

How Uncle Sam runs the Nation's Wheat Business

Doubling the Farmer's Wheat Dollar

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(In the Country Gentleman)

OUR delay in getting this wheat started across the world was occasioned by the uncertain judgment of the manager. He sent a sample on to the St. Louis zone agent for test, which verified his judgment as to grade. He then went about his usual duties, cleaning the grain, filling his bins, and shipping out as regularly as he could in maximum carload quantities, in order to economize the use of cars in time of congestion. He was careful to keep his records very straight as to dates and quantities of wheat purchased, on hand, and shipped out, for the Grain Corporation requires weekly reports and full details of transactions.

Selling Wheat to Government.
ABOUT 29 days after the farmer brought in his wheat there came a request to this elevator for a carload to be purchased by the Grain Corporation. So one of our wheat bushels was poured into a car which miraculously had appeared on the siding at a time when car shortage was troubling the entire commercial world. Inquiry might have shown that

rect supervision. The corporation charges each miller 1 per cent of the value of the wheat he grinds to cover the costs of administering the corporation; for the \$50,000,000 capital is to be returned to the United States Treasury, unimpaird.

The agreement has its compensation, however, for the policy of Uncle Sam is to provide each mill with all wheat possible. To do so, every mill signing up was required to furnish an estimate of its possible milling capacity for the season. This nation-wide survey of milling capacities, when balanced against the available supply of wheat, enables the Grain Corporation to equalize supplies in a way never done before. In fact, the schedule of prices arranged for the primary markets had for an object this equalization. For instance, if the proprietor of an elevator at Maryville, Mo., 46 miles northeast of St. Joseph, and 456 miles from Chicago, desires to market wheat he has available these markets: St. Joseph, Mo.; Kansas City, Mo.; St. Louis, Mo.; Chicago, Ill., and New York City, N. Y. To ascertain the most advantageous price for him, he would work it out on the basis of the following table:

From this table you can see what

DOUBLING the farmer's share of the wheat dollar is one of the war-time Jobs Uncle Sam has done since food control became possible. After five months of grappling with the problem, Uncle Sam is now translating into the pockets of both producers and consumers benefits derived by the Nation. He has shut off speculation, produced a free market and movement of all grades of wheat, cut expenses and induced a normal flow of wheat in natural directions, and effected a thousand other economies.

The Food Administration Grain Corporation, which supervises the sale, or itself buys every bushel of wheat produced in the Nation in its progress from country elevator to foreign buyers or domestic consumers, marks a new step toward national efficiency. How in four short months it has been done is told in the following episodes wherein two bushels of wheat traveled to market.

One fine fall afternoon, Col. Bill Jenkins, who farms somewhere in Missouri, loaded his wheat into a wagon and drove along the black road that led across the prairie to town. When he reached the co-operative elevator of which he was a stockholder, he pulled up on the scales, checked his gross weights carefully, and began to unload. The manager came out and asked:

"When you want to sell this wheat?"
"I dunno," he answered. "One time's about as good as another—these days. I won't weigh any more later," he added, with a dry smile.
"Wheat shrinks a lot," admitted the manager. "I hear the Government wants as much wheat as it can get just now—understand the Allies do eat a terrible lot of it since the war."
"What's wheat to-day?" asked Col. Jenkins, getting interested.
"Well, let me see," parleyed the manager. "I guess this wheat'd be a good No. 2 under the new grades."
"Grades? What about grades?" That Food Administration seems to mix into mighty high everything from rabbits to axle grease."

"Hold on, Colonel," said the elevator man, good-naturedly. "The Food Administration is not to blame. Congress passed the act and told the Department of Agriculture to fix the grades. They became effective last July. I sent out a letter on it."
"Well, I guess you better sell for the best you can," said the farmer. "I am needed at home." And he drove away.

A New Order in the Grain World.

CONVERSIONS of this kind might have taken place in almost every town in the great grain belt of the Nation after August 10; for revolution in grain marketing was taking place. Uncle Sam had started on this remarkable experiment; he was going to see whether wheat could be marketed minus "take-offs" to the speculators. This necessitated complete control by the Government of storage facilities, transportation and distributive agencies, and the marketing machinery for wheat and rye.

Everybody was troubled; most of all, the officials of the Food Administration Grain Corporation who had undertaken, without salary, and at the sacrifice of their personal connection with the grain trade, to whip into shape the forces that would drive forward the big business machine for marketing American wheat. A single control; and a \$50,000,000 non-profit-making corporation to do the work.

This work is a necessary arm of the Food Administration, allowing the Government to do business quickly and without red tape. Its stock is held in trust by the President of the United States. For the time of the war it will supervise the rate or purchase the part commercially available of the 600,000,000 bushels of wheat and the 50,000,000 surplus of rye grown in America in 1917. Its job is to find a market for every bushel, irrespective of class and grade. Under its patronage, wheat screenings are moving just as easily as No. 1 Northern. It must also work out satisfactorily the local prices for wheat at each of almost 20,000 country elevator points, adjust thousands of complaints, organize the gathering and analysis of data, inspect concerns reported as dealing unfairly, solve vexatious disagreements among the trade, and deal effectively with the allies' purchasing agent and the neutrals who may desire to purchase.

In the early days, following the determination of prices for 1917 wheat by the President's Fair Price Commission, confusion existed in every part of the wheat-producing regions. This was intensified by the inauguration of the new grain grades, as promulgated by the Department of Agriculture, which took place about the same time, and led to diverse complaints and a feeling among farmers that the Grain Corporation of the Food Administration was responsible for both the price as determined and stricter observance of grain grades. But the corporation was responsible for neither act. It is pure-

ly an administrative arm of the Government formed to buy grain or supervise its sale at the prices determined by the commission, and it must do its work on the basis of the new grades. But to return to our farmer and his expectations of price.

Introducing Two Bushels of Wheat.

Lying side by side in his wagon had been 2 bushels of wheat that fate had marked for strangely different ends. They were very much alike, those bushels of wheat, and to look at them you would not have suspected the strange and wonderful adventures in store for them. Yet one was destined to travel abroad for consumption in France; the other to find its way into Georgia, where it was milled and its flour finally reached a New York baker on the East Side. But in the sum of the travels made by the two, as we shall follow them, will be unfolded the international panorama of wheat marketing in time of war.

Finding a Price at a Country Point.

High war costs of production gave our Missouri farmer much concern as to his returns and accounted for his depression over the prospects of his wheat "grading down"; for that meant a reduction of 3 cents per bushel under the No. 1 grade. But it graded No. 2.
The elevator would also deduct an additional 5 cents a bushel to cover the fixed charge made in this locality for handling and selling. The 5-cent charge included the commission of 1 cent per bushel customary in 1917 among commission men for selling the wheat to domestic millers or foreign buyers.

The elevator man was none too sure as to how to get at the price which this wheat should bring. He knew considerably more about human nature than freight rates and decided to "check up" the problem to the nearest agent of the Grain Corporation. So he wrote a letter to the representative stationed at St. Louis. That letter was referred to the traffic expert in the New York office, who transmitted the following rule for determining the price of wheat at any country point:

There is only one price for wheat at a country point. That price is always to be arrived at by taking as a basis the price at the most advantageous primary market where we have fixed a price and deducting the freight to that market and a fair handling profit. That is the price to be paid for wheat at any station, regardless of the point to which it may be shipped.

Working out the price which should be paid for wheat at your station is a fine occupation for an off day. If you cannot find the answer, write to the Food Administration Grain Corporation in New York City and its traffic expert will give you aid.

Finding the Price of No. 2 Wheat at Sikeston.

AKES an actual example: An elevator man in Sikeston, Mo., wanted to know what price No. 2 wheat should bring at his station when No. 1 wheat at New York City was \$2.28 per bushel. Here is how he went about it:

The freight rate from Sikeston to New York being 16.98 cents per bushel, he deducted that from \$2.28 per bushel and found the price at Sikeston to be \$2.1102. From this he deducted 1 per cent per bushel for the commission firm's charges, which put the net price f. o. b. Sikeston at \$2.1002.

He next compared this price with what he could get if he sold at St. Louis, his nearest primary market. At St. Louis the basic price is \$2.18 per bushel, and the freight rate from Sikeston to St. Louis 8 cents per bushel. This would make the Sikeston price \$2.12, less 1 cent per bushel for selling charges, or \$2.11 net. The St. Louis price would therefore govern, being advantageous to the Sikeston seller.

If our imaginary 2 bushels of wheat had started from Sikeston, since it was a No. 2 grade, we must deduct 3 cents per bushel, which would bring the price f. o. b. the elevator point to \$2.0802 per bushel. As our imaginary elevator man is charging 5 cents per bushel for handling, which includes the commission fee just mentioned, we deduct an additional 4 cents to arrive at the price the farmer received. This price would be \$2.0402 at the elevator. Some of that 4 cents will return to our farmer if the elevator prospers; for it is owned co-operatively.

When Farmer and Elevator Man Disagree.

Had this elevator been owned by private firm or person, or had it been a "line" plant, Col. Jenkins would not have been so bland and trustful.

He might have refused to sell at all and arranged to store his wheat or he might have taken it over to a competitive concern which offered a higher price; for the Food Administration has not yet attempted to regulate the prices paid farmers for wheat at country points. It does, however, offer to sell for any farmer or farmers' organization wheat offered at terminal points, but makes a commission charge of 1 per cent for its services.

Milling Canadian Wheat.

WHILE our bushel was being milled a carload of wheat reached this mill from Canada. Importation of Canadian wheat without special consent being forbidden, the mill operatives became curious and made inquiries. This wheat was part of a large supply which the Grain Corporation had brought into the United States to aid in keeping the American mills running.

There was another reason. Domestic wheat was not moving from the farms as freely as the millers needed it, and shortage forced the mills to operate at a great disadvantage and, according to them, at higher costs.

The last journey stage of our first bushel, although considerably changed in its form, was to go as flour to port under rush orders. It now had right of way over all other classes of freight except other munitions of war. Consent of the War Trade Board being obtained, it was loaded on a ship and passed safely through the submarine field to France, where it succeeded the hungry.

We started out to follow the travels of two bushels of wheat from the farm to their points of consumption under war condition with the U. S. Food Administration in control of the marketing. I have previously discussed the journeys of these two bushels from the farm to the elevator at the country point. Here they parted and one of them passed on to a terminal, and from the terminal to a mill and from the mill to seaboard. There it went to France for consumption.

The Other Bushel of Wheat Starts Traveling.

NOW as to the other bushel of wheat. A certain Georgia miller, in need of supplies, notified the Grain Corporation and received permission to buy on the open market.

About the same time our co-operative elevator manager had listed a shipment with his terminal representative—a highly reputable commission firm, also under Grain Corporation license. This firm caught wind of the Georgia order and secured permission to sell the Missouri wheat. The second bushel was among those poured into a car and hustled along to its destination. This shipment did not pass through any terminal market. It moved straight to Atlanta, where it went between the rollers of the mill.

Controlling the Jobber by License.

Now, the flour which came from our second bushel of wheat was rolling serenely along in another direction, but the car was diverted by special order of the U. S. Food Administrator and received by a large wholesale jobber in New York City. This jobber also does business under a Food Administration license, but administered by the distribution division. Under license terms the jobbers must sell at a fair profit only, although the exact amount of this profit is not determined, the Food Administration reserving the right in each case to call a halt when a licensee has gone "the limit."

means of control of the retailer by making the jobber a voluntary policeman to his customer. The jobber is licensed to sell only to traders who deal fairly, and if it should turn out that a jobber persists in doing business with retailers guilty of profiteering in staples under control the Food Administration has and may exercise the right to revoke the license of the jobber.

The other part of this shipment contained our second bushel of wheat and went over to the East Side into a small bakery, which quickly made it into creamy loaves. These loaves were placed in groceries and delicatessens and the next day were eaten by hungry little boys and girls with dark eyes and big noses and quaint ways.

Brings Out Startling Truths.

Government control has brought out these startling truths:

More people unnecessarily make their living out of wheat distribution than was suspected. Thousands and thousands of little speculators have had to turn elsewhere for a livelihood. A number of commission men have had to close shop. There are places where elevators should be built and other places where there are too many elevators. The Government, dominating the wheat market, carries its own marine insurance. Wheat handlers at terminals have had their activities restricted.

But most of all it is interesting to see how the price of flour per barrel tumbled from the time Uncle Sam took a positive hand in the matter. The Food Administration has recently completed an interesting chart on the prices of wheat and bulk flour at Minneapolis. In a statement of November 26, the Food Administration says: "The farmer received for the 1916 harvest between \$1.45 and \$1.50 per bushel for the harvest, taking the country by large and small. Last year he received under 20 per cent of the price of the loaf. Today he is receiving over 40 per cent of the money paid for the cash loaf, this being the result of the stabilization of prices and the total elimination of hoarding and speculation in this industry."

The statement reports that farmers on November 26 were receiving with freight charges included from the territory represented to Minneapolis, approximately \$0.59 for 4½ bushels of wheat. The price of bulk flour at the Minneapolis mill is about \$10.25 per barrel, showing that the miller is now receiving about 75 cents per barrel, which must include both his operating expenses and profit.

URING last July and August, while Congress was wrestling with itself to produce a food administration, and there was no Grain Corporation, flour production in the principal centers was 75 per cent under the same period in 1916.

In September, October and November, under the supervision of the Food Administration, flour production was 114 per cent of the same period in 1916. What this means in the great national situation, with depleted domestic flour reserves and clamoring foreign buyers, can hardly be over-emphasized, when movement of wheat into primary markets has been hardly



Loading Wheat at an Atlantic Port for the Allies.

the Grain Corporation was making a large purchase for the Allies and was utilizing its knowledge of available stocks by having on the job a transportation strategist—Edward Chambers, vice president of the Santa Fe. Mr. Chambers was assisting the Food Administration and has a remarkable "way with him." Even before he was called to assist Mr. McAdoo, the Director General, his suggestions to the railroads had a wonderful effect in discouraging their hesitancy as to finding available cars and in clearing up congestions that looked as though they never could be uncongested.

How Uncle Sam Keeps the Whip

Ease in getting the needed cars was one of the advantages enjoyed by this particular elevator after signing the voluntary agreement which ceded to the Grain Corporation the right to control storage and direct shipments and sales of all wheat bought by the proprietor.

While voluntary, this agreement is almost compulsory since railroads give priority recognition to Grain Corporation requests for cars; and elevators or mills outside the official fold must "truckle" for themselves. In return the Government guarantees the elevator proprietor against losses and protects him in every way as to price and pays him rentals for all storage space requisitioned by it.

All elevators, local and terminal, must take out licenses or face a shutdown. What is the power of the license? It requires the operator to lay all cards on the table as to his business dealings. For the time of the war the elevator becomes a public utility and its proprietor must furnish information as to his business at any time when required by the Grain Corporation. Each week he must make and mail reports showing the amount of wheat, rye, or their derivatives, purchased, stored, and shipped.

Under present license terms, the licensee can keep on hand for only 30 days, unless he obtains a special permit, any stocks of these grains or their derivatives. He is also forbidden to contract for the sale of any product which can not be delivered within 30 days after the contract is made.

How the Wheat Was Milled.

Away went our bushel of wheat on its journey to the terminal, where it met other bushels of wheat from all parts of the territory that fed this market. There it was regarded for special requirements, marked for immediate milling and rolled on to a large mill in Illinois. The miller bought the wheat from the Grain Corporation, for each miller in the United States is under license also, and most of them have filed out another voluntary agreement which binds them either to purchase all supplies from the Grain Corporation or under its di-

wheat would bring at five different markets if shipped from Maryville, Mo.:

	St. Joseph, Mo.	Kansas City, Mo.	St. Louis, Mo.	Chicago, Ill.	New York City, N. Y.
Base price	\$2.15	\$2.15	\$2.18	\$2.22	
Rate per 100 pounds	.065	.095	.1175		
Rate per bushel	.039	.055	.0705		
Net price	2.111	2.095	2.1095		

Under these conditions the proprietor would probably sell at St. Joseph or Chicago, according to his inclination.
The table further illustrates the equalization of prices and indicates to what extent the miller is protected when buying wheat in any territory. Through this plan discriminations against the producer, the miller, and the consumer are eliminated so far as it seems humanly possible under a plan of such tremendous proportions.

THESE schedules arranged for the various markets are veritable "price dams" to prevent the overflowing of the stream of wheat at any single market. They also tend to correct many abuses prevalent in the past, such as cutthroat methods adopted by mills to secure supplies and indiscriminate moving of wheat to terminals.

For all practical purposes the wheat business of the country is apportioned, and whenever possible mills are supplied from wheat in the territory nearest them. This policy has for an object the saving of waste in transportation. In another way saving is made: Formerly large quantities of undergrade wheats have been difficult to dispose of on account of uncoordinated purchase of the competing mills; but under Uncle Sam's domination each bushel of wheat must now go somewhere and the poorer wheat will move just as freely as the more desirable grades.

Limiting Millers' Profits.

The Illinois miller who received the carload containing our bushel of wheat milled it promptly and shipped it flour to a port for exportation. The miller was permitted by the Food Administration to make a fair profit, not exceeding a maximum of 25 cents per barrel on the flour and a maximum profit of 50 cents per ton on the feed-stuffs left over. All mills, however, must furnish at regular intervals to the Milling Division full statements of manufacturing costs, which are scrutinized carefully. The derivatives of this wheat the miller sold for domestic consumption, as the policy of the Government is to keep in the United States all available feedstuffs in order to encourage live-stock production.



Success in This War Depends Largely on America's Next Wheat Crop.

The New York jobber took for his own, in this case, a profit of 50 cents per barrel. He sold part of this shipment to a retail merchant.

This merchant did a small business and was not licensed, but even here was another social check. For the retail merchants of the large cities and those of many small cities and towns find each morning and afternoon in the daily papers a price list for flour and other commodities which are considered fair by the Federal Food Administrator for their State. These prices are usually arrived at through the machinery of the wholesalers' and the retailers' organizations.

The retailer also discovered that the jobber who sold him this flour was keenly interested in the prices paid by the consumer. For the Food Administration has discovered an indirect

half that of a year ago, or 100,000,000 bushels less. It was nothing short of master strategy.

The total number of bushels purchased by the Grain Corporation from the time it commenced activities to February 1 is 97,278,145.59. Arranged by months, the purchases in bushels were: September, 7,841,200.20; October, 19,359,646.59; November, 30,920,074.26; December, 21,456,249.06, and January, 17,698,966.08.

During July and August our flour exports were about the same as in the same two months of 1916; but in September, October, and November, the exportation was 50 per cent larger than a year ago. So the Grain Corporation has discharged our obligations to the allies, and restored our flour reserves, which is the larger aspect of the question.