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Problems in Grain Administration

BY MR. E. B. RAMSAY,

CHAIRMAN OF THE BOARD OF GRAIN COMMISSIONERS

THE CHAIRMAN, MR. H. M. FORBES:—Mr. Ramsay and gentlemen of the Canadian Club. The problems of wheat growing, of wheat harvesting, and wheat marketing, are problems of paramount importance and concern to every Canadian. We are privileged today to have as our guest a gentleman who is conversant with many of these problems, for he has upon his shoulders the administration of the statute governing what is probably the most important of our industries, the garnering of our wheat crop. Mr. Ramsay is a Scotsman from Glasgow with a background of banking, having been in the banking profession in Scotland, also in London, and also in the Far East. He came to Canada in 1910, for reasons of health primarily, and settled down in Saskatchewan as a farmer. He did not lose interest in his banking, for, I understand, he gave up his farming in a short time to engage again in banking. Later on, when the Saskatchewan wheat pool was organized, Mr. Ramsay was one of its first members and directors, serving in that and also later on in the central selling agency for the three wheat pools, and also as a director of the central selling agency. Just a little over a year ago he was selected as chairman of the grain commission of Canada and has to administer the very important statute governing that great industry. I take great pleasure in asking Mr. Ramsay, Chief Commissioner of the Board of Grain Commissioners of Canada, to address you on the subject, "Some Problems Met in Grain Administration."

MR. RAMSAY:—Mr. Chairman and gentlemen, I accepted the invitation to address you today with a good deal of

diffidence. I have always understood that the wise men came from the east and it would be naturally with a feeling of diffidence that a westerner would come east. In addressing you today I propose to bring to your attention some of the activities of the Grain Commission and some of the problems which we meet with in dealing with the administration of the act. I would first of all like to sketch briefly the history of the Grain Commission.

Originally, with the development of the western provinces, the railway companies were obligated to provide warehouses and facilities for the goods shipped over their lines. In those days the railways required all of their capital for the extension of their own facilities, that is, a permanent way and equipments. As a means of getting out of the provision of grain warehouses they interested private capital in the construction of these warehouses and in order to make the warehouses, which in those days were regarded very largely as speculative ventures, sure of profitable operation the railway companies created more or less of an elevator monopoly. That is to say, a western farmer could only ship his produce through an elevator. He had no means of taking advantage of a terminal market and he was forced to sell his grain to the local elevator. Out of those conditions arose a battle—I think I may quite safely call it a battle—for the western farmer to acquire facilities that would give him the freedom of any market that was available, and prevent him having to sell his grain on the street. That was a very vexed question and out of it has gradually evolved the Canada Grain Act. It was first of all known as the Manitoba Grain Act. Eventually with the development in the west, it was changed to the Canada Grain Act, and in 1912 a commission was appointed by the Dominion Government to administer that Act. Conditions since then have again gone through a very radical change. The war brought many problems to the surface which had to be met by extraordinary actions. The Canada Wheat Board was established to deal with one crop. We had a fixed price for wheat. In other words the emergency was dealt with by extraordinary means. Since then more

changes have come over the operations of grain farming and of the farmer, also of the grain commission.

One of the major difficulties the Grain Commission have is the settlement of disputes between the farmer and the grain handler. This is usually a minor dispute; that is to say, to the farmer it is a matter involving \$50 or \$100, a very important matter for him but not so important for the grain handler. It usually arises over some mistake in grading, some wrongful method or some inequality either on the farmer's part or on the part of the grain handler. Now grain handlers or grain elevators on the prairie provinces are public warehouses. The elevator man must handle grain if he has room in his plant and he has to handle it by specific means which are laid down in the act. It has always been a difficulty of the commission to deal with these country cases. It is very difficult for a farmer to engage in a long correspondence, in fact in many cases they won't even read letters, far less write them. To meet this situation in the present act which we are administering the Board has been given judicial powers. That is to say they have the power to adjudicate on those disputes. They have power also to settle those disputes by an order. If either of the parties disagree with the Board findings they must have recourse to an Appeal Court in the province in which the case is tried. So that the commission, to meet that situation in the country, has quite extensive judicial powers, involving the distribution of property. Now generally speaking, if you consider the work governing commissions, you cannot say that in making rules and in getting disputes they had functioned as a commission should. The Grain Commission, however, is quite extraordinary, or rather, I should say, its powers and duties are quite extraordinary for such a governmental body. Not only do we have to carry on those judicial proceedings but we have very heavy executive and administrative duties to carry out in regulating the trade.

Now I propose, Mr. Chairman, to give you briefly some of the activities of the Grain Commission. I do so with a view to giving you some information about the activities of the Commission and its relation to business. I do not think

the activities of the Grain Commission are well known in Eastern Canada. They are very well known in the west and, in fact, the Grain Commission in western Canada is continually under fire from one source or another, therefore, I hope that, when I have done today, we will at least have appealed to a certain measure of sympathy from the east.

Under the Commission is the Grain Inspection Department. I will briefly tell you the work of that department so you will be able to realize the colossal extent of the grain trade in Canada. I am taking the 1928-29 crop for an illustration because that was a very large crop and is possibly the peak of production in Canada over a number of years. Our inspection department inspected and graded 413,000 cars of grain. Now if you turn that into another form that means those cars of grain comprise twelve thousand freight trains of forty cars apiece. Those cars of grain are very largely inspected in the three fall months; probably 300,000 of them were inspected in the three fall months. It is of very great importance to the farmer that the grading of the car of grain is accurate. That is to say, the farmer shipped a car of wheat; has it graded *four* northern. It should have been *three* northern. If he has no means of getting that remedied he stands to lose ten to fifteen cents a bushel, which may be all his profit in the production of that wheat. To meet that situation various means of adjustment were set up in the grain Act to avoid errors in grading, and there must be some errors in that volume of business. We have therefore under us Appeal Boards who deal with cases which are appealed as being in error. In the 1928-29 crop some nine thousand cases were appealed. Of those eleven hundred were allowed on appeal, so that out of 400,000 cars, a quarter of one per cent were graded wrongly. Now, gentlemen, I think that is a record which the Inspection Department can well be proud of. In those 400,000 cars were contained 610,000,000 bushels of grain of all kinds. That grain was not only inspected by the inspection department on its arrival at terminal points but it was again inspected on shipments from those terminals. The shipments which are noted on what we call

the certificate final were contained in 1,497 cargoes which left Fort William and Port Arthur and 96,000,000 bushels of grain which left Vancouver. Now, as if that were not enough for a small department to do, in addition to that the inspection department inspected and graded 43,000,000 bushels of American grain at Montreal. Those figures, I think, will give you an idea, the most graphic I can place before you, of the volume and extent of Canada's grain trade.

Now working in conjunction with the Inspection Department we have our weighing branch. The weighing of grain is not under the weights and measures Act. It is under the Grain Act so far as it affects grain terminals. All that grain was weighed by the weighing branch and weighed again, on shipment from the terminals, certificates of weight being issued for every bushel of it. Now another feature of our administration is our redistribution branch. The Redistribution branch, as the result of the adjustments of the act at the last session of parliament, has become very much larger and more important than heretofore. In the registration office are registered all the terminal warehouse receipts. They are registered in full as to grade and as to weight. It is by means of the registration of documents that the Board governs the operations of terminal elevators. Other quite important departments are under the board. The one is the licensing and bonding Department. In this department we license and bond all the elevators in Canada for the protection of the public. We license approximately five thousand five hundred country elevators and one hundred and thirty terminal elevators. I hope I do not confuse you by the various types and grades of elevators, but the terminal elevators are the large elevators at the end of the shipping point and the country elevators are the small elevators, as you know them in the country shipping point. The total storage capacity of those elevators, and this is a very interesting fact, is 410,000,000 bushels. In other words we have sufficient storage in Canada to take care of last year's crop in its entirety and also all of the normal carry over. We carry bonds on these elevators of approximately \$30,000,000 to protect the public that their applica-

tions will be fulfilled. We also have to carry insurance on the stocks in those elevators to the full insurable value of those stocks. That insurance probably is handled by our statistical department where any of you, who may wish statistical information, may secure it. You may obtain not only Canadian statistics but world statistics and market information.

Now in addition to these activities we have in our custody the establishment of standards for Canadian grain; and that is a very important question, more particularly under present world conditions. The export standards are set by what is known as the western standards committee. I am speaking now of western grain. That involves to some extent the mixing question, which I will deal with in a few minutes when I come to tell of the new act. We have laid down in the act the means of providing a committee to deal with grain standards and in conjunction with that work we maintain one of the best equipped laboratories in Canada, which carries out baking tests and a good deal of chemical research work which is necessary in order to keep our inspection and other branches up to date.

In addition to these activities, as if they were not enough, we have to manage six large terminal elevators having a capacity of 22,000,000 bushels. Now a good deal of controversy has raged from time to time over the question of the Canada Grain Act. In fact I would say that probably the Canada Grain Act is the most contentious bit of legislation on the statute books of Canada. We have in the past few years had innumerable royal commissions looking into the grain business. The most notable one was that of which Justice Turgeon was the chairman. It becomes another matter though, when you have got a finding of a commission, to get it translated into legislation. I am afraid that in years previous the amendments which have gone into the Canada Grain Act have not always been dictated by the needs of the business. It was to remedy this condition that when taking office the new commission first of all with the instructions of the minister, overhauled the Canada Grain Act. One of the great difficulties of the previous commission was the fact that very likely ninety

per cent of the old act was *ultra vires* of the Dominion Parliament. The present act I think is *intra vires*, with the possible exception of one small section. It is very difficult to administer an act if you are not sure you can make it stick. At least I would imagine so. I am quite sure that the present act is valid and can be made to stand.

There were not many changes in the new act from the old act, except those which were dictated by an administrative standpoint. A good many contradictions were cleared out of the act. It was reduced some sixty sections, a good deal more power was asked by this commission to enable it to work and a good deal more power was granted under the act. There was one important fundamental change, however, which was dictated by necessity. I would point out that in the evolution of the grain trade five years ago a large proportion of the grain trade of Canada was in the hands of private capital. Today you might say the large bulk of the grain trade of Canada is in the hands of the public. Furthermore there have been large consolidations of important interests and under those circumstances the most desirable thing to introduce is stability. The new act clears up a good deal of doubt as to the standing of the terminal warehouse receipt. It was considered so important that the provisions of the Bank Act in respect to sections eighty-eight were over-ridden in the Canada Grain Act to assure that there should be no cloud on the title to the grain as represented by a terminal warehouse receipt. The ownership of that grain passes with the terminal warehouse receipt. That is a condition which is very desirable to bring about and clarifies the terminal situation immensely. Previous to that the registration of terminal documents had been carried on by us but you had a paradox in legislation. You had a public country elevator, and if I had grain in a public country elevator I had to ship it to a private terminal elevator. Now that is what I call a paradox. Surely grain in public stores should go in public stores.

The situation which the new act has brought about is quite clearly shown in some of the developments of the trade. Last year before the legislation went into effect the bulk of the terminal elevators were licensed as private terminal

elevators. Now the Act has never contemplated the control of private business. You can license your elevator as a private terminal elevator if you want to. The only restriction placed on your operation is the restriction of confining yourself to your own business. We forbid the private terminal elevator to handle public business. The situation in respect to the terminal elevator was this. It was operated without regulation as a private elevator and yet the farmer with grain in a public warehouse in the country had to ship to it. Now I would consider that bad legislation from the standpoint of public interest. Today 95 per cent of the terminal elevators are licensed as public elevators. They are under the same regulation as public elevators for the handling of grain with the exception that the type we call the semi-public are permitted to mix grain from four northern downwards. Now that was one of the most revolutionary changes in the act. There has been a good deal of misinformation in connection with the operation of terminal elevators. I find that the act works without friction; that is to say, possibly there are people who do not like the restriction, but it does not interfere with their business materially and I think there is a greater feeling of security amongst the public generally as a result of the change.

Now when taking over the administration of an act such as the Canada Grain Act, especially with the history behind that act, the possibility that it had been used as a political football at times, without considering the effect of certain sections in practical operation, led the new board to take the stand that they were entirely impartial so far as any controversy was concerned between the farmers' organizations, trade organizations, or any other organizations; that we were out to administer the Canada Grain Act in the public interest and in no other interest; where people wished to indulge in the handling of public business they could handle it under the proper restrictions necessary to be placed on them for the handling of that business. And we have followed that policy since we took office.

Just a few words about the mixing problem. That is another problem which I think is misunderstood and a few plain facts in connection with it will, I think, be help-

ful. The mixing of grain has been a matter of continual controversy in the west for the last twenty years. My own personal view before I was intimately connected with it was that mixing was all right. I was not one of those who prohibit mixing for the sake of prohibiting. There are certain features of mixing grain in terminal elevators, however, to which I personally object. If I put my grain in a public elevator and I pay the warehouseman his tariff of charges, why should he make any profit off my grain without my consent? That was a difficult question. Another feature about mixing was that you could not mix grain in a terminal elevator and maintain the obligations in your terminal warehouse receipts. It only takes one failure to illustrate the possibilities of any legislation. You have in section eighty-eight of the Bank Act general hypothecations on which country elevators have financed. That hypothecation follows the grain to the terminal warehouse and is in effect a warehouse receipt. You issue warehouse receipts but you take no grain; you specify so many bushels of one northern wheat. You go to work and organize in your elevator, and you do not have the same grain as is represented by your warehouse receipts. In other words you will have an overage in three northern and a shortage in some other grade, and the result is, if there is a bank hypothecation, the surplusses in the grade created by mixing would apply on the bank hypothecation and the shortages would be on the warehouse receipts. Now that situation is important and it has been clarified, as I say, in the new act. Now bank hypothecations do not follow terminal warehouses.

The practice of mixing to which the western farmer took the most exception was the practice of adulteration. Under present world conditions it is important that Canada's standards of grain should be as high as possible and should be sustained. Each grade permits a certain percentage of foreign grain in it. Take three northern, it permits of ten per cent of other wheats. The practice that the farmer complained of was: he shipped perfectly good red spring wheat of three northern grade and they mixed in ten per cent of white wheats. The result of that condition was that it lowered the standard of three northern. It was to

meet that condition that the prohibition of mixing was placed in the act. Now we have in the new act regulations which permit of a certain amount of mixing, as much as it is possible to do under the act. That is to say we allow tough grain to be mixed with straight grade grain.

Now gentlemen this is a very large subject to cover in a few minutes, but I would like to say a few words about western conditions. Western Canada is pretty well up against it. There is no doubt about that. They have had two unprofitable crops on their hands, one through short production and one through low prices. There are a good many statements flying around in the press and on the street which to me always seem to indicate that people credit the western farmer with very little common sense and gumption. I think myself that the western farmer is a very fine type of citizen. I think he is one of the greatest assets Canada has. He knows his business of farming in the main and, while of course there are always some floating around on the ragged edge of something or other, as a rule the average farmer is well up on his business. He is a man who is not going to be stampeded, and he is not a man who is going to abandon his business unless it is impossible for him to carry on that business. I have always found in my associations with the western farmer, and they have been intimate, that the biggest difficulty the western farmer had was to be assured of the safety of his tenure. That is to say, that he would know that his work was building up his home. He did not want to be in a position where he had to move every two or three years. There is a saying in the west that two movements from a farm are as bad as having a fire. You always lose money over them. It is a fact that he has it within his own power to lower his costs of production. That is to say, he can live off the land as the pioneers did, and he will do that before he leaves his farm. In fact you would be surprised, when you give your mind to it, how little money you really need to get along on a farm. Of course with large families and such things you need more money. But even then you can readjust your living expenses almost to zero. He has that advantage over the business man. I think you will find that he will do that,

and I think you should be prepared to realize that that will be his first means of retrenchment, that he will become more or less self-supporting.

I have heard a good deal about mechanized farming and the introduction of large scale operations in the west. Personally I have never considered western farming a commercial proposition. I have seen mechanical farming tried by steam power and by gasoline power, although gasoline machinery was not so efficient as it is today. I think there is a real place on the farm for some of that machinery but I think it would be a national calamity if the farmer for a home were disposed to give way to mechanical farming. There is nothing will lighten labor more than good machinery, but when you apply machinery to the work of a third of the population of Canada in these prairie provinces, and when you group these people in communities (I saw one speaker in Moose Jaw the other day said there should be only three or four large farms in Saskatchewan, with the communities working and acting under efficient management and direction) if you could visualize such a condition, I think it would be a national calamity for Canada. You need the population on the western prairies. You need it for your own sake in eastern Canada. The big difficulty we have to face today is to keep these people on the land until conditions remedy themselves.

I feel how inadequate it is to attempt to deal with this situation in three-quarters of an hour. There are so many ramifications and it is so interwoven with the national life that it is almost hopeless to attempt to deal with it specifically.

I do not propose to give you my views on the wheat market. I have noticed those who express their views on the wheat market are wrong five minutes after they have talked. I do not think anybody knows anything about it. You have this situation. You are doing a good export business from Canada. If that keeps up there is every prospect of the heavy carry over from last year being eliminated. You have today 400,000,000 bushels of wheat in a world which at present is oversold on the market that can only absorb fifteen or sixteen million bushels a week.

Until these conditions are remedied it is difficult to see where reasonable merchandising can be done. Last year it was the fashion to blame the pool for it. This year it is the fashion to blame Russia. I do not think either of them had very much to do with it. I think you are just in one of those liquidation periods which are bound to come from time to time. When I come east and cross that terrible desert of poplar trees and rocks between here and the west, I always think how extraordinary it is that Canada stays together. I have felt many times that the west has to make itself known to the east, and, as the older provinces, I think the eastern provinces have a duty to get to know the west. The western provinces today need help. I do not mean monetary help. I have no doubt they will pay their debts as they have always done. But they must have the support and help of every man in Canada to tide them over the very difficult situation that they are facing. One of the most important things is to keep the western farmer in full production until competing countries have either reduced their production or the consumptive demand has risen for our particular products. Until there is an adjustment of supply to demand we will have to face the situation we are facing today. Thank you.