crop, as was originally decided for Alberta, the Saskatchewan and Manitoba pools, having begun operations with the 1924 crop, a year later than did the Alberta, will handle only four crops under their original contracts. New contract signers come in for the remainder of the contract period rather than for five years from date (except in the case of Manitoba where, at pool elevator points, members sign contracts for five years from date).

Thus, a farmer signing a contract in the summer of 1926 would deliver only two crops under his contract.

The suggestion has been made that contracts be made to bind the grower and the associations for five years from date of signing. This plan would eliminate some of the uncertainty concerning the membership renewals and the future of the pool, and would also discourage any concerted action on the part of opposing members of the grain trade to discredit the pool and its accomplishments.

STRUCTURAL ORGANIZATION AND MEMBERSHIP CONTROL

The provincial wheat pools may properly be called centralized associations, since the contract is between the pool and the member. Having already learned, from the experience of their own cooperative elevator companies and from some of the larger United States associations of the centralized type, that some form of local organization was necessary for educational and contact purposes, the organizers of the provincial pools set out to provide for it. It was also recognized that democratic principles must apply and that, for this purpose, something resembling a political structure was necessary to provide for membership control.

The structural organizations of the three provincial wheat pools are similar, but they differ in detail. In Alberta the Province is divided into seven districts, and each of these into 10 subdistricts. Members of each subdistrict elect a delegate, who represents them in all matters of local interest. In the election of delegates each pool member is furnished, sometime during the first two weeks of May, with a list of all pool members in his subdistrict. A nomination paper accompanies each list. Any member may nominate his choice for delegate provided he obtains the signature of 10 members to his nomination paper. Nominations must reach the pool office by June 15. The names of candidates for each subdistrict are then listed on ballots, which are sent to the members of the subdistrict during the last two weeks of June. Ballots are marked on the preferential system and returned to the pool office before the end of July.

The 70 subdistrict delegates thus elected represent the members at general meetings of the pool. District delegates in turn, elect one of their number to act as director. The election of directors, who serve for one year only, takes place at district meetings held in conjunction with the general meeting of the pool. The by-laws of the pool provide for the recall of both delegates and directors.

Within the subdistricts, members have voluntarily organized 260 local associations. The local associations help to keep members in touch with the head office and provide a medium for the expression of opinion by members.

The skeleton organization of the Manitoba wheat pool resembles that of the Alberta pool, but inside the framework the set-up is different. The Province is divided into seven districts as in Alberta, and each district contains approximately equal membership. But in each district unincorporated local units are organized on the basis of one to each rural municipality.⁹ There are 90 of these local units.

⁹ Municipalities in western Canada correspond to counties in eastern Canada and the United States.

Locals elect delegates to the annual meetings on the basis of 1 representative for any number of members up to 75 and 1 for each additional 50 members, with a maximum of 6 delegates from any one local. At the last annual meeting there were 250 delegates from 12,430 members. A board of seven directors, one from each district, is elected annually.

Because the area covered by local associations is large, provision is made for the election by the local of a committee at each shipping station. These committees issue grain permits to members who desire to sell grain to neighbors for seed or feed, and in general provide a means of contact between members and their association. There are 448 shipping committees.

The Saskatchewan wheat pool's structural organization and provision for membership control differs from each of the pools already described, but has features common to each. The Province is divided into 16 districts on the basis of acreage under contract. Each district is again divided into 10 subdistricts on the same basis. Within the subdistrict are local units called committees, each consisting of a minimum of five contract signers. There are more than 1,100 of these committees looking after the interests of wheat-pool members throughout the Province. These committees perform many of the functions of local associations.

In the election of delegates and directors, and on other occasions when voting is required, the one-man-one-vote principle applies. Contract signers in each subdistrict elect a delegate from their number, making 160 delegates in the 16 districts. Nominations for a subdistrict delegate may be made by any six contract signers at the regular meetings called by local committees, or by direct nomination indorsed by six contract signers. The names of nominees are forwarded to the provincial pool's central office, where they are placed on ballots and sent to all contract signers in the interested district. The preferential system of balloting is used and voting is done by mail. Ballots are counted by a disinterested party appointed by the board of directors. A director for each district is elected from and by the 10 subdistrict delegates. The 16 directors thus elected manage the affairs of the pool for one year.

In Saskatchewan more responsibility is placed on the shoulders of delegates in connection with the safeguarding of members' interests than in either Manitoba or Alberta.

THE CENTRAL SELLING AGENCY

RELATION TO THE PROVINCIAL POOLS

The central selling agency for the provincial pools, known officially as Canadian Cooperative Wheat Producers (Ltd.), is incorporated as a capital stock cooperative under a Dominion charter. The authorized capital of \$150,000 is divided equally among the three provincial associations. In order that the directors may be stockholders in the company, the articles of incorporation provide that each of the nine directors, three of whom are from each provincial pool, shall hold one share of \$100 par value. The remainder of the shares are divided among the provincial pools 497 to each. Thus \$49,700 worth of capital stock is in the name of each provincial or-

ganization and \$300 worth in the name of the directors of each pool. Only 10 per cent of the stock was paid in at the time of incorporation, the remainder having been paid in during 1925. Working capital is obtained from banks under conditions described in the section dealing with financing and from the provincial pools out of reserves which the latter have established.

Cooperative principles find expression in the management and control of the central selling agency. (Fig. 8.) Although Saskatchewan normally contributes more grain than do the other two Provinces combined, it has no more representation on the board of directors or executive committee than do neighboring Provinces. Each of the provincial pools elects three representatives and each representative has one vote. An executive committee consisting of three members, one from each Province, is chosen by the board of directors from among their number.

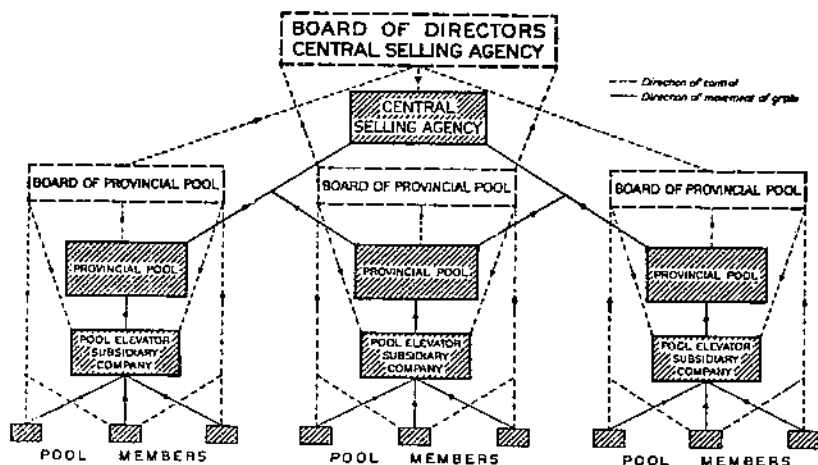


FIG. 8.—CANADIAN WHEAT POOLS AND RELATION OF THREE PROVINCIAL POOLS TO THE CENTRAL SELLING AGENCY

The members of the provincial pools control the entire wheat-pool organization

The provincial pools confer upon the central selling agency all of the powers, rights, and privileges which they enjoy under their contracts with growers. In return, the central agrees to take delivery of the grain and to sell it. The provincial associations agree to advance to the central, when needed, such moneys as the directors of the latter decide are necessary to carry on the business. The provincial associations also agree to deliver to the central all of the grain which they receive, with the exception of sales for seed and feed purposes, for which special permits are granted to growers.

The service departments which are or may be maintained by the central selling agency are: Domestic and export sales, finance, transportation, statistics and information, field service (supervising the provincial field service and publicity), terminal elevators and warehouses, grading, general counsel, and office systems. Although the central selling agency may perform these services, as specified in the contract, it has in practice confined its activities to the selling of

grain and to the creation of a department of publicity and statistics. The departments which are or may be maintained by the provincial associations are: Field service and publicity, elevators and warehouses within the Provinces, local counsel, relations with elevators, office management, and transportation to terminals.¹⁰

All sales of grain are under the general supervision of the Winnipeg office of the central selling agency, but for convenience an office which handles Alberta sales and exports through western ports is maintained in Calgary.

OFFICE SET-UP

There are several departments within the office set-up of the central selling agency. One of these handles all matters concerned with the deliveries from elevators and the handling of local sales—that is, sales to mills in western Canada. Another department handles eastern and export sales—in short, all sales east of Fort William. This department also engages lake-shipping space and superintends the transportation of grain from Fort William eastward. A third department handles all accounting.

In addition to the Winnipeg and Calgary offices, the pool has offices in Vancouver, Montreal, and New York to facilitate export loading and forwarding of grain; and at Toronto, Canada, and Paris, France, to handle direct-to-mill sales. An office is also maintained in London, England, to establish contacts with British and continental grain buyers.

METHODS OF OPERATION

The complete story of the central selling agency's methods of operation is of necessity tied up with the operation of the provincial pools. In this section, only those activities with which the central is directly concerned are discussed.

The central selling agency has virtual control of the movement of grain from the time it arrives at the country elevator, and takes actual charge of it after it has been delivered to the terminal elevator, and when the documents have been received from the provincial pools or elevator companies. The bulk of the wheat from Manitoba and Saskatchewan and some from Alberta is shipped to terminal elevators at Fort William or Port Arthur on Lake Superior; some of Alberta's wheat goes to Vancouver or Prince Rupert, on the Pacific coast, where it is taken in charge by the central selling agency. Some wheat is delivered to Government interior storage elevators located at Saskatoon and Moose Jaw in Saskatchewan, and at Calgary and Edmonton in Alberta. Mills located at interior points also take considerable wheat, but because the bulk of the Canadian crop is exported, the central selling agency is concerned mainly with deliveries at the Great Lakes and Pacific ports. Of the total Canadian crop of 1925, 264,395,888 bushels were delivered at Fort William and Port Arthur and 52,954,762 bushels at Vancouver (11).

Farmers in western Canada may either load their grain into cars from a railway siding or platform and ship it themselves, or they

¹⁰ For further information concerning the division of services between the provincial pools and the central selling agency, see copy of the agreement (Appendix, p. 116).

may deliver it to a local elevator which in turn will handle it in any way designated by the owner and in conformity with the provisions of the Canada grain act as outlined in the section entitled "Grain act recognizes alternative methods of sale." Pool grain that a farmer has himself loaded, referred to as "platform grain," is consigned to the provincial pool or pool elevator company. (See section dealing with platform shipments.) Pool grain received by local elevators is forwarded to the provincial pool at the terminal point designated.

When the grain reaches a terminal elevator it is taken over by the provincial pool concerned and settlement is made with the shipper (see sections dealing with "contracts with elevator companies"). The provincial pool delivers its warehouse receipts to the central selling agency which, in turn, settles with the provincial pool on the basis of the advance payments agreed upon. For convenience in completing transactions connected with the delivery of grain, each of the provincial pools has representatives in Winnipeg.

The provincial pools are each credited by the central selling agency with the amount of grain delivered. Interim and final payments are later made to provincial pools on the basis of these records. Such payments are made at the discretion of the board of the central selling agency and are based on sales returns. In the past it has been possible for the central to make interim payments in the spring and during midsummer. Final payment has been made each year during the early fall months.

SALES POLICIES

The pool's sales policy has been to sell as much grain as possible direct to domestic and foreign mills and, through agents, to the buyers of grain in importing countries. With this in mind, an office was opened in Toronto to develop the direct-to-mill business among the mills of eastern Canada. Another office was established in France where conditions were such that a considerable business with French mills seemed possible of development.

During 1927 an office was opened in London, England. Sales to buyers in other European countries and in certain Asiatic countries have been made through brokerage agencies. Contacts with these agencies were made largely by representatives of the pool who personally visited the brokers and grain merchants of importing countries. The number of such agency connections maintained in 1927 was 28 and the countries represented, 16.

The pool has been able to develop considerable business with Oriental countries and, to that end, sent representatives to China and Japan during 1926. A considerable volume of pool wheat is now being sold to these countries. In developing this market, the pool has accomplished results which a small association could not have achieved.

POOL USES GRAIN EXCHANGE FACILITIES

The central selling agency is vested with authority to sell grain to the best possible advantage. Realizing that there might be times when it would find it advantageous to sell to firms represented on the grain exchange, the organizers provided that such sales might be

made and to that end acquired representation on the Winnipeg Grain Exchange. This policy proved to be a wise one, inasmuch as it provided an outlet for the pool's grain during the first years of operation, before many of its own trade contacts, discussed above, had been made. About 40 per cent of the grain handled during the first year of operation was sold through the exchange. Since that time direct sales to domestic mills, plus those made through branch offices and agencies, have amounted to about 75 per cent of the total grain sold by the pool. In actual practice, the central selling agency is in daily contact with its branch offices and agency connections by telegraph and cable. It is also in constant touch with the Winnipeg and other grain exchanges by means of a ticker tape, and in the case of Winnipeg, through its own representatives on the grain exchange. It is, therefore, in a position either to accept telegraph or cable bids or to sell on the exchange.

ASSEMBLING, SHIPPING, AND EXPORTING

The actual movement of Canadian grain over the eastern route is handled by three more or less distinct types of agencies, namely; assemblers or country elevators, shippers, and exporters. The first class takes care of the purchase and movement of grain from the country point to Fort William or Port Arthur. The second group, the shippers, are the concerns that buy the grain from the former agencies and transport it to a port on the eastern end of the Great Lakes or to Montreal, New York, Philadelphia, or Baltimore. Many of the shippers have connections with exporting firms, though rarely have they an exclusive agency. The exporters, as the name implies, negotiate the sales to buyers in other countries, filling their orders by purchases from shippers. There are variations in this classification, however. For instance, a few organizations, as United Grain Growers (Ltd.), the Saskatchewan Cooperative Elevator Co. (Ltd.) (while it operated), and the wheat pool, combine the operations of two or more agencies.

The wheat pool, as stated, combines the activities of the three agencies and unites in one organization all of the operations represented in the assembling, shipment, and sale of grain, domestic and export.

Since most of the wheat handled by the pool finds its way eastward to Fort William or Port Arthur, and thence over the Great Lakes to the eastern seaboard, it may be of interest to outline the method of handling such shipments.

When grain reaches the terminals at either of these lake ports, warehouse receipts are issued to the owner of the grain (the pool in this case). As the owner may have grain stored in several different elevators, it is not convenient to have the lake vessels call at each elevator in turn so the grain dealers, including the pool, surrender their warehouse receipts to an agency known as the Lake Shippers Clearance Association. This organization arranges delivery of the specified quantity and grade of grain to the vessel designated by the owner.

When grain is loaded out for the pool by the Lake Shippers Clearance Association, the latter turns the lake bill of lading over

to the pool. The bill is then delivered to one of the pool's lending banks with instructions to forward it to one of the pool's shipping offices. If the grain is billed to Buffalo for ultimate shipment to United States ports, the lake bills are sent to the pool's New York office. If billed to Montreal or lake ports for eventual shipment from Canadian seaboard ports, the lake bill is sent to the pool's Montreal office. Grain intended for eastern Canadian mills is sent to eastern Canadian lake ports and the bill of lading is forwarded to the pool's Toronto office which handles the eastern mill business.

In each case the bills of lading are surrendered to the pool's office, on trust receipts which the bank holds as collateral until replaced by ocean bills of lading for an equal quantity of grain or (as in the case of the Toronto office) an equivalent quantity of lake bills of lading attached to draft on buyer. During certain periods of the year, the pool does not owe the banks any money and at all times it has considerably more collateral than the banks require, but the same procedure is always followed in handling the transfer of lake bills of lading. This insures uniformity throughout the year.

When an ocean boat is loaded with grain to complete a sale, the pool's respective seaboard office makes up the ocean bill of lading and, after it is signed by the official representative of the boat company, turns it over to the bank at Montreal or New York. A trust receipt for the same amount of grain is canceled.

As soon as an ocean vessel is loaded and the bills of lading are signed, the pool's seaboard office wires the Winnipeg office all particulars as to quantity, grade, and storage. Drafts with invoices attached are then made up at Winnipeg and delivered to the bank which, in turn, forwards them to its overseas office where they meet the ocean bills of lading already forwarded by the seaboard bank.

In the case of sales to Great Britain, as soon as the contract is made (invariably in pounds sterling) the sterling is sold to the bank which offers the highest price for the required delivery period.

The same procedure applies to sales made to continental countries on the basis of their currency. Sales to France are made on the basis of Canadian dollars per 100 kilos, and to many of the other European countries, on the basis of American dollars. Overseas sales are usually made on the basis of the London contract which governs all contingencies.

Practically all pool sales are made on the following terms: (1) In store Fort William, shipment from country elevators direct to western mills; (2) in store terminals at Fort William or Port Arthur; (3) c. i. f. lake and bay ports; (4) f. o. b. ocean vessels at Canadian or United States seaports; (5) c. i. f. British or continental ports.

The foregoing outline has of necessity treated the subject in a general way, but since the bulk of the Canadian grain is exported, and since most of it goes over the eastern route through Montreal or New York to United Kingdom or European ports, the description is representative of the method of handling the larger part of the pool's grain. In general, the procedure through western ports is similar, except that the grain moves direct from the country elevators or interior terminal elevators to the port terminals without the necessity of an intermediary such as the lake shipper.

POOL IN POSITION TO MODIFY SALES DISTRIBUTION

The purpose of the pool, which finds expression in the sales policies of the central selling agency, has been to sell wheat and coarse grain as demand and supply conditions appear to justify. In spite of the fact that some well-meaning organizers may have encouraged the belief that sales might be distributed with perfect uniformity throughout the year, no such thought was held by those responsible for administrative policies. The pool is in a position, however, to delay selling should market conditions encourage such a policy. It has advanced only a portion of the market value, and consequently does

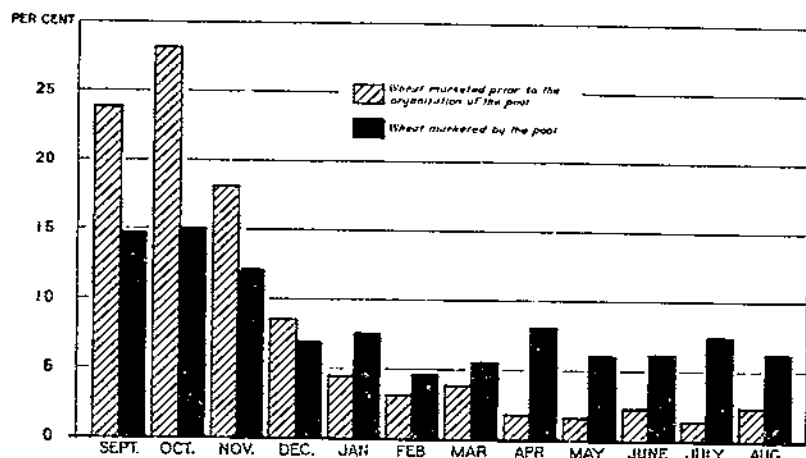


FIG. 9.—A COMPARISON OF THE MONTHLY SALES BY THE WHEAT POOL DURING 1925-26, WITH THE QUANTITY OF WHEAT MARKETING MONTHLY AT COUNTRY POINTS IN WESTERN CANADA DURING SIX YEARS PRIOR TO THE ORGANIZATION OF THE ALBERTA POOL, 1917-1922

Over 70 per cent of the wheat crop of western Canada was marketed during the three months of September, October, and November. The wheat pool, on the contrary, which handled 52 per cent of the 1925 crop, marketed only 41 per cent of its wheat during this period, thus distributing the sale of Canadian wheat more uniformly throughout the year. (Marketing in this particular instance refers to deliveries. For further explanation see text, p. 58)

not have to hedge to protect its holdings. It is, therefore, in a position to hold grain until market conditions justify its sale.

In Table 16, and Figure 9, a comparison of the quantities of grain marketed monthly at country points, as reported by the pool, for the crop years 1917-18 to 1922-23, inclusive, is made, with the quantities of grain sold monthly by the pool. The pool claims to have marketed only 41 per cent of the grain of its members during the period of heavy deliveries, namely, the months of September, October, and November, whereas, under the old system over 70 per cent was marketed during this period. In this comparison, deliveries at country points are used to indicate the quantity marketed.

TABLE 10.—Comparison of the volume of wheat marketed monthly by the wheat pool, September, 1925, to August, 1926, with the average quantity of wheat marketed monthly¹ at country points in western Canada during the six years, 1917-18 to 1922-23, prior to the organization of the Alberta pool

Month	Average quantity of wheat marketed monthly prior to organization of the pool		Quantity of wheat marketed monthly by the pool, 1925-26	
	Bushels	Per cent	Bushels	Per cent
September.....	46, 679, 037	23.9	26, 235, 000	13.8
October.....	55, 216, 550	28.2	28, 886, 000	15.1
November.....	35, 676, 075	18.2	23, 306, 000	12.2
Total.....	137, 571, 662	70.3	78, 421, 000	41.1
December.....	16, 752, 343	8.6	13, 047, 000	6.8
January.....	8, 709, 024	4.5	14, 370, 000	7.6
February.....	6, 354, 284	3.2	9, 018, 000	4.7
Total.....	31, 815, 651	16.3	36, 435, 000	19.1
March.....	7, 540, 142	3.9	10, 703, 000	5.6
April.....	3, 477, 493	1.8	15, 553, 000	8.1
May.....	2, 173, 539	1.6	11, 628, 000	6.1
Total.....	14, 191, 224	7.3	37, 834, 000	19.8
June.....	4, 419, 892	2.3	11, 869, 000	6.2
July.....	2, 730, 443	1.4	14, 320, 000	7.5
August.....	4, 702, 301	2.4	11, 905, 000	6.3
Total.....	11, 912, 636	6.1	38, 103, 000	20.0
Total for year.....	195, 401, 473	100	190, 793, 000	100

¹Marketing, in this particular instance, refers to deliveries. For further explanation see text, p. 58.

²Includes sales brought forward.

Approximately 50 per cent of the wheat delivered at country points is street wheat and is sold upon delivery. Car-lot quantities may be sold at time of delivery or later. However, the quantity of wheat stored in country or terminal elevators by farmers for future sale, although it varies from year to year, is understood to be not large. The fact that such grain has been delivered by farmers places it in the channels of trade and gives it an importance in determining prices. The quantity of grain delivered at country points is therefore in effect the important consideration on the supply side.

Since the pool began operating, the quantity delivered at country points is less significant as a price-making factor, because more than 50 per cent of such deliveries are to the pool. Pool wheat is not hedged and, to the extent that it is withheld from sale, may have a tendency to lessen the depression that might otherwise result from the pressure of deliveries.

It is believed by pool authorities that their sales policy during 1925-26 resulted in higher prices than would have been the case had the pool's sales been made on the basis of distribution followed by farmers prior to the advent of the pool. Pool officials believe that their 1925-26 sales distribution is desirable in certain years, but they also recognize that there may be years when it would be to their advantage to sell more grain during the earlier months.

The suggestion has been made that the pool would possibly change the amount of grain delivered monthly by farmers, thereby reducing the percentage delivered immediately after harvest. In this connection it is very difficult to compare the monthly deliveries of grain by pool members to their organizations with the deliveries of grain by farmers at country points prior to the organization of the pool because of difficulty in obtaining comparable data. It is believed, however, that there is no material difference. Pool officials support this view and contend that it is not their desire to delay deliveries in any way, since they wish to get grain into a salable position as soon as possible. For that reason no storage charges are paid to

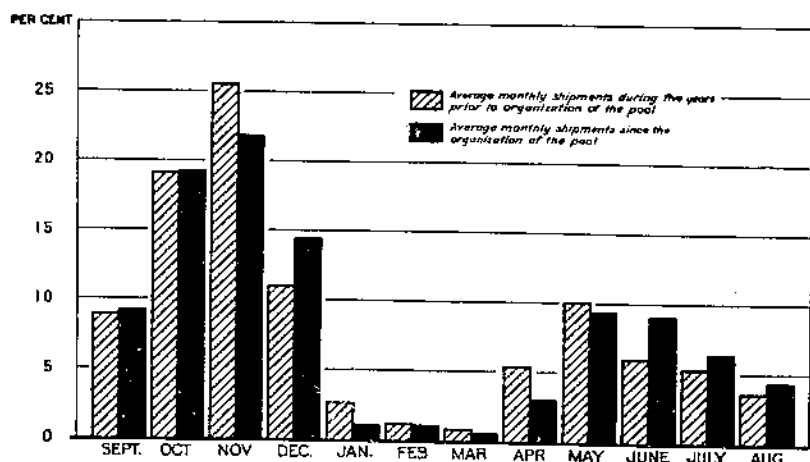


FIG. 10.—A COMPARISON OF THE AVERAGE MONTHLY SHIPMENTS OF WHEAT FROM PORT ARTHUR AND FORT WILLIAM DURING THE YEARS 1924-25 AND 1925-26, OR SINCE THE WHEAT POOL HAS BEEN IN OPERATION, WITH THE AVERAGE MONTHLY SHIPMENTS DURING THE FIVE YEARS PRIOR TO THE ORGANIZATION OF THE POOL

Delayed selling on the part of the wheat pool has not materially changed the rate of shipment of wheat over the Great Lakes. The pool thus takes advantage of the season of open navigation on the Great Lakes to move its grain into a salable position, just as was done previous to its organization

members for holding grain on farms, as is done by some United States pools.

MOVEMENTS OF GRAIN UNCHANGED

Delayed selling of wheat has not resulted in a retarding of shipments, as is indicated by monthly shipments from Fort William and Port Arthur. (Table 17 and fig. 10.) It has been the pool's policy to move its wheat to a position east of the Great Lakes before the close of lake navigation in December. The advantage of lake rates over all-rail rates from western lake ports to eastern points encourages the movement of wheat to eastern lake terminals or to terminals at ocean ports before the close of navigation each year. The pool's policy has been to place about the same quantity of wheat east of the lakes as was done in years prior to its organization.

TABLE 17.—Average monthly shipments of wheat from Port Arthur and Port William, September, 1919, to August, 1924, compared with the average shipments, September, 1924, to August, 1926 (16)¹

Month	Average 1919-20 to 1923-24		Average 1924-25 to 1925-26	
	Bushels	Per cent	Bushels	Per cent
September	17,287,139	9.0	19,572,183	9.3
October	36,067,103	19.2	46,835,472	19.8
November	49,338,128	25.6	46,008,291	21.8
Total	103,692,370	53.8	106,472,606	50.4
December	21,227,067	11.0	30,094,259	14.5
January	5,115,142	2.7	2,540,787	1.1
February	2,309,370	1.2	2,301,356	1.1
Total	28,651,588	14.9	35,336,402	16.7
March	1,741,895	.9	1,278,973	.6
April	10,323,682	5.4	6,313,817	3.0
May	19,476,075	10.1	19,825,145	9.4
Total	31,541,652	16.4	27,417,435	13.0
June	11,632,356	6.0	19,304,043	9.1
July	10,217,233	5.3	13,561,546	6.4
August	4,879,102	3.6	2,236,639	4.4
Total	26,728,751	14.9	42,102,628	19.9
Total for year	192,514,391	100	211,329,101	100

¹ During this period the Canadian Cooperative Wheat Producers (Ltd.) handled a large part of the crop.² Data for August, 1926, derived from (1).

As with lake shipments, so in the exporting of wheat from Canada the monthly movement appears not to have been materially affected by the pool's sales policy. (Table 18 and fig. 11.) The pool is in a position to effect a more uniform distribution of sales, when the condition of the market warrants it, without materially changing the normal movement of the crop to ultimate consumers.

TABLE 18.—Average monthly exports of wheat and wheat flour from Canada, September, 1919, to August, 1924, inclusive, compared with average exports, September, 1924, to August, 1926 (16)¹

Month	Average 1919-20 to 1923-24		Average 1924-25 to 1925-26	
	Bushels	Per cent	Bushels	Per cent
September	7,612,432	3.6	16,735,940	6.5
October	25,075,997	11.7	32,087,822	12.7
November	41,342,417	19.2	35,671,370	13.8
Total	74,030,946	34.5	85,375,132	33.0
December	30,942,053	18.6	47,635,470	18.4
January	13,453,514	6.2	13,231,518	5.1
February	11,102,876	5.2	12,881,249	5.0
Total	64,498,473	30.0	73,748,237	28.5
March	11,883,811	5.5	15,024,787	6.0
April	6,581,649	3.1	8,370,900	3.2
May	18,290,424	8.5	19,645,034	7.6
Total	36,655,884	17.1	43,041,327	16.8
June	17,198,346	8.0	22,445,025	8.7
July	12,068,310	5.6	18,737,058	7.2
August	10,340,429	4.8	2,012,087	5.8
Total	39,607,085	18.4	56,195,370	21.7
Total for year	214,801,388	100	258,960,066	100

¹ During this period the Canadian Cooperative Wheat Producers (Ltd.) handled a large part of the crop.² Data for August, 1926, derived from (5).

POOL VERSUS NONPOOL PRICES

Much time and energy has been devoted by both pool and nonpool interests to a comparison of prices received by pool and nonpool farmers. A yearly average price, based upon the daily closing quotation for cash wheat on the Winnipeg market, has been computed each year by representatives of the grain trade. This average price, it has been contended, is what the pool should have been able to pay each year. The premise upon which the argument is based is the claim that the pool was organized to market grain uniformly throughout the year and that had it done so it should have received the average of the market prices.

Even though such claims may have been made by certain organizers, it is a matter of little present concern. The pool is committed to the policy of marketing to the best possible advantage and its

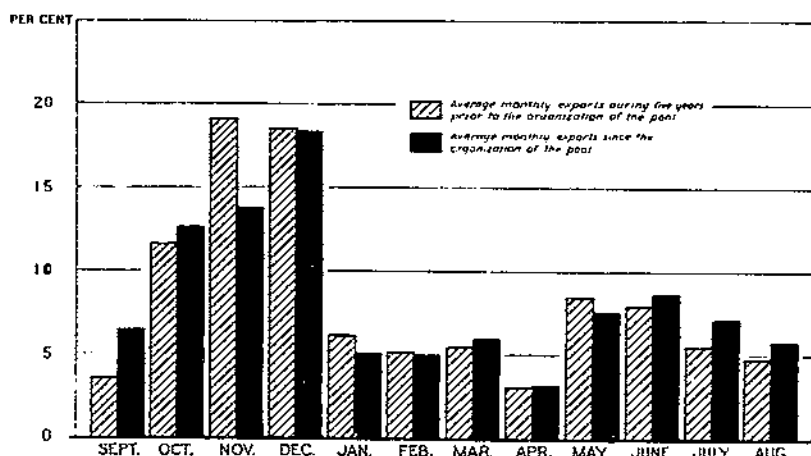


FIG. 11.—COMPARISON OF THE AVERAGE MONTHLY EXPORTS OF WHEAT AND WHEAT FLOUR FROM CANADA DURING THE YEARS 1924-25 AND 1925-26, OR SINCE THE WHEAT POOL HAS BEEN IN OPERATION, WITH THE AVERAGE MONTHLY EXPORTS DURING THE FIVE YEARS PRIOR TO THE ORGANIZATION OF THE POOL

Delayed selling on the part of the wheat pool has not materially changed the rate of exporting wheat from Canada throughout the year

officers are not advocating any arbitrary distribution of sales. Of more concern, however, is the fact that the average price computed each year by grain-trade representatives has been considered as the average price received by nonpool farmers. The use of such an average in this way is misleading, for the computed price is not based on the quantity of grain marketed. The average price received by nonpool farmers may have been something quite different. It may have been either more or less, depending on the amount of wheat sold at prices above or below the average. The pool price, however, represents what farmers actually received, subject to the usual deductions for freight reserves and handling charges.

The only nonpool average price which would be comparable with the pool price would be one based upon both quantities sold and prices actually received by individual farmers. An approximate average could be obtained by multiplying the quantity of wheat

delivered at country points each day by the closing price of wheat on the Winnipeg Grain Exchange for the same day, adding the totals and dividing by the number of bushels delivered.

Unfortunately, however, the quantity of nonpool wheat delivered daily at country points is not known and, even if such information were available, an average computed on that basis would be subject to the criticism that there is no way of knowing how close country buyers adhere to exchange quotations. Such buyers do not necessarily pay the same price for the same grade of wheat, despite the fact that on a given day they may receive the same base quotation from price-reporting agencies. Again the closing quotation on the Winnipeg Grain Exchange is for carload lots of wheat, basis Fort William, known as spot wheat, whereas about 50 per cent of the nonpool wheat is sold as street wheat and is subject to a discount under spot prices. The amount of this discount or "spread," as it is called, varies from day to day and between stations and buyers.

The only really satisfactory method of comparing returns to pool and nonpool farmers would be to obtain from such farmers their record of the quantities of grain sold and the returns received for this quantity. From such information a true comparison might be made. Again it must be admitted, however, that the data are not available with which to make such a comparison.

Because of the inadequacy of satisfactory data it is believed, therefore, that comparisons between pool and nonpool prices at present have little if any value. For that reason no attempt will be made to compare such prices in this bulletin.

FINANCING THE WHEAT POOL

The Canadian pools, both provincial and central, are capital-stock organizations, but the capital raised from the sale of stock is small compared with the total amount used.

In the case of each of the provincial pools shares of stock have the nominal par value of \$1. New members are required to subscribe for one share of stock and pay an organization fee of \$2. During the organization campaign the money obtained from organization fees was used for the expenses of the campaign. To the extent that organization work is now conducted, funds obtained in this way are still used for the same purpose. As mentioned in the section dealing with the organization of the provincial pools, most of the actual soliciting of members during the early period of development was done voluntarily by local canvassers. Overhead expenses had to be met, however, and it was for this purpose that organization fees were necessary.

Additional funds for organization purposes were supplied in the form of loans by the two cooperative elevator companies. United Grain Growers (Ltd.) loaned \$7,000 to the Manitoba pool and \$5,000 each to the Alberta and Saskatchewan pools. The Saskatchewan Cooperative Elevator Co. (Ltd.) loaned \$15,000 to the latter pool. A further advance, amounting to \$45,000, was made to the Saskatchewan pool by the government of that Province and the sum of \$5,000 was loaned by the Alberta government to the provisional committee

in charge of the organization of the Alberta pool. All of these loans were repaid during the first year of operation.

RESERVE FUNDS

Provisions for an elevator reserve fund and for a commercial reserve are found in the contracts between members and each of the provincial pools. The former is to provide funds for the acquisition of elevators only. In each Province the money thus obtained by the provincial pool is loaned to its subsidiary elevator company or invested in the capital stock of the same as required. The commercial reserve in each case has been used in a general way in connection with the business operations of the pool.

The elevator reserve is created, in the case of each pool, by deduction of an amount not to exceed 2 cents per bushel from returns for the sale of wheat. The deduction per bushel from returns for the sale of other grains in Saskatchewan must not exceed the following amounts: Flax, 3 cents; barley, $1\frac{1}{2}$ cents; rye, $1\frac{1}{2}$ cents; oats, 1 cent. In Manitoba the deduction is 2 cents per bushel on all grain. There is as yet no coarse-grain pool in Alberta. The amount which may be deducted for a commercial reserve is the same in all Provinces and for all kinds of grain and is not to exceed 1 per cent of the gross selling price. Growers receive credit for the full amount of deductions for both commercial and elevator reserves.

The amounts per bushel deducted for both classes of reserves are shown in Table 19. Total deductions for the first three years of operation are given in Table 20. Detailed information on the deductions from the 1926-27 returns are not available at this time (October, 1927) but it has been announced¹¹ that the total deductions to date by all three provincial pools amount to approximately \$16,000,000.

TABLE 19.—Amounts per bushel deducted for commercial and elevator reserves by the Canadian provincial pools, 1923-24 to 1925-26

Crop year	Variety of grain	Alberta ^a		Manitoba ^b		Saskatchewan ^b	
		Commercial reserve	Elevator reserve	Commercial reserve	Elevator reserve	Commercial reserve	Elevator reserve
		Cents	Cents	Cents	Cents	Cents	Cents
1923-24	Wheat	0.61	None.	1.66	2.00	1.66	2.00
1924-25	do	.68	2	1.37	.73	.73	2.00
1925-26	do	1.45	2	None.	1.00	.24	1.00
	Oats			.48	1.25	.30	1.50
	Barley			.60	2.00	1.05	2.00
	Flax			2.10	1.75	.44	1.50
	Rye			.89			

^a Coarse grains are not handled by the Alberta pool.

^b The Alberta pool began operations in the fall of 1923 but the Saskatchewan and Manitoba pools did not begin until the fall of 1924.

¹¹ Burnell, C. H., president of the Manitoba wheat pool, in an address given before the American Institute of Cooperation, Chicago, Ill., June 23, 1927.

TABLE 20.—*Total elevator and commercial reserves of the Canadian provincial pools, 1923-1926*

Provincial pool and crop year	Commercial reserve	Elevator reserve
Alberta:		
1923-24	\$211,581	
1924-25	148,478	\$422,108
1925-26	65,401	903,243
Manitoba:		
1924-25	110,339	180,579
1925-26	76,091	330,365
Saskatchewan:		
1924-25	756,403	958,238
1925-26	907,114	2,594,268
Total	2,375,527	5,370,850

The elevator reserve fund has enabled the acquisition of pool elevators in each of the Provinces. The commercial reserve has permitted the association to function with less bank credit than would otherwise have been necessary. The existence of adequate commercial reserves has enabled the provincial pools to loan money to the central selling agency for the financing of its operations.

BANKS EXTEND CREDIT

The fact that the bulk of the Canadian crop is delivered during a period of three or four months necessitates the use of more credit by the pool and other grain-handling agencies than would be the case if the movement to market were distributed more uniformly throughout the year. Because of this situation, Canadian banks have been in the habit of mobilizing their resources to enable them to meet this seasonal demand. A provision in the Canadian banking regulations is designed to add to the loanable funds during the period of crop movement, by permitting banks to increase the circulating medium temporarily to the extent of 15 per cent.

A branch banking system prevails in Canada. Most of the large banks have eastern branches and operate extensively in the large cities of eastern Canada and the United States. During the period of grain movement, these banks divert all available funds from their eastern operations to the western field. Most of the grain business in western Canada has been financed by seven or eight of these banks which have provided credit to the pool, just as they have been doing for years for the grain trade in general.

In 1923, when the Alberta pool was in need of bank credit to finance the initial payment to its growers, the Alberta government came to its assistance with a guarantee. A sum not exceeding \$250,000 was to be made available from the provincial treasury to protect the banks which advanced money to the pool. Since prices moved upward instead of downward, the pool's margin above its initial advance payment was increased and it was not necessary to call on the Government for assistance. No such guarantee has since been asked for or given to any of the provincial pools.

Under present circumstances, the directors of the central selling agency arrange with a committee of Canadian bankers for the credit necessary for the movement of pool grain. The pool officials state

the amount of credit they believe will be needed and the representatives of the banks apportion the total among their institutions according as they desire such business and are able to handle it. It is understood that the credit actually required by the pool has not exceeded \$35,000,000, at any one time, but in a season of unusually large crops, it might do so. The pool officials do not anticipate any difficulty in securing whatever credit may be needed, since Canadian banks have been anxious to secure the pool's business. As the provincial pools increase their reserves, to that extent the need for bank credit will be lessened. Such reserves already assist materially in financing the operation of the central selling agency.

If the sales of grain by the pool kept pace with its receipts from farmers, the need of credit would not be so great. The pool's policy, however, as stated elsewhere, is to spread the sale of grain as uniformly as market conditions justify throughout the year, whereas it receives more than 70 per cent of its grain during the period from September to November, inclusive. The peak of credit used is reached, therefore, during this period, and as sales of grain are made the amount of necessary credit declines until a time is reached when sales exceed receipts. At this point the income exceeds the amount of advance payments and the pool changes from debtor to creditor in its relations with banks. During the latter half of the crop year the pool's bank balance increases and additional payments can be made to growers through the provincial pools.

Although the provincial pools operate upon their commercial reserves, and may at times loan a portion of such to the central selling agency, they in turn retain the right to draw upon the latter, if necessary, at times when the central selling agency has accumulated funds from the sale of grain. All expenses, together with the cost of operating the central selling agency, are shown as a deduction from the final returns due growers.

The pool elevator company in each Province is financed by the provincial pool, aided by bank credit. Details concerning the operation of these companies are given in the section dealing with "pool elevator policies." The funds necessary to acquire facilities are obtained from elevator reserves described earlier in this section. In the handling of grain, the pool elevators are required to make the initial payment to growers just as in the case of private companies that handle pool grain. Bank credit is used for this purpose when necessary.

Briefly stated, by way of summary, the Canadian pools finance their physical assets by deductions from returns due growers from the sale of wheat, and their advance payments and operating expenses by bank credit, commercial reserves, and returns from the sale of grain.

CONTRACTS WITH ELEVATOR COMPANIES

The provincial pools, as originally organized, did not possess their own elevators and do not now own enough to handle all grain delivered to them at country points. (Fig. 12.) For this reason it has been necessary to make arrangements with existing elevator companies to handle pool grain.

The contract between the Alberta pool and the elevator companies of that Province, agreed to in the fall of 1923, was later adopted by each of the other Provinces with but few changes. Therefore the discussion in this section, except as noted, applies to the conditions of handling grain in all three Provinces.

In preparing a contract that would meet with the approval of elevator companies, the pool officials profited by the experience of the Canada Wheat Board, which had functioned in 1919. The relations established between the board and the country grain trade at that time formed a basis for the provisions incorporated in the contract drawn by the Alberta pool. The existence of the Canada grain act, providing as it does for uniform storage and handling rates on carlot grain and for standardized practices, facilitated the task of drafting a satisfactory contract which would apply to all companies.

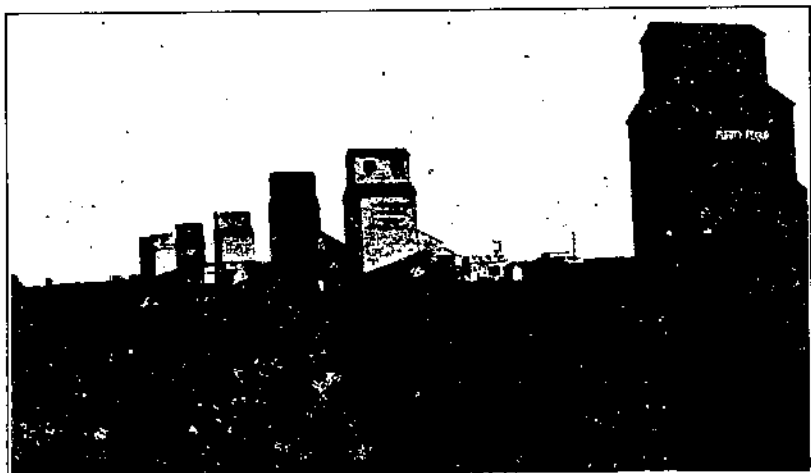


FIG. 12.--Grain elevators at a Saskatchewan station. Two of these are owned and operated by the Saskatchewan wheat pool through its subsidiary elevator company

GRAIN ACT RECOGNIZES ALTERNATIVE METHODS OF SALE

To understand the contract between elevator companies and provincial pools and to appreciate the alternative methods of sale which are available to farmers under the Canada grain act, it is necessary to outline briefly the provisions of this act which relate to the handling of wheat or other grain at country points. The act provides for a number of distinct classes of grain and methods of handling. For instance, a farmer may sell his wheat by the wagonload as street wheat or he may store it in an elevator for later sale. If he has a carload which he wishes to store, he may obtain a special bin, provided such a bin is available. In this case the identity of the grain is retained. Such grain may later be sold to the elevator company or shipped on consignment to a commission company for sale.

Grain may also be stored in car lots or less than car lots in bins with other grain. In this case, if an agreement on grade and dockage can be reached, at once the farmer is issued a storage ticket containing such information and entitling him to the same quantity and

grade of wheat at any time he wishes to sell. Such wheat is referred to as "stored to grade," or "graded storage." In cases where an agreement as to grade and dockage can not be reached the act provides that samples shall be taken and forwarded for Government inspection and grading. The wheat in the meantime is stored and may be shipped to a terminal elevator. Upon receipt of the official grade, and at the request of the owner, the elevator is required to deliver wheat of the same grade on track at the local elevator or at such terminal point as the owner may request. Wheat stored in such a manner is referred to as "subject to grade and dockage."

Before the organization of United Grain Growers (Ltd.) and the Saskatchewan Cooperative Elevator Co. (Ltd.), few elevators had bins enough to provide the desired service of special binning, but the cooperative companies equipped their elevators with a maximum of single-car bins. Pool elevators are similarly equipped.

METHODS OF HANDLING POOL GRAIN

The provisions of the Canada grain act are recognized in the handling of pool wheat just as in the case of nonpool wheat. The application of these provisions to the handling of pool wheat and the special arrangements made by the pools where no regulations apply will be discussed in this section.

STREET WHEAT

The pool member may deliver his wheat by the wagonload and accept settlement for it as "street wheat." This is the procedure followed where the grower has less than a carload and can not take advantage of the car-lot rate for handling grain. Instead of purchasing such wheat, as would be the case if it were nonpool wheat, the elevator manager acts merely as the agent of the provincial pool. If an agreement as to grade and dockage can be reached he pays to the grower the initial payment authorized by the pool. The elevator agent then issues a "grower's certificate." Four copies of this certificate are issued, two of which are given to the farmer. Of these, one copy is retained and one forwarded to the provincial pool. The agent keeps a third copy and sends the fourth to the provincial pool, either directly, in case his elevator operates independently, or through his head office if he handles an elevator belonging to a line system. All records in the provincial pool office are made from this copy of the certificate. Before further payments are made to the grower, these records are checked with the copy of the receipt sent in by the grower. Interim and final payments to the grower are made only upon receipt of his copy.

If the owner of the grain and the elevator agent can not agree on the grade and dockage, the law provides that such grain shall be received and handled as subject to grade and dockage as described in the previous section. The act provides that the farmer, in the meantime, shall receive temporary settlement on the basis offered by the elevator operator and that final settlement shall be made on the basis of grade and dockage submitted by the chief inspector. When a carload of pool street wheat accumulates in an elevator, the agent is required to ship it out, as discussed later in

this section. The wheat in the meantime belongs to the provincial pool and the pool pays to the elevator company a carrying charge of one-thirtieth of a cent per bushel per day from the time the company reports receipt of such wheat until it receives settlement from the pool for the amount of the initial payment.

The Canada grain act does not provide rates for the handling of street grain. Nonpool street grain is purchased by the elevator company, but in the case of pool grain it was necessary for the interested parties to agree upon the rates to be paid for such service.

In Alberta and Manitoba, the contracts with elevator companies provide for the payment of 5 cents per bushel for the handling of Nos. 1, 2, and 3 Northern wheat and 6 cents on all lower grades; but, following the lead of United Grain Growers (Ltd.), who voluntarily reduced these charges in September, 1925, to 4 and 5 cents, private companies at competing points did likewise. Elevators owned by the Alberta pool through its subsidiary company, known as Alberta Pool Elevators (Ltd.), operate on the same charges as other companies. In Manitoba, however, street wheat is handled by pool elevators at the same rates that apply to car-lot grain, the basis of such rates in their case being the actual cost involved.

In Saskatchewan the rates provided in the contract with elevator companies are the same as in the other Provinces, but the rate provided in the contract under which pool elevators operate is now 5 cents per bushel on all grades, and in order to meet this competition United Grain Growers (Ltd.) have reduced their charges to 5 cents "flat." This induced some companies at competitive points to take the same action.

Contract rates on coarse grains which are handled by the Manitoba and Saskatchewan pools are: Oats, $4\frac{1}{2}$ cents; barley and rye, $5\frac{1}{2}$ cents; and flax, 10 cents. Again, United Grain Growers (Ltd.) voluntarily reduced their rates on oats, barley, and rye by one-half cent and other companies at competitive points did likewise. Saskatchewan pool elevators also operate on this basis, but Manitoba pool elevators, as in the case of wheat, operate on the basis of cost.

Handling charges for street grain, as discussed in more detail later in this section, are deducted from the initial advance authorized by the pool.

CARLOAD LOTS

A pool member who has not less than a carload of grain may ship the grain in his own name, the elevator company acting merely as the handling agency. If an agreement on grade and dockage can be reached, the elevator operator issues a graded storage ticket. If not, samples are taken from each wagon load, as in the case of street wheat where no agreement is reached, and these samples are sent to the Government inspector for grading. The wheat is stored subject to grade and dockage, and the operator issues a temporary storage receipt for it. At the request of the owner, the elevator operator is required to load out and ship to the pool the quantity of grain received and of the grade determined by the inspector.

Pool grain may also be stored in special bins. The elevator company agrees to retain the identity of such grain and to load it out at the request of the owner and when a car is available. A sample

is kept of special-bin grain, as in cases where a dispute as to grade has resulted. In the case of special-bin wheat, however, the sample is for checking the identity of the original grain which is graded upon its arrival at the terminal.

The Canada grain act provides for reinspection of a carload of grain if the owner is dissatisfied with the government inspector's grading. The owner has access to a board of appeal in case he is dissatisfied with the results of the reinspection.

The contract with elevator companies provides that the company shall be paid "its regular elevator handling and storage charges" for the handling of carload lots of grain. Maximum charges for receiving, insuring, handling, and shipping such grain are set, from time to time, by the board of grain commissioners under authority of the Canada grain act. The maximum rate for these services, including 15 days storage, for some years prior to 1927, has been set at $2\frac{1}{2}$ cents per bushel for wheat. Grain companies generally have not been charging the maximum rates, believing, it is said, that to do so would cause many farmers to use the loading platform for direct loading and consignment. Instead they have continued to charge a rate of $1\frac{3}{4}$ cents per bushel adopted some years ago. Car lots of pool wheat are now handled on this basis by all companies, but an additional payment of one-half cent on oats; three-fourths cent on wheat, barley, and rye; and 1 cent on flax is made to all companies as a "service charge." This payment is to compensate for services performed by the elevator company in checking government inspectors, grading, paying freight, taking up warehouse receipts and delivering them to the pool, and for giving other necessary services. In the case of nonpool grain, many of these services are provided by the commission agent who sells the grain and for selling which he receives 1 cent per bushel.

The elevator companies that handle carload shipments of pool grain are required to make a reasonable advance payment to the grower if he requests it. Such advances are usually not over 65 per cent of the amount authorized as the initial payment on street wheat. The elevator company is entitled to interest at the rate of 7 per cent on such advances.

PLATFORM SHIPMENTS

There are still a considerable number of farmers who prefer to load their own grain over the loading platform. By doing so they save the elevator handling charges but assume the risks involved in such shipments. Some farmers are compelled to ship in this manner because of the lack of elevator facilities at their station. Pool members who load their own grain may ship it to any desired terminal but, since the acquisition of terminal facilities by the central selling agency and by the provincial pools of Saskatchewan and Alberta, such grain has been consigned usually to pool terminals. On receipt of the grain at a terminal it is turned over to the central selling agency by the provincial pool or pool elevator company to whom it was consigned by the member. In Saskatchewan and in Alberta such transactions are handled by the pool elevator company, settlement being made with the farmer. The pool elevator company, in

turn, receives settlement from its provincial pool through the central selling agency.

At points where pool elevators exist platform cars are usually billed out for the farmer by the pool elevator agent. The latter handles the transaction and may make an advance payment if it is requested by the owner of the grain. Returns for such cars are made direct to the pool's agent, who in turn settles with the grower. Platform shipments are considerably less at points where pool elevators exist than at other points.

COMPANIES SHIP AS POOL DIRECTS

The companies under contract to the pool agree to ship pool street wheat "in equal turn" with their own street wheat. They also agree to ship to the terminal point designated by the pool. Since 1925, elevator companies have been permitted by the grain act to ship pool grain to their own terminals or to those in which they may have an interest at the point designated by the pool. However, an amendment to the Canada grain act passed by the Dominion Legislature in March, 1927, returns to the owner of grain the right to name the terminal elevator to which it shall be delivered. This amendment will have the effect of giving the pool terminals much of the pool grain formerly consigned by private companies to their own terminal elevators.

Companies are required to deliver as nearly as possible from each country elevator the quantities and grades of grain taken in on behalf of the pool. Substitution of other grades for those taken in will not be accepted by the pool, except to the extent that losses in grade might reasonably occur. Likewise deliveries will be accepted from points other than those at which grain was taken in for the pool's account only when such acceptance would entail no loss to the pool.

Elevator companies are also required to report daily to the provincial pool all receipts of street grain taken in for the pool. In Manitoba and Saskatchewan if more or less of a particular grade of street wheat is delivered by a company than was taken in from pool members, settlement is made on the basis of spreads originally fixed by the provincial pool. In Alberta settlement is made on the basis of the year's average spread as quoted on the Winnipeg market.

THE POOL'S BASIS OF PAYMENT

The amount of the initial payment on all grains is determined by the pool on the basis of market conditions. During the past three years when the price of wheat has ranged around \$1.50 per bushel the initial payment on wheat has been set at \$1 per bushel, basis No. 1 Northern in store Fort William or Vancouver. The advance payment on lower grades is according to an established differential based on average market spreads. The grower who delivers No. 1 Northern street wheat gets \$1 per bushel, less the freight from his station to whichever of these terminals his grain would ordinarily go, and less the handling charge prevailing at his point for street wheat (see discussion of "street wheat"); or, stated in another way, the elevator agent pays the freight and deducts this amount plus his handling charge from the \$1 advance authorized by the pool and pays

the balance to the grower. The shipper of a carload of grain receives the same advance when the outturn is shown and warehouse receipts are delivered to the pool, except that in this case the handling charge is only that authorized for carload lots. The car-lot shipper ordinarily gets about $2\frac{1}{2}$ to $3\frac{1}{2}$ cents per bushel more than the grower who delivers street grain, except as previously stated, in the case of deliveries to Manitoba pool elevators. If the pool member who ships a carload of grain has received an advance from the elevator company, this amount is deducted by the elevator company from the initial payment forwarded by the pool, and the balance is paid to the farmer.

In the case of street grain the elevator company, having made the authorized advance to the grower at time of receipt of such grain, is reimbursed by the pool when the grain is finally delivered to it in store at the designated terminal.

Coarse grains are handled in the same way as wheat, the initial or advance payment again being based on prevailing and prospective market conditions. In the case of all grains the policy has been to pay two or more interim payments at intervals of several months and a final payment after the close of the crop year. On wheat of the 1923 crop the Alberta pool paid a total of \$1.03 per bushel. The prices paid by the three provincial pools on the crops of 1924 and 1925 were \$1.66 and \$1.45, respectively. These prices were for No. 1 Northern, basis Fort William, or, in the case of Alberta, basis Vancouver. Lower grades were paid for according to the established differential previously referred to, and in all cases, of course, the price received by the producer was lower by the amount of local elevator handling charges, pool expense, reserve-fund deductions, and freight to either of the above terminal points.

COARSE GRAIN POOLS

In Canada oats, barley, rye, and flax are referred to as coarse grains. Pools for the handling of such grain exist in Manitoba and Saskatchewan and are operated by the wheat pools of these Provinces. Although a separate contract is used, its features are practically the same as those embodied in the wheat-pool contracts. The discussion of relations between the pools and the elevator companies has centered mainly around the handling of wheat, but similar arrangements exist for the handling of all other grains included in the coarse-grain pool contract. Provisions of the Canada grain act apply to the handling of these grains as well as to wheat. For these reasons no separate discussion is necessary concerning the handling of such grains.

The volume of coarse grain handled is small compared to the volume of wheat handled by the pool, and because most of this grain is used for seed and feed purposes considerable latitude is allowed in sales among farmers. Such sales are authorized by blanket permits. The pools, however, are concerned chiefly with the grain which finds its way to the open markets.

POOL ELEVATOR POLICIES

Although the matter of acquiring elevator facilities received but little consideration during early organization activities, there were

many who believed such a development inevitable. It soon became apparent that their views were worthy of consideration, although considerable sentiment opposed to such activities existed.

Those who favored the entry of the provincial pools into the operation of country elevators urged that this was necessary to protect the interests of farmers in so far as the handling of grain at country points was concerned. They argued that pool members were likely to be discriminated against by local elevators not in sympathy with the pool movement. Some felt that there were profits to be had in the operation of local handling facilities which the grower should obtain. The operation of local elevators would inevitably mean acquisition of terminal elevators also, in which field it had already been demonstrated by the cooperative elevator companies that large savings were to be made.

The demand for complete handling facilities was an entirely logical development fostered by the experience of United Grain Growers (Ltd.) and the Saskatchewan Cooperative Elevator Co. (Ltd.). In support of the attitude adopted by a large section of the pool membership, pool officials in general favored the policy. They believed that better results in the handling of grain could be obtained if they had control of its movement from country elevator to terminal. They also felt that the existence of pool elevators with local operators who were in sympathy with the movement would tend to strengthen the pool's contact with local members and to encourage nonmembers to join the organization.

Support of an elevator program was not unanimous. Those who opposed such activity stated that elevators were not essential to the successful operation of a pool. A working arrangement with elevator companies already existed. For the pool to acquire elevators would simply mean a duplication of facilities, since it was held that at many points it would not be possible for the pool to purchase existing elevators. The presence of the two cooperative elevator companies with their 850 local elevators scattered over the three Provinces was also considered by many as ground for opposing the proposition. Those conversant with the problem of country elevator management recognized in the conduct of local agents the source of much of the complaint previously voiced against the grain trade. These persons held that elevator agents, however honest their efforts, could not satisfy all farmers, and that pool agents would be subject to the same criticism as private or cooperative elevator agents.

In spite of opposition, those favoring an elevator policy finally won, and, in 1925, all of the provincial pools took steps leading to the acquisition of such facilities. (Fig. 13.)

CENTRALIZED OWNERSHIP AND CONTROL

The Alberta and Saskatchewan pools adopted a plan embodying centralized ownership and control. This plan was, in brief, as follows: A capital stock company was formed in each case and incorporated as a subsidiary of the provincial pool. The name "Pool Elevators (Ltd.)," prefixed by the name of the Province, was adopted in each case. These companies have power to build or purchase country and terminal elevators. Capital is provided by the provincial pools from their elevator-reserve funds. In return the pro-

vincial pools take stock in the subsidiaries and thereby acquire control. The boards of directors of the subsidiary companies are the same boards that direct the policies of the pools themselves. As business concerns, however, the pool elevator companies are separate organizations managed by their own staff of employees. Local elevators, in turn, are owned and controlled by the pool elevator companies.

Alberta and Saskatchewan pool elevators operate on a fixed tariff. In this respect, and in connection with their general operations, they are each under contract to their provincial pool to handle grain in the manner prescribed for other companies.

POOL ABSORBS COOPERATIVE ELEVATOR COMPANY

On August 1, 1926, the Saskatchewan pool acquired the facilities of the Saskatchewan Cooperative Elevator Co. (Ltd.) at a price of \$11,059,310. The sale price was determined by a board of arbitration, consisting of a representative selected by each organization

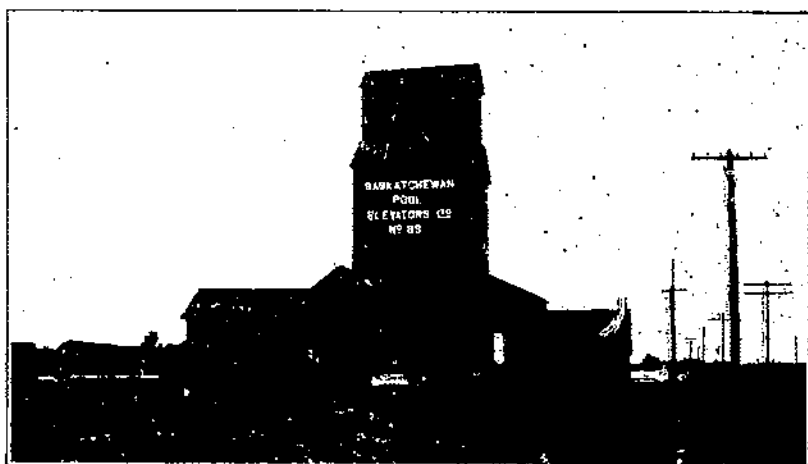


FIG. 13.—A local elevator owned and operated by the Saskatchewan wheat pool through its subsidiary company, Saskatchewan Pool Elevators (Ltd.)

under the chairmanship of a neutral party. Under the terms of the agreement the pool is to complete payment within seven years, the money to be obtained from the elevator reserve. This fund, as explained under the section of this bulletin dealing with pool financing, is secured by a deduction not to exceed 2 cents per bushel from returns due growers from the sale of grain. Actual control of the property passed to the Saskatchewan Pool Elevators (Ltd.) August 1, 1926. The provincial pool will invest the money from elevator reserves in the capital stock of its subsidiary, which in turn will make the payments to the liquidators of the Saskatchewan Cooperative Elevator Co. (Ltd.).

In 1927 the Saskatchewan pool offered to pay the remaining portion of the purchase price subject to a discount of 10 per cent. The liquidators of the Cooperative Elevator Co. took a post-card ballot of the shareholders to determine their wishes with respect to the pool's offer, the result of which was the decision not to accept it.

The purchase of the properties of the Cooperative Elevator Co. gave the Saskatchewan Pool Elevator Co. (Ltd.) complete handling facilities from country to terminal elevators, inclusive. A total of 451 country elevators besides terminal elevators at Port Arthur, Ontario, and at Buffalo, N. Y., were acquired. Saskatchewan Pool Elevators (Ltd.) had already operated 89 elevators during the season of 1925-26 and had other elevators under construction which, added to those purchased, brought the total owned by the company up to 582 (Table 21) for the movement of the 1926 crop. Approximately 100 additional elevators will be operated in 1927.

ALBERTA POOL ACQUIRES ELEVATORS

Only 3 elevators were operated by Alberta Pool Elevators (Ltd.), in handling the 1925 crop (Table 21), but a total of 42 were operated during the season 1926-27. An additional 100 elevators will be acquired during 1927, according to present plans. Negotiations with United Grain Growers (Ltd.) were conducted without success during 1925 and early in 1926 to determine a basis upon which the two organizations could work jointly in the operation of country elevators.

TABLE 21.—Total grain handled by elevators of the Provincial pools, and average per elevator, 1925-26 and 1926-27

Pool	1925-26			1926-27		
	Elevators	Total grain handled	Average per elevator	Elevators	Total grain handled to Mar 1, 1927	Average per elevator
	Number	Bushels	Bushels	Number	Bushels	Bushels
Alberta ¹	3	297,029	99,349	42	5,030,000	119,048
Manitoba.....	8	1,440,000	180,000	40	6,888,280	172,207
Saskatchewan ²	89	15,968,757	179,312	582	76,000,000	128,866

¹ The Alberta pool elevators began operations in December, 1925.

² A number of Saskatchewan pool elevators were not opened until November, 1926.

USE OF POOL ELEVATORS OPTIONAL

Pool members in Alberta and Saskatchewan are not required to deliver their grain to pool elevators, even though they may be easily accessible. They may deliver to any private or cooperative elevator under contract to handle pool grain. The tendency, however, is to patronize pool elevators, for most farmers prefer to use their own facilities. Then, too, the pool member receives benefits directly and indirectly from the use of pool elevators.

MANITOBA ELEVATOR POLICY

The Manitoba pool's elevator policy embodies a combination of local ownership and centralized control. At points where an elevator is desired and where at least 7,000 acres of grain are under contract to the pool, a local association is formed and incorporated under the Manitoba cooperative act.

At points where such elevators are constructed, pool members who become members also of the local elevator association are required to sign both wheat and coarse-grain contracts, and these must be for a period of five years. Thus old contract signers at pool-elevator points are required to renew their contract for an additional five years. To this extent the policy followed by the Manitoba pool at points where pool elevators are located differs from its general policy, which permits farmers to sign either wheat or coarse-grain contracts or both. The pool member at points where local elevator associations are formed, if he becomes a member of the local elevator association, is required to sign another contract agreeing to deliver all his grain to his local elevator for the life of his pool contract.

Each elevator is acquired by the Manitoba Pool Elevators (Ltd.), which is the subsidiary company controlled by the Manitoba pool. The capacity of the elevators constructed or purchased by the Manitoba company ranges from 35,000 to 60,000 bushels, and the cost from \$13,000 to \$19,000. All elevators are equipped with special bins to handle single car lots of grain and with up-to-date cleaning machinery. Because Manitoba is an older Province than those farther west and its farms have therefore more weeds, producers wanted this cleaning service and have made full use of it.

The local association agrees to pay all costs connected with the operation of its elevator, including interest to Manitoba Pool Elevators (Ltd.) at 7 per cent on its investment in such. The local association also pays annually a sum equal to 10 per cent of the cost of the elevator as a depreciation fund. At the end of 10 years the cost plus interest will have been returned to the Manitoba Pool Elevators (Ltd.), and title will pass to the local association, in which each member's interest will be in proportion to the total grain he has delivered during the period.

The expense of operating an elevator will be met by deductions from the initial payments authorized by the provincial pool to members. This deduction will be based on the actual cost of operation. Street grain will be handled at the same rate per bushel as car-lot shipments.

Local pool elevator associations receive the surplus earnings derived by pool terminals from the handling of their grain. These earnings, plus the carrying charge paid local associations for storage, were sufficient on the whole to pay all local expenses during the first year of operation.

Each member is given a certificate at the end of the fiscal year for 50 per cent of the deduction made from his account for the depreciation fund. Only 50 per cent is allowed, since at the end of 10 years, when the association gets title to the property and certificates become redeemable, the property will have an estimated value of only about 50 per cent of the cost price.

Membership in a local pool elevator association does not exempt a contract signer from the deduction of 2 cents per bushel made by the provincial association on account of the elevator reserve. Under this arrangement the provincial pool's reserve for elevator purposes is increased annually and the cost of acquiring elevators is met by those who use them.

The selection of local managers and the supervision of local operators rests with the manager of Manitoba Pool Elevators (Ltd.). Local boards of directors act only in an advisory capacity. One of the duties of local boards is the handling of complaints that may arise among members.

DUPLICATION OF COUNTRY ELEVATORS AVOIDED

The policy of all of the provincial pools has been to buy existing properties wherever they could be obtained at reasonable prices. There are already more elevators than are needed at many points in western Canada, and further duplication would be inexcusable if such duplication could be avoided. Unfortunately, however, the pools are often unable to buy existing elevators; sometimes because owners do not wish to sell, sometimes because the prices placed on such properties by their owners are out of line with market values, and in other cases because the plants are unsuited to present needs.

HANDLING OF NONPOOL GRAIN

The pool elevators in each of the Provinces handle grain for non-pool farmers on a storage-and-shipping basis. In the case of car lots such grain is stored in special bins and is loaded out in the name of the owner for consignment to a grain or commission firm designated by him. In the case of small lots such grain is graded by the agent and stored with pool grain as graded storage. When a carload of this grain is shipped out to a terminal elevator a warehouse receipt is issued to the nonpool farmer for the amount and grade of grain to which he is entitled, and the grain is delivered to the grain or commission company specified by him for sale for his account.

TERMINAL ELEVATORS

The farmers of western Canada have shown a disposition to acquire facilities for the handling of their grain at terminal points as well as at country stations. This viewpoint found expression in the operations of the Saskatchewan Cooperative Elevator Co. (Ltd.), and United Grain Growers (Ltd.), as stated in the sections dealing with the operations of these companies. A similar policy has also been pursued by the wheat pools.

Terminal elevators are now operated by the central selling agency and by the provincial pools of Saskatchewan and Alberta. (Fig. 14.) The Manitoba pool does not operate terminal elevators. Pool grain from that Province is handled by the terminal elevators operated by the central selling agency, which are owned jointly by the three provincial pools. Any surplus above the cost of operating these elevators is divided among the provincial pools in proportion to the quantity of grain contributed by each.

When the Saskatchewan pool purchased the facilities of the Saskatchewan Cooperative Elevator Co. (Ltd.), it acquired the terminal elevators owned by that company and took over the elevators which had been leased by the company. These terminals are now operated by Saskatchewan Pool Elevators (Ltd.), and any surplus above the cost of operation will be the property of the members of the Saskatchewan pool.

The Alberta pool leased the Dominion Government's terminal elevator at Prince Rupert, B. C., in time to handle the 1926 crop shipments from northern Alberta. Early in 1927, a lease was also obtained on the Dominion Government's terminal elevator No. 2 at Vancouver, and in June, 1927, it was decided to build a 2,400,000-bushel terminal elevator at this port, the cost to be about \$2,000,000. The acquisition of these elevators enables the Alberta pool to retain control of the handling of its wheat until it is turned over to the central selling agency for shipment to the Orient or to Europe by way of the Panama Canal. These terminal elevators are operated by Alberta Pool Elevators (Ltd.).

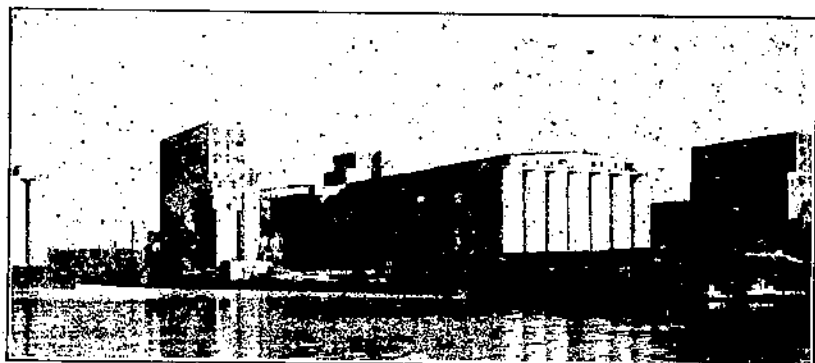


FIG. 14.—Terminal elevators at Port Arthur, on Lake Superior, purchased by the Saskatchewan Wheat Pool from the Saskatchewan Cooperative Elevator Co. (Ltd.). The capacity of the plant in the foreground is 6,425,000 bushels and the capacity of the one in the rear, at right, is 1,150,000 bushels.

The terminal elevators of the Canadian pools are operated in a manner similar to that followed by the trade in general. Their capacity, location, and ownership are shown in Table 22.

TABLE 22.—Operation, ownership, and capacity of terminal elevators of the Canadian wheat pools

Location	Operated by	Owned or leased	Capacity in bushels
Port Arthur.....	Central selling agency.....	Owned.....	1,369,000
Do.....	do.....	Leased.....	575,000
Fort William.....	do.....	do.....	225,000
Prince Rupert.....	Alberta pool.....	do.....	1,250,000
Vancouver.....	do.....	do.....	1,050,000
Port Arthur.....	Saskatchewan pool.....	Owned.....	6,425,000
Do.....	do.....	do.....	1,150,000
Do.....	do.....	Leased.....	7,500,000
Buffalo.....	do.....	Owned.....	2,000,000
Total.....			22,075,000

DISPOSITION OF ELEVATOR EARNINGS

In the handling of the 1925-26 crop the surplus earnings accruing to the Saskatchewan pool from terminal elevator operations were \$537,250. In addition, the country elevator operations showed a net surplus of \$171,706. The directors decided to return most of these surplus earnings to the growers who contributed directly to them.

Thus a dividend of 2 cents per bushel on all wheat shipped through pool country elevators and 1 cent per bushel on all coarse grains similarly handled was paid. Those who consigned platform shipments to pool terminals received $1\frac{1}{2}$ cents per bushel in the case of wheat and one-half cent per bushel on other grains.

Some difference of opinion arose among pool members as to the justice of this policy. As a result the delegates at their annual meeting in October, 1926, recommended that in the future such surplus earnings be credited to the patrons of pool elevators on the books of the association, but that the money be retained by the pool to liquidate its indebtedness to the shareholders of the old Saskatchewan Cooperative Elevator Co. (Ltd.) or used to acquire additional elevators.

Approximately \$1,600,000 will be credited as excess elevator charges to Saskatchewan wheat pool members who have delivered grain to pool country elevators, shipped platform grain to pool terminals, or diverted pool grain from line elevators to pool terminals during the crop year 1926-27. This is being credited as follows: $1\frac{1}{4}$ cents per bushel on all grain delivered to pool country elevators; 1 cent per bushel on platform grain consigned to pool terminals; and 1 cent per bushel on pool wheat diverted from line houses to pool terminals.

The Alberta policy has been to distribute surplus elevator earnings to all members by adding them to the total money available for payment to growers on wheat delivered. Thus the earnings are reflected in the final price received by growers.

Elevators operated by the Saskatchewan and Alberta pools receive the same tariffs for handling grain as do other companies, in so far as such tariffs are set by the Canada grain act, and in the handling of street grain they operate on fixed tariffs so as to maintain a basis for cost comparison and cost control. Operated on this basis and with the volume of business they receive, they are enabled to show very satisfactory surpluses.

In Manitoba, as stated in the section dealing with country elevator policies, the plan adopted is to operate country elevators at cost. The Manitoba pool owns no terminal facilities itself, but earnings from terminals operated by the central selling agency, in which the Manitoba pool has an interest, are returned to the pool elevators in proportion to their contribution to the total volume of grain handled. Such earnings are applied to the reduction of local operating costs. Under the Manitoba pool elevator policy there will be no surplus from the operation of pool elevators to be returned to growers.

EDUCATIONAL AND PUBLICITY DEPARTMENT

Each of the provincial pools, as well as the central selling agency, maintains an educational and publicity department. The Canadian pool movement has reached such proportions and commands so much attention in Canada and in other countries that the officials in charge of this phase of the association's activities are required to devote much of their time to matters arising out of this national and international interest. The work of these departments also supplements the work of the field service men in presenting to members information concerning pool activities and cooperative matters in general.

The educational and publicity activities of the provincial pools in general are similar. In Manitoba, a monthly journal known as *The Scoop Shovel* is published. The Alberta pool supplies members with pool news in its section of the *U. F. A.*, a periodical published semi-monthly by the United Farmers of Alberta. In Saskatchewan, the pool's publicity department contributes news for a section of *The Western Producer*, which is published weekly. Pool activities are also made known through articles prepared for the public press, through the medium of bulletins and pamphlets, and by means of the radio. Pool news is broadcasted at regular intervals by each of the provincial pools.

As a part of their general educational program, each of the pools has acquired a library of books on agricultural subjects, particularly those dealing with cooperation. These books are available to field service men, to pool employees, and to members.

FIELD SERVICE

Field service departments have been established by the Manitoba and Saskatchewan pools, but the Alberta association does not maintain such a division.

The force of the Saskatchewan pool is composed of 17 field men and a supervisor. Sixteen members of the field force represent the 16 districts into which the Province is divided by the pool for administrative purposes. The seventeenth man is a linguist who does contact and educational work in districts settled mainly by people from central European countries.

About half of the Saskatchewan field force are residents of the district in which they work, the others have homes outside their field of activity. Thirteen of the men employed in 1926 were themselves farmers and pool members. The rest of the force is composed of men from different occupations, but all of whom have had practical farm experience. The entire force was recruited from among the 40 field men who conducted the original organization campaign. The average age of the force is estimated at 45 years and the youngest man is 25 years of age. None of the field men except the supervisor is a graduate of an agricultural college. In Manitoba, on the contrary, three of the seven field men are graduates of Manitoba Agricultural College and are comparatively young men who were raised on Manitoba farms. The experiments conducted by these associations in determining the best qualifications for field service men will be watched with interest.

Manitoba is divided into six districts for field-service operations, although there are seven districts in the general plan of organization. Each of the six districts is represented by a field man who devotes his full time to such work. A linguist is also employed by the Manitoba pool to represent non-English-speaking districts. These seven men are supplied with automobiles, or are reimbursed for the use of their own cars. A similar arrangement with respect to automobiles exists in Saskatchewan.

The membership in the Manitoba pool is much less than that in the Saskatchewan association, for the grain-producing area of Manitoba is much smaller than that of Saskatchewan. For these reasons,

a smaller field-service staff can handle the contact work. In Manitoba, supervision of the force rests with the pool's secretary. In Saskatchewan, the force is large and its activities are so varied that a supervisor who can give his full time to the work is necessary.

In general, the activities of the field-service department in the two Provinces are similar. Part of the time is spent in obtaining contracts and renewals. Some time is spent in checking up deliveries to determine whether members are complying with their contracts. The percentage of contract violations has not been large. Field-service men also cooperate with local pool elevator agents in clearing up difficulties which may arise at local points. In Saskatchewan, some misunderstanding concerning the handling of grain by pool elevator agents has been removed by the field service men.

In Manitoba the field men assist in organizing local elevator associations and in arranging for farmers to report at regular intervals on the condition of the crop.

An important part of the field-service activities is of an educational nature. The educational work carried on may be divided roughly into three classes: (1) Information on the actual problems involved in the handling of grain in Canada; (2) description of pool activities, methods of operation, and general information concerning the whole wheat-pool movement; and (3) dissemination of general information on cooperation in Canada and elsewhere.

During the pool year of 1926-27, a total of 1,209 meetings were held by the Saskatchewan field-service men. The total attendance at these meetings was 39,894. Personal visits to 14,967 farmers and 5,012 other business men were made. The Manitoba field-service men held 354 regular meetings with an attendance of 16,807 persons. In addition, 65 meetings for organizing local elevator associations were held, at which 2,396 persons were present.

Most of the local meetings are held in country schoolhouses or community halls, as it is felt that such meetings reach a larger percentage of pool members than do meetings held in the towns. This enables pool representatives to get much nearer to matters of real interest than is possible at large meetings in villages or towns, but a number of public meetings in important centers of each wheat-pool district are also held to acquaint the general public with what the associations are doing, since it is recognized that favorable public opinion is necessary to whole-hearted support. These larger meetings, the attendance at which usually runs well into the hundreds, are addressed by a representative of the provincial pool and by the field service man of the district.

Some members complain of the cost of maintaining field service departments, contending that such an organization is unnecessary in a cooperative association. There is no widespread criticism, however, for most members are apparently satisfied that the results achieved by the field men more than justify the expense involved.

Field service men are kept informed regarding pool activities and their work is coordinated by close contact with the supervisor, by periodic visits to headquarters, and by attendance at conferences with officials of the provincial association and the central selling agency.

COSTS OF OPERATIONS

The costs per bushel of operating the provincial pools and the central selling agency are shown in Table 23. As might be expected, when volume of grain handled is considered (Table 25), the cost per bushel in Saskatchewan is materially less than in either of the other Provinces.

TABLE 23.—Cost of operating the Canadian provincial pools and the central selling agency, 1923-24 to 1925-26¹

Pool	Cost per bushel		
	1923-24 ²	1924-25	1925-26
Alberta.....	Cent 0.484	Cents 0.406	Cents 0.418
Manitoba.....		1.028	1.27
Saskatchewan.....		.52	.38
Central selling agency.....		.33	.20

¹ Does not include local elevator, terminal, or transportation costs.

² The Alberta pool began operations in the fall of 1923 but the Saskatchewan and Manitoba pools did not commence until the fall of 1924.

Comparisons are sometimes made between costs as presented here and the cost per bushel incurred by some of the wheat pools in the United States. Persons who make such comparisons would do well to recognize the differences in methods of arriving at such costs and in items included. In the costs as here presented, local elevator handling charges, freight, and terminal costs are not included. The first two of these charges are paid by the growers in the form of deductions from the initial payment. Carrying charges on wheat in country elevators are paid by the associations, but the practice of showing these charges as a pool cost differs. Terminal elevator expense, transportation, and carrying charges incurred in the movement of grain from terminal elevators to eastern ports are deducted from sales returns by the central selling agency and do not appear on provincial pool expense sheets. Neither do these items appear as expenses of the central selling agency. In brief, expenses that would normally be incurred in the movement of grain, were there no pool, are not included as pool costs. Expenses shown represent additional services provided by the pool.

In the case of certain of the United States pools, some or all of these expenses are included among pool costs. Comparisons, therefore, are likely to be misleading.

The influence of volume of grain handled on costs is rather strikingly shown by comparison of expenses and volume of business in the case of Saskatchewan. What appears to be a considerable item without reference to volume handled, becomes but a fraction of a cent per bushel when apportioned on such a basis. Similar though less striking results might be shown of the other Provinces.

It is not possible to compare the operating costs of private grain traders with those of the wheat pools, for the reason that com-

parable data are not available. However, it is possible to compare the charges incurred in the movement of pool and nonpool grain through the various channels of trade.

In the case of the cooperative agency, the underlying principle is to operate at cost. However, cooperative associations frequently charge the same rates for services as their private competitors and return any surplus above costs to their members. Such, for instance, is the policy of the Alberta and Saskatchewan wheat pools. The country and terminal elevators owned by these pools are operated on tariffs substantially the same as those applying to private traders. (For details see section dealing with contracts with elevator companies.) But earnings above actual costs have been refunded or credited to the account of members as explained in the section dealing with disposition of elevator earnings. Manitoba pool elevators, on the contrary, are not operated on a fixed tariff but instead make an initial charge based upon actual operating costs. These deductions have been materially less than the usual tariffs or spreads taken by elevator companies.

In the movement of grain by rail or water transport the charges are substantially the same irrespective of ownership. Similarly, charges for inspection, weighing, and insurance are the same for all grain.

Summarizing then, it may be said that the initial costs incurred in the movement of pool and nonpool grain are similar but that in the case of pool grain the initial charges, when in excess of actual costs, have been materially reduced by refunds of savings effected in the operation of pool elevator facilities.

In this discussion nonpool grain has been treated as a class, but in fairness to United Grain Growers (Ltd.), a cooperative company described earlier, an exception must be made. This company, although operating in a manner similar to private grain handlers, is owned by farmers and any savings effected in operations become the property of the farmers of western Canada.

It may be said that earnings from the operation of privately owned elevator facilities are reflected in the price of grain, a possibility which must be admitted. Unfortunately, however, it is impossible to form any estimate of the extent to which this is practiced.

FINANCIAL STATEMENTS

Expense and operating statements of the Saskatchewan pool for the year ended July 31, 1926, are shown in the summary of expenses and the summary of wheat-handling operations of the Saskatchewan Cooperative Wheat Producers (Ltd.); in Table 24, which summarizes the coarse-grain operations of the latter organization and in the consolidated balance sheet of the pool and pool elevator company; all of which follow. The information given here is as taken from publications of the Saskatchewan Cooperative Wheat Producers (Ltd.) and the usage of accounting terms is that of the organization.

TABLE 24.—*Summary of operations of the Saskatchewan Cooperative Wheat Producers (Ltd.) in the handling of coarse grains, basis Fort William, for the year ended July 31, 1926*

Item	Oats	Barley	Flax	Rye	Total
Gross returns	\$2,737,658.71	\$1,431,486.09	\$2,819,592.73	\$678,310.40	\$7,067,025.53
Less carrying charges	53,893.78	20,769.51	10,955.35	6,276.50	91,895.15
Gross proceeds	2,683,764.92	1,410,694.18	2,808,637.38	672,033.90	7,575,190.38
Less expense	32,563.78	12,572.39	11,632.06	3,903.31	60,672.44
Net proceeds	2,651,231.14	1,398,121.79	2,797,004.42	668,130.59	7,514,487.94
Less deductions for reserves	93,073.09	52,850.71	68,504.45	18,540.41	234,168.63
Payable to growers	2,557,258.05	1,345,271.08	2,728,199.97	649,590.18	7,280,319.31
Amounts still to be paid to growers:					
Refund on commercial reserve	13,688.31	7,157.32	14,097.86	3,391.55	38,335.14
Proportion of surplus of Canadian Cooperative Wheat Producers (Ltd.) terminals	3,304.48	1,274.17	672.10	385.05	5,635.80
Total	2,574,250.84	1,353,702.57	2,742,970.03	653,366.78	7,324,290.25

Summary of expenses incurred by the Saskatchewan Cooperative Wheat Producers (Ltd.) during the year ended July 31, 1926

Directors' fees and expenses	\$25,000.61
Delegates' fees and expenses	20,590.15
Management salaries and expenses	17,438.21
Secretarial and contract department	39,059.05
Advertising and publicity	11,609.72
Field service salaries and expenses	66,270.83
Country organization and canvassers' commissions	72,085.21
General office salaries and expenses	380,595.03
Interest and exchange	105,359.15
Reserve for freight on dockage, cleaning charges, etc.	80,000.00
Reserve for grade adjustments	11,000.00

829,047.61

Less revenue:	
Contract fees	\$59,261.00
General interest	26,051.05
Vancouver premiums	6,565.04
1924 adjustment account	78,112.74
Profits from terminals	64,374.17
Interest on commercial reserve	41,038.62
	275,402.62

Total net expense	553,644.99
Charged to wheat	492,972.55
Charged to coarse grain	60,672.44

Summary of operations of the Saskatchewan Cooperative Wheat Producers (Ltd.) in the handling of wheat, basis Fort William, for the year ended July 31, 1926

Realization of crop	\$181,422,769.91
Less carrying charges	1,049,316.77
Gross returns	180,373,453.14
Less expenses	492,972.55
Net proceeds	179,880,480.59
Less deduction for reserves	3,501,381.43
Total paid to growers	176,379,099.16

Consolidated balance sheet of the Saskatchewan Cooperative Wheat Producers (Ltd.) and its subsidiary, the Saskatchewan Pool Elevators (Ltd.), for the year ended July 31, 1926

ASSETS	
Cash on hand and at banks	\$35,652.20
Sundry accounts and notes receivable	59,421.04
Stocks of grain, etc.	23,761.01
Deferred current expenses, etc.	31,916.28
Investment in Canadian Cooperative Wheat Producers (Ltd.)	50,000.00
Amount owing pool by Canadian Cooperative Wheat Producers (Ltd.)	23,666,561.48
Furniture and equipment	93,798.08
Elevators, etc., apart from those acquired from the Saskatchewan Cooperative Elevator Co. (Ltd.)	\$1,412,406.47
Elevators acquired under purchase agreement with the Saskatchewan Cooperative Elevator Co. (Ltd.)	11,059,310.47
	<u>12,471,716.94</u>
	<u>36,432,826.03</u>

LIABILITIES	
Bank loan re elevator purchase (Elevator loan guaranteed by pool)	500,000.00
Grain drafts outstanding	125,245.79
Cash tickets outstanding	9,423.06
Due to growers and shippers	2,381,910.85
Sundry accounts payable	127,888.52
Checks issued but not cashed	17,030,928.18
Deferred liability in respect of purchase of Saskatchewan Cooperative Elevator Co. (Ltd.) facilities	10,559,310.47
Total liabilities	<u>30,684,706.87</u>
Capital and reserves:	
Capital—pool	73,200.00
Reserves—	
Elevator deductions, pool	3,744,636.83
Commercial reserve, pool	1,703,465.82
Operating reserve, pool	126,816.51
Special elevator reserve, elevator company	100,000.00
	<u>36,432,826.03</u>

Similar information may be obtained from the Alberta and Manitoba pools. The items of income and expense are the same, but they vary in amount depending upon the volume of grain handled. The books of the provincial pools and of the central selling agency are audited annually by chartered accountants.

ONTARIO FARMERS ORGANIZE A GRAIN POOL

The development of the wheat-pool movement in Canada would not be complete without reference to the wheat pool organized in Ontario, in spite of the fact that Ontario is not usually associated with the grain-marketing movement of western Canada.

Ontario is not a grain-producing Province in the sense that the term is used when applied to the western Provinces. Wheat is an important crop in the southwestern part of Ontario, in the region bounded by Lake Erie on the south and by Lake Huron on the west, but even there it is not produced on the same extensive and exclusive

scale found in the western Provinces. In other sections of Ontario wheat is not important. Oats and barley are produced in Ontario chiefly for feed. Wheat will therefore be the principal crop handled by the Ontario pool, although other grains will be included. The one contract will cover all grain.

The United Farmers Cooperative Co. (Ltd.), an organization with farmer shareholders in all parts of Ontario and with headquarters in Toronto, has been handling grain for a number of years along with many other farm products, including livestock, dairy products, eggs, and poultry. Grain has been purchased from farmers at the market price, and any profits that have arisen from this phase of the company's business have been merged with profits from other departments and returned as patronage dividends or retained as reserves. Some of the grain has been sold through the central selling agency organized by the western associations.

Inspired by what had taken place in western Canada, these Ontario farmers also decided to organize a pool as similar to the provincial pools of the west as conditions would permit. Preliminary discussion took place in 1926, and early in 1927 an organization campaign was launched, with the encouragement and personal assistance of certain of the western pool leaders.

An organization campaign was started in three counties but was soon extended to include a total of nine counties, with prospects of several others joining. Meetings were held at approximately 100 points, with an average estimated attendance of about 100 at each meeting. The county was made the unit of organization and captains were appointed, to be assisted in each case by local canvassers. Captains were paid 25 cents and canvassers 75 cents for contracts to which they obtained signatures. Each contract signer was asked to contribute \$2 toward organization expenses and to pay a membership fee of \$1 unless he was a member of the United Farmers Cooperative Co. (Ltd.). These amounts were to be deducted from returns for his first shipment of grain. Over 9,000 farmers had signed contracts by October, 1927.

The new organization is to be called "The Ontario Grain Pool" and is to be a branch of the United Farmers Cooperative Co. (Ltd.). All expenses of organization have been paid by the parent company.

For the first year, at least, it has been decided to begin operations at only those local points where 75 per cent of the available grain is under contract. At such points local committees have been formed to assist the parent company in an advisory capacity. Contracts have been made with elevators at points where the required acreage has been signed up. All elevator contracts provide for the payment of the following handling charges: For the handling of street wheat, 6 cents per bushel on the first five grades and 7 cents per bushel on all lower grades; for carload lots of wheat, $2\frac{1}{2}$ cents per bushel loaded in cars; for street barley and oats, 4 cents per bushel; and for carload lots of these grains, $2\frac{1}{2}$ cents per bushel.

It is estimated that the new organization will handle close to 5,000,000 bushels of grain in 1927. Arrangements have been made to affiliate with the western pools and to use the central selling agency as the sales representative. Growers will be paid an initial advance at time of delivery and interim and final payments at intervals through-

out the crop year. The United Farmers Cooperative Co. (Ltd.) will manage the grain pool but will receive only actual expenses. An advisory board will be elected by pool members to consult with the board of the United Farmers Cooperative Co. (Ltd.).

A provision of the contract with growers calls for the deduction of 1 per cent of returns to create a commercial reserve. No elevator reserve fund is provided for, since it is not intended that the Ontario pool shall operate country or terminal facilities.

GOVERNMENT INTEREST IN THE WHEAT POOL MOVEMENT

Mention has been made of the assistance given by the provincial governments of Alberta and Saskatchewan in the matter of loans for organization expenses, and of the Alberta government's guaranty of bank loans to the provincial pool in 1923. In addition, this government in 1924 offered the Alberta pool credit to the extent of \$2,000,000 for the acquisition of elevators, but pool officials felt that the pool's elevator reserve would enable it to acquire these facilities as they were needed.

No other financial assistance or guaranty has been offered or requested, but in other ways the governments of all three of the Prairie Provinces have indicated their support of the movement. For instance, special acts of incorporation were provided and from year to year, as requested by the pools, the provincial governments have amended or enacted legislation designed to facilitate the activities of the pools. Furthermore, the premiers of the three pool Provinces have, through press interviews and by their presence and addresses at pool meetings, indorsed the activities of these organizations.

Interest in the pool movement has not been confined to the Prairie Provinces. The importance of the wheat crop to the economic life of Canada vouchsafes for its producers the most sympathetic interest of all classes. Any method of marketing that suggests the possibilities of increased returns for this important product of western Canada is certain to awaken an interest in the eastern Provinces and to receive favorable consideration from the Dominion Government. The enactment of legislation by the Government at Ottawa, in 1927, restoring to producers the right to name the terminal to which their grain is to be shipped, is tangible evidence of this interest. This legislation was requested by western members of Parliament at the suggestion primarily of the wheat pools.

PROGRESS AND ACCOMPLISHMENTS OF THE CANADIAN WHEAT POOLS

The progress and accomplishments of the wheat-pool movement in Canada are indicated by study of business transacted, membership signed up, and physical assets acquired since 1923. These data are presented in the accompanying sections. Accomplishments, however, are not all tangible or capable of measurement in precise terms. The pools undoubtedly have certain intangible accomplishments to their credit. Some of these will be mentioned. There are others, however, upon which conclusions can not be reached on the basis of available data and the experiences of but a few years. One of the more important of these has to do with prices and returns to pro-

ducers. As previously stated in the section dealing with sales policies, no attempt will be made to compare pool with nonpool prices or present prices with those of earlier years.

VOLUME OF BUSINESS

The volume of business handled by the wheat pools has increased materially in the last three years, as shown in Table 25. Part of this increase is due to an increased total production of wheat in Canada, the crop of 1925 being much larger than that of 1924. However, the larger pool membership (Table 26) is responsible for a large part of this increase. Expressed in terms of percentage of total wheat delivered at country stations in western Canada, the pool handled 37 per cent of the 1924 deliveries of 218,355,494 bushels and 52 per cent of the 1925 crop deliveries of 361,310,442 (16) bushels.

TABLE 25.—Volume of wheat and coarse grains handled by the Canadian pools, 1923-1926

(In thousand bushels—1, e. .000 omitted)

Crop	Grain	Mani- toba	Saskatch- ewan	Alberta	Total
1923	Wheat			35,250	35,250
1924	do.	8,427	50,003	22,880	81,400
1925	do.	12,485	120,708	45,107	187,303
1926	Coarse grains	13,790	14,304	(7)	28,154
1925	Wheat	15,574	117,006	43,627	176,567
1926	Coarse grains	12,604	7,081		20,575

¹ The Alberta pool began operations in the fall of 1923, but the Saskatchewan and Manitoba pools did not commence until the fall of 1924.

² Coarse grain pools were organized in Saskatchewan and Manitoba during 1925 and are handled by the wheat pools of these Provinces. Grain included in these pools is also sold by the central selling agency. No coarse grain pool exists in Alberta at the time of writing.

TABLE 26.—Membership of the Canadian wheat pools

Year	Manitoba	Saskatch- ewan	Alberta	Total
	Number	Number	Number	Number
1923	(1)	(1)	25,001	25,001
1924	9,216	51,208	30,711	91,195
1925	14,372	72,016	35,007	122,395
1926	17,234	80,418	38,460	136,112
1927 (Mar. 15)	19,109	82,133	38,905	140,208

¹ The Manitoba and Saskatchewan pools began operations a year later than did the Alberta pool.

The production of wheat in western Canada in 1926 is estimated at 383,440,000 (6) bushels, compared with 382,959,000 bushels¹² for 1925. Assuming that the same proportion entered commerce in 1926 as in 1925 (as indicated by delivery figures quoted above), it would appear that the pool's percentage has been maintained or increased but that the same rate of increase has not been maintained.

SAVINGS ON ELEVATOR COSTS

The volume of business passing through pool elevators has made it possible to operate these facilities for lower per-bushel costs than

¹² See Table 3.

farmers had been in the habit of paying for elevator services. Competition for business had resulted in more elevators at many stations than were necessary to handle the available grain. The average volume handled per elevator was therefore much less than the pools obtain under present conditions and the cost per bushel was accordingly higher.

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. In the case of the Saskatchewan pool the combined amount available for refund to members on the operations of 1925-26 and 1926-27 amount to over \$2,300,000. (See section dealing with disposition of elevator earnings.) Each of the other pools have shown correspondingly low operating costs per bushel, but because of differences in bases of charging and refunding to members the results can not be shown so strikingly. Reduced per bushel cost for elevator operations resulting from large volume has been a worth-while achievement of the pool. In making this statement it should be observed, however, that the other cooperative companies, United Grain Growers (Ltd.) and the Saskatchewan Cooperative Elevator Co. (Ltd.), during their many years of operation showed very large earnings on their country and terminal elevator operations, which also became the property of farmers.

MEMBERSHIP

Increased membership is perhaps a better indication of progress in the case of the Canadian wheat pools than increased volume, because of the variation in annual production of wheat in western Canada. Information given in Table 26 is evidence of continued support and is the best indication of what Canadian farmers think of these organizations and their accomplishments. The figures tell their own story.

All of the three provincial pools were engaged during 1927 in re-signing their membership for a further period of five years, although the present contract does not expire until July, 1928. A campaign is being conducted in each Province along lines similar to the original sign-up campaigns of 1923 and 1924. In Saskatchewan the field service staff had signed up 50 per cent of the provincial wheat acreage before the campaign began. This means that the existence of the largest pool is already assured until 1933 so far as contracts are concerned.

PHYSICAL ASSETS

The acquisition of plant and equipment is also a fair measure of progress. In this respect the pools have made rapid strides. Elevators owned by the pools are shown in Tables 21 and 22 in the section dealing with pool elevator policies. Additional facilities are being added almost daily. These facilities are being acquired, as already shown, by deductions for elevator reserves of 2 cents per bushel from returns for the sale of wheat and of proportionate amounts from the sale of other grains. (See section dealing with financing the wheat pool.)

In addition to its purchase of country and terminal facilities, the Saskatchewan pool has acquired two up-to-date office buildings at its headquarters in Regina, with capacity for accommodation of its several hundred employees. (Fig. 15.)

POOL'S BASIS OF PAYMENT TO MEMBERS ENCOURAGES CASH BUSINESS

The pool's method of paying its members for grain delivered, as stated earlier, is to make a substantial initial payment at time of delivery, followed by interim and final payments at intervals throughout the ensuing crop year. The effect of this policy is to give the farmer, in most cases, enough to meet his heavier obligations coming due after harvest, and then to provide him with additional money throughout the year to meet current expenses. This, it is



FIG. 15.—Head office of the Saskatchewan wheat pool and pool elevator company at Regina, Saskatchewan, decorated in honor of visitors to a cooperative rally

held, puts the wheat farmer on a basis similar to the dairy farmer, who has some money coming in at regular intervals, and encourages cash business.

Considerable testimony in support of this contention has been forthcoming from retail dealers, wholesalers, bankers, and others. The situation has been aptly described by the Premier of Saskatchewan,¹³ who states that the farmers of western Canada are now able to finance on last year's crop and not on the expected crop of this or future years. Prominent bankers have endorsed the pooling method of payment because they claim it results in a quicker movement of money and less "frozen" credit. It is also claimed that farmers are subjected to less pressure by creditors at harvest time.

¹³ Address of Premier Gardner at the International Wheat Pool Conference, Kansas City, Mo., May, 1927.

The knowledge that there are additional payments to be made has had the effect of causing less uneasiness on the part of creditors in the fall of the year when in the past most notes have come due.

Farmers very generally assign their future payments to creditors by turning over their growers' certificates entitling them to interim and final payments. The handling of such assignments has been an important part of the work of the central offices. The Saskatchewan pool alone claims to have handled 75,000 assignments on the 1925 crop. Incidentally, considerable debt-adjustment activity centers in the assignment office of the respective provincial pools.

Not all of the tendency to operate on a cash basis is due to the wheat pool's basis of payment. Wheat prices since 1924 have been much better than for a few years previous. This has enabled considerable liquidation of debts that were incurred during the period from 1920 to 1923. It has meant also more cash for current purchases. Therefore it is difficult to say how much of the present cash business is due to the pool's basis of payment and how much to better grain prices. In spite of the fact that there may be certain valid objections to the pool's plan of settlement, the consensus of opinion in western Canada at this time (1927) appears to favor it.

In fairness to the credit institutions of western Canada, it should be stated that they have, with few exceptions, accepted favorably the pooling method of payment to growers and have shaped their business accordingly. The nature of the product and conditions of marketing are to some extent responsible for this. Wheat is practically nonperishable, as agricultural products go, and is readily saleable at any time. This condition tends toward confidence on the part of those interested in its future returns, but it is true also that the characteristics of the people and the success of earlier efforts in cooperative grain marketing have tended to encourage confidence in the present organizations and their methods of doing business.

EDUCATIONAL ACCOMPLISHMENTS

The educational accomplishments of the wheat-pool movement have been very marked. In the organization campaign, and since that time through the medium of educational publicity and field service work conducted by the wheat pools and interested organizations, the knowledge of principles, practices, and accomplishments of cooperation has been increased.

The pool has also been responsible for an aroused interest in grain marketing and has done much to acquaint farmers with some of the problems involved. Interest in the pools has stimulated private grain companies to defend their system of marketing. The information published and circulated by such agencies has contributed to a wider knowledge of grain marketing and has stimulated discussion on the merits of the respective methods of marketing.

OTHER ACCOMPLISHMENTS

The size of the wheat pool and the numerical strength of its membership makes it an important factor in obtaining for farmers certain other benefits, some of which are only indirectly related to the marketing of grain. The pool has become the spokesman to a certain extent.

of the farmers of western Canada. The organization has been instrumental in obtaining a revision of the Canada grain act; it has also obtained legislation affecting assignments and adjustment of debts, and has been a factor in securing freight reductions on the movement of grain. It is apparent that many demands are likely to be made on an organization of such magnitude. The pool because of its size has an advantage which, if wisely used, can be of very material benefit to the farmers of western Canada.

FARMERS APPARENTLY SATISFIED WITH POOL'S ACHIEVEMENTS

The wheat-pool movement has gripped the interest of the farmers of western Canada in a way that no other peace-time movement has ever done. It is true probably that there is greater unanimity of viewpoint on this than on any other activity that has directly affected the interests of western Canada. Whether the present attitude toward the pooling method of marketing wheat will be a permanent one only time will tell. At least this can be said, however, that after four years' experience with the present organization a majority of the members of the pool appear satisfied with its achievements.

COMPARISON OF COOPERATIVE GRAIN MARKETING IN THE UNITED STATES AND CANADA

Within recent years many references to the difference in development of cooperative grain-marketing organizations in Canada and the United States has been made. The size of the Canadian associations and their success as business concerns have appealed to the imagination of those interested in the production and marketing of grain in this country and many have wondered why it has not been possible to duplicate the Canadian development here. In the remainder of this bulletin some attention will be given to a comparison of the situation in the two countries.

DEVELOPMENT IN THE UNITED STATES

Following the Civil War in the United States, many local farmers' elevators were formed in the grain region of the West.¹⁴ Much of this early activity was fostered by the Patrons of Husbandry, commonly referred to as the Grange. Two conditions were perhaps chiefly responsible for the interest of this association in grain marketing: (1) The country was new, and adequate grain-handling facilities were not available; and (2) in cases where elevators had been built, they were the property of private interests who, farmers felt, were taking profits which should rightly accrue to the producers of the grain. Many farmers felt that elevator margins were too large, and they complained that they were not receiving fair treatment in the matter of grades, weights, and dockage.

The elevator companies that were formed during the enthusiasm for organization which prevailed at that time did not last long.

¹⁴ For additional information on the early development of farmers' elevators in the United States the reader is referred to the Report of the Federal Trade Commission on the Grain Trade (26); also to the following State publications: Fifty Years of Farmers' Elevators in Iowa (27); Farmers' Elevators in Minnesota, 1914-15 (15).

Many of them were not properly organized and others lacked sufficient capital for operating purposes. Managers lacked experience in the grain business, some having been chosen mainly because of their political affiliations. In addition to these handicaps came a period of keen competition. Finally, as a result of this combination of circumstances, the farmers' elevator movement all but disappeared about 1880.

Between 1880 and 1904 a second period of farmers' elevator activity held the interest of both grain producers and those engaged in the marketing of the product. The Farmers' Alliance, a new economic organization formed in 1885, was largely responsible for the revival of interest in grain marketing. By this time much of the competition of a few years earlier, which had resulted from the presence of many independent grain buyers, had been eliminated through the creation of a few large organizations commonly referred to as "line elevator companies." Farmers felt that these companies were in a position to exact heavy toll from them and also maintained that they were in league with the railways, lumber dealers, wholesale trade, and implement concerns to exact further unreasonable tribute from an already depressed agriculture. Accordingly, new interest was aroused in the organization of farmers' elevator companies.

In spite of earlier experiences and the lessons they conveyed, many difficulties were encountered by the farmers' elevators during this period, particularly toward the end of the century. Some of these difficulties undoubtedly resulted from conditions within the organizations themselves, but the obstacles imposed on farmers' elevators by their competitors—through combinations to control the business at country points, and threatened boycotts of commission firms who handled their grain at terminal markets—were of much greater significance.

The refusal of commission companies to handle farmers' elevator business because of the boycott, was particularly hard on the farmers' companies. By 1904 only a small proportion of the companies which had been organized during the preceding 20 years were still in existence. In that year two commission companies selling grain on the Chicago Board of Trade announced that they would risk the displeasure of the grain trade by handling consignments for farmers' elevators.

This proved an incentive to renewed organization activities and paved the way for the tremendous interest shown in the formation of farmers' companies during the next 15 years. During that period several thousand of these companies were formed. The number of companies reporting to the United States Department of Agriculture in 1926 was approximately 3,300.

The formation of local farmers' elevators has characterized the development in the United States. Attempts have been made to organize cooperative line elevator companies and to federate local elevators, but comparatively little success has attended these efforts. Attempts also have been made to form cooperative sales agencies in terminal markets and in spite of some failures several such agencies have succeeded in getting fairly well established.

In 1920 a wheat pool was organized in the State of Washington. This was followed by pools in other Northwestern States and by simi-

lar organizations in the Middle West and Southwest. Several of these pools existed only for short periods, but eight are now in operation (October, 1927). Most of these organizations are very small compared with the Canadian pools and the aggregate volume of grain handled annually is less than 30,000,000 bushels. It will thus be seen that the local farmers' elevator movement is the dominant activity in cooperative grain marketing in the United States.

CANADIAN SITUATION SUMMARIZED

Prior to 1900, as already noted, the wheat producers of western Canada experienced conditions almost identical with those found in the United States at the same time. Seeing what American farmers were doing, they too organized local farmers' elevator companies. But in 1906 they entered the terminal market at Winnipeg and in 1912 took over a line of elevators owned and operated by the Province of Manitoba. Cooperative line elevator companies were formed in Saskatchewan and Alberta about this same time. These companies gradually extended their business until within a few years they operated country and terminal elevators, commission departments, and export companies. In the meantime the local farmers' elevator in western Canada practically disappeared.

Then came the period of Government control, during 1917 and 1918, and in 1919 the Canada Wheat Board, followed by the Alberta wheat pool in 1923, and by similar organizations in Saskatchewan and Manitoba in 1924. The three pools were then linked together as far as selling their grain is concerned by the central selling agency. These pools have dominated the grain-marketing situation in Canada since 1924.

The development in Canada therefore has been from local cooperative elevators to cooperative commission companies, then to cooperative line elevator companies, and finally to wheat pools controlling country and terminal facilities; whereas in the United States the local farmers' elevator is still the dominant organization. Several explanations are offered for the difference in organization in countries where conditions of production and marketing are understood to be similar.

CONDITIONS NOT IDENTICAL

One explanation is believed to be that, although conditions surrounding the production and marketing of grain are similar in the two countries, they are not identical. While it is true, however, that there are conditions in the two countries which have contributed to differences in cooperative development, the enumeration of these differences should not be considered as an indication that the task of improving upon existing methods in this country by the adoption of the fundamental features of Canadian organizations is an impossible one.

The Canadian crop, consisting almost exclusively of one variety of hard spring wheat, is grown in one region in which production and marketing practices are standardized. The bulk of the crop passes through one city and over one route to eastern and export markets.

The marketing of the grain crop of the United States, on the other hand, presents many complexities, more in fact than are usually

realized. Some of these problems are the result of geographic conditions. The location of various producing areas with respect to market outlets presents one difficulty. For example, the transportation and terminal problems involved in the shipment of grain through ports on the Gulf of Mexico differ from those experienced in shipments to terminals on the Great Lakes or to Atlantic or Pacific ports.

The marketing of wheat in the United States is made more difficult than in Canada by reason of the fact that purchases are made on the basis of protein content in addition to grade and other factors, whereas in Canada grade is the dominant factor in price determination.

Climate and topography are responsible for other differences between producing areas. The marketing of the wheat crop in the United States is greatly complicated by the existence of five distinct classes of wheat and to a smaller extent by many different varieties in each class. The humid eastern United States produces chiefly the soft red winter class. In the central and southern sections of the Great Plains area the hard red winter class predominates. In the northern section of the Great Plains area and on the adjacent prairie section eastward the hard red spring and durum classes are grown. In the intermountain and Pacific Coast States wheat of the white class is grown chiefly. Within each of these producing areas two or more of the classes and many varieties may be grown. Wheat of these different classes and varieties usually finds its way to different and specialized markets.

The problem is further complicated by differences in facilities for handling at country points. The Pacific Northwest handles wheat in bags to a large extent. The spring-wheat States have relatively large elevators and do considerable storing of wheat. The Southwest has small elevators which do comparatively little storing. Again methods of selling grain are anything but uniform. These differences tend to discourage organization along national lines, although they are less of a handicap to coordination of efforts on a State or regional basis.

The handling of farm supplies and livestock is an important part of the activity of farmers' elevators in many sections of the United States, but this custom is less common in Canada. Many local elevators in the United States are rather important business organizations, and their activities other than handling grain tend to keep them local in character.

As stated in the early part of this bulletin, western Canada is very largely a "one-crop region"—perhaps more so than any large section of the wheat-producing States in this country. This fact may explain in some measure the greater interest displayed by Canadian farmers in the marketing of the wheat crop.

EFFECT OF DISTANCE FROM MARKETS

Canadian producers are dependent upon the export market for an outlet for the bulk of their wheat. Only a small percentage of Canadian wheat is used in Canada, and the quantity that is milled at home goes to the larger centers in the West or in eastern Canada. Very little local milling is done. In the United States the situation

is somewhat different. The bulk of the wheat crop is used at home and is milled to a larger extent in places closer to the source of production. To the extent that this is true it has encouraged in Canada the organization of large-scale associations capable of assembling and merchandising large quantities of grain, whereas in the United States conditions may have detracted somewhat from the need for such organizations.

TERMINAL COMMISSION AGENCIES SOLICIT FARMERS' ELEVATOR BUSINESS

The conditions faced by local elevators in the two countries about the year 1900 were similar. In both cases they were struggling for existence against the competition of strongly organized line companies and fighting for more satisfactory treatment in terminal markets. But in 1904, as already stated, two commission firms on the Chicago Board of Trade decided to solicit business from farmers' elevators. Other companies on this and other United States markets soon followed their lead, and since that time terminal agencies have assisted in the development of local farmers' elevators. Incidentally many of these elevators are now financed either wholly or in part by commission companies to whom they are usually under contract, either written or implied, to ship the grain. This naturally tends to encourage a continuation of independent local elevators.

Local elevators in Canada appear to have received little sympathy from terminal commission agencies, with the result that about the time that certain firms on the Chicago market began soliciting farmers' elevator business Canadian producers were considering an organization of their own on the Winnipeg market. Had the grain firms on the Winnipeg exchange adopted the same attitude that certain Chicago firms took, the change from local to line elevators in Canada might at least have been delayed and possibly frustrated entirely. By the same line of reasoning United States farmers might have formed terminal agencies sooner had the changed attitude on terminal markets in this country not taken place.

The establishment of the farmers' commission company on the Winnipeg market in 1906 was the first stage in the development that was to change the whole grain-marketing program in Canada. This was the parting of the ways, so to speak, for beginning in 1906 the grain-marketing movement took different trends in the respective countries.

GOVERNMENT ASSISTANCE IN CANADA

The organization of a terminal commission agency was a logical step toward an extension of activities in Canada, but such a development might have been somewhat retarded, to say the least, had the Manitoba government not undertaken its significant experiment in the ownership and operation of country elevators. Farmers wanted a line of elevators to work in their interests, but lacked the capital necessary for such an undertaking. They argued that country elevators should be operated as public utilities, and they succeeded in convincing the Manitoba government that such a viewpoint was reasonable. Accordingly, a line of elevators was acquired, but after two years of unsuccessful operation the attitude of the lawmakers

changed. At this point the logical thing to do seemed to be to turn the elevators over to the farmers' company and this was done in 1912.

Having thus acquired a system of elevators, producers found it a comparatively easy matter to extend activities in this direction and to acquire terminal elevators. This development in Manitoba naturally stimulated interest in the other Provinces, with the result that the governments of Saskatchewan and Alberta each decided to encourage this new trend by giving financial assistance to a farmers' company organized on a provincial basis. Thus a sequence of events led to the abandonment of local elevators and the organization of powerful cooperative line elevator companies in Canada, and in this development the provincial governments played a significant part.

FARMERS' ECONOMIC ASSOCIATIONS PLAY IMPORTANT PART

For more than 25 years farmers of western Canada have been represented by provincial associations organized for educational, legislative, and other purposes. These associations have crystallized farmer sentiment, and through a national federation they have focused the attention of farmers upon the larger issues in grain marketing. The discussion of cooperative grain marketing was always an important subject at local and general meetings of these associations. Since the early years of these organizations the discussions have centered upon the need for organization along provincial or regional lines. Similar associations in the United States, like the Grange, have, on the contrary, fostered the development of local farmers' elevators. In recent years, however, certain organizations have encouraged the formation of State or national grain-marketing agencies in this country.

DIFFERENT VIEWPOINTS IN THE TWO COUNTRIES

In the United States, with the local elevator as the unit, the community viewpoint has been developed. Farmers have invested their money in a local organization, and many of them are or have been directors of the company and have taken more or less pride in guiding its destinies. Attention in the community has been focused on local problems, to the exclusion, in many cases, of the larger field of grain marketing. The local manager has been proud of his position and the authority exercised in connection with his duties. It has appeared that his interest would be furthered by developing his organization strictly along community lines. Friendly rivalry has existed between communities in striving to outdo one another in the support and conduct of a local enterprise. These and other characteristics have distinguished the development of local elevators in the United States.

The development in Canada since 1906 has been quite the opposite. Farmers have invested their capital in large provincial or regional associations—not in local units. At meetings of local groups and in general meetings, which are attended by delegates from widely scattered producing areas, the discussion centers on the marketing problems of the west and not on those of any local community, as is the case in the United States. These conditions in the respective countries have led to what might be referred to as a community point

of view in the United States, and in Canada to a viewpoint that considers the wheat-producing industry as a whole.

COMPARATIVE SETTINGS FOR WHEAT POOLS

In Canada the wheat-pool agencies inherited more than 20 years of cooperative effort directed toward the development of large-scale organizations. Farmers of western Canada had received an extensive training in cooperation, and leaders with wide experience had been developed. Trained executives with a thorough knowledge of all phases of the grain business were available. True, there were differences of viewpoint among farmers and cooperative leaders as to the best methods of selling grain and paying producers, but there was no lack of trained executives for managerial duties. Nor was there any difference of opinion as to the need for doing things on an extensive scale. Business interests and governments had confidence in the ability of these leaders to manage successfully any undertaking indorsed by the farmers of western Canada. For this reason moral support and financial assistance were easily obtainable.

Still another factor encouraged the development and operation of the pool in Canada, namely, the operations of the Government Wheat Board in 1919. The board's operations were really those of a compulsory pool and, because of its success, public confidence in pooling principles was encouraged. Some of its experiences and methods of operation proved of great value to those responsible for getting the wheat pool under way. This does not imply that similar Government activities in the United States were less successful, but only that a different interpretation was placed upon such activities in relation to the pooling principle.

In Canada, therefore, the experiences of more than two decades formed a natural setting for the development and successful operation of the wheat pool, whereas in the United States quite the opposite situation prevailed. The foundation upon which the Canadian pool was erected was, therefore, very different from that upon which producers in the United States were forced to build.

CANADIAN EXPERIENCES DEMONSTRATE VALUE OF LARGE-SCALE COOPERATIVES

In conclusion it may be said that the farmers of western Canada have demonstrated the desirability of large-scale business organizations in the marketing of grain. Early experience with local cooperative elevators proved that much good could be accomplished in improving the conditions surrounding the handling and shipment of grain at local points. They showed also, however, that such elevators were at a decided disadvantage when purchasing grain in competition with strongly organized line elevator or milling companies engaged in other phases of the grain business. This led to organization by farmers on the same basis, and it is no exaggeration to state that the companies thus created have been dominating influences in the marketing of Canadian grain for many years.

Opinions will differ as to the reasons for the success of Canadian cooperative grain-marketing organizations, particularly in the case of the wheat pools. Some will contend that uniformity of produc-

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tion and marketing conditions, distance from markets, and the fact that the bulk of the Canadian crop is exported are the factors mainly responsible for the development of large organizations in Canada. In the case of the pools it will be held that the use of long-term contracts, direct selling, and the adoption of the pooling principle of settlement have contributed most to the success of these organizations. These features, because of the psychology of the situation at the time the pools were organized, doubtless aided materially in the successful organization of these associations.

Important as these and other factors have been, however, it is believed that the achievements of both cooperative elevator companies and the pools are due primarily to the fact that they have been organized in such a way as to coordinate the operation of country and terminal elevators with central selling agencies. This has put the farmers' companies in a position to compete successfully with private traders similarly organized. Whatever success the present organizations have attained is due in large measure to this principle of operation and to the accumulated experiences of nearly 30 years in cooperative grain marketing.

APPENDIX

CONTRACTS AND AGREEMENTS USED BY CANADIAN POOLS

The following contracts or agreements are herewith presented: Contract between the Alberta Cooperative Wheat Producers (Ltd.) (the Alberta wheat pool) and its members; contract between the same pool and elevator companies; contract between the growers and the Manitoba Pool Elevators (Ltd.); and the agreement entered into by the provincial pools concerning the formation of the Canadian Cooperative Wheat Producers (Ltd.) (the central selling agency).

The Alberta contracts are presented because they were the first drafted and because they formed the basis for similar contracts in Saskatchewan and Manitoba. The contracts as now used by the three Provinces are identical in most respects. The contract between Manitoba Pool Elevators (Ltd.) and members of the local pool elevator associations is presented because it is unique. No such contract exists in the other Provinces, the delivery of grains to pool elevators being optional. (See section dealing with pool elevator policies.)

AGREEMENT BETWEEN THE ALBERTA COOPERATIVE WHEAT PRODUCERS (LTD.) AND ITS MEMBERS

This agreement, made this ——— day of ———, A. D. ———, between Alberta Cooperative Wheat Producers (Ltd.), a body corporate formed under "the cooperative associations act" of the Province of Alberta, with its head office at Calgary, in the Province of Alberta, hereafter called "the association," of the first part, and the undersigned, a person concerned in the production of wheat in the Province of Alberta and in the marketing of the same, hereinafter called "the grower," of the second part.

Whereas, the undersigned grower desires to cooperate with others concerned in the production of wheat in the Province of Alberta and in the marketing of the same, hereinafter referred to as growers, for the purpose of promoting, fostering, and encouraging the business of growing and marketing wheat cooperatively and for eliminating speculation in wheat and for stabilizing the wheat market; for cooperatively and collectively handling the problems of growers and for improving in every legitimate way the interests of growers in the Province of Alberta and for other pertinent purposes;

And whereas, the association has been formed under "the cooperative associations act" of the Province of Alberta with full power to act as agent, factor, mercantile agent, and attorney in fact, to handle wheat produced and delivered to it by its members, and with such further powers as are set forth in its memorandum of association;

And whereas, the grower is desirous of becoming a member of the association and of entering, together with other growers, into this contract with the association;

And whereas, this agreement, although individual in expression, is one of a series either identical or generally similar in terms between the association and growers of wheat in the Province of Alberta, and shall constitute one contract between the several growers of wheat in the Province of Alberta signing the same and this association:

Now this agreement witnesseth that, in consideration of the premises and in consideration of the covenants and agreements on the part of the association as hereinafter set forth, and in consideration of the execution of this agreement, or one similar in terms, by other growers of wheat in the Province of Alberta, and in consideration of the mutual obligations herein set forth, the parties hereto hereby agree to and with each other as follows:

1. It is expressly provided and agreed that, if by the fifth day of September, A. D. 1923, signatures by growers of wheat and the owners, purchasers, share-crop purchasers, tenants, lessors, and lessees of land, whose wheat acreage taken as a whole shall be equal to 50 per cent of the acreage in wheat in the Province of Alberta in the year 1922, shall not have been secured to this agreement, or an agreement similar in terms, the association shall notify every subscriber hereto thereof before the eighth day of September, A. D. 1923, by notice mailed to him at the address noted below, and the grower shall have the right to withdraw his signature hereto by written notice to the trustees of the association at its head office at Calgary, in the Province of Alberta, between the eighth day of September, A. D. 1923, and the twenty-second day of September, A. D. 1923, and upon such notice being received by the said trustees, this agreement shall be deemed to be, and shall be, cancelled, rescinded, and of no force nor effect in so far as the grower sending such notice is concerned. If all signatures are not then withdrawn, the association may, in its discretion, proceed to carry out and give effect to the terms of this agreement without notice to the growers and this agreement shall be binding in all its terms upon each and all of the growers who have not given notice as last hereinbefore provided for, or the association may, upon notice to the growers who have entered into this agreement, declare this agreement at an end, and upon notice being mailed to the growers at their several addresses noted on this agreement, or one similar in terms, to this effect, then this agreement shall be deemed to be, and shall be, cancelled, rescinded, and of no force nor effect; and, in such last-mentioned event, the association shall have its accounts audited by a chartered accountant whose reports shall be filed at the head office of the association and shall be open for inspection at all reasonable times by any grower who has executed this agreement, and the funds of the association then on hand shall, after deduction of the expenses of or incidental to the formation and organization of the association and all other proper expenses up to the date of distribution, be distributed prorata among the growers who have executed this agreement and paid moneys to the association in accordance with its terms as hereinafter set forth. If the necessary signatures of this agreement, as hereinbefore specified, have been secured on or before the fifth day of September, A. D. 1923, then this agreement shall be binding in all its terms upon this association and upon all of the growers executing this agreement.

2. It is expressly provided and agreed that, for all matters of acreage, bushelage, percentages, or signatures, and for all statements of fact in connection therewith, and for determining whether or not by the fifth day of September, A. D. 1923, signatures by growers of wheat and the owners, purchasers, share-crop purchasers, tenants, lessors, and lessees of land, whose wheat acreage taken as a whole equals 50 per cent of the acreage in wheat in the Province of Alberta in the year 1922, have been secured to this agreement, or an agreement similar in terms, the trustees of the association shall be the sole judges and a written statement signed by the chairman appointed by the trustees of the association shall be deemed to be, and shall be, conclusive evidence thereof with or without notice to the grower.

3. The association agrees to act as agent, factor, mercantile agent, and attorney in fact for the grower, to receive, take delivery of, handle, store, transport,

market, sell, and otherwise dispose of the wheat produced and delivered to it by the grower, excepting only registered seed wheat.

4. The grower covenants and agrees to consign and deliver to the association or its order at the time and place designated by the association all of the wheat and the warehouse or storage receipts covering it produced or acquired by or for him in the Province of Alberta, except registered seed wheat, during the years 1923, 1924, 1925, 1926, and 1927.

5. It is agreed that the association will, in its discretion, whenever and wherever possible, receive and take delivery of the grower's wheat at the grower's most convenient delivery point.

6. The grower hereby appoints the association his sole and exclusive agent, factor, and mercantile agent within the meaning of "the factors act" of the Province of Alberta, and also as his attorney in fact for the purposes herein-after set forth with full power and authority in its own name, in the name of the grower or otherwise to transact such business, and take such action as may be necessary, incidental, or convenient for the accomplishment thereof, coupling such appointment with a direct financial interest as the common agent, factor, and mercantile agent and attorney in fact of growers hereunder and without power of revocation for the full term hereof:

(a) To receive and take delivery of, handle, store, transport, market, sell, and otherwise dispose of the wheat produced and delivered to it by the grower in whatsoever way and at such time and place as the association shall in its judgment determine to be to the best advantage of all of the growers who have executed this agreement, or an agreement similar in terms.

(b) To mingle and mix the wheat received by the association from any grower with wheat of like kind and grade delivered to the association by other growers and, in its discretion, clean, condition, blend or process the same, subject always to the laws for the time being in force governing the same.

(c) To borrow money in the name of the association and on its own account on the wheat delivered to it or on any warehouse or storage receipt or grain receipt or on any accounts for the sale thereof or on any drafts, bills of lading, bills of exchange, notes or acceptances, orders, or on any commercial paper delivered therefor and to exercise all rights of ownership without limitation and to pledge in its name and on its own account such wheat or receipts or accounts or drafts, bills of lading, notes, acceptances, orders or other commercial paper as collateral therefor. The association shall have the right to apply the money so received prorata among the growers who have executed this agreement and delivered wheat to it or to use the said moneys for any proper association purpose or activity deemed by the association to be in the best interests of its members.

(d) To pay or retain and deduct from the gross returns from the sale of the wheat delivered to it by the growers the amount necessary to cover all brokerage, advertising, taxes, tolls, freights, elevator charges, legal expenses and all other proper charges such as salaries, fixed charges and general expenses of the association and, in addition, the association may deduct such percentage, not exceeding 1 per cent of the gross selling price of the wheat as it shall deem desirable as a commercial reserve to be used for any of the purposes or activities of the association.

(e) To settle any and all claims for damages or otherwise which may occur in connection with the handling of the grower's wheat during transit or otherwise or that may arise in connection with the exercise of any of the powers or authority herein granted.

(f) To deduct from the gross returns from the sale of wheat handled by the association for the growers who have executed this agreement or, upon first obtaining the consent in writing of any group of growers, a sum out of each grower's proper proportion thereof not exceeding 2 cents per bushel and to invest the same, in the discretion of the trustees of the association, in shares of the capital stock of any company or association (formed or to be formed), whether promoted, owned, or controlled by the association or not, which company or association is formed for the erection or acquisition by purchase, lease, or otherwise of grain elevators and which company or association has entered into a contract or contracts with the association to handle the wheat of its members under the control and direction of the association, and for such purpose to apply for and enter into all necessary and incidental contracts on behalf of and in the name of the grower for the purchase of such shares of the capital stock of any such company.

(g) To take exclusive possession and control of the grower's wheat crop and to harvest and market the same according to the terms of this agreement, or at its option to take any legal action to obtain possession thereof, or to have a receiver appointed with power to take exclusive possession and control of the said wheat crop and deliver the same to this association as hereinbefore provided, or otherwise to dispose of the same as a court having jurisdiction in that behalf may direct, in the event of the grower failing to fulfill on his part the provisions of this agreement, or any of them, or failing to deliver his wheat crop as herein provided. If possession of such wheat shall be taken by the association by reason of such breach of contract on the part of the grower, the association shall be entitled to retain out of the proceeds derived from the sale thereof, in addition to the sums heretofore provided for, all additional expenses incurred in connection therewith.

7. Any unused balance of reserves and surpluses shall stand in the name of the association and be owned by the members, and shall, when in the opinion of the trustees a distribution should be made or upon a dissolution of this association, be divided in the same proportions in which it was contributed by the members.

8. Notwithstanding anything hereinbefore contained, the grower may retain wheat for his own seed and feed, and may, upon first receiving a permit in writing from the association, dispose of wheat for seed or feed directly to any farmer who is a neighbor and a member of the association. All other seed wheat, except registered seed wheat, shall be sold by and through the association only.

9. The grower expressly covenants and agrees that he will not (save as herein permitted) sell or otherwise dispose of any of the wheat produced or acquired by him in the Province of Alberta during the life of this agreement to any person or persons, firm, or corporation other than this association.

10. The grower expressly warrants that he has not heretofore mortgaged or pledged or charged or granted a lien on or contracted to sell, market, consign, or deliver any of his said wheat to any person, firm, or corporation except as noted at the end of this agreement. Any wheat covered by such existing contracts shall, subject to any agreement or arrangement with all interested parties, be excluded from the terms hereof for a period and to the extent noted.

11. It is agreed that the grower may, subject to the terms of this agreement and subject to any law in force for the time being, mortgage or pledge his interest in his wheat crop, but in such event the grower shall forthwith notify the association, and the association shall, in its discretion, be at liberty to pay off or take over or assume the indebtedness under such mortgage or pledge and to take delivery of the grower's crop and to deduct from all moneys which become payable to the grower by the association a sum equal to the amount which the association has paid out or agreed to pay with respect to such mortgage or pledge.

12. The association shall, so soon as practicable after the delivery of wheat to it by the grower, make an advance to the grower at such rate per bushel according to grade, quality, and place of delivery as, in the discretion of the association, it shall deem proper and the association agrees that, subject to any laws in force for the time being, it will, in its discretion, from time to time, pay over to the grower as funds are available from the sale of the crop of each season, his proportion of the proceeds of all wheat of like variety and grade sold by the association in each season for the growers who have executed this contract, less all deductions which the association is entitled to make pursuant to the provisions of this contract and less all advances made to the grower and less all handling and other proper charges of every description whatsoever including the costs of maintaining the association and of transporting, handling, grading, storing, selling, and marketing such wheat and of other proper activities.

13. The grower covenants and agrees to, and hereby does, apply for one share out of the ordinary shares in the capital stock of the association and agrees to pay to the association the par value thereof, namely, the sum of \$1. The association covenants and agrees to accept the said application and to allot to the grower one share of stock out of the ordinary shares in the capital stock of the association.

14. The grower covenants and agrees to pay the further sum of \$2 to defray the expenses of organization, to carry on field service and educational work, and other proper activities of the association.

15. The grower covenants and agrees, as and when requested by the association or any officer, agent or servant thereof, to make application from time to time for railway cars for the shipment of his wheat pursuant to the provisions of "the Canada grain act" and to perform such other acts and execute such documents as the association may require in connection with the handling of the grower's wheat.

16. The association may sell the said wheat to millers, brokers, or others, within or without this Province, at such time and upon such conditions and terms as it may deem fair and advisable.

17. The association may sell all or any part of the wheat delivered to it by its members, pursuant to this contract, through any agency or by joining with any agency for the cooperative marketing of wheat of the Provinces of Alberta, Saskatchewan, and Manitoba, or of other Provinces or groups of Provinces or of the Dominion or of other countries, under a term contract or otherwise, and under such conditions as will serve the joint interests of the growers, and the association is hereby authorized and empowered to transfer to and confer upon any such agency (formed or to be formed), all of the powers, rights, and privileges of this association under this contract and any proportionate or other expenses connected therewith shall be deemed marketing costs, provided always that nothing herein contained shall authorize the association to sell through or join with any such agency or to exercise the authority and powers last hereinbefore mentioned or to enter into any contract with any such agency whereby any of the deductions authorized by this contract are increased in any amount whatsoever.

18. The grower hereby authorizes the association to enter into any contract for such consideration and on such terms and conditions as it may deem advisable and profitable for the inspecting, grading, handling, elevating, storing, warehousing, and shipping of the wheat covered hereby, or any portion thereof, and for the use of the security thereof as collateral within the general purposes of this agreement by the association.

19. This agreement shall be binding upon the grower, his personal representatives, successors, and assigns, during the period hereinbefore mentioned, as long as he raises wheat, directly or indirectly, or has the legal right to exercise ownership or control of any thereof, or any interest therein, or of any land on which wheat is grown during the term of this contract.

20. From time to time each year the grower will mail to the association as requested a statement of his expected acreage of wheat for that year, and its condition, on the forms provided for that purpose by the association.

21. Inasmuch as the remedy at law would be inadequate and inasmuch as it is now and ever will be impracticable and extremely difficult to determine the actual damage resulting to the association, should the grower fail so to deliver all of his wheat, the grower hereby agrees to pay to the association for all wheat delivered, sold, consigned, or marketed by or for him or withheld other than in accordance with the terms thereof, the sum of 25 cents per bushel as liquidated damages for the breach of this contract, all parties agreeing that this contract is one of a series dependent for its true value upon the adherence of each and all of the contracting parties to each and all of the said contracts.

22. The grower agrees that, in the event of a breach by him of any material provision hereof, particularly as to delivery or marketing of any wheat other than through the association, the association shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and other equitable relief, according to the terms of this agreement; and the association and the grower expressly agree that this agreement is not a contract for personal services or demanding exceptional capacity or talents; and that this is a contract of agency coupled with financial interest under special circumstances and conditions and that the association can not go into the open markets and secure wheat to replace any which the grower may fail to deliver; and that this contract will be the proper subject for the remedy of specific performance in the event of a breach thereof.

23. Any deduction or allowance or loss that the association may make or suffer on account of inferior grade, quantity, quality, or standard, or condition at delivery, shall be charged against the grower and deducted from his net returns hereunder.

24. The association may make rules and regulations and provide inspectors to standardize the quality, method and manner of handling, sacking and shipping of such wheat; and the grower agrees to observe and perform any such rules and regulations prescribed by the association and to accept the grading

established or grading done by the association, and which shall, subject to any law in force for the time being, be conclusive.

25. The grower appoints the association, its trustees and each of them its officers, agents, and servants, his agent and attorney in fact to make, execute, and take delivery of all contracts that may be required to be entered into pursuant to the provisions of "the Canada grain act" on his behalf and in his name, place, and stead, which contracts and all moneys payable in respect thereof are hereby assigned to the association; and to receive accounts and to receive payment of all moneys payable to the grower under such contract in full settlement for such contract or otherwise all in his name, place, and stead, and to account and settle for any moneys so received by crediting the same to the grower on the books of the association, which moneys less all deductions as herein provided, shall be distributed pursuant to the provisions of this agreement. Such receipt of payment and giving of credit on the books of the association as aforesaid shall be deemed to be, and shall be a proper accounting for and settlement in full for all such contracts.

26. The association may establish selling, statistical, or other agencies in any place in the world and the association may act in any of the businesses of the association through or by means of agents, brokers, subcontractors, or others.

27. The grower agrees that, notwithstanding anything hereinbefore contained, if, for any reason, it should, in the opinion of the association, become impracticable or impossible to carry into effect the terms and provisions of this agreement as hereinbefore set forth with respect to the 1923 wheat crop, the association is hereby authorized and empowered to make any arrangements that it may consider desirable for the cooperative marketing of the said wheat crop.

28. Notwithstanding anything hereinbefore contained, the association will, by notice given in a newspaper in the cities and the principal towns of Alberta, to be selected by the association, fix the date at which it will commence operations and until such date the grower or growers may sell or otherwise dispose of his or their wheat, if accompanied by actual delivery of the same, and the association shall not be bound to accept delivery thereof or be otherwise liable in respect thereto. This agreement shall remain in full force, effect, and virtue notwithstanding that the association may not be able to commence operations in time to handle any of the 1923 crop.

29. The parties agree that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to or at variance with any of the terms hereof and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

In witness whereof the grower has hereunto set his hand and seal and the association has hereunto affixed its seal under the hand of its proper officer in that behalf, the day and year first above written.

Sealed and delivered and countersigned
by the chairman in the presence of

ALBERTA CO-OPERATIVE
WHEAT PRODUCERS (LTD.).

Signed, sealed, and delivered in the
presence of

Per _____
(Grower sign here.) *Chairman.*

(Canvasser sign here as witness.)

X _____
Grower.

Subscribing grower's full name _____ Post-office address _____
(Print grower's name.)

Legal description of lands:

Sec. --	Tp. --	Rge. --	West of --	Mer. --	Grower's municipal unit No. _____
Sec. --	Tp. --	Rge. --	West of --	Mer. --	Total acreage in wheat 1925 _____
Sec. --	Tp. --	Rge. --	West of --	Mer. --	Estimated wheat acreage 1926 _____
Sec. --	Tp. --	Rge. --	West of --	Mer. --	

State clearly the part section, as N. $\frac{1}{2}$ or SE. $\frac{1}{4}$, etc.

Particulars of contracts, mortgages, liens, or other charges _____

AGREEMENT BETWEEN THE ALBERTA CO-OPERATIVE WHEAT PRODUCERS (LTD.) AND
ELEVATOR COMPANIES

Memorandum of Agreement

Between: The Blank Grain Co. (Ltd.)

hereinafter called "the company,"

and

The Alberta Co-operative Wheat Producers (Ltd.),

hereinafter called "the pool."

It is agreed between the parties as follows:

1. The company will, at any elevator owned or controlled by it in Alberta, accept delivery of wheat from any pool contract holder, hereinafter called "the grower," on terms and conditions enumerated hereunder, and will deliver it to the pool at terminal points, including Prince Rupert, British Columbia, and also including interior Government terminal elevators, in the western inspection division, unless otherwise mutually agreed, as requested by the pool, or to interior mills, if mutually agreeable, limited only by the availability of cars in which to make shipment.

2. For the purpose of description the four methods of handling wheat through country elevators are divided into four classes:

Class A—special bin wheat.

Class B—street wheat.

Class C—stored to grade wheat.

Class D—stored subject to grade wheat.

In respect to these classes, respectively, the company agrees to handle the grower's wheat on behalf of the pool according to his preference, as follows:

Class A.—In quantities of one or more carloads, to special bin and preserve the identity until the wheat is delivered at a terminal point or mill in the western inspection division, according to Government grades and dockage. The company will forward such wheat to the terminal point in its proper order as soon as the grower secures a car or cars.

Class B.—In quantities of less than carload lots, commonly termed street wheat, to grade and make the initial cash payment to the grower on behalf of the pool by issuing a cash ticket, which shall not be deemed to be a purchase or sale of the said street wheat at prices to be agreed upon between the company and the pool.

The company agrees also, wherever it finds it possible to do so, to handle any individual grower's wheat as specified in classes C and D.

Class C.—In quantities of one or more carloads, to store according to a grade agreed upon between the company's elevator agent and the grower. The company will forward this wheat to a terminal point as soon as the grower secures a car or cars.

Class D.—In quantities of one or more carloads for an individual grower, to store wheat subject to grade and forward this wheat to a terminal point as soon as the grower secures a car or cars, provided that this contract does not take from the grower any rights which he may have under the Canada grain act or regulations of the board of grain commissioners.

3. In handling wheat in any of the four above-named classes, the company will use its own credit and monies, and country paymasters arrangements, to furnish advances to growers at any time after the wheat is delivered at its elevator and elevator tickets are issued. In case of classes A, C, and D, the company will make advances on a reasonable basis to meet the immediate requirements of the grower until such time as his wheat is delivered to the pool at terminal points. In the case of class B, the company will make the initial payment hereafter set out for the street wheat on behalf of the pool, and carry this wheat at the rate hereinafter provided until it is delivered to the pool at terminal points.

3a. The pool agrees that the company may hypothecate wheat of classes A, B, C, and D, to its bank or banks in accordance with the bank's usual form under section 88 of the bank act as security only for the advances actually made on such wheat, if such hypothecation is required by the bank as a condition of the bank loaning to the company the money for the financing of pool wheat.

4. In handling wheat in classes A, C, and D, the company will collect from the grower its regular elevator handling and storage charges, and a service charge of three-quarters of a cent per bushel, also interest on advance if made at the rate of 7 per cent, and in return will furnish the grower with regular country elevator service, will keep the grain fully insured on basis of Fort William values, will bill out cars, check Government inspection, pay railway freight charges, Government inspection and weighing fees, and any other proper charges incurred on behalf of the grower. The company will assume liability for collecting from the railway company for wrecked or leaky cars. It will also secure terminal warehouse receipt for such wheat, and will deliver these documents promptly to the pool, collecting from the pool full initial cash payment that is coming to the grower from the pool, and will promptly remit balance due to the grower over and above the advance that may have been made and other proper charges. The company will also make up and forward to the grower his "growers' certificate." The company will, in fact, perform and render all services needed by the grower in delivering his wheat to the pool at any terminal point or mill in the western inspection division, and will turn it over to the pool at such points, in such position that it is immediately available to the pool for direct sale or export.

5. In handling wheat in class B, the company agrees to make the initial payment for the pool by cash ticket (which can be immediately cashed by the company's partners) to the grower, at a figure that shall be the initial cash payment determined by the pool, basis terminal elevators Vancouver, after deducting the proper freight charges and a sum not to exceed on Nos. 1, 2, and 3, Manitoba Northern 5 cents per bushel, and on all other grades not to exceed 6 cents per bushel, plus in the case of all grades any fraction of a cent less than one-half cent per bushel which may arise when deducting the freight rate per bushel from the initial cash payment as determined. (The application of the deduction of this fraction of a cent as agreed on is set forth in schedule "E" attached, based on initial payment of \$1 per bushel, in store, Vancouver.) It is agreed that if the character of any crop warrants it, a further deduction on tough or commercial grades, which shall be mutually satisfactory, and agreed upon, shall be made.

6. The pool agrees to pay the company the full initial cash payment, less any proper charges for any of above classes of wheat, as soon as warehouse receipts, or in case of western shipments, as soon as terminal outturns are received by the pool, after delivery of bills of lading to the pool by the company. It is further understood and agreed that margin between initial payment made by the pool to the company, and payment made at country points for street wheat, is to be retained by the company as payment for services rendered.

7. The pool agrees that in the event of its changing, during the year, the spreads between grades as determined in its initial cash payment, it will accept delivery from the company of all street wheat received by the company as aforesaid on the spreads as previously fixed, at the spreads on which the company has based its initial cash payment.

8. The company further agrees to make a daily report to the pool of the class B wheat received at each of its elevators, to secure cars for, and ship this wheat forward to terminal points specified by the pool in the western inspection division, for the pool, in equal turn with its own street grain according to the date it has been received into its elevator. The company also agrees to deliver to the pool at terminal points the full amount in bushels for which cash tickets for such street wheat have been issued, and to pay freight on dockage and terminal cleaning charges on such street wheat. The company agrees to supply the pool as soon as possible after shipment with a list of cars of pool street wheat and pool special binned, billed to Fort William or Port Arthur.

9. The company further agrees to assume the risk of grade on this class B wheat and to deliver to the pool at terminal points on basis of Government grades and dockage, accepting payment at the pool fixed cash payment price for the particular grade delivered. The company agrees to ship from each country elevator as nearly as possible the same quantities and grades that were received from the growers at such country elevator, and agrees not to substitute wheat from other shipping points without the consent of the pool. The pool agrees to accept wheat from substitute points when requested where it can do so without loss.

10. It is mutually agreed that cash settlement of the total of over or under delivery of any grade of this street wheat by the elevator company to the pool

shall be made at the end of the season at the average spreads that have existed at Fort William for spot wheat during the crop year ending August 31. The elevator company agrees to deliver to the pool as nearly as possible quantities for which they have issued grower's receipts, and nothing in this contract is to be construed as obligating the pool to accept any one grade instead of any other grade, except in reasonable amounts such as might be accounted for by loss of grade. Any over delivery or under delivery caused by such substitution of grades shall be subject to the cash settlement referred to in this clause.

11. The company further agrees to insure and keep insured, at its own expense, this street wheat, at basis Fort William spot values.

12. The pool agrees to pay the company a carrying charge on this street wheat amounting to one-thirtieth of a cent per bushel per day, said carrying charge to commence on the date of mailing or delivery to pool of the regular daily report form reporting this wheat to have been received at the company's elevator and to continue until the date the pool pays the company for such wheat, inclusive. In the event of the company not shipping this pool street wheat in its proper turn and at the first opportunity that cars are available, unless so requested by the pool, then the pool is not liable for payment of the carrying charge accrued and unpaid on this or any other pool street wheat the company may then have in the elevator from which the company has failed to make shipment in its proper turn. Should the pool's initial payment cash ticket price at 25 cents rate points Fort William be 70 cents or over, the pool agrees to pay graduated scale of carrying charges as per exhibit "D" attached.

13. It is mutually agreed that in the event of any change in freight rates to Vancouver, the pool shall pay to the company any increase in rates, and the company shall pay to the pool any reduction in said freight rates, on any unshipped balance of class B wheat.

14. The pool agrees that the company, if at any time it needs space in its elevators, shall have the right to ship forward to terminal points any wheat mentioned in classes A, B, C, and D, and to demand that the grower shall secure car or cars according to his turn on the car-order book at its discretion, after notifying the pool of its desire to do so. The pool further agrees that during the first three months of the crop season taken from September 1 in each year, all wheat shall be forwarded to terminal points or mill elevators at points in the western inspection division as soon as possible after its delivery at the company's elevators.

15. The pool agrees that all pool wheat of whatever class, forwarded to terminal points at which the company operates an elevator or elevators shall be handled through any elevator that the company desires.

16. The company agrees that it will, wherever it is reasonably possible, without detriment to its own business, store and carry any wheat in classes A, B, C, and D, in its elevators if so desired by the pool.

17. The pool agrees to pay to the company upon receipt of proper statements, the carrying charges accrued and due to the company as at the fifteenth and last day of each month.

18. The pool agrees that it will pay to the company the determined upon initial cash payment immediately upon delivery by the company to the pool of terminal documents for any wheat forwarded through the company to the pool.

19. The company agrees that at the time of issuing cash tickets it will also issue to the grower a "grower's receipt" in a form determined by the pool.

20. The pool agrees that in the event of its desiring the company to perform any services not specified in this agreement, special remuneration will be mutually decided upon, and the pool will pay such remuneration to the company. The company agrees that if it can reasonably do so it will render such additional services.

21. The pool agrees to instruct each grower that when he delivers his wheat to any elevator of the company, he, the grower, must—no matter in what manner he wants his wheat handled—advise the company's elevator agent that it is pool wheat. The pool further agrees that any failure of the elevator company to handle growers' wheat upon the terms outlined in this agreement consequent on the failure of the grower so to notify the company's elevator agent, shall absolve the company from responsibility for the resultant inadvertent failure to carry out the terms of this agreement.

22. The pool agrees to supply all special stationery and forms not usually used in the company's business, but necessary for use by the company in carrying out this agreement.

23. It is mutually agreed between the pool and the company that any failure on the part of either of them in carrying out the terms of this agreement, which failure is the result of occasional inadvertence on the part of their employees, shall not be construed as being a breaking of any clause of the agreement by the pool or the company.

24. It is mutually agreed that the price shown on the attached exhibits marked "A" and "B" are the pool initial cash payment prices at terminal points and at country elevator points, respectively, as referred to in this agreement.

25. The company agrees to handle this business to the best of its ability so as to assist and help the pool in every way to secure efficient and satisfactory results for the grower, and hereby agrees that in the conduct of its business it will not in any way discriminate between growers who are members of the pool and those who are not.

26. The pool agrees to always maintain a reasonable margin between the amount of initial advance which has been paid upon street wheat on hand in elevators or in transit and the market value, and that in the event of said margin being less than 10 cents per bushel the pool agrees to return to the company a portion of the initial cash payment previously made, so as to maintain a clear margin of 10 cents per bushel or more.

27. It is hereby agreed that the company may at any time, if in the interest of its business it is considered expedient to do so, upon two weeks' notice in writing to the pool, close any of its said elevators, and the company shall not be bound to carry out the terms of this agreement with respect to any such elevators during such time as they shall remain closed.

28. The form of contract entered into between the pool and the grower is hereto attached, marked "C."

29. The pool covenants and agrees to deliver to the company any information which it receives as to any lien charge or claim against the wheat of the pool members whose addresses are shown as being in the neighborhood of any point where the company has an elevator.

30. The pool undertakes during the life of this contract in the event of their granting to any other party operating elevators an agreement verbal or written more favorable to the company. The company in that event shall then have the right to accept such agreement and have same embodied in and become a part of this contract.

31. The pool agrees that in the event of their unloading wheat for storage purposes at inferior Government elevators located at Edmonton, Calgary, Saskatoon, or Moose Jaw, and at a later date reshipping such wheat to Fort William or Port Arthur, they will consign such shipments to such lake terminals as it would have originally gone to had it not been unloaded in transit.

32. This agreement shall be deemed to be in force and be binding on the parties hereto until September 1, 1927.

33. It is hereby agreed that these presents and everything herein contained shall respectively inure to the benefit of and be binding upon the parties hereto, their successors and assigns, respectively.

In witness whereof the *Alberta Cooperative Wheat Producers (Ltd.)* has caused to be hereunto affixed its corporate seal, attested by the hands of its proper officers in that behalf, and the [Blank Grain Co. (Ltd.)] has caused to be hereunto affixed its corporate seal, attested by the hands of its proper officers in that behalf.

Dated at ——— in the Province of ——— this ——— day of ———, A. D. 1926.

THE ALBERTA COOPERATIVE WHEAT PRODUCERS (LTD.).

Signed, sealed, and delivered in the presence of:

[SEAL.]

[SEAL.]

(Elevator company)

AGREEMENT BETWEEN GROWERS AND MANITOBA POOL ELEVATOR ASSOCIATION

Agreement

This agreement made this ——— day of ———, A. D. 1925, between ——— Cooperative Elevator Association (Ltd.), a body corporate with its head office at the shipping point hereinafter named, hereinafter called "the association"

of the first part, and the undersigned, who resides in the vicinity of the shipping point, hereinafter called "the grower" of the second part.

Whereas the grower is a member of Manitoba Cooperative Wheat Producers (Ltd.) (hereinafter referred to as "the pool") and desires to cooperate with other members of the pool who reside in the same vicinity, in acquiring by lease, and in the operation of a grain elevator at the shipping point for the handling of pool grain;

And whereas the association has been incorporated for the purpose aforesaid, and proposes to enter into an agreement with Manitoba Pool Elevators (Ltd.) (hereinafter referred to as "pool elevators") for the leasing and operation of an elevator for pool grain at the shipping point;

And whereas the grower is or is desirous of becoming a member of the association and wishes to enter, together with other growers, into this agreement with the association;

And whereas this agreement, although individual in expression, is one of a series either identical or generally similar in terms, between the association and a number of members of the pool who reside at or in the vicinity of the shipping point, and shall constitute one contract between the several persons signing the same, and this association;

And whereas the undersigned grower and each of the other persons signing this or a similar agreement with the association have heretofore entered into a contract or contracts with the pool for the delivery to the pool of grain produced or acquired by them, upon the terms and conditions in the said contract or contracts set forth;

Now this agreement witnesseth that in pursuance of the premises and in consideration of the mutual covenants and agreements herein contained, and of the execution of this agreement, or one similar in terms, by a number of other members of the pool who reside at or in the vicinity of the shipping point, the parties hereto hereby agree as follows:

1. Wherever the term "grain", is used in this agreement, it shall mean and include all grain mentioned in the contract or contracts heretofore entered into as aforesaid between the undersigned grower and the pool. Wherever the term "shipping point" is used in this agreement, it shall mean — in the Province of Manitoba.

2. The grower covenants and agrees that during the period or periods mentioned in the contract or contracts entered into as aforesaid between the grower and the pool he will, as and when required by the association, deliver to the association at the elevator acquired or to be acquired by it as aforesaid at the shipping point, all the grain which, by the terms of said contract or contracts, he has agreed to consign and deliver to the pool. The grower further expressly covenants and agrees that he will not (save as herein permitted) during the said periods, or any of them, deliver any of the said grain to any person or persons, firm, or corporation other than the association. It is acknowledged and agreed that the provisions of this section constitute a material provision of this agreement and that in the event of a breach of said provisions or any of them by the grower, subsection 3 of section 26 of "the cooperative associations act" shall apply to such breach.

3. Grain shall be deemed to be delivered to the association within the meaning of this agreement only when the same is actually in the possession of the association in its elevator at the shipping point aforesaid.

4. The association covenants and agrees to receive delivery of such grain and to consign and redeliver same to the pool, in accordance with the requirements of the contract or contracts entered into as aforesaid between the grower and the pool.

5. The grower agrees to pay to the association, as and when required by it, his proportionate share, computed on an annual bushelage basis, of the total cost to the association of acquiring, maintaining, and operating the said elevator. It is agreed that in computing such total cost the association shall be entitled to include:

(a) An annual sum for depreciation equivalent to 10 per cent of the cost of the elevator.

(b) An annual rental equivalent to 7 per cent of the cost of such elevator, less 10 per cent deductions from such cost from year to year on account of depreciation.

(c) Taxes, fire insurance (both on building, grain, and other contents), rental on lease of site, expenses incurred in repairing and maintaining the said

elevator in a good state of repair, workmen's compensation, and any other charges imposed by law.

(d) Salaries, wages, and allowances to officers, employees, and directors.

(e) Legal expenses incurred either in connection with the incorporation and organization of the association or otherwise.

(f) The association's proportionate share of cost of general superintendence and control by pool elevators.

(g) The cost of all licenses and bonds required under the provisions of "the Canada grain act."

(h) Any other cost or expense to which the association may be subject under the terms of its agreement with pool elevators.

(i) Any other cost or expense which the directors of the association may, in their discretion, consider necessary to incur in the interests of the association and its members.

It is agreed that the amount payable by the grower under the provisions of this section shall bear the same proportion towards the total costs of the association as the amount of pool grain produced or acquired by the grower bears to the total amount of grain handled by the association in the same year.

6. It is understood and agreed that the obligation of the grower to pay to the association the moneys herein agreed to be paid shall be absolute, and that the grower shall not be relieved in any degree from his said obligation by any neglect or failure on his part to deliver his grain to the association in accordance with the provisions of this agreement.

7. The business of the association shall be conducted on a nonprofit basis and the grower shall not be charged with anything on account of profits.

8. Should the association, in the exercise of its discretion, not require payment of the whole or any part of the moneys payable to it by the grower under the terms hereof, prior to or at the time of the receipt by the grower of his initial payment from the pool, the grower shall make and deliver to the association such order or assignment of moneys accruing to him through his interim or final payment as is required by the association for the purpose of ensuring to it payment of the moneys to which it is so entitled from the grower.

9. The grower covenants and agrees as and when requested by the association or any officer, agent, or servant thereof, to make application from time to time for railway cars for the shipment of his grain, pursuant to the provisions of "the Canada grain act" or any other similar act which may hereafter, during the period of this agreement, come into force, and to perform such other acts and execute such documents as the association may require in connection with the handling of the grower's grain.

10. The grower covenants and agrees to, and hereby does, apply for one share in the capital stock of the association, and agrees to pay to the association the par value thereof, namely, the sum of \$1. The association covenants and agrees to accept the said application and to allot to the grower one share in the capital stock of the association.

11. This agreement shall be binding upon the grower, his personal representatives, successors, and assigns, during the period or periods hereinbefore mentioned, so long as he or any member of his family residing with him raises grain directly or indirectly in the vicinity of the shipping point, or has the legal right to exercise ownership or control of any thereof, or any interest therein or of any land on which pool grain is grown during the said periods.

12. Should it happen that the grower, having hauled grain to the shipping point, and having the same ready for delivery to the association, finds himself unable to make such delivery because of the inability of the association to receive it, then and in such event the grower, after notifying the association of his intention, may deliver such grain, as pool grain, to an elevator other than that operated by the association. In such event the grower shall immediately discontinue hauling grain until such time as the association shall again be in a position to receive it, unless otherwise authorized by the association.

13. It is distinctly understood and agreed that neither this agreement nor anything herein contained shall affect the contract or contracts entered into by the grower with the pool, or shall relieve the grower in any degree from his obligation to carry out and perform all the covenants and agreements in the said contract or contracts contained and on the part of the grower therein agreed to be performed. It is further understood and agreed that this agreement is entered into without prejudice to the said contract or contracts between the grower and the pool and to the rights of the parties to said contract or contracts thereunder. It is further understood and agreed that should any incon-

sistency arise between the provisions of this agreement and the provisions of the contract or contracts between the grower and the pool, the grower shall be bound to comply with the provisions of the contract or contracts with the pool.

14. The parties agree that there are no oral or other conditions, promises, covenants, representations, or inducements in addition to or at variance with any of the terms hereof, and that this agreement represents the voluntary and clear understanding of both parties fully and completely.

In witness whereof the grower has hereunto set his hand and seal, and the association has hereunto affixed its seal, under the hand of its proper officer in that behalf, the day and year first above written.

Sealed and delivered and countersigned by the president in the presence of

Per _____, President.

Signed, sealed, and delivered by the grower in the presence of

(Grower sign here)
Post office _____

Acres: Wheat _____ Coarse grains _____

AGREEMENT FORMING THE CENTRAL SELLING AGENCY

This agreement, made this twentieth day of August, A. D. 1924.

BETWEEN :

The Alberta Co-operative Wheat Producers (Ltd.), Saskatchewan Co-operative Wheat Producers (Ltd.), and Manitoba Co-operative Wheat Producers (Ltd.), hereinafter called the "associations," of the first part, and Canadian Co-operative Wheat Producers (Ltd.), hereinafter called the "company," of the second part,

WITNESSETH :

Whereas the associations are wheat-marketing associations organized on a nonprofit basis and operate in the respective Provinces of Alberta, Saskatchewan, and Manitoba under standard marketing contracts with their producer members for the purpose of marketing the wheat of their said members on a cooperative basis and for the purpose of promoting, fostering, and encouraging the business of growing and marketing wheat cooperatively and eliminating speculation in wheat and stabilizing the wheat market;

And whereas it is provided in the said marketing contracts that the associations may sell all or any part of the wheat delivered to them by their respective members through any agency or by joining with any agency for the purpose of marketing the wheat of the said Provinces, under a term contract or otherwise, and under such conditions as will serve the joint interests of the producers; and the associations are thereby authorized and empowered to confer upon any such agency all of the rights, powers, and privileges of the associations under the said marketing contracts;

And whereas the associations are of the opinion that the interests of their members will be best served and the aims and objects of the associations promoted by the sale of the wheat of their members through such an agency and for such purpose have caused the company to be formed;

Now, therefore, in consideration of the premises and of the execution of this agreement by each and every of the associations and of the mutual and individual obligations herein set forth and the reliance of each of the associations upon the other associations for complete performance of all the provisions hereof, and in consideration of the covenants and agreements on the part of the company herein set forth, it is hereby mutually agreed by and between the associations and each of them and the company, as follows:

1. Until otherwise mutually agreed the number of holders of common stock in the company shall be limited to 12, and such stockholders shall consist of the three associations, parties of the first part, and nine persons, of whom three shall be nominated by each of the said associations. Each of the persons so nominated must be a member of the association by which he is nominated, and each of such persons shall hold one share only of the common stock of the company. Each of said associations agrees to subscribe, and does hereby subscribe, for 497 shares of common stock of the company and agrees to pay

therefor the sum of \$49,700, as follows: 10 per cent on allotment and the balance subject to call by the directors of the company.

(a) At all meetings of the company each association shall be represented by the individual stockholders nominated by it as aforesaid, and each of said individual shareholders shall, in accordance with the by-laws of the company, be entitled to one vote. Should any of such individual stockholders be absent from any meeting of the shareholders or directors of the company, his or their vote or votes shall be cast by a shareholder present at such meeting and nominated by the association which nominated the absent shareholder or shareholders.

(b) The nine individual stockholders shall form the board of directors of the company.

(c) An executive committee shall be appointed consisting of three members of such board of directors, one of which three members shall be nominated by each of the associations for membership on such executive committee, which committee shall, for the time being, and as provided in the resolution of appointment, or by the by-laws of the company, have and exercise all or any powers of the directors in the management of the business and affairs of the company.

(d) Each association hereby approves of and agrees to abide by the by-laws of the company.

2. Each association hereby transfers to and confers upon the company all of the powers, rights, and privileges of the association under its contract with the growers and hereby appoints and constitutes the company its sole and exclusive agent and attorney in fact for the purposes hereinafter set forth, with full power and authority in its own name or in the name of the association, at its option, to transact such business and take such action as may be necessary, incidental, or convenient for the accomplishment thereof, coupling such appointment with a direct financial interest as the common agent and attorney of all the associations hereunder, and without power of revocation for the full term hereof:

(a) To receive and take delivery of, handle, transport, store, market, sell, and otherwise dispose of the wheat delivered to it by the association, or at the order of the association, in whatsoever way and at such time and place as the company shall in its judgment determine to be to the best advantage of all the members of the association.

(b) To mingle and mix the wheat received from the association with wheat of like kind or grade delivered to the company by another association.

(c) To borrow money in the name of the company and on its own account on the wheat delivered to it or on any warehouse or storage receipt or grain receipt or on any account for the sale thereof or on any drafts, bills of lading, bills of exchange, notes or acceptances, orders, or on any commercial paper delivered therefor, or any documents of or evidencing title thereto, delivered therefor, and to exercise all rights of ownership without limitations and to pledge in its name and on its own account such wheat or receipts or accounts or drafts, bills of lading, notes, acceptances, orders, or other commercial paper or documents of or evidencing title, as collateral therefor; also to sign, indorse, assign, negotiate, discharge, surrender, sell, dispose of, or otherwise deal with all and every such documents and instruments, and the proceeds thereof.

(d) To pay or retain and deduct from the gross returns from the sale of all wheat received by the company, all moneys borrowed under the provisions of this agreement, with interest and all other proper charges and expenses thereon and the amount necessary to cover brokerage, advertising, taxes, tolls, freights, warehouse charges, legal expenses, and all other proper charges, such as salaries, fixed charges, and general expenses of the company.

3. The associations agree to advance to the company by way of loan from time to time as and when requested by the board of directors of the company, such moneys as may in the judgment of such board of directors be required to carry on the operations of the company, and such advances shall be contributed by the associations in equal proportions, or in such other proportions as may from time to time be mutually agreed upon by the parties hereto.

4. Subject to the terms hereof, the associations covenant and agree with the company and with each other to deliver to or to the order of the company all the wheat and the warehouse or storage receipts covering it, which is delivered to or to the order of each of them under the said marketing contracts with their respective members from and after the sixteenth day of July, 1924. The company agrees to act as agent, factor, and attorney-in-fact for the associations, to receive, take delivery of, handle, store, and to market, sell, and otherwise dispose of, at the best price obtainable under market conditions, the wheat

delivered to it by the associations. The company shall as soon as practicable after each delivery of wheat to it by an association, make an advance to the association at such rate per bushel, according to grade, quality, and place of delivery, as, in the discretion of the company, it shall deem proper, and the company agrees that it will, in its discretion, from time to time pay over to the associations, as funds are available from the sale of the crop of each season, their respective and proper proportions of the proceeds of the wheat sold by the company in each season for the associations, less all deductions (which the company is entitled to make pursuant to the provisions of this contract, and less all advances made to the associations, and less all other deductions) heretofore authorized.

5. Wheat shall be deemed to be delivered to the company within the meaning of this agreement, so as to render the company accountable therefor, only when the bills of lading, warehouse receipts, shipping bills therefor, or other documents or evidencing title thereto, shall have been transferred, properly indorsed by the association, to the company.

6. The company agrees that it will give full and proper attention to the development of the western route for the shipment of wheat and the development of oriental markets for same and that it will keep true and correct account of any and all sales made basis Vancouver, including sales to mills made on such basis, and that it will from time to time account to and pay over to such association delivering grain sold by the company basis Vancouver for the benefit of all the members thereof any increase in price or premium derived from such sales over and above sales made the same date basis Fort William.

7. (a) The associations severally and collectively hereby transfer to and confer upon the company all the powers, rights, and privileges granted them by their respective marketing contracts and involved in the handling, storing, warehousing, grading, transporting, financing, and marketing of the wheat delivered to it under this agreement.

(b) The rights, powers, and authority conferred by the associations on the company under the terms of this agreement shall be exercised in pursuance of and in conformity with the provisions of the standard marketing agreements of the respective associations with their grower members, copies of which agreements are attached hereto and made a part hereof.

8. (a) For the purpose of defining generally the field of activity of the company, it is agreed that the departments of service hereunder mentioned and described may be established, maintained, and administered by the company, viz:

1. Local sales (for delivery and use within the Province.)
2. Sales, domestic and export.
3. Finance.
4. Transportation beyond terminal points.
5. Statistics and information.
6. Field service (supervising the provincial field service and supervising publicity.)
7. Terminal elevators and warehouses (handling of problems of receiving grain outside of the Province.)
8. Grading.
9. General counsel.
10. Office systems (creating systems for respective provincial offices for efficiency for audits.)

(b) For the purpose of defining generally the field of activity of the associations, it is agreed that the departments of service mentioned and described hereunder may be established, maintained, and administered by the associations;

1. Field service (membership local publicity).
2. Elevators and warehouses (within the Province).
3. Local counsel (enforcement of membership contracts).
4. Relations with elevators.
5. Office management (actual administration).
6. Transportation to terminals.

(c) Notwithstanding anything in this agreement contained, and to remove any possibility of doubt, it is hereby declared and agreed that the associations shall retain control of all deliveries of grain by their producer members, and shall directly receive and take delivery of all grain consigned and delivered by their respective producer members. All such grain delivered by producer members to their respective associations shall by such associations be thereupon delivered to the company.

9. It is expressly understood and agreed by the parties hereto that, subject to the provisions of the contracts entered into between the associations and their respective producer members, and in so far as the associations are empowered under the provisions of said contracts to transfer title to the company, absolute title to the wheat covered by this agreement shall pass to and vest in the company for all purposes upon delivery of the wheat to the company or to any warehouse, elevator, or carrier to the order of the company or upon delivery to the company of the warehouse receipts representing said wheat, and that all documents of title, including bills of lading, covering such wheat shall be made in the name of the company or to its order at the time of delivery to or to the order of the company.

Provided that nothing herein is intended to prevent any of the said associations from pledging its wheat before delivery to the company for money borrowed by such association.

10. It is expressly understood that the company may grant any association permission to make local sales of wheat in its own territory, provided that duplicate records of such sales are forwarded to the company.

11. The associations hereby agree that the decisions of the company on all matters pertaining to marketing, handling, grading, prorating, deductions, and distributions within the powers conferred upon it by this agreement shall be conclusive.

12. Each association agrees that in the event of a breach by it of any material provision hereof, particularly as to delivery of the wheat other than to or through the company, the company shall, upon proper action instituted by it, be entitled to an injunction to prevent further breach hereof, and to such other equitable relief as the courts may deem proper; and the company and each of the associations expressly agree that this agreement is not a contract for personal services or demanding exceptional talent or capacity, and that this is a contract for the handling of wheat under special circumstances and conditions and will cause the associations to set up a large group of experts and to have an extensive organization for the purpose of carrying out the provisions hereof, and that the primary purpose of adjusting the supply of wheat to the true demand for wheat as against speculative and manipulative demands can only be attained upon full performance of this contract and complete delivery of wheat by the said associations.

13. (a) Inasmuch as the remedy at law would be inadequate, and inasmuch as it now is and ever will be impracticable and extremely difficult to determine the actual damage resulting to the company should any association fail to deliver all of its wheat as provided in this agreement, each association hereby agrees to pay to the company, for the associations actually performing their obligations hereunder, for all wheat delivered, sold, consigned, marketed, or withheld by or for it other than in accordance with the terms hereof, the sum of 10 cents per bushel as liquidated damages for the breach of this agreement. All moneys received by the company as liquidated damages from any association under the provisions hereof shall be payable to and shall be paid to the associations other than that from which such liquidated damages have been received, and such payment to the aforesaid associations shall be made in proportion to the quantities of wheat delivered by them respectively to the company throughout the year in which such liquidated damages are so received and paid. Any moneys received by an association from the company as liquidated damages recovered under the provisions hereof shall be considered as and counted among the proceeds of such association.

(b) It is understood and agreed that neither the associations as a group nor the company desire to secure the above-mentioned sum of 10 cents a bushel for liquidated damages as a profit or a penalty, but that their and each of their desire is to secure the delivery of the wheat hereinbefore referred to as essential for the attainment of the purpose of the company, and that the above-mentioned statement of liquidated damages represents the best estimate obtainable over a period of time and covering all grades of wheat, to compensate the loyal associations for the actual loss which is likely to be suffered by them through the inability of the company to handle the large volume of wheat and thereby to keep the general markets from being overloaded or unduly depressed.

14. A complete audit of the business and books of the company shall be made by certified chartered accountants at least once a year and additional audits shall be forthwith made upon the written request attested by the corporate seals of two of the associations and copies of such audits and reports shall be

presented to each association and each association, through its properly accredited representatives, shall have the right to examine the books of the company at any reasonable time.

15. This agreement shall come into effect on the day of the date hereof and shall continue in full force and effect for a period of time sufficient to complete the handling of the 1924, 1925, 1926, and 1927 crops of wheat that may be delivered to the respective associations, and shall not apply to any crops thereafter; provided, however, that any association may withdraw from this agreement by three months' notice in writing delivered at the office of the company prior to the first day of July in any year, and upon delivery of such notice such association shall cease to be bound by the terms of this agreement on and after the fifteenth day of July in the said year.

In witness whereof the parties hereto have hereunto affixed their corporate seals, duly attested by the hands of their proper officers in that behalf, on the day and year first above written.

Signed, sealed, and delivered in the presence of -----

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ORGANIZATION OF THE UNITED STATES DEPARTMENT OF AGRICULTURE

January 23, 1928

<i>Secretary of Agriculture</i>	W. M. JARDINE.
<i>Assistant Secretary</i>	R. W. DUNLAP.
<i>Director of Scientific Work</i>	A. F. WOODS.
<i>Director of Regulatory Work</i>	WALTER G. CAMPBELL.
<i>Director of Extension</i>	C. W. WARBURTON.
<i>Director of Personnel and Business Administration</i>	W. W. STOCKMEYER.
<i>Director of Information</i>	NELSON ANTRIM CRAWFORD.
<i>Solicitor</i>	R. W. WILLIAMS.
<i>Weather Bureau</i>	CHARLES F. MARVIN, <i>Chief</i> .
<i>Bureau of Animal Industry</i>	JOHN R. MOHLER, <i>Chief</i> .
<i>Bureau of Dairy Industry</i>	L. A. ROGERS, <i>Acting Chief</i> .
<i>Bureau of Plant Industry</i>	WILLIAM A. TAYLOR, <i>Chief</i> .
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