

DEPARTMENT OF TRADE AND COMMERCE  
DOMINION BUREAU OF STATISTICS - CANADA  
AGRICULTURAL BRANCH

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CANADIAN AND UNITED STATES WHEAT PRICES

Ottawa, December 4, 1929. At the present time there is a differential in December future prices of wheat of approximately 13 cents in favour of Winnipeg as compared with Chicago. This condition which has been more or less general during the whole of the present season is peculiar to the present year as, owing to the protection of 42 cents per bushel afforded by the United States tariff, prices are generally higher on the Chicago than on the Winnipeg market. There are several reasons for this present market situation which may be discussed seriatim as follows:

(1) Quality - On account of its wellknown superiority, Canadian wheat has always occupied an advantageous position in the world markets. The quality is particularly high this year, inspections showing a larger proportion of the higher grades than for several years. For example, the advantages possessed by Canadian wheat for the manufacture of flour for the tropical markets has resulted in the milling in bond of considerable quantities of Canadian wheat in the United States, mainly at Buffalo, for export to Cuba and other countries in the form of flour.

(2) Tariff - The United States tariff on wheat at the present time is 42 cents per bushel. As a result of this, the United States market is to a large extent purely a domestic one, the surplus only being exported. This exportable surplus consists of low rather than the higher grades of wheat.

(3) Control - The futures trading in grain on the United States markets is controlled by a special branch of the U. S. Department of Agriculture. It is believed in some quarters that this has a tendency to restrict trading, particularly "hedgies", and to transfer the same to other markets, and, so far as any volume of trading is transferred from Chicago to Winnipeg, would increase the demand at the latter centre and enhance prices. tend to

(4) Railway Rates - Railway rates on grain for export are lower in Canada than in the United States. This decreases the deduction for charges to be made from the Liverpool prices of grain destined for export and would be reflected in a higher price in Canada than in the United States.

(5) World Situation - While Canada and the United States have both harvested comparatively small crops this year, record crops were shown in 1928-9 and a good deal of old grain still remains to be marketed. At the same time, world wheat crops for this year are estimated to be about 500 million bushels less than last year. On the other hand, the carryover from the 1928 crop is abnormal being estimated at 140 million bushels greater than the average. This leaves the world supply likely to be about 360 million bushels less than last year. An outstanding feature at the present time, however, is the large accumulation of stocks in important central markets. The world's visible supply is probably the largest on record. This is due to the large carryover of old wheat at the beginning of the present marketing season, early harvests in many areas (particularly in Europe), and the prompt marketing of these crops. The large carryover in the Argentine has particularly depressed prices and old wheat has been shipped for export from South America continually up to the present when the new crop is about to be harvested. This has had a very depressing effect on prices generally. As the Argentine has no system of elevators or grain storage, it is more or less impossible to hold grain in that country.

Alabama Department of Archives and History  
1911

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Dear Sir:

I have the honor to acknowledge the receipt of your letter of the 8th inst. in relation to the matter mentioned therein. The same has been forwarded to the proper authorities for their consideration. I am sorry that I cannot give you a more definite answer at this time, but I will endeavor to do so as soon as possible.

Sincerely,  
[Signature]

(6) United States Situation - Congestion has been particularly bad at United States points. This was seen early last May and a special effort, through the reduction of railway rates, was made to hurry the balance of the 1928 wheat crop of the United States to market. As it should have been foreseen, however, this reduction was promptly reflected in all the world markets for wheat, particularly at Liverpool, Buenos Aires and Winnipeg, so that the desired advantage to the United States holders of wheat did not materialize. With the marketing of the 1929 wheat crop the visible supply in the United States increased very rapidly during the early part of the season, although at present the pace has somewhat slackened. With the export demand satisfied to a large extent from comparatively cheap wheat from the Southern Hemisphere and supplies available from close European quarters, (on which the charges would naturally be less) the demand for wheat from North America has been seriously reduced, so that prices in Canada and the United States have been unduly depressed. As mentioned above the futures market is controlled and the congestion in elevators has been very serious. Naturally the Chicago market has felt the influence of these factors.

(7) Canadian Situation - The situation in Canada has been materially assisted by the strong hands holding the grain. Since 1924 a cooperative system of marketing by the producers, known as the Wheat Pool, has been in operation. This body during the crop season of 1928-9 handled 253 million bushels of wheat. The development of this organization has been an immense factor in stabilizing prices. Furthermore, it has naturally stiffened other agencies so that the marketing of other than pool wheat is likewise in stronger hands than formerly. These agencies believe that the short crop of wheat of high quality in Canada this year, in view of general world conditions as outlined above, viz., a decrease in the supply for the present season of 360 million bushels from last year, should command higher than present prices. Through their control of the marketing of Canadian wheat and their great financial resources, they have been able to carry these stocks so that wheat has not been sold for export in the usual large quantities during the past fall. Sales for domestic requirements have been made from time to time and on dips, for export. Our export shipments of wheat, however, during the three months ended October 31, have amounted to only 38 million bushels as compared with 95½ million bushels during the corresponding three months of last year. It is hoped that when the immediate effect of the early marketing of European surpluses and the stocks carried over from last year's crop in the Argentine, has been exhausted, with the promised short crops in the Southern Hemisphere, there will be a continued demand for Canadian wheat which will rapidly dispose of the carryover from last year and the reduced surplus available for export from the short crop of the present season, at prices profitable to the producers.

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