AN ECONOMIC ANALYSIS OF THE ONTARIO WINTER WHEAT MARKETING SYSTEM

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By

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SCOPE AND CONTENTS:

Following a background of pertinent economic theory and a description of the present system for marketing Ontario winter wheat, this study examines the current problems of the marketing system. Briefly, the domestic minimum price negotiated by the Ontario Wheat Producers' Marketing Board bears no relation to the value of the entire crop; the financial position of the Board is inherently unstable; and finally, very little planning of transportation and storage facilities for Board purchases occurs. In light of the present problems and objectives of the Board, a number of possible changes concerning supply and demand are presented. The author concludes that the Ontario Wheat Producers' Marketing Board (hereafter referred to as O.W.P.M.B.) should adopt a new marketing system. Essentially, the Board would buy and sell an amount equal to, or less than, the total amount of soft wheat needed for domestic flour and cereal manufacturers. The remainder of the crop would be sold by farmers at free market prices. A study of transportation and existing storage facilities would be required before this proposed marketing system could be adopted.

ACKNOWLEDGEMENTS

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CHAPTER I

THEORETICAL BACKGROUND

The object of this chapter is to provide a theoretical foundation that will be used in the analysis of the Ontario wheat marketing system. Economic theory is presented in an elementary form and illustrations are used to show the theoretical concepts.

The concept of pure competition is discussed first. This concept does not provide an accurate description of the real world for its assumptions do not hold for many industries in our economy. The assumptions are appropriate, however, for many agricultural products. Thus, the concept of pure competition supplies the logical starting point for our analysis. In later chapters, it will serve as a "norm" for evaluating the actual performance of the Ontario wheat marketing system.

Secondly, there will be a discussion of supply, demand and price determination. In subsequent chapters, these concepts will be used to describe the economic characteristics of wheat production and to illustrate current problems.

Finally, price elasticity of demand will be dealt

with and related to production and total revenue. These particular concepts will form the basis for a new marketing plan that will be presented in the fourth chapter.

In summary, the economic theory presented in this chapter will be used to describe the Ontario wheat marketing system, to outline the economic characteristics of wheat production, to illustrate current problems and to propose alterations to the system.

(A) PURE COMPETITION

The assumptions or the conditions necessary for the existence of pure competition are as follows: (1) All sellers of a product sell exactly the same type of product. The consequence of this is that buyers have no reason for preferring the output of any one seller. (2) Each buyer and each seller of the product involved must be so small in relation to the entire market for the product that he cannot perceptively influence its price. (3) There are no artificial restrictions placed on demands for, supplies of and prices of goods and resources. Prices must be free to move wherever they will in response to changing conditions of demand and supply. (4) There is mobility of goods and services and of resources in the economy. New firms must be free to enter any industry and resources must be free to move among alternative uses. Goods and services can be sold wherever they command the highest price. Resources

can find employment in their highest paid uses.

(B) SUPPLY

The supply of a good is defined as the various quantities of the good that sellers will place on the market at all possible prices, other things being equal. It is the relationship between prices and quantities that sellers are willing to sell in a given time period. Usually the supply curve will slope upward to the right, since a higher price will induce sellers to place more of the good on the market and may induce additional sellers to come into the field. A hypothetical supply curve is shown in Figure 1.

When the price of a commodity is high compared with prices for alternative products, farmers as a group tend to produce more of it. They tend to cut down on output of commodities for which prices are relatively low. However, it is difficult to measure precisely how much change in production is related to price changes.

There are a number of factors which obscure the effect of price changes. Weather often upsets the plans of farmers. While they may reduce or increase acreage planted because of prices, weather causes yields, and sometimes the acreage harvested, to vary so much from year to year, that farmers may produce considerably more or less than they had intended. The steady improvement in farming that is resulting in increasing yields per acre also tends

GRAPHICAL REPRESENTATION OF SUPPLY - (SUPPLY CURVE)

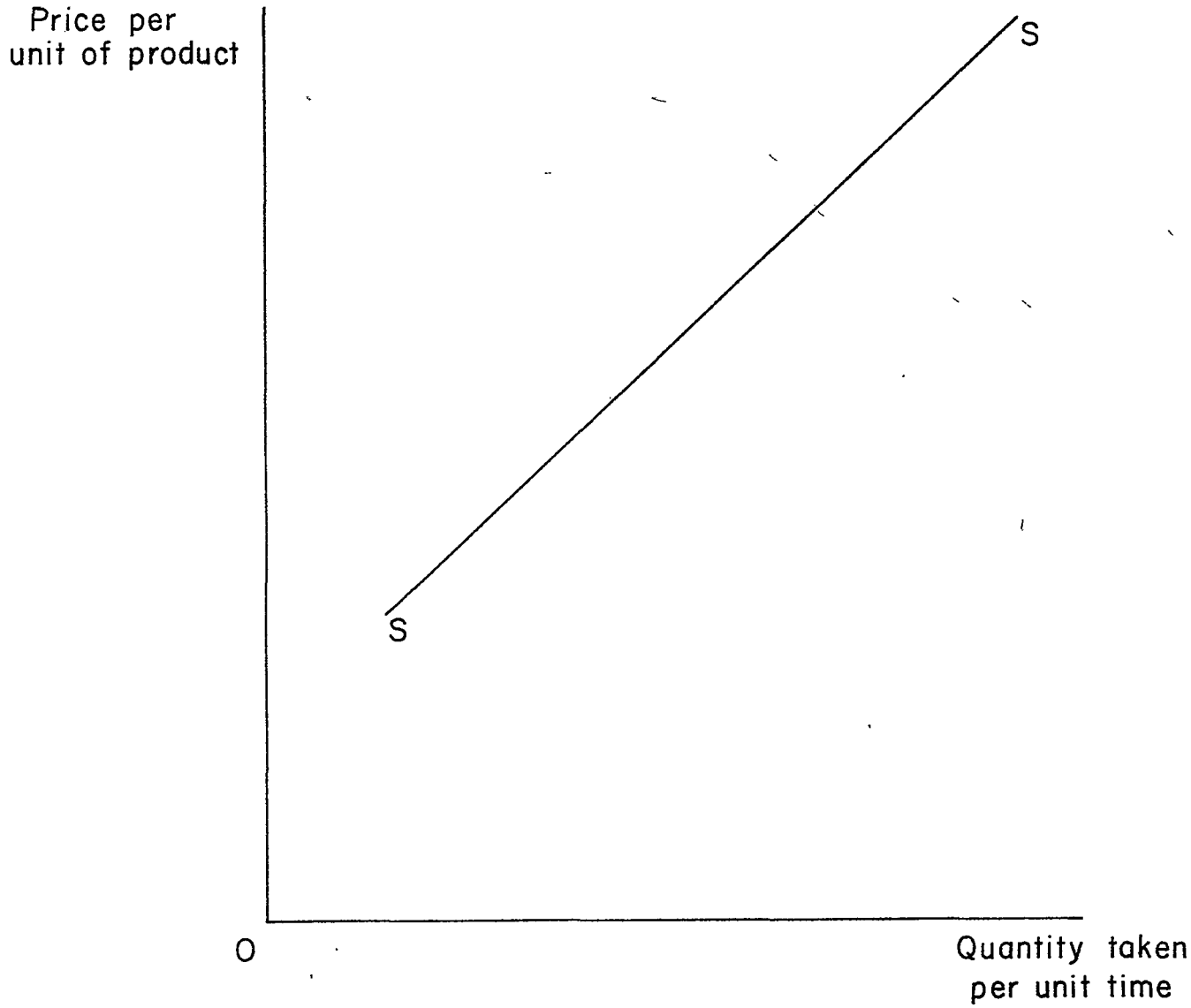

Fig. I

to obscure the effects of price changes on bringing about higher production. The time required for making adjustments in farming is often so long that is is difficult to measure how much of an adjustment is due to a particular cause. For example, for most field crops a year must elapse before farmers can increase or decrease production. It must also be remembered that farmers' decisions to produce are influenced not only by the prices they received in the past, but also by the prices they expect to obtain in the future.

Because of the difficulty of measuring the influence of prices on future production, many have concluded that trends in production are largely independent of past prices. However, this view is undoubtedly incorrect when one realizes that farmers tend to maximize their incomes. High prices for a product usually stimulate increased production at some future time; and prices low enough to be unprofitable usually reduce future output. Of course, some farmers in times of low prices may increase output in an attempt to maintain income. But generally, increases or decreases in the price of a commodity are followed by opposite changes in the level of production in the future.

(C) DEMAND

Demand for a good is defined as the various quantities of the good that consumers will take off the market at all possible alternative prices, other things being equal. The

quantity that consumers will take will be affected by a number of circumstances, the most important ones being (1) the price of the good (2) consumers' tastes and preferences (3) the number of consumers (4) consumers' incomes and (5) the prices of related goods.

The definition of demand only considers the relationship between possible prices of the good and the quantities of it that consumers will take. The other circumstances are assumed to remain constant. Demand curves typically slope downward from left to right because consumers usually buy more at a lower price than at a higher one. A hypothetical demand curve is shown as "DD" in Figure 2. The term demand refers to that entire demand curve.

A clear distinction must be drawn between a movement along a given demand curve and a change in demand. A movement along a given demand curve is a change in the quantity taken resulting from a change in the price of the good itself when all the other circumstances influencing the quantity taken remain unchanged. When the circumstances held constant change, the demand curve itself will change. For example, a shift in consumer tastes and preferences toward a good, will result in an increase in their rate of purchase at each possible price. This is shown by "D_1D_1" in Figure 2. A shift in tastes and preferences away from the good, will have the opposite effect as shown by "D_2D_2". Shifts in demand will be discussed further in Chapter III.

GRAPHICAL REPRESENTATION OF DEMAND - (DEMAND CURVE) AND CHANGES IN DEMAND

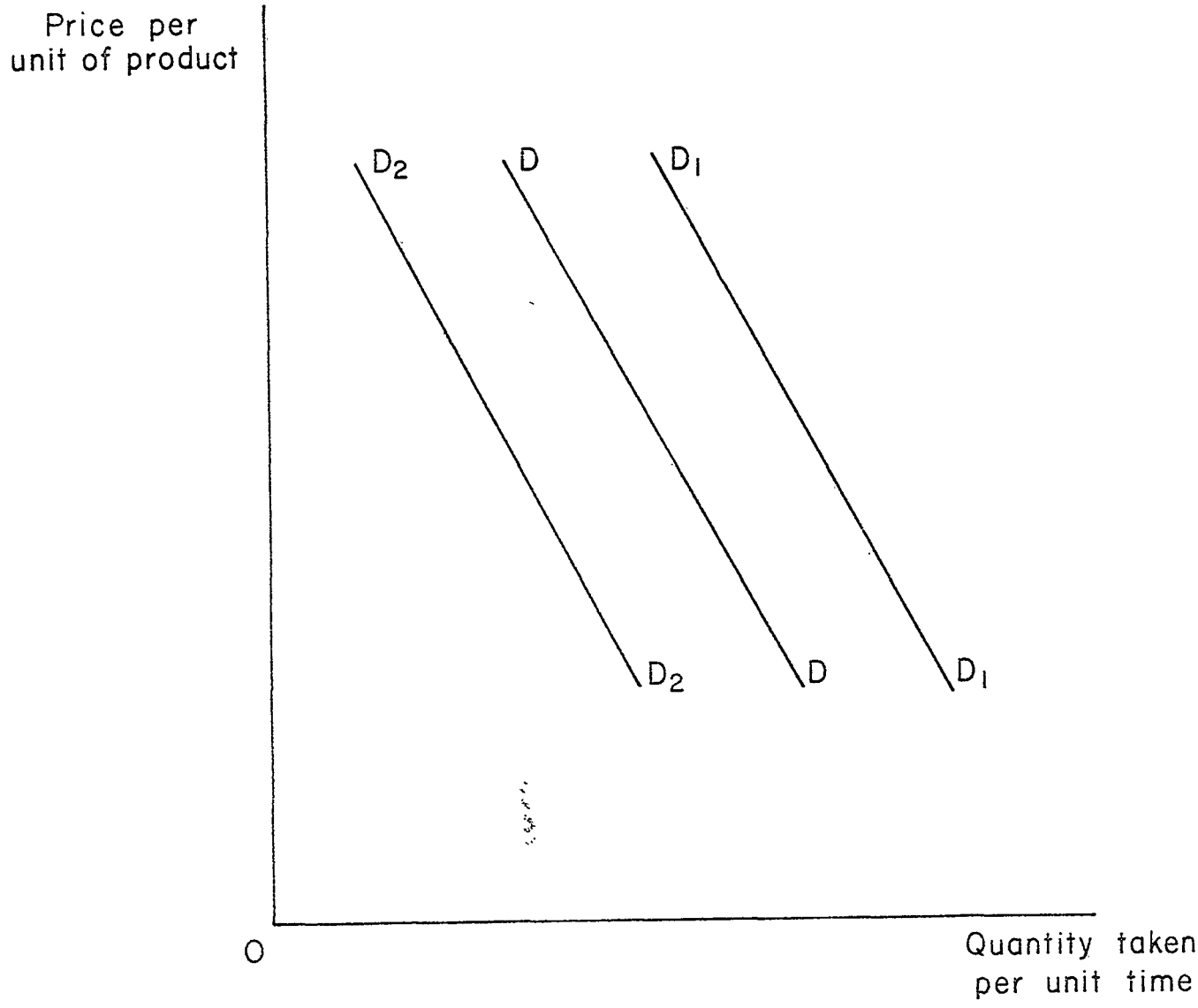

Fig. 2

(D) MARKET PRICE

The demand curve and supply curve for a certain commodity can be used on a single diagram to show the forces determining its market price. Assuming a purely competitive market, the demand curve shows what consumers are willing to do, while the supply curve shows what sellers are willing to do. In Figure 3, price "p" is called the equilibrium price. Given the conditions of demand and supply for commodity X, it is the price that if attained will be maintained. If the price deviates from "p", forces are set in motion to bring it back to that level. A price above the equilibrium price brings about a surplus which induces sellers to undercut each other, driving the price back down to its equilibrium level. A price below the equilibrium level results in a shortage which causes consumers to bid the price back up to equilibrium. At the high price of "p_1" so much of the good is placed on the market that consumers' valuation of it is less than that price. At price "p_2", the quantity placed on the market is so small that its value to consumers is greater than its price. At the equilibrium price "p", the quantity placed on the market is such that price and consumers' valuation of the good are the same. Equilibrium prices are those prices correctly valuing the quantities of commodities placed on the market.

MARKET PRICE DETERMINATION
(PURE COMPETITION)

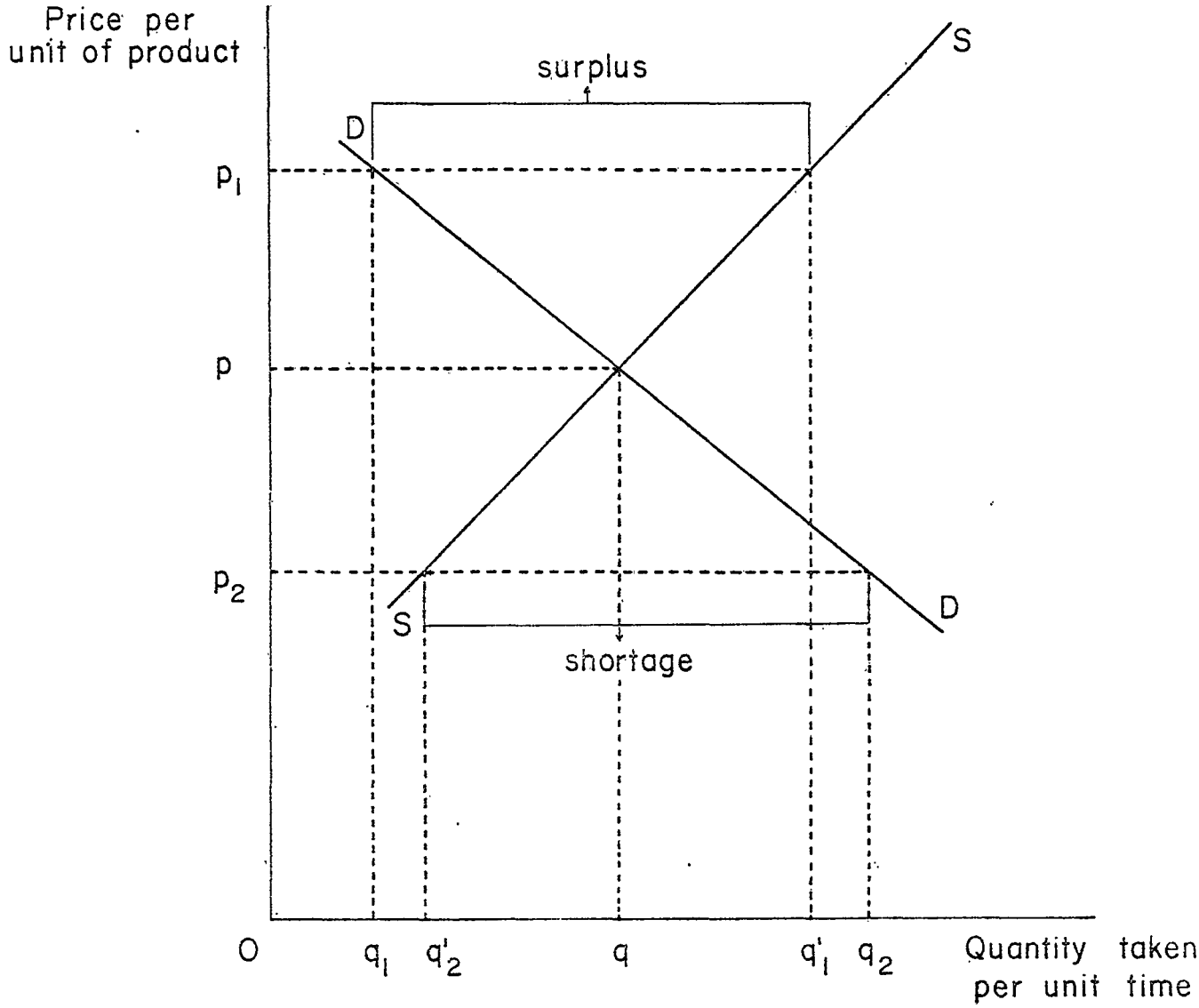

Fig. 3

(E) PRICE ELASTICITY OF DEMAND

As previously mentioned, demand curves usually slope downward from left to right because consumers usually buy more at a lower price than at a higher one. However, there is a considerable difference among products in the response of consumption to changes in price. This brings us to another important aspect of demand--elasticity. Price elasticity of demand indicates the responsiveness of the quantity taken of a commodity to changes in its price.

For some products, the quantity taken responds to a much greater degree to changes in price than for others. If the percentage change in consumption is larger than the percentage change in price, demand is elastic. More precisely, the demand for a commodity is elastic with respect to price, if a given percentage change in price is accompanied by a greater percentage change, in the opposite direction, in the quantity taken. Some products for which demand appears to be elastic include corn, oats, barley and feed wheat.

On the other hand, there are other products that consumers tend to use about the same amounts year in and year out, regardless of the price they have to pay. They will not consume much more if the price falls; they cut consumption relatively little when the price goes up. Demand for such products is inelastic. Demand for a commodity

is inelastic when a given percentage change in price is accompanied by a smaller percentage change in the opposite direction in the quantity taken. Some products for which demand is inelastic include milk, tobacco and wheat destined for human consumption.

There are a number of factors which influence the elasticity of demand. The most important factor, however, is the availablity of substitutes. If good substitutes are available, demand for a given commodity will tend to be elastic. If there are no good substitutes, demand will tend to be inelastic.

Price elasticity of demand is important to producers because of the relationship between elasticity, price changes and total revenue. If the quantity taken is quite responsive to price changes (elastic), an increase in price may decrease total revenue. Conversely, if the quantity taken is not responsive to price changes (inelastic), an increase in price may increase total revenue.

Much of the present argument about agricultural policy involves the effect on farmers' revenue of reducing agricultural output. Historically, attempts have been made to decrease the production of agricultural commodities in an effort to bring about an increase in the total revenue which farmers receive. Whether total revenue will be increased when production is decreased, depends upon the price elasticity of demand.

To illustrate this point, consider a straight-line demand curve such as "AB" in Figure 4. The price elasticity of demand for any straight-line demand curve depends upon the segment of the curve under consideration. This is because elasticity is a relative concept. In the segment of the demand curve "AC", a 1% change in price results in a greater than 1% change in the quantity taken. Thus, the price elasticity of demand is elastic.

In the lower portion of the demand curve, from "C" to "B" demand is inelastic. That is, a 1% change in price results in a less than 1% change in the quantity taken. Since this demand curve is elastic in the upper portion and inelastic in the lower portion, there is a point between these two segments at which the price elasticity of demand is unity. That is, a 1% change in price results in a 1% change in the quantity taken. In the case of a straight-line demand curve, this point is the mid-point of the demand curve. In Figure 4, the price elasticity of demand at point "C" is unity.

The important relationship for the farmer to know is how these elasticities are related to total revenue. Figure 5 shows the total revenues for various quantities taken of a commodity corresponding to the straight-line demand curve in Figure 4. When price elasticity of demand is elastic, total revenue increases as the quantity taken increases. On the other hand, when price elasticity

PRICE ELASTICITIES OF DEMAND FOR A STRAIGHT-LINE DEMAND CURVE

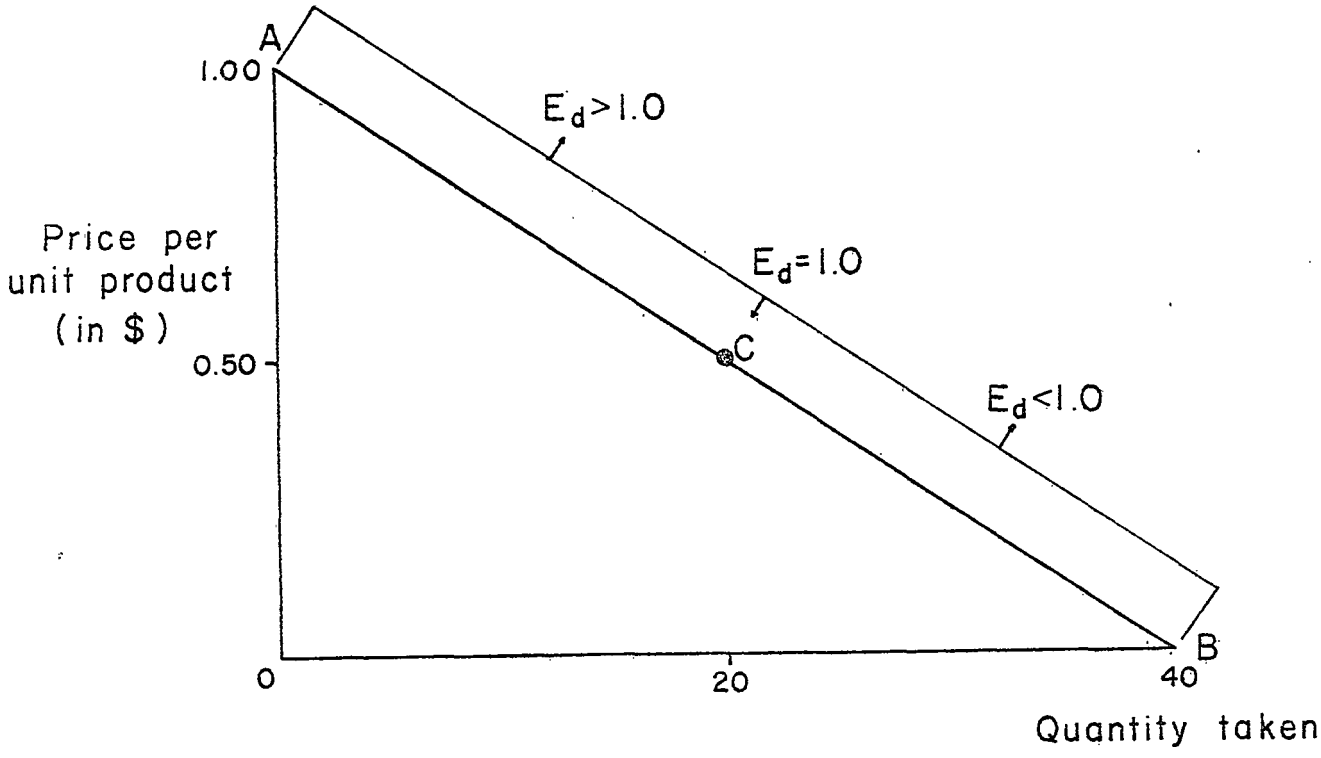

Fig. 4

TOTAL REVENUE RELATED TO PRICE ELASTICITY OF DEMAND

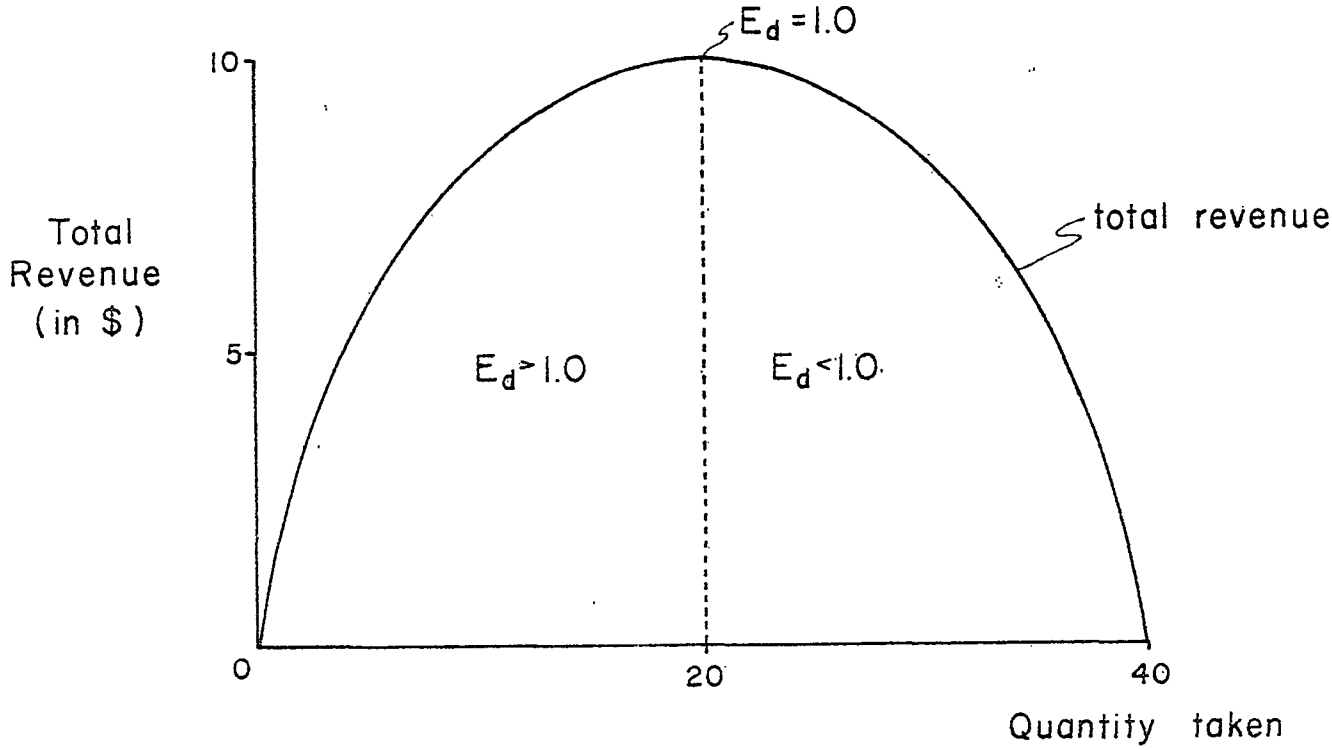

Fig. 5

of demand is inelastic, total revenue increases as the quantity taken decreases. Total revenue is at a maximum when price elasticity of demand is unity.

Why are these relationships important to farmers? Simply, if the price elasticity of demand for a farm product is elastic, total revenue would decrease if output were restricted. If a farm product's elasticity of demand is inelastic, total revenue would increase if output were restricted. Finally, if production were controlled at the output where elasticity of demand is unity, total revenue would be maximized. It is important to note that these relationships only hold true when considering the total production of a farm product.

CHAPTER II

THE WHEAT MARKETING SYSTEM IN ONTARIO

In this chapter, the general characteristics of the supply of Ontario winter wheat will be reviewed; and, using the Ontario example, the theoretical relationship between price and the quantity supplied will be illustrated. Next, the general characteristics of demand for Ontario wheat will be examined. Particular attention will be paid to both the demand curve and price elasticity of demand for each market. Within this framework of supply and demand, the Ontario Wheat Producers' Marketing Board plays an important part.

The Board's role in the system will be briefly considered and by means of a flow chart, the entire system and its workings will be reviewed. Since the Board's function is such an important one, we will take a close look at its origin, organization and operations.

The information in this chapter was obtained through personal interviews and mailed questionnaires during the period of September, 1968 to March, 1969. Personal interviews were conducted with the Ontario Wheat Producers' Marketing Board staff and directors during a week in Chatham and related discussions throughout the year. Other

personal interviews were conducted with those involved in the grain trade, including Richardson Grain Merchants, Toronto; the Ontario Grain and Feed Dealers Association, Toronto; the Ontario Flour Millers Association, Toronto, as well as individual flour mills, feed mills and cereal manufacturers. Questionnaires were mailed to flour millers, feed and cereal manufacturers throughout the province. Other visits were paid to the Farm Economics and Statistics Branch of the Ontario Department of Agriculture, Toronto and the Board of Grain Commissioners for Canada, Toronto Office. Statistics were obtained from the Dominion Bureau of Statistics publications, the Ontario Department of Agriculture, and the Ontario Wheat Producers' Marketing Board.

(A) SUPPLY OF ONTARIO WINTER WHEAT

The extent of winterkill[1] is an important determinant of production and consequently, harvested acreage of winter wheat often varies from year to year. Since yield per harvested acre tends to be relatively low in years of heavy winterkill, year to year variations in total production are even more extreme. Figure 6 is a histogram illustrating total production for crop years 1958-59 to 1967-68. Figures

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[1] winterkill--Ontario winter wheat is planted in the autumn and a certain amount fails to survive the winter.

PRODUCTION OF ONTARIO WINTER WHEAT
CROP YEARS 1958-59 TO 1967-68

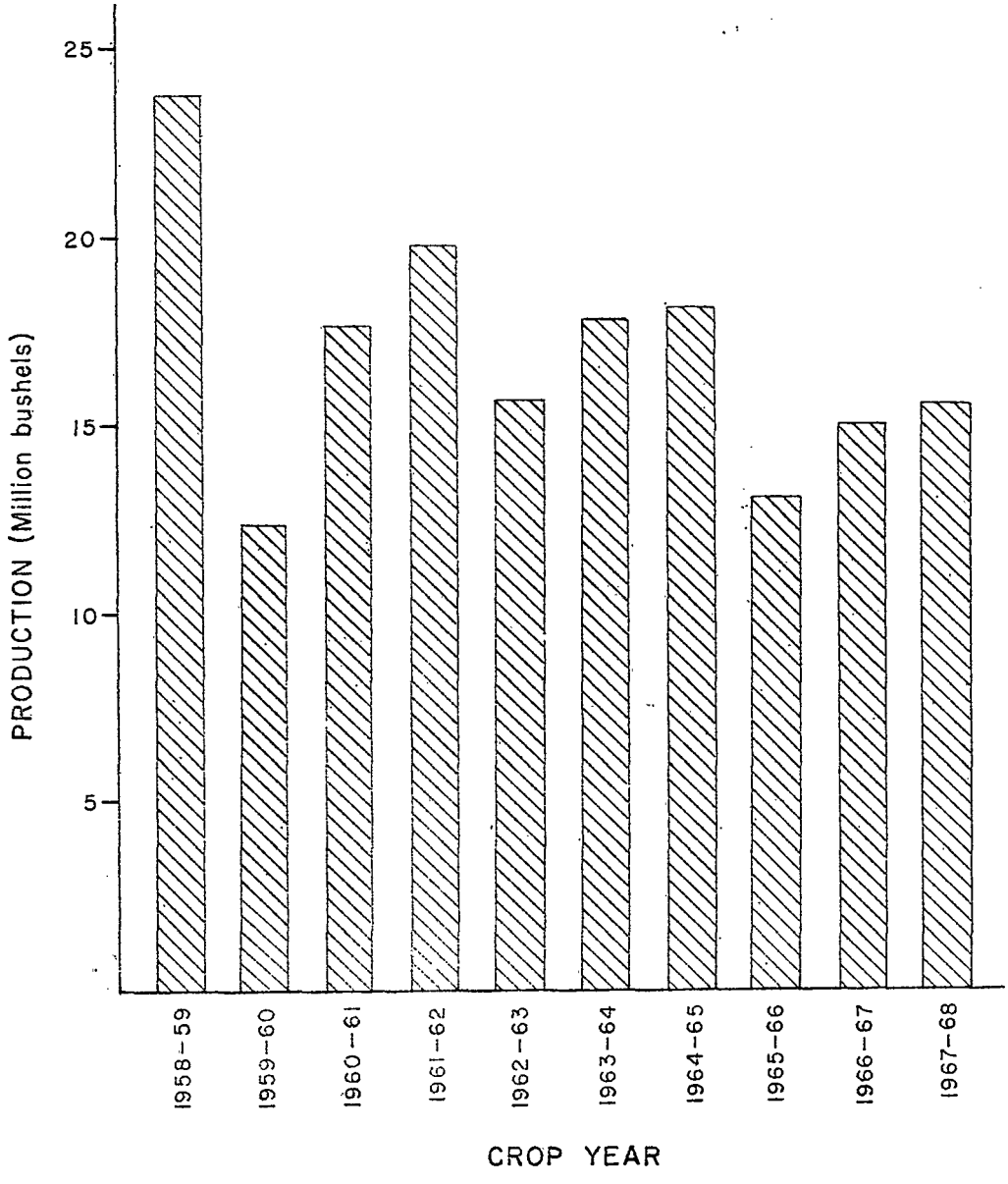

FIG. 6

SOURCE: Agricultural Statistics for Ontario

for seeded acreage, percentage winterkill, harvested acres and production for the past ten years may be found in Table 1.

As illustrated in Figure 7, the production of winter wheat within the province is concentrated in the southwestern region. This area now produces over 80 percent of the province's winter wheat.

In the early 1950's, less than half of Ontario's winter wheat production was commercially marketed. Most of it was used as livestock feed on the farm. During the last ten years, however, the proportion of marketed production has increased markedly. Eighty-five percent of the total production was marketed in the crop year 1967-68. Figures for production, marketings, and marketings as a percentage of production in Table 2 illustrate recent trends. This development towards production of winter wheat as a cash crop has been of some importance in all parts of the province, but is most pronounced in the main production area of Southern Ontario. In Essex and Kent counties, the entire crop has been marketed in recent years. In the counties where winter wheat production is less significant, less than 50 percent of production is marketed.

In Chapter I, the relationship between price and the quantity supplied was noted. When the price of a commodity is high, compared with prices for alternative products, farmers as a group tend to produce more of it. This

TABLE 1

SEEDED ACREAGE, PERCENTAGE WINTERKILL, HARVESTED ACRES

AND PRODUCTION FOR ONTARIO WINTER WHEAT

CROP YEARS 1958-59 TO 1967-68

Crop Year	Seeded Average	Percentage Winter-kill	Harvested Acres	Production (in bushels)
1958-59	610,000	5	580,000	23,896,000
1959-60	685,000	38	425,000	12,464,000
1960-61	560,000	6	525,000	17,570,000
1961-62	610,000	8	561,000	19,981,000
1962-63	530,000	15	448,000	15,725,000
1963-64	485,000	9	438,000	17,608,000
1964-65	480,000	5	451,000	18,085,000
1965-66	490,000	26	354,000	13,063,000
1966-67	392,000	13	341,000	15,021,000
1967-68	455,000	12	400,000	15,480,000

Source: Agricultural Statistics for Ontario

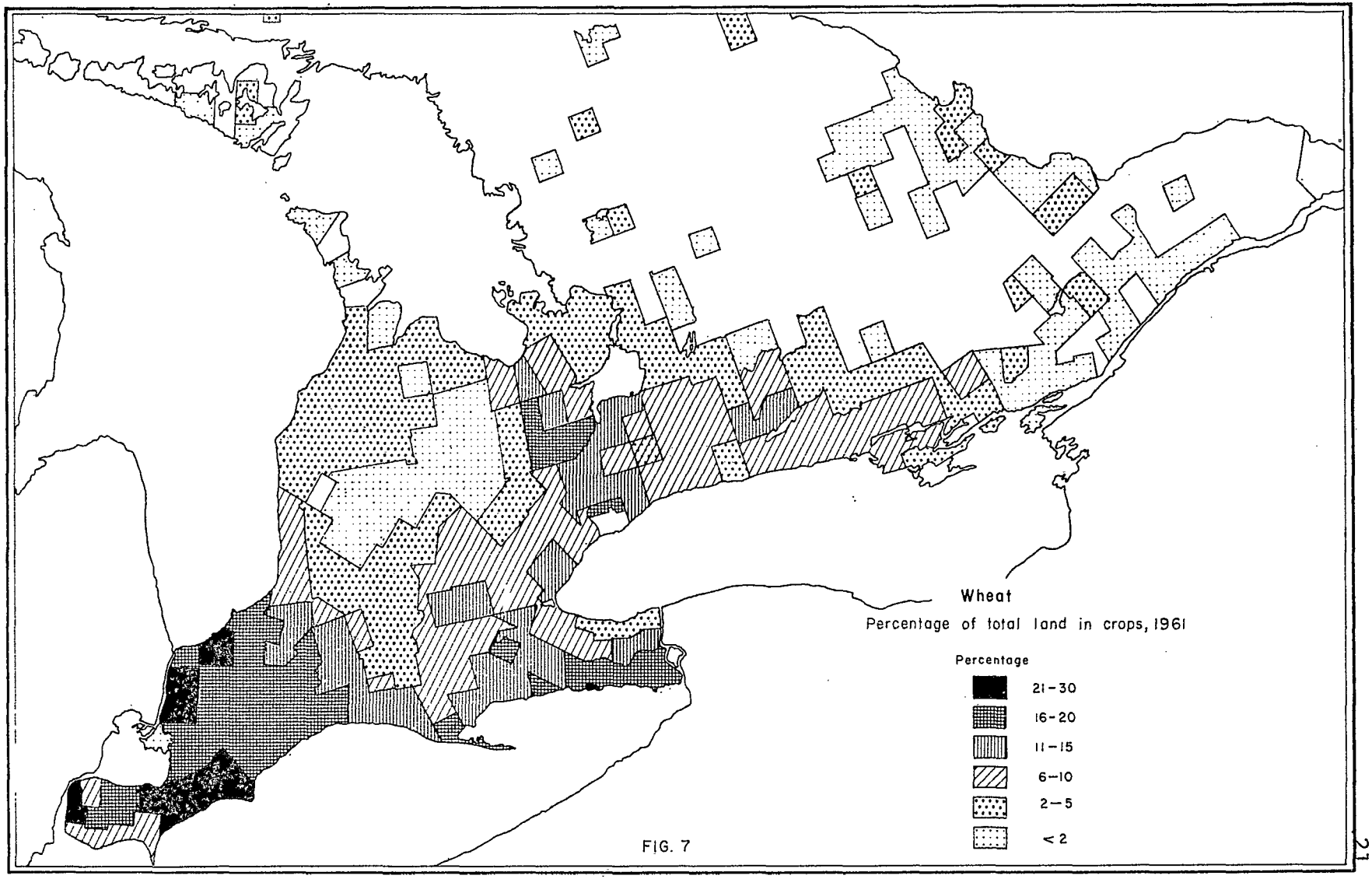
Wheat
Percentage of total land in crops, 1961
Percentage
21-30
16-20
11-15
6-10
2-5
< 2

FIG. 7

TABLE 2

PRODUCTION, MARKETING AND MARKETINGS

AS A PERCENTAGE OF PRODUCTION FOR

ONTARIO WINTER WHEAT

CROP YEARS 1958-59

TO 1967-68

Crop Year	Production (in bushels)	Marketings (in bushels)	Marketings as a Percentage of Production
1958-59	23,896,000[a]	11,614,977[b]	48.3%
1959-60	12,464,000	6,439,207	51.8
1960-61	17,570,000	9,034,591	51.4
1961-62	19,981,000	11,741,001	58.8
1962-63	15,725,000	9,306,026	58.9
1963-64	17,608,000	12,165,244	65.7
1964-65	18,085,000	13,567,600	74.4
1965-66	13,063,000	9,855,403	73.7
1966-67	15,021,000	11,467,793	76.3
1967-68	15,480,000	13,285,264	85.8

Sources: [a]Agricultural Statistics for Ontario

[b]Ontario Wheat Producers' Marketing Board

relationship has not been reflected in the seeded acreage of Ontario winter wheat, possibly because it is a long-run effect. However, this relationship has certainly been evidenced in the short-run by a steady increase in total marketings. While several factors have probably influenced this trend, the price of wheat, which has become more attractive in relation to the prices of other grains, has had the largest effect. Moreover, the steady price of Ontario wheat has reduced financial risk in growing it.

Another important aspect of supply is the seasonal pattern of deliveries. As can be seen in Table 3, over 80 percent of the total marketings in recent years have come onto the market within the first quarter of the crop year. Several reasons can be offered to explain this pattern. Firstly, winter wheat is one of the first crops to be harvested and many farmers market it immediately to obtain needed cash. Increasing mechanization has speeded up the time needed for harvesting and this, combined with generally inadequate farm storage has led to commercial marketing early in the crop year.

(B) DEMAND FOR ONTARIO WINTER WHEAT

(i) Domestic Demand

The domestic demand for winter wheat can be grouped into the following classes:

(1) demand for processing into pastry and related soft-wheat flours, including

TABLE 3

MONTHLY PERCENTAGE OF ONTARIO WINTER WHEAT MARKETINGS

CROP YEARS 1958-59 to 1967-68

Month	1958-59	1959-60	1960-61	1961-62	1962-63	1963-64	1964-65	1965-66	1966-67	1967-68
July	12.9%	24.7%	7.1%	3.8%	34.5%	28.4%	53.9%	33.0%	45.1%	26.9%
August	38.2	30.9	33.4	49.3	30.2	35.4	22.1	34.5	28.5	43.7
September	11.9	10.0	16.3	13.1	8.0	9.9	4.8	8.8	7.0	11.5
October	4.8	6.7	6.9	8.0	3.3	5.0	2.3	5.3	2.7	3.4
November	3.3	3.8	4.3	3.8	5.8	3.4	2.3	2.3	1.7	1.8
December	5.4	3.6	4.8	2.5	1.5	1.8	1.8	1.1	1.4	1.2
January	5.5	3.9	4.3	3.3	4.1	2.7	3.5	3.2	3.2	2.7
February	5.2	4.4	7.3	4.6	4.6	3.8	4.1	3.9	4.2	3.1
March	4.1	2.7	5.8	3.2	2.4	2.6	1.9	2.8	2.3	2.2
April	1.6	2.8	2.2	2.7	1.7	2.8	1.0	1.9	2.0	1.5
May	2.8	2.4	3.3	2.4	1.6	1.6	.9	1.4	.7	.7
June	3.8	3.6	3.6	2.7	1.9	2.0	.9	1.1	.7	.7

Source: Ontario Wheat Producers' Marketing Board

breakfast cereals
(2) demand for commercial seed
(3) demand for livestock feed

Domestic flour mills provide the high-price outlet for Ontario winter wheat, accounting for approximately six to eight million bushels per year. The demand for wheat processed into flour is generally considered to be price inelastic. That is, the quantity used does not change significantly from year to year, even when prices vary. Moreover, the demand curve is thought to be more or less stable. Even though demand will increase with increases in population, it will be offset by the trend of fewer food dollars being spent on pastry and other baked goods.[2]

In reviewing the millers buying and selling habits, we find that the majority of mills acquire extremely large stocks of soft wheat during the harvest season and store it in private elevators. Because the greatest proportion of their requirements has been bought, wheat purchases in the succeeding months are somewhat less than their monthly millings. Purchases after the harvest season are mainly bought from either brokers or grain merchants. Few farmers deliver wheat to millers after the harvest season. Total millings are closely geared to domestic requirements. Some

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[2] K. W. Meinken, The Demand and Price Structure for Wheat, Technical Bulletin No. 1136 (Washington, D.C.: United States Department of Agriculture, 1955), pp. 17-22.

soft-wheat flour is exported, but in relation to total millings, the amount is insignificant.

The domestic requirements for commercial seed are relatively small and will probably remain so. It is believed that demand is elastic, that is, sensitive to price changes because of a producer's choice of either purchasing commercial seed or using his own wheat for seed. Usually farmers purchase commercial seed every two years. Normally, seed dealers purchase their requirements through contacts with farmers. Seed sales are usually "hedged".[3] Because all seed must be chemically treated, it cannot be used in any other capacity and hence, to reduce risk, seed dealers will only treat and bag seed wheat after sale orders have been placed.

The domestic demand for soft wheat as livestock feed is price elastic. The quantities taken are greatly responsive to changes in price. The reason for this is the number of good alternatives available for feeding purposes. Ontario winter wheat competes not only with western hard spring wheat but also with oats, barley and particularly corn. Soft wheat can only be sold for feed if its price is properly related to the prices of substitute feed grains, taking into consideration their relative nutrient value. At present,

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[3] hedging--involves buying a commodity and selling an equal amount at the same time (or shortly afterwards) for future delivery.

the minimum price of Ontario winter wheat is too high in relation to other grain prices and subsequently, very little moves into feed channels. The amount that is used, is either fed on the farm (not marketed) or is used in specialized ways such as poultry feed or in pelletizing. Generally speaking, only lower grades are used in this way.

Since 1941, the Federal Government has offered freight assistance to western feed grains moving into Eastern Canada. This transportation subsidy has allowed western grain prices to be competitive with the other feed grains in the East. In October 1967, Ontario winter wheat became eligible for freight assistance if the wheat was sold as feed in Quebec and the Maritimes. As a result, Ontario wheat is now competitive with western wheat in those areas, and thus, increased sales are expected.

(ii) Export Demand

Exports of Ontario wheat must compete in the world market with several established large-scale suppliers, which include the United States, Australia and France. In comparison with these countries, the amount of Ontario soft wheat for export is quite insignificant.

The export demand for winter wheat is concentrated largely in Western Europe. Total requirements in this area are generally quite stable from year to year, but imports

vary considerably, since the world market is used only to supplement local production. Consequently, international trade in soft wheat varies greatly from year to year. Moreover, the international market is more sensitive to price changes than the domestic market.

In the past, the amounts of exported Ontario winter wheat have been extremely variable. Very few countries have been regular buyers, with the exception of the United Kingdom. The quantity purchased by any one country has varied greatly from year to year.

In the past, there has been a fairly consistent but small export demand for Ontario winter wheat for seed purposes. These exports have been made almost entirely to the United States.

A summary of the supply (production and marketing) and the demand for Ontario wheat may be found in Table 4.

(C) THE ONTARIO WHEAT PRODUCERS' MARKETING BOARD

(i) Its Role Within the Marketing System

The O.W.P.M.B. was established to enable producers to operate a "price stabilization," or rather, an excess diversion program. Under this program, a minimum price is determined each year with suitable discounts in price for poorer grades and moisture content. Producers delivering wheat receive no less than the appropriate minimum price.

TABLE 4

PRODUCTION, MARKETING AND UTILIZATION OF ONTARIO WINTER WHEAT (IN BUSHELS). CROP YEARS 1958-59 TO 1967-68

Crop Year	Production	Marketing	Utilization of Marketings					Farm Use (Production less Marketings)
			Total Millings	Exported as Grain			Other Domestic Feed, Seed	
				Consumption	Seed	Total Exported		
			bushels					
1958-59	23,896,000[a]	11,614,977[b]	6,246,426	3,386,791[c]	*	3,386,791	1,911,744	12,351,039
1959-60	12,464,000	6,439,207	5,777,502	21,984	180,762[c]	202,746	452,671	5,971,881
1960-61	17,570,000	9,034,591	6,123,323	390,128	283,792	673,820	2,230,596	8,542,261
1961-62	19,981,000	11,741,001	6,462,920	1,918,132	247,749	2,165,881	3,112,200	8,240,028
1962-63	15,725,000	9,306,026	6,670,000	568,142	354,941	923,083	1,712,943	6,418,974
1963-64	17,608,000	12,165,244	6,093,000	2,867,141	313,320	3,180,461	2,891,783	5,602,756
1964-65	18,085,000	13,567,600	6,897,000	5,090,700	95,242	5,185,942	1,484,058	4,668,400
1965-66	13,063,000	9,855,403	7,126,000	632,713	116,321	749,034	1,980,369	3,502,597
1966-67	15,021,000	11,467,793	8,266,000	805,407	169,324	974,731	2,290,069	3,490,200
1967-68	15,480,000	13,285,264	7,511,000	493,254	31,182	524,436	5,249,828[+]	2,194,736

*Prior to 1959, Dominion Bureau of Statistics did not publish exports of winter wheat for seed purposes and for consumption separately.

[+]3.9 million bushel carryover

Sources: [a]Agricultural Statistics for Ontario

[b]Ontario Wheat Producers' Marketing Board

[c]Dominion Bureau of Statistics Exports by Commodities

If the dealers who buy this wheat cannot dispose of it at an equivalent or higher price, the O.W.P.M.B. stands ready to purchase wheat from the dealers at this minimum plus an agreed handling charge. The O.W.P.M.B. is not in competition with the dealers, but is a "collection body" for wheat that cannot find a buyer on the domestic market. Characteristically, Board purchases are exported. Figure 8 illustrates the Board's role.

Earlier, it was noted that the demand curve for wheat for human consumption was price inelastic, and the demand curve for livestock feed and commerical seed was price elastic. Because the quantities sold for feed and seed are small, it can be reasonably assumed that the entire domestic demand curve is price inelastic. However, to simplify our diagram, we will assume that the demand is perfectly inelastic.

Before the O.W.P.M.B. existed, the system of marketing Ontario winter wheat was very similar to the concept of pure competition and subsequently, the market price was determined in a manner similar to that shown in Chapter I. In Figure 8, it is assumed that the equilibrium price paid to farmers is "p", and the quantity supplied and demanded is "oq". When the Board was established, it artificially raised the price to "p_1". Because the demand curve was assumed to be perfectly inelastic, at price "p_1" the same quantity "oq" is demanded. However, at the price "p_1",

GRAPHIC ANALYSIS OF OWPMB PURCHASES

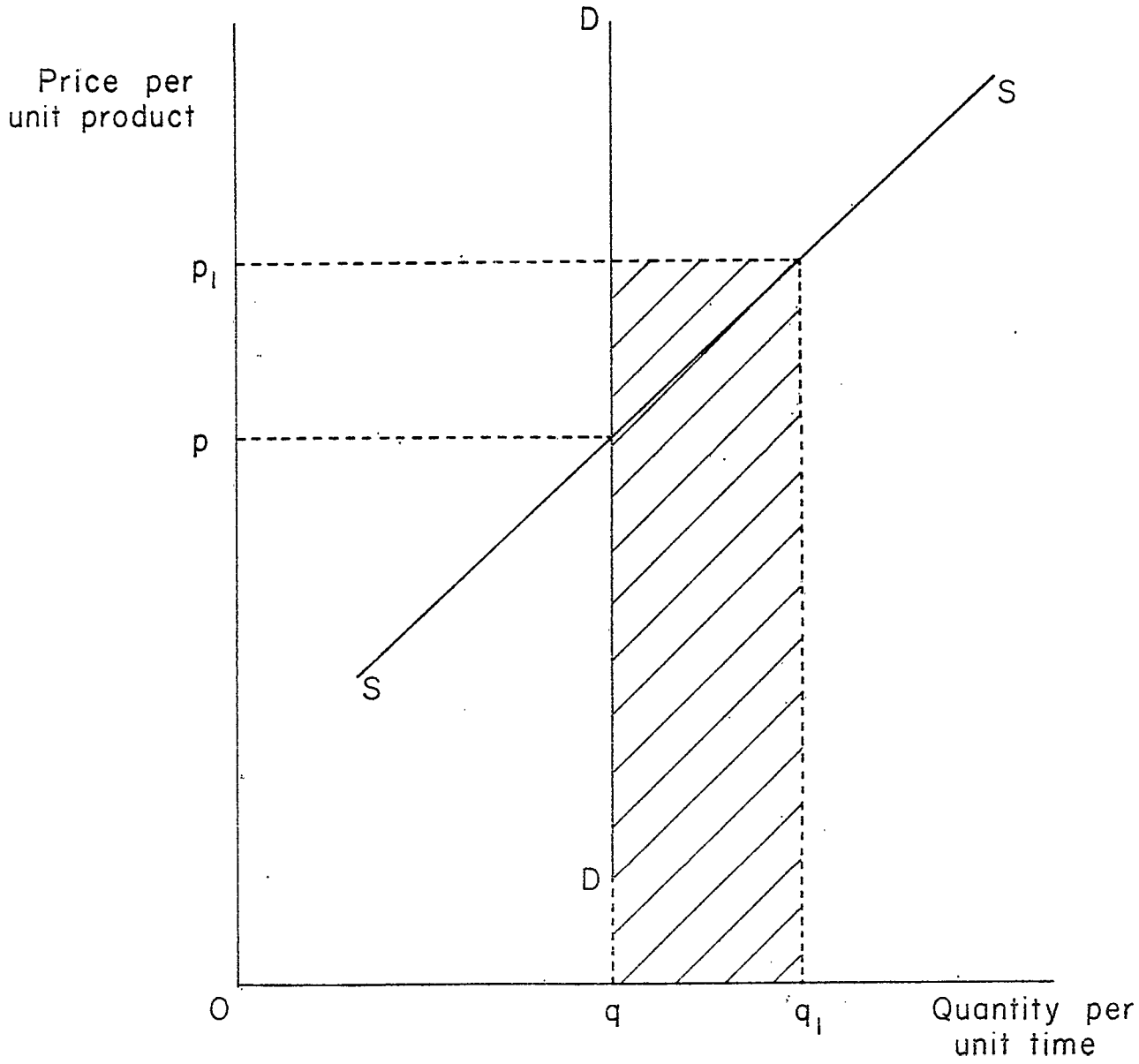

Fig. 8

farmers are willing to supply the quantity "oq_1". The quantity supplied ("oq_1") minus the quantity demanded ("oq") represents the surplus ("qq_1") which the Board buys.

Because there is no domestic market for this surplus at the price "p_1", the Board sells this amount on the export market.

Having briefly discussed the O.W.P.M.B.'s role in the marketing system, an understanding of the entire system may be gained by referring to Figure 9.

(ii) Origin and Organization of the O.W.P.M.B.

In the early 1950's, growers felt that the pattern of heavy marketings at harvest time caused unjustly low prices. This grievance led to the desire for a more uniform price throughout the whole year and it was thought that a marketing board could perform this function. The idea to establish a marketing plan for Ontario winter wheat under the Ontario Farm Products Marketing Act[4] originated in the southwestern part of the province. Support of this idea soon developed on a provincial basis, and in 1954 a petition of wheat producers requesting a vote on a proposed marketing plan was submitted to the Farm Products Marketing Board.

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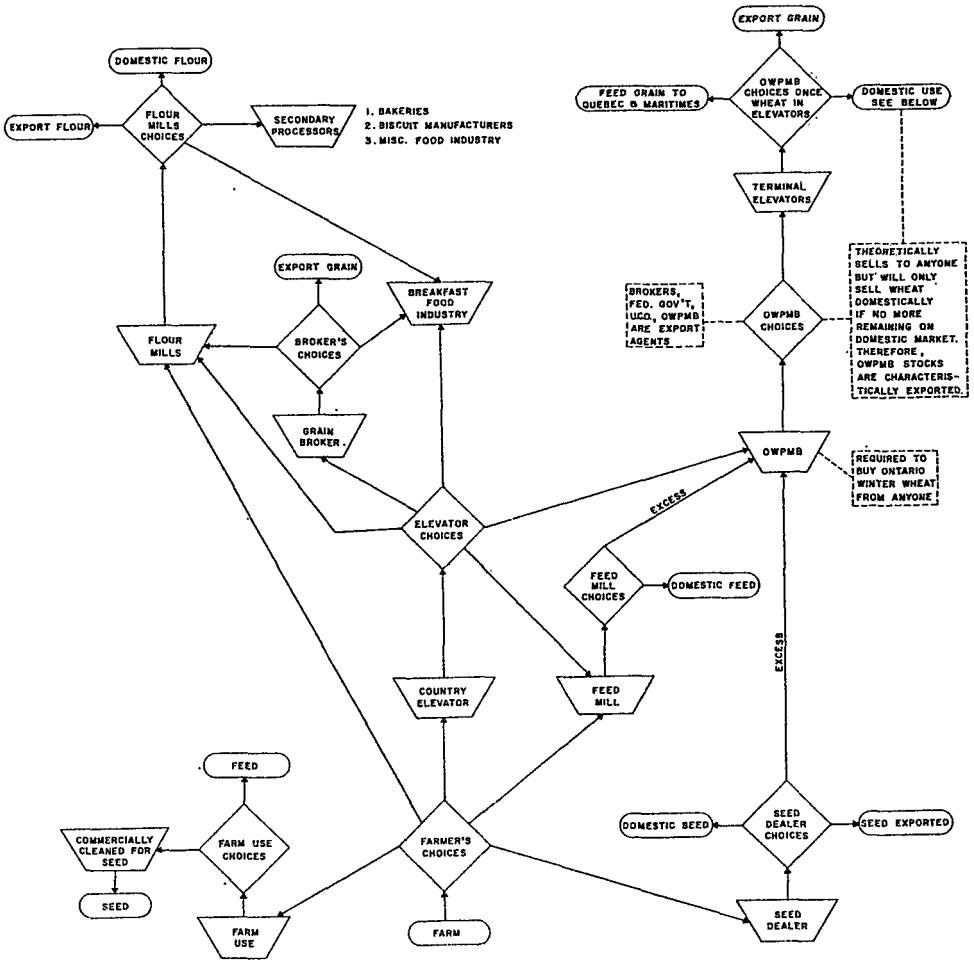
[4]The Ontario Farm Products Marketing Act may be obtained from the Ontario Department of Agriculture, Parliament Buildings, Toronto.

MARKETING STRUCTURE FOR ONTARIO WINTER WHEAT
(NORMAL CHANNELS)



INDICATES BEGINNING OR END POINTS.

INDICATES INPUT OR OUTPUT OPERATIONS.

OWPMB — ONTARIO WHEAT PRODUCER'S MARKETING BOARD.

U.C.O. — UNITED CO-OPERATIVES OF ONTARIO GRAIN MARKETING DIVISION.

INDICATES DIRECTION OF FLOW.

INDICATES CHOICES OR DECISIONS.

INDICATES EXPLANATION.

FIG 9

The request was rejected because too many names came from one county in the province and secondly, the petitioners were not in agreement as to the type of marketing plan desired.

Of the two types of marketing plans that can be established under the Act, the wheat producers finally chose a negotiating-type plan. Under this method, representatives of the producers and buyers meet to negotiate minimum prices and conditions of sale. The other alternative was a marketing agency which has full power over the marketing of a farm product. Under this method, the agency directs and controls production, fixes the price paid to producers and sets the prices and conditions of sale with the various buyers.

In 1957, after revising the petition and deciding on the type of plan, the request was again submitted to the Farm Products Marketing Board. It was approved and a provincial vote of wheat producers taken. Farmers voted in favour of the plan, and in 1958, the O.W.P.M.B. became a reality. The official "Plan" may be found in Appendix A. It contains sections on: (1) rules concerning the amount of control exercised on the product; (2) exemptions from the plan; (3) licence fees or service charges for marketing expenses; (4) delegated powers to carry out the purposes of the plan; and (5) the method of electing directors of the local board.

The organizational structure of the O.W.P.M.B. is illustrated in Figure 10 and the accompanying map (Figure 11) shows county districts.

Beyond these provincial aids, concessions were also made by the Federal Government. Under the Canada Agricultural Products Marketing Act, authority was granted to deduct an "equalization" or "stabilization" levy from each bushel marketed to establish a fund to assist in the disposal of wheat that exceeded domestic requirements. Also granted under this Act was authority to market wheat in interprovincial and export trade.

Having achieved these goals, the O.W.P.M.B. applied to the Government of Canada for a support price set at 90 percent of $1.78 f.o.b. country shipping point which was the base price for the preceeding ten years. The Canada Agricultural Prices Stabilization Board declined to agree to as high a support price but prescribed the lowest minimum price under the legislation of 80 percent of the base price ($1.42). Because this Federal support price is 80 percent of the previous ten years average price, it changes annually. The Federal Government, however, regards this support price as a "deficiency payment." That is, if the price of winter wheat should be lower than the support price, payment would be made to farmers to bring returns back up to this level.

ORGANIZATIONAL STRUCTURE FOR THE O.W.P.M.B.

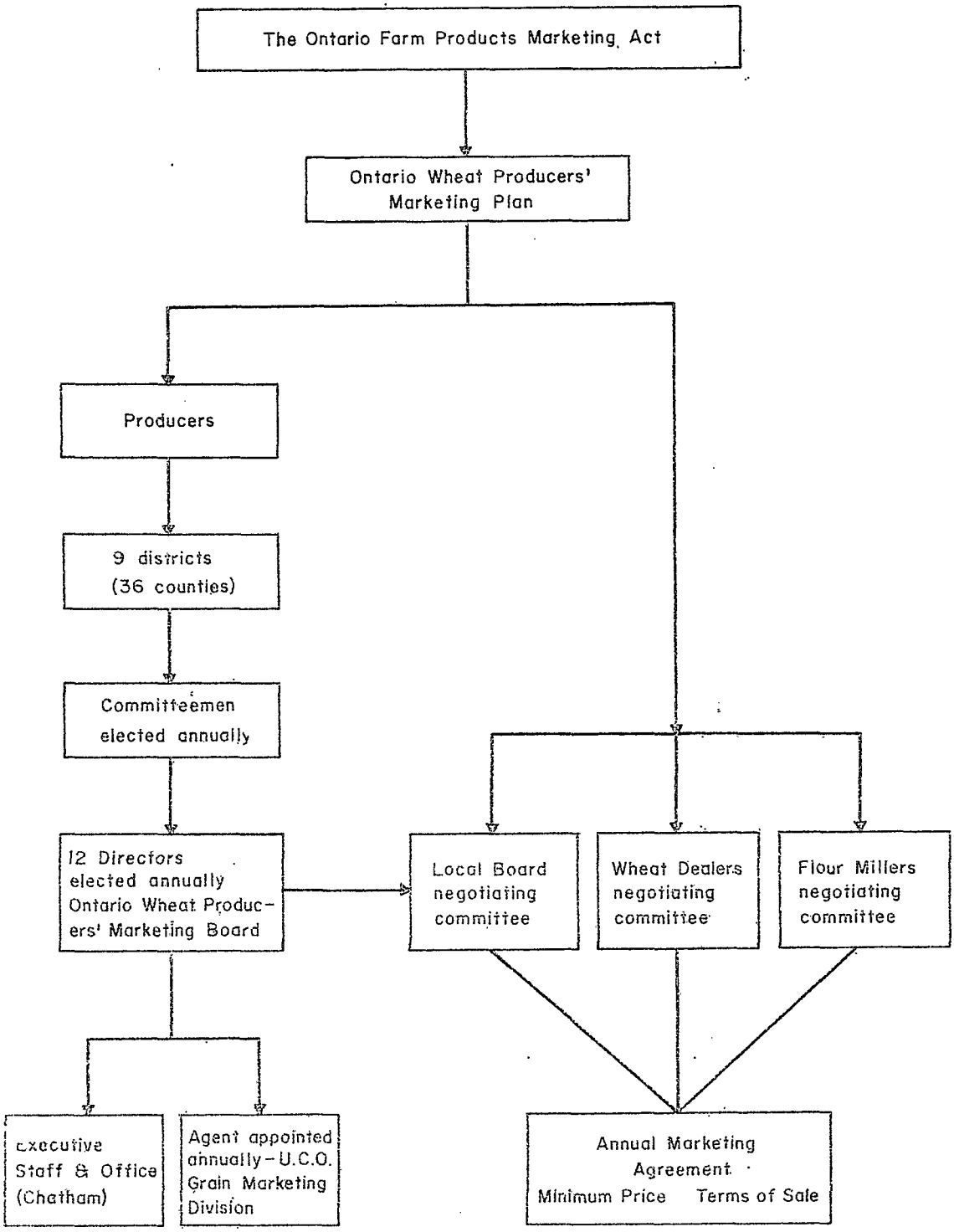


FIG 10

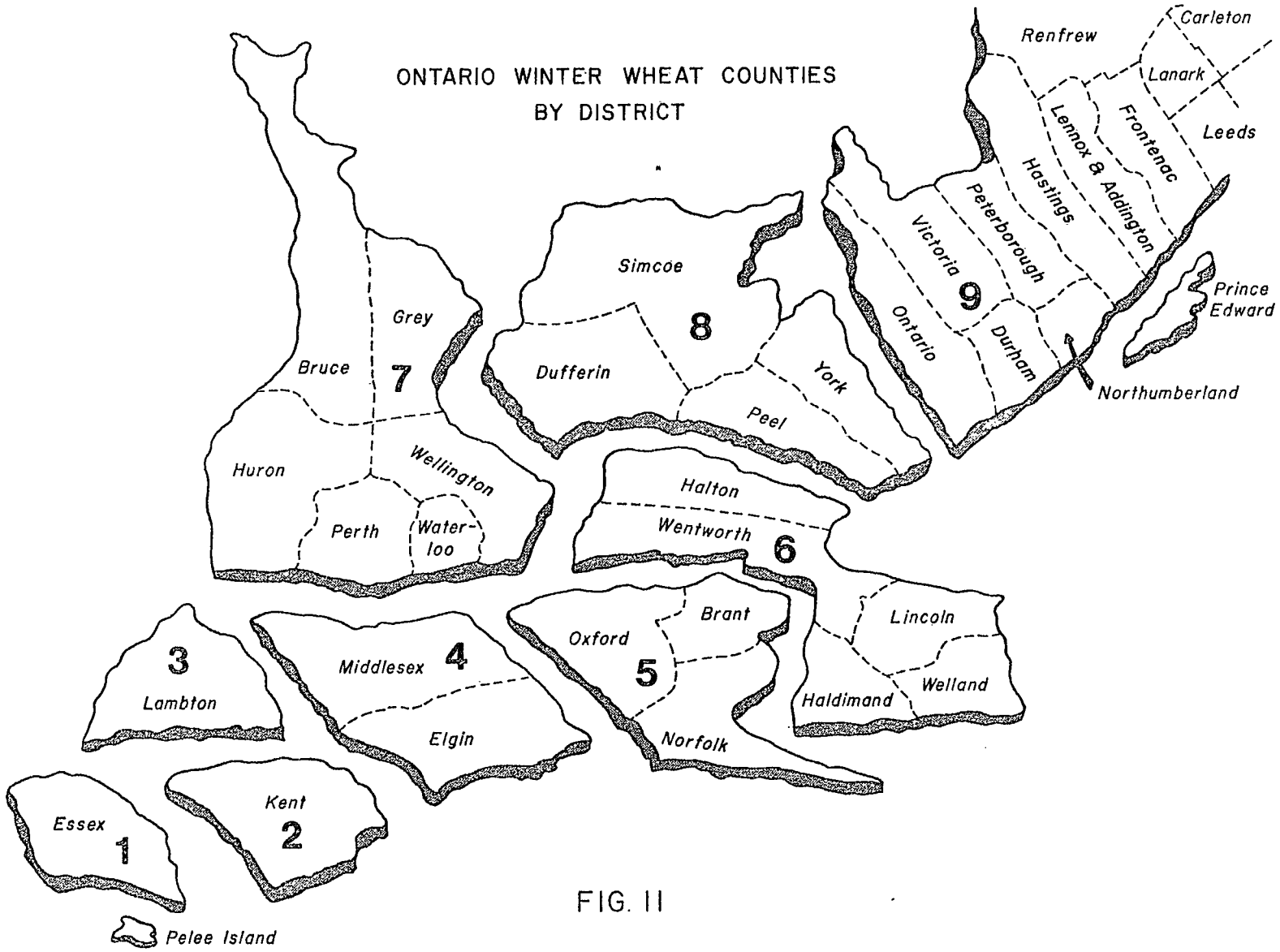

ONTARIO WINTER WHEAT COUNTIES
BY DISTRICT
Renfrew
Carleton
Lanark
Leeds
Lennox & Addington
Frontenac
Hastings
Peterborough
Victoria
Ontario
9
Durham
Northumberland
Prince Edward
Simcoe
8
Dufferin
York
Peel
Grey
Bruce
7
Huron
Wellington
Perth
Water-loo
Halton
Wentworth
6
Lincoln
Welland
Haldimand
Brant
Oxford
5
Norfolk
3
Lambton
Middlesex
4
Elgin
Essex
1
Kent
2
Pelee Island

FIG. II

(iii) Operations of the O.W.P.M.B.

In late May or early June of each year, committees representing the producers (O.W.P.M.B.), grain processors, and grain dealers meet to reach agreement on minimum prices to be paid to the producer for the standard grade (Canada Eastern No. 2 or better). Maximum discounts for off-grade, discounts for high moisture content and maximum handling charges allowable by dealers are also agreed upon. The specific terms of the Agreements differ in most years, but many of the basic terms have remained the same. It is for this reason that only one example may be found in Appendix B.

The minimum price varies according to the month in which delivery is made. Specific minimum prices are shown in Table 5 for the crop year 1967-68. The purpose of this mechanism is to allow for storage, interest, and other costs incurred from storage beyond the harvest.

As mentioned above, the O.W.P.M.B. buys the surplus wheat on the domestic market and exports it. In order to finance this operation, all producers in the province have both a licence fee and a stabilization levy deducted from each bushel of wheat that is marketed. Farm to farm sales are exempt. The licence fee is used to cover the administrative costs of the O.W.P.M.B. The equalization levy is used to finance all of the costs incurred by the Board in disposing of this excess wheat. The unused portion of this

TABLE 5

MONTHLY MINIMUM PRICES (CANADA EASTERN NO. 2 OR BETTER)

CROP YEAR 1967-68

Month	Minimum Price
July, August, September	$1.80
October	1.82
November	1.84
December	1.86
January	1.88
February, March, April	1.90
May	1.85
June	1.80

Source: Ontario Wheat Producers' Marketing Board

fee is returned to the producers (pro-rated) at the end of each crop year. See Table 6 for deductions and rebates within the past ten years.

Recently, the O.W.P.M.B. established a reserve fund as insurance against financial difficulty. The fund was authorized under the Canada Agricultural Products Marketing Act and provides that a one million dollar fund be accumulated. The money will accumulate by means of a two cent per bushel holdback on each year's available rebate.

The O.W.P.M.B. operates on a year-to-year basis. Unlike the Canadian Wheat Board, carryovers cannot be sold to the next year's pool. If there is a carryover, the pool money and the wheat are set aside and the sale of this wheat is independent of the following year's crop.

The United Co-operatives of Ontario (U.C.O.) Grain Marketing Division is hired by the O.W.P.M.B. to act as the agent or broker in any physical handling of wheat. U.C.O. contracts in advance the storage space it might require, including elevator space and ship and rail space. The following are some of the major terminal points which serve as assembly bases: Wallaceburg, Toronto, Port Stanley, Port Colborne, Walkerville and Montreal. In short, U.C.O. concerns itself with the where's, when's, and how's of assembling and shipping the winter wheat that the O.W.P.M.B. has purchased.

Once the wheat has been assembled at terminal elevators, the O.W.P.M.B. attempts to dispose of it on the

TABLE 6

O.W.P.M.B. DEDUCTIONS FROM MONTHLY MINIMUM PRICES AND REBATES

CROP YEARS 1958-59 TO 1966-67

Crop Year	Licence Fee	Stabilization Levy	Total Deductions at time of Marketing	Rebate	Total Deductions
1958-59	1.0¢	9.0¢	10.0¢	5.0¢	5.00¢
1959-60	1.0	9.0	10.0	9.0	1.00
1960-61	1.0	9.0	10.0	5.0	5.00
1961-62	1.0	9.0	10.0	7.3	2.70
1962-63	1.0	9.0	10.0	6.0	4.00
1963-64	1.0	9.0	10.0	---	10.00
1964-65	1.0	15.0	16.0	---	16.00
1965-66	1.0	15.0	16.0	11.87	4.13
1966-67	1.0	17.0	18.0	6.11	11.89

Source: Ontario Wheat Producers' Marketing Board

export market. The policy of the Board has been to accept bids from domestic buyers if these bids were equal to or greater than all the costs associated with purchasing and owning the wheat. Because this price becomes too high for the domestic grain trade, very few sales have ever been made. Furthermore, this wheat is usually out of position relative to where it is needed and hence backhaul freight would further increase the cost to any potential buyer.

There are a number of ways that foreign sales may be made. Firstly, grain merchants conclude foreign deals and then buy wheat from the Board. Secondly, the Federal Department of Trade and Commerce may make a goods exchange with a foreign country. If the country wants soft wheat, the Federal Government allows the O.W.P.M.B. to bargain with the country, and the Board receives the negotiated price. Thirdly, the Canadian Government in accordance with their Foreign Aid Plan, may decide to give soft wheat to an under-developed country. In this case, the Federal Government buys Ontario wheat at world prices. On all export sales, the O.W.P.M.B., U.C.O., and brokers work very closely to set prices and dates of delivery.

During the last few years, large sales have been made to Syria and Pakistan through the Federal Government. This has greatly aided the O.W.P.M.B. because it was faced with unusually heavy supplies for export.

Figure 12 summarizes the operations of the Board.

GRAIN BUDGET FOR ONTARIO WHEAT, 1966–67

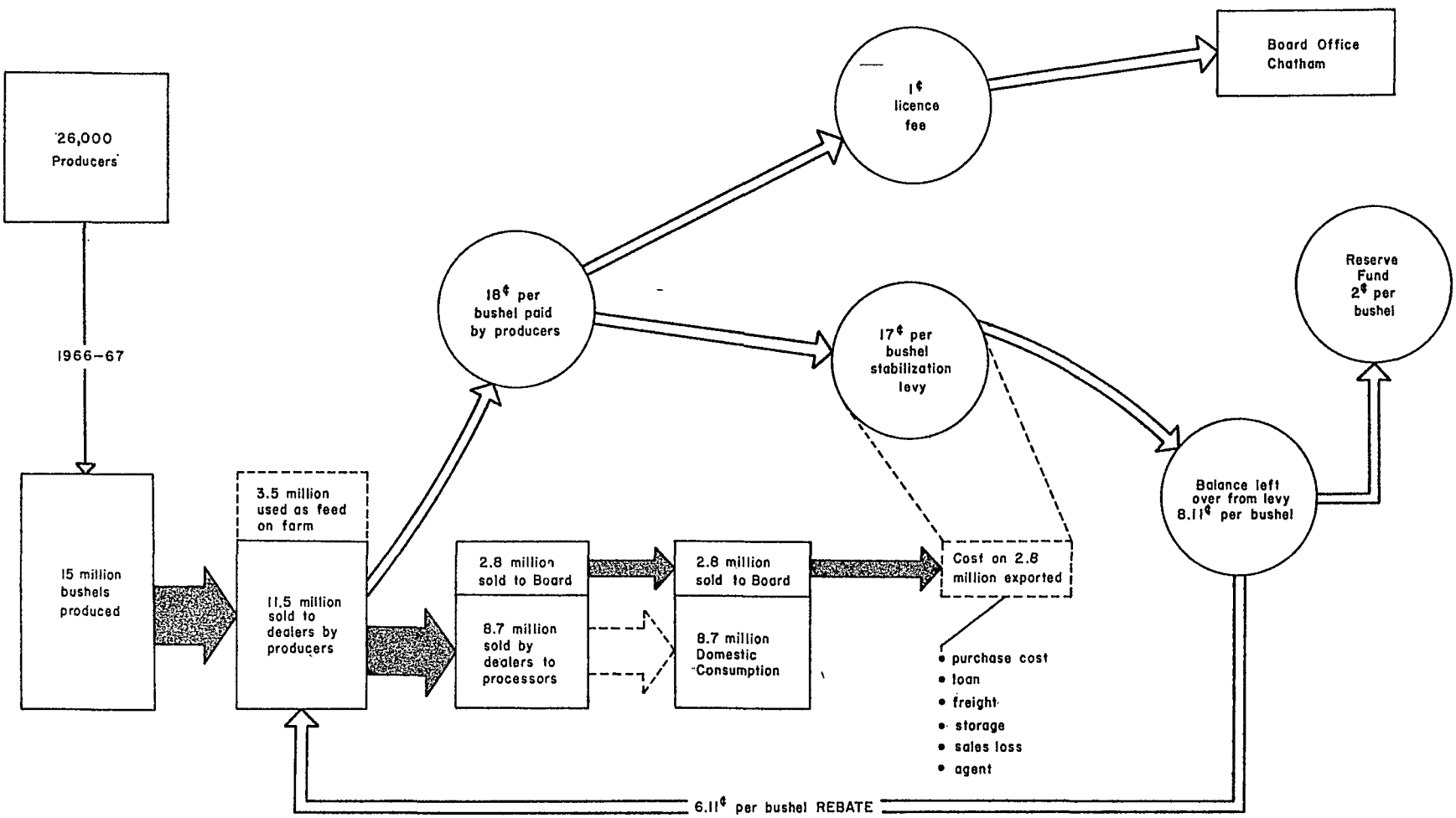


FIG. 12

CHAPTER III

CURRENT PROBLEMS WITH THE MARKETING SYSTEM

After having examined both the theoretical background of supply and demand, as well as the present marketing system in Ontario, the ideas presented in both parts will be brought together in a discussion of current problems. The short-run effects of the minimum price and the complications that have resulted will be illustrated. Finally, the problems that will result if present policies are maintained in the long-run will be considered.

It has been shown how the O.W.P.M.B. has altered the marketing structure and market price from the concept of pure competition by changing the method of determining market price and purchasing the surplus wheat. Since the Board's inception, this minimum price has been constantly increased. This may be seen in Table 7. The effect of these increases can best be illustrated by a diagram. (See Figure 13)

Given the characteristics of demand and price elasticity of demand, the illustrated demand curve is somewhat similar to that of Ontario wheat. When the negotiated minimum price was "p", the quantity taken off the market was "oqd." But at price "p", farmers were willing to supply

TABLE 7

JULY MINIMUM PRICE FOR ONTARIO WINTER WHEAT

CANADA EASTERN NO. 2 OR BETTER

CROP YEARS 1958-59 to 1968-69

Crop Year	Minimum Price
1958-59	$1.35
1959-50	1.40
1960-61	1.40
1961-62	1.40
1962-63	1.65
1963-64	1.65
1964-65	1.65
1965-66	1.65
1966-67	1.80
1967-68	1.80
1968-69	1.80

Source: Ontario Wheat Producers' Marketing Board

PRICE CHANGES UNDER OWPMB SUPERVISION

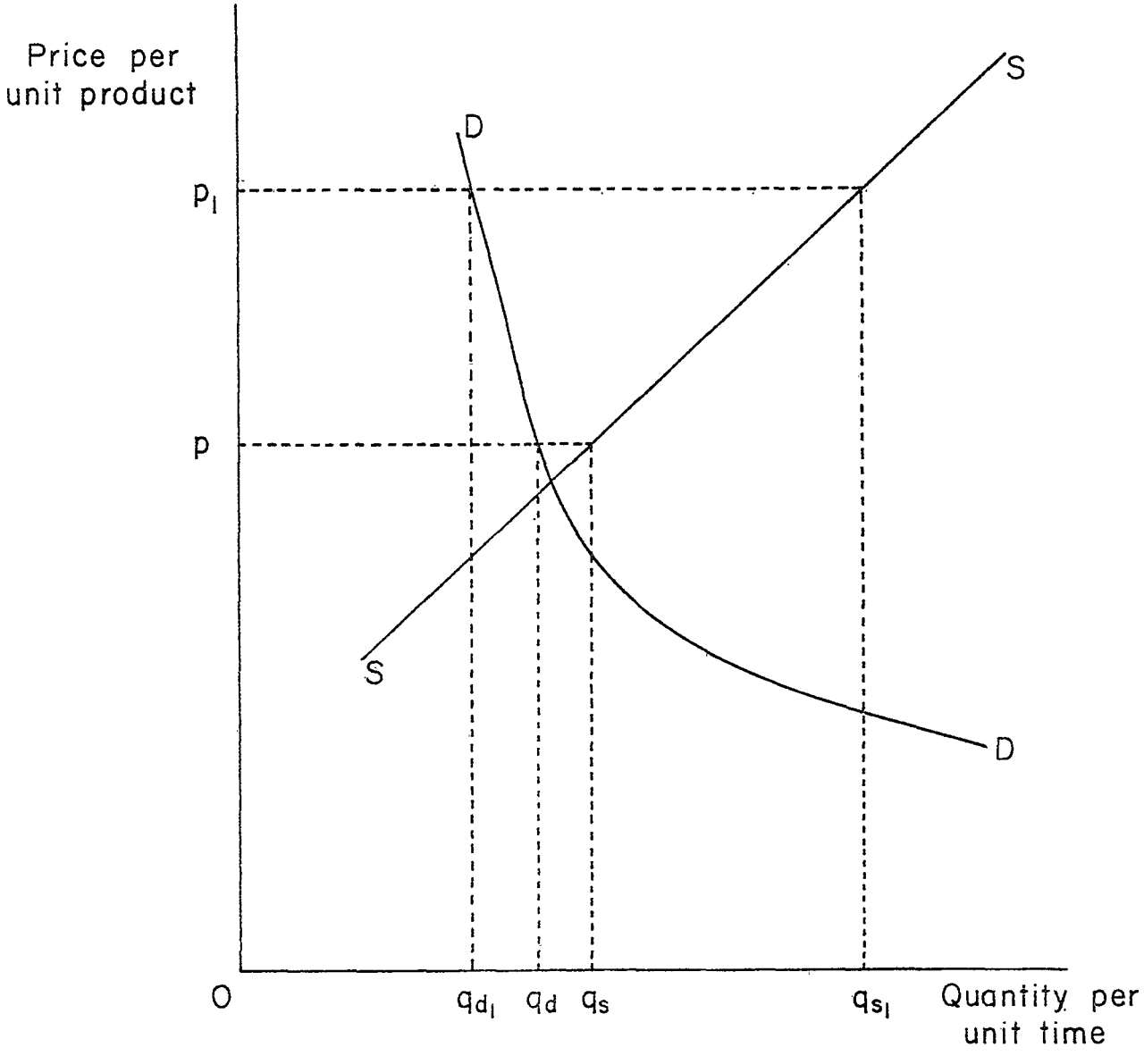


Fig. 13

"oqs". As the Board raised the minimum price (in this example, the price "p_1"), the quantity taken is slightly less ("oqd_1") but farmers are willing to supply a far greater amount (oqs_1") than when the price was lower.

This relationship is clearly shown by substantial increases in marketings of Ontario winter wheat. (See Table 2 in Chapter II) There has not been, however, a steady increase in Board purchases as shown in Table 8. This may be explained by slight shifts in both the supply and demand curves with shifts in demand having the largest effect. Depending on market conditions, O.W.P.M.B. purchases will vary; however, with the trend of increased marketings, increased Board purchases becomes a distinct possibility.

The O.W.P.M.B. is required to buy wheat at the minimum price for which there is no domestic market. Because the stabilization levy does not become available immediately at harvest, substantial loans have been required to pay for the wheat it buys. As the levies are received and export sales made, the loans are reduced. In the past, the funds received from the stabilization levy have been sufficient for the Board to carry on its diversion program. In recent years, the export market for soft wheat has not been active. The O.W.P.M.B. has been faced with carryovers and has been extremely fortunate to have sold its wheat through the Federal Government. But, these sales came after a considerable amount of money was spent on storage and interest

TABLE 8

O. W. P. M. B. PURCHASES

CROP YEARS 1958-59 to 1967-68

Crop Year	O.W.P.M.B. Purchases (in bushels)	Percentage of Total Marketings
1958-59	3,592,063	31%
1959-60	--	--
1960-61	1,185,820	13
1961-62	1,617,625	14
1962-63	992,212	11
1963-64	3,543,222	29
1964-65	4,918,531	36
1965-66	929,285	9
1966-67	2,849,931	25
1967-68	3,686,272	28

Source: Ontario Wheat Producers' Marketing Board

charges.

The amount to be deducted in stabilization levies is decided prior to the harvest season, at a time when the O.W.P.M.B. does not know exactly how much wheat it will handle. As a result of the unpredictable export market, the possibility of under-estimating the amount of money needed for its program poses a serious financial problem. Concurrent with the seasonal pattern of marketings, the Board buys the greatest proportion of its wheat at harvest time. Thus, a great deal of money is required within a short space of time. With the possibility of increased Board purchases, all of these problems become even more acute.

Another problem is related to the varying amounts of Board purchases. Because the O.W.P.M.B. does not know how much wheat it will have to buy or even where it will come from, the Board is in a poor position to plan ahead on its diversion program. This causes problems in arranging and planning domestic storage and transportation space. Moreover, export markets cannot be successfully held or developed.

The third problem concerns the negotiated minimum price itself. It bears no relation to the actual value or worth of the entire amount of wheat placed on the market. The price is satisfactory for wheat destined for human consumption, but is far too high for the feed industry. Because of this high minimum price, one market is eliminated.

In summary, the present system has finanical problems;

proper planning cannot occur; and, thirdly, there is an unsatisfactory pricing policy.

In the long-run under the present system, to-day's problems will become worse. People are consuming less and less pastry and related baked goods. The demand curve will shift to the left, whereas farming technology is improving which will result in increasing yields and production. The supply curve will shift to the right. This is illustrated diagrammatically in Figure 14.

In the diagram, "D_1D_1" and "S_1S_1" represent the shifts in the demand supply curves, respectively. We have assumed the present price to remain constant. As can be seen, surpluses are likely to increase in the long-run, accentuating to-day's problems.

FUTURE TRENDS IN SUPPLY AND DEMAND

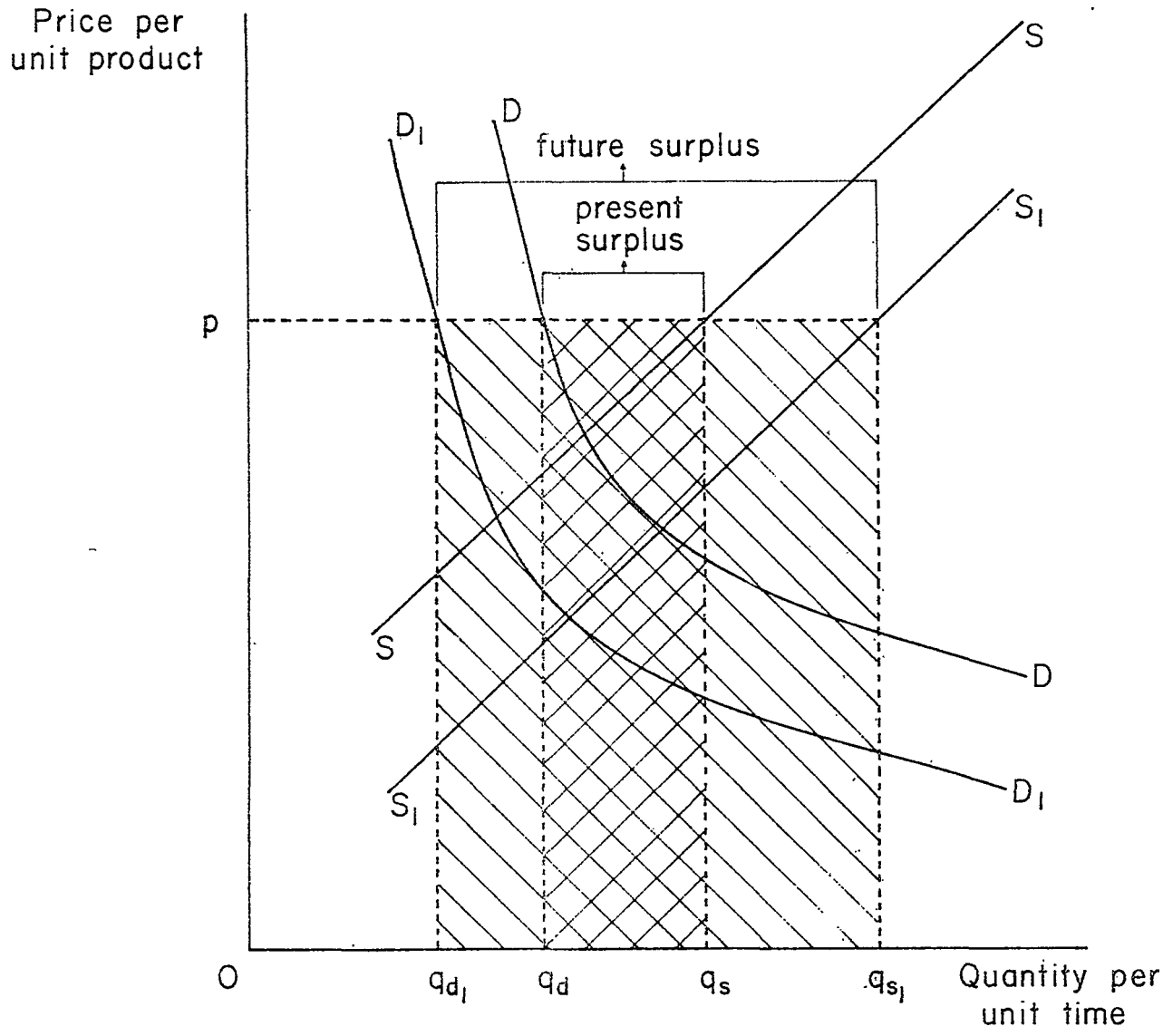


Fig. 14

CHAPTER IV

POSSIBLE ALTERATIONS TO THE ONTARIO WHEAT MARKETING SYSTEM

A large number of possible alterations could be formulated to deal with the current problems of the marketing system. By considering the objectives of the O.W.P.M.B., however, the extent of the possibilities can be reduced in number. Throughout the period of study, September 1968 to March 1969, an attempt was made to ascertain the aims of the Board. The following were noted:

(1) The O.W.P.M.B. feels that its existence has benefited wheat producers and it would like to eliminate problems related to financing to insure its survival.

(2) The Board would like farmers to receive the highest possible price for wheat destined for human consumption. It would like a program that would allow wheat to move into the lower-priced feed market. That is, the O.W.P.M.B. would like wheat producers to receive full value for their product.

(3) The Board would like to keep the available supply of wheat in perspective of domestic and export markets.

(4) The O.W.P.M.B. would like to streamline its cost of marketing wheat, improve the availability of Ontario wheat by endeavouring to keep all marketable wheat in a selling position, and to be in a stronger position when negotiating handling charges and freight rates.

(5) The Board would like to use available Government legislation that is adaptable to Ontario wheat.

(6) The O.W.P.M.B. would like to promote or develop new markets.

(7) The O.W.P.M.B. would like to keep the Ontario wheat marketing system flexible enough so that if a marketing program were devised to include all grains, the wheat plan could be easily adapted to it.

In light of both current problems and the objectives of the Board, suitable alterations will be suggested.

As previously mentioned, the O.W.P.M.B.'s policies have encouraged farmers to expand marketings to levels that are unrealistic in comparison to market demand at present prices. It follows then, that possible alterations to the wheat marketing system that concern supply will occupy an important part of this chapter. There will also be a discussion of economic changes that could be made regarding demand, and finally, other factors that would aid in the solution of current problems. It cannot be over-emphasized that the heart of the entire problem is supply. The other suggested alterations are not remedies, but rather, supplements.

With this in mind, let us consider two types of changes that could be made to deal with supply. The first type is concerned with modifications of the present system, and the second is a new marketing plan.

(A) Possible Alterations to Supply

(a) Modifications to the Present Marketing System

(i) Increased Stabilization Levy (lower minimum price)

By increasing the stabilization levy, more funds would be made abailable to the O.W.P.M.B. to carry out its diversion program. The effect of this lower price can be illustrated diagrammatically (See Figure 15). Simply, a lower price ("P_1") would induce farmers to

THE EFFECT OF A LOWER PRICE ON QUANTITY SUPPLIED

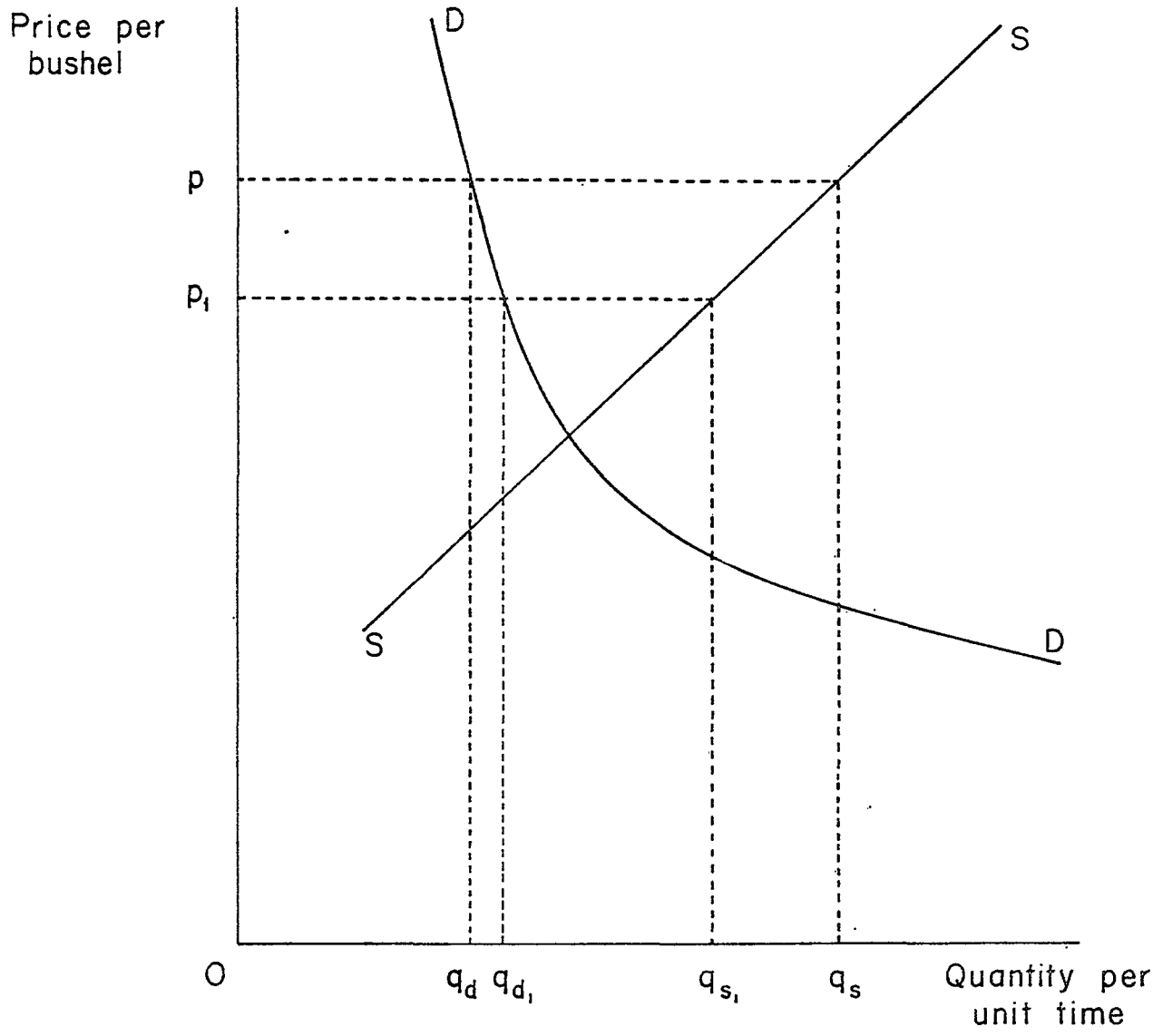


Fig. 15

market less wheat.

At first glance, this idea seems to be a good one because the Board would presumably handle less wheat if total marketings were reduced. Furthermore, the O.W.P.M.B. would have more money available to dispose of the wheat acquired. This modification, however, should be approached with reservation. The lower price may not noticeably reduce total marketings because there is a considerable time lag in agriculture before lower prices take effect. Secondly, the price of wheat is still substantially higher than prices for other grains and hence, there is still an incentive to produce and market wheat. Moreover, the price of wheat would remain steady, thereby minimizing the financial risk involved to produce and market wheat. For these reasons, it is felt that there may not be an immediate decrease in marketing. In view of the unpredictable export market for soft wheat, little would be gained by using the increased levy to store excess wheat. If the lower price did reduce total marketings and export markets were found, the problem of over-production would still not be solved. The money from the export sales would be returned to the farmer as a rebate thereby raising the price and inducing more wheat to be marketed.

With respect to the problems of the marketing system and the objectives of the Board, an increased levy would only be moderately successful in aiding the O.W.P.M.B.'s financial responsibilities. Other than this, the modification must be largely discounted for it neither offers a viable solution to the current problems nor does it meet many of the Board's goals. For example, it would not allow for

the planning of domestic storage and transportation space. It would not permit soft wheat to move into Ontario feed channels and finally, it does not eliminate over-production.

(ii) The O.W.P.M.B. to Become a Genuine "Stabilization" Board

Another modification of the present marketing system involves the purchasing arrangement of the O.W.P.M.B. It appears that the Board is too eager to buy wheat.. There is strong evidence to suggest that many dealers do not attempt to find a market for their wheat, but merely pass it on to the Board at the minimum price. The O.W.P.M.B. should not buy wheat unless it is satisfied that the domestic market is saturated. A policy of purchasing wheat at regular fixed intervals, for example, every two weeks or longer, would provide an incentive for dealers to seek out domestic markets. Before wheat is purchased from a dealer, the Board should be satisfied that he has at least attempted to find a market. In this way, the O.W.P.M.B. would truly be buying wheat for which there was no domestic market.

In connection with this, the Board would have to take on the added responsibility of becoming an information exchange. If the Board's buying times were staggered, buyers and sellers should be provided with continuous information as to where wheat can be bought and sold. Furthermore, there should be a greater spread in the monthly minimum prices as the season advances to allow for storage charges. This greater spread in prices as the year progresses would also encourage more farm storage. The initial minimum price would have to start at a lower level than at present.

Let us examine the advantages and disadvantages of this proposed modification. A major complaint of the trade concerning the Ontario wheat marketing system is the lack of soft wheat when it is needed. The grain trade feels that the Board is over-buying, therefore, creating an artificial scarcity. If the Board bought at fixed intervals, wheat would be kept in a selling position for a longer time. It must be remembered that the total domestic demand for soft wheat is fairly stable and hence, increased purchases would not be expected. Moreover, processors tend to purchase their requirements from the nearest point and consequently, surplus areas would still remain. An information exchange where buyers and sellers report would aid in the distribution of farmer's wheat and would possibly reduce the number of locations from which the Board would buy. As a result, more planning of transportation and storage space could occur. An information exchange would allow the Board to know in advance the approximate amount and location of the wheat it would be required to purchase. Because of this concentrated buying, the O.W.P.M.B. would also be in a slightly stronger bargaining position to negotiate freight rates and handling charges.

Heavy marketings at harvest can be discouraged by a greater spread in minimum prices as the crop year advances, providing an incentive for farmers to store wheat at a country elevator or on the farm. If local wheat was stored for a longer time, producers would receive higher prices for their product. That is, if farmers correctly anticipate demand and the amounts that should be held over. Nevertheless, the availability of good storage facilities at the farm or

country elevator level remains a question mark.

For the most part, these suggested modifications must be rejected because they do not eliminate the problem of over-production nor do they eliminate the problem of financing this excess. The main advantage, however, is that the Board's financial burden would be spread over a longer time period. Finally, these modifications would not allow wheat to move into Ontario feed channels without further modifications in the system.

(iii) Supplemental Transportation Levy

The province-wide minimum price established by the Board is unrealistic for it is inducing farmers in some locations to grow wheat who would otherwise be growing other crops. Those farmers who are located considerable distances from markets are the ones who are obtaining unrealistic prices. To state it another way, it is these farmers who are creating the excess production at present prices.

To alleviate this problem, the O.W.P.M.B. could adopt the policy of maintaining the minimum price but applying a levy to those farmers whose production is sold to the Board. This levy could be established in a number of ways. Possibly the best way, as far as the Board is concerned, would be to assess an amount equal to the average cost per bushel that the Board pays in transportation costs, for a given year. This transportation levy would not affect an efficient producer as much as an inefficient producer, if both were poorly located with respect to markets.

A problem is foreseen in assessing individual farmers, especially when all wheat of like grade is stored in the same bins.

This could be solved by instructing the dealers to deduct the transportation levy from all Ontario wheat marketed. If no domestic market was found, the dealer would pass the levy and the wheat on to the Board. If the wheat was sold to the trade, the dealer would return the levy to the farmer. The situation would probably arise when part of a dealer's stocks would be sold to the trade and part would be sold to the Board. If dealers were required to record the date and time of each farmer delivery within a given time period, disputes arising from whose grain was sold where could be eliminated.

The major advantage of this proposal is that it would tend to reduce excess production. Because the levy is paid by those located away from markets, production in these areas would be reduced. Moreover, the burden of financing the surplus would be borne to a large extent by those who are producing it. The transportation levy would have little or no effect on those farmers located close to markets. They would actually benefit by a rise in price associated with the reduced supply. In evaluating this proposal, the levy would relieve some of the Board's financial burden (transportation costs) and would relieve other costs associated with the handling and storage of the wheat because the Board would not be purchasing as much wheat. This modification would not permit planning to occur nor would wheat be allowed to move into Ontario feed channels. Other than reducing supply and aiding Board finances, few of the other objectives of the O.W.P.M.B. would be achieved.

(iv) Application for Federal Government Storage Assistance

In order to carry on its diversion program, the O.W.P.M.B. obtains its financial resources from the stabilization levy. Additional funds are provided by bank loans. As export sales are made, these loans are reduced. On the other hand, the Board's total variable costs involve the purchase price of the wheat and expenses associated with its movement and handling. Of these costs, the Board is vitally concerned with terminal elevator charges. The lack of export sales, in recent years, has resulted in sizeable carryovers and subsequently, large storage expenditures.

In view of the unpredictable and competitive nature of the export market, this financial arrangement is most unsatisfactory. If export markets cannot be found within a certain time period, the accumulated costs would exceed financial resources, confronting the Board with bankruptcy. This, in turn, would topple the price structure for Ontario wheat.

In order to solve this problem, the O.W.P.M.B. could apply for Federal storage assistance similar to that of the Canadian Wheat Board. Under the Temporary Wheat Reserves Act, 1955, the Canadian Wheat Board receives payment for those storage charges that are incurred after carryovers exceed 178 million bushels. If sound financial backing of this type were assured, the O.W.P.M.B.'s position would become more secure.

Because of the Federal Government's experience with this Act, it is doubtful that such an aid would be granted to the Board. Under the circumstances in Western Canada, the Temporary Wheat Reserves Act

was a necessary step, but this emergency measure has since outlived its usefulness. Rather than solving the problem of over-production, the Act has merely fostered the accumulation of surpluses. At the present moment, it is the major obstacle to reducing production in the Prairie Provinces. Similarly, storage assistance for Ontario wheat would not provide a long-run solution to the basic problem of over-production. Its single advantage would be to provide the short-run financial backing that the Ontario wheat marketing system needs. Other than this, the modification would not provide a solution to the problems of planning and pricing, nor would it achieve many of the objectives of the Board. For these reasons, an application for Federal storage assistance should not be considered.

(b) A New Marketing Plan: The Partial Pool

As previously mentioned, two types of changes were to be considered to deal with the primary problem of over-production. Modifications to the present marketing system have been discussed and a proposal for a new marketing plan will be presented in this section.

Briefly, the O.W.P.M.B. would buy and sell only that amount of wheat which is required by domestic flour and cereal manufacturers plus an amount to be exported. The remainder of the crop would be left to the disposal of farmers who could either sell it at free market prices or utilize it on the farm. The O.W.P.M.B. would control the amount of wheat it purchased, direct its movement and arrange prices with buyers. Each wheat producer in the province would deliver his fair share to the Board and funds accruing from the O.W.P.M.B.'s operations would be pooled and subsequently, distributed among produ-

cers. An application would be submitted to obtain coverage under the Agricultural Products Co-Operative Marketing Act, 1939. (Revised 1952) See Appendix C.

(i) Reasons for Suggesting a Partial Pool

In this paper, certain economic principles have been introduced and related to wheat marketing in Ontario. In this sub-section, these elements will be brought together explaining why a partial pool has been suggested.

Price elasticity of demand and the factors influencing it have been previously explained. It was found that the entire domestic demand curve for Ontario wheat is inelastic with respect to price. The demand curve, however, is composed of various segments. The lower portion of the demand curve is elastic because at lower prices Ontario wheat would be used for feed. It would compete with other feed grains such as corn, oats and Western feed wheat. Thus the quantities taken would be quite responsive to price changes. The upper portion of the demand curve, however, is price inelastic. At high prices, Ontario wheat can only be used for milling purposes. By and large, there are no substitutes; thus, the quantities taken vary little in response to price changes. The topic of substitutes for Ontario wheat for milling purposes will be fully dealt with later.

Of critical importance to Ontario wheat producers is the relationship between price elasticity of demand, production control and total revenue. It has been pointed out that if price elasticity of demand is elastic (the lower segment of the Ontario wheat demand curve), total revenue would decrease if production was restricted. To state

this another way, when price elasticity of demand is elastic, total revenue increases when increased quantities of the commodity are taken. Applying this to the Ontario wheat situation, producers would increase their total revenue if a portion of their wheat was allowed to sell for feed at free market prices. Its price would be determined by the total amount of wheat placed on the market and the prices of competing grains.

On the other hand, it has been pointed out that if price elasticity of demand is inelastic (the upper segment of the Ontario wheat demand curve), total revenue would be increased if production was restricted. Therefore, Ontario wheat producers would increase their total revenue if a portion of their crop was controlled. This could best be achieved if the O.W.P.M.B. purchased an amount equal to or less than the total amount of wheat demanded by domestic cereal and pastry manufacturers. Furthermore, because wheat for milling purposes is price inelastic, higher prices than at present could be charged for this portion of the crop. The reason why higher prices could be charged is the lack of suitable substitutes.

The subject of available substitutes was thoroughly investigated. Letters were sent to the Canadian Wheat Board, Winnipeg and the Board of Grain Commissioners for Canada, Winnipeg Office, concerning this. A copy of the original letter and replies may be found in Appendix D. In the mailed questionnaire a number of questions were asked of millers concerning substitutes. The answers to these may be found in Appendix E. Personal interviews with large milling companies dealt with the same topics.

It was concluded that if wheat prices to domestic users remained unchanged, substitutes would not be sought. However, should the O.W.P.M.B. decide to substantially raise the price of wheat for milling purposes, the larger Ontario firms would buy soft wheat located in Alberta. It is doubtful that their total requirements would be purchased in the Prairies but certainly part of their requirements would be. Therefore, there is an upper limit to which prices could be raised unless the importation of Alberta wheat could be prohibited.

To summarize what has been said, the O.W.P.M.B. should purchase a quantity of wheat equalling the amount required by millers and cereal manufacturers and arrange prices with these buyers. The remainder of the crop should be sold at free market prices.

Needless to say, the Board could also purchase additional quantities of wheat to be sold on the export market. Naturally, any sales that were made would add to the total revenue already received from the domestic market.

Under this scheme, total revenue obtained by wheat producers would approach the maximum amount possible. It must be stressed, however, that we are speaking of the entire group of wheat producers in the province.

(ii) Participants in the Partial Pool

(i) The Farmer

Each wheat producer in the province would receive his fair share of the high-priced market, that is, a pro-rata share based on his past record of marketing. It is suggested that the Board esta-

blish this quota based on each producer's average marketings over the past five years. Each year the O.W.P.M.B. would decide the percentage of this basic quota based on estimated domestic flour and cereal needs.

It is suggested that the quota assigned to wheat producers be transferable, otherwise, the land presently being used for wheat production would become "frozen". A dynamic economy requires that individuals be free to expand or contract production, or re-locate. The negotiability of quotas permits production flexibility at the local level within a controlled aggregate.

There are three methods by which quotas could be transferred.

(1) They could be tied to the land or the farm.

(2) They could be distributed with no value attached.

(3) Quotas could be bought and sold.

Of these three, it is suggested that the O.W.P.M.B. allow the buying and selling of quotas. It might be pointed out that there is nothing inherently wrong with the selling of quotas. The price is an indicator of its value. During the first few years of the program, the number of quotas transferrable should be limited and thereafter, the Board should require that all sales of quotas (or parts of quotas) be registered. This would be necessary in order to keep accurate records.

(ii) The Role of the O.W.P.M.B.

With the approval of provincial wheat producers, the O.W.P.M.B. would apply for permission to become a marketing agency under the Ontario Farm Products Marketing Act. The Board would have full control over that portion of the crop that is purchased. It would direct and control its movement, fix initial prices paid to farmers and set the

prices and conditions of sale with the various buyers. Money accruing from the Board's operations would be pooled for distribution among producers as a final payment. Wheat dealers would become partial agents of the Board. There would be no need for levies.

Under this plan, the Board could also seek coverage under the Agricultural Products Co-operative Marketing Act, 1939 (Revised 1952). This legislation would guarantee up to 80% of the average price for the previous three years, as the initial payment to producers. The exact amount is decided by the Federal Minister of Agriculture. Furthermore, any debts incurred by the Board in its operations would be covered by the Federal Government.

The O.W.P.M.B. could use a number of alternative pricing systems. One method would be to fix the price of wheat to flour and cereal manufacturers f.o.b. country shipping point and/or f.o.b. terminal elevator. In fixing prices, the Board would need to become an information exchange notifying buyers of the quantities and location of wheat for sale. Prices would vary depending upon the location of the wheat, the time of year and accumulated Board expenses.

Secondly, the Board could auction fixed amounts of wheat at various times. This auctioning method is presently used by the Ontario Hog Producers' Association and the Ontario Flue-Cured Tobacco Growers' Marketing Board. A letter was sent to the Ontario Hog Producers' Association inquiring about its operations. Basically, the Board receives anonymous teletype bids from buyers for hogs at various stockyards in Ontario. For each location, bidding begins at a fixed maximum price and descends in gradations to a fixed minimum.

The highest bid after a specified time period takes the total quantity of hogs offered.

In economic terms, it is generally agreed that auctioning results in higher prices paid for the product because buyers are competing among themselves for their requirements. Moreover, these buyers are also competing price-wise in the selling of their final product. As a result, these increased prices for the raw material are not passed on to the ultimate consumer, but go instead, to the producer. If this system were used by the O.W.P.M.B., bids received would be based on the location of the wheat at regional collection points or terminal elevators assuming an f.o.b. price. Needless to say, the minimum and maximum prices would vary according to the time of year and accumulated Board expenses.

Figure 16 illustrates a marketing system for Ontario wheat based on the partial pool.

(iii) Critical Evaluation of the Partial Pool

The partial pool will be evaluated in light of current problems with the marketing system and the O.W.P.M.B.'s objectives. In evaluating the proposal, the following conditions will be assumed to be true: (1) The Board can obtain coverage under the Agricultural Products Co-operative Marketing Act, 1939 (Revised 1952). (2) The O.W.P.M.B. would be granted authority to audit the domestic flour and cereal manufacturers books so as to prevent the purchasing of lower-priced wheat. (3) Ontario wheat producers would accept agency marketing and quotas. (4) Adequate country elevator and terminal elevator storage facilities exist. (5) The O.W.P.M.B. would like to increase

ONTARIO WHEAT MARKETING SYSTEM
(PARTIAL POOL)

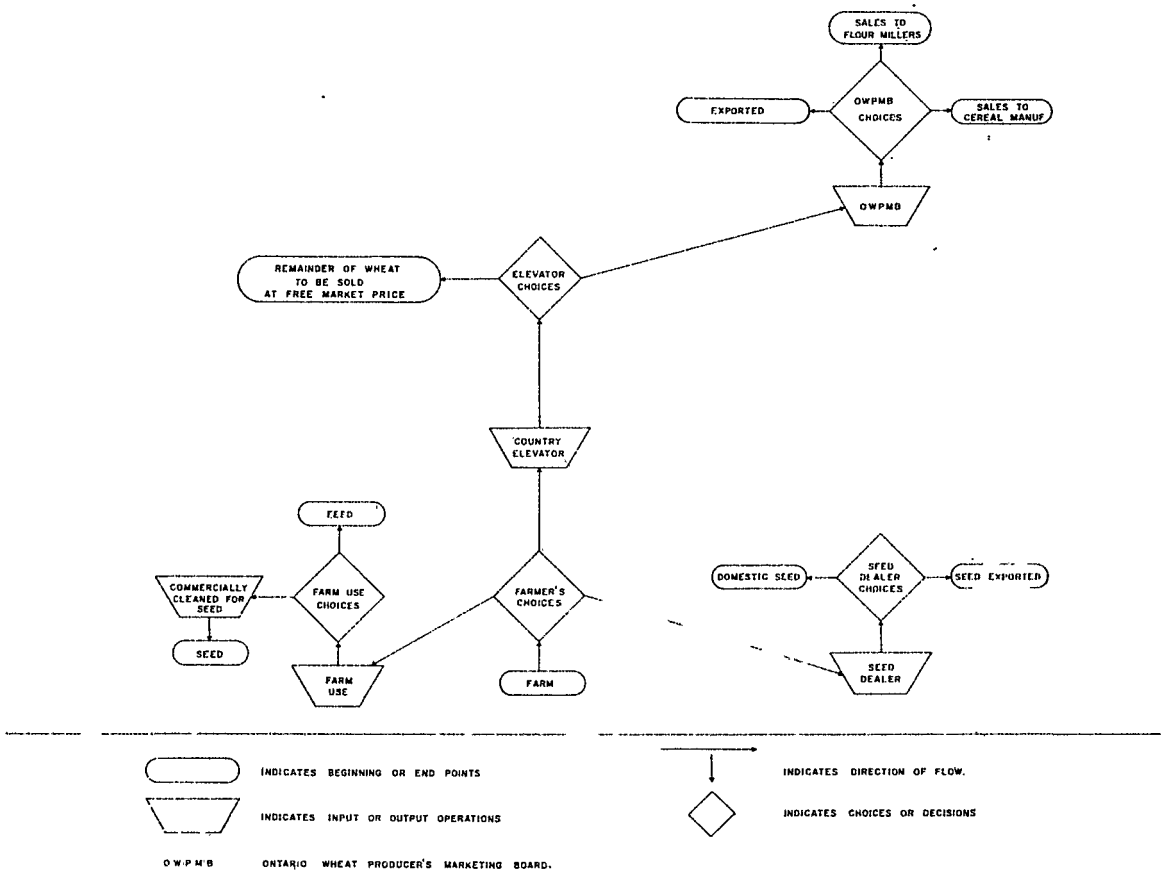


FIG 16

total revenue for the entire group of Ontario wheat producers. That is, each farmer would be treated equally regardless of location.

In considering current problems, a partial pool would certainly strengthen the Board's financial position. Initial payments would be guaranteed under the Agricultural Products Co-operative Marketing Act and should any losses result from the Board's operations, they would be covered by the Federal Government. Furthermore, the Board would not be bound to purchase any more wheat than it wanted to, thereby eliminating the chance of bankruptcy.

A two-priced domestic market would allow wheat to move into feed channels and yet, would retain the high-priced market for wheat used by flour and cereal manufacturers. This combination would increase total revenue paid to farmers and would eliminate over-production. Presumably, the amount of wheat that the Board did not purchase would be sold as feed. If feed prices were low, much of the wheat would be used on the farm and a lesser amount would be grown the following year. Hence, excess production would be curbed.

Under a partial pool, the Board would decide on the amount of wheat it would purchase each year. Thus, planning of storage and transportation space could occur. In fact, all phases of the Board's activities from purchases to the final sale to buyers could be carefully arranged, allowing the Board to streamline the movement and costs of marketing wheat.

Besides aiding current problems, the partial pool would enable the O.W.P.M.B. to be in a stronger position when negotiating handling charges and freight rates because of the increased purchases. The

proposed system would also improve the availability of Ontario wheat. Feed wheat would remain available at the local level and domestic cereal and flour manufacturers could buy their requirements from the Board when needed.

The O.W.P.M.B. would have to be extremely careful in buying wheat for the export market. Nevertheless, if top quality and constant availability could be guaranteed, foreign markets could be held and the development of new markets could be initiated. Furthermore, the Board would still be in contention for the Federal Food Aid Program because a certain amount of its total purchases would be assembled and available for export at any time. With a partial pool, however, the grain trade could buy wheat at "feed" prices and export it at a higher price. Part of the profit may not be returned to the producer. If both the grain trade and the O.W.P.M.B. sold in the export market, the possibility of the trade undercutting the Board could arise. Thus, the O.W.P.M.B. could pass legislation enabling it to be the only seller of Ontario wheat on the export market, or make suitable arrangements with the trade.

Finally, if Ontario farmers decide to establish other grain marketing boards in an attempt to raise the price of feed grains, or decide to merge existing grain boards, the proposed partial pool for wheat would be easily adaptable.

In evaluating the partial pool five critical assumptions were made. It was beyond the scope of this study to thoroughly investigate all of these. The investigation of one of these assumptions, however, will rest with the O.W.P.M.B. The Board and Ontario wheat farmers

must decide whether all wheat farmers should be treated equally, regardless of location.

(B) Possible Alterations to Demand

Having treated possible alterations that could be made to deal with supply, suggestions concerning demand will now be discussed.

Often farmers erroneously assume that there is a market for all the produce that they can grow. It has been pointed out, however, that the domestic demand curve for soft wheat is more or less stable in the short run. Quantities taken will not vary significantly from year to year. In the long run, the demand curve will shift to the left. The quantities taken will decrease. It follows then, that total revenue will remain relatively stable in the short run but will decrease in the long run. A means to slow this eventual downward trend in total revenue would be to enhance prices by improving the quality of the wheat sold. That is, improve the physical condition of the wheat as well as the grading system.

Much progress has been made in improving the physical condition of soft wheat. But, Ontario wheat is highly susceptible to high moisture content and infestation, and thus, continued improvement is necessary. Results from the questionnaire (Appendix E) show that both physical condition and consistent quality could be improved. The Board should actively encourage better farm and country elevator storage and the use of grain dryers.

Secondly, it is felt that the Ontario grading system for wheat could be improved. At present, a higher price is not charged for Grade No. 1. There are some buyers, as the questionnaire has

shown, who would like to purchase a Grade No. 1 and would be willing to pay the higher price. It is acknowledged that substantial amounts of Grade No. 1 are not produced but this should not prohibit the Board from establishing a higher price for it. Moreover, it was felt that a completely new grading system which included a protein test would be of value to Ontario wheat producers. A letter was sent to the Grain Research Laboratory of the Board of Grain Commissioners for Canada, Winnipeg concerning this. A copy of the original letter and the reply may be found in Appendix F.

At the present moment, the idea of a protein test does not appear to be feasible because of the formidable task of grading the entire Ontario wheat crop. However, it is thought that a guaranteed protein content might be used by the Board in attempting to sell wheat on the export market. The export market is more price elastic than the domestic market; thus, quantities taken are quite responsive to price changes. One method of obtaining slightly higher prices or even attracting foreign buyers would be to guarantee protein content. It might be pointed out that if a partial pool were adopted, the Board could assign wheat for export sales from those growing areas where wheat has a very low protein level.

Considerable advances in baking techniques have been made by the milling industry which have resulted in rigorous laboratory testing to meet specifications. To keep pace with the milling industry, ways to improve the grading of wheat must be continually explored.

The final topic to be discussed under demand is that of pricing in the very short run, assuming pure competition. In the

case of wheat, this time period can be thought of as one year.

A discussion of pricing under the heading of demand, may appear to be out of place because price determination clearly involves both the forces of supply and demand. It will be dealt with under demand because under special conditions, the force determining the price or the equilibrium position, originates primarily on the demand side These special conditions exist for Ontario winter wheat and other products which are produced seasonally for a demand that continues the year round. The purpose of this discussion is to point out what the pricing policy should be for holders of such products.

Because the total amount of the commodity available for sale has been produced, there cannot be any increase or decrease in the total supply of it. Supply is said to be fixed. Of course, some of the commodity may be stored, but a higher price will only be received if sellers correctly anticipate demand and the amounts to be held over. Because supply is fixed, demand is the factor that will decide the price.

Any seller who cannot consume the product himself will prefer to dispose of his holdings at any price above zero rather than to keep them indefinitely. That is, holders should consider only the current prices and probable future prices weighed against storage expenses. Any costs incurred in the past should not be involved in any pricing decisions. It is important to note that consideration of the holder's costs should only enter the picture when there is some possibility of varying the supply produced (or acquired) over the time period under consideration.

Of what significance is this to the O.W.P.M.B.? In recent years, the Board has been faced with considerable carryovers. The policy of the Board should be to dispose of these purchases at any possible price.

In the previous discussion on pricing in the very short run, pure competition was assumed. Normally, Board purchases are sold in the export market. Prices in the international wheat market, however, are not determined as in pure competition. Countries are allowed to establish prices within a fixed minimum and maximum as specified in the International Grain Arrangement (I.G.A.), 1968 or prior to 1968, the International Wheat Agreement (I.W.A.). Despite the I.G.A., various countries have been selling wheat below the minimum, but the Canadian Government, until March 1969, upheld the minimum price. Although the O.W.P.M.B.'s pricing policy should have been to sell its holdings at any possible price, Federal Government policy or international agreements may not have allowed Board to do so.

Nevertheless, the pricing policy outlined above does not only apply to the export market but to the domestic milling or feed market as well. If export markets cannot be found, the Board should sell its purchases domestically at any possible price.

When compared to the large grain firms, the Board is relatively inexperienced in selling wheat on the export market. The importance of establishing more communication with the grain trade to obtain advice on export pricing cannot be over-emphasized.

(C) Other Factors

Besides changes in supply and demand, there are other alterations that could be made to aid the functioning of the marketing system. The idea of an information exchange has been mentioned previously. A farmer information service would be necessary if a partial pool were adopted. Information such as market condition, for wheat as well as other grains would be necessary for the unpooled portion of the crop. Moreover, if the Board decided to stagger its buying times, an information service would be necessary to inform buyers of the location and amounts of wheat available, and to keep sellers informed of markets. Additionally, reports should be given on general market conditions, new varieties of wheat, farm storage problems, improvements to quality, farming techniques and so on. The O.W.P.M.B. has a bulletin which it publishes periodically. The contents are a worthwhile aid to the farmer and an expansion of this service would prove even more valuable. The spreading of information could be widened to include other farm papers and farm radio broadcasts.

Secondly, the Board should continue to press the Ontario Government for accurate statistics on seeded acreage, the amount of winterkill, harvested acreage and production. Greater precision in gathering these facts would help the Board and the grain trade when negotiating minimum prices or estimating the amount of wheat that the O.W.P.M.B. should purchase.

It is suggested that a program of product promotion should be initiated. An intensive program in Eastern Canada noting the availability of soft wheat for feed would be worthwhile. Very little

benefit would be derived from promoting Ontario wheat for pastry and flour purposes.

Finally, the Board should improve communication with the grain trade by instituting periodical conferences. It might be pointed out that the grain trade is vitally interested in the future of Ontario wheat and that discussions could further the understanding of problems encountered. Conferences should also be held with the other provincial marketing boards on general organizational problems.

CHAPTER V

SUMMARY AND CONCLUSIONS

In this final chapter, conclusions that have been reached in analyzing the Ontario wheat marketing system will be presented. Comments will consist of two types, general observations and specific conclusions. To lead up to this, the contents of the preceeding four chapters will be summarized.

The nature of pure competition and its role in economic analysis was reviewed. The concepts of supply, demand and price determination were used to illustrate current problems. The concept of price elasticity of demand was applied to the various uses of Ontario wheat and the relationship between price elasticity of demand and total revenue formed the basis for the proposed new marketing plan.

Mainly because of the amount of winterkill, the supply of Ontario winter wheat varies considerably from year to year. Production cannot be increasedor decreased once it has been harvested and therefore, supply is said to be fixed. Wheat marketings have increased significantly in recent years due to the high minimum price. The steady nature of this minimum price also reduces the risk involved in growing wheat.

The demand for Ontario wheat can be grouped into the

following classes: (1) demand for processing into pastry and related soft wheat flours including breakfast cereals. (2) demand for commercial seed (3) demand for livestock feed. Because of the high minimum price, Ontario wheat is mainly used commercially by the first two groups.

The entire demand curve for Ontario wheat is inelastic but it is composed of various segments. Price elasticity of demand for seed and feed is elastic because there are substitutes available. Demand for wheat for milling purposes is price inelastic because there are virtually no substitutes. Demand for pastry flours is relatively stable in the short run but will decline in the long run. Price elasticity of demand for soft wheat on the export market is more price elastic than the domestic market. Export demand for Ontario wheat is spasmodic.

The wheat marketing system in Ontario differs from the concept of pure competition because the O.W.P.M.B. establishes an annual minimum price. Domestic wheat cannot be sold below this level. If a domestic market cannot be found, the Board stands ready to buy wheat at the minimum price, and attempts to dispose of its purchases on the export market. Deducted from each bushel of wheat that is marketed, is a licence fee which covers the Board's administration expenses and a stabilization levy which enables the Board to carry out its diversion program. Board

purchases vary depending upon domestic market conditions. In recent years, marketings have substantially exceeded domestic demand and moreover, export markets could not be found. This situation has resulted in very large carry-overs.

The amount of the stabilization levy is decided prior to harvest, and, therefore, if the amount of money needed to handle this surplus is under-estimated, the Board would face bankruptcy. Furthermore, the Board does not know either the amounts or sources of wheat that it must purchase. Thus, storage and transportation space cannot be planned. Finally, the minimum price bears no relation to the value of the entire amount of wheat placed on the market. Because the minimum price is too high, the Ontario feed market is eliminated.

The O.W.P.M.B. would like to solve these problems by altering the system of marketing Ontario wheat. In order to suggest suitable alterations, the objectives of the Board were recorded. Briefly, the Board would like to: eliminate financial problems, allow wheat to move into Ontario feed channels, keep supply in perspective of domestic and export markets, streamline its costs of marketing wheat, be in a stronger position when negotiating handling charges and freight rates, and use available government legislation adaptable to Ontario wheat.

In light of the current problems and objectives of

the Board, suggested alterations were discussed under three main headings: supply, demand and other factors. The ideas of increasing the stabilization levy and applying for Federal storage assistance were rejected. Also investigated was the suggestion of the O.W.P.M.B. becoming a true stabilization board by staggering its buying times. This action would force dealers to seek out domestic markets. Although the suggestion has some advantages, it does not reduce production nor can wheat move into feed channels without further modifications to the system. A transportation levy on farmers whose grain is sold to the Board would tend to reduce production in those areas poorly located with respect to markets. Thus, the burden of financing excess wheat would be born to a large extent by the farmers who are producing it.

A partial pool was suggested as an alternative marketing plan. Simply, the Board would become the only seller of wheat destined for domestic human consumption. The remainder of the crop would be sold at free market prices.

Alterations to demand were discussed next. It was pointed out that because soft wheat flour consumption would decline in the long-run, total revenue received would also decline. To offset this eventual decline in toal revenue, prices could be enhanced by improving the physical condition of Ontario wheat and improving the grading system. An analysis of pricing in the very short-run showed that the

O.W.P.M.B. should not hold on to its stocks for very long periods of time. Selling decisions should be based on present prices and future prices weighed against storage costs. Previous costs should not be taken into consideration. If export markets cannot be found, wheat should be sold domestically for feed.

Other factors to aid in the functioning of the marketing system were based on the acquiring and spreading of information.

Before dealing with the specific conclusions of this study, it will be worthwhile to discuss some general observations that have been made. It must be pointed out that these comments are only semi-related to the central problem.

The first observation concerns the thoughts of finding markets whenever surpluses arise. Farmers erroneously assume that there is a market for all that they produce, and therefore, tend to think that by finding new markets, all problems will be solved. Not enough thought is given to the market conditions. That is not to say, that attempts should not be made to increase demand by looking for new markets, but to point out that one should not become obsessed with the idea in the hope that it alone will solve problems.

Secondly, wheat farmers should not limit their thinking to the problems of agriculture, but rather, their

thinking should be directed toward the wheat-oriented agri-business. Only by fully understanding present markets, can producers evaluate their difficulties in the proper perspective.

Moreover, the basic responsibility of marketing boards should be separated from the more general aspects of government policy. To elaborate, general farm income problems should not become a major preoccupation. Marketing boards have acted too often to the demands of farmers, rather than to the needs of the market. This is not to deny that some producers have income problems, but to permit these problems to dominate policies will seriously interfere with the primary role of a marketing board. Pressure from producers for higher prices is understandable, but raising prices is of little value if the grain must be stored. Farmers' income problems are pressing and real, but they are too vast to be solved by the policies of a single marketing board.

The O.W.P.M.B. must carefully consider changes in light of both the long and short run. Canadian agricultural policy and especially Canadian Wheat Board policies are a patchwork of emergency measures. They have been mended and perpetuated long after the original crisis had disappeared. A short-term emergency policy may correct the situation; however, past experience has shown that these measures are extremely difficult to revoke. Therefore, one

must stress the importance of searching for solutions which have both the short and especially the long term in mind.

Now to deal with specific conclusions.

It was previously concluded that if the O.W.P.M.B. staggered its buying times to become a true stabilization Board, the modification would not be acceptable. Although it has some advantages, it would not overcome the basic problem of over-production at present prices. Subsequently, it would not solve the problem of financing this excess. The transportation levy, on the other hand, would tend to reduce production and thus, would also aid financing. It is felt that a combination of these two modifications may offer a short run emergency solution to the Board's problems.

But the O.W.P.M.B. should be attempting to find a long run as well as a short run solution to current problems. Economists agree that any form of price support is inherently unstable. If the floor price is higher than the normal price, the rate of production will exceed the rate of consumption and surplus will accumulate--unless the volume of production is controlled. Thus, in supporting a price above the normal price, the imposing organization usually finds itself the possessor of surplus stocks. It is hoped of course, that surpluses will be marketed later at a price which will result in minimal or no losses. But this rarely happens, especially when proper allowance is made

for storage costs. Only under abnormal circumstances, can these stocks be disposed of without loss.

Price supports are justifiable if they are used to assist producers when a sudden fall in demand causes a sharp drop in price. If these conditions are short-lived, a price support should be used as a temporary measure. If the fall in demand is permanent, price supports should be used to aid producers during a transition period--that is, while they are shifting their resources into some other type of economic activity. In either case, any form of price support should be regarded as an emergency measure. From an economic viewpoint, one should refrain from employing a price support or minimum price program as a permanent method of assisting any group of producers.

If one considers the current problems of the wheat marketing system, considers the objectives of the Board, thinks in terms of the entire wheat-oriented agri-business and wishes to provide both a short-term and long-term solution to the Ontario winter wheat situation, there is one solution that is far better than any others--the partial pool. The advantages of this plan have been previously mentioned. It must be realized, however, that because of intrinsic regional differences, there can never be a plan that would affect all areas of the province equally. Yet, a partial pool would provide the stability that the Ontario wheat marketing system needs. Under this plan, the total

revenue received by the entire group of producers would approach the maximum amount possible.

Before the partial pool could be adopted, there would definitely have to be a complete study of transportation costs and methods, as well as a study of existing storage facilities. There is evidence to suggest that the Board's transportation methods are far from optimum. Moreover, present storage facilities may not be adequate. Miller's bins may have to be used to store Board owned wheat. However, given the origins and destinations of the wheat purchased, the least-cost pattern of grain movement could be calculated by using computer programming techniques. Furthermore, a mathematical model could be constructed to simulate this wheat marketing system so that the least-cost pattern of movement could be calculated under varying conditions. An inventory of domestic demand--the amount of wheat needed, by whom and at what time is an area of study related to the above.

Another area for study would be a complete analysis of the Board's costs for all phases of its operations. Related to this, a study should be undertaken to find the best method of pricing. Although two methods were mentioned, a fixed f.o.b. price to all buyers and an auctioning system, a uniform delivered price to each consumer or a different delivered price to each consumer could also be used. The pricing method would largely be determined by the amount

of storage space available at various locations.

Although this additional research is necessary, the suggested pool is, in the opinion of this writer, the only viable solution to wheat marketing problems in Ontario.

APPENDIX A

The Ontario Wheat Producers' Marketing Plan

Regulation 178

of Revised Regulations of Ontario, 1960
as amended by O. Reg. 221/63 and O. Reg. 270/63
under The Farm Products Marketing Act

WHEAT—PLAN

1. The plan in the Schedule is established for the control and regulation of the marketing within Ontario of wheat. O. Reg. 221/63, s. 1.

2. The local board named in the Schedule is given the powers set out in clauses *a*, *b*, *d*, *e*, *f*, *g*, *i*, *j*, *k*, *l*, *m*, *n*, *o* and *t* of subsection 1 of section 22 and in sections 58 and 288 of *The Corporations Act* that are vested in a co-operative corporation that is under Part V of that Act. O. Reg. 270/63, s. 1.

3. The members of the local board named in the Schedule shall be deemed to be the shareholders and the directors of the local board in the exercise of the powers vested in the local board under section 2. R.R.O. 1960, Reg. 178, s. 3.

Schedule

The Farm Products Marketing Act

PLAN

1. This plan may be cited as "The Ontario Wheat Producers' Marketing Plan".

2. In this plan,

(*a*) "producer" means a person engaged in the production of wheat;

(*b*) "wheat" means wheat of every variety produced in Ontario and includes wheat sold for seed or processing.

3. This plan applies to the control and regulation in any or all respects of the marketing within Ontario of wheat.

4. There shall be a local board to be known as "The Ontario Wheat Producers' Marketing Board".

5. The local board shall be composed of twelve producer-members elected or appointed in accordance with sections 10 and 11.

6. Producers are divided into nine districts as follows:

1. District 1, comprising the County of Essex.
2. District 2, comprising the County of Kent.
3. District 3, comprising the County of Lambton.
4. District 4, comprising the counties of Middlesex and Elgin.
5. District 5, comprising the counties of Oxford, Brant and Norfolk.
6. District 6, comprising the counties of Haldimand, Welland, Lincoln, Wentworth and Halton.
7. District 7, comprising the counties of Huron, Grey, Bruce, Wellington, Waterloo and Perth.
8. District 8, comprising the counties of Dufferin, Peel, Simcoe and York.
9. District 9, comprising the counties of Carleton, Durham, Frontenac, Hastings, Lanark, Leeds, Lennox and Addington, Northumberland, Ontario, Peterborough, Prince Edward, Renfrew and Victoria.

7.—(1) Producers in each of the counties named in section 6 form a county group.

(2) A producer in the Territorial District of Muskoka or in a county not included in a district mentioned in section 6 may become a member of the district group of producers nearest to his place of production.

8. There shall be a committee in each district to be known as "The District Wheat Producers' Committee".

9. On or before the 1st day of March in each year, the producers in each county group shall elect from its members one representative to the District Wheat Producers' Committee for the district in which the county is located for each 360 producers or fraction thereof in the county.

ELECTION OF MEMBERS TO LOCAL BOARDS

10.—(1) On or before the 15th day of March in each year, each District Wheat Producers' Committee may elect, from the producers in the district, members to the local board as follows:

1. District 1, one member.
2. District 2, two members.
3. District 3, one member.
4. District 4, two members.
5. District 5, one member.
6. District 6, one member.
7. District 7, one member.
8. District 8, one member.
9. District 9, two members.

(2) No person is eligible for election from any district to the local board unless he is a producer in the district but in no case shall he be elected to represent more than one district.

(3) On or before the 31st day of March in each year, the members of all District Wheat Growers' Committees may elect the member or members, as the case may be, from each district to the local board.

11.—(1) At its first meeting after the 31st day of March the members elected to the local board shall appoint such producer-members as are necessary to complete the local board.

(2) When a member elected or appointed to the local board dies or resigns before the 31st day of March of the year next following the date of his election or appointment, the members of the local board may appoint a producer-member for the unexpired term.

(3) Each producer-member appointed a member to the local board under subsection 1 or 2 shall be a producer in the district for which he is appointed.

(4) Each producer-member of the local board shall be elected or appointed to hold office until the 31st day of March of the year next following his election or appointment. R.R.O. 1960, Reg. 178, Schedule; O. Reg. 221/63, ss 3-7.

1000 Jan. 10/66

Regulation 177

of Revised Regulations of Ontario, 1960
as amended by O. Reg. [illegible]/63
under The Farm Products Marketing Act

WHEAT—MARKETING

1. In this Regulation,

(*a*) "dealer" means a person who buys or receives wheat from a producer;

(*b*) "dealing in wheat" means buying, transporting or selling wheat;

(*c*) "local board" means The Ontario Wheat Producers' Marketing Board;

(*d*) "plan" means The Ontario Wheat Producers' Marketing Plan;

(*e*) "processing" includes cleaning, drying, treating, turning, washing, grinding, rolling, pulverizing, cracking, crimping or distilling, with or without other ingredients, and processing or manufacturing articles of food or drink in whole or in part from wheat;

(*f*) "processor" means a person engaged in processing wheat;

(*g*) "producer" means a person engaged in the production of wheat;

(*h*) "wheat" means wheat of every variety produced in Ontario and includes wheat sold for seed or processing. R.R.O. 1960, Reg. 177, s. 1; O. Reg. 242/63, s. 1.

2. This Regulation applies to the control and regulation in any or all respects of the marketing within Ontario of wheat, including the prohibition of such marketing in whole or in part. O. Reg. 242/63, s. 2.

3. The Board exempts from this Regulation,

(*a*) wheat used on the farm on which it was produced; and

(*b*) wheat sold by a producer directly to another producer for use by him on his farm. O. Reg. 242/63, s. 3.

4.—(1) No person shall commence or continue to engage in the producing of wheat except under the authority of a licence as a producer of wheat in Form 1.

(2) Every producer while not in default of payment of the fees required to be paid under section 9 shall be deemed to be the holder of a licence in Form 1. R.R.O. 1960, Reg. 177, s. 4.

5.—(1) No person shall commence or continue to engage in the processing of wheat except under the authority of a licence as a processor of wheat in Form 3.

(2) No licence as a processor of wheat shall be issued except upon application therefor in Form 2. R.R.O. 1960, Reg. 177, s. 5.

6.—(1) No person shall commence or continue to engage in the dealing in wheat except under the authority of a licence as a dealer in wheat in Form 5.

(2) No licence as a dealer in wheat shall be issued except upon application therefor in Form 4. R.R.O. 1960, Reg. 177, s. 6.

7.—(1) A licence in Form 3 or 5 expires with the 30th day of June next following the date on which the licence is issued.

(2) A licence shall be issued without charge. R.R.O. 1960, Reg. 177, s. 7.

8.—(1) The Board may refuse to grant a licence where the applicant is not qualified by experience, financial responsibility and equipment to engage in properly the business for which the application was made, or for any other reason that the Board deems proper.

(2) The Board may suspend or revoke or refuse to renew a licence for failure to observe, perform or carry out the provisions of the Act, the regulations, the plan or any order or direction of the Board or the local board. R.R.O. 1960, Reg. 177, s. 8.

9.—(1) Every producer shall pay to the local board licence fees at the rate of 1 cent for each bushel of wheat produced by the producer.

(2) The dealer or processor shall deduct the licence fees payable by a producer from the sum of money due to the person from whom the wheat was received.

(3) Subject to subsection 4, the dealer or processor shall forward to the local board the licence fees deducted in any month not later than the 15th day of the following month.

(4) Every person who produces and processes wheat shall, not later than the 15th day of January in any year, pay to the local board the licence fees payable on the amounts of wheat that he produced in the preceding year and used for processing.

(5) The local board may recover the licence fees payable to it from a producer, dealer or processor, as the case may be, by suit in a court of competent jurisdiction. R.R.O. 1960, Reg. 177, s. 9; O. Reg. 242/63, s. 4.

POWERS OF LOCAL BOARD

10.—(1) The Board authorizes the local board to use the licence fees and other money payable to it, for the purpose of paying the expenses of the local board, carrying out and enforcing the Act and the regulations and carrying out the purpose of the plan.

(2) The Board authorizes the local board to establish a fund in connection with the plan for the payment of any money that may be required for the purposes mentioned in subsection 1.

(3) The Board authorizes the local board to purchase or otherwise acquire from a dealer or processor such quantity or quantities of wheat as the local board deems advisable. R.R.O. 1960, Reg. 177, s. 10; O. Reg. 242/63, s. 5.

11. The Board delegates to the local board its powers to make regulations with respect to wheat marketed,

(*a*) requiring the furnishing of security or proof of financial responsibility by any person engaged in the marketing of wheat and providing for the administration and disposition of any money or securities so furnished;

(*b*) requiring any person who produces and processes wheat to furnish to the local board statements of the amounts of wheat that he produced in any year and used for processing;

(*c*) subject to section 3, providing for the exemption from any or all of the regulations, orders or directions under the plan of any class, variety or grade of wheat, or any person or class of persons engaged in the producing or marketing of wheat or any class, variety or grade of wheat;

(*d*) providing for the regulating and the controlling of agreements entered into by producers of wheat or persons engaged in marketing or processing wheat, and the prohibition of any provision or clause in such agreements,

(*e*) providing for the regulating and the controlling of the marketing of wheat, including the times and places at which wheat may be marketed. R.R.O. 1960, Reg. 177, s. 11; O. Reg. 242/63, s. 6.

12. The Board delegates to the local board the power,

(*a*) to require persons engaged in producing or marketing wheat to register their names, addresses and occupations with the local board;

(*b*) to require persons engaged in producing or marketing wheat to furnish such information relating to the production or marketing of wheat as the Board or local board determines;

(*c*) to appoint persons to inspect the books, records, lands and premises and any wheat of persons engaged in the marketing of wheat;

(*d*) to stimulate, increase and improve the marketing of wheat by such means as it deems proper;

(*e*) to co-operate with a marketing board, a local board or a marketing agency of any other province for the purpose of marketing wheat;

(*f*) to do such acts and make such orders and issue such directions as are necessary to enforce the due observance and carrying out the provisions of the Act, the regulations and the plan. R.R.O. 1960, Reg. 177, s. 12; O. Reg. 242/63, s. 7.

NEGOTIATING AGENCY

13.—(1) There shall be a negotiating agency to be known as "The Negotiating Committee for Wheat" composed of twelve persons appointed annually after the 1st day of May and before the 15th day of May upon the request in writing of the Board, of whom six shall be appointed by the local board, three shall be appointed by the dealers and three shall be appointed by the processors.

(2) Where the local board, the dealers or the processors fail to appoint the persons in accordance with subsection 1 within seven days of receipt of the request in writing of the Board, the Board may appoint such representatives as are necessary to complete the negotiating agency.

(3) Subject to subsections 4 and 5, the members of the negotiating agency are and remain members until the 31st day of December of the year in which the members were appointed.

(4) Where a member of the negotiating agency dies or resigns or is unavailable to act before the expiration of his term of membership, the local board or the processors or the dealers, as the case may be, who appointed him shall appoint a person for the unexpired term of the member who died, resigned or was unavailable to act.

(5) Where the local board or the processors or the dealers, as the case may be, fail to make an appointment under subsection 4 within seven days after a vacancy occurs, the Board may appoint such persons as are necessary to complete the negotiating agency. R.R.O. 1960, Reg. 177, s. 13.

14. The Negotiating Committee for Wheat is empowered to adopt or settle by agreement,

(*a*) minimum prices for wheat, or for any class, variety or grade of wheat, including discounts and premiums respecting the moisture content of wheat;

(*b*) terms, conditions and forms of agreements relating to the producing or marketing of wheat; and

(*c*) any charges, costs or expenses relating to the production or marketing of wheat. R.R.O. 1960, Reg. 177, s. 14.

15. A meeting of a negotiating agency may be convened by a notice in writing given by the six members of the negotiating agency appointed by the local board, or by the three members of the negotiating agency appointed by the processors or by the three members of the negotiating agency appointed by the dealers, to the other members of the negotiating agency at least seven days, but not more than ten days before the date of the meeting, stating the time and the place of the meeting. R.R.O. 1960, Reg. 177, s. 15.

ARBITRATION

16.—(1) Where a meeting of the negotiating agency is not held in accordance with the notice required by section 15, or where a meeting is held and the negotiating agency does not arrive at an agreement respecting all matters that it is empowered to adopt or settle by agreement, on or before the 1st day of June in any year, the matters in dispute shall be referred by the Board to an Arbitration Board.

(2) Where the negotiating agency decides before the 1st day of June that an agreement on all matters that it is empowered to adopt or settle by agreement cannot be reached, it shall so notify the Board.

(3) Where the negotiating agency does not arrive at an agreement under subsection 1 or 2, it may submit in writing to the Board a statement of the matters in dispute. R.R.O. 1960, Reg. 177, s. 16.

17.—(1) The Arbitration Board shall be composed of three members.

(2) One member may be appointed by the six members of the negotiating agency appointed by the local board, and one other member may be appointed by the six members of the negotiating agency appointed by the dealers and the processors.

(3) Where two members are appointed to the Arbitration Board in accordance with subsection 2, the two members so appointed may appoint a third member to the Arbitration Board but, where the two members fail to agree on the third member within seven days after the Board was notified under subsection 2 of section 16, or the 1st day of June, as the case may be, the Board shall appoint the third member.

(4) Where the six members of the negotiating agency appointed by the local board or the six members of the negotiating agency appointed by the dealers and processors, as the case may be, fail to appoint a member to the Arbitration Board in accordance with subsection 2 within seven days after the Board was notified under subsection 2 of section 16, or the 1st day of June, as the case may be, the Board shall appoint such members as are necessary to complete the Arbitration Board.

(5) The Board shall submit to the Arbitration Board any statement or statements of the matters in dispute received from the negotiating agency under subsection 3 of section 16.

(6) The Arbitration Board shall meet forthwith after the appointment of the three members thereof and shall make an award in respect of the matters referred to it, or all matters that the negotiating agency is empowered to adopt or settle by agreement, as the case may be. R.R.O. 1960, Reg. 177, s. 17.

Form 1

The Farm Products Marketing Act

LICENCE AS A PRODUCER OF WHEAT

Under *The Farm Products Marketing Act* and the regulations, and subject to the limitation thereof, this licence is issued

to.....
(name)

of.....
(address)

to grow wheat.

Issued at Toronto, this.....day of....., 19...

THE FARM PRODUCTS MARKETING BOARD:

.....
Chairman

.....
Secretary

R.R.O. 1960, Reg. 177, Form 1.

Form 2

The Farm Products Marketing Act

APPLICATION FOR LICENCE AS A PROCESSOR OF WHEAT

To The Farm Products Marketing Board:

.....
(name of applicant)

.....
(address)

makes application for a licence as a processor of wheat under *The Farm Products Marketing Act.*

Dated at....., this.....day of....., 19...

.....
(signature of applicant)

.....
(where applicant is a corporation or partnership, signature of person authorized to sign)

.....
(office)

R.R.O. 1960, Reg. 177, Form 2.

Form 3

The Farm Products Marketing Act

LICENCE AS A PROCESSOR OF WHEAT

Under *The Farm Products Marketing Act* and the regulations, and subject to the limitations thereof, this licence is issued

to.....
(name)

of.....
(address)

to engage in the processing of wheat.

This licence expires with the 30th day of June next following the date of issue.

Dated at....., this.....day of....., 19...

THE FARM PRODUCTS MARKETING BOARD:

.....
Chairman

.....
Secretary

R.R.O. 1960, Reg. 177, Form 3.

Form 4

The Farm Products Marketing Act

APPLICATION FOR LICENCE AS A DEALER IN WHEAT

To The Farm Products Marketing Board:

.....
(name of applicant)

.....
(address)

makes application for a licence as a dealer in wheat under *The Farm Products Marketing Act.*

Dated at....., this.....day of....., 19...

.....
(signature of applicant)

R.R.O. 1960, Reg. 177, Form 4.

Form 5

The Farm Products Marketing Act

LICENCE AS A DEALER IN WHEAT

Under *The Farm Products Marketing Act* and the regulations, and subject to the limitations thereof, this licence is issued

to.....
(name)

of.....
(address)

to engage in the dealing in wheat.

This licence expires with the 30th day of June next following the date of issue.

Dated at....., this.....day of....., 19...

THE FARM PRODUCTS MARKETING BOARD:

.....
Chairman

.....
Secretary

R.R.O. 1960, Reg. 177, Form 5.

APPENDIX B

Agreement for Marketing the 1968 Crop of Ontario Wheat

ORDER MADE BY THE BOARD UNDER THE FARM PRODUCTS MARKETING ACT

The Board declares the Agreement appended hereto, filed after the making thereof with the Board, to come into force on the 1st day of July, 1968.

Dated at Toronto, this 5th day of June, 1968.

C. G. MIGHTON, *Chairman*

(SEAL)

J. W. DRENNAN, *Secretary.*

AGREEMENT FOR MARKETING THE 1968 CROP OF ONTARIO WHEAT UNDER THE ONTARIO WHEAT PRODUCERS' MARKETING PLAN

This Agreement made the 4th day of June, 1968.

BETWEEN:

A. R. Coulter, Peter MacKinnon, James O'Shea, M. R. McDougall, Ralph Davison, K. A. Standing, appointed by the local board, members of the Negotiating Committee called the Producer-members,

—and—

D. G. Waters, J. M. Cunningham and Gordon McNern, appointed by the dealers, members of the Negotiating Committee called the Dealer-members,

—and—

C. F. Bowker, Frank Reid and S. M. Lockington, appointed by the processors, members of the Negotiating Committee called the Processor-members.

Under the Farm Products Marketing Act and the regulations, and subject to the limitations thereof the Producer-members and the Dealer-members and the Processor-members agree as follows:

Price

1. (a) The minimum price to be paid by a dealer, or processor to a producer for wheat produced in Ontario by the producer for Canada Eastern Winter Wheats Grade No. 2 or better, not over 14% moisture and delivered to the dealer or processor shall be:

July, 1968	$1.80	January, 1969	$1.88
August, 1968	1.80	February, 1969	1.90
September, 1968	1.80	March, 1969	1.90
October, 1968	1.82	April, 1969	1.90
November, 1968	1.84	May, 1969	1.85
December, 1968	1.86	June, 1969	1.80

Less the following allowable discounts (less authorized licence fee and levy);

Discounts

(b) Grade No. 3 C.E. Winter Wheat to be at a maximum discount of 3 cents per bus. under the minimum prices.

(c) Grades No. 4 and 5 of Canada Eastern Winter Wheat and Grades No. 1 and 2 Canada Eastern mixed wheat and sample grades of Canada Eastern wheat, where it is down graded because of sprouts or test weight at a maximum discount of 45 cents under the minimum price.

(d) Where the moisture content of wheat is more than 14 per cent, the maximum deduction to be made by any dealer or processor to be according to the following:

14.1% to 14.5% — the discount to be 2½¢ per bushel.

14.6% to 15.0% — the discount to be 5¢ per bushel.

If the moisture content is over 15% the discount to be 5¢ per bushel, plus 2¢ per bushel for each ½% of moisture content in excess of 15%.

Example — 15.1% to 15.5% — 7 cents
15.6% to 16.0% — 9 cents
16.1% to 16.5% — 11 cents
16.6% to 17.0% — 13 cents

2. The following terms of purchase and sale shall form part of each contract between a producer and dealer or a processor.

(a) the wheat to be graded and sold on the basis of grades established under sub-section 1 of section 24, and schedule 2 of The Canada Grain Act, 1930;

(b) the dealer or processor to pay the producer cash on delivery for all wheat sold by the producer and accepted by the dealer or processor;

(c) the dealer or processor to give the producer at the time of sale of the wheat a statement of purchase of wheat, showing the date, number of bushels, price, grade, moisture content and the amount deducted for licence fees and levies;

(d) where a sample of wheat is required for the purpose of tests, the sample

(i) to weigh not less than 2 lbs.

(ii) to be taken at the time of delivery from the load of wheat delivered by the producer,

(iii) to be agreed upon by the producer and the dealer or processor,

(iv) to be retained in a sealed, moisture-proof container bearing a label on which is stated the name and address of the producer and the dealer, or processor,

(v) to be delivered to an inspector for the Board of Grain Commissioners if required by him for examination and tests; and

(e) for the purpose of agreement upon a sample of wheat under sub-section (iii) of clause d, the person delivering to a dealer or processor a load of wheat, to be deemed the producer.

3. In case of a dispute between a dealer or processor and a producer as to the grade, moisture content or condition of any load of wheat the matters in dispute shall be referred to an inspector for the Board of Grain Commissioners, and his decision shall be accepted.

Dated at Toronto, Ontario, this 4th day of June, 1968.

PRODUCER-MEMBERS	DEALER-MEMBERS
K. A. STANDING	GORDON MCNERN
JAMES L. O'SHEA	DONALD G. WATERS
PETER MACKINNON	J. M. CUNNINGHAM
A. R. COULTER	
M. R. MCDOUGALL	
RALPH DAVISON	

PROCESS-MEMBERS

C. F. BOWKER
FRANK REID
S. M. LOCKINGTON

APPENDIX C

CHAPTER 5.

An Act to Assist and Encourage Co-operative Marketing of Agricultural Products.

SHORT TITLE.

1. This Act may be cited as the *Agricultural Products Co-operative Marketing Act*. 1939, c. 28, s. 1. Short title

INTERPRETATION.

2. In this Act, Definitions.

(a) "agricultural product" means any kind of grain other than wheat, milk and milk products, vegetables and vegetable products, livestock and livestock products, fruit and fruit products, poultry and poultry products, honey, maple syrup, tobacco, and any other product of agriculture designated by the Governor in Council; "Agricultural product."

(b) "co-operative association" means an association of primary producers having for its object the marketing, under a co-operative plan, of agricultural products produced by the aforesaid primary producers; "Co-operative association."

(c) "co-operative plan" means an agreement or arrangement for the marketing of agricultural products that provides, "Co-operative plan."

(i) for equal returns to primary producers for agricultural products of the like grade and quality,

(ii) for the return to primary producers of the proceeds of the sale of all agricultural products delivered thereunder produced during the year, after deduction of processing, carrying and selling costs and reserves, if any,

(iii) for an initial payment to primary producers of a percentage, not exceeding eighty per cent, approved by the Governor in Council on the recommendation of the Minister, of the average price paid to producers according to grade and quality for an agricultural product over a period of three years immediately preceding the year of production;

"Initial payment." (*d*) "initial payment" means the sum paid, or credited for merchandise delivered or money advanced to primary producers of an agricultural product to be marketed under one only co-operative plan;

"Minister." (*e*) "Minister" means the Minister of Agriculture;

"Processor." (*f*) "processor" means a person engaged in the preparation or conversion of an agricultural product for marketing;

"Selling agency." (*g*) "selling agency" means the person authorized by one or more co-operative associations or one or more processors or one or more co-operative associations and processors to market an agricultural product under one only co-operative plan;

"Year." (*h*) "year" means such period of twelve months as the Minister may designate as being the year of production of an agricultural product. 1939, c. 28, s. 2; 1940, c. 19, ss. 1, 2, 3.

Payment to selling agency. **3.** (1) The Minister may, with the approval of the Governor in Council, by agreement with a co-operative association, processor or selling agency, undertake that if the average wholesale price of an agricultural product of any grade or quality produced during the year and delivered to a co-operative association, processor or selling agency under one only co-operative plan, is less than the initial payment together with the actual processing, carrying and selling costs, which shall not exceed the maximum to be fixed under the agreement in the case of each grade of the agricultural product, there shall be paid to the co-operative association, processor or selling agency the amount, if any, by which the initial payment together with such costs exceeds the average wholesale price aforesaid computed on the amount of the agricultural product of such grade or quality so delivered.

(2) In determining the average wholesale price of an agricultural product, the Minister may, with the approval of the Governor in Council, require that any excess over the initial payment and costs in the sales account of a particular grade or grades shall be applied against any deficit in the sales account of any other grade or grades of such product.

(3) An agreement made under subsection (1) may include a provision that the Minister may on such notice as he deems fair and reasonable require that the delivery of an agricultural product to a co-operative association, processor or selling agency shall be discontinued with the result that

the Minister shall not be liable in respect of any agricultural product delivered to the co-operative association, processor or selling agency after such requirement.

Payments to primary producers to be approved.

(4) No payment shall be made to primary producers subsequent to the initial payment unless such subsequent payment is first approved by the Governor in Council.

Decision of Minister to be final.

(5) In the event of a difference arising as to the average wholesale price under an agreement made under this section, the decision of the Minister shall be binding.

Plan to benefit primary producers.

(6) No agreement shall be made under this section unless the co-operative plan applies to such a proportion of the primary producers within a certain geographical area or to such a proportion of an agricultural product produced in such area that the Minister is of opinion that the marketing of the aforesaid agricultural product under the co-operative plan will benefit the primary producers. 1939, c. 28, s. 3; 1940, c. 19, ss. 4, 5.

Minister may prescribe with approval of Governor in Council.

4. (1) The Minister may, with respect to any agreement under this Act and with the approval of the Governor in Council, prescribe,

(a) variations from the initial payment for the basic grade applicable to other grades of an agricultural product,

(b) the maximum amount that may be allowed under the agreement for processing, carrying or selling costs with respect to the marketing of an agricultural product, and

(c) any other matter deemed necessary for the efficient administration of the Act.

Regulations by the Minister.

(2) The Minister may prescribe,

(a) the manner in which the average price or average wholesale price of an agricultural product shall be ascertained,

(b) the manner of ascertaining the proportion of primary producers in a designated geographical area whose agricultural product is to be marketed under a co-operative plan, and

(c) the manner of ascertaining the proportion of an agricultural product produced in a designated area that is to be marketed under a co-operative plan. 1940, c. 19, s. 6.

Officers, clerks and employees.

5. The Governor in Council may appoint such officers, clerks and employees as may be deemed necessary for the efficient administration of this Act and such officers, clerks

and employees shall hold office during pleasure and receive such salary or other remuneration as may be fixed by the Governor in Council. 1939, c. 28, s. 5.

Inspection and audit.

6. In the case of any agreement made pursuant to section 3, the books and accounts of the selling agency and of every co-operative association or processor to whom the agreement relates shall be inspected and audited by an accountant or professional auditor approved by the Governor in Council and the reports of such accountant shall be submitted to the Minister as required. 1939, c. 28, s. 6.

Report to be laid before Parliament.

7. The Minister shall at the end of the fiscal year prepare a report of the agreements made under this Act and shall lay it before Parliament forthwith, or if Parliament is not then sitting, within fifteen days after the commencement of the next ensuing session. 1940, c. 19, s. 7.

Payment of liabilities under agreement.

8. Where at any time the Minister becomes liable under any approved agreement under this Act, the Minister of Finance may, out of the unappropriated moneys forming part of the Consolidated Revenue Fund and with the approval of the Governor in Council, pay the amount for which the Minister may be liable under such agreement. 1940, c. 19, s. 8.

Administrative expenses.

9. All administrative, including travelling or other expenses, incurred under this Act shall be paid out of the money provided by Parliament for the purpose. 1940,

APPENDIX D

McMASTER UNIVERSITY

HAMILTON, ONTARIO, CANADA

DEPARTMENT OF GEOGRAPHY

December 27, 1969

Board of Grain Commissioners of
Canada,
Winnipeg, Manitoba.

Gentlemen:

I'm a student at McMaster University writing a thesis on the marketing of Ontario Winter wheat. However, I'm particularly interested in the substitutes for Ontario winter wheat.

Firstly, I realize that soft wheat cannot be imported into Canada without a permit from the Canadian Wheat Board. It is important that I find out the full implications of this. Detailed information would be extremely helpful. How difficult or easy is it to get a permit? The minimum price for Grades 1 and 2 Ontario winter wheat is $1.80/bushel. If the price were to be raised, at what point would the Canadian Wheat Board allow imports? How much would it allow into the country? Is there a "formula" for deriving the need for importing wheat? If there was a year of low production with just enough soft wheat to meet domestic requirements causing prices to rise, could Ontario millers receive a permit to import wheat? Is soft wheat only allowed into the country when there is not enough to meet domestic requirements.

I understand that Manitoba White and Alberta Red Winter are two kinds of soft wheat grown in western Canada. Are they close substitutes for Ontario winter wheat? That is, how close in quality (e.g. gluten, protein content etc.). Detailed information on both of these kinds of wheat would be extremely helpful to me. How much is grown? Could this production be expanded? Would these kinds of wheat have any transportation subsidies into Eastern Canada?

I understand that there is a process by which hard spring wheat can be made suitable for pastry flour. How does the resulting flour compare to Ontario winter wheat or soft wheat in general as to quality? Is this process very expensive? Again detailed information would be extremely valuable.

.....2

Board of Grain Commissioner

of Canada. -2-

Lastly, has there been any research done on a new grading system for wheat? There have been recent articles in journals suggesting that this should be done particularly a grading system stressing quality. Could you bring me up to date in this area?

Any information that you send me will be appreciated. Thank you for your co-operation.

Sincerely,

DFD/jle

Dale F. Dilamarter.

CANADA DEPARTMENT OF AGRICULTURE
BOARD OF GRAIN COMMISSIONERS FOR CANADA

MINISTÈRE DE L'AGRICULTURE DU CANADA
COMMISSION DES GRAINS DU CANADA

FILE NO. 600
DOSSIER

267 Grain Exchange Building,
Winnipeg 2, Manitoba,
January 24, 1969.

Mr. Dale F. Dilamarter,
Department of Geography,
McMaster University,
HAMILTON, Ont.

Dear Sir:

In reply to your letter received in this office on December 31, I sent copies of your request to the Canadian Wheat Board who have replied to the first part of your letter, and to the Board of Grain Commissioners Research Laboratory who have replied to the remaining questions contained in your letter.

Copies of these replies are attached.

Yours very truly,

V. Martens,
Secretary and
Director of Administration.

Atts.

1. Only one type of soft wheat is grown in Western Canada. This is Soft White Spring wheat which is grown in southern Alberta on irrigated land, almost all of it under contract to the milling industry. Wheat of the class Alberta Red Winter is almost entirely hard wheat, although it is normally of lower protein than the Hard Spring wheat; its characteristics are generally those of hard wheat. Soft White Spring wheat grown in Western Canada tends to be about the same level of protein as Ontario Soft White Winter. Its milling characteristics are rather similar to those of Ontario wheat, although generally the ash and colour of the flour are somewhat better, while the yield of flour is about 1.5% lower . The Soft White Spring is a rather stronger wheat than the Ontario White Winter and so they are not completely interchangeable; however, for a number of applications they might be equally useful. The protein level of Ontario wheat normally runs about 9.5% on the average, while that of Soft White Spring might be a percent higher. It is difficult to obtain exact information on Soft White Spring as much of this moves directly from the grower to the milling companies. Production of White Spring wheat has varied in recent years from 475,000 bushels in 1965-66 to 983,000 bushels in 1962-63. In years when the protein content of this wheat tends to be higher than sought by the mills, production falls off the subsequent year. Production of this type of wheat might be expanded as further suitable wheat growing areas come under irrigation. It is unlikely that such wheat would be granted any transportation subsidy for movement to Eastern Canada.

2. There is at the moment no economical process for making Hard Red Spring wheat suitable for pastry flour. The available process, which consists of a special fine grinding of normally milled flour and subsequent classification of its flour by air separation, is uneconomical when applied to Hard Red Spring flours. It is used in the United States and in Europe for producing pastry flours from softer types of wheat. The process adds considerably to the cost of flour but normally will produce a premium product for which the ultimate processor is willing to pay a premium price.

3. Considerable research has been under way for many years on means of improving the grading system for wheat in Western Canada. Amongst other proposals considered has been that of grading by protein content. In the past this has been rejected as adding an unecessary complication in the handling of the large quantities of wheat which we export but some compromise form of segregation may ultimately be developed. Our present grading system stresses quality for milling and baking purposes and does this in a unique way through the specification of a standard variety of known quality for the top grades of wheat. Varieties which are of an inferior quality cannot grade into the top grades and the result is that no farmers choose to grow such wheats.

Canada has a surplus of soft wheat and each year a significant volume of this wheat is exported. Therefore, The Canadian Wheat Board does not issue permits allowing soft wheat to come into Canada for commercial use. Some small quantities may be permitted to come into Canada for special reasons such as for seed, experimental purposes, etc. However, quantities for these purposes would be negligible. Therefore it is not a question of how difficult or easy is it to get a permit but rather permits are not issued for the importation of soft wheat for commercial uses. The Wheat Board does not have a formula for deriving the need for importing wheat.

You also raise the questions "If the price were to be raised, at what point would the Wheat Board allow imports?" and "Is soft wheat only allowed into the country when there is not enough to meet domestic requirements?" Canada, in recent years, has had more than sufficient soft wheat to meet her domestic needs and the export price for Canadian wheat has to be competitive with soft wheat from other sources. Therefore, it is unlikely that Canadian prices would become too far out of line with those for a similar quality wheat from other sources.

APPENDIX E

PART I

The purpose of the questionnaire was to obtain specific information about wheat marketing in Ontario. Briefly, the questions asked were related to purchasing decisions with respect to price, available substitutes, grade preferences and possible grading changes, transportation problems, and the availability of Ontario wheat. Generally speaking, the questionnaire was designed to obtain buyers satisfactions and dissatisfactions concerning the above topics. Furthermore, an attempt was made to gain insight to possible reactions if certain modifications were made to the Ontario wheat marketing system. The survey was also designed to yield general information about wheat marketing. Two separate questionnaires were designed, one being sent to flour and cereal manufacturers and the other to feed mills. Although the two questionnaires were tailored to each activity, the general nature of the questions were similar. Both questionnaires may be found in Part II of Appendix E.

The complete survey was composed of three phases. The first step was to obtain a list of flour mills that used Ontario soft wheat. These mills plus a list of their purchasing agents were obtained from the Ontario Flour Millers Association, Toronto. Next, a visit was paid to the Ontario Grain and Feed Dealers Association, Toronto, to obtain a complete list of feed mills in Ontario. With the help of Mr. Murray McPhail, Executive Vice-President

of the Association, a workable number of firms was selected for potential interviewing. In choosing these feed mills, an attempt was made to select mills located in all parts of the province. Only large and intermediate sized firms were selected because they represented the largest potential buyers of Ontario winter wheat. In addition, a list of the operators was obtained for each mill.

Phase two consisted of placing a telephone call to each purchasing agent or mill operator. An introduction was made, the aims and purposes of the study were given and the person was asked if the questionnaire could be sent. The questionnaires were mailed immediately. Attached to each one was the appropriate "cover" letter, once again explaining the purposes of the study and requesting a reply. If an answer was not received after a period of two weeks, a reminder was sent out.

It might be pointed out that 94% of the questionnaires were returned. In a number of cases, additional letters were sent to interviewees asking them to comment further on statements made in the survey.

Having noted the consensus of opinion from the mailed questionnaire, the third stage of the survey was begun. A few of the largest flour and feed companies were visited to personally interview the purchasing agent.

Finally, an analysis was made of the data collected. It merely consisted of tabulating the answers received.

Selected results of the questionnaire are presented in Part II of this Appendix. Only those results that have direct bearing on this study are presented. The remainder of the results served as general information. Total responses to each question vary because respondants did not answer every question.

The results of the questionnaire mailed to flour millers deserves additional explanation. Each flour mill has a different milling capacity, and therefore, the answers given could have been weighted accordingly. The results, however, were not weighted in this manner. Nevertheless, the size of each firm was assessed when judging the over-all value of the answers given.

APPENDIX E

PART II

DEPARTMENT OF GEOGRAPHY

QUESTIONNAIRE SENT TO FLOUR AND CEREAL MANUFACTURERS

1. What percentage (approximate) of each grade of Ontario winter wheat do you usually purchase?

_____ % grades #1 and #2

_____ % grade #3

_____ % grades #4 and #5

2. What are your reasons for buying more of one grade than another?

3. Would you like to purchase more of grade #1 even if its price was slightly higher?

☐ Yes ☐ No

4. Is the negotiated minimum price for Ontario winter wheat

(a) extremely high ☐
(b) very high ☐
(c) just right ☐
(d) moderately low ☐
(e) too low ☐

5. Excluding Ontario, is there anywhere else where soft wheat could be purchased?

☐ Yes ☐ No

If yes, where?

6. Have you ever purchased soft wheat elsewhere in Canada?

☐ Yes ☐ No

If yes, in what months of the year?

If yes, why did you feel that it was necessary?

7. Would you like to be able to import soft wheat from the United States?

☐ Yes ☐ No

If yes, why?

If yes, what States would you purchase soft wheat from?

8. How difficult is it to get a permit for importing soft wheat from the Canadian Wheat Board?

(a) impossible ☐
(b) extremely difficult ☐
(c) very difficult ☐
(d) difficult ☐
(e) of little difficulty ☐
(f) no difficulty ☐

9. How much importance is placed on (i) price (ii) quality when deciding whether to buy Ontario soft wheat or soft wheat from elsewhere?

(i) PRICE		(ii) QUALITY	
(a) extremely important	☐	(a) extremely important	☐
(b) very important	☐	(b) very important	☐
(c) important	☐	(c) important	☐
(d) of little importance	☐	(d) of little importance	☐
(e) of no importance	☐	(e) of no importance	☐

10. How easy is it to adjust blends with changes in the price of soft wheat?

(a) extremely easy ☐
(b) very easy ☐
(c) easy ☐
(d) fairly difficult ☐
(e) difficult ☐

11. On which sources of price quotations do you base your purchasing decisions?

Are they daily or weekly?

12. Are these sources of quotations adequate?

☐ Yes ☐ No

If no, why?

13. What are the outstanding nutritional qualities that you look for in soft wheat for milling purposes?

14. Are there any outstanding nutritional attributes of Ontario winter wheat?

15. How does the nutritional quality of Ontario winter wheat compare to soft wheat that could be purchased elsewhere in Canada?

(a) don't know ☐
(b) extremely good ☐
(c) very good ☐
(d) good ☐
(e) not so good ☐
(f) poor ☐

16. Are there any areas in Ontario where the nutritional quality is better than in other areas?

☐ Yes ☐ No

If yes, where?

17. How easy is it to adjust blends with changes in the nutritional qualities of soft wheat?

(a) extremely easy ☐
(b) very easy ☐
(c) easy ☐
(d) not so easy ☐
(e) difficult ☐

18. How would you rate the physical condition of Ontario winter wheat purchased?

(a) extremely good ☐
(b) very good ☐
(c) good ☐
(d) not so good ☐
(e) poor ☐

19. Can you rely upon Ontario winter wheat to be of consistently good physical condition?

☐ Yes ☐ No

20. Would you be prepared to pay a higher price for Ontario wheat if the (i) nutritional quality (ii) physical condition were more consistent?

(i) nutritional quality

☐ Yes ☐ No

(ii) physical condition

☐ Yes ☐ No

21. Does the grading system for Ontario winter wheat properly serve your needs?

☐ Yes ☐ No

How could it be improved?

22. What importance does constant availability of supply have on purchases?

(a) extremely important ☐
(b) very important ☐
(c) important ☐
(d) of little importance ☐
(e) of no importance ☐

23. How would you rate the availability of Ontario soft wheat?

(a) extremely good ☐
(b) very good ☐
(c) good ☐
(d) not so good ☐
(e) poor ☐

24. Do you buy soft wheat from the closest possible origin?

☐ Yes ☐ No

If no, why is it necessary to buy from other parts of the province?

If no, what areas do you buy from?

25. Do you see any problems in the current system used for transporting soft wheat?

☐ Yes ☐ No

If yes, what are they?

26. What is the usual method of buying Ontario winter wheat?

(a) directly from farmer ☐
(b) brokers ☐
(c) grain merchants ☐
(d) another method _____

Is this method adequate to serve your needs?

☐ Yes ☐ No

How could it be improved?

27. When do you buy the greatest proportion of your annual soft wheat requirements?

28. Where do you store your wheat?

(a) private elevator ☐
(b) public elevator ☐
(c) country elevator ☐
(d) other _____

Is this arrangement satisfactory?

☐ Yes ☐ No

Suggested improvements.

29. Please feel free to comment on any of the questions asked or other issues pertinent to your use of Ontario winter wheat.

SELECTED RESULTS FROM QUESTIONNAIRE SENT TO FLOUR MILLS AND CEREAL MANUFACTURERS

Question	Choices	Response
Would you like to purchase more of grade #1 even if its price was slightly higher?	Yes	4
	No	6
	did not answer	5
Is the negotiated minimum price for Ontario winter wheat	extremely high	0
	very high	5
	just right	9
	moderately low	0
	too low	0
Excluding Ontario, is there anywhere else where soft wheat could be purchased?	No	0
	Yes	15
	If yes, where? Alberta, Manitoba, Michigan, New York State, Ohio, Illinois	
Have you ever purchased soft wheat elsewhere in Canada?	Yes	4
	No	12
Would you like to be able to import soft wheat from the United States?	Yes	7
	No	8
How difficult is it to get a permit for importing soft wheat from the Canadian Wheat Board?	don't know	8
	impossible	8
	extremely difficult	0
	very difficult	0
	difficult	0
	etc.	0

Question	Choices	Response
How much importance is placed on (i) price (ii) quality when deciding whether to buy Ontario soft-wheat or soft wheat from elsewhere?	(i) Price	
	extremely important	7
	very important	1
	important	5
	of little importance	0
	of no importance	0
	(ii) Quality	
	extremely important	5
	very important	3
	important	3
	of little importance	0
	of no importance	1
How does the nutritional quality of Ontario winter wheat compare to soft wheat that could be purchased elsewhere in Canada?	don't know	8
	extremely good	3
	very good	3
	good	1
	not so good	0
	poor	0
How would you rate the physical condition of Ontario winter wheat purchased?	extremely good	1
	very good	5
	good	9
	not so good	0
	poor	0

Question	Choices	Response
Can you rely upon Ontario winter wheat to be of consistently good physical condition?	Yes	9
	No	6
Would you be prepared to pay a higher price for Ontario wheat if the (i) nutritional quality (ii) physical condition were more consistent?	(i) nutritional quality	
	Yes	3
	No	7
	Did not answer	6
	(ii) physical condition	
	Yes	3
	No	7
	Did not answer	6
What importance does constant availability of supply have on purchases?	extremely important	5
	very important	6
	important	4
	of little importance	0
	of no importance	0
How would you rate the availability of Ontario soft wheat?	extremely good	0
	very good	2
	good	5
	not so good	5
	poor	4
Do you buy soft wheat from the closest possible origin?	Yes	14
	No	1

Question	Choices	Response
What is the usual method of buying Ontario winter wheat?	directly from farmer	14
	brokers	9
	grain merchants	11
	other	1
Where do you store your wheat?	private elevator	13
	public elevator	5
	country elevator	4
	other	1

McMASTER UNIVERSITY

Hamilton 16, Ontario

DEPARTMENT OF GEOGRAPHY

QUESTIONNAIRE SENT TO FEED MILLS

1. What percentage (approximate) of your total wheat requirements is made up of Ontario winter wheat?

_____ %

2. If the price were "right" what percentage (approximate) of each grade of Ontario winter wheat would you purchase for feed?

_____ % grades #1 and #2

_____ % grade #3

_____ % grades #4 and #5

What would be your reasons for buying more of one grade than another?

3. As compared to hard spring wheat, is the negotiated minimum price of Ontario winter wheat

(a) extremely high ☐
(b) very high ☐
(c) just right ☐
(d) moderately low ☐
(e) too low ☐

4. What are the main reasons determining whether you use soft or hard wheat?

5. How much importance is placed on the (i) price (ii) nutritional quality when deciding to buy wheat as feed?

(i) PRICE		(ii) NUTRITIONAL QUALITY	
(a) extremely important	☐	(a) extremely important	☐
(b) very important	☐	(b) very important	☐
(c) important	☐	(c) important	☐
(d) of little importance	☐	(d) of little importance	☐
(e) of no importance	☐	(e) of no importance	☐

6. Would you buy more Ontario winter wheat if the price were more competitive with other grains?

☐ Yes ☐ No

If no, why?

7. How easy is it to adjust feed mixes with changes in the (i) price (ii) nutritional quality of soft wheat?

(i) PRICE		(ii) NUTRITIONAL QUALITY	
(a) extremely easy	☐	(a) extremely easy	☐
(b) very easy	☐	(b) very easy	☐
(c) easy	☐	(c) easy	☐
(d) not so easy	☐	(d) not so easy	☐
(e) difficult	☐	(e) difficult	☐

8. Are there any outstanding attributes of Ontario winter wheat?

9. Would you consider Ontario winter wheat to be nutritionally equal to western spring wheat except for possible differences in protein content?

☐ Yes ☐ No

If no, why?

10. How does the physical condition of Ontario winter wheat compare to western wheat?

(a) extremely good ☐
(b) very good ☐
(c) good ☐
(d) not so good ☐
(e) poor ☐

11. Can you rely upon Ontario winter wheat to be of consistently good physical condition?

☐ Yes ☐ No

If no, in what months of the year is it poor?

12. Does the grading system for Ontario winter wheat properly serve your needs?

☐ Yes ☐ No

How could it be improved?

13. What importance does constant availability of supply have on purchases?

(a) extremely important ☐
(b) very important ☐
(c) important ☐
(d) of little importance ☐
(e) of no importance ☐

14. How does the availability of Ontario soft wheat compare to western wheat?

(a) extremely good ☐
(b) very good ☐
(c) good ☐
(d) not so good ☐
(e) poor ☐

15. What is the usual method of buying Ontario winter wheat?

(a) directly from farmer ☐
(b) brokers ☐
(c) grain dealer ☐
(d) other _____

Is this method adequate to serve your needs?

☐ Yes ☐ No

How could it be improved?

16. Does the 10¢/bushel handling charge paid by the Ontario Wheat Producers' Marketing Board discourage you from using soft wheat as feed?

☐ Yes ☐ No

17. Do you feel that the bookkeeping resulting from the 18¢/bushel deduction for all Ontario soft wheat is a nuisance?

☐ Yes ☐ No

18. Please feel free to comment on any of the questions asked or other issues pertinent to your use of Ontario winter wheat.

SELECTED RESULTS FROM QUESTIONNAIRE SENT TO FEED MILLS

Question	Choice	Response
What percentage (approximate) of your total wheat requirements is made up of Ontario winter wheat?	up to 20%	5
	none	13
As compared to hard spring wheat, is the negotiated minimum price of Ontario winter wheat	extremely high	2
	very high	13
	just right	4
	moderately low	1
	too low	0
How much importance is placed on the (i) price (ii) nutritional quality when deciding to buy wheat as feed?	(i) price	
	extremely important	7
	very important	11
	important	5
	of little importance	0
	of no importance	0
	(ii) Nutritional quality	
	extremely important	2
	very important	9
	important	8
	of little importance	2
	of no importance	1

Question	Choices	Response
Would you buy more Ontario winter wheat if the price were more competitive with other grains?	Yes	18
	No	0
	If no. why?	———
Would you consider Ontario winter wheat to be nutritionally equal to western spring wheat except for possible differences in protein content?	Yes	17
	No	3
	If no, why? 1. Western Wheat also higher in energy. 2. Because Ontario wheat is lower in protein, amino acid is generally lower.	
How does the physical condition of Ontario winter wheat compare to western wheat? Note*	extremely good	1
	very good	8
	good	10
	not so good	2
	poor	0
Can you rely upon Ontario winter wheat to be consistantly good physical condition?	Yes	11
	No	10
	If no, when is it poor?	Harvest, April, May, June
What importance does constant availability of supply have on purchases?	extremely important	2
	very important	9
	important	8
	of little importance	0
	of no importance	0

* if Ontario wheat is properly stored and dry

Question	Choices	Response
How does the availability of Ontario soft wheat compare to western wheat?	extremely good	3
	very good	0
	good	5
	not so good	8
	poor	4
Does the 10¢/ bushel handling charge paid by the Ontario Wheat Producers Marketing Board discourage you from using soft wheat as feed?	Yes	8
	No	12
	Did not answer	2
Do you feel that the bookkeeping resulting from the 18¢/bushel deduction for all Ontario soft wheat is a nuisance?	Yes	11
	No	9
	Did not answer	2

SELECTED COMMENTS FROM QUESTIONNAIRE SENT TO FEED MILLS

1. "With consistent quality and availability and if an economic buy, our mill would use Ontario wheat."

2. "The comparative prices of feed grains as well as their nutritional worth is important."

3. "For Ontario wheat to compete extensively for use in feed, it would have to compete with other grains such as corn, barley, etc. rather than just with western wheat. The reason for this is that western wheat is not used in very large quantities either because of price but is used where necessary, in preference to Ontario wheat because of price."

4. "If all our Ontario wheat is of good quality and higher in price than western wheat, we sell the Ontario wheat to the Board and buy western wheat for feed."

5. "We are primarily in the business of buying wheat from the farmer and turning it over to the Ontario Wheat Producers' Marketing Board."

6. "In Eastern Ontario, Ontario winter wheat is not available to buy during winter at competitive price with Western wheat or other feed grains."

7. "With the floor price being relatively high, a farmer feels it is to his advantage to sell at harvest."

8. Main reasons determining whether hard or soft wheat is purchased.

   (a) Comparative cost and quality (protein).

   (b) Price compared to corn.

   (c) Western wheat is not so dusty.

APPENDIX F

February 3rd, 1969.

Mr. V. Martens,
Secretary & Director of Administration,
Board of Grain Commissioners for Canada,
267 Grain Exchange Building,
WINNIPEG 2, Manitoba.

Dear Mr. Martens,

Thank you very much for your letter of January 24th (file #600). The answers given will be very helpful to my study.

In answer to proposals on improving the grading system, you mention a grading system based on protein content. This suggestion intrigues me and I would like to know more about it. I realize that it adds unnecessary complications when handling large volumes of wheat, but do you think that it might be applicable to a smaller volume, say, less than 12 million bushels? How do you calculate the protein content in wheat? Is the test simple or complex? How accurate is it? How expensive is the equipment needed to perform the test? Would it be feasible to conduct the test at the country elevator level?

I expect that the problem of grading will form an important part of my thesis. I would be extremely interested in new ideas that have been proposed in the past 5 to 10 years. Would it be possible to send me a brief outline of these proposals and some reasons as to why they were rejected? Do you feel that we have attained the best grading system possible and that there can be no further improvements?

Lastly, have there been any proposals made for changing the grading system for Eastern Grains, particularly, Ontario winter wheat?

Thank you for taking the time to answer my letters. Your co-operation is greatly appreciated.

Yours very truly,

DFD/rt

Dale F. Dilamarter

CANADA DEPARTMENT OF AGRICULTURE
BOARD OF GRAIN COMMISSIONERS FOR CANADA

MINISTÈRE DE L'AGRICULTURE DU CANADA
COMMISSION DES GRAINS DU CANADA

GRAIN RESEARCH LABORATORY
190 Grain Exchange Building
Winnipeg 2, Manitoba

FILE NO. 9-1-1
DOSSIER

February 13, 1969

Mr. Dale F. Dilamarter
McMaster University
Department of Geography
Hamilton, ONTARIO

Dear Mr. Dilamarter:

Your letter of February 3, addressed to Mr. Martens, has been sent to me for reply.

The problems involved in segregation of wheat according to some grading system similar to that which we have now, plus a specific level of protein content, are quite formidable. This is especially true in an area such as Western Canada, where the whole system is geared for bulk handling and for export. In the United States, for example, where wheat is classified according to protein, this protein classification is made by the various Grain Exchanges as a basis for sale of wheat on the Exchanges and is not any part of the official U.S. grading system or standards. Since the great bulk of American wheat has in the past been sold in the domestic market for home consumption, the American system has evolved around the sample market with protein content normally specified. Accordingly it is of little use for us to attempt to adopt any features of the American system.

Australia markets wheat by States, and some States create a division within the State for the purpose of collecting wheat which enables them to segregate different levels of protein in this way. Queensland wheat is normally highest in protein of the numerous qualities of wheat exported from Australia. The so-called premium wheat from northern New South Wales is also normally quite high in protein.

The Russians, who have a problem similar to the Americans, that is, of achieving an equitable distribution of wheat qualities throughout the domestic market in the U.S.S.R., go to considerable lengths to determine the gluten content of wheat at their larger collection points in order that the grists supplied to the mills are within the limits required. The Russians thus have essentially a domestic sample market as has the United States. The U.S.S.R. does occasionally export relatively small volumes of wheat to Western Europe and it is currently exporting wheat at a guaranteed protein level of 14%. Because of their desire to meet this guarantee in all circumstances, and because of the fallibility of the gluten test as compared with the chemical measurement of protein content, shipments of this wheat from the U.S.S.R. are more often 16% protein than 14% and this, of course, is wasteful and costly; such a practice would be impossible in a free enterprise society.

In some years virtually the whole of our crop, as it moves to export channels, is above the protein level of 14%. At such times none of our customers would be willing to pay a premium price for this protein level. At other times, we may ship most of our

...2

wheat into export channels at a protein level somewhat below 13%. At these times it appears likely that some percentage of our customers will wish to pay a premium to obtain wheat of 14% protein. This is one of the major problems. If protein content were enshrined in any of our grade specifications, we would obviously have to determine the protein of every farmer's truckload of wheat upon delivery to a country elevator. This is clearly impossible. There are available devices for measuring protein content fairly quickly (about 15 minutes), and with fairly simple apparatus such as could be set up in a country elevator. This would, however, require a second man at the country elevator to operate the test and this would make the thing prohibitively costly. The most accurate determination of protein content is the method of Kjeldahl and this cannot be carried out at the country elevator level. The simpler methods give results usually within a factor of $\pm$ 0.5% of the Kjeldahl value.

No proposals for a system of grading wheat by protein have been put forward in recent years; as I indicated, however, considerable research has been undertaken to determine the dimensions of the problem and most of the results have suggested that it is impractical.

Certainly there is no feeling here that we have attained the best grading system possible, or that it cannot be further improved. We do recognize that we have inherited a grading system which is widely acknowledged to be the most effective in the world. But we are very conscious of the fact that it cannot remain static in the face of the technological advances which have occurred in the milling and baking industries in recent years.

Any proposals which have been made for changing the grading system either in Eastern Canada or Western Canada have merely been concerned with relatively minor alterations in the grading factor themselves and not with changes in the structure of the system.

Yours sincerely,

G.N. Irvine
Director

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