

1940.
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WESTERN AUSTRALIA

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REPORT

OF THE

Royal Commissioner

ON

Stored Wheat

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*Presented to both Houses of Parliament by His Excellency's Command.*  
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[SECOND SESSION OF THE SEVENTEENTH PARLIAMENT.]

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ROYAL COMMISSION.

WESTERN AUSTRALIA. } By His Excellency Sir James Mitchell,
TO WIT. } K.C.M.G., Lieutenant-Governor in and
JAMES MITCHELL, } over the State of Western Australia
Lieutenant-Governor. and its Dependencies in the Common-
[L.S.] } wealth of Australia.

To the Honourable Albert Asher Wolff,
Puisne Judge of the Supreme Court
of Western Australia.

Greeting:

KNOW YE that I, the said Lieutenant-Governor, acting with the advice and consent of the Executive Council, do hereby appoint you the Honourable Albert Asher Wolff, Puisne Judge of the Supreme Court of Western Australia, to be a Commissioner generally to inquire into and report upon the whole question of the foreclosure of stored wheat of the 1938-1939 season and of the sale thereof, either to the Australian Wheat Board or through other channels, and also, in particular, to do each and all of the following things, that is to say:—

1. To inquire into and ascertain—
 - (a) the quantity of Western Australian grown wheat which on the 31st day of August, 1939, or at any other relevant times was held in storage in Western Australia by merchants or any other persons, companies or bodies;
 - (b) whether contracts for the sale of any wheat referred to in subparagraph (a) hereof by the said merchants or other persons, companies, or bodies had been entered into before and were still subsisting on the said 31st day of August, 1939, and the amount of wheat and the prices involved in any such contract;
 - (c) in what manner, in what circumstances, and to whom and at what price has any wheat referred to in subparagraph (a) hereof been disposed of;

- (d) the profits (if any) which have been made by merchants or other persons, companies, or bodies in respect of any wheat referred to in subparagraph (a) hereof; and
- (e) where any such profits have been made by merchants or other persons, companies, or bodies as aforesaid, whether the amount or the rate of such profit was or was not fair and reasonable, having regard to all the material circumstances;
- (f) the terms and conditions of warehousing or storage contracts under or pursuant to which wheat referred to in subparagraph (a) hereof was held in storage by merchants or other persons, companies, or bodies on the said 31st day of August, 1939; and
- (g) any other matters relevant to the inquiry.

2. To examine and report upon the various matters inquired into by you in accordance with this Commission; and

3. To make such recommendations as to you may seem meet in relation to any matters found by you as the result of your said inquiry.

And I declare that you shall, by virtue of this Commission, be a Royal Commission within the Royal Commissioners' Powers Act, 1902, as reprinted in the Appendix to the Sessional Volume of the Statutes for the year 1928 and that you shall have the powers of a Royal Commission or the Chairman thereof under that Act.

And I hereby request you as soon as reasonably may be to report to me in writing the result of this your Commission.

Given under my hand and the Public Seal of the said State, at Perth, this eighth day of February, 1940.

By His Excellency's Command,
(Sgd.) J. WILLCOCK,
Premier.

GOD SAVE THE KING ! ! !

ROYAL COMMISSION ON STORED WHEAT

REPORT

Supreme Court, Perth,
9th October, 1940.

To His Excellency Sir James Mitchell, K.C.M.G., Lieutenant-Governor in and over the State of Western Australia and its Dependencies in the Commonwealth of Australia.

MAY IT PLEASE YOUR EXCELLENCY,—

1. On the 19th February, 1940, I received Your Excellency's Commission to inquire into the question of the "foreclosure" of "stored" wheat in the 1938-1939 wheat season and to report generally on matters pertaining to the stored wheat system as revealed by my inquiry.

Some delay has occurred in the formulation of my report owing to the necessity for me to carry on my ordinary judicial duties, and to the close scrutiny which it was necessary to make of the facts, including various figures and statistical data, submitted for my consideration.

My Commission uses the word "foreclosed" in relation to "stored" wheat. As "foreclosed" has a technical legal meaning I have avoided its use in this report. I have used in preference the term "closed out," which means the fixing by merchants of the purchase price of wheat on a purchase by the merchant of wheat from a grower under a deferred price fixation contract.

2. Altogether I sat on five occasions, namely, the 28th March, 1940; the 12th April, 1940; the 30th May, 1940; the 1st July, 1940; and the 14th September, 1940, and examined the following witnesses:—

- (1) Ignatius George Boyle, Member of the Legislative Assembly for Avon.
- (2) Theodore Herbert Powell, President of the Wheat Growers' Union of Western Australia.
- (3) John Smith Teasdale, Member of the Australian Wheat Board.
- (4) Charles Robert Maynard, Manager Wheat Department, Dalgety & Co., Limited, Perth.
- (5) Hector Melville Smith, Manager Bunge (Aust.), Pty., Ltd., Wheat Merchants, Perth.
- (6) Cecil Melville Laskey, Manager Louis Dreyfus & Co., Wheat Merchants, Perth.
- (7) William James Downe, Manager John Darling & Son, Wheat Merchants, Perth.
- (8) Leslie Graham Storey, Manager J. A. Hemphill & Sons Pty., Ltd., Wheat Merchants, Perth.
- (9) Leslie John Haining, Managing Director W. Thomas & Co. (W.A.), Ltd., Flour Millers, Cottesloe.
- (10) Henry Edward Braine, Manager Wheat Department, The Westralian Farmers, Limited, Perth, and Secretary of Co-operative Bulk Handling, Limited, Perth.

3. To save repetition as much as possible I adopted the procedure of tying my inquiry to that of the Select Committee which made an inquiry into the same subject during the 1939 parliamentary session. I hoped thus to avoid duplication of evidence, but it has been necessary for me to cover practically the whole of the ground afresh and to get evidence in amplification of, or in addition to, that taken by the Select Committee.

I have also studied the evidence and report of the Royal Commission which sat in 1930 to consider primarily the question of over-advances which had been made to farmers on stored wheat.

4. The present inquiry had its origin in complaints made by farmers that wheat merchants operating in this State had brought about a state of affairs approaching a panic in the local wheat market in July and August of 1939, causing farmers holding stored wheat certificates to sell at low market prices, and that in other cases merchants had precipitately exercised their rights of "closing out" farmers at these low prices. It was said that the merchants knew that war was imminent and took advantage of that fact to close the farmers out at low prices with a view to selling their wheat on a rising market, which, the farmers say, the merchants knew full well would come about on the advent of war.

5. At the risk of being accused of stating what everybody knows, it is as well to remember that wheat is an international commodity: its price is governed by the world's markets.

6. A wheat merchant's business is to buy and sell wheat. The price at which he buys from the farmer is governed by world market prices. In the course of their trading merchants may make what are known as hedging transactions and trade in "options" over wheat, which sometimes is not in existence when the option is acquired. Trading in options may be necessary to protect a merchant against commitments which the merchant makes to deliver wheat in excess of the stocks he carries. Then again it may be necessary to protect the merchant against possible losses on sales of wheat, for example wheat which the merchant holds under the storage system, for, as will be explained presently, the storage system so-called is not really a storage system but a means whereby the farmer sells wheat to the merchant on a deferred price fixation basis. The wheat passes into the merchant's stocks and the merchant remains liable to pay the price at a later date according to market quotations. If the market should rise to a much higher figure, for example, than that at which the merchant has been disposing of his accumulated storage stocks the merchant might suffer a heavy loss unless he had protected himself by the purchase of options, or "futures" as the trade calls them.

7. The essence of the wheat trade is quick turnover. A merchant buys, and endeavours to clear as fast as he buys. To hoard large quantities of wheat or rights in wheat could easily lead to financial disaster for the merchant. This principle of trading is one which must be carefully borne in mind in dealing with the subject now under consideration.

8. The wheat merchants operating in this State are—

Messrs. Bunge (Aust.) Pty., Ltd.
 Dalgety & Company, Ltd.
 Darling, John & Son.
 Dreyfus, Louis & Co.
 Hemphill, J. A. & Sons Pty., Ltd.
 Thomas, W. & Co. (W.A.), Ltd.
 The Westralian Farmers, Ltd.

Messrs. Bunge (Aust.) Pty., Ltd.:—This company has branches in every State of the Commonwealth except Queensland. It was incorporated as a proprietary company in Victoria on the 17th December, 1923, the head office in Australia being in Melbourne. The company is registered in this State under Part VIII. of the Companies Act, 1893. The company buys and sells throughout Australia. Its buying policy is controlled from Melbourne.

Messrs. Dalgety & Co., Ltd.:—This well known company is an English corporation with local registration under Part VIII. of the Companies Act, 1893. It carries on many commercial activities connected with the farming industry, including the buying and selling of wheat. Its operations extend throughout the Commonwealth, and its buying and selling policy is controlled from London.

Messrs. John Darling & Son:—This firm is domiciled in South Australia and operates throughout Australia. Its buying and selling policy, however, is controlled from Melbourne.

Messrs. Louis Dreyfus & Co.:—This is a French corporation in the nature of a proprietary concern, with branches all over the world and in every State of Australia except Queensland. The head office was in Paris prior to the German invasion. Now the head office is in London. The company buys and sells wheat on the Australian market in conjunction with its other world activities in buying and selling wheat. Its Australian policy is announced from Melbourne on instructions from its London house.

Messrs. J. A. Hemphill & Sons Pty., Ltd.:—This company is incorporated in New South Wales as a proprietary company and is registered in this State under Part VIII. of the Companies Act, 1893. It carries on the business of grain merchants, its activities extending throughout the Commonwealth. Its sales policy is formulated in Sydney.

Messrs. W. Thomas & Co. (W.A.), Ltd.:—This company is incorporated in Western Australia. Its business is principally that of flour milling. It acquires stocks of wheat for this purpose and only occasionally, in special circumstances, does it sell wheat.

The Westralian Farmers, Ltd.:—This company is incorporated in Western Australia. It carries on many commercial activities, including the buying and selling of wheat. Its buying operations are generally limited to Western Australian wheat.

9. The wheat "storage" system is probably as old as the wheat industry in Australia. It is extensively used in every State where wheat is grown. In every other part of the world where wheat is grown for export (with the possible exception of the U.S.S.R.) the system is widely in vogue.

The word "storage" is really a misnomer. I do not think that anybody is now misled by the use of the term, which is another instance of the transitional development of words, which probably arose in this way: A farmer may not desire to sell his wheat after harvest; the opening price may be poor, or he may desire to hold it for reasons of his own for sale at a later period in the season. The average farmer has no facilities for holding wheat on his farm. Financial institutions do not care to advance on such a perishable commodity as wheat lying in store on a farm; another reason is that it is so sensitive to rapid market changes. As a result, the system has evolved whereby the merchant accepts wheat on a deferred price fixation arrangement, which has largely the same object and effect so far as the farmer is concerned as if he had stored it. The farmer is relieved of the trouble and risks of physical storage

on his farm. Under this arrangement, if the farmer desires an advance or payment on account of the price, the merchant will make it. It is necessary to fix the method of ascertaining the deferred price. That is done as follows:—

In the case of bulk wheat, if the price is not fixed by the 15th September following the close of the wheat season, and in the case of bagged wheat, if the price is not fixed by the 31st October following the close of the wheat season, the price is the merchant's current siding price applicable for that particular class of wheat on the date on which the merchant desires to fix the price. But the wheat may be sold before those dates—

- (a) if the farmer desires it—in which case the ruling market price of the merchant concerned is the price;
- (b) if the amount advanced, with interest and any charges payable by the farmer, comes within 3d. of the ruling market price of the merchant concerned, if the farmer does not, within seven days after notice, pay the merchant sufficient to maintain at least a 3d. margin;
- (c) if the amount advanced, with interest and charges, comes within 1d. of the merchant's siding price, in which case the merchant may peremptorily fix the price (without any previous notice) at the then siding price of the merchant concerned.

10. Except as regards the Westralian Farmers, Ltd., the farmer has the right to call for the return of wheat equal in quantity and quality to that delivered by him, provided he does so before the price is fixed under the contract. In the case of bulk wheat the contract provides that he may—unless the merchant is prevented by governmental action, and provided the price still remains unfixed—call for a warrant under the Bulk Handling Act, 1935, for an equal quantity of f.a.q. wheat, subject to the necessary adjustment of any dockages shown on the warrant, storage charges, railages and fees. The farmer must pay the merchant, before delivery of the warrant, buyer's commission, advances and accrued interest (if any) and any outstanding dockages to which the wheat is subject, together with storage charges and fees to the extent incurred, and a charge at the rate of one farthing per bushel. In the case of bagged wheat, the farmer has the right to call for delivery of an equal quantity of f.a.q. wheat which the merchant may deliver "at any shipping port or ports or at the receiving station," at the merchant's option. If the farmer desires such delivery he must pay the merchant buyer's commission, the advance and interest, outstanding dockages, a charge of one farthing per bushel per month or part of a month from the date of the original arrangement, and, where the merchant delivers at a port, transport and handling charges from the receiving station to the port.

11. Very seldom do farmers exercise the right to get back an equal quantity of wheat.

12. The terms of the contract provide that—

- (a) the farmer will pay interest (generally £4 per cent. per annum) on any sum paid as an advance or in part payment of the price;
- (b) the advance plus interest, dockages (if any) and, in the case of bulk wheat, bulk storage charges, shall be deducted from the ultimate purchase price; and in case the total of these items should exceed the ultimate purchase price, the farmer is under an obligation to pay the excess to the merchant.

13. For convenience, I have set out in part I of Appendix I. a form of contract used by all the merchants except the Westralian Farmers, Ltd. The form sets out the variations for bulk wheat and for bagged wheat. With the exception of a few consequential alterations, the form used for bagged wheat is identical with that used for bulk wheat.

14. The Westralian Farmers, Ltd., used much the same form as the other merchants up to the year 1930, when that company changed its system. The Westralian Farmers, Ltd., undertake the warehousing of wheat. This means that the company takes into its custody as bailee bagged wheat, subject to deduction of dockages for inferior wheat. When the wheat is accepted a warrant is made out and delivered to the farmer. A form of warrant is set out in Part 2 of Appendix I. to this report. A number of conditions is set out on the back of the warehouse warrant. I have not set them all out, but numbers (1), (8), (9), (10), (14), (15) and (16) are material. Briefly the conditions state that the company acquires no proprietary interest in the wheat, which is deemed to be held by the company as bailee for the grower in common with all other stocks similarly held for other growers. The farmer is declared to have a proportionate share in the mass of bagged wheat from time to time held under the system. The farmer may, prior to the 31st March following the season of delivery, ask for an equivalent quantity and quality of wheat, which the company must deliver to the farmer at a wheat port or, if the farmer requires it, at a siding. The farmer must pay the cartage to the siding and the other charges stated on the face of the warrant. The farmer has no right to ask for the identical wheat back. If the warrant is not surrendered prior to the 30th April following, storage charges accrue as stated in the warrant.

The conditions of the warrant authorise the company to notify holders of outstanding warrants to take delivery of wheat. If they fail to do so the company has the right to fix a storage charge on notification in the press. If the holders still lag in taking delivery the company reserves the right to make a special storage charge. If the holder fails to take delivery before the 31st October following the season of delivery, the company is given the right to sell the wheat and, after deduction of its charges, has to pay the farmer any balance. The company does not warehouse bulk wheat. The facilities

provided by Co-operative Bulk Handling, Limited, under the Bulk Handling Act, 1935, are available to the farmer, and when he puts his wheat in the bin he gets a warrant or document of title for his bulk wheat under that Act.

A farmer holding a bulk wheat warrant under the Bulk Handling Act, 1935, or a warehouse warrant from the Westralian Farmers, Ltd., for bagged wheat, who desires to deal with the Westralian Farmers, Ltd., on a deferred price basis, but to obtain a payment on account, gets what is called an "option certificate" from this company. The word "option" is another misnomer. Under the terms of this document, the company purchases the wheat. The farmer's legal title passes once and for all to the company. The farmer has no longer any right to obtain a delivery of an equal quantity and quality of wheat. He gets an advance against the ultimate price. This advance carries interest at £4 per cent. per annum. The price is fixed as follows:—

- (a) The farmer may require the company to pay the company's siding price, provided nothing has happened to take away this right.
- (b) If the farmer does not nominate a day prior to the 31st October (in the case of bagged wheat) or prior to the 15th September (in the case of bulk wheat) the company's price at the siding on that day is the price.
- (c) If at any time the company's price at the siding is less than within 3d. of the advance plus charges, the price shall be the company's siding price on any date thereafter on which the company may fix the price. The farmer has the right to make a payment to preserve the 3d. margin. Any one payment must not be less than 3d. a bushel.

The charges payable by the farmer are—

- (a) interest (called a carrying charge) on the interim payment;
- (b) storage charges;
- (c) if the company at the request of the grower agrees to a later price fixing date than the 31st October or the 15th September, an additional charge of one farthing per bushel per month or part of a month is payable to the date on which the price is ultimately fixed.

Should the payment on account and the other charges payable by the farmer exceed the price as fixed, the farmer is obliged to pay the excess to the company on demand.

In essence this scheme differs very little from that of the other merchants, except—

- (a) that on entering into the "option" transaction there is definitely no obligation on the company to deliver an equal quantity and quality of wheat to the farmer; and
- (b) that until the "option" transaction is entered into there is definitely no obligation on the company to buy the wheat.

LEGAL POSITION.

15. The class of transaction now under consideration was the subject of litigation in Randall's case in 1869. This was an appeal to the Privy Council from the Supreme Court of South Australia (*South Australian Insurance Company v. Randall*, L.R. 3 P.C. 101, 1869). In that case corn was deposited by farmers with a miller to be stored and used as part of the current consumable stock or capital of the miller's trade. The miller mixed the corn with other corn deposited for the same purpose, subject to the right of the farmers to claim at any time an equal quantity on the day on which the demand was made, and subject to a small charge for general purposes. It was held that this transaction amounted to a sale and so passed the property in the corn delivered to the merchant.

In 1932 the matter again came under consideration in South Australia in the case of *Verco Bros., Ltd., v. Chapman Bros.* (1932 S.A.S.R., p. 309). In that case the defendants, who were farmers, delivered to the plaintiff, a miller and wheat merchant, certain wheat in bags. On delivery the plaintiff gave to the defendants storage warrants, and stacked the wheat on the plaintiff's land, together with other bagged wheat belonging to other persons delivering wheat on like terms. None of the bags of wheat so delivered bore any distinguishing mark and the bags were all of the same type. The storage warrants were all in the same terms and set out that the wheat was "received for storage" subject to the conditions of the warrant from the farmers as "storers." Provision was made for certain advances to the storers of wheat after the wheat was stored, and for dockages. No advances were in fact made in the particular case and there was no sum to dock. The material provisions of the storage warrant were that settlement and delivery would be made on surrender of the warrant and payment of all amounts due by the storer; that the plaintiff (who was referred to as "the purchasers"), provided it purchased the wheat, would give free storage and insurance and would at any time desired by the storer purchase and pay for any balance of wheat then covered by the warrant; that the purchase price should be the current price on the day of purchase, and any amount advanced in respect of wheat subsequently purchased should be deducted from the purchase price, and any excess advance above the purchase price should be repayable to the purchasers; that the purchasers should deliver on request to the storer a quantity of f.a.q. wheat equal to that remaining unpurchased on storage with the purchasers, but the purchasers should not be bound to return the identical wheat and the storer should pay, before return, commission, the advance without any dockages, together with storage charges at a farthing per bushel per month.

There were also provisions that the storer should pay moneys on demand to keep the amount of any advances made at a figure threepence per bushel below the market price and that if the market price of the wheat became payable to any other person the storer would repay advances. The rights of the storer were made subject to the claims of any lienee or encumbrancer.

It was held that the transaction amounted either to a sale or a bailment under which the property in the wheat passed to the plaintiff on delivery. The plaintiff company went into liquidation and the wheat so became an asset distributable in the liquidation of the company.

Some differences may be pointed out in the present transactions. Although the effect of such a transaction will be largely dependent in each case on its terms, the conditions of the storage certificates and the option certificates issued by the merchants in Western Australia leave no room for doubt that the property in the wheat, or, in the case of bulk wheat, the property in the title to the wheat, passes to the merchant on delivery. Moreover, the custom of the trade in Western Australia is such that the wheat passes to the merchant and becomes part of his ordinary trading stocks, or, in the case of a miller, part of his consumable stocks.

LIMIT OF DATES ON WHICH THE FARMER MAY NOMINATE A PRICE.

16. It is obvious that there must be some limit in point of time to the right of the farmer to nominate the market price for the purpose of the transaction.

In Western Australia, as already mentioned, the date is the 15th September in the case of bulk wheat, and the 31st October in the case of bagged wheat. Thus, provided nothing occurs to fix the price earlier, the farmer has under the agreement about nine months in the case of bulk wheat, and about ten months in the case of bagged wheat, to watch the market and make his election as to the price at which he will sell. The earlier date in connection with bulk wheat is necessitated by the provisions of the Bulk Handling Act, 1935, which empower the concessionaire under that Act (Co-operative Bulk Handling, Limited) to sell the wheat if it is not out of the company's bins by the 30th September following the season in which it is delivered. The bulk handling company obviously requires this right in order to clean out and fumigate its bins in preparation for the next season's harvest, and the merchant in turn must make arrangements so as to be in a position, as a matter of prudent procedure, to get the wheat out a reasonable time before the last day (the 30th September). It may be mentioned that the proportion of bulk wheat deliveries of the total harvest is now approximately 90 per cent.

THE WHEAT MARKET, 1938-1939.

17. As is well known, wheat has been depressed in price for some years. A combination of circumstances has brought about the poor prices. As with any commodity, an excess of stocks will cause a collapse in value. The huge world stocks on hand the last few years have been the prime factor in bringing about ruinous prices. On July 31st, 1939, according to reliable authority (Broomehall) there was a carry-over of 1,136 million bushels. The previous year it was comparatively less—619 million bushels, and in 1937 it was 527 million bushels. The drive for economic self-sufficiency by some of the States of Europe has had an effect in swelling the carry-over in successive years. These figures must determine the general long term level of prices in the wheat trade.

From 1923 to 1926 the carry-over in initial stocks ranged between roughly 500 and 600 million bushels and the Wheat Pool realisation in those years ranged between 4s. 3d. and 5s. 9d. per bushel. From 1927 to 1930 the world's initial stocks rose from 647 to 915 million bushels, and the Wheat Pool realisation fell steadily from 4s. 11d. to 1s. 11d. World stocks from that date till 1934-1935 ranged between 1,000 and 1,200 million bushels and while the stocks remained at this fairly constant figure the Wheat Pool realisation remained steady at about 2s. 5d. In the succeeding years (1935 and 1936) initial stocks dropped to 780 million bushels and the Wheat Pool realisation rose to 5s. per bushel.

Of course other factors can and do influence the price, such as export restrictions and quotas and general world prosperity, but the major influence is the quantity of stocks available.

The world's visible supplies from time to time exercise an immediate effect on the market. On the 1st July, 1937, there were 163 million bushels; the price of No. 3 Northern wheat (Canadian) was approximately 49s. per quarter. On July 1st, 1938, the world's visible supplies had increased to 178 million bushels and the price of No. 3 Northern was approximately 37s. per quarter. The following year the world's visible supplies had almost exactly doubled those of 1937 and the price of No. 3 Northern on July 1st, 1939, was about 23s. per quarter—approximately half the 1937 price. On 1st July, 1939, the actual figure for the world's visible supplies was 328 million bushels. This figure does not include Argentine wheat, although the figures for the previous years do. Then, various Governments built up secret security stocks for use in case of war. This too had an effect in depressing the price of wheat. Again, the American Government in July, 1939, decided to bonus exports of wheat and flour to such an extent that America was able to dump a large quantity on to the world's market.

In July and August of 1939, when the merchants closed out many of the stored wheat contracts, Broomehall's "Corn Trade News" of the 18th July, 1939, has the following passage:—

"Wheat prices continue to decline. During the past week the market has been influenced by increasing selling pressure of Australian and new crop American winter wheat In the United Kingdom the demand is very restricted and quotations are generally lower."

It was also stated that the quotations for wheat for July delivery had created a new low record.

On the 25th July, 1939, Broomehall refers to the United States Government's intention to subsidise wheat and flour exports and its embarrassing effect on the Australian and Canadian price.

On the 15th August, 1939, Broomehall states:—

“Canada has been more anxious to meet the market in the past week and shippers' offers have been reduced in price by about 1s. per quarter since last Tuesday, but the demand has shown little improvement. Plate wheat has been steadily held but there has been pressure of afloat Australian cargoes in which a fair trade has been put through at prices ranging from 18s. 6d. to 18s. per quarter according to position of steamer In general the demand is small.”

From July 17th, 1939, to August 15th, 1939, only three cargoes of Canadian wheat were sold. The first cargo was on July 21st, the second on July 28th, and the third on August 1st. This was No. 1 Northern wheat, which is rated a grade higher in value than Western Australian wheat. The prices realised were 22s. 6d., 21s. 1½d., and 25s. 1½d. per quarter.

It would be an exaggeration in optimism even to describe the market as dull in July and August of 1939.

The eight graphs (Appendix II.) show the prices from month to month in Western Australia on a 4d. siding basis in each of the years 1931-1932 to, and including, 1938-1939.

In 1938-1939, the year the subject of this inquiry, the market dropped at the end of June by approximately 10d. a bushel in one month. On several occasions, namely October, November, December, January, and May the market was slightly under 2s. per bushel, but these months mark the maximum prices for the season. A comparison with previous years as revealed in the remaining seven graphs will show nothing like the depressing outlook of the 1938-1939 season.

London cables received by agents from July 1st, 1939, up to the middle of August all sound a note of pessimism concerning the market. Later on I propose to examine merchants' overseas sales operations in the material period, July and August 1939, but before doing so it would be as well to deal with some international sales records relating to wheat, with a view to illustrating that the downward trend in Western Australia in July and August, 1939, was consonant with that in other countries. No. 3 Northern wheat (Canadian) is comparable in value on occasions with Western Australian f.a.q. The following were the quotations for this wheat on the dates mentioned:—

Date, 1939.	Quote (per quarter).	
	s.	d.
1st June	25	9
7th June	24	7½
8th June	24	9
14th June	23	10½
17th June	24	3
24th June	23	1½
26th June	23	3
28th June	22	9
1st July	23	9
26th July	20	0
27th July	20	0
15th August	20	0 (approx.)
24th August	22	3

The 24th August was the last quote prior to the outbreak of war. The records of sales show a definite downward trend with slight rallies. The trend of the Western Australian market was similar.

In August, 1939, the bottom fell right out of the market. The closing out by merchants took place almost entirely during the period 10th July to 31st August, 1939. As will be seen later on, when we come to consider the individual figures submitted by each of the merchants, the bulk of the “closings-out” took place in July. It is also worthy of note that when the price got so low merchants (with the exception of Messrs. J. A. Hemphill & Sons Pty., Ltd., and the Westralian Farmers, Ltd.) intimated to farmers that they would no longer accept wheat on storage conditions. Messrs. Dalgety & Co. sent out notice to this effect on the 14th July, 1939, Messrs. Louis Dreyfus & Co. on the 15th July, 1939, Messrs. Bunge (Aust.) Pty., Ltd. and Messrs. John Darling & Son on the 9th August, 1939, and Messrs. W. Thomas & Co. (W.A.), Ltd., on the 14th August, 1939. The Westralian Farmers, Ltd., ceased to accept any more wheat on deferred price conditions as from the 9th August, 1939. If the merchants had been working a swindle in this class of wheat it is rather strange that they declined to take any more of it at a time when they could have fixed their advances in such a way that it would have readily fallen to be closed out under the margin clauses of the contract.

As might be expected, the unprecedented fall in the price of wheat led to great congestion of supplies in the bulk bins. (I have already alluded to the fact that approximately 90 per cent. of the harvest goes into the bulk system). As late as 20th July, 1939, Co-operative Bulk Handling, Ltd.,

drew attention to the extraordinary congestion. An announcement in the Press, made by Mr. A. J. Monger, the Chairman of the Shippers' Delivery Board and the representative of the bulk handling company on this Board, stated, *inter alia*:—

"If the remaining warrant holders of the present season do nothing in the way of selling their wheat it will mean that the bulk of the new season's wheat will have been offered for receipt before my company can finally remove that of the old season. This will mean a serious disorganisation next year with the not too remote possibility of more wheat being offered than the company can accommodate. In such a case some growers will have to hold considerable portions of their crops on their farms with all the attendant risks and disadvantages, or else deliver in bags, thus losing the savings associated with bulk wheat.

"The company may be forced to protect growers of the new season's wheat by exercising its right of selling any wheat remaining in store on September 30th. Such a sale of a large quantity of wheat like, say, four to five million bushels would of course seriously affect prices, not only of the amount actually sold but also of all early sales of new season's wheat, and while of course the company would be very loth to precipitate such a state of affairs it seems as if it may be forced to do so in the interests of the majority of growers because of the inaction of the remaining warrant holders of the present season.

"Of the wheat in the bins advances had been made by merchants against about four million bushels, but the responsibility for this wheat remained with the original tenderers, the growers."
("West Australian," 20th July, 1939.)

On the following day, the 21st July, 1939, the "West Australian" in the course of a commentary on the position drew attention to the risk of a further decline in the market and urged warrant holders to sell and thus clear the bins.

On the 5th August, 1939, the congested state of the bins was still such as to cause apprehension. In a Press announcement in the "West Australian" on that date, Mr. Monger said:—

"My Board is determined to alleviate such effects of a delayed opening of the bins as much as possible by exercising the powers conferred under the Act (the Bulk Handling Act, 1935). These powers authorise the sale of wheat remaining in the bins on September 30th, and distasteful as the probability is that in order to find buyers such a sale will have to be made at prices less than the already low price level, it seems that there will be no alternative but to disregard this probability and sell the wheat."

MERCHANTS' SALES IN JULY AND AUGUST, 1939.

18. In July and August of 1939 merchants were shipping wheat to the world's markets. In Appendix III., part (1), I have set out the records of Australian steamer cargoes shipped in July and August, 1939, and, where the records are available, the c.i.f. prices. There is a further list showing Western Australian cargoes separately. I have reduced the c.i.f. prices to an f.o.b. basis and a 4d. siding basis on the formula set out in Appendix III. (parts 2 and 3). In part (2) of this Appendix I show the formula used by the Wheat Pool of Western Australia for reduction of a c.i.f. value of 18s. 6d. per quarter to a 4d. siding bushel value on the basis of 30s. ocean freight. I have given the formula by way of example to illustrate costs involved from 4d. siding to c.i.f. because it contains a set of costs applicable to marketing of Western Australian wheat by a concern which deals in Western Australian wheat. This formula embodies a normal set of costs applicable to the period in question. It must be realised that the costs must change from time to time and all one can hope to achieve by using such a formula is a reasonably accurate result. This formula is adopted by the Westralian Farmers, Limited. Also in part (2) of Appendix III. I show by way of illustration the Westralian Farmers', Ltd., working for the reduction of each of the c.i.f. values of 18s., 18s. 6d., 18s. 9d., 19s., and 19s. 6d. on an ocean freight of 30s. per ton to f.o.b. and then to 4d. siding value respectively.

In order to get a representative figure for the basis of my arguments I asked the several merchants to furnish me with their f.o.b. and 4d. siding values per bushel based on the above c.i.f. values at 30s. ocean freight. Having got these figures, I worked out an average and the result is shown in part (3) of Appendix III. The figures furnished to me by the several merchants must not be taken as constant. They may move up or down in particular cases according as there are any special conditions attachable to any special transaction, and of course they will fluctuate from time to time. All that can be said is that they represent a normal set of values for the period under review and that they are accurate enough for my purpose.

The average figures shown in the table have been used in this report for ascertaining f.o.b. and 4d. siding values of c.i.f. sales.

It will be seen on reference to the shipments and to the average monthly purchase price paid by each of the several merchants for wheat in July and August, 1939 (see pages 13, 14, 15, 16, 17, 19 and 20 of this report), that concurrently with acquiring stocks in those months Western Australian merchants were shipping wheat away from their stocks at prices which were less than they were paying. These lists show that the average price realised for Western Australian steamer cargoes was 18s. 9d. a quarter c.i.f. The average price realised per bushel on a 4d. siding basis would be approximately 1s. 2½d.

I have published particulars of these shipments because the essential details appeared in the Press for everybody to see and growers should have been able to follow the trend of the market. The list shows only the published details of shipments, but it is fairly complete. The complete shipments are shown at a later stage in my report.

As late as the 31st August sellers were reducing their "asking" prices in an effort to make sales. Without going into further details at this stage it is obvious that the market was unprofitable for the grower and the merchant alike.

THE EFFECT OF THE WAR SCARE ON THE OVERSEAS MARKET.

19. The Westralian Farmers, Limited, gave the first mention of any suggestion of war being imminent in their cable of 17th August, 1939 (which incidentally was two days after that company had made its last close-out). That cable read:—

"Market did not follow America overnight advance which was due to war scare owing to Argentine Government reduced export price."

On the following day the report was on the usual lines at the time—"Market dull poor demand."

The first reference to any political influence on the market in the cables received by Westralian Farmers, Ltd., was on August 21st, 1939. The cable read:—

"Market adrift from ordinary influence entirely political."

From then on the market was undoubtedly influenced by the political situation *but it was not influenced in an upward direction*. On the 22nd August the market was stagnant; on the 24th August the market was nervous—it showed a tendency to fluctuate according to rumours; on the 26th August exporters were not offering cargoes, owing to the uncertainty of getting shipping accommodation; on the 29th August buyers showed no interest; on the 30th August sellers were willing to sell. The war situation was quite uncertain until the 1st September, when Germany invaded Poland.

After the 25th August, 1939, there is no record of any overseas sales of Australian wheat in August. For five days after the outbreak of war merchants were not offering for local wheat. Just before and after the outbreak of war the bulk handling system was still in a congested condition. The quantity of bulk wheat in the care of the bulk handling company on the 31st August, 1939, was—

Fremantle zone	....	....	....	4,770,500 bushels
Bunbury zone	....	....	....	1,019,000 bushels
Geraldton zone	....	....	....	429,100 bushels
Total	....	....	....	<u>6,218,600 bushels</u>

The merchants commenced offering again on the 8th September, when they offered 1s. 3 $\frac{3}{4}$ d. on a 4d. siding basis for bulk wheat. *But the prices quoted were no definite reflection of any world parity price. They were nominal only and followed the trend of the market. All the merchants purchased wheat at these nominal prices—some free wheat, and some wheat still subject to storage conditions which had not been closed out.*

To make matters worse, at the outbreak of war the British Government fixed the price for bulk wheat purchased in Australia at 21s. 3d. per quarter English c.i.f., or 1s. 9.902d. approximately per bushel on a 4d. siding basis—a price at which it is obviously unprofitable for the Australian grower to produce wheat. It should be mentioned that some confusion has arisen between this price and the price which was used after war began for settling transactions in Australian wheat in England. This was fixed at 21s. 3d. c.i.f. and e. It so happens that 17s. English f.o.b. is equivalent to 21s. 3d. Australian, but there is no connection between the 17s. English f.o.b. (= 21s. 3d. Australian f.o.b.) and the 21s. 3d. English c.i.f. & e.

The shipping difficulty became more intense. Freights and insurance rates rose and ships were unobtainable. Some of the charters arranged before the outbreak of war were cancelled under the war risk clauses of the charter party. Sellers were compelled to arrange fresh charters at an increased rate of 5s. per ton. This would apply to some of the later shipments set out in the list in Appendix III. and in those cases the prices quoted would be subject to additional deductions inasmuch as the increased freights payable on rechartering would be on sellers' accounts.

CONSTITUTION OF THE AUSTRALIAN WHEAT BOARD.

20. About a week after the outbreak of war the Commonwealth Government, being seized of the gravity of the situation, contemplated forming a statutory Board to handle the exportable wheat harvest of the Commonwealth. While this matter was being mooted Senator McLeay (Minister for Commerce) negotiated a sale of 100,000 tons of Western Australian wheat to the Imperial Government at 17s. (English) per quarter f.o.b. = 21s. 3d. Australian.

On the 21st September, 1939, the Commonwealth Government promulgated Statutory Rule No. 96 under the National Security Act setting up the Australian Wheat Board with power to acquire the wheat harvest.

ACQUISITION OF WESTERN AUSTRALIAN STOCKS BY THE AUSTRALIAN
WHEAT BOARD.

21. On the 23rd September, 1939, the Australian Wheat Board, which was constituted under the statutory rule, acquired all stocks of wheat in Western Australia held by merchants or by the bulk handling company in its bulk handling system, with the exception of—

- (a) Millers' stocks in hand or purchased;
- (b) Wheat on farms;
- (c) Wheat required to meet charters for overseas shipment, which were actually arranged at the date of the acquisition, or sales for export where the sale was made prior to such date.

The quantity taken over from Western Australia after making allowance for millers' wheat and merchants' overseas commitments was 2,710,928 bushels of bulk wheat and 208,447 bushels of bagged wheat.

In the subsequent statements embodied in this report I show the several components in the total handed over by merchants.

22. The Australian Wheat Board sale became known about the 13th September, 1939, and that then formed the basis for further business. On a rough estimate it looked as if the Wheat Board sale would be approximately 1s. 10d. per bushel for bulk wheat and 1s. 11d. per bushel for bagged wheat on a 4d. siding basis. When this became clear merchants adjusted their prices by paying those farmers from whom they had purchased at nominal market prices varying from 1s. 3¼d. to 1s. 5¼d. in September, 1939, the difference between those prices and the 1s. 10d. (or 1s. 11d.). It might appear from some passages in the evidence taken before the Select Committee and from some passages in the Select Committee's finding that only one or two of the merchants made this adjustment, *but it is clear from the inquiries which I made that all merchants did so.*

23. It should be mentioned that when it became possible to make a closer tally of the available Western Australian stocks the Western Australian sale of 100,000 tons was found to be 25,000 tons in excess of available stocks. The deficiency was made up from South Australian stocks.

The procedure adopted by the Board in its dealings with the British Government is to sell on a port basis. The purchaser pays carriage and insurance, but the Board meets the cost of out-turn and superintendence, guarantees the sample at f.a.q., and meets all normal London or other English port charges arising out of discharge from the ship. The net price so obtained is divided amongst the persons entitled after deducting administration and any other charges.

24. To date, distributions by the Australian Wheat Board have been on an f.o.b. basis as follows:—

	Bulk.	Bagged.
	s. d.	s. d.
1st advance	2 0	2 2
2nd advance	0 6	0 6
3rd advance	0 1¾	0 1¾
	2 7¾	2 9¾

There is approximately a fraction of a penny per bushel still to come. The costs from a 4d. siding to port is approximately 7.405d. per bushel, so that the net distributions to date, on a 4d. siding basis, are 2s. 0.345d. and 2s. 2.345d. respectively for bulk and for bagged wheat.

In cases where merchants handed over wheat subject to advances but not closed out on the date of acquisition by the Australian Wheat Board they will account to their customers for the net proceeds of realisation when they receive them.

The 2s. 0.345d. and 2s. 2.345d. are in excess of the 4d. siding value of the 17s. (English) f.o.b. sale made by the Minister from what has been called No. 1 Pool. The extra is accounted for by the fact that the subsequent shipment from the same pool brought higher prices.

THE IDENTITY OF WHEAT SOLD TO OR "STORED" WITH A MERCHANT.

25. Before proceeding to deal specifically with the operations of each merchant it is essential to deal with this question of identity.

When a merchant or other operator buys wheat in the market, whether he buys it outright or on a deferred price system ("storage"), it loses its identity as soon as the merchants buys, or makes the contract to buy which entitles him to the wheat. It passes into the common stock which is being added to and drawn on from time to time as the merchant buys and sells, the essence of the business being (as before explained) that the merchant must exercise a quick turnover, quitting available stocks in general as fast as he acquires them. This is no theory without practical significance. It has a very real import. For example, although it would be quite relevant for merchants in refuting an allegation of profiteering in "closed out" wheat to show that all the time they were closing out they were selling quantities more than commensurate with those acquired and at lower prices, that does not establish one way or the other that they made a profit or loss on the closed out wheat. It is impossible to separate this wheat from the mass. To give a hypothetical case, because Brown's wheat was closed out, say, at 1s. 1d. by a merchant on the 20th August, 1939, and the Australian Wheat Board acquired a quantity

of wheat from the merchant on 23rd September, 1939, for which the merchant received 1s. 11d. net, that does not establish that the merchant made a profit of 10d. per bushel on Brown's wheat or on any particular farmer's wheat.

It would be impracticable and absurd to endeavour to demonstrate a profit or loss by a merchant on any particular purchase of wheat from a farmer.

Yet on the basis of this reasoning it is alleged that the merchants handed over on their own account to the Australian Wheat Board stocks of wheat which had been closed out by them to the extent of two million bushels. In the first place, the quantity of wheat acquired from the merchants by the Wheat Board was only 1,693,341 bushels, and in the second place, as I shall show later in this report, it is quite wrong to assume that this wheat was necessarily closed out wheat. (See the table and my comments thereon on pages 21 and 22.)

My Commission asks me to ascertain the profits (if any) made by merchants on the "stored" wheat now under consideration. *If one could take the sequence of purchases and sales as a test, then in general the stored wheat was gone by sale about a month before the Australian Wheat Board came into existence. Moreover, it had been sold at an unprofitable figure.* Yet it is quite clear that, behind all the allegations which have been made by farmers and others, there is an assumption that wheat which was closed out at an average price of approximately 1s. 1½d. per bushel was sold for 2s. and the merchants reaped a profit of approximately 11d. per bushel. Every farmer with a complaint, whose wheat was closed out, visualises *his* wheat going from the merchant to the Australian Wheat Board and the merchant reaping a profit on *his* wheat. No argument could be more fallacious. *What remained on the 23rd September, 1939, was the balance of the common stock of wheat purchased whether outright or on deferred price. The cost of each bushel in that stock, from the aspect of getting a datum point on which to assess profit, is the average cost of each bushel that went into the mass.* That is the average, ascertained after giving due allowance for the varying quantities purchased at different prices, *the bulk of which were in excess of 1s. 10d. a bushel, and some of which (a very small proportion) were less than 1s. 1d. a bushel.* The point is that it is the average price per bushel that counts, not the price of any particular parcel or parcels.

Even when the average cost has been ascertained, the fact that the price per bushel realised through the Australian Wheat Board (approximately 2s. 0.345d. per bushel for bulk wheat) was greater or less than that average does not establish a profit or a loss to the merchant *on the stored wheat*. I have already pointed out that the wheat which went to the Australian Wheat Board on the 23rd September, 1939, was not any particular "stored," or any particular other kind of wheat; *it was the balance of the whole mass of purchased wheat for the season.* In order to form the basis of any deduction as to trading profits one would require to know the average purchase price per bushel and the average selling price per bushel on a common basis (*i.e.*, c.i.f. or f.o.b.) for the season. With that figure ascertained it would be possible to draw a conclusion as to Western Australian trading profits, but with this important qualification—that it would not take into account the effect, whether by way of profit or loss, of hedging transactions. In the case of all but two merchants (Messrs. J. A. Hemphill & Sons Pty., Ltd., a purely Australian buying company, and the Westralian Farmers, Ltd., a Western Australian buying company), it is impracticable to ascertain the average selling price of their Western Australian stocks. Take, for example, Messrs. Louis Dreyfus & Co. This house is domiciled in France. Its business is world wide. A shipment from Western Australia may be combined with a shipment from another State or another country. The firm may have hedges in half a dozen places at one particular time in order to cover actual or contingent liabilities. The other merchants, Messrs. Bunge (Aust.) Pty., Ltd., Dalgety & Co., Ltd., John Darling & Son, and Thomas (W.A.) & Co., are in much the same position as Messrs. Louis Dreyfus & Co. In the case of Messrs. J. A. Hemphill & Sons Pty., Ltd., which as I have said is an Australian buying house with a system of interstate allocation of dealings, it is possible to say with certainty that Hemphills made a loss. It is possible to say with certainty also that the Westralian Farmers, Ltd., made a loss. In the other cases (Messrs. Louis Dreyfus & Co., Bunge (Aust.) Pty., Ltd., John Darling & Son, Dalgety & Co., and Thomas & Co.) it is, for the reasons already given, impracticable to make a definite figure finding on the subject of profit or loss. Nor would it be of any real use in this inquiry if the matter were pursued to a definite finding. But if it is permissible to look at the transactions from a purely Western Australian viewpoint (and this is, I consider, the aspect from which my Commission desires me to approach the matter), then, *subject to all the reservations I have mentioned, the great probability is that the remaining wheat merchants made a loss on Western Australian dealings.* The basis for the last statement is that the average price realised f.o.b. for Western Australian steamer cargoes in July and August, 1939, is approximately the same as the purchase price f.o.b. of the Western Australian stocks acquired by each in those months. This does not allow anything for overhead administration charges which, when taken off the sales prices, would naturally increase the loss.

INDIVIDUAL MERCHANTS' TRANSACTIONS IN STORED WHEAT FOR THE 1938-1939 WHEAT SEASON.

26. When the price of wheat fell to the extraordinarily low level in July, 1939, the merchants sent seven days' notification to the farmers concerned asking them to make good the 3d. margin. In all cases where the merchants had made advances they had advanced to the extent of 1s. per bushel. When the price declined to 1s. 2d. about the 20th July, 1939, the contracts came within the 3d. margin clause. Many farmers failed to restore the margin and their wheat was closed out at market prices varying from 1s. 0¾d. to 1s. 5d. per bushel.

DALGETY & CO., LIMITED.

1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated, prices are on 4d. siding basis.)

		bus.	bus.
Total Wheat received on all Accounts—	...	...	2,414,197
Outright purchases	...	1,142,512	
“Stored” Wheat	...	1,271,685	
		<hr/> 2,414,197	<hr/> 2,414,197
Stored Wheat made up as follows:—			
With advances	...	729,043	
Without advances	...	542,642	
		<hr/>	1,271,685
Disposal of Stored Wheat—			
Total received as above	...	...	1,271,685
(a) Voluntary sales before closing out took place in July and August	...	923,835	
(b) Closed out as follows:—			
July 21	...	50,353 @ 1/2	
July 25	...	59,392 @ 1/1 $\frac{1}{4}$	
July 27	...	16,534 @ 1/1 $\frac{1}{4}$	
July 29	...	1,593 @ 1/2 $\frac{1}{4}$	
Aug. 15	...	1,404 @ 1/0 $\frac{3}{4}$	
Aug. 21	...	114 @ 1/0 $\frac{3}{4}$	
		<hr/>	129,390 @ 1/1.55
(c) Voluntary sales during closing out period in July and August	...	87,017	
(d) Voluntary sales after closing out period in July and August	...	nil	
(e) Closed out after last day for price fixing (15th September)	...	76,444	
(f) Acquired by Australian Wheat Board, subject to realisation and accounting to farmers	...	54,999	
		<hr/> 1,271,685	<hr/> 1,271,685

QUANTITIES OF STORED WHEAT HELD ON MATERIAL DATES.

(In bushels.)

Date.	With Advances.	Without Advances.	Total.
1939.			
July 20	255,018	92,832	347,850
„ 31	81,664	91,313	172,977
Aug. 15	69,188	88,061	157,249
„ 31	61,498	86,120	147,618
Sept. 23	19,667	35,332	54,999

SUMMARY OF PURCHASES OF BULK WHEAT FROM MONTH TO MONTH.

(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Monthly Average Payment.
1938.		s. d.
October	36,200	1 11.637
November	244,660	1 11.278
December	168,840	1 11.874
1939.		
January	456,828	1 11.084
February	78,670	1 10.219
March	147,372	1 7.502
April	165,110	1 9.766
May	227,705	1 11.422
June	57,520	1 8.124
July	297,834	1 2.525
August	45,080	1 1.052
September	93,001	1 9.981
Total	<hr/> 2,018,820	@ an average of <hr/> 1 9.197 per bus.

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, SEPTEMBER, 1939.

(a) Contract for 7,200 tons (301,482 bushels loaded) on the 27th July, 1939, @ 19/- per quarter C.I.F. = 1/2 $\frac{3}{4}$ per bushel on 4d. siding basis.

(b) On 23rd September, 1939, the Australian Wheat Board acquired the following stocks from this Company:—

On a/c. Dalgety & Co., Ltd.	292,527
On a/c. farmers	54,999
Total	<hr/> 347,526 bushels

JOHN DARLING & SON.

1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated, prices are on 4d. siding basis.)

Total Wheat received on all accounts—	...	...	...	...	3,563,498
Outright purchases	...	...	...	2,123,065	
“Stored” wheat	...	...	...	817,767	
Traders’ wheat	...	...	...	622,666	
				3,563,498	3,563,498
Stored Wheat made up as follows:—					
With advances	...	...	...	511,259	
Without advances	...	...	...	306,508	
					817,767
Disposal of Stored Wheat—					
Total received as above	...	...	...	...	817,767
(a) Voluntary sales before closing out took place in July and August	...	...	...	492,880	
(b) Closed out as follows:					
Bulk—					
July 20	}	...	...	13,350 @ 1/2	
to July 30				4,814 @ 1/1¼	
July 31	}	...	...	720 @ 1/2¼	
to Aug. 14					
Bagged—					
July 31	}	...	...	385 @ 1/3¼	
to Aug. 14					
Aug. 15	}	...	...	495 @ 1/1¼	
to Aug. 30					
				19,764 @ 1/1.844	
(c) Voluntary sales during closing out period in July and August	...	...	...	156,221	
(d) Voluntary sales after closing out period in July and August	...	...	...	6,073	
(e) Closed out after last day for price fixing (15th September)	...	...	...	73,311	
(f) Acquired by Australian Wheat Board; subject to realisation and accounting to farmers	...	...	...	69,518	
				817,767	817,767

QUANTITIES OF STORED WHEAT HELD ON MATERIAL DATES.

(In bushels.)

Date.	With Advances.	Without Advances.	Total.
1939.			
July 20 ...	168,017	138,008	306,025
„ 31 ...	68,523	132,219	200,742
Aug. 15 ...	64,125	127,602	191,727
„ 31 ...	48,679	102,137	150,816
Sept. 23 ...	20,754	48,764	69,518

SUMMARY OF PURCHASES OF BULK WHEAT FROM MONTH TO MONTH.

(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Monthly Average Payment.
1938.		s. d.
October ...	73,200	1 11.610
November ...	804,354	1 11.808
December ...	399,470	1 11.853
1939.		
January ...	218,561	1 10.697
February ...	232,674	1 11.503
March ...	26,060	1 7.517
April ...	99,969	1 10.190
May ...	148,193	1 11.311
June ...	64,613	1 8.958
July ...	276,765	1 3.115
August ...	51,310	1 1.421
September ...	130,275	1 8.547
Total ...	2,525,444 @ an average of 1 10.143 per bus.	

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, AND SEPTEMBER, 1939.

- (a) On the 10th August, 1939, this firm sold a cargo of 9,152 tons approximately (341,675 bushels*) at 18/6 per quarter C.I.F. = 1/1.69 on 4d. siding basis.
- (b) On the 23rd September, 1939, the Australian Wheat Board acquired the following stocks from this firm (all bagged wheat):—
- | | | |
|----------------------------|-----|-----------------|
| On a/c. John Darling & Son | ... | 409,316 |
| On a/c. farmers (sundry) | ... | 69,517 |
| Total | ... | 478,833 bushels |

- (c) The firm had no contracts for delivery of wheat in the relevant period.

* The quantity given in bushels is the quantity actually loaded.

LOUIS DREYFUS & CO.
1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated, prices are on 4d. siding basis.)

Total Wheat received on all Accounts—	...	...	...	...	...	3,301,574
Outright purchases	...	...	...	...	1,582,597	
“Stored” Wheat	...	...	...	...	860,310	
Traders’ Wheat	...	...	...	...	858,667	
					3,301,574	3,301,574
Stored Wheat made up as follows:—						
With advances	...	...	...	...	657,030	
Without advances	...	...	...	...	203,280	
					860,310	860,310
Disposal of Stored Wheat—						
Total received as above	...	...	...	...	...	860,310
(a) Voluntary sales before closing out took place in July and August	...	...	...	...	298,816	
(b) Closed out as follows:—						
July	...	...	...	66,877	} @ 1/1.38	
August	...	...	...	5,784		
				72,661	@ 1/1.38	
(c) Voluntary sales during closing out period in July and August	...	...	...	...	316,915	
(d) Voluntary sales after closing out period in July and August	...	...	...	...	4,928	
(e) Closed out after last day for price fixing (15th September)	...	...	...	...	141,757	
(f) Acquired by Australian Wheat Board, subject to realisation and accounting to farmers	...	...	...	...	25,233	
					860,310	860,310

QUANTITIES OF STORED WHEAT HELD ON MATERIAL DATES.

(In bushels.)

Date.	With Advances.	Without Advances.	Total.
1939.			
July 20	296,837	95,573	392,410
“ 31	100,837	93,968	194,805
Aug. 15	93,819	83,515	177,334
“ 31	92,661	78,960	171,621
Sept. 23	11,136	14,097	25,233

SUMMARY OF PURCHASES OF BULK WHEAT FROM MONTH TO MONTH.

(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Monthly Average Payment.
1938.		s. d.
October	89,600	2 0.854
November	362,133	1 11.343
December	104,133	1 11.153
1939.		
January	409,472	1 11.190
February	34,720	1 10.461
March	88,032	1 7.706
April	112,000	1 10.150
May	235,013	1 11.506
June	16,800	1 8.709
July	385,877	1 2.725
August	70,560	1 1.967
September	170,987	1 9.990
Total	2,169,328 @ an average of	1 9.189 per bus.

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, AND SEPTEMBER, 1939.

- (a) On or about the 27th July, 1939, this company's London house sold a cargo of 7,500 tons M/L (291,512 bushels loaded) *ex* “Ramsay” at 18/10½ per quarter C.I.F. = approximately 1/2.66 per bushel on a 4d. siding basis.
- (b) On the 9th August, 1939, the company sold a cargo *ex* “Olivebank” (8,247 tons charter). The actual quantity loaded and sold was 307,882 bushels. The C.I.F. price was 18/- per quarter and the rate of freight was 30/9 per ton = 1/8.91 F.O.B. or 1/0.79 on a 4d. siding basis.
- (c) On or about the 23rd August, 1939, the company disposed of 7,000 tons (272,559 bushels loaded) *ex* “King Frederick” at 18/6 per quarter C.I.F. = approximately 1/2.00 per bushel on a 4d. siding basis.
- (d) This firm had no contracts for delivery of wheat in the relevant period.
- (e) On the 23rd September, 1939, the Australian Wheat Board acquired the following stocks from this company:—
- | | | | |
|-----------------------------|-----|--------------|--------|
| On a/c. Louis Dreyfus & Co. | ... | 306,071 bus. | 48 lb. |
| On a/c. farmers | ... | 25,233 bus. | 38 lb. |
| Total | ... | 331,305 bus. | 26 lb. |

J. A. HEMPHILL & SONS PTY., LTD.

1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated, prices are on 4d. siding basis.)

Total Wheat received on all accounts—	...	...	...	...	...	2,668,233*
Outright purchases	...	...	...	...	2,077,872	
“Stored” wheat	...	...	...	...	575,071	
Traders’ wheat	...	...	...	...	15,290	
					<u>2,668,233</u>	<u>2,668,233</u>

* The difference—1,146 bushels—between this figure and the total purchases shown in the wheat trading account, Appendix IV., is accounted for by the fact that there was a surplus of 1,146 bushels of bagged wheat for the year.

Stored Wheat made up as follows:—

With advances	...	...	...	...	448,964	
Without advances	...	...	...	...	126,107	
					<u>575,071</u>	

Disposal of Stored Wheat—

Total received as above	<u>575,071</u>
-------------------------	-----	-----	-----	-----	-----	----------------

(a) Voluntary sales before closing out took place in July and August

August

194,043

(b) Closed out as follows:

July 19 bus. lb.

21 515 50

25 10,212 52

26 3,630 57

Aug. 14 14,575 48

14 1,233 19

14 1,072 13

31,241 @ average

of 1/1½

(c) Voluntary sales during closing out period in July and August

91,970

(d) Voluntary sales after closing out period in July and August

114,767

(e) Closed out after last day for price fixing (15th September)

112,309

(f) Acquired by Australian Wheat Board; subject to realisation and accounting to farmers

30,741

575,071

575,071

QUANTITIES OF STORED WHEAT HELD ON MATERIAL DATES.
(In bushels.)

Date.	With Advances.	Without Advances.	Total.
1939.			
July 20	220,253	84,928	305,181
„ 31	135,900	84,957	220,857
Aug. 15	117,431	99,275	216,706
„ 31	117,692	93,501	211,193
Sept. 23	29,774	24,989	54,763*

* It will be noticed that this figure exceeds the quantity taken over by the Australian Wheat Board. In a limited number of cases this company finalised prices for stored wheat on subsisting storage contracts after the Wheat Board acquisition. This was done at the request of a few farmers, who were given the option of selling at 1/10 on a 4d. bulk wheat freight or of waiting for Wheat Board dividends.

SUMMARY OF PURCHASES OF BULK WHEAT FROM MONTH TO MONTH.

(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Monthly Average Payment.
1938.		s. d.
October	111,300	2 0.28
November	521,615	1 11.75
December	160,360	1 11.67
1939.		
January	433,582	1 11.39
February	86,005	1 10.8
March	29,980	1 8.05
April	194,826	1 9.39
May	350,090	1 11.45
June	9,040	1 8.26
July	183,127	1 3.16
August	52,318	1 1.11
September	228,859	1 9.51
Total	2,361,102 @ an average of	1 10.29 per bus.

J. A. HEMPHILL & SONS PTY., LTD.—*continued.*

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, AND SEPTEMBER, 1939.

(a) On 12th August, 1939, the Company sold a cargo of wheat on the "Trehata" (afloat), 8,050 tons (300,536 bushels*) at 18/- per quarter C.I.F. = 1/1.275 per bushel on a 4d. siding basis.

(b) The Company had no contracts subsisting during the relevant period.

(c) On the 23rd September the Company handed over the following wheat to the Australian Wheat Board:—

On a/c. J. A. Hemphill & Sons Pty., Ltd.	...	...	...	64,022
On a/c. farmers	...	...	...	30,741
Total	...	...	...	<u>94,763</u> bushels

* The quantity given in bushels is the quantity actually loaded.

WHEAT TRADING ACCOUNT.

A copy of this company's wheat trading account for the season is shown in Appendix IV. The account, which is certified by the company's auditors, has been taken out on an F.O.B. basis. It shows a loss on the season's operations of £8,015. That figure does not include any charge for administration costs, which would have to be taken into account in assessing any net loss, which would be greater than £8,015.

W. THOMAS & CO. (W.A.), LTD.

1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated prices are on 4d. siding basis.)

Total Wheat received on all accounts—	...	...	...	...	3,481,711
Outright purchases	...	...	...	2,292,410	
"Stored" wheat	...	...	...	1,189,301	
				<u>3,481,711</u>	<u>3,481,711</u>
Stored Wheat made up as follows:—					
With advances	...	...	...	731,607	
Without advances	...	...	...	457,694	
					<u>1,189,301</u>
Disposal of Stored Wheat—					
Total received as above	...	...	...	...	<u>1,189,301</u>
(a) Voluntary sales before closing out took place in July and August	...	...	...	373,476	
(b) Closed out as follows:					
July 21	...	...	...	16,916	
Aug. 14	...	...	...	2,444	
" 14	...	...	...	862	
" 28	...	...	...	10,439	
" 31	...	...	...	8,346	
					39,007 @ average of 1/1.362
(c) Voluntary sales during closing out period and up to 3rd September:					
To provide margins	...	...	...	576 @ 1/2	
Wheat subject to advances	...	...	...	25,407 @ 1/2.036	
Not subject to advances	...	...	...	39,791 @ 1/3.629	
(d) Purchased between 3rd and 23rd September at a lower price than 1/10, subsequent additional payments being made to bring price to 1/10	...	...	...	29,863	
(e) Purchased since 23rd September	...	...	...	681,181	
				<u>1,189,301</u>	<u>1,189,301</u>

QUANTITIES OF STORED WHEAT HELD ON MATERIAL DATES.

(In bushels.)

Date, 1939.	With Advances.	Without Advances.	Total.
July 20
" 31
Aug. 15
" 31
Sept. 23

W. THOMAS & CO. (W.A.), LTD.—*continued.*

SUMMARY OF PURCHASES OF BULK WHEAT FROM MONTH TO MONTH.

(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Monthly Average Payment.	
		s.	d.
1938.			
November	127,898	2	0.832
December	613,721	2	0.046
1939.			
January	909,501	2	0.010
February	311,725	1	11.902
March	49,721	1	10.902
April	103,044	1	10.518
May	246,841	2	0.048
June	41,495	1	9.469
July	181,628	1	4.000
August	91,134	1	1.801
September	373,762	1	9.681
October	253,150	1	11.164
November	86,029	1	10.689
Since November, 1939	85,562	2	1.842
Total	3,475,216	@ an average of 1 10.962 per bus.	
Still held on storage	6,495		
	3,481,711		

The above prices are for F.A.Q. wheat only. Premium value on premium wheat is not included.

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, AND SEPTEMBER, 1939.

- (a) This Company's business is primarily to mill wheat which it buys for processing, but on occasions it disposes of wheat. On the 16th August, 1939, the Company sold 1,000 tons (37,333 bushels) of wheat to the United Kingdom at 19/6 per quarter C.I.F. Belfast = 1/11½ per bushel (bagged) F.O.B., or 1/3¾ (bagged) on a 4d. siding basis. This wheat was shipped to make up space. The Company had chartered a ship to carry flour and the consignment of flour did not occupy the full space.
- (b) On 24th August, 1939, the Company's commitments of flour sold for forward delivery (inclusive of 1,000 tons of wheat) were equal to 648,912 bushels of wheat, against which the Company held stocks purchased and paid for of 321,644 bushels. Therefore, on this date the excess commitments over available purchased stocks was 327,268 bushels.
The Company also held on 24th August, 1939, 837,295 bushels of wheat on deferred purchase terms.
On 31st August, 1939, the excess was reduced to 263,727 bushels.
The Company had sufficient wheat on hand to meet demands of storers but it was necessary to protect the position by the purchase of futures because, for example, if the price of wheat rose and the farmers elected to determine the price the Company could easily be under a heavy loss. In order to meet its contingent liability in respect of this wheat the Company had hedged on the Liverpool Corn Exchange to the extent of approximately 224,000 bushels, but when the British Government closed the Exchange at the beginning of the war the hedge was cancelled and in consequence the Company was, through this unforeseen and unfortunate occurrence, forced to acquire the shortage at an approximate price of 1/10 per bushel on a 4d. siding basis. The approximate price of the 94,853 bushels of stored wheat closed out and bought in during the period was 1/4.266.
- (c) As in the case of other merchants, the Company made up the price of any wheat purchased between the 3rd September and the 16th September to 1/10 approximately per bushel (4d. siding basis).
- (d) Millers' stocks being exempt from acquisition, this Company did not hand over any wheat to the Australian Wheat Board.

THE WESTRALIAN FARMERS, LTD.

1938-1939 WHEAT SEASON.

(Quantities in bushels. Except where otherwise stated prices are on 4d. siding basis.)

Total Wheat received on all accounts—	4,456,496
Outright purchases of growers' wheat	2,603,945
Deferred price purchases of growers' wheat	1,369,049
Purchases from other than growers	483,502
	<u>4,456,496</u>
Wheat Purchased on Deferred Price Conditions :—	
With payment on a/c.	1,369,049
Without payment on a/c.	<i>nil</i> *
	<u>1,369,049</u>

* As already explained this Company does not purchase on deferred price fixing conditions unless a payment is made on account.

THE WESTRALIAN FARMERS, LTD.—*continued.*

Disposal of Wheat Purchased on Deferred Price Conditions:—		
Total received as above		1,369,049
(a) Voluntary sales before closing out took place in July and August	413,996	
(b) Closed out as follows:—	bus. lb.	
July 15	1,587 21 @ 1/5	
" 17	5,157 24 @ 1/4½	
" 18	87,091 48 @ 1/4	
" 19	515 48 @ 1/3	
" 26	21,407 54 @ 1/1½	
Aug. 15	36,476 56 @ 1/0¾	
	152,237 @ average of 1/2.859	
(c) Voluntary sales during closing out period in July and August	196,149	
(d) Voluntary sales after closing out period in July and August	387,155	
(e) Closed out on last day for price fixing @ 1/10 (15th September)	219,512	
(f) Acquired by Australian Wheat Board	<i>nil</i>	
	1,369,049	1,369,049

QUANTITIES OF "WAREHOUSED" WHEAT AND DEFERRED PRICE WHEAT HELD ON MATERIAL DATES.
(In bushels.)

Date.	Warehouse Wheat.	Deferred Price Wheat.	Total.
1939.			
July 20	76,762	529,725	606,487
" 31	72,940	381,557	454,497
Aug. 15	72,940	586,213	659,153
" 31	74,398	635,029	709,427
Sept. 23	66,046	203,112	269,158

SUMMARY OF PURCHASES OF WHEAT (BAG AND BULK) FROM MONTH TO MONTH.
(Average price per month on a 4d. siding basis.)

Month.	Quantity.	Average Price.	Progressive Totals.	
			Quantity.	Average Price.
1938.		s. d.		s. d.
September	7,968	2 3.151	7,968	2 3.151
October	91,870	1 11.649	99,838	1 11.928
November	253,887	1 10.484	353,725	1 10.892
December	421,528	1 11.048	775,253	1 10.976
1939.				
January	984,163	1 10.756	1,759,416	1 10.853
February	196,067	1 9.935	1,955,483	1 10.761
March	91,281	1 7.271	2,046,764	1 10.606
April	168,074	1 9.545	2,214,838	1 10.525
May	433,519	1 10.937	2,648,357	1 10.593
June	59,852	1 8.915	2,708,209	1 10.556
July	455,779	1 3.799	3,163,988	1 9.582
August	142,559	1 1.322	3,306,547	1 9.226
September	555,148	1 9.608	3,861,695	1 9.281
October	109,036	1 9.913	3,970,731	1 9.298
November	1,263	2 0.684	3,971,994	1 9.299
December	1,000	1 9.976	3,972,994	1 9.300

OVERSEAS SALES AND OTHER DISPOSALS IN JULY, AUGUST, AND SEPTEMBER, 1939.

(a) The following sales were made by the Company in July, 1939:—

Charter.	Date of Sale.	Quantity in tons.	C.I.F. Price.	Freight.	Delivery Date.	F.O.B. Price.	4d. Siding Price.
			s. d.	s. d.		s. d.	s. d.
King Neptune	22-7-39	7,619	19 0	30 0	1-9-39	1 11.284	1 3.284
Innesmoor	26-7-39	7,602	19 0	30 0	23-9-39	1 11.284	1 3.284
Ashby	26-7-39	8,030	19 0	30 0	18-9-39	1 11.284	1 3.284
Danby	29-7-39	6,936	19 6	30 0	22-9-39	2 0.206	1 4.206

(b) (i) The Australian Wheat Board acquired a very small quantity of wheat belonging to this Company, namely, 12,271 bushels.

(ii) The Board did acquire 81,805 bushels through the Company but that was bagged wheat in the Company's warehouse system; it was therefore entirely free of advances, as already explained, and the farmers owning title to this wheat will share the whole of the Board's net realisation.

WHEAT TRADING.

In Appendix V. I show the average prices paid (F.O.B.) for wheat purchased for the season; the average price realised (F.O.B.) for wheat sold during the season; and a fair allowance for overhead costs. The charges shown for overheads are allocated from general administration costs. The statement is not intended as an exact profit and loss account. The charges for overheads are, however, in my opinion, reasonably accurate, and the resultant loss shown on the season's wheat operations (£4,327 9s. 2d.) is approximately correct.

The allocation has been certified by the Company's auditors.

27. An examination of the figures relating to the merchants' purchases of stored wheat shows that the majority of purchases took place (*i.e.*, the price was definitely fixed by the farmer) before the period in July and August when the price of wheat fell so low and the merchants exercised their right to determine the price. It will be noted that—

- (a) the average purchase price per bushel paid by each of the several merchants for bulk wheat for the season varies in individual cases from 1s. 9.189d. to 1s. 10.962d. These prices are on a 4d. siding basis;
- (b) the cases where the merchants exercised their right to determine the price (or, as it is said, "closed out") represent but a small percentage of the total of the stored wheat for the season. (See table at page 23.)

Merchants' purchases of wheat and overseas sales in July and August are given below. With the exception of the Westralian Farmers, Limited (where the purchases include both bulk and bagged wheat), the figures relating to purchases are for bulk wheat. Quantities are in bushels and prices are on a 4d. siding basis.

Merchant.	Month.	Purchases.		Overseas Sales.	
		Quantity.	Price.	Quantity.	Price.
Bunge	July ...	290,324	s. d. 1 2.845	615,040	s. d. 1 2.831
	August ...	97,790	1 1.977		
Dalgety	July ...	297,834	1 2.525	301,482	1 2.375
	August ...	45,080	1 1.052		
Darling	July ...	276,765	1 3.115	341,675	1 1.690
	August ...	51,310	1 1.421		
Dreyfus	July ...	385,877	1 2.725	871,953	1 1.793
	August ...	70,560	1 1.967		
Hemphill P	July ...	183,127	1 3.16	300,536	1 1.275
	August ...	52,318	1 1.11		
Westralian Farmers	July ...	455,779	1 3.799	1,127,004	1 3.491
	August ...	142,559	1 1.322		

A glance at the above table shows—

Firstly, that the quantities sold in July and August are generally in excess of the purchases in July and August, and the average realisation by merchants is less than the average price paid to the farmers.

Secondly, that on comparison with the table of monthly purchases of wheat for each merchant prices paid by merchants prior to July were much greater; so that a large quantity of the wheat sold by the merchants at low prices must have been purchased at prices greatly in excess of the merchants' realisations.

The following table is significant:—

Table showing the quantities in bushels of—

- (a) "Stored" wheat closed out in July, August and September.
 (b) "Stored" wheat and free wheat voluntarily sold by farmers in July, August and September.
 (c) Merchants' stocks and stocks held by merchants on account of farmers acquired by Australian Wheat Board.

Merchant.	"Stored" Wheat.				Free Wheat.		Total Columns 3, 4, 5, 6 and 7.	Merchants' Stocks acquired by A.W.B.	Merchants' Stocks held a/c. Farmers acquired by A.W.B.
	Closed out July/Aug.	Voluntarily sold July/Aug.	Closed out Sept.	Voluntarily sold Sept.	Sold July/Aug.	Sold Sept.			
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Bunge	bush. 124,728	bush. 223,670	bush. 77,470	bush. 4,973	bush. 83,584	bush. 38,075	bush. 427,772	bush. 609,134	bush. 144,577
Dalgety	129,390	200,031	76,442	15,884	27,444	10,314	330,115	292,527	54,999
Darling	19,764	289,980	73,311	8,210	37,690	54,827	464,018	409,316	69,518
Dreyfus	72,661	321,728	141,757	4,032	72,501	26,990	567,008	306,071	25,233
Hemphill	31,241	157,255	112,309	71,928	82,668	65,157	489,317	64,022	30,741
Thomas	39,007	143,441	<i>nil</i>	264,213	90,314	109,549	607,517	<i>nil</i>	<i>nil</i>
Westralian Farmers	152,237	273,498	219,512	279,592	172,603	56,044	1,001,249	12,271	81,805
Totals ...	569,028	1,609,603	700,801	648,832	566,804	360,956	3,886,996	1,693,341	406,873

The table reveals the following obvious facts:—

- (a) That the quantities of stored wheat sold voluntarily by farmers at exceptionally low prices in July and August, 1939, are relatively great in proportion to the quantity of wheat on the deferred price system which was closed out in July and August, 1939 (compare the total of column 2 with the total of column 3).
- (b) The quantity of free wheat sold voluntarily by farmers in July and August, 1939, is almost as great as the quantity closed out in those months (compare the total of column 2 with the total of column 6).

The table also illustrates the futility of the contention that any portion of merchants' specific purchases can be segregated in order to demonstrate a profit or a loss in respect of those specific purchases.

To give two examples:—

(1) The total purchases of wheat for September, adding the totals of columns (4), (5) and (7), amounted to 1,710,589 bushels. From this should be deducted W. Thomas and Co.'s September purchases, as millers' stocks were exempt from acquisition. Thomas and Co.'s purchases for September totalled 373,762 bushels, leaving 1,336,827 bushels purchased by the other merchants in September. This quantity was purchased at an approximate price of 1s. 10d. per bushel (4d. siding basis). The total stocks of merchants' wheat taken over by the Australian Wheat Board amounted to 1,693,341 bushels. It is just as logical to say the stocks taken over comprised the wheat, which was purchased by the merchants just prior to the Wheat Board's acquisition, as to say that the "closed out" wheat or any other wheat purchased at lowest prices must be identified as the wheat acquired.

(2) If the merchants' shipments be compared with the quantities which they handed over to the Australian Wheat Board it will be seen that in the case of Messrs. John Darling & Son the shipments were relatively heavy and the evidence discloses that they were made at a low price (approximately 1s. 1.690d. per bushel 4d. siding). The remaining merchants shipped a good deal more wheat than they passed over to the Australian Wheat Board and they too obtained the very poor average price of approximately 1s. 2½d. per bushel, 4d. siding basis. The following is a comparison of these figures:—

Merchant.	Sales abroad July and August, 1939.		Stocks handed to A.W.B.
	bushels.	Price—4d. siding. s. d.	
Bunge	615,040	1 2.831	609,134
Dalgety	301,482	1 2.375	292,527
Darling	341,675	1 1.690	409,316
Dreyfus	871,953	1 1.793	306,071
Hemphill	300,536	1 1.275	64,022
Westralian Farmers	1,127,004	1 3.495	12,271
Totals	3,557,690	at average 1 2.507	1,693,341

Messrs. W. Thomas & Co.'s sale of 1,000 tons (37,333 bushels) has been excluded from this table as that was a sale of bagged wheat.

An examination of the foregoing figures shows that the only way of getting a proper conception of the profit (trading profit) is to take the average price for the season and the average realisation by the merchant for the season.

The merchants' figures would not be complete without a statement from the Australian Wheat Board showing the composition of the Western Australian stocks taken over by the Australian Wheat Board and the several quantities handed over by the merchants on their own and on farmers' accounts:—

1938-1939 SEASON—WHEAT HELD ON 23RD SEPTEMBER, 1939.

	Acquired by Australian Wheat Board.			Held by Merchants and Mills on 23rd September, 1939, but not acquired by Board.			Total.		
	Bulk Wheat.	Bagged Wheat.	Total.	Bulk Wheat.	Bagged Wheat.	Total.	Bulk Wheat.	Bagged Wheat.	Total.
	bush.	bush.	bush.	bush.	bush.	bush.	bush.	bush.	bush.
Pool	30,000	...	30,000	...	...	...	30,000	...	30,000
Dreyfus	312,272	19,034	331,306	553,501	19,923	573,424	865,773	38,957	904,730
Dalgety	298,555	48,971	347,526	289,888	12,227	302,115	588,443	61,198	649,641
Darling	199,734	279,099	478,833	557,411	21,077	578,488	757,145	300,176	1,057,321
Bunge	441,672	312,039	753,711	586,534	8,922	595,456	1,028,206	320,961	1,349,167
Hemphill	91,017	3,746	94,763	...	4,261	4,261	91,017	8,007	99,024
W/Farmers ... ..	...	94,076	94,076	...	8,095	8,095	...	102,171	102,171
Growers	795,235	...	795,235	...	...	...	795,235	...	795,235
Mills and others	...	...	...	373,685	...	373,685	373,685	...	373,685
Total	2,168,485	756,965	2,925,450	2,361,019	74,505	2,435,524	4,529,504	831,470	5,360,974

THE ALLEGATION THAT THE MERCHANTS HAD ADVANCE INFORMATION OF
IMPENDING WAR OR A LIKELY RISE IN PRICE.

28. The allegation that the merchants kept the price down with a view to selling at a higher price after the outbreak of war is definitely disproved.

An examination of overseas market quotations proves that. There is no need for me to repeat the history of the wheat market leading up to the collapse in July, 1939. Nor is it necessary for me to point out except in general terms that concurrently with closing out, merchants were shipping wheat in commensurate quantities at losing prices. Had the merchants any "inside" information they could have accumulated stocks, which, on all the indications of the market, would have been disastrous. If there were any eye to sharp practice, for example, they could have gone on accepting wheat under storage conditions when the market collapsed, but they ceased to do so, which is again evidence that they had misgivings about the situation. The merchant cannot afford to pay the farmer more for the wheat than the merchant can reasonably hope to recoup with profit on the world's markets. Definitely two of the merchants (J. A. Hemphill & Sons and The Westralian Farmers, Ltd.) made heavy losses, and in all probability when viewed from a Western Australian angle all the other merchants had a similar experience.

It was alleged by a witness that Mr. John Thompson, who was in London just before the outbreak of war, had used his position to further the interests of Westralian Farmers, Ltd. On the establishment of the Australian Wheat Board Mr. Thompson, who is the general manager of Westralian Farmers, Ltd., was appointed manager of the Board. The statement that Mr. Thompson made use of his public position to further the interests of his company is unfounded. In the first place, as I have already pointed out, his company made a heavy loss; and if Mr. Thompson had in mind some desperate idea of serving the interests of his company by closing out farmers on a falling market he signally failed to achieve his object because (leaving aside all other arguments concerning the identity of the wheat handed over to the Australian Wheat Board) all the Westralian Farmers, Ltd. handed over to the Board was a small quantity of 81,805 bushels, which was under the company's "warehouse" conditions and entirely the property of the farmers concerned, and a further small quantity of 12,271 bushels, which was the company's own wheat.

SHOULD THE STORAGE SYSTEM BE RETAINED?

29. The Select Committee of the House of Assembly which reported on this matter came to the conclusion that in the interests of the farmers the system should be abolished, and quoted in support of its recommendation opinions which were expressed by some of the merchant witnesses, who gave evidence before it. The general consensus of opinion of the merchants who testified before me was that the system was a good system and should be retained. A farmer has a number of ways of handling his commodity after he reaps his crop—

- (1) He may put it into the voluntary wheat pool conducted by the Trustees of the Wheat Pool of Western Australia, and get a net average market realisation.
- (2) He may put it into the bulk handling system for storage.
- (3) In the case of bagged wheat he may "store" with the Westralian Farmers, Limited.
- (4) He may sell the wheat outright either on the farm or ex store with the bulk handling company or with the Westralian Farmers, Ltd.
- (5) He may dispose of the wheat on the deferred price system either on the farm or ex store with the bulk handling company (in the case of bulk wheat) or the Westralian Farmers, Ltd. (in the case of bagged wheat) either—
 - (a) with an advance or part payment against the price, or
 - (b) without any advance, in the case of all merchants except the Westralian Farmers, Ltd.

The evidence before me shows the following percentages of closings out in the case of each merchant operating in the State—

Merchant.	Wheat received on deferred price conditions.	Quantities closed out July and August.	Percentage closed out.
	bush.	bush.	
Bunge	1,003,968	124,728	12.4
Dalgely	1,271,685	129,390	10.1
Darling	817,767	19,764	2.4
Dreyfus	860,310	72,661	8.4
Hemphill	575,071	31,241	5.4
Thomas	1,189,301	39,007	3.3
Westralian Farmers	1,369,049	152,237	11
	7,087,151	569,028	8 per cent.

It will be observed that the percentage of closings out to the total received on deferred price fixation conditions is comparatively small, 8 per cent. of the whole.

I propose to deal first with those merchant witnesses who gave evidence before me, who can be said to have testified in any way against the system.

Mr. J. S. Teasdale, a trustee of the Wheat Pool of Western Australian, who is also a member of the Australian Wheat Board, voiced it as his opinion that the system was a poor system because, he contended, one party to the contract, namely the merchant, always has an infinitely better knowledge of the marketing position than has the farmer in the country, who is therefore at a natural disadvantage. This seems to me to be no argument. The same reasoning (if it is correct) applies to the outright sale by farmers of their crops from time to time. However, Mr. Teasdale added that the system had advantages, one being that it provides an opportunity for the farmer to finance against his wheat by selling it immediately. The only possibilities left, as pointed out by Mr. Teasdale, to the farmer who did not want to sell outright, were—

- (1) to pool his wheat;
- (2) to put it into the bulk system and hold his warrant;
- (3) to store in his own silo or shed;
- (4) to obtain an advance from a financial institution.

Nos. (3) and (4) can be ruled out with the average farmer, so that in practice he has one of two choices left if he does not wish to sell outright or on the deferred price system. He can pool or he can place in the bulk handling system, and in the latter case wait for a more favourable market. Few farmers can afford to leave all their wheat in the bulk bins without any finance, so that it comes back to this—the farmer who does not wish to sell outright at the moment has first and foremost one of two choices; he can pool or sell on the deferred price system. Later in his evidence (page 34) Mr. Teasdale said:—

“It (the storage system) has been in existence much longer than my time. It has been going for many years. However, it is a very great advantage for the whole industry It spreads the sales including the growers’ (sales). It has the effect of spreading the sales at this end, and also spreading them on London market similarly.”

When asked whether the system should be abolished, Mr. Teasdale said:—

“I would say that by abolishing the system we would be doing a very injurious thing unless there was some alternative to spread the sales over the whole year, like a wheat pool. I feel certain that the abolition would do harm rather than good. I believe that the pool system is for deferred sales infinitely a better system.”

Mr. Braine, manager of the Wheat Department of the Westralian Farmers, Limited, thought that if the growers are sufficiently financial to maintain a reasonable margin at all times (page 152) a storage system will have the effect of spreading sales over a considerable period of time. On the other hand, he says, “When growers have insufficient financial strength to carry on through a slump a storage system is bad for the industry and all concerned therewith.”

I am unable to understand that argument, which is about the same as saying that the system of borrowing money is good in times of prosperity but bad in times of depression because borrowers cannot pay back. Whether the system of deferred price fixation existed or not last year would not have affected the position. A small percentage of growers was compulsorily closed out. If the market is depressed everybody is affected directly and indirectly. However, Mr. Braine expressed the opinion that the system had been generally of great advantage to the industry and that it should be retained.

The only other opinion expressed by a merchant witness in any way detrimental to the system was that given by Mr. Laskey, manager in Western Australia for Louis Dreyfus & Co. He considered, in much the same way as Mr. Braine, that it was bad for the reason that some farmers could not maintain their margins, but on the other hand that it was a good thing for the industry in that it spread the sales over the marketing period, and so far as merchants were concerned enabled them to establish an even flow of wheat for the world markets.

The system is practised in the United States of America, in Canada, in the Argentine, in India and in every State of the Commonwealth of Australia where wheat is grown.

In South Australia, following the Verco case in 1932, some dissatisfaction with the working of the system arose and the matter came under the notice of Parliament there. In the Verco case a milling company which had “stored” wheat with and without advances went into liquidation. The wheat passed to the liquidator as being assets of the company and the farmers therefore had to prove for the balance of the price due to them in the liquidation of the company, with consequent loss to themselves. In 1932 a Bill was introduced into the South Australian Parliament, its object being to declare that notwithstanding the court’s decision in the Verco case, the property in the wheat under all “storage” contracts remained in the farmers where the full price had not been paid, and permitting the farmers to claim preferentially in the liquidation for the balance of the price. The Bill was retrospective in its application, and although purporting to be general in its terms and not to refer to any merchant in particular, was aimed at undoing the effect of the legal decision in the Verco case. The Bill was referred to a Select Committee. The Select Committee by a majority finding (3 to 2) reported favourably on the Bill with certain amendments. The minority expressed its dissent on the ground that retrospective legislation was odious in principle and the practice of wheat “storage” was so well known that no one could reasonably be misled into believing that the proprietary interest remained with the farmer (see S.A. Votes and Proceedings No. 61, 1932). The Bill was not proceeded with.

Later in the same year another Bill for an Act to be called the "Wheat (Ownership) Act, 1932," was introduced by a private member. This Bill provided as follows:—

"Clause 4.—Where wheat is delivered to a wheat merchant the ownership of such wheat shall not pass to the wheat merchant or any other person at any time before the price thereof has been paid in full to the person delivering the wheat or such other person as may be entitled to payment therefor, unless at or about the time of the delivery of the wheat a wheat note in respect thereof is given by or on behalf of the merchant and accepted by or on behalf of the person delivering the wheat having printed or written on the face thereof in clearly legible characters a clause providing that on delivery of the wheat or at some other time mentioned in the clause, the wheat so delivered shall become the property of the merchant or as the case may be some other person mentioned in the clause:

Provided that this section shall not apply in respect to wheat delivered to a merchant pursuant to a written agreement to sell entered into before such delivery."

This Bill did not become law.

It has already been observed that it is common practice in this State to include a clause in deferred price contracts (see clause 1 of the form in Part I, Appendix L.) such as was contemplated in the South Australian Bill.

In 1939 another Bill for an Act to be called the "Wheat Storage Contracts (Price Fixing) Act, 1939," was introduced by a private member but did not pass the second reading. The Bill arose out of allegations of profiteering made against the South Australian merchants similar to those made against Western Australian merchants last year. The Bill provided—

"Clause 3. In any case—

- (a) where a person has prior to the commencement of this Act delivered wheat to any other person pursuant to a wheat storage contract; and
- (b) such other person has since the first day of August, nineteen hundred and thirty-nine, exercised any right or power given to him by the price fixing clause of such contract,

the exercise of such right shall be void for all purposes and the contract shall continue to operate and shall be deemed to have continued to operate as if such right had not been exercised.

"4. Every wheat storage contract made prior to the commencement of this Act shall be deemed to have contained and to contain the term (which shall over-ride or modify every other term express or implied to the contrary) that the right or power under any price fixing clause shall not be exercised prior to the first day of March, nineteen hundred and forty, without the consent of the person who delivered the wheat which is the subject matter of the contract."

This Bill was decisively defeated in the lower house on the motion for the second reading. The arguments which led to its defeat were that it would be unfair to interfere with contracts which had been concluded and on the strength of which merchants had in turn conducted their business dealings with banks, financial institutions and purchasers abroad. Apparently the important questions of whether the merchant had acted *bona fide*, and the impossibility of identifying wheat passing into stocks, were not noticed.

However, I cite this Bill as an attempt to deal in South Australia with that aspect of the matter now under consideration in this Commission.

A Bill introduced into the South Australian Parliament (the Storage and Handling of Wheat Bill, 1939) was designed to set up a handling authority to reduce costs and do away with the system of "storage" with merchants. In the debate on this Bill there is some evidence of confused thinking arising out of the confusion of *physical* storage and handling of wheat and the purchase of wheat by merchants on the "storage" (deferred price fixation) system.

Subclause (1) of clause 20 of this Bill states:—

"A miller shall not—

- (a) receive any wheat for storage on behalf of a grower;
- (b) receive any wheat from a grower upon any contract of sale which does not definitely fix the price of the wheat; or
- (c) issue to a grower any document in the nature of a storage warrant or any contract of sale of any wheat which contract does not definitely fix the price of the wheat."

This Bill passed the lower house with the above provision in it in December of last year and was sent to the Legislative Council, but Parliament was prorogued in December. At that time the motion for the second reading was being debated. The Bill has not been dealt with since.

It is remarkable that provisions such as paragraphs (b) and (c) of clause 20 should have passed the lower house without any discussion. They would appear to be highly contentious. The logic of prohibiting millers from receiving wheat on deferred price conditions while leaving it open to merchants to do so is open to question, apart from the apparent unworkability of the clause. In South Australia the farmers have had a rather unhappy experience with millers going bankrupt or into liquida-

tion. Besides the case of Vereo Bros., Limited, there are other instances in South Australia where farmers have lost money on deferred price fixing transactions through the miller going insolvent before payment of the full price. No doubt this is the reason behind the above provision in the South Australian Bill, but the method of dealing with the situation seems to me to be wrong. I consider the position could be best met by a law providing that wheat merchants should furnish a guarantee up to a certain sum, say, £75,000. I do not propose to pursue this question, however, as I regard it as outside the scope of my Commission.

Other merchant witnesses who gave evidence before me were unqualifiedly of the opinion that the system was beneficial to all concerned and should be retained.

Now, one of the tests (although not decisive in itself) is the extent to which the scheme is used by the farmers. Experience shows that the system is popular in Western Australia, South Australia and Victoria. I quote figures showing the deliveries of wheat on *outright sale* and on the *deferred price* system in Western Australia in the seasons 1934-1935 to 1938-1939, inclusive:—

Merchant.	Season.	Direct Purchase.	Deferred Price.	Total.	Percentage Deferred Price to Total.
		tons.	tons.	tons.	
Bunge	1934-35 ...	15,483	57,848	73,331	78.8
	1935-36 ...	33,616	35,487	69,103	51.3
	1936-37 ...	29,595	19,305	48,900	39.4
	1937-38 ...	72,849	23,829	96,678	24.6
	1938-39 ...	66,442	26,892	93,334	28.8
Dalgety	1934-35 ...	8,600	65,500	74,100	88.3
	1935-36 ...	24,576	34,179	58,755	58
	1936-37 ...	26,210	17,613	43,823	40
	1937-38 ...	37,682	38,661	76,343	50.6
	1938-39 ...	30,603	34,063	64,666	51
Darling	1936-37 ...	19,759	14,820	34,579	43
	1937-38 ...	38,062	18,566	56,628	32.7
	1938-39 ...	56,868	21,904	78,772	28
Dreyfus	1934-35 ...	17,406	51,022	68,428	74.5
	1935-36 ...	28,393	32,007	60,400	52.9
	1936-37 ...	23,362	21,036	44,398	47.3
	1937-38 ...	40,788	34,650	75,438	45.9
	1938-39 ...	42,469	23,966	66,435	36
Hemphill	1936-37 ...	45,156	6,080	51,236	11.9
	1937-38 ...	41,103	15,228	56,331	27
	1938-39 ...	56,280	15,404	71,684	21.5
Thomas	1934-35 ...	9,480	15,877	25,357	62.6
	1935-36 ...	30,190	11,987	42,177	28.4
	1936-37 ...	47,467	17,924	65,391	27.4
	1937-38 ...	52,322	20,387	72,709	28
	1938-39 ...	61,404	31,856	93,260	34.1
Westralian Farmers	1936-37 ...	69,298	24,702	94,000	26.2
	1937-38 ...	91,020	36,364	127,384	30.1
	1938-39 ...	82,753	36,617	119,370	30.7

It will be noticed that in the last four years the percentage of "stored" wheat has decreased. This is due to the advent of bulk handling. The following figures for South Australia (where there is no bulk handling system) are of interest:—

SOUTH AUSTRALIA.			Total Receipts.	Percentage Stored.
Season.			bushels.	
1936-37	...	...	20,765,900	62
1937-38	...	...	35,324,000	77
1938-39	...	...	23,286,400	91

Mr. C. J. Maynard, manager of Messrs. Dalgety & Co.'s wheat department, submitted the following figures for Dalgety's South Australian house:—

Season.	Direct Purchase.	Deferred Price.	Total.	Percentage Deferred Price to Total.
	tons.	tons.	tons.	
1934-35	92,578	1,590,654	1,683,232	94.5
1935-36	436,216	1,267,751	1,703,967	74.4
1936-37	375,036	1,013,988	1,389,024	73
1937-38	317,456	2,065,510	2,382,966	86.7
1938-39	53,643	1,657,939	1,716,582	96.6

In South Australia the percentage of wheat sold on the storage or deferred price system is heavy, and in Victoria it averages about 60 per cent.

The graphs (Appendix II.) show that in all but two years in the last eight, from 1931-32 to 1938-39 inclusive, growers had an opportunity of realising better prices by selling on the "storage" or deferred price basis than by selling at the commencement of the season.

As a rule there is little stored wheat remaining at the end of June following the close of the season, and it was only the abnormality of the market which caused an accumulation in 1938-39. Many of those who favour the deferred price system sell a portion of their crops outright on delivery and the remaining portion before the end of June following the harvest. A few habitually hang on until the last day and are closed out on that day.

The system of pooling and the system of deferred price fixation each has its protagonists, and one should hesitate before abolishing a system which is well patronised.

30. I am convinced that the system offers decided advantages to the industry generally.

- (1) **It prevents a glut on the market, thus avoiding a depression in local prices.**
- (2) **It assists an even flow of wheat into the marketing channels and enables merchants to arrange their freight requirements.**
- (3) **It gives the farmer a period of 9 to 10 months in which to nominate his selling price. Statistical records show that with the exception of two seasons in the last eight seasons the farmer has been able to reap the benefit of better prices later in the season.**

THE QUESTION OF INTEREST ON ADVANCES.

31. The charging of interest by the merchants has been criticised on the ground that the merchant having acquired the proprietary interest in the wheat is really charging interest on the farmers' own money. This might seem to be the position at first appearance. Interest is charged on advances of this nature everywhere in the world. It is charged in all the other States in Australia. This fact, at any rate, would lead one to inquire further.

The point is that when the merchant makes an advance he is in reality financing the farmer. A merchant making advances under this system not only has a great deal of extra administration expenses in connection with the scheme, but he has financing to do as well. He must keep stocks in hand to meet a rise in the market and must therefore either himself borrow or lock up a certain amount of his capital resources to meet the contingent liability of the farmers themselves closing the deal on a rising market, or the merchant must protect himself by buying futures. Any merchant who sold all his stocks without regard to his contingent liabilities might easily find himself in queer street. It may be that on occasions merchants have departed from prudent practice, but there is no evidence to that effect here. Indeed the evidence is the other way, and I find from the evidence that merchants had on hand at all times sufficient stocks to meet any contingent liabilities arising out of their deferred price transactions with farmers.

GENERAL FINDINGS.

32. I find—

(a) **that the allegation that Western Australian merchants acted dishonestly or unfairly in connection with the sale of "closed out" wheat is unfounded and is disproved on the evidence.**

(b) **that during the time the bulk of farmers' contracts were closed out when the market was depressed in July and August, 1939, the merchants were selling large quantities of wheat on a falling market, a fact which in itself points to the conclusion that they, as well as the farmers, had no confidence in the future of the market.**

(c) **that the evidence disproves any suggestion of profiteering on the part of the merchants, who acted bona fide in closing out wheat contracts at a time when the market was falling and there was no reliable indication of a rise;**

(d) **that the deferred price system (or the storage system) has proved an advantage to the farmer and to the industry in general. It is a world-wide practice. Because a small minority of farmers has, on occasion, received a lower price by holding on too long, I do not think the majority should be deprived of the undoubted benefits of the system;**

(e) **that the conditions of the contract are fair to both parties. If a fortuitous rise takes place in the market after a farmer is "closed out" there should be no interference with the contract. It would be just as reasonable to say that if the merchant lost by reason of a market fall after he bought the wheat the farmer should pay the merchant the difference. In fact the statistics of the market do indicate that merchants generally speaking bought on a falling market in 1938-39 and lost heavily.**

SPECIFIC FINDINGS.

33. Inasmuch as my Commission requires me to make a finding on several specific matters, I now proceed to deal with these matters, although I have already dealt with each of them in traversing different phases of the subject.

These matters are as follows:—

- (a) The quantity of Western Australian grown wheat which on the 31st day of August, 1939, or at any other relevant time was held in "storage" in Western Australia by merchants or any other persons, companies or bodies.

ANSWER:—

Date.	Bunge. bush.	Dalgety. bush.	Darling. bush.	Dreyfus. bush.	Hemphill. bush.	Thomas. bush.	W/Farmers.* bush.	Totals. bush.
20th July ..	377,122	347,850	306,025	392,410	305,181	852,245	606,487	3,187,320
31st July ..	211,836	172,977	200,742	194,805	220,857	788,433	454,497	2,244,147
15th Aug ..	180,220	157,249	191,727	177,334	216,706	830,811	659,153	2,413,200
31st Aug. ..	149,148	147,618	150,816	171,621	211,193	812,985	709,427	2,352,808
23rd Sept. ..	67,271	54,999	69,518	25,233	54,763	614,175	269,158	1,155,117

* The figures for this company relate to wheat on which advances in part payment of the price had been made. As previously explained, the company does not purchase on the deferred price system unless part payment is made when the transaction is entered into.

- (b) Whether contracts for the sale of any wheat referred to in subparagraph (a) hereof by the said merchants, or other persons, companies or bodies had been entered into before and were still subsisting on the 31st day of August, 1939, and the amount of wheat and the prices involved in any such contract.

- (c) In what manner and in what circumstances and to whom and at what price has any wheat referred to in subparagraph (a) been disposed of?

ANSWER: A merchant does not sell "stored wheat" or "free wheat" as such. He sells from the general stocks on hand, of which the stored wheat or free wheat may form part.

The answer to question (b) would be, No. However, merchants did make disposals of wheat in July and August, 1939, from their general stocks. Where contracts were made for forward deliveries I have stated the fact. In order to give a complete answer to what I think was intended by the above questions I am including actual sales as well as contracts during the vital period. These were all set out previously in this report, but I now summarise them for convenience in a table—

Merchant.	Date of Sale.	Quantity Shipped.	Vessel.	Charter.	Delivery.	Price (on 30s. per ton ocean freight):		
						C.I.F. per quarter.	F.O.B. per bushel.	4d. Siding per bushel.
Bunge	11-8-39	bush. 287,440	" Antigone "	Aug., 1939	Shipped October	16s. 7½d. per qr. less ¼ % plus 5s. a ton	s. d. 1 11·750	s. d. 1 2·500
	July-August	327,600	" Willowbank "	June, 1939	July - August, 1939	Sold in parcels at from 20s. 3d. to 18s. 6d.	1 11·111	1 3·122
Dalgety	27-7-39	301,482	.....	July, 1939	Shipment Sep- tember	19/-	1 10·5	1 2·375
Darling	10-8-39	341,675	" Anglo-African "	Aug., 1939	Shipped August	18/6	1 9·879	1 1·69
Dreyfus	27-7-39	291,512	" Ramsay "	July, 1939	.....	18/10½	1 10·785	1 2·660
	23-8-39	272,559	ex " King Frederick "	Aug., 1939	Sept. - October shipment	18/6	1 10·125	1 2
	9-8-39	307,882	" Olivebank "	June, 1939	Shipped June	18/-	1 8·915	1 0·790
Hemphill	12-8-39	300,546	" Trehata "	July, 1939	Sold afloat	18/-	1 9·389	1 1·272
Westralian Farmers	22-7-39	284,452	" King Neptune "	Aug., 1939	1-9-39	19/-	1 11·284	1 3·284
	26-7-39	283,812	" Innesmoor "	do.	23-9-39	19/-	1 11·284	1 3·284
	26-7-39	299,786	" Ashby "	do.	18-9-39	19/-	1 11·284	1 3·284
	29-7-39	258,953	" Danby "	do.	23-9-39	19/6	2 0·206	1 4·206

TOTAL—3,557,690 bushels at average of 1s. 2·5d. per bushel 4d. siding.

Note.—W. Thomas & Co.'s sale of 37,333 bushels, which was a sale of bagged wheat, has not been included in the above Table.

Certain wheat was acquired from merchants by the Australian Wheat Board on the 23rd September, 1939. Particulars of these transactions and my comments are fully set out in paragraphs 21 to 24 and 27 of this report.

- (d) The profits (if any) which have been made by merchants or other persons, companies or bodies in respect of any wheat referred to in subparagraph (a).

- (e) Where any such profits have been made by merchants or other persons, companies or bodies, whether the amount or the rate of such profit was or was not fair and reasonable having regard to all the material circumstances.

ANSWER: I have already explained that it is not practicable to assess a profit or a loss on any stored wheat transactions.

In the case of J. A. HEMPHILL & SONS PTY., LTD., a loss of £8,015 was made on the season's operations in wheat trading. This figure does not take into account overhead expenses, which would increase the loss still further.

In the case of WESTRALIAN FARMERS, LIMITED, an approximate loss of £4,327 was made in the wheat trading department on the season's operations.

In the case of THOMAS & CO. (W.A.), LTD., a definite loss was made on stored wheat transactions arising out of the cancellation of a "future's" contract on the Liverpool Corn Exchange.

LOUIS DREYFUS AND CO. operate on a world-wide basis, and all the other merchants buy and sell wheat throughout Australia, and for reasons already explained it is impracticable to arrive at a trading loss or trading profit figure for this State. However, if one may look at the position on a purely artificial Western Australian basis, then the probabilities are that all these merchants made heavy losses in Western Australia.

The records of overseas sales show that they were selling at prices less than that at which they bought.

To deal more specifically with the question of profit and the allegation of profiteering:

Wheat sold by merchants on the world's markets in July and August amounted to 3,557,690 bushels, and showed a net realisation of approximately 1s. 2½d. on a 4d. siding basis (see page 22). Not only does the quantity far exceed the wheat closed out in July and August (569,028 bushels), but it exceeds the total quantity of all purchases by merchants, including purchases of free wheat, in July and August, the vital months when the price of wheat (4d. siding basis) fluctuated between 1s. 6½d. at the beginning of July and 1s. 0¼d. at the end of August. The following is a striking refutation of the allegation that merchants put their heads together to take advantage of a prospective rise. The figures are taken from the table on page 21.

Total Stored Wheat (all Merchants):	Bushels.	Bushels.
(a) Closed out July and August	569,028	
(b) Voluntarily sold by farmers, July and August	1,609,603	
		2,178,631
Total Free Wheat (all Merchants):		
Sold by farmers, July and August		566,804
		<u>2,745,435</u>

Merchants' July and August sales, it will be seen, exceed the above figure of 2,745,435 bushels by 812,255 bushels.

- (f) The terms and conditions of warehousing or storage contracts under or pursuant to which wheat referred to in subparagraph (a) was held in storage by merchants or other persons, companies or bodies on the said 31st August, 1939.

ANSWER (See Appendix I.).

I have the honour to be

Your Excellency's obedient servant,

A. A. WOLFF, J.,
Royal Commissioner.

APPENDIX I.

PART I.

[Form of "Stored" Wheat Receipt used by all Merchants except Westralian Farmers, Limited.]

STORED WHEAT RECEIPT.

No.

BULK WHEAT—BAGGED WHEAT.

PERTH.

Season..... Station/Siding

.....(Date)

(In the case of bulk wheat the receipt begins)—

We confirm having received from you, subject to the Conditions hereon, and on the back hereof, Bulk Wheat of the above season, weighing.....bushels.....pounds, as represented by Warrants issued by the Co-operative Bulk Handling, Limited.

(In the case of bagged wheat the receipt begins)—

We confirm having received from you, subject to the Conditions on the back hereof,.....bags of wheat of the above season weighing.....bushels.....pounds.

You have the right of having the purchase price fixed at any time subject to Clause 1 of the Conditions on the back hereof.

This receipt is not transferable without our consent.

The sum of £.....has been advanced by.....(merchant) under this receipt, which advance is to carry interest at.....per centum per annum from.....

Dockages—Inferior wheat £

(Where dockages are not set out above this receipt is given subject to further advices as to dockages (if any)).

.....
for (Merchant).

* The rate of interest is stated only in the case of two of the merchants, John Darling & Son and J. A. Hemphill & Sons.

Conditions under which (Merchant) receive ^{bulk} bagged Wheat.

(In the case of bulk wheat)—

Clause 1.—The warrant issued by Co-operative Bulk Handling, Ltd., shall on delivery become the property of.....(merchant) hereinafter called "the Purchasers" who will at any time the farmer desires fix the purchase price of the whole or any part of the wheat at the Purchasers' current market price at the receiving station on the day that the farmer's request is received save that the purchasers may exercise their rights under Clauses 3 and/or 4 hereof and also that:

At any time after the fifteenth day of September next the purchasers may fix the purchase price in respect of any of the wheat on which the purchase price then remains unfixed.

The purchase price shall be the purchasers' current market price at the receiving station at the time or times of fixing.

Any amount advanced under the terms of this receipt shall together with interest thereon and any storage charges imposed by Co-operative Bulk Handling, Limited, and any fees or any dockages provided for under the warrant be deducted from any purchase price upon payment of the latter.

Should the amount advanced plus interest storage charges fees and dockages as aforesaid exceed the purchase price the farmer must pay the difference to the purchasers on demand.

(In the case of bagged wheat):

Clause 1.—The wheat on delivery shall become the property of.....(merchant), hereinafter called "the Purchasers," who will at any time the farmer desires, fix the purchase price of the whole or any part of the wheat at the purchasers' current market price at the receiving station on the day that the farmer's request is received, save that the purchasers' may exercise their rights under Clause 3 and/or 4 hereof and also that:

At any time after the thirty-first day of October next the purchasers' may fix the purchase price in respect of any of the wheat on which the purchase price then remains unfixed.

The purchase price shall be the purchasers' current market price at the receiving station at the time or times of fixing.

Appendix I.—PART I.—continued.

Any amount advanced under the terms of this receipt shall, together with interest thereon and any dockages to which the wheat shall be properly subject, be deducted from any purchase price upon payment of the latter.

Should the amount advanced, plus interest and any dockages, exceed the purchase price the farmer must pay the difference to the purchasers on demand.

(In the case of bulk wheat) :

Clause 2.—Should the farmer so desire the purchasers agree at any time upon request (unless prevented by any Government or other legal authority) to settle for any of the wheat on which the purchase price remains unfixed by delivering to him a warrant or warrants issued by Co-operative Bulk Handling, Limited, at the purchasers' option for an equal quantity of F.A.Q. wheat, subject to the necessary adjustment of any dockages shown on the warrant and of storage charges, railages and fees. The farmer shall pay to the purchasers before such delivery buyers' commission advance and accrued interest (if any) and any dockages to which the wheat shall be properly subject (unless same shall have been previously deducted) together with storage charges and fees to the extent incurred, and a charge at the rate of one farthing per bushel.

(In the case of bagged wheat) :

Clause 2.—Should the farmer so desire the purchasers agree at any time upon request (unless prevented by any Government or other legal authority) to settle for any of the wheat on which the purchase price remains unfixed by delivering to him at any shipping port or ports or at the receiving station at the purchasers' option an equal quantity of F.A.Q. wheat. The farmer shall pay to the purchasers before such delivery buyers' commission advance and accrued interest (if any) and any dockages to which the wheat shall be properly subject (unless same shall have been previously deducted), together with a charge at the rate of $\frac{1}{4}$ d. (one farthing) per bushel per month or part of a month from the date of this receipt. In the case of such delivery being made at shipping port or ports the farmer shall also pay transport from the receiving station to such port or ports and handling charges.

Clause 3.—Without limiting the right of the purchasers under Clause 4 hereof, should the amount advanced by the purchasers to the farmer, plus interest, storage charges fees and dockages, be at any time or times within threepence per bushel of the purchasers' current market price for the time being at the receiving station, the purchasers may at any such time or times (and whether they have on any previous occasion exercised such right or not) by notice to the farmer require a payment sufficient to bring the amount advanced, plus interest, storage charges, fees and dockages, down to threepence per bushel below such current price. Should the farmer not make such payment within seven days of the due lodging for transmission of such notice the purchasers may at any time or times thereafter at their discretion without further notice fix a purchase price for the wheat or any portion or portions thereof at their current market price at the receiving station at the time or times of fixing. Notice that such price has been fixed shall thereafter be given to the farmer who shall upon the giving of such notice become liable to pay the amount (if any) by which the amount advanced with interest storage charges fees and dockages exceeds the purchase price above provided for.

Clause 4.—Notwithstanding and without prejudice to any rights arising out of or action taken under Clause 3, should the amount advanced by the purchasers to the farmer, plus interest, storage charges fees and dockages, be at any time within one penny per bushel of the purchasers' current market price for the time being at the receiving station, the purchasers may forthwith or at any time or times thereafter at their discretion without notice fix a purchase price for the wheat or any portion or portions thereof at their current market price at the receiving station at the time or times of fixing. Notice that such price has been fixed shall thereafter be given to the farmer, who shall upon giving of such notice become liable to pay the amount (if any) by which the amount advanced with interest, storage charges fees and dockages exceeds the purchase price above provided for.

Clause 5.—Any moneys payable by the farmer under this Contract shall be paid in Perth and any legal proceedings arising out of this Contract shall be brought into a Court holden in the City of Perth in the State of Western Australia and not otherwise and the subject matter of such proceedings shall be deemed to have arisen in Perth.

Clause 6.—Should it happen that by reason of adverse claims by lienees or otherwise any purchase price referred to in this receipt becomes payable to any person other than the farmer, the farmer will be at once liable to repay to the purchasers any amount advanced to the farmer with interest to date of repayment. All rights of the farmer under this receipt are subject to the claims of any lienee or other encumbrancer.

Clause 7.—These conditions cannot be varied in any way by any representations (verbal or otherwise) made to the farmer prior to or at the time of delivery of the wheat.

Clause 8.—Any notice provided for in these conditions may be given either by telegram despatched or letter posted to the farmer directed to him at his address appearing at the time in the books of the purchasers and proof of the due lodging or posting of such telegram or letter shall be accepted as proof that notice has duly been given.

(In the case of bulk wheat) :

Clause 9.—This receipt is issued subject to the Bulk Handling Act, 1935, or any Act amending the same or substituted therefor and any regulations made thereunder. The said Act and regulations shall be deemed to be incorporated in and to form part of this receipt.

Appendix I.—continued.

PART II.

[Form of "Warehousing Warrant" used by Westralian Farmers, Limited, for Bagged wheat.]

THE WESTRALIAN FARMERS, LIMITED.

Warrant.

No.

Date.....19.....

.....Siding

This Document is Negotiable.

(Take care therefore that it is not mislaid or lost.)

.....bags.....bush.....lbs.
(of 60 lbs.)

SCHEDULE OF CHARGES.

This warrant was issued to and is in the first instance negotiable solely by.....(Growers' Nominee) of.....in respect of wheat delivered and grown by..... (Grower), of.....

(Where the grower's nominee is not the grower, the grower has lodged with the Company written instructions to issue this warrant to and in the name of the grower's nominee).

The Westralian Farmers, Limited, hereby acknowledge having received from the above-mentioned grower at.....Siding,bags.....bush.....lbs. (of 60 lbs.)

of wheat and undertakes subject to the conditions endorsed hereon and upon surrender of this warrant by the holder to issue a Delivery Warrant to and entitling such holder to delivery of the above quantity of wheat.

Signed for the Westralian Farmers, Limited.

This warrant is transferable by delivery subject to its being endorsed by the grower's nominee in the space below in the presence of and attested by any adult person as a witness.

.....
Signature of Grower's Nominee.

.....
Signature of Witness.

The Holder on surrender of this Warrant shall before a Delivery Warrant is issued to him pay to the Company such of the following charges as shall be due and payable:—

	£	s.	d.
1. Railage from receiving siding to destination at Special Grain Rate for full truck loads, plus wharf or siding haulage (if any) calculated to the nearest one-thousandth of a penny per bushel. Railage, etc., at.....d. per bushel ...			
2. (a) Handling charge, 2½d. per bushel if consigned to Perth, Fremantle, Geraldton, Bunbury, Albany Esperance ...			
(b) 2d. per bushel if to any Mill Siding within the State of Western Australia ...			
(c) 2½d. per bushel if to any other destination in Western Australia ...			
3. Dockage			
4. Re-railing if incurred under Clause 8 at.....per bushel ...			
5. Re-handling if incurred under Clause 8 at.....per bushel ...			
6. Special services if incurred by arrangement between Holder and Company— (a) For placing free on board ship if required by buyer at ½d. per bush. ...			
(b) Other services as agreed at ...			
7. Storage after 30th April, 19....., at ½d. per bushel per month or part of a month			
8. Expenses incurred under Clauses of the Conditions herein contained			
Total			

Note.—The above charges will be varied in the case of wheat pooled with the Trustees of the Wheat Pool of Western Australia in accordance with arrangements made with the Trustees and referred to in the Pool conditions.

CERTIFICATE TO BE SIGNED BY HOLDER (WHETHER GROWER OR NOT) ON SURRENDER.

I hereby apply for a delivery warrant and I hereby certify that I am the bona fide holder of this Certificate and that no other person has any claim thereto or has any interest in the wheat in respect of which this Certificate was issued other than the following persons as lien holders, namely:—

.....of.....
.....of.....
.....of.....

whose signed clearances I have lodged with the Company as provided in the conditions endorsed hereon. And I hereby indemnify the Company in respect of all or any claims which may be made against the Company for conversion or otherwise in respect of the said wheat.

.....
Signature of Holder.

Read carefully the conditions set out on back hereof.

Appendix I.—PART II.—continued.

(Conditions 1, 8, 9, 10, 14, 15, 16 on back of Warrant of Westralian Farmers, Limited):

1. This warrant is a negotiable document, transferable as and in manner provided on the face hereof, and is issued upon and subject to the following conditions:—

- (a) In receiving wheat from growers, the Company is acting as a warehouseman, and in delivering wheat to the company every grower shall be deemed to be acting in combination with all other growers so delivering wheat and with them to be creating a bailment of all wheat delivered.
- (b) The property in wheat received from growers shall not pass to nor vest in the Company, and all wheat at any time and from time to time in its charge shall be deemed to belong to the persons for the time being entitled to the warrants and/or unexecuted delivery warrants issued in respect of such wheat in the proportions represented thereby respectively but subject to these conditions. Provided that the Company may itself become the holder of warrants and delivery warrants and as such shall observe, comply with and be bound by all conditions binding holders.
- (c) The transactions shall for all purposes be deemed to be a bailment and the Company's position that of bailee, and the Company shall have no right or title to the wheat at law or in equity except to the proportion of such wheat represented by warrants and delivery warrants of which it may be the holder, nor shall it have any right to sell, dispose of, or otherwise deal with the wheat except as otherwise provided in these conditions, and except that it may sell, dispose of, or otherwise deal with the warrants or delivery warrants of which it may be the holder and the proportion of the wheat represented thereby.
- (d) All parcels of wheat received by the Company will be stacked, stored, handled and transported in the mass, and each parcel will thereby lose its individual identity. The Company therefore does not undertake to deliver to any person the identical wheat referred to on the face of this warrant.

8. Prior to the 31st March, 19....., the holder may on surrender of this warrant instruct the Company to rail wheat to the quality and quantity represented on this warrant to a destination in Western Australia, but failing receipt of such instructions the Company shall be at liberty after the said date to deliver at North Wharf, North Fremantle, Bunbury, Geraldton, Albany or Esperance as the Company in its discretion thinks fit, and the only charges due and payable in respect of such wheat shall be such of those specified in the Schedule as shall be applicable thereto. The destination of wheat received after the 31st March, 19....., must be declared at the time of delivery by the holder unless such wheat is to be railed to North Wharf, North Fremantle, Geraldton, Bunbury, Albany or Esperance, and if the destination thereof is not so declared the Company may, at its discretion, rail such wheat to North Wharf, North Fremantle, Geraldton, Bunbury, Albany or Esperance, and the holder shall take delivery of such wheat at such destinations, but if such wheat is to be delivered elsewhere the holder shall pay to the Company all additional charges including storage, unloading, reloading and railage from such port to such destination. Declarations of destination shall, when made, be endorsed by the holder on this warrant.

9. The Company does not undertake to deliver the identical wheat represented by this warrant, but as to wheat to be delivered at North Wharf, North Fremantle, Geraldton, Bunbury, Albany or Esperance, the Company shall, subject to Clause 10 hereof, be responsible for delivery of the quantity stated on its warrant. Wheat consigned at the request of the holder to any other destination shall be deemed to have been delivered at the place of consignment and from the completion of loading thereof be at the risk of the holder and the Company's loading tally at siding or despatch or railway weights in transit shall be conclusive evidence of delivery and of the weights so delivered.

10. The Company shall not be required to deliver the exact weight specified on this warrant and the holder hereby agrees to accept the trucks of wheat tendered by the Company on the understanding that unless otherwise previously agreed any excess weight so delivered shall be paid for by the holder and any shortage of weight shall be paid for by the Company, the price being at the rate per bushel agreed upon between the Trustees of the Wheat Pool of Western Australia and the Millers on the day of delivery as being world's parity.

14. If this warrant has not been surrendered and relative delivery order obtained prior to the 30th April, 19....., storage charges as per scale in schedule hereto shall accrue and be paid to the Company by the holder on and up to the date of surrender of this warrant.

15. (a) The Company may personally or by advertisement in the Press notify the holders of outstanding delivery warrants that the wheat represented by such delivery warrants is available for delivery at the port and the holder of such delivery warrants shall immediately take delivery of the said wheat. Should the holder when so notified fail to take delivery of the said wheat or to continue to take delivery as rapidly as wheat is tendered by the Company storage will be charged at a rate fixed by the Company from time to time which shall be payable by the holder as a condition precedent to delivery. One insertion in the "Public Notices" column of a daily newspaper, published in Perth, shall be a sufficient advertisement under this Clause.

(b) If at any time the Company finds that holders of warrants are collectively failing to surrender the same and take delivery of wheat as rapidly as transport makes such wheat available at terminal points, the Company may, upon giving seven days' notice by advertisement as aforesaid, impose a special storage charge at a rate fixed by the Company.

16. Delivery must be taken of the quantity of wheat to which the holder is entitled under this warrant on or before the 31st October, 19....., and in the event of delivery not being so taken the Company shall be relieved of its obligation to deliver the wheat represented by this warrant or the relative delivery warrant and may on the said date or at any time thereafter sell the said wheat together with other wheat or separately, at such price and upon such conditions as may be thought fit, and the Company shall hold the proceeds derived from such sale, less deductions, for all proper charges on account of the holder of this warrant or the relative delivery warrant against surrender thereof to the Company subject, however, to the rights and claims of lienholders (if any).

Appendix I.—PART II.—continued.

[Form of "Option" Certificate issued by The Westralian Farmers, Limited, when it buys Wheat subject to Deferred Fixation of the Price.]

THE WESTRALIAN FARMERS, LIMITED.

569 Wellington Street,
Perth.

No.....

OPTION CERTIFICATE.

.....Season.

Issued to.....Grower, of.....Address.

1. The Westralian Farmers, Limited (called "the Company") has purchased from the Grower—
(in the case of bulk wheat):

.....bushels (of 60 lbs.).....lbs. of wheat, in the hands of Co-operative Bulk Handling Limited, and delivered at.....Siding, and represented by Warrant No.....at the price and upon the terms and conditions herein contained and subject to payment or deduction of any unsatisfied claims of persons holding assignments, liens, charges or encumbrances over the wheat in respect whereof the said Warrant was issued and subject to deduction for dockage (if any) shown on the said Warrant, has made or agreed to make an interim payment to the Grower of.....per bushel.

(in the case of bagged wheat):

.....bags.....bushels (of 60 lbs.).....lbs. of wheat, in the hands of The Westralian Farmers, Limited (Warehousing Scheme), and delivered at.....Siding, and represented by Warrant No....., at the price and upon the terms and conditions herein contained and subject to payment or deduction of any unsatisfied claims of persons holding assignments, liens, charges or encumbrances over the wheat in respect whereof the said Warrant was issued and subject to deduction for dockage (if any) shown on the said Warrant, has made or agreed to make an interim payment to the grower of.....per bushel.

2. The price at which the said wheat is sold to the Company shall be the Company's Siding price per bushel at the above-mentioned Siding on the earliest of the following dates:—

- (a) the date on which the Grower notifies the Company that he requires the Company to complete the purchase but only if on such date the Company has not a present right to fix the price under subclause (c) of this Clause, or
- (b) the 15th day of September, 19....., or
- (c) the date on which the Company shall fix the price at any time (at its absolute discretion) after the Company's said Siding price has become less than 3d. per bushel in excess of the interim payment plus the charges accrued under Clause 4 hereof up to the date upon which the Company's said Siding price shall fall as aforesaid.

3. The Grower may at any time or times prior to the Company fixing the price under Clause 2 (c) hereof, make a payment or payments to the Company in reduction of the interim payment referred to in Clause 1 hereof sufficient to restore the margin specified in Clause 2 (c) hereof, and being not less in any one payment of 3d. per bushel, and on each such payment being made this certificate (except as to Clause 4 (a) hereof) shall thereafter be read and construed as if the amount of the interim payment had originally been stated as being the next amount remaining after deducting all such payments from the actual interim payment.

4. (In the case of bulk wheat):

The Company will on the date on which the price is ascertained under paragraph 2 hereof, but subject to any unsatisfied claims in respect of assignments, liens, charges and encumbrances as above mentioned, pay to the Grower or his assigns the balance of the purchase price, less agreed deductions as follows:—

- (a) Carrying charge at the rate of 4 per cent. per annum on the amount of the interim payment (allowance being made for any reduction under Clause 3 hereof) computed from the date of this certificate to the date on which the price is ascertained.
- (b) Storage charges paid or payable by the Grower or the Company to Co-operative Bulk Handling, Limited, for the storage of the said wheat up to the date on which the price is ascertained.
- (c) If the Company at the request of the Grower agrees to a later price fixing date than the 15th day of September, 19....., an additional carrying charge of one farthing per bushel per month or part of a month from the last-mentioned date to the date on which the price is fixed.

(In the case of bagged wheat):

The Company will on the date on which the price is ascertained under paragraph 2 hereof, but subject to any unsatisfied claims in respect of assignments, liens, charges and encumbrances as above-mentioned, pay to the Grower or his assigns the balance of the purchase price, less agreed deductions as follows:—

- (a) Carrying charge at the rate of 4 per cent. per annum on the amount of the interim payment (allowance being made for any reduction under Clause 3 hereof) computed from the date of this certificate to the date on which the price is ascertained.
- (b) Storage charges paid or payable by the Grower or the Company to The Westralian Farmers, Ltd. (Warehousing Scheme) for the storage of the said wheat up to the date on which the price is ascertained.
- (c) If the Company at the request of the Grower agrees to a later price fixing date than the 31st day of October, 19....., an additional carrying charge of one farthing per bushel per month or part of a month from the last-mentioned date to the date on which the price is fixed.

5. In the event of the price when ascertained being less than the interim payment referred to in Clause 1 hereof, plus the Carrying Charges and Storage Charges referred to in Clause 4 hereof, the Grower shall pay the deficiency to the Company on demand and if he makes default in so doing shall also pay interest on such deficiency at the rate of 4 per cent. per annum from date of demand until date of payment.

6. Any notification under Clause 2 (a) shall be in writing and shall be delivered personally to the Company's duly authorised agent at siding of delivery or posted by prepaid post addressed to the Company at its registered office in Perth or to the said agent at the said siding, and if so posted shall be deemed to be served on the date of receipt thereof by the Company or the agent.

7. The contract embodied in this certificate shall be deemed to have been made in Perth, and all moneys payable by the Grower shall be paid in Perth, and any legal proceedings arising out of such contract shall be brought in a Court held in the City of Perth and not otherwise.

Signed for the Westralian Farmers, Limited.

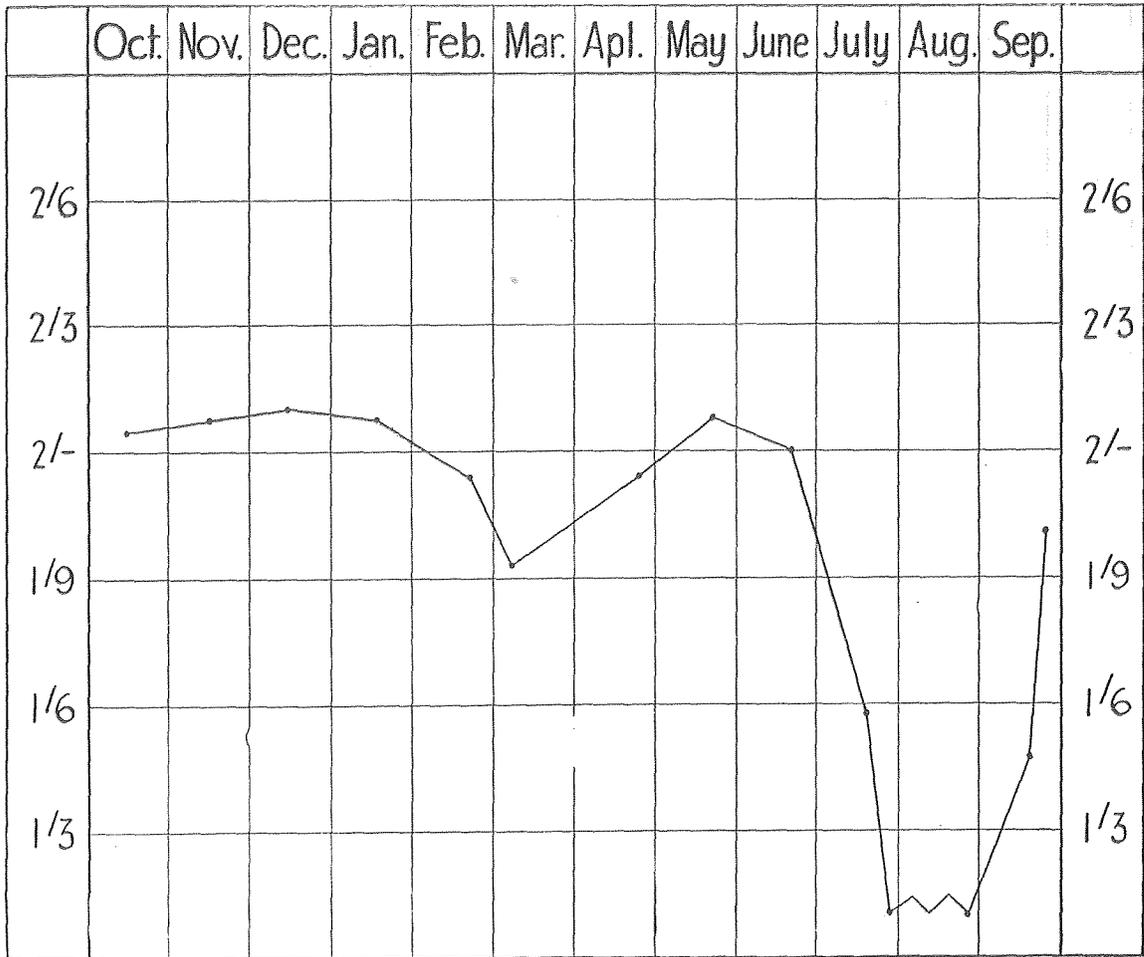
Date.....

.....Agent.

APPENDIX II. (1).

Season 1938-9.

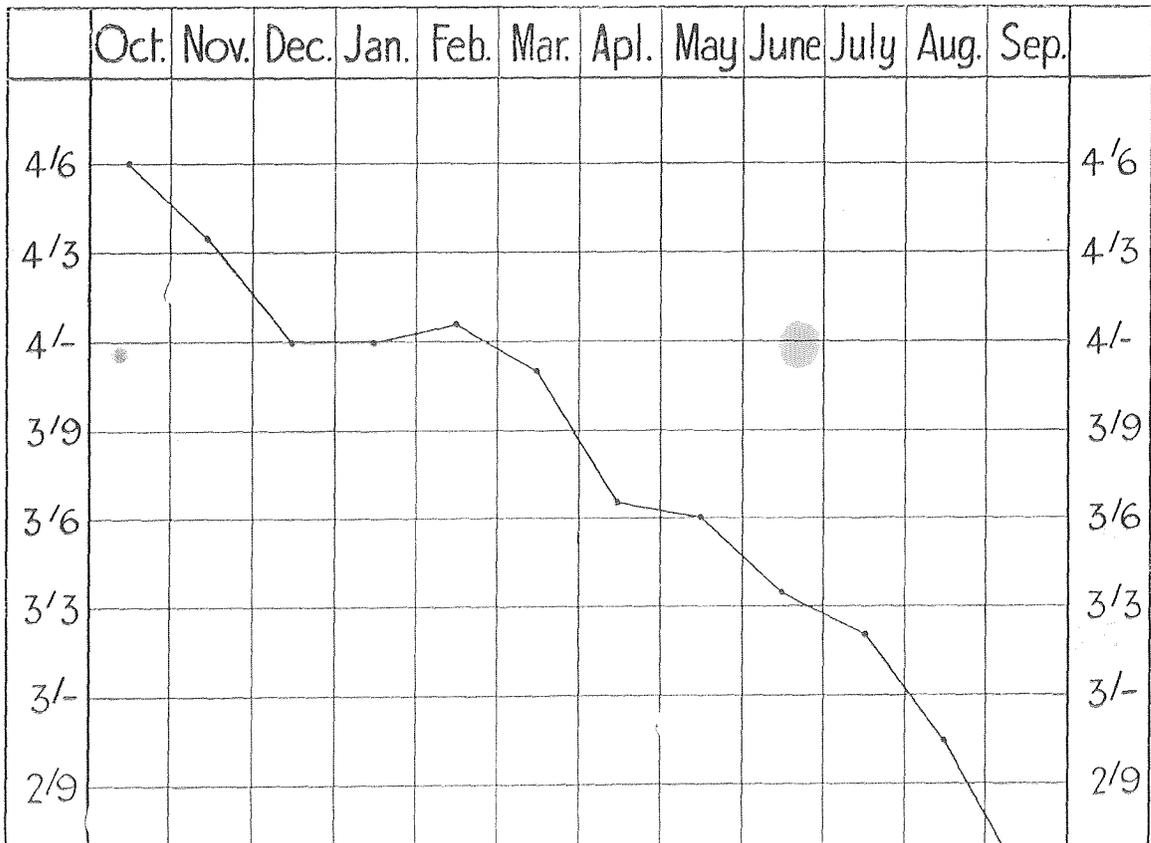
Wheat prices on a 4d. freight.



APPENDIX II. (2).

Season 1937-8.

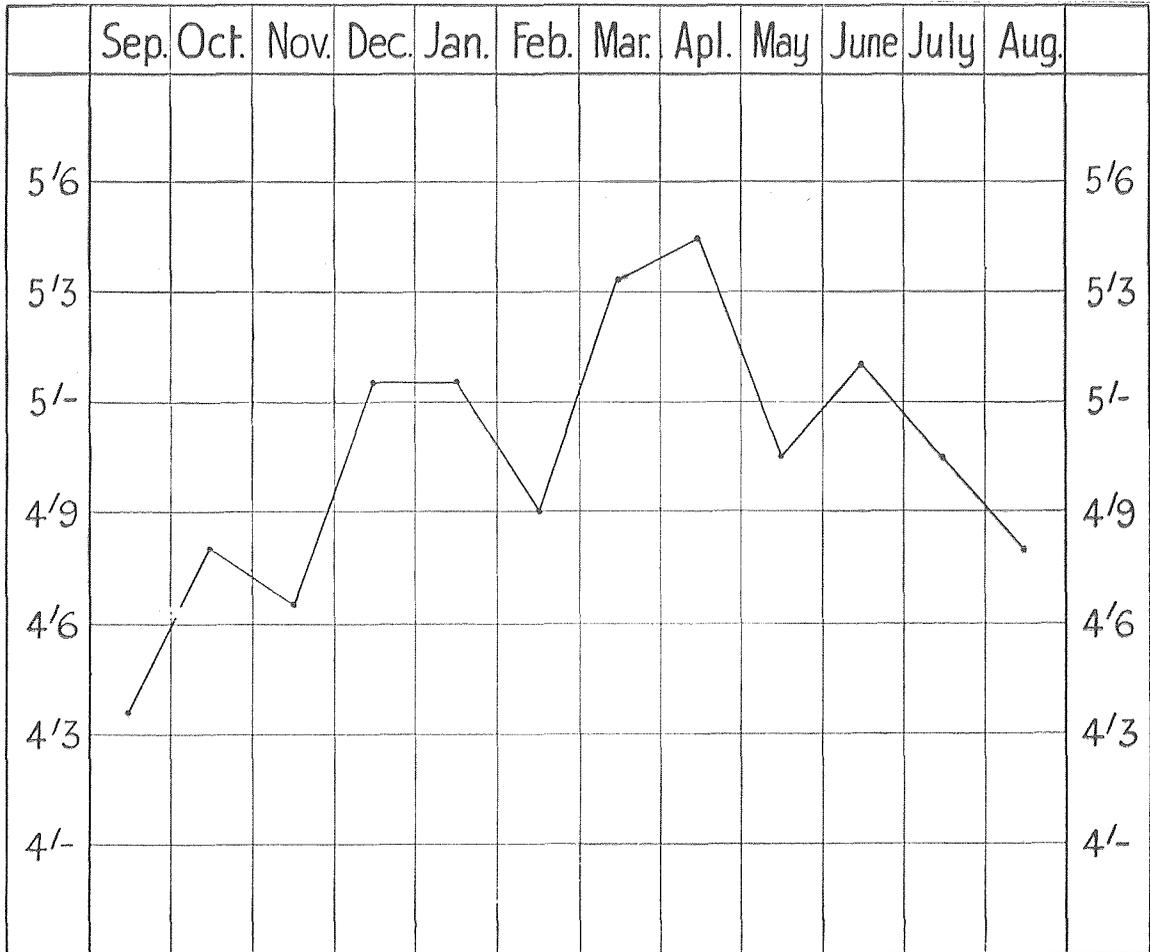
Wheat prices on a 4d. freight.



APPENDIX II. (3).

Season 1936-7.

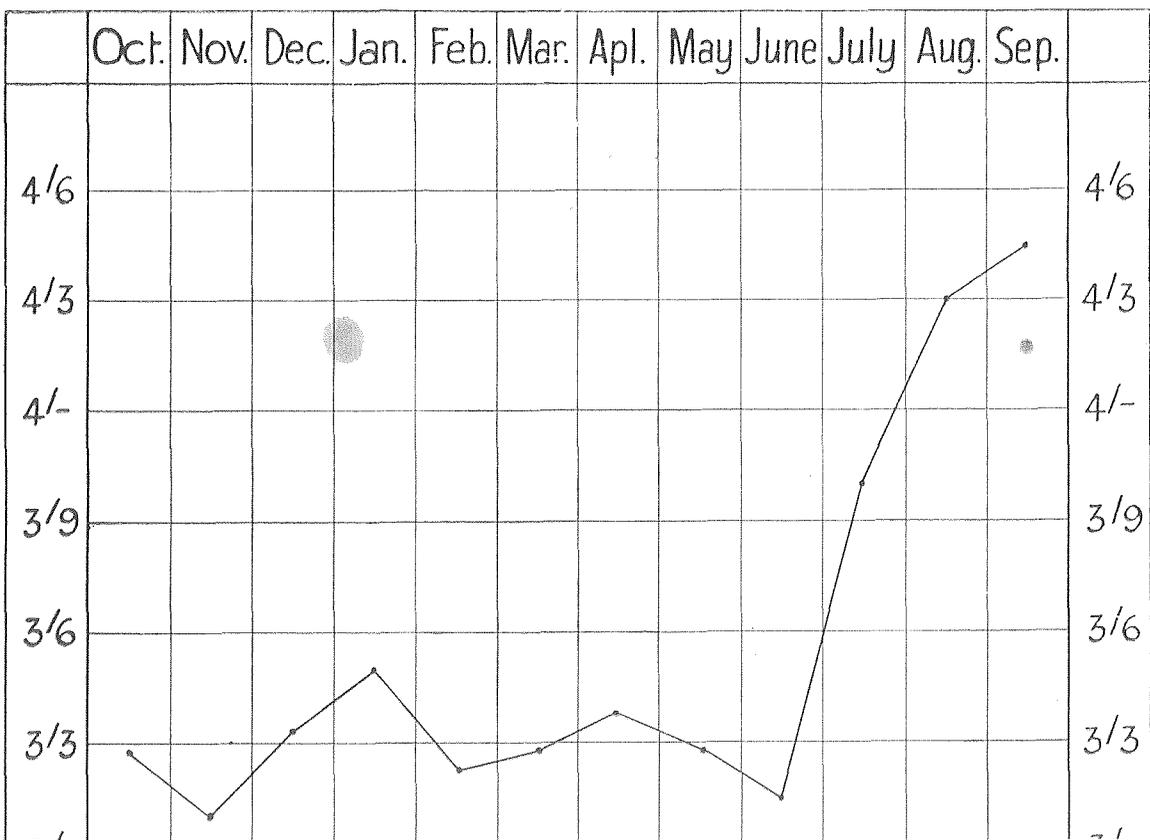
Wheat prices on a 4d. freight.



APPENDIX II. (4).

Season 1935-6.

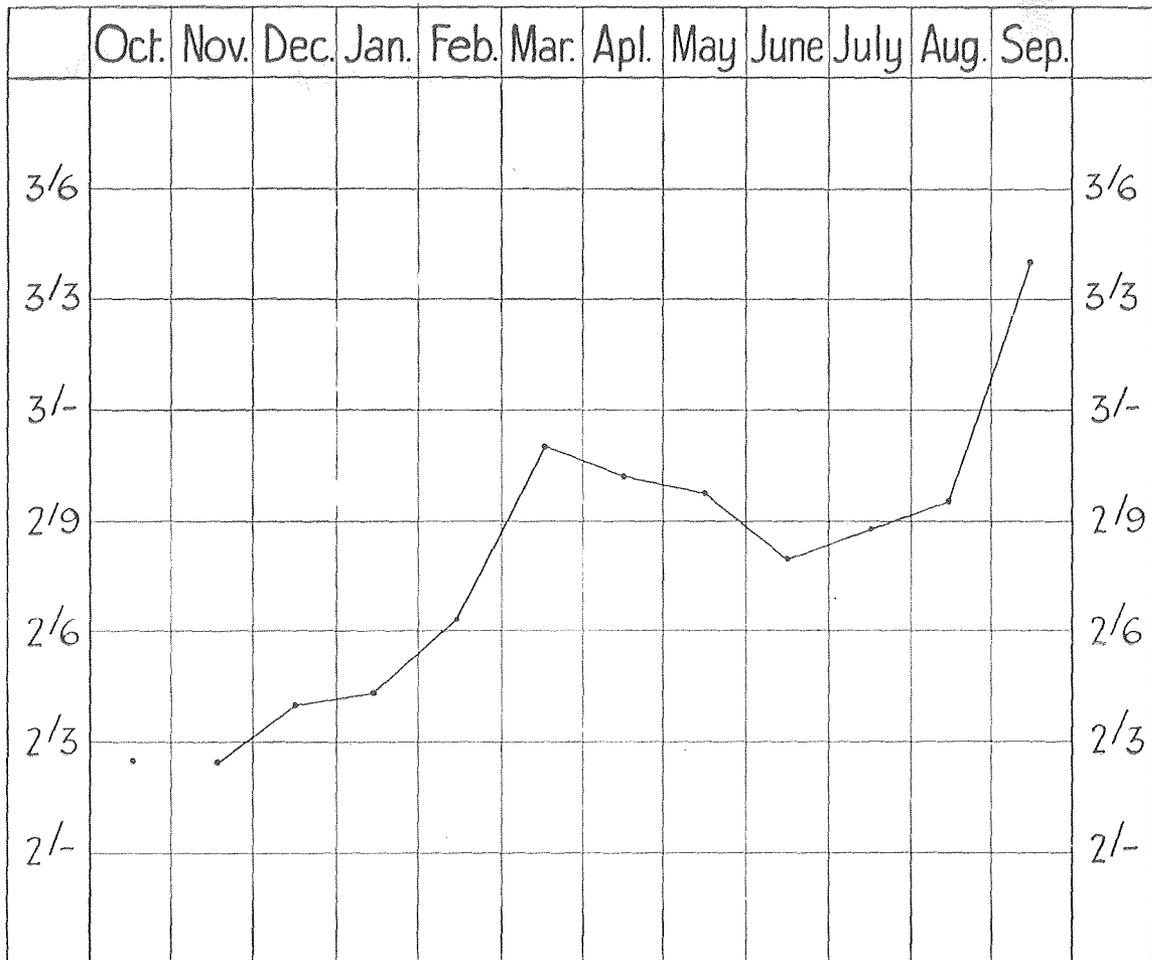
Wheat prices on a 4d. freight.



APPENDIX II. (5).

Season 1934-5.

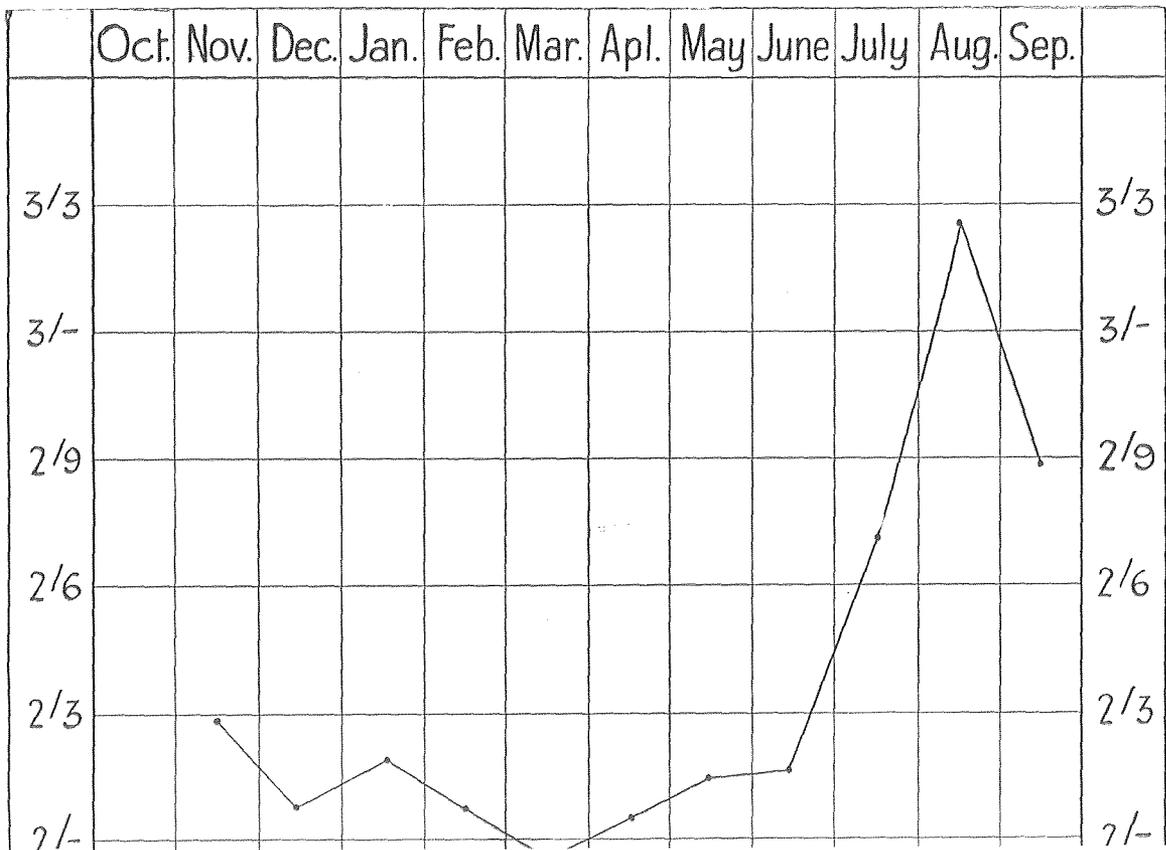
Wheat prices on a 4d. freight.



APPENDIX II. (6).

Season 1933-4.

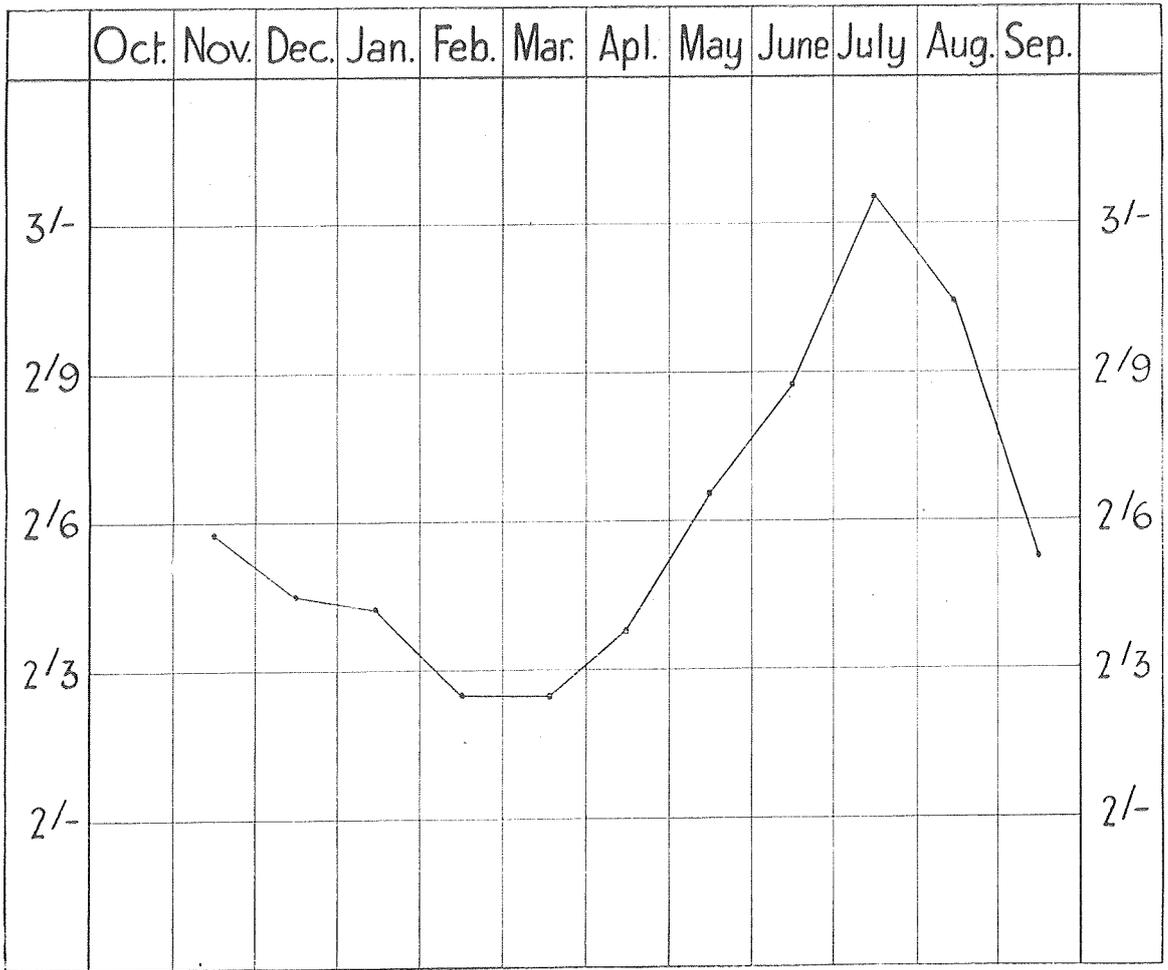
Wheat prices on a 4d. freight.



APPENDIX II. (7).

Season 1932-3.

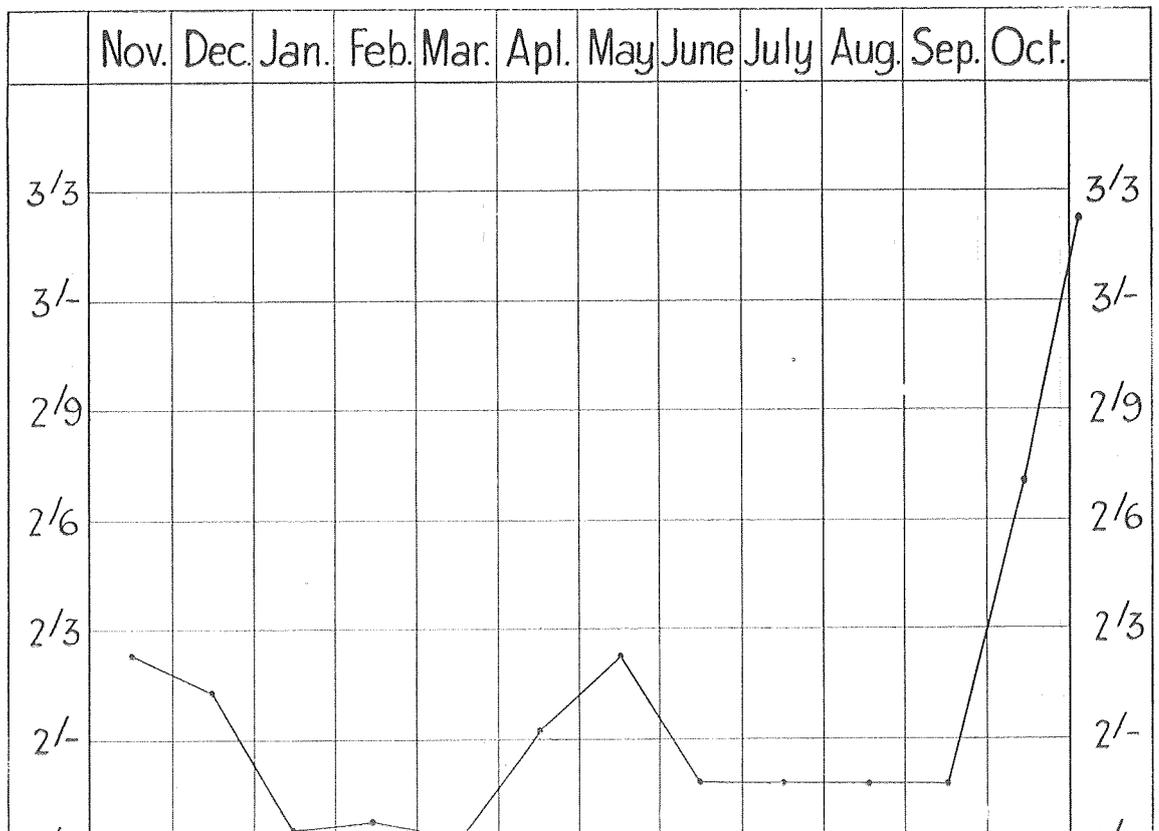
Wheat prices on a 4d. freight.



APPENDIX II. (8).

Season 1931-2.

Wheat prices on a 4d. freight.



APPENDIX III.

PART I.

RECORD OF AUSTRALIAN STEAMER CARGOES SHIPPED DURING JULY AND AUGUST, 1939.

(Extracted from the "West Australian" newspaper.)

Date.	State.	Cargo, in tons (charter).	Ship. (Whether sold for forward ship- ment, afloat or "arrived.")	Price.		
				C.I.F., per qr.	For W.A. Cargoes only.	
					F.O.B., per bus.	4d. Siding, per bus.
1939.				s. d.	s. d.	s. d.
July 21	Queensland	7,300	" Ambassador "		No price stated.	
" 21	Queensland	1,500	Sold afloat	18 3	...	...
" 22	Western Australia ...	250	" Toulouse " (afloat) ...	19 6	1 11.837	1 3.713
" 24	Western Australia ...	7,500	" King Neptune "	19 0	1 10.910	1 2.786
" 25	... ..	...	... ..	...	...	...
" 26	... ..	...	... ..	...	...	...
" 27	Western Australia ...	7,500	" Aequitas "	18 9	1 10.429	1 2.305
" 27	Western Australia ...	7,200	For September shipment ...	19 0	1 10.910	1 2.786
" 27	Western Australia ...	7,200	September-October shipment ...	19 0	1 10.910	1 2.786
" 28	... ..	...	... ..	...	...	...
" 29	Western Australia ...	2,500	Afloat " Willowbank " to Malta (U.K. parity)	18 9	1 10.429	1 2.305
" 31	Western Australia ...	6,800	" Danby " (September shipment)	19 6	1 11.837	1 3.713
" 31	Queensland	250	Afloat to Hull	18 6	...	...
" 31	Queensland	250	Afloat to London	18 6	...	...
Aug. 1	... ..	...	... ..	...	...	...
" 2	... ..	...	... ..	...	...	...
" 3	... ..	...	... ..	...	...	...
" 4	South Australia ...	8,654	<i>Ex</i> " Ripley " (afloat) ...	18 9	...	...
" 4	South Australia ...	8,600	<i>Ex</i> " King Edward " (September shipment to Liverpool)	19 6	...	...
" 5	Queensland	250	Afloat	18 6	...	...
" 7	South Australia ...	3,080	" Winterhude " (arrived) ...	19 3	...	...
" 8	... ..	...	... ..	...	...	...
" 9	... ..	...	... ..	...	...	...
" 10	Western Australia ...	9,152	" Anglo-African "	18 6	1 10.009	1 1.885
" 11	Western Australia ...	8,247	" Olivebank " (afloat) ...	18 0	1 9.084	1 0.960
" 12	... ..	...	... ..	...	...	...
" 14	Western Australia ...	3,000	" Willowbank " (afloat to Liver- pool)	18 6	1 10.009	1 1.885
" 14	South Australia ...	9,000	" Imperial Monarch "	18 0	...	...
" 15	... ..	...	... ..	...	...	...
" 16	Western Australia ...	8,050	" Trehata " (afloat)	18 0	1 9.084	1 0.960
" 16	Queensland	250	" Talisman "	18 6	...	...
" 17	Queensland	250	Afloat to Liverpool	17 6	...	...
" 18	... ..	...	... ..	...	...	...
" 19	... ..	...	... ..	...	...	...
" 21	South Australia ...	...	For October shipment to India	...	No price stated.	...
" 22	... ..	...	... ..	...	...	...
" 23	Western Australia ...	7,000	" King Frederick " (September- October shipment)	18 6	1 10.009	1 1.885
" 24	Western Australia ...	Parcel	" Willowbank " (afloat) ...	18 9	1 10.429	1 2.305
" 24	Queensland	250	Afloat	18 9	...	...
" 25	Queensland	Parcel	<i>Ex</i> Aageterk (afloat)	20 3	...	...
" 26	... ..	...	... ..	...	...	...
" 28	... ..	...	... ..	...	...	...
" 29	... ..	...	... ..	...	...	...
" 30	} No quotations on account of European situation.					
" 31	} No quotations on account of European situation.					
Sept. 1	} No quotations on account of European situation.					
" 2	} No quotations on account of European situation.					
" 4	} " In view of the international situation sellers of cargoes have withdrawn all offers and trading has been suspended."					
" 5 to	} No quotes.					
" 23	} No quotes.					

Note.—In arriving at the F.O.B. per bushel and 4d. siding per bushel value I have adopted the average figures set out in Part (3) of this Appendix.

Appendix III. PART I.—continued.

OVERSEAS SALES OF WESTERN AUSTRALIAN WHEAT from 20th July, 1939 to 23rd September, 1939.

Per quarter (480 lbs.) C.I.F.

			s.	d.	
22nd July	...	250 tons	19	6	"Toulouse"
24th July	...	7,500 tons	19	0	"King Neptune"
27th July	...	7,500 tons	18	9	"Acquitas"
27th July	...	7,200 tons	19	0	"Ramsay"
27th July	...	7,200 tons	19	0	Ship not known
29th July	...	2,500 tons	18	9	"Willowbank"
31st July	...	6,800 tons	19	6	"Danby"
10th August	...	9,152 tons	18	6	"Anglo-African"
11th August	...	8,247 tons	18	0	"Olivebank"
14th August	...	3,000 tons	18	6	"Willowbank"
16th August	...	8,050 tons	18	0	"Trehata"
23rd August	...	7,000 tons	18	6	"King Frederick"
24th August	...	3,274 tons	19	6	"Willowbank"
77,673 tons =			2,898,791 bushels.		

PART II.

The following formula used by the Trustees of the Wheat Pool of Western Australia for arriving at an F.O.B. value from a C.I.F. value is based on a C.I.F. value of 18s. 6d. a quarter with 30s. per ton ocean freight. It may be termed a normal set of costs. Other factors may increase or decrease the result. For example, if wheat is shipped in bulk by cutting bagged wheat, then, on the assumption that empty cornsacks obtained can be sold for 3s. 6d. a dozen (the price which ruled throughout most of the 1938-1939 wheat season) the result would be .269d. per bushel more. Then again, the formula is based on the assumption that the vessel is discharged at one port. There are occasions when vessels are sold to discharge at two or three ports, and the additional charge for each port is usually 1s. per ton English currency. If two or more ports are decided upon at the time of the sale the seller normally pays the additional ocean freight, but if the buyer decides to send the vessel to two or more ports after having bought the cargo on the basis of discharge at one port, the buyer pays the additional cost for the extra port or ports. An additional 1s. per ton English for ocean freight makes a difference of approximately .380d. per bushel F.O.B.

	d.	s.	d.
(1) C.I.F. 18s. 6d. per qr. (bulk) ... ..	...	2	3.750
(2) Bulk freight 30s. per ton ... ..	...	0	9.643
(3) ... ..	...	1	6.107
(4) London brokerage $\frac{1}{2}$ per cent. on (1) ... ..	.139		
(5) London selling commission 1.6 per qr. ... ..	.200		
(6) Superintendence 4.6 per ton ... ..	.123		
			0.462
(7) ... ..	...	1	5.645
(8) Discount to buyers 1 per cent. for 48 days on (3) ... ..	.024		
(9) Marine Insurance $\frac{4}{6}$ per cent. Plus war risk ... $\frac{5}{6}$ per cent.			
10/- per cent. on 2% above the value of (3) ... ..	.092		
Less 15 per cent.... ..	.014		
	.078		0 0.102
(10) ... ..	...	1	5.543
(11) Interest 3 per cent. for 49 days on (10) ... ..	...	0	0.071
(12) ... ..	...	1	5.472
(13) Exchange T/T £25 per cent. on (12) ... ..	...	0	4.368
(14) ... ..	...	1	9.840
(15) Discount on freight $4\frac{1}{2}$ per cent. on (2) plus 25 per cent. ... ..	.434 .108		
		0	0.542
(16) F.O.B. for wheat in bulk ... ..	...	1	10.382

APPENDIX V.

1938-39 SEASON.

APPROXIMATE STATEMENT OF PURCHASES AND SALES OF WHEAT.

THE WESTRALIAN FARMERS, LIMITED.

<i>Purchase of Wheat—</i>	bush.	lbs.	Average.	Amount.
			s. d.	£ s. d.
From Growers	3,972,993	42	2 5.300	485,036 6 3
From others	483,502	56	2 3.595	55,593 7 5
	4,456,496	38	2 5.115	540,629 13 8
<i>Sales of Wheat—</i>				
Various	4,456,496	38	2 4.882	536,302 4 6
Balance Loss ... ..	...		0 0.233	£4,327 9 2

In arriving at the above figures, overheads have been included to the extent of approximately £5,942.

Items included as overheads are—	£
Postages and Telegrams	292
Printing and Stationery	167
Sundry Expenses	20
Telephone	83
Administration, Management and Office Salaries	3,324
Office Expenses	272
Accounts	292
Audit Fees	150
Cables	456
Exchange on Cheques	163
Legal Expenses	104
Stamp Duty	184
Interest	241
Repairs and Renewals	21
Depreciation	173
	£5,942

We have examined the above figures, which in our opinion give a reasonably accurate statement of the result of the purchases and sales of wheat of The Westralian Farmers, Limited, for the 1938-39 Season.

The overhead charges as specified have been examined by us and in our opinion are correctly allocated to the Trading Section concerned.

(Sgd.) S. J. McGIBBON & Co.,
Chartered Accountants (Aust.)—Auditors.

22nd August, 1940.